Georox Resources Inc.

Condensed Interim Financial Statements

March 31, 2015 and 2014

(in Canadian dollars)

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

The Corporation'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 the condensed interim financial statements by an entity's auditor.

GEOROX RESOURCES INC.
Statements of Financial Position

	Note		***March 31, 2015***		*December 31, 2014*
Assets					
Current assets					
Trade and other receivables	14	**$**	**604,259**	$	685,442
Available-for-sale investments	7		**38,346**		53,364
Inventory			**21,486**		20,142
Total current assets			**664,091**		758,948
Non-current assets					
Property and equipment	5		**9,599,631**		9,738,628
Exploration and evaluation assets	6		**374,871**		358,209
Total assets		**$**	**10,638,593**	$	10,855,785
Liabilities					
Current liabilities					
Bank indebtedness	15	**$**	**3,268,623**	$	3,072,637
Trade and other payables	8		**704,129**		764,368
Short-term debt	15		**2,200,000**		2,200,000
	9				
Total current liabilities			**6,172,752**		6,037,005
Non-current liabilities					
Payable to shareholder	17		**125,000**		125,000
Provision for decommissioning	9		**1,297,599**		1,229,675
Total liabilities		**$**	**7,595,351**	$	7,391,680
Going concern	2				
Shareholders' equity					
Common shares	10(b)		**9,648,089**		9,648,089
Share purchase warrants	10(b)		**195,522**		195,522
Contributed surplus			**2,561,607**		2,557,768
Accumulated other comprehensive loss			**(30,038)**		(15,020)
Deficit			**(9,331,938)**		(8,922,254)
Total shareholders' equity			**3,043,242**		3,464,105
Total shareholders' equity and liabilities		**$**	**10,638,593**	$	10,855,785

Approved and authorised by the Board of Directors

Signed "Burkhard Franz", Director

Signed "Lorraine McVean", Director

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

GEOROX RESOURCES INC.
Statements of Income (Loss) and Comprehensive Income (Loss)
For the three months ended March 31,

	Note		2015	2014
Revenue				
Petroleum and natural gas			**556,085**	559,343
Royalties			**(22,326)**	(14,420)
		$	**533,759**	544,923
Expenses				
Operating			**315,653**	180,197
Exploration	6		**-**	-
Depreciation, depletion and impairment	5		**360,050**	36,818
Stock-based compensation	10(c)		**3,839**	-
General and administrative			**145,919**	143,328
			825,461	360,343
Operating Income (loss			**(291,702)**	184,580
Finance expense	11		**(117,982)**	(13,899)
Net income (loss) for the period			**(409,684)**	170,861
Other comprehensive income (loss)				
Net change in fair value of available for sale financial assets			**(15,018)**	(2,500)
Other comprehensive income (loss) for the period			**(15,018)**	(2,500)
Total comprehensive income (loss) for the period		$	**(424,702)**	168,181
Income (loss) from continuing operations per share				
Basic and diluted	16	$	**(0.01)**	0.01
Net income (loss) per share				
Basic and diluted	16	$	**(0.01)**	0.01

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

GEOROX RESOURCES INC.
Statements of Changes in Shareholders' Equity

	Common Shares						
	Number	***Amount $***	***Warrants $***	***Contributed surplus $***	***Accumulated other comprehensive loss $***	***Deficit $***	***Total Shareholders' Equity $***
Balance, December 31, 2013	27,146,185	9,302,776	-	2,535,148	(45,020)	(9,200,649)	2,592,255
Net change in available for sale investments (Note 7)	-	-	-	-	(2,500)	-	(2,500)
Net income for the period	-	-	-	-	-	170,681	170,681
Balance, March 31, 2014	27,146,185	9,302,776	-	2,535,148	(47,520)	(9,029,969)	2,760,434
Balance, December 31, 2014	35,597,107	9,648,089	195,522	2,557,768	(15,020)	(8,922,254)	3,464,105
Options share-based payments (Note 10 (c))	-	-	-	3,839	-	-	3,839
Net change in available for sale investments (Note 7)	-	-	-	-	(15,018)	-	(15,018)
Net income for the period	-	-	-	-	-	(409,684)	(409,684)
Balance, March 31, 2015	35,597,107	9,648,089	195,522	2,561,607	(30,038)	(9,331,938)	3,043,242

