Financial statements of

BRUIN oil & gas

From Inception at January 30, 2014 to December 31, 2014

Expressed in Canadian Dollars

Independent Auditor's Report

To the Shareholders of Bruin Oil & Gas Inc.

We have audited the accompanying financial statements of Bruin Oil & Gas Inc., which comprise the statement of financial position as at December 31, 2014 and the statement of comprehensive loss, changes in shareholders' equity, and cash flows for the period from inception on January 30, 2014 to December 31, 2014, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Bruin Oil & Gas Inc. as at December 31, 2014 and its financial performance and its cash flows for the period from inception on January 30, 2014 to December 31, 2014 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta, Canada
May 13, 2015

Statement of Financial Position

As at December 31, 2014
(In thousands of dollars)

		December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$	**23,093**
Accounts receivable (note 4)		**3,005**
Prepaid expenses		**69**
Current assets		**26,167**
Non-current assets:		
Property and equipment (note 5)		**5,841**
Exploration and evaluation assets (note 6)		**2,778**
Non-current assets		**8,619**
	$	**34,786**
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	$	**5,858**
Current liabilities		**5,858**
Decommissioning liabilities (note 8)		**597**
Total liabilities		**6,455**
Shareholders' equity:		
Share capital (note 9)		**32,649**
Contributed surplus		**427**
Accumulated Deficit		**(4,745)**
		28,331
	$	**34,786**

Statement of Comprehensive Loss

From Inception at January 30, 2014 to December 31, 2014
(In thousands of dollars)

		2014
Revenue:		
Petroleum and natural gas sales	$	**910**
Royalties expense		**(84)**
		826
Expenses:		
Operating expense		**182**
Transportation expense		**97**
General and administrative		**466**
Share-based compensation		**359**
Depreciation, depletion and amortization (note 12)		**4,654**
		5,758
Loss before other items		**(4,932)**
Other items:		
Interest income		**29**
Accretion expense (note 8)		**(4)**
		25
Loss before income taxes		**(4,907)**
Income tax recovery (note 13)		**162**
Net loss and comprehensive loss for the period	$	**(4,745)**
Loss per Common Share		
Basic and diluted	$	**(0.88)**

Statement of Changes in Shareholders' Equity

From Inception at January 30, 2014 to December 31, 2014
(In thousands of dollars)

	Share capital	Contributed surplus	Deficit	Total
Balance, January 30, 2014	$ -	$ -	$ -	$ -
Issuance of common shares	32,649	-	-	32,649
Share-based compensation	-	427	-	427
Net loss for the period	-	-	(4,745)	(4,745)
Balance, December 31, 2014	$ 32,649	$ 427	$ (4,745)	$ 28,331

Statement of Cash Flows

From Inception at January 30, 2014 to December 31, 2014
(In thousands of dollars)

		2014
Cash provided by (used in):		
Operations:		
Net loss from operations	$	**(4,745)**
Items not involving cash:		
Accretion expense		**4**
Depletion, depreciation and amortization		**4,654**
Share-based compensation		**359**
		272
Change in non-cash working capital (note 14)		**2,784**
Cash flows from operating activities		**3,056**
Financing:		
Share issuances, net of share issue costs (note 9(b))		**32,649**
Cash flows from financing activities		**32,649**
Investing:		
Purchases of property and equipment		**(15)**
Exploration and evaluation expenditures		**(12,597)**
Cash flows used by investing activities		**(12,612)**
Increase (decrease) in cash and cash equivalents		**23,093**
Cash and cash equivalents, beginning of period		**-**
Cash and cash equivalents, end of period	$	**23,093**

1. Nature of Operations

Bruin Oil & Gas Inc. (the "Company") was incorporated in Alberta on January 30, 2014 under the name "1799380 Alberta Ltd.". On June 16, 2014, the Company changed its name to "Bruin Oil & Gas Inc.". Its principal business activities include the exploration and development of oil and gas properties in Canada, and it is considered to be in the exploration stage.

The registered office of the Company is Suite 600, 703 6th Ave SW, Calgary Alberta, T2P 0T9.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of Bruin Oil & Gas Inc. have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents is comprised of cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturity of three months or less. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

When cash and cash equivalents are externally restricted for use they are separately disclosed in the statement of financial position.

