Powder Mountain Energy Ltd.
Condensed Consolidated Interim Financial Statements
As at and for the three and six months ended March 31, 2015

Contents

Powder Mountain Energy Ltd.
Condensed Consolidated Interim Statements of Financial Position
(In Cdn $ thousands)
(Unaudited)

	Notes		March 31, 2015		September 30, 2014
Assets					
Current					
Cash		$	23,138	$	33,343
Accounts receivable			573		255
Deposits and prepaid expenses			138		101
			23,849		33,699
Exploration and evaluation	3		7,305		1,592
Property and equipment	4		8,032		4,403
		$	39,186	$	39,694

	Notes		March 31, 2015		September 30, 2014
Liabilities					
Current					
Accounts payable and accrued liabilities		$	783	$	979
Decommissioning obligations	5		280		207
			1,063		1,186
Shareholders' Equity					
Share capital	6		48,312		48,312
Contributed surplus			4,897		4,021
Accumulated other comprehensive income			30		6
Deficit			(15,116)		(13,831)
			38,123		38,508
		$	39,186	$	39,694

Commitments and contingencies (note 7)

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial statements.

Approved by the Board of Directors:

"Trent Baker" Director

"Sam Ingram" Director

Powder Mountain Energy Ltd.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(In Cdn $ thousands)
(Unaudited)

	Notes	For the three month period ended March 31, 2015	2014	For the six month period ended March 31, 2015	2014
Revenue					
Oil and natural gas		**$ 424**	$ 144	**$ 717**	$ 261
Royalties		**(45)**	(17)	**(74)**	(30)
		379	127	**643**	231
Expenses					
Operating		**244**	77	**353**	154
Administrative		**399**	310	**607**	502
Share-based compensation		**438**	-	**762**	170
Financing costs (income)		**(123)**	-	**(248)**	1
Depletion and depreciation	**4**	**325**	63	**454**	120
		1,283	450	**1,928**	947
Net loss for the period		**(904)**	(323)	**(1,285)**	(716)
Translation of foreign currencies		**19**	-	**24**	-
Net comprehensive loss for the period		**$ (885)**	$ (323)	**$ (1,261)**	$ (716)
Net loss per share					
- basic and diluted		**$ (0.02)**	$ (0.09)	**$ (0.03)**	$ (0.19)
Weighted average shares outstanding					
- basic and diluted (1)		**48,112,510**	3,718,293	**48,112,510**	3,718,293

(1) The options and warrants for 2014 and 2015 have been excluded from the diluted loss per share computation as they are anti-dilutive.

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial statements.

Powder Mountain Energy Ltd.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(In Cdn $ thousands)
(Unaudited)

	Share Capital	Contributed Surplus	AOCI	Deficit	Total Equity
Balance October 1, 2014	**48,312**	**4,021**	**6**	**(13,831)**	**38,508**
Net loss for the period	-	-	-	(1,285)	(1,285)
Share based compensation	-	876	-	-	876
Translation of foreign currencies	-	-	24	-	24
Balance March 31, 2015	**48,312**	**4,897**	**30**	**(15,116)**	**38,123**

	Share Capital	Contributed Surplus	AOCI	Deficit	Total Equity
Balance October 1, 2013	10,773	3,522	-	(11,813)	2,482
Net loss for the period	-	-	-	(716)	(716)
Share based compensation	-	170	-	-	170
Balance March 31, 2014	10,773	3,692	-	(12,529)	1,936

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial statements.

Powder Mountain Energy Ltd.
Condensed Consolidated Interim Statements of Cash Flows
(In Cdn $ thousands)
(Unaudited)

For the six months ended March 31,	Notes	2015	2014
Cash flows from (used in) operating activities			
Net loss for the period		**$ (1,285)**	$ (716)
Items not involving cash:			
Share-based compensation		**762**	170
Depletion and depreciation		**454**	120
Financing cost accretion		**3**	1
Changes in non-cash working capital	**9**	**(558)**	246
Cash flow used in operating activities		**(624)**	(179)
Cash flows from (used in) Investing activities			
Expenditures on property and equipment		**(4,004)**	(3)
Expenditures on exploration and evaluation assets		**(5,587)**	(5)
Changes in non-cash working capital	**9**	**7**	(57)
Cash flow used in investing activities		**(9,584)**	(65)
Translation of foreign currency		**3**	-
Decrease in cash and cash equivalents		**(10,205)**	(244)
Cash and cash equivalents, beginning of period		**33,343**	265
Cash and cash equivalents, end of period		**$ 23,138**	$ 21

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial statements.

