OIL OPTIMIZATION INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

Notice To Reader

The accompanying unaudited condensed consolidated interim financial statements of Oil Optimization Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

Oil Optimization Inc.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)
Unaudited

	As at September 30, 2015	As at December 31, 2014
ASSETS		
Current assets		
Cash	**$ 4,671**	$ 12,434
Other current assets	**1,799**	13,501
Total current assets	**6,470**	25,935
Non-current assets		
Exploration and evaluation assets (note 6)	**158,086**	158,086
Total non-current assets	**158,086**	158,086
Total assets	**$ 164,556**	$ 184,021
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities (notes 6 and 7)	**$ 652,351**	$ 646,054
Advances from related party (note 7)	**853,687**	647,645
Total liabilities	**1,506,038**	1,293,699
Shareholders' deficiency		
Share capital (note 8)	**9,363,451**	9,363,451
Contributed surplus (note 9)	**1,044,204**	1,007,474
Translation of foreign operations	**37,274**	64,655
Deficit	**(11,786,411)**	(11,545,258)
Total shareholders' deficiency	**(1,341,482)**	(1,109,678)
Total liabilities and shareholders' deficiency	**$ 164,556**	$ 184,021

The accompanying notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

General information (note 1)
Going concern (note 2)
Commitments and contingencies (notes 6 and 12)
Subsequent events (note 14)

Approved on behalf of the Board:

"Luc Desmarais", Director

"David Paterson", Director

Oil Optimization Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
Unaudited

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Expenses				
Employee salaries and benefits (note 7)	**$ 30,000**	$ 6,000	**$ 90,176**	$ 32,150
General and administrative	**(5,185)**	(6,200)	**83,408**	40,389
Stock based compensation (note 9)	**9,841**	18,492	**36,730**	56,525
Foreign exchange loss	**8,272**	1,195	**15,384**	1,195
Total expenses	**42,928**	19,487	**225,698**	130,259
Other items				
Work commitment charge (note 6)	**-**	49,124	**-**	49,124
Total other items	**-**	49,124	**-**	49,124
Net loss from continuing operations	**(42,928)**	(68,611)	**(225,698)**	(179,383)
Net loss from discontinued operations (note 5)	**-**	(1,100,959)	**(15,455)**	(1,158,119)
Net loss for the period	**(42,928)**	(1,169,570)	**(241,153)**	(1,337,502)
Other comprehensive loss from discontinued operation				
Items that will be reclassified subsequently to income				
Effect of translation of foreign operations	**-**	(27,764)	**(27,381)**	(30,961)
Total comprehensive loss for continued operations for the period	**$ (42,928)**	$ (68,611)	**$ (225,698)**	$ (179,383)
Total comprehensive loss for discontinued operation for the period	**$ -**	$ (1,128,723)	**$ (42,836)**	$ (1,189,080)
Total comprehensive loss for the period	**$ (42,928)**	$ (1,197,334)	**$ (268,534)**	$ (1,368,463)
Basic and diluted net loss per share - continued operations	**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.00)
Basic and diluted net loss per share - discontinued operation	**$ (0.00)**	$ (0.01)	**$ (0.00)**	$ (0.01)
Weighted average number of common shares outstanding	**124,468,898**	124,468,898	**124,468,898**	124,468,898

The accompanying notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

Oil Optimization Inc.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
Unaudited

Nine months ended September 30,	2015	2014
Operating activities		
Net loss for the period	**$ (225,698)**	$ (179,383)
Items not involving cash:		
Stock based compensation	**36,730**	56,525
Changes in non-cash working capital items:		
Other current assets	**(9,142)**	16,304
Accounts payable and accrued liabilities	**39,621**	14,116
Cash used by discontinued operation	**(27,729)**	(1,201,785)
Net cash used in operating activities	**(186,218)**	(1,294,223)
Investing activities		
Restricted cash proceeds	**-**	1,169,964
Cash used by discontinued operation	**(206)**	(14,144)
Net cash (used in) provided by investing activities	**(206)**	1,155,820
Financing activities		
Advances from related party	**206,042**	60,000
Cash from discontinued operation	**-**	49,496
Net cash provided by financing activities	**206,042**	109,496
Effect of exchange rate changes on cash from discontinued operation	**(27,381)**	(76)
Net change in cash	**(7,763)**	(28,983)
Cash, beginning of period	**12,434**	46,900
Cash, end of period	**$ 4,671**	$ 17,917