(c) Oil and gas properties

Oil and gas properties are carried at cost less accumulated depletion and accumulated impairment.

2. Significant Accounting Policies *(continued)*

All costs directly associated with the acquisition and development of oil and gas properties ("D&P") are capitalized on an area-by-area basis where technical feasibility and commercial viability has been determined. These costs include proved property acquisitions, development drilling, completion, gathering, storage and processing facilities and infrastructure, asset retirement costs, and transfers from exploration and evaluation assets.

The initial cost of an asset comprises its purchase price or construction costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Gains and losses on disposal of an item of oil and gas properties are determined by comparing the proceeds from disposal with the carrying value.

Costs accumulated within each area are depleted using the unit-of-production method based on proved and probable reserves using estimated future prices and costs. Costs subject to depletion include expenditures incurred to date together with expected future costs to develop the proved and probable reserves. Costs of major development projects are excluded from the costs subject to depletion until available for use.

(d) Office equipment and other

Office equipment and other assets are carried at cost less accumulated depreciation and accumulated impairment losses and are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives for office equipment and other assets are as follows:

Office equipment **5 years straight line**

An asset's residual value and useful lives are reviewed, and adjusted if necessary, at the end of each reporting period.

Gains and losses on disposal are determined by comparing the proceeds with the carrying value and are recognized in the statement of operations.

(e) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures ("E&E") are carried at cost less accumulated impairment losses. These expenditures include the costs of acquiring licenses, exploration and evaluation activities and directly attributable costs associated with exploration and evaluation activities. Costs incurred before the Company has obtained legal rights to explore an area are recognized in profit and loss.

2. Significant Accounting Policies *(continued)*

Acquisition costs, including general and administration costs, are only capitalized to the extent that these costs are directly attributable to exploration and evaluation activities in the relevant area of interest where it is considered likely to be recoverable by future exploration or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence or reserves.

Exploration and evaluation assets are not subject to depletion during the exploration and evaluation phase.

Once commercial reserves are found, exploration and evaluation assets attributable to the area of interest are first tested for impairment and then reclassified to oil and gas property assets within property and equipment.

Exploration and evaluation assets are assessed for impairment when reclassified to oil and gas assets or whenever the facts and circumstances indicate impairment. An impairment loss is recognized for the amount by which the exploration and evaluation assets carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs of disposal and their value in use.

(f) Impairment

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs of disposal for the asset and the asset's value in use. If the carrying amount of the asset exceeds its recoverable amount, the asset is deemed impaired and an impairment loss is recognized in income so as to reduce the carrying amount of the asset to its recoverable amount. For the purposes of assessing impairment, assets are grouped into cash generating units ("CGUs") which represent the lowest levels for which there are separately identifiable cash flows.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Such reversal is recognized in income.

2. Significant Accounting Policies *(continued)*

(g) Revenue recognition

Petroleum and natural gas sales are recorded in the period in which the production has been delivered to the customer, the significant risks and rewards of ownership have been transferred to the customer, the price is determinable, and collection of the sales price is reasonably assured.

(h) Share based compensation

The share based compensation plan allows Company employees and consultants to acquire shares of the Company. The fair value of the options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by employees.

Each tranche in an award is considered a separate award with its own vesting year and grant date fair value. The fair value of each tranche is measured at the grant date using the Black-Scholes pricing model, taking into account the terms and conditions upon which the share options were granted. Share-based compensation expense is recognized over the tranche's vesting year by increasing contributed surplus based on the number of awards expected to vest. This number is reviewed at least annually, with any change in estimate recognized immediately in share-based compensation expense with a corresponding adjustment to contributed surplus.

Share-based compensation to consultants are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

(i) Flow-through Common Shares

Canadian tax legislation permits the Company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors of the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences. When flow-through shares are issued, a liability is recognized in the amount of the premium paid for flow-through shares and is calculated as the excess over market value of the shares without the flow-through feature at the time of issuance. This liability is reversed at the time of renouncing the resource expenditures to investors and a deferred tax liability is then recognized through the statement of comprehensive income or loss.