1. Corporate Information

Powder Mountain Energy Ltd. ("Powder Mountain" or "the Company") is a public junior oil and gas company engaged in the evaluation, acquisition, exploration and development of oil and gas properties in Western Canada and the United States. The Company's shares trade on the TSX Venture Exchange under the symbol PDM.

The head office of the Company is located at Suite 300, 600 - 6th Ave SW, Calgary, Alberta, T2P 0S5, and the registered office is located at 1900, 520 – 3rd Ave SW Calgary, AB T2P 0R3.

Powder Mountain was incorporated under the *Business Corporations Act* (Alberta) on January 21, 2010 as Drako Capital Corp. ("Drako"). Drako amalgamated with Trilateral Energy Ltd. on August 22, 2012 and the resulting company was re-named Amarok Energy Inc. ("Amarok"). On June 16, 2014 Amarok completed a transaction with Passport Energy Ltd ("Passport") whereby Amarok acquired, through its wholly owned subsidiary 1815766 Alberta Inc., all of the outstanding shares of Passport ("the Transaction") and immediately changed its name to Powder Mountain Energy Ltd. The Transaction was completed as a three-cornered amalgamation whereby Passport and 1815766 Alberta Inc. amalgamated under the name Powder Mountain Inc. ("PMI"), a wholly owned subsidiary of Powder Mountain. For accounting purposes, Passport is considered the acquirer and Amarok the acquiree as a result of Passport shareholders owning approximately 61% of the issued and outstanding shares of Amarok after the Transaction. As a result, the Transaction is accounted for as a purchase of Amarok by Passport, or a reverse take-over, using the purchase method based on the fair values of assets and liabilities of Amarok. On October 2, 2014, PMI was amalgamated with Powder Mountain with Powder Mountain the surviving entity.

Powder Mountain currently has two wholly owned subsidiaries; Trilateral Energy USA Inc., incorporated in the State of Delaware and Trilateral International (Barbados) Ltd., incorporated in Barbados.

2. Basis of Presentation

Statement of compliance

These condensed consolidated interim financial statements ("financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. These financial statements were authorized for issue by the Board of Directors on May 27, 2015. They do not contain all disclosures required by IFRS for annual financial statements and, accordingly, should be read in conjunction with the audited financial statements for the year ended September 30, 2014.

The condensed financial statements have been prepared using the same accounting policies, judgements, estimates and methods as the financial statements for the year ended September 30, 2014.

Functional and presentation currency

These financial statements are presented in thousands of Canadian dollars, which is the Company's functional and reporting currency. International subsidiaries of the Company use United States dollars as their functional currency.

(In Cdn $ thousands except per share amounts)

2. Basis of Presentation - continued

Basis of measurement

These financial statements have been prepared on a historical cost basis except for financial instruments.

3. Exploration and Evaluation

		Exploration and Evaluation Assets
Cost:		
Balance, October 1, 2013	$	1,503
Acquisition		854
Additions		354
Translation of foreign currencies		7
Impairment		(1,126)
Balance, September 30, 2014		1,592
Additions		5,644
Decommissioning obligation		48
Translation of foreign currencies		21
Balance, March 31, 2015	**$**	**7,305**

Exploration and evaluation ("E&E") assets consist of the Company's unproved properties and capitalized exploration drilling and completion costs which are pending the determination of commercial feasibility. Included in the E&E assets is $7,061 related to the Hardy CGU and $244 related to the Montana CGU.

Direct general and administrative costs capitalized during the six months ended March 31, 2015 were $127 (March 31, 2014 - $nil), including $57 of share-based compensation costs (March 31, 2014 - $nil).