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Oil Optimization Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' (Deficiency) Equity
(Expressed in Canadian Dollars)
Unaudited

Equity attributable to shareholders

	Share Capital	Contributed Surplus	Translation of Foreign Operations	Deficit	Total
Balance, December 31, 2013	**$ 9,363,451**	**$ 814,754**	**$ 78,033**	**$ (9,832,933)**	**$ 423,305**
Net loss for the period from continued operations	-	-	-	(179,383)	(179,383)
Net loss from discontinued operation	-	-	-	(1,158,119)	(1,158,119)
Translation of foreign operations	-	-	(30,961)	-	(30,961)
Stock based compensation	-	56,525	-	-	56,525
Balance, September 30, 2014	**$ 9,363,451**	**$ 871,279**	**$ 47,072**	**$ (11,170,435)**	**$ (888,633)**

	Share Capital	Contributed Surplus	Translation of Foreign Operations	Deficit	Total
Balance, December 31, 2014	**$ 9,363,451**	**$ 1,007,474**	**$ 64,655**	**$ (11,545,258)**	**$ (1,109,678)**
Net loss for the period from continued operation	-	-	-	(225,698)	(225,698)
Net loss from discontinued operations	-	-	-	(15,455)	(15,455)
Stock based compensation	-	36,730	-	-	36,730
Translation of foreign operation	-	-	(27,381)	-	(27,381)
Balance, September 30, 2015	**$ 9,363,451**	**$ 1,044,204**	**$ 37,274**	**$ (11,786,411)**	**$ (1,341,482)**

The accompanying notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

1. General information

Oil Optimization Inc. (the "Company") is incorporated under the laws of Alberta with its common shares listed on the TSX Venture Exchange ("TSXV"). The address of its registered office is Suite 300, 714 – 1st Street SE, Calgary, Alberta, T2G 2G8. The Company's Thailand office is located at ITF Tower 140 Silom Road, Bangkok. The principal activity of the Company is the exploration of oil and natural gas properties in Thailand.

The unaudited condensed consolidated interim financial statements were authorized by the Board of Directors on November 25, 2015.

2. Going concern

The Company's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection and labour standards. In order for the Company to carry out its exploration activities, the Company is required to hold certain concessions. There is no assurance that the Company's existing concessions will be renewed or that new concessions that have been or will be applied for will be granted.

The recoverability of valuations assigned to exploration and evaluation assets is dependent upon discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development and future profitable production or proceeds from disposition.

Although the Company has taken steps to verify title to exploration 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 title. Property title may be subject to other licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal land claims and non-compliance with regulatory requirements.

These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis which presumes the realization of assets and liabilities in the normal course of business. As of September 30, 2015, the Company has no source of revenues or operating cash flows, incurred losses of $241,153 for the nine months ended September 30, 2015, had accumulated losses of $11,786,411 (December 31, 2014 - $11,545,258) and expects to incur further losses in the exploration and development of its oil and natural gas properties, all of which cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the Company obtaining additional equity or debt financing and/or new strategic partners. There is no assurance that such will be obtained and may result in the Company not meeting any of its operational and capital requirements.

The Company's unaudited condensed consolidated interim financial statements do not include any adjustments to the recoverability and classification of recorded assets, liabilities, all of which would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

(Expressed in Canadian Dollars Except As Otherwise Indicated)

3. Basis of presentation

The unaudited condensed consolidated interim financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The unaudited condensed consolidated interim financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions. Details of the Company's subsidiaries are as follows:

Name of subsidiary	Principal activity	Place on incorporation	Effective ownership interest
Red Stag Resources (BVI) Limited	Holding company	British Virgin Islands	100%
JSX Energy Holdings (BVI) Limited	Holding company	British Virgin Islands	100%
JSX Energy Holding (Thailand) Limited ("JSX Thailand") (1)	Oil and gas exploration	Thailand	100%
JSX Energy (Thailand) Limited (2)	Oil and gas exploration	Thailand	100%

(1) Disposed of during the nine months ended September 30, 2015 (note 5).
(2) Disposed of during the year ended December 31, 2013.