2. Significant Accounting Policies *(continued)*

(j) Income Taxes

Income tax on the profit or loss for the period presented comprises current and deferred taxes. Income tax is recognized in profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected income tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting year.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred taxes attributable to amounts recognized directly in equity are also recognized directly in equity.

(k) Decommissioning Liabilities

An obligation to incur environmental costs arises when environmental disturbance is caused by the exploration or development of an oil and gas property. These costs are discounted to their net present value and are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such cost arises. The timing of the actual expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the property operates.

2. Significant Accounting Policies *(continued)*

Discount rates using a pre-tax risk free rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through depreciation. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Estimated costs for decommissioning liabilities costs are adjusted as changes in estimates. Those adjustments are accounted for as a change in the related asset, except where a reduction in costs is greater than the carrying amount of the related assets, in which case the related asset is reduced to zero and the difference is recognized in profit or loss.

(l) Financial Instruments

Financial Assets at Fair Value Through Profit or Loss ("FVTPL")

Financial assets held at FVTPL are those financial assets that are held for trading. This applies to financial assets acquired from the outset with the intention of resale in the short-term, derivatives not categorized as hedges. These assets are initially recorded at fair value and are measured at each reporting date at fair value, based upon quoted market prices from external sources or using a discounted cash flow valuation technique or quoted prices from external sources for similar assets.

As at December 31, 2014 the Company has no assets held at FVTPL.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting year. These are classified as non-current assets. The Company's loans and receivables comprise accounts receivables, and cash and cash equivalents in the statement of financial position.

Available-for-Sale

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are classified as available-for-sale and are measured initially and subsequently at fair value.

As at December 31, 2014 the Company has no assets classified as available for sale.

Other financial Liabilities

The Company's other financial liabilities consist of accounts payable and accrued liabilities, which are obligations to pay for goods or services which have been acquired in the ordinary course of business from suppliers.

2. Significant Accounting Policies *(continued)*

Other financial liabilities are recognized on the statement of financial position if the Company has a contractual obligation to transfer cash or other assets to a third party. These liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

Other financial liabilities are derecognized when the contractual obligation is discharged, cancelled or expired.

Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract was entered into and are subsequently remeasured at their fair value with changes in the fair value immediately recognized in the statement of comprehensive loss.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract. Contracts are assessed for embedded derivatives when the Company becomes a party to them, including at the date of a business combination.

As at December 31, 2014 the Company has no assets or liabilities classified as derivative financial instruments.

(m) Joint arrangements

A joint arrangement exists when a contractual arrangement exists that establishes shared decision making over the joint activities. Joint control is defined as the contractually agreed sharing of the power to govern the relevant activities of a venture so as to obtain benefits from its activities.

Joint operations involve the use of assets and other resources of the Company and other ventures rather than the establishment of a corporation, partnership, or other entity. The Company recognizes in its financial statements the assets it controls and the liabilities it incurs and its share of the revenue and expenses from the sale of goods or services by the joint operation arrangement.

(n) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net earnings (loss) for the period by the weighted average number of common shares outstanding during the period.

2. Significant Accounting Policies *(continued)*

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. Weighted average number of shares for fully diluted earnings per share information is calculated using the treasury stock method whereby it is assumed that proceeds obtained upon exercise of convertible debentures and share options issued under the Company's Share Option Plan would be used to purchase common shares at the average market price during the period. The treasury share method also assumes that the deemed proceeds related to unrecognized share-based payments expense are used to repurchase shares at the average market price during the period. Under the treasury share method, share options and share warrants have a dilutive effect only when the average market price of the common shares during the period exceeds the exercise price of the options or warrants (they are "in the- money"). Exercise of in-the-money share options and share warrants is assumed at the beginning of the period or date of issuance, if later. Should the Company have a net loss for the period, share options and share warrants would be anti-dilutive and therefore will have no effect on the determination of loss per share.

The Company's potentially dilutive common shares comprise share options granted to employees, and convertible debentures.