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

GEOROX RESOURCES INC.
Statements of Cash Flows
For the three months ended March 31,

	Note		***2015***		*2014*
Cash provided by (used in) the following:					
Operating activities					
Net income (loss) for the period		**$**	**(409,684)**		170,681
Adjustments for non-cash items:					
Stock - based compensation	10(c)		**3,839**		-
Depreciation, depletion and impairment	5		**360,050**		36,818
Finance expense – provision for decommissioning	11		**4,989**		1,528
		$	**(40,806)**	$	209,027
Changes in non-cash working capital balances:					
Increase (decrease) in trade and other receivables			**81,183**		(192,263)
Increase in inventory			**(1,344)**		(6,236)
Increase in trade and other payables			**(60,238)**		(118,528)
Net cash flows provided by operating activities		**$**	**(21,205)**	$	(108,000)
Investing activities					
Proceeds on sale of property and equipment			**-**		-
Purchase of property and equipment	5		**(158,119)**		(183,331)
Purchase of exploration and evaluation assets	6		**(16,662)**		(2,015)
Net cash flows used in investing activities		**$**	**(174,781)**	$	(185,346)
Financing activities					
Proceeds from revolving loan			**195,986**		293,346
Net cash flows used in financing activities		**$**	**195,986**	$	293,346
Net decrease in cash and cash equivalents			**-**		-
Cash and cash equivalents, beginning of period			**-**		-
Cash and cash equivalents (indebtedness), end of period		**$**	**-**	$	-
Cash interest paid			**112,993**		12,371
Cash taxes paid			**-**		-

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

1. Nature of operations

Georox Resources Inc. (the "Corporation" or "Georox") was incorporated under the Canada Business Corporations Act on April 14, 2003. The Corporation is listed on the TSX-Venture Exchange and its primary business is the acquisition of, exploration for, and the development of petroleum and natural gas properties in Canada.

The address of the Corporation's registered office is Suite 2400, 525-8th Avenue SW, Calgary, Alberta, Canada, T2P 1G1 and its principal place of business is 705 Royal Pine Drive, Kelowna, BC V1Y 9G2.

These financial statements were approved for issuance by the Board of Directors on June 1, 2015.

2. Going concern

These financial statements have been prepared on a going concern basis, which implies the Corporation will continue to realize its assets and discharge its liabilities in the normal course of business. The Corporation generated a net loss of $(409,684) (2014 – net income of $168,181) for the quarter ended March 31, 2015. As of March 31, 2015, the Corporation has a working capital deficiency of $5,506,161 (2014 – $898,159), and an accumulated deficit of $9,331,938 (2014 – $9,029,969). As such, there is a material uncertainty related to these conditions that may cast significant doubt on the Corporation's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Corporation as a going concern is dependent upon the ability of the Corporation to obtain necessary equity or other financing to continue exploring its oil and gas properties, and/or to attain sufficient profitable operations. The ability of the Corporation to be successful in obtaining financing cannot be predicted at the present time. These 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 Corporation be unable to continue as a going concern.

3. Statement of compliance

a) Statement of compliance

These financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect at the closing date of December 31, 2014.

b) Basis of measurement

The financial statements have been prepared on an historical cost basis, except as otherwise specified, as set out in the accounting policies below.

c) Presentation and functional currency

These financial statements are presented in Canadian dollars (unless stated otherwise), which is also the Corporation's functional currency.

d) Critical judgments, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

The following discussion sets forth management's most critical judgements and estimates:

3. Statement of compliance *(continued)*

d) Critical judgments, estimates and assumptions *(continued)*

Judgments:

Valuation of accounts receivable

The provision for doubtful accounts is reviewed by management on a monthly basis. Trade and other receivables are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. Management makes these assessments after taking into consideration the customer's payment history, their credit worthiness and the current economic environment in which the customer operates to assess impairment. The Corporation's historical bad debt expenses have not been significant and are usually limited to specific customer circumstances. However, given the cyclical nature of the oil and natural gas industry along with the current economic operating environment, a customer's ability to fulfil its payment obligations can change suddenly and without notice.