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis. In addition, these unaudited condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. These unaudited condensed consolidated interim financial statements reflect the following accounting policies which have been consistently applied to all periods presented.

4. Significant accounting policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRSs issued and outstanding as of November 25, 2015, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed consolidated interim financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2014, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2015 could result in restatement of these unaudited condensed interim consolidated financial statements.

4. Significant accounting policies (continued)

New accounting standards adopted during the period

IFRS 13 – Fair Value Measurement (“IFRS 13”) was amended to clarify that the exception which allows fair value measurements of a group of financial assets and liabilities on a net basis applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or liabilities as defined in IAS 32. The amendment is effective for annual periods beginning on or after July 1, 2014. At January 1, 2015, the Company adopted this amendment and there was no material impact on the Company's unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2015.

New accounting standard issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods after January 1, 2015. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments: Classification and Measurement ("IFRS 9") was issued in November 2009, and will replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 is effective for periods beginning on or after January 1, 2018. The Company is evaluating the impact of the amendments on its consolidated financial statements as issued, although currently they are not expected to have a material impact.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

IFRS 11 - Joint Arrangements (“IFRS 11”) was amended in May 2014 to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

(Expressed in Canadian Dollars Except As Otherwise Indicated)

5. Discontinued operation

On June 28, 2015, the Company completed an agreement with a third party for the sale of JSX Thailand. The sale price was $10 and the assumption of all potential liabilities of JSX Thailand, subject to certain closing adjustments. The sale of JSX Thailand has been accounted for as a discontinued operation. Results of JSX Thailand operations have been included in the unaudited condensed consolidated interim financial statements up to the closing date of the sale (the date that control was transferred to the purchaser). A summary of the disposal is below:

		Amount
Consideration	$	10
Assets and liabilities disposed of:		
Cash	$	206
Other current assets		10,658
Less accounts payable and accrued liabilities		(18,312)
Total net liabilities disposed of	$	(7,448)
Gain on disposition of JSX Thailand	$	7,458

The unaudited condensed consolidated interim financial statements include the discontinued operations for the following amounts:

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Expenses				
Employee salaries and benefits	**$ -**	$ (39,125)	**$ -**	$ -
General and administrative	**-**	96,099	**22,913**	110,094
Depreciation	**-**	76	**-**	3,970
Foreign exchange loss	**-**	(21,712)	**-**	(21,575)
	-	35,338	**22,913**	92,489
Other (income) loss				
Gain on disposition of JSX Thailand	**-**	-	**(7,458)**	-
Work commitment charges	**-**	1,065,630	**-**	1,065,630
Net loss	**-**	1,100,968	**15,455**	1,158,119
Change in translation of discontinued foreign operation	**-**	27,764	**27,381**	30,961
Comprehensive loss	**$ -**	$ 1,128,732	**$ 42,836**	$ 1,189,080

Cash flows from discontinued operations

Nine months ended	**September 30, 2015**	**September 30, 2014**
Operating cashflows	**$ (27,729)**	$ (1,201,785)
Investing cashflows	**$ (206)**	$ (14,144)
Financing cashflows	**$ -**	$ 49,496
Effect of exchange rate changes on cash	**$ (27,381)**	$ -

6. Exploration and evaluation assets

Oil and gas concessions in Thailand are awarded by tender. A successful bidder is awarded a concession pursuant to a Petroleum Concession Agreement ("PCA") with the Department of Mineral Fuels of the Kingdom of Thailand ("DMF"). Each PCA grants concessionaires the right to explore and produce petroleum, if found. The exploration phase of the concession consists of two obligation periods of three years per period while the production period will be valid for 20 years from the date of first production and can be extended for an additional 10 years. The size of the concession must be reduced by 50% after the fourth year of the exploration phase.