(o) Accounting standards, interpretation and amendments to existing standards that are not yet effective

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing IFRS standards have been published but are not yet effective, and have not been adopted early by the Company. Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

(i) IFRS 9, "Financial instruments' – On November 12, 2009, the IASB issued IFRS 9, 'financial instruments', which will replace IAS 39 'Financial Instruments: Recognition and Measurement' ('IAS 39'). The standard was to be effective for annual periods beginning on or after January 1, 2015. In February, the IASB tentatively decided the mandatory effective date of the final IFRS 9 would now be January 1, 2018. IFRS 9 applies to classification and measurement of financial assets as defined in IAS 39. It uses single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The Company has not yet considered the impact of IFRS 9 on its financial statements. The Company does not anticipate the adoption of these standards and interpretations will have a material impact on the financial statements.

2. Significant Accounting Policies *(continued)*

(ii) IFRS 15, "Revenue from Contracts with Customers" – In May 2014, the IASB issued IFRS 15, which replaces IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations as the single source for accounting for revenue for all companies in all industries and replaces current guidance including industry or product specific guidance. IFRS 15 provides specific and detailed guidance in many areas where current standards have been more limited, and thus may provide for less flexibility in developing and applying accounting policies and practices. This standard is required to be adopted either retrospectively or using a modified transition approach and is effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. The Company is in the process of assessing the impacts of adopting this new standard.

3. Significant Accounting Judgments, Estimates, and Assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions based on currently available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from those estimated. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future years could be material.

In the process of applying the Company's accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the financial statements:

(a) Significant estimates and assumptions

i. Impairment

The recoverable amounts of cash generating units and individual assets have been determined based on the higher of the value-in-use calculations and fair value less costs of disposal. These calculations require the use of estimates and assumptions, including the discount rate, commodity prices, production, operating costs, and future development costs. It is reasonably possible that the commodity price assumptions may change, which may impact the estimated life of the field and economical reserves recoverable and may require a material adjustment to the carrying amount of property, plant, and equipment. The Company monitors internal and external indicators of impairment relating to its assets.

3. Significant Accounting Judgments, Estimates, and Assumptions *(continued)*

ii. Income taxes

The Company follows the liability method for calculating deferred income taxes. Differences between the amounts reported in the financial statements of the Company and its subsidiaries and their respective tax bases are applied to tax rates in effect to calculate the deferred tax liability. In addition, the Company recognizes the future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. In the Company's judgment, there is insufficient operating history to establish that a deferred income tax asset will be realizable and therefore the asset has not been recognized in the financial statements.

Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets and liabilities recorded at the balance sheet date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future years.

iii. Share-based compensation

The fair value of share options is estimated at the grant date using the Black-Scholes option pricing model which includes underlying assumptions related to the risk-free interest rate, average expected option life, estimated forfeitures, estimated volatility of the Company's shares and anticipated dividends.

iv. Decommissioning liabilities

By their nature, decommissioning liabilities will only be resolved when cash flows occur. The assessment of decommissioning liabilities inherently involves the exercise of significant judgment on the timing, costs, and estimates of the risk-free discount rates and inflations rates used. Actual amounts may differ from the estimates used in the preparation of these financial statements.

v. Depletion, depreciation and amortization

The amounts recorded for depreciation are based on estimates including economic life of the asset, estimated oil and gas reserves, future development costs, and residual values of the asset at the end of its economic life. The actual lives of the assets and residual values are assessed annually.

(all amounts are expressed in thousands except where otherwise noted)

3. Significant Accounting Judgments, Estimates, and Assumptions *(continued)*

(b) Significant judgments

i. Transfers of exploration and evaluation assets to property, plant and equipment

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefit exists when activities have not reached a stage where technical feasibility and commercial viability can be reasonably determined and when technical feasibility and commercial viability has been reached. Estimates and assumptions may change as new information becomes available.

4. Accounts Receivable

		2014
Trade receivables	$	1,155
Joint Venture receivables		1,105
GST receivable		745
Balance, December 31, 2014	$	3,005

Trade receivables and cash call receivables are non-interest bearing. In determining the recoverability of the receivables, the Company considers the age of the outstanding receivable and the credit worthiness of the counterparties as discussed in note 15.