Exploration and evaluation assets

The Corporation is required to apply judgment when designating the nature of oil and gas activities as exploration, evaluation, development or production, and when determining whether the initial costs of these activities are capitalized.

Certain exploration and evaluation costs are initially capitalized with the intent to establish commercially viable reserves. Judgement is required to determine that the Corporation has obtained the right to explore, but has not yet determined proven reserves, therefore amounts remain in exploration and evaluation assets. The Corporation is required to make judgments about future events and circumstances and applies estimates to assess the economic viability of extracting the underlying resources. The costs are subject to technical, commercial and management review to confirm the continued intent to develop the project. Level of drilling success, or changes to project economics, resource quantities, expected production techniques, production costs and required capital expenditures, are important judgments when making this determination.

Decommissioning provisions

The Corporation recognizes liabilities for the future decommissioning and restoration of exploration and evaluation and development and production assets. Decommissioning provisions are estimated based on current legal and constructive requirements, technology, price levels and expected plans for remediation and are inflated to the date of decommissioning of the asset and discounted at a risk-free rate.

The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results. Management applies judgment in assessing the existence and extent as well as the expected method of reclamation of the Corporation's decommissioning and restoration obligations at the end of each reporting period.

Determination of Cash Generating Units

A cash generating unit ("CGU") is defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures, and the way in which management monitors the operations. Management has determined that the Corporation has four CGUs, namely Silverdale, Pouce Coupe, Coteau Lake and Red Earth.

Deferred Taxes

Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from the Corporation's estimate, the ability of the Corporation to realize the deferred tax assets could be impacted.

Deferred tax liabilities are recognized when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. The Corporation records a provision for the amount that is expected to be settled, which required the application of judgment as to the ultimate outcome. Deferred tax liabilities could be impacted by changes in the Corporation's judgment of the likelihood of a future outflow and estimates of the expected settlement amount, and the tax laws in the jurisdictions in which the Corporation operates.

3. Statement of compliance *(continued)*

d) Critical judgments, estimates and assumptions *(continued)*

Estimates:

Depletion and valuation of production and development assets

Measurements of depletion, depreciation, impairment and decommissioning and restoration obligations are determined in part based on the Corporation's estimate of oil and gas reserves. The estimation of reserves and resources is an inherently complex process and involves the exercise of professional judgment. All reserves and resources have been evaluated at December 31, 2014 by independent qualified reserves evaluators in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities.* The reserves and resource estimates are based on the definitions and guidelines contained in the Canadian Oil and Gas Evaluation Handbook.

Oil and gas reserves and resources estimates are based on a range of geological, technical and economical factors, including projected future rates of production, projected future commodity prices, engineering data, and the timing and amount of future expenditures, all of which are subject to uncertainty. Estimates reflect market and regulatory conditions existing at December 31, 2014, which could differ significantly from other points in time throughout the year, or future periods. Changes in market and regulatory conditions and assumptions can materially impact the estimation of net reserves.

Stock options and warrants

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

The Company assesses its petroleum and natural gas ("P&NG") interests for possible impairment if there are events or changes in circumstances that indicate the carrying values of the assets may not be recoverable. Such indicators include changes in the Company's business plans, changes in commodity prices, evidence of physical damage and significant downward revisions to estimated recoverable volumes or increases in estimated future development expenditures. The assessment of impairment for P&NG interests involves comparing the carrying value of the CGU with the higher of value in use and fair value less costs to sell. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional supply-and-demand conditions for crude oil, natural gas and liquids.