The exploration rights for concessions end six years after the Thai government assigns the lands to the Company but can be extended an additional three years under certain circumstances. According to the tax rules under Thailand's Petroleum Income Tax Act, the expenditures incurred for evaluation and exploration activities can be used to offset taxable income from production if successful development occurs.

On August 14, 2012, the Company entered into a farm-in agreement (the "Agreement") with Rockstone Petroleum Limited ("Rockstone") relating to its then 100%-owned Block. Under the terms of the Agreement, Rockstone had the right to acquire up to a 60% participating interest (subject to increase in certain circumstances in accordance with the provisions of the Agreement) in the Block by making certain cash payments and funding certain work programs in respect of the Block. JSX Energy Holdings, through its local branch office in Thailand, was to be the initial operator in respect to the Block.

On signing the Agreement, Rockstone committed to fund a 50 line kilometre 2D seismic program to a maximum cost of US$750,000 (plus any applicable VAT), in exchange for earning a 20% participating interest in the Block. On April 18, 2013, Rockstone earned the 20% participating interest, and also earned an additional 2% working interest with an additional payment of US$50,000.

On completion of the seismic program, Rockstone had the option to acquire an additional 35% working interest in the Block in exchange for committing to fund the drilling of an exploration well to a maximum cost of US$1,500,000 (inclusive of all applicable VAT). This option expired unexercised.

Concurrently with the expiry of the election period, Rockstone was obligated to make an additional payment of US$100,000 to the Company in exchange for an additional 3% participating interest in the Block. Rockstone did not make this payment and the Company considered Rockstone to be in default under the Agreement. The Company incurred a finder's fee in connection with this farm-in agreement based on specific closing terms and performance milestones.

On July 28, 2014, the Company announced the release of its US$1,000,000 performance bond to the DMF as per the terms of its PCA, resulting from a missed work deadline in the first three years of the concession agreement. Interest charges of US$45,000 ($49,415) were paid to the Thai Ministry of Energy on June 27, 2014 and confirmed receipt by Thai Ministry of Energy on August 14, 2014 related to time elapsed from February 2014 to the performance bond payment. During the year ended December 31, 2014, the Company recorded a related charge of $1,115,045 in the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian Dollars Except As Otherwise Indicated)

6. Exploration and evaluation assets (continued)

On June 10, 2014, Rockstone named the Company as a Defendant in a Statement of Claim filed in the Court of Queen's Bench of Alberta, claiming amongst other things that its option to earn an additional participating interest had not expired. The Company has filed a Statement of Defence and Counter-Claim with respect to Rockstone's claim. The parties have subsequently agreed to discontinue their claims without condition.

On November 11, 2014, the Company entered into an agreement in principle with Rockstone to settle their respective claims. The agreement in principle provides that Rockstone will undertake to fund at least the first US$1,500,000 of costs in connection with an exploration well to be drilled prior to February 7, 2016 and pay the Company US$100,000. As a result, Rockstone's participating interest would increase to 62.5% and the Company's to 37.5%. Rockstone can elect to fund the entire cost of this exploration well to increase its participating interest to 67.5%. Each party will fund that share of the remaining exploration spending following completion of the initial exploration well that is equal to its participating interest. As of September 30, 2015, Rockstone and the Company hold participating interests in the Block of 22% and 78%, respectively.

On July 9, 2015, the Company signed a comprehensive settlement agreement with Rockstone, whereby both parties agreed to discontinue all claims and counterclaims against the other, immediately and without condition.

On July 21, 2015, the Company signed a funding agreement with Singapore-based EP Global Limited ("EPGL"), an experienced group of highly qualified industry professionals focused on identifying undervalued petroleum exploration and production assets.

The terms of the deal call for EPGL to contribute the first US$2,500,000 towards the Company's year-five work commitments on Block L14-50, that consists of one exploration well, acquisition of one hundred line kilometers of seismic data and the completion of a geophysical report, all as stipulated in the PCA initially awarded to the Company on February 8, 2011 by the Thai Ministry of Energy.