5. Property and Equipment

		Oil and Gas Properties		Office Equipment		Total
Cost						
Balance, January 30, 2014	$	-	$	-	$	-
Additions		22		15		37
Decommissioning liabilities		593		-		593
Transfers from exploration and evaluation		9,865		-		9,865
Balance, December 31, 2014	$	10,480	$	15	$	10,495
Accumulated Depreciation						
Balance, January 30, 2014	$	-	$	-	$	-
Depletion and depreciation		662		1		663
Impairment		3,991		-		3,991
Balance, December 31, 2014	$	4,653	$	1	$	4,654
Net Book Value December 31, 2014	$	5,827	$	14	$	5,841

5. Property and Equipment *(continued)*

During the period ended December 31, 2014, the Company assessed the carrying amount of its oil and gas assets, which consist of one cash generating unit (Fiske), for indicators of impairment such as changes in future prices, future costs and reserves. As a result, management determined an indicator, forward commodity prices for oil and gas existed and completed and impairment calculation, using an after-tax discount rate of 10%. The Company determined that the aggregate carrying value of the Fiske CGU was $4.0 million higher than the recoverable amount and therefore and impairment of $4.0 million was recorded.

At December 31, 2014, if the discount rate used had been 1% higher, the impairment loss recognized on the Fiske CGU would have been $0.3 million higher. If the discount rate used had been 1% lower, the impairment loss would have been $0.3 million lower.

The Company generally calculates the recoverable amount as the fair value less costs to dispose using a discounted cash flow model. The discount rate used was rate a typical market participant would charge when evaluating the purchase of the asset. The calculation of recoverable amounts is sensitive to the following assumptions which have been based on a long-term view of global oil and gas supply and demand as well as experience:

(i) Production volumes;

(ii) Discount rates;

(iii) Commodity prices;

(iv) Reserve and contingent resources quantities; Operating costs;

(v) Royalty rates;

(vi) Future capital cost estimates; and

(vii) Income taxes.

Production volumes, operating costs and future capital cost estimates are based on management's best estimate of future costs based on the development plans. Reserve quantities form the basis of the production profiles within the discounted cash flow models. The data generated for each field takes into consideration the development plans approved by management and reasonable assumptions that an external party would apply in appraising the assets, including expected license renewals. Commodity prices are based on market indicators at the end of the period conducted by an external reserve evaluation firm. Income taxes are calculated using the tax pools available to a buyer using the tax rates and rules in place at the end of the period.

(all amounts are expressed in thousands except where otherwise noted)

5. Property and Equipment *(continued)*

The following assumptions were used in developing the cash flow model and applied over the expected life of the respective fields:

Canadian Light Sweet Crude (per bbl)		
2015	$	66.35
2016	$	83.36
2017	$	94.28
2018	$	95.75
2019	$	97.25
Thereafter		1.5%
Inflation rate		2.0%

6. Exploration and Evaluation Assets

Cost		Total
Balance, January 30, 2014	$	-
Additions		12,643
Transfers to property and equipment		(9,865)
Balance, December 31, 2014	$	2,778

On July 31, 2014, the Company entered into a Joint Operating Agreement ("JOA") with a third party (the "Farmor"), in which the Company would acquire a 50% working interest in the lands owned and operated by the partner. The Company would earn its interest in the following steps:

- Bruin would invest $5 million in the assets on or before December 31, 2014 to earn 50% working interest in these assets. The Company was required to spend the following amounts:
    - $4.3 million in capital development expenses.
    - 50% of the costs of an existing 3-D seismic program totaling $0.2 million.
    - $0.5 million on well testing, land sales, third party management services and any other direct expenses relating to the asset.

At the date of the farm-in agreement, the property was secured as collateral by the Farmor. Subsequent to period end, this encumbrance was removed.

As at December 31, 2014, the Company complied with the terms and conditions of the JOA and earned a 50% working ownership in the property.

(all amounts are expressed in thousands except where otherwise noted)

7. Accounts Payable

		2014
Trade payables	$	5,740
Joint venture payables		118
Balance, December 31, 2014	$	5,858

Trade payable and cash call payables are non-interest bearing.