4. Significant accounting policies

These condensed interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements of the Corporation for the year ended December 31, 2014. The disclosures provided below are incremental to those included in the notes to the annual financial statements and certain disclosures, which are normally required to be included in the notes to the annual financial statements, have been condensed or omitted. These condensed interim financial statements should be read in conjunction with the annual financial statements and notes thereto in the Corporations' annual filings for the year ended December 31, 2014.

5. Property and equipment

Cost	*Petroleum and natural gas interests and equipment*	*Administrative assets*	*Total*
Balance at December 31, 2013	6,379,954	16,061	6,396,015
Additions, including acquisition	183,330	-	183,330
Change in decommissioning liability	10,293	-	10,293
Balance at March 31, 2014	**6,573,577**	**16,061**	**6,589,638**
Balance at December 31, 2014	14,937,219	16,061	14,953,280
Additions, including acquisition	158,580	-	158,580
Change in decommissioning liability	62,473	-	62,473
Balance at March 31, 2015	**15,158,272**	**16,061**	**15,174,333**
Accumulated depletion, depreciation and impairment			
Balance at December 31, 2013	3,291,278	16,061	3,307,339
Depletion, depreciation and impairment	36,818	-	36,818
Balance at March 31, 2014	**3,328,096**	**16,061**	**3,344,157**
Balance at December 31, 2014	5,198,591	16,061	5,214,652
Depletion, depreciation and impairment	360,050	-	360,050
Balance at March 31, 2015	**5,558,641**	**16,061**	**5,574,702**
Net book value at March 31, 2014	3,245,481	-	3,245,481
Net book value at December 31, 2014	9,738,628	-	9,738,628
Net book value at March 31, 2015	**9,599,631**	**-**	**9,599,631**

Future capital expenditures of $4,983,000 (2014 - $992,000), as estimated by independent engineers, relating to the development of reserves have been included in costs subject to depletion.

For the year ended December 31, 2014, the Corporation recorded an impairment loss of approximately $416,000 (2013 - $560,000) on development and production assets in respect of the Poucecoupe and Coteau Lake (2013 - Coteau Lake) CGU's. The impairment was primarily a function of reduced estimated reserve values due to the lower commodity price environment. The recoverable amount of the Poucecoupe and Coteau Lake CGU's is approximately $1,340,000 and nil, respectively.

The Corporation determined the recoverable amounts for its CGU's based on the higher of value-in-use and fair value less costs to sell methods using independent reserve engineers. In determining the recoverable amount, the Corporation considered recent transactions within the industry, long-term views of commodity prices, externally evaluated reserve volumes, and discount rates specific to the CGU. The calculation of the recoverable amount is sensitive to the assumptions regarding production volumes, discount rates, operating costs structures and commodity prices. In computing the recoverable amount, future cash flows were adjusted for risks specific to the CGU's, reduced by a cost to sell of 2% (2014 – 2%) and discounted using a before-tax discount rate of 12% (2014 – 12%).

The prices used in the impairment assessment were as follows:

	2015	*2016*	*2017*	*2018*	*2019*	*Increase thereafter*
Light Oil per BBL ($Cdn)	70.35	87.36	98.28	99.75	101.25	1.5%
Heavy Oil per BBL ($Cdn)	60.50	75.13	84.52	85.79	87.07	1.5%
Natural Gas ($Cdn)	3.32	3.71	3.90	4.47	5.05	1.5%

6. Exploration and evaluation assets

Cost		
Balance at December 31, 2013	$	792,358
Additions		2,015
Change in provision for decommissioning		530
Balance at March 31, 2014	**$**	**794,903**
Balance at December 31, 2014	$	358,209
Additions		16,201
Change in provision for decommissioning		461
Balance at March 31, 2015	**$**	**374,871**

Exploration and evaluation assets ("E&E") are not subject to depletion, as they are in the exploration and evaluation stage, but are reviewed on a quarterly basis for any indication of impairment. As at December 31, 2014, the Corporation determined that indicators of impairment existed on certain E&E areas and as a result recorded an impairment of $478,529 (2013 - $nil). The impairment indicators consisted of management's plans to reallocate capital resources from areas where they have less than 100% working interest, namely the Lashburn and Kiscoty areas, to CGU's that contain proved and producing reserves or E&E areas where the Corporation has 100% control. This decision is mainly the result of the depressed crude oil environment.