Furthermore, EPGL will contribute its portion of historical costs in an amount to be determined, which OOI and Rockstone will share on a pro rata basis. On closing of the transaction and upon full satisfaction of any conditions, EPGL will own a seventy percent working interest in the concession, while OOI and Rockstone will own twenty and ten percent, respectively. On November 10, 2015, the closing date of the transaction was extended to February 7, 2016 (note 14).

During the nine months ended September 30, 2015, the Company relinquished 50% of the total area of its concession, as required by the DMF after Year-4 of the exploration program. The total area was reduced from 3,914 square kilometers to approximately 1,957 kilometers and all areas of interest were retained.

A summary of the exploration and evaluation assets is below:

	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Opening balance	**$ 158,086**	$ 144,418
Additions during the period	**-**	14,144
Closing balance	**$ 158,086**	$ 158,562

(Expressed in Canadian Dollars Except As Otherwise Indicated)

7. Related party transactions

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Remuneration of key management personnel of the Company, which includes directors and officers, is summarized below:

	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Employee salaries and management fees	**$ 90,000**	$ 35,050
Stock based compensation	**21,768**	8,768
Total compensation	**$ 111,768**	$ 43,818

Transactions with related parties

During the year ended December 31, 2013, Heenan Blaikie LLP was engaged as the Company's legal counsel where one of the Company's directors was a partner. The director resigned on February 28, 2014 upon dissolution of the Heenan Blaikie LLP partnership. During the nine months ended September 30, 2015, the Company incurred legal expenses for services provided by this law firm of $nil (nine months ended September 30, 2014 - $nil); $215,930 (December 31, 2014 – $215,930) is payable as at September 30, 2015 although the Company is contesting that amount (see note 12).

Advances from related party in the unaudited condensed consolidated interim statement of financial position as at September 30, 2015 are amounts from a director who is also the Chief Executive Officer ("CEO") that are non-interest bearing, unsecured and payable on demand. During the nine months ended September 30, 2015, the Company received advances by the individual in the amount of $116,042 (nine months ended September 30, 2014 - $50,000 advances and $30,000 repayment). In addition, during the nine months ended September 30, 2015, the Company accrued $90,000 (nine months ended September 30, 2014 - $nil) salaries payable to the individual. As at September 30, 2015, $853,687 (December 31, 2014 - $647,645) is payable to this individual.

During the three and nine months ended September 30, 2015, Marrelli Support Services Inc. ("MSSI") charged the Company $8,063 and $24,292, respectively, (three and nine months ended September 30, 2014 - $nil) for the following services:

- Mr. Peng, senior employee of MSSI, to act as Chief Financial Officer ("CFO") of the Company; and
- Bookkeeping and accounting services.

As at September 30, 2015, MSSI was owed $3,154 (December 31, 2014 - $14,012) which was included in accounts payable and accrued liabilities.

During the three and nine months ended September 30, 2015, DSA Corporate Services Inc. ("DSA") charged the Company $590 and $975, respectively (three and nine months ended September 30, 2014 - $nil) for filing services. One of the Company's directors, Ms. Jo-Anne Archibald is President of DSA.

As at September 30, 2015, the Company owed former CFO Chris Serin $72,500 (December 31, 2014 - $72,500) and the Company's VP Exploration Darren Steffes $95,000 (December 31, 2014 - $95,000).

(Expressed in Canadian Dollars Except As Otherwise Indicated)

7. Related party transactions (continued)

Major shareholder

To the knowledge of the directors and senior officers of the Company, as at September 30, 2015, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all common shares of the Company other than as set out below:

	Number of common shares	Percentage of outstanding common shares
Luc Desmarais, CEO and a director	30,800,000	24.75%

None of the Company's major shareholders have different voting rights than other holders of the Company's common shares.

The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change in control of the Company.

8. Share capital

The Company is authorized to issue an unlimited number of common and preferred shares without nominal or par value. The Company has not issued any preferred shares to date. The holders of common shares are entitled to one vote for each share on all matters submitted to a shareholder vote.