(In Cdn $ thousands except per share amounts)

4. Property and Equipment

	Oil and gas properties	Corporate	Total
Cost:			
Balance, October 1, 2013	$ 5,911	$ 79	$ 5,990
Acquisition	2,168	19	2,187
Additions	343	13	356
Decommissioning obligation	150	-	150
Balance, September 30, 2014	8,572	111	8,683
Additions	4,059	2	4,061
Decommissioning obligation	22	-	22
Balance, March 31, 2015	**$ 12,653**	**$ 113**	**$ 12,766**
Accumulated depletion and depreciation:			
Balance, October 1, 2013	$ (3,935)	$ (56)	$ (3,991)
Depletion and depreciation	(280)	(9)	(289)
Balance at September 30, 2014	(4,215)	(65)	(4,280)
Depletion and depreciation	(443)	(11)	(454)
Balance, March 31, 2015	**$ (4,658)**	**$ (76)**	**$ (4,734)**
Net book value			
September 30, 2014	$ 4,357	$ 46	$ 4,403
March 31, 2015	$ 7,995	$ 37	$ 8,032

The calculation of depletion for the period ended March 31, 2015 included future development costs of approximately $3,702 (September 30, 2014 - $8,660) associated with the development of the Company's proved plus probable reserve.

Direct general and administrative costs capitalized during the six months ended March 31, 2015 were $139 (March 31, 2014 - $nil), including $57 of share-based compensation costs (March 31, 2014 - $nil).

(In Cdn $ thousands except per share amounts)

5. Decommissioning Obligation

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the decommissioning of oil and gas properties.

	March 31, 2015	September 30, 2014
Decommissioning obligation, beginning of period	**$ 207**	$ 43
Additions	**70**	-
Acquisition	**-**	168
Change in estimated cash flows	**-**	(5)
Accretion expenses	**3**	1
Decommissioning obligation, end of period	**$ 280**	$ 207

The undiscounted amount of cash flows, required over the estimated reserve life of the underlying assets, to settle the obligation, adjusted for inflation, is estimated at $417 (September 30, 2014 - $333). The obligation was calculated using a risk-free discount rate of 1.7% (September 30, 2014 – 2.5%) and an inflation rate of 1.2% (September 30, 2014 – 2.0%). It is expected that the majority of costs are expected to occur between 2023 and 2040.

(In Cdn $ thousands except per share amounts)

6. Share Capital

(a) Authorized
Unlimited number of:
Common shares without par value

(b) Issued

Common Shares	Note	Number	$
Balance as at October 1, 2013		111,548,781	10,773
Share consolidation 6:1	i	(92,957,317)	-
Private Placement	ii	72,222,222	13,000
Subscription receipt offering	Iii	53,229,109	9,581
Shares for debt	iv	1,861,111	335
Warrants expired		-	(42)
Share issue costs		-	(1,441)
Shares acquired through acquisition	v	93,241,958	15,851
		239,145,864	48,057
Share consolidation 5:1	vi	(191,316,688)	-
Private Placement	vii	283,334	255
Balance as at September 30, 2014		48,112,510	48,312
Balance as at March 31, 2015		**48,112,510**	**48,312**

Share consolidation numbers may not add due to rounding.

(i) In conjunction with a Plan of Arrangement to amalgamate with Amarok Energy Inc. and the offering of shares in a private placement and subscription receipt offering, Passport agreed to consolidate its shares on a 6:1 basis.

(ii) On June 16, 2014 the Company completed a private placement of common shares for $13,000 at $0.18 per share. The financing was closed upon receipt of cash $11,990, property $710 and settlement of a note payable of $300.

(iii) On June 16, 2014, the Company completed a brokered subscription receipt offering for $9,581 at $0.18 per share.

(iv) In conjunction with the plan of arrangement the Company settled $335 in certain accounts payable and accrued liabilities.

(v) On June 16, 2014, Amarok Energy Inc. was deemed to have been acquired by way of a reverse takeover.

(vi) On June 16, 2014 and under terms of the plan of arrangement, the company completed a 5:1 share consolidation.

(vii) On July 24, 2014 the Company completed a private placement of common shares for $255 at $0.90 per share.

(c) Warrants

On April 26, 2014, 815,222 warrants with a weighted average exercise price of $0.19 per share expired. The number of warrants outstanding at March 31, 2015 and September 30, 2014 were Nil.

(In Cdn $ thousands except per share amounts)

6. Share Capital - continued

(d) Stock options

A summary of the status of the Company’s stock option plan as at September 30, 2014 and March 31, 2015 and changes during the respective periods ended on those dates is presented below.