7. Available for sale investments

		2015		*2014*
Investments in Securities				
Investment in high interest yield account	**$**	**3,346**	$	3,332
500,000 common shares, Yorkton Ventures Inc.		**35,000**		17,500
	$	**38,346**	$	20,832

The common shares held are recorded at fair value using quoted closing market prices at the statement of financial position date. During the quarter, the Corporation recorded an unrealized loss in the change in fair value of $15,018 (2014 – unrealized loss of $2,500) which has been recorded in other comprehensive income (loss).

8. Trade and other payables

		2015		*2014*
Trade payables	**$**	**620,751**	$	474,496
Accruals and other accounts payable		**64,356**		68,735
GST/HST Payable		**19,022**		10,589
Total trade and other payable	**$**	**704,129**	$	553,820

Trade payables are non-interest bearing and are normally settled on 30 day terms.

9. Provision for decommissioning

The Corporation estimates the total inflation-adjusted undiscounted amount of cash flows required to settle its decommissioning liabilities, before salvage proceeds, at March 31, 2015 to be $1,491,874 (2014 - $359,860) which will be incurred at various times over the next two to twenty years. The fair value of the decommissioning liability was calculated using risk free rates ranging from 0.49% to 1.79% and an inflation factor of 2.0% (2014 – 1.06% to 2.82%, and 2.0% respectively). Settlement of the obligations will be funded from general corporate funds at the time of retirement. As at March 31, 2015, no funds have been set aside to settle these obligations (2014 - $nil).

Balance at December 31, 2013	$	261,130
Changes in estimates and assumptions		10,822
Unwinding of discount		1,528
Balance at March 31, 2014	**$**	**273,480**
Balance at December 31, 2014	$	1,229,675
Changes in estimates and assumptions		62,935
Unwinding of discount		4,989
Balance at December 31, 2014	**$**	**1,297,599**

10. Share capital

(a) Authorized
Unlimited number of common shares

(b) Issued

	2015		*2014*	
	Number of Shares	*Amount*	*Number of Shares*	*Amount*
Balance, beginning of period	**35,597,107**	**$ 9,648,089**	27,146,185	$ 9,302,776
Balance, end of period	**35,597,107**	**$ 9,648,089**	27,146,185	$ 9,302,776

On May 13, 2014, the Corporation completed a private placement of 8,450,922 units of the Corporation at a price of $0.065 per Unit for aggregate gross proceeds of $549,310. Each Unit consisted of one common share of the Corporation and one-half of one Common Share purchase warrant. Each full warrant is exercisable into a common share at a price of $0.14 per common share until June 30, 2015. The fair value of the 4,225,461 warrants, $195,522, was determined using the Black-scholes option pricing model using the following assumptions: Risk-free interest rate 1.05%; Expected life of 1 year; expected volatility of 142%.

10. Share capital *(continued)*

(c) Stock Options

The Corporation has a stock option plan for the purchase of common shares for its directors, officers, employees and other service providers. The aggregate number of common shares reserved for issuance under the plan will not exceed 10% of its issued and outstanding common shares. No one person shall be granted options representing more than 5% of the issued and outstanding common shares of the Corporation. The maximum number of shares which may be reserved for issuance to any consultant in any 12-month period shall be 2% of the shares issued and outstanding at the time of the grant. The maximum number of shares which may be reserved for issuance to investor relations employees in any 12-month period shall be 2% of the shares issued and outstanding at the time of the grant. The options are non-assignable and non-transferable and may be granted for a term not exceeding five years. The exercise price of the options is fixed by the Board of Directors of the Corporation and shall be determined on the basis of the market price of the shares at the time of grant, subject to all applicable regulatory requirements. Stock options granted under the Corporation's stock option plan cannot be traded.