A summary of the common shares and share capital is as follows:

	Number	Amount
Balance, December 31, 2014 and September 30, 2015	124,468,898	$ 9,363,451

(Expressed in Canadian Dollars Except As Otherwise Indicated)

9. Stock options

The Company has a stock option plan under which directors, officers, consultants and employees of the Company are eligible to receive stock options. The maximum number of shares reserved for issuance upon exercise of all options granted under the plan is equal to 10% of the then issued and outstanding common shares. The Board of Directors shall determine the terms and provisions of the options at the time of grant. Options under the plan generally have a term of five years and are vested as to one third at the date of grant, one third after six months and one third after eighteen months from the date of grant. The exercise price of each option equals the market value of the Company's common shares on the date of grant.

On June 10, 2014, the Company granted an aggregate of 7,250,000 stock options to purchase common shares to its directors, officers and consultants at an exercise price of $0.05 per share. These options vest as to one-third upon grant, one-third after six months and one-third after eighteen months. During the year ended December 31, 2014, a service contract with one of the Company's officers expired and two-thirds of the 2,000,000 stock options granted to the officer were forfeited at that time and the remaining one-third expired on December 30, 2014. During the nine months ended September 30, 2015, one of the Company's directors resigned and one-third of the 2,000,000 stock options granted to the director were forfeited and the remaining two-thirds expired unexercised on September 15, 2015. As at September 30, 2015, 3,250,000 stock options remained outstanding. The fair value of stock options granted was $270,397, of which ($7,371) and $19,518, respectively (three and nine months ended September 30, 2014 - $18,492 and $56,525, respectively) were expensed during the three and nine months ended September 30, 2015, calculated using the Black Scholes model with the following assumptions:

Risk-free interest rate	1.6%
Expected life (years)	5.0
Expected volatility	166%
Expected forfeiture rate	10.0%
Expected dividend yield per share	Nil

On August 20, 2015, the Company granted 2,000,000 stock options to a director of the Company, exercisable at $0.05 per share for five years. These options vested immediately upon grant. The fair value of the stock options granted was estimated to be $19,124 of which $17,212 was expensed during the three and nine months ended September 30, 2015, calculated using the Black Scholes model with the following assumptions:

Risk-free interest rate	0.44%
Expected life (years)	5.0
Expected volatility	211%
Expected forfeiture rate	10.0%
Expected dividend yield per share	Nil

(Expressed in Canadian Dollars Except As Otherwise Indicated)

9. Stock options (continued)

A summary of stock options is as follows:

	Number of options	Weighted average exercise price per share
Balance, December 31, 2013	5,250,000	$ 0.17
Options granted	7,250,000	0.05
Options forfeited	(1,333,333)	0.05
Options expired unexercised	(2,000,000)	0.17
Balance, September 30, 2014	9,166,667	$ 0.09
Balance, December 31, 2014	8,500,000	$ 0.05
Options granted	2,000,000	0.05
Options forfeited	(666,667)	0.05
Options expired unexercised	(1,333,333)	0.05
Balance, September 30, 2015	8,500,000	$ 0.05

The following table reflects the actual stock options issued and outstanding as of September 30, 2015:

Expiry date	Exercise price $	Number of stock options outstanding	Remaining contractual life (years)	Number of stock options exercisable
January 20, 2016	0.05	3,250,000	0.31	3,250,000
June 10, 2019	0.05	3,250,000	3.70	2,166,667
August 20, 2020	0.05	2,000,000	4.89	2,000,000
	0.05	8,500,000	2.68	7,416,667

10. Financial instruments

Determination of fair values
A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. The carrying value of cash, other current assets, accounts payable and accrued liabilities and advances from related party approximates the fair value due to their short-term nature and maturity.

Financial risk management
The Company's Board of Directors monitors and manages the financial risks relating to the operations of the Company. These include foreign currency, interest rate, liquidity and credit risks. The Company holds small amounts of cash not denominated in Canadian dollars in foreign bank accounts. The fair value of these assets is equal to their carrying amount as cash is translated every reporting period at the closing foreign exchange rate.

Foreign currency rate risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions are recognized and assets and liabilities are denominated in a currency that is not the Company's reporting currency. The Company's expenses include amounts incurred in the Thai Baht ("THB"), US dollar ("USD") and Canadian dollar. The Company has also made deposits to secure its work commitments in Thailand in THB. The Company's exchange risk is therefore related to movements between these currencies.