Stock Options	Number	Weighted average exercise price
Balance as at October 1, 2013	3,100,000	$0.17
Granted	7,150,000	$0.05
Surrendered	(10,250,000)	$0.09
Granted	4,195,000	$1.03
Balance as at September 30, 2014	4,195,000	$1.03
Balance as at March 31, 2015	**4,195,000**	**$1.03**

Under terms of the Plan of Arrangement date June 16, 2014, all stock options were surrendered. All prior year options were not converted for the share consolidation as all options were surrendered.

The fair value of the options granted on August 1, 2014 was determined using Black Scholes model and the following weighted average assumptions: dividend yield – nil, expected volatility - 90%, risk free rate – 1.5%, expected life – five years, forfeiture – 5% and fair value of $0.72. The options vest one third at the end of each subsequent one year period. Expected volatility has been determined based on historical results of the Company's share price and performance of the Company’s peers.

For the six months ended March 31, 2015, the Company calculated total share-based compensation of $876 (March 31, 2014 - $170) of which $114 was capitalized (March 31, 2014 - $nil).

7. Commitments and Contingencies

(a) Office lease
The Company has entered into a lease agreement for office space. The required lease payments, exclusive of operating costs, over the remaining term of the lease are $3 per month with the lease expiring in May 2016 or a total of $46.

(b) From time to time, the Company may be involved in litigation or has claims sought against it in the normal course of business operations. Management of the Company is not currently aware of any claims or actions that would materially affect the Company’s reported financial position or results from operations

Under the terms of certain agreements and the Company's by-laws the Company indemnifies individuals who have acted at the Company's request to be a director and/or officer of the Company, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service.

(In Cdn $ thousands except per share amounts)

7. Commitments and Contingencies - continued

(c) Lawsuit

Subsequent to quarter end, on April 28, 2015 one of the Company's subsidiaries, Trilateral Energy (USA) Inc., settled a claim against it for a non – performance fee in relation to a Montana farm-in agreement entered into in 2013. The Company had fully provided for the claim.

8. Capital Risk Management

The Company manages its capital with the objective to continue as a going concern, create investor confidence, and meet its capital commitments and to strengthen its working capital position. The capital structure of the Company is composed of shareholders' equity. The Company's strategy is to access capital, primarily through equity issuances, in order to maintain a strong capital base for the objectives of maintaining financial flexibility and to sustain the future development of the business.

The Company manages its capital structure and makes adjustments relative to changes in economic conditions and the Company's risk profile.

In order to maintain the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current working capital levels. Bank debt may be added in future periods. The Company is not currently subject to any externally imposed covenants.

The Corporation's capital includes the following:

	March 31, 2015	September 30, 2014
Shareholder's equity	**$ 38,123**	$ 38,508

9. Supplemental Cash Flow Information

Changes in non-cash working capital is comprised of:

	March 31, 2015	March 31, 2014
Source/(use) of cash:		
Accounts receivable	**$ (318)**	$ 21
Deposits and prepaid expenses	**(37)**	(3)
Accounts payable and accrued liabilities	**(196)**	171
	$ (551)	$ 189
Related to operating activities	**$ (558)**	$ 246
Related to investing activities	**7**	(57)
Related to financing activities	**-**	-
	$ (551)	$ 189

(In Cdn $ thousands except per share amounts)

10. Segmented Information

The Company operates in one segment, the oil and gas business and has operations in Canada the United States and Colombia with its head office in Canada. The geographical segmentation of the Company's assets, liabilities and revenues are as follows:

				As at March 31, 2015
Assets and liabilities	**Canada**	**United States**	**Other**	**Total**
Property, plant and equipment	**8,032**	**-**	**-**	**8,032**
Exploration and evaluation assets	**7,061**	**244**	**-**	**7,305**
Assets	**38,914**	**268**	**4**	**39,186**
Liabilities	**679**	**376**	**8**	**1,063**

				For the six months ended March 31, 2015
Oil and natural gas revenues	**717**	**-**	**-**	**717**
Net loss	**(1,190)**	**(66)**	**(29)**	**(1,285)**

				As at September 30, 2014
Assets and liabilities	Canada	United States	Other	Total
Property, plant and equipment	4,403	-	-	4,403
Exploration and evaluation assets	1,369	223	-	1,592
Assets	39,432	256	6	39,694
Liabilities	685	491	10	1,186

				For the six months ended March 31, 2014
Oil and natural gas revenues	261	-	-	261
Net loss	(716)	-	-	(716)