During the quarter ended March 31, 2015, $nil (2014 – $nil) options were granted to directors of the Corporation and $nil (2014 – $nil) options were granted to management of the Corporation.

During the quarter ended March 31, 2015, stock-based compensation of $3,839 (2014 - $nil) was recorded relating to stock options which vested during the current year.

As at March 31, 2015, the following options are outstanding:

Date of Grant	***Number outstanding***	***Number exercisable***	***Weighted average exercise price***	***Expiry date***
September 15, 2010	250,000	250,000	0.22	September 14, 2015
August 17, 2011	475,000	475,000	0.15	August 17, 2016
June 10, 2014	600,000	200,000	0.10	June 11, 2015
June 17, 2014	150,000	150,000	0.10	June 18, 2015
	1,475,000	1,075,000	0.14	

11. Finance expense

		2015		*2014*
Interest income	**$**	**-**	$	-
Interest expense		**(112,993)**		(12,371)
Unwinding of discount on provision for decommissioning		**(4,989)**		(1,528)
Finance expense	**$**	**(117,982)**	$	(13,899)

12. Key management remuneration

Key management personnel include executive officers and non-executive directors. Executive officers are paid a salary and participate in the Corporation's stock option program. The executive officers include the Chief Executive Officer, Chief Financial Officer, and Vice President, Exploration. Non-executive directors also participate in the Corporation's stock option program. Key management personnel compensation is comprised of the following:

		2015		*2014*
Salaries	**$**	**30,000**	$	15,000
Stock-based compensation		**3,839**		-
Total key management remuneration	**$**	**33,839**	$	15,000

For the quarter ended March 31, 2015, 62,500 DSU's were granted (2014 – 62,500), with a fair value of $3,750 (2013 - $3,750) which is included in general and administration expense. As at March 31, 2015, 321,875 DSU's (2014 – 62,500), were vested and outstanding and $20,750 (2013 - $3,750) is included in trade and other payables.

	2015 Number of DSU's	*2014 Number of DSU's*
Balance at December 31	-	-
Granted	321,875	62,500
Outstanding at March 31	321,875	62,500
Exercisable at March 31	321,875	62,500

13. Taxes

At December 31, 2014, the Company has approximately $3,424,000 (2013 - $2,318,500) losses available, which can be applied against taxable income in future years in Canada. The potential income tax benefits of these losses have not been recognized. The losses, if unutilized, will expire as follows:

Year	Amount	
2025		6,300
2026	$	632,400
2027		732,700
2028		451,800
2029		154,900
2030		333,000
2033		7,400
2034		1,105,500
	$	3,424,000

14. Fair values and risk management

(a) Fair values

The Corporation's financial instruments consist of cash and cash equivalents, trade and other receivables, available-for-sale investments, trade and other payables, short-term debt and shareholder loan. The fair value of cash and cash equivalents, trade and other receivables, trade and other payables and short-term debt approximate their carrying value due to the short-term nature of those instruments. The fair value of payable to shareholder approximates its carrying amount due to terms and conditions approximating market. The available-for-sale investments are recorded at fair value using quoted closing market prices at the statement of financial position date.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities are determined based on one of the following three hierarchies:

- Level 1 is determined by reference to quoted prices in active markets for identical assets and liabilities.
- Level 2 includes valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly and can be substantially observed or corroborated in the marketplace.
- Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Cash and cash equivalents and available for sale investments are measured at fair value based on a Level 1 designation.