The following table outlines the Company's foreign currency risk exposure:

		September 30, 2015	**December 31, 2014**
Cash	THB	-	5,595
Other current assets		-	288,836
Accounts payable and advances from related party		-	(17,637,014)
Net foreign currency exposure	THB	-	(17,342,583)

The Company does not presently hedge against foreign currency exchange rate movements.

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 Company does not presently hedge against interest rate movements. All payable balances as at September 30, 2015 are current and are not subject to interest.

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 and financial leverage as described in note 11.

10. Financial instruments (continued)

Credit risk
Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's principal financial asset is cash. Management believes the credit risk on cash is limited because the majority are deposited with banks with high credit ratings assigned by international credit rating agencies. As at September 30, 2015, the Company's maximum credit risk is $4,671 (December 31, 2014 - $12,434) represented by cash.

11. Capital risk management

The Company includes its share capital and contributed surplus as capital. The Company's objective is to pursue the exploration of its oil and gas properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In light of economic changes and with the risk characteristics of the underlying assets, the Company manages the capital structure and makes adjustments to it. As the Company has no cash flow from operations and in order to maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt and/or find a strategic partner.

The Company prepares annual expenditure budgets to facilitate the management of its capital requirements and updates them as necessary depending on various factors such as capital deployment, results from the exploration of its properties and general industry conditions.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX Venture Exchange which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

(Expressed in Canadian Dollars Except As Otherwise Indicated)

12. Commitments and contingencies

Commitments

The Company's material commitments relate to the terms of its PCA for the L14/50 Concession. The following minimum work commitments for the L14/50 concession are as follows (in USD):

	Amount US$
February 2016	$ 2,630,000
February 2017	2,000,000
Total	$ 4,630,000

Under the PCA, these minimum work commitments must be met to keep the L14/50 Concession in good standing. The Company entered into a binding agreement with Singapore-based EPGL to address these obligations and negotiations are currently in progress (see note 6).

The Company is also in discussions in regards to additional farm-in arrangements, and may also seek additional equity capital, in order to meet the remaining funding requirements under these commitments. However, no arrangements are currently in place and there is no certainty that such funding will be secured.

Contingency

The Company may be involved in litigation and claims arising in the normal course of operations as an oil and gas company, besides claims disclosed below.

On February 15, 2015, the Company announced that it had been named as a defendant in a Statement of Claim filed in the Court of Queens Bench of Alberta. The claim was filed by Heenan Blaikie LLP, the Company's former counsel, and alleges that the Company owes the plaintiff $226,000 for legal services rendered during 2012 to 2014, prior to the dissolution of its partnership. The Company has filed a statement of defence disputing the plaintiff's claim and will continue to defend itself against it.

(Expressed in Canadian Dollars Except As Otherwise Indicated)

13. Segmented information

The Company is a Canadian domiciled company with its main subsidiary in Thailand. The Thai subsidiary is an holding company of oil and gas exploration and evaluation assets. The following table presents segmented statement of financial position information for the Company's principal areas of business. All exploration and evaluation assets are located in Thailand while rest of the assets are located in Canada.

The following table presents segmented information on the Company's operations and comprehensive loss as at and for the nine months ended September 30, 2015

	Thailand	Canada	Total
Net loss	$ (15,455)	$ (225,698)	**$ (241,153)**
Exploration and evaluation assets	$ 158,086	$ -	**$ 158,086**
Total assets	$ 158,086	$ 6,470	**$ 164,556**

The following table presents segmented information on the Company's operations and comprehensive loss as at and for the nine months ended September 30, 2014:

	Thailand	Canada	Total
Net loss	$ (1,158,119)	$ (179,383)	**$ (1,337,502)**
Exploration and evaluation assets	$ 158,562	$ -	**$ 158,562**
Total assets	$ 171,947	$ 20,887	**$ 192,834**

14. Subsequent event

On November 10, 2015, the Company announced that it had agreed to extend the closing date of the transaction with EPGL until February 7, 2016.