(b) Risk factors

The Corporation is exposed to financial risks arising from its financial assets and liabilities. The Corporation manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Corporation are:

(i) Credit risk

Credit risk is primarily related to accounts receivable from petroleum and natural gas property operators and joint venture partners and to the risk of financial loss if a partner or counterparty to a financial instrument fails to meet its contractual obligations. The Corporation makes allowance for doubtful accounts based on management's assessment of collectability. The allowance for doubtful accounts at March 31, 2015 was $nil (2014 - $nil). As at March 31, 2015 and March 31, 2014, the majority of accounts receivable relates to amounts due from marketers of the Corporation's oil and natural gas amounts. The Corporation believes that its counterparties currently have the financial capacity to settle obligations in the normal course of business. Management will monitor the credit rating with its marketers to ensure no collection issues arise. Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. There were no receivables allowed for or written off during the quarters ended March 31, 2015 or 2014.

All of the Corporation's operations are currently conducted in Canada. The Corporation's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting receivables. Management believes the risk is mitigated by the size and reputation of the companies to which they extend credit.

As at March 31, 2015 and 2014, the Corporation's trade and other receivables were comprised of the following:

		2015		*2014*
Petroleum and natural gas sales	**$**	**298,659**	$	347,567
Joint venture receivables		**142,082**		194,908
Receivable from related parties (Note 20)		**163,518**		197,832
	$	**604,259**	$	740,307

14. Fair values and risk management *(continued)*

(i) Credit risk *(continued)*

As at March 31, 2015 and 2014, the Corporation's trade receivables relating to petroleum and natural gas sales and joint venture receivables are aged as follows:

		2015		2014
Current (0 to 30 days)	**$**	**240,397**	$	525,827
31 to 60 days		**13,237**		10,043
61 to 90 days		**3,997**		4,900
Past due (over 90 days)		**183,110**		1,705
Total trade receivables	**$**	**440,741**	$	542,475

The Corporation is also exposed to credit risk associated with cash and cash equivalents. The risk is mitigated as the cash and cash equivalents are maintained with major Canadian financial institutions.

(ii) Liquidity risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its liabilities when due. As at March 31, 2015, the Corporation has a line of credit with its bank of $4,700,000 and the amount drawn is $3,100,000. With the Corporation's continuing cash flow from operations and remaining line of credit, the Corporation would have sufficient cash equivalent to settle its trade and other payables of $704,129 (2014 – $552,570). The Corporation's working capital at March 31, 2015 was negative $5,508,661 (2014 – negative $898,159). All of the Corporation's financial liabilities have contractual maturities of 30 days or less and are subject to normal trade terms and are scheduled for payment within one year.

Typically, the Corporation ensures that it has sufficient cash on hand to meet expected operational expenses for a period of 12 months. Management believes that the Corporation has sufficient funds to pay its ongoing administrative expenses and to meet its liabilities for the ensuing year as they fall due.

(iii) Market risk

Market risk consists of interest rate, foreign currency and commodity price risks.

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 Corporation's cash and cash equivalents are exposed to minimal interest rate risk. The Corporation is mainly exposed to interest rate risk through its revolving line of credit (Note 15). A 1% change in interest rates would impact the Corporation's net income by approximately $30,000. The Corporation's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Corporation periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Foreign currency risk
The Corporation's functional currency is the Canadian dollar. Management believes the foreign exchange risk from currency fluctuations relating to financial instruments held in foreign currencies is negligible. At March 31, 2015 and 2014 the Corporation held no foreign currency.

Commodity price risk
The nature of the Corporation's operations results in exposure to commodity price fluctuations. The Corporation closely monitors commodity prices to determine the appropriate course of action to be taken by the Corporation. The Corporation does not hedge commodity price risk and has no physical forward price or financial derivative sales contracts as at or during the three months ended March 31, 2015 or 2014.

During the quarter ended March 31, 2015, if production remained constant and the Corporation realized commodity prices changed by $1.00 per barrel of oil equivalent, the Corporation's net income would vary by $13,596 (2014 - $7,547).

15. Capital management

The Corporation's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, to sustain the development of the Corporation's current capital projects and for future development of the Corporation. The Corporation monitors its working capital and expected capital spending and raises additional equity by the issue of share capital to manage its development plans. The Corporation has no externally imposed capital requirements apart from the banking covenants on the Corporation's credit facilities.

The Corporation continues to assess additional petroleum and natural gas projects and plans to raise additional debt or equity amounts as needed to fund acquisitions and to maintain sufficient working capital to meet administrative expenditures.

The Corporation considers its capital structure to be working capital. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable. There were no changes in the Corporation's approach to capital management during the three months ended March 31, 2015. The Corporation's working capital at March 31, 2015 was negative $5,508,661 (2014 – negative $898,159).

Credit Facilities

Revolving and acquisition loans

The Corporation has an agreement with a financial institution for a revolving line of credit with a maximum available credit of $4,700,000 (2013 – $1,500,000) and a $500,000 demand acquisition facility (the "Senior Lender Facilities") subject to the bank's prior review of the proposed acquisition prior to use. The revolving line of credit bears interest at prime plus 2% while the demand acquisition facility bears interest at prime plus 2.5%. The initial drawdown fee of 0.5% on the amount advance is payable at the time of the drawdown authorization by the bank. The facilities are secured by a $25,000,000 floating charge debenture and a general securities agreement on the assets of the Corporation. The amount available under these facilities is re-determined at least once a year and is primarily based on the Corporation's oil and gas reserves, forecast commodity prices, the current economic environment and other factors as determined by the bank. As at March 31, 2015 the amount drawn on the revolving line of credit was $3,268,623 (2014 – $820,283) and the amount drawn on the demand acquisition loan was nil (2014 - $nil). Currently the bank is reviewing the line of credit and the Corporation has no knowledge whether the line of credit will be renewed at this time. The revolving line of credit is subject to a financial covenant with respect to maintaining a working capital ratio of greater than 1.00:1.00. As at March 31, 2014, the Corporation was in compliance with this covenant.

Short-term debt

The Corporation also arranged for a short term debt facility of $2,200,000, subordinated to the Senior Lender Facilities, bearing interest at 14% and is due and payable on April 30, 2015. The short-term debt is secured by a promissory note, $4,000,000 debenture from the Corporation providing a security interest in all present and after acquired property, fixed charge on all oil and gas assets and a floating charge over all other present and after acquired real property, unlimited guarantees from certain affiliates and subordination and postponement of present and future indebtedness of a shareholder. This loan is currently being reviewed by the lender and the Corporation has no knowledge whether the facility will be renewed at this time. This short term debt facility is subject to certain financial covenants with respect to working capital ratio of greater than 1.0:1.0 and debt to trailing cash flow of 2.5:1.0. As at March 31, 2015 the Corporation was in compliance with these covenants.

16. Income (loss) per share

The calculation of basic income (loss) per share for the three months ended March 31, 2015 was based on a weighted average number of common shares of 35,597,107 (2014 - 27,146,185).

Diluted per share information is calculated by adjusting the weighted average number of common shares outstanding for the effects of potentially dilutive 1,475,000 options (2014 - 1,900,000 options). Loss per share on a diluted weighted average basis is the same as that presented for basic as all factors are anti-dilutive.

17. Related party transactions

During the quarter ended March 31, 2015, $15,000 (2014 - $30,000) was expensed for legal services provided by a law firm of which a director of the Corporation is a partner. Included in trade and other payables at March 31, 2015 is $15,000 (2014 - $30,000) owing to this law firm.

During the quarter ended March 31, 2015, management and consulting fees of $54,000 (2014 - $42,000) included in general and administrative expenses were charged by two officers of the Corporation and by a company controlled by an officer. In May 2013 an officer and a shareholder granted a subordinated unsecured loan in the amount of $125,000 to facilitate the purchase of the Pouce Coupe acquisition for the Corporation. This loan bears interest at 5% per annum, and is repayable on demand. As the shareholder has provided a written waiver indicating they will not demand payment within the next twelve months the full payable to shareholder has been classified as a long-term liability.

The above transactions with related parties are in the normal course of business and are at terms agreed to by the related parties.