8. Decommissioning Liabilities

		2014
Balance, beginning of period	$	-
Liabilities incurred		593
Accretion expense		4
Balance, end of period	$	597

Decommissioning liabilities arise as a result of the Company's net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The key assumptions, on which the carrying amount of the decommissioning liability is based, include a risk free rate of 2.22% and an inflation rate of 1.50%. The undiscounted amount of the estimated cash flows required to settle the obligations is $0.7 million which will be incurred over the next 15 years.

9. Share Capital

(a) Authorized:

Unlimited number of common shares without nominal or par value.

Unlimited number of preferred shares, issuable in series, without nominal or par value.

(b) Issued:
Share capital:

	Number Issued		Amount Issued
Common shares			
Balance, January 30, 2014	-	$	-
Issuance of common shares	24,706		33,296
Issuance of flow-through common shares	1,083		1,083
Share issue costs	-		(1,730)
Balance, December 31, 2014	25,789	$	32,649

(all amounts are expressed in thousands except where otherwise noted)

9. Share Capital *(continued)*

i. In August 2014, the Company closed a private placement offering for 9.6 million common shares for gross proceeds of $9.6 million. In connection with the private placement, the Company paid transaction fees of $0.4 million.

ii. In August 2014, the Company closed a private placement offering for 1.1 million flow common shares for gross proceeds of $1.2 million. In connection with the offering, the Company has recognized a flow through premium liability of $0.2 million.

iii. In October 2014, the Company closed a private placement offering of 0.75 million common shares for gross proceeds of $0.75 million.

iv. In December 2014, the Company closed a private placement offering for 14.3 million common shares for gross proceeds of $22.9 million. In connection with the private placement, the Company paid transaction fees of $1.2 million.

(c) Issued

Preferred shares and Put-Call Options:

	Preferred Shares		Put–Call Options	
	Number Issued	Amount Issued	Number Issued	Amount Issued
Preferred shares				
Balance, January 30, 2014	-	$	-	$
Issuance of series 1 special voting preferred shares	4,375		-	
Issuance of put – call options	-		4,375	
Balance, December 31, 2014	4,375	$	4,375	$

In December 2014, the Company issued 4.4 million series 1 special voting preferred shares and 4.4 million put–call options on the Company's common shares, for a nominal fee. The preferred shareholders do not participate in dividends of the Company. Each preferred share entitles the holder to one vote at meetings of the shareholders of the Company.

Each put–call may be exercised by either the Company or the preferred shareholder with 30 days' notice. If a put–call option is exercised by either party, the preferred shareholder will pay $1.60 and will receive a common share of the Company, and a series 1 special voting preferred share owned by the preferred shareholder will be canceled. If the put–call options have not been fully exercised by December 17, 2015, the outstanding put–call options will automatically be exercised on that date. The exercise price of $1.60 per share is subject to adjustment for certain events such as a stock split or a rights offering.

(all amounts are expressed in thousands except where otherwise noted)

9. Share Capital *(continued)*

Once all of the put – call options are exercised, the Company will have received gross proceeds of $7 million and will have issued an additional 4.4 million common shares. All of the series 1 special voting preferred shares will have been canceled. In addition, transaction fees of $0.4 million will be payable once the put – call options are exercised.

(d) Share options

The Company has a share purchase option plan under which employees, directors and key consultants and/or advisors are eligible to receive grants. Under the share option plan, which was approved by the shareholders, the granted share options vest to the grantee over a three year period, the grantee has the right to exercise those share options for five years from the date of the granting and the share options typically terminate 90 days following the termination of the optionee's employment or engagement. The maximum number of outstanding share options under the plan is limited to 20% of the number of common shares outstanding. The number of share options and the exercise price is set by the Company's Board of Directors at the time of granting.

Share options issued and outstanding at December 31, 2014 are as follows:

	Number	Weighted Average Exercise Price
Balance, January 30, 2014	-	$ -
Granted	2,581	$ 1.38
Balance, December 31, 2014	2,581	$ 1.38

Details of the share options outstanding at December 31, 2014 are as follows:

Exercise Price	Outstanding Number of Options	Exercisable Number of Options	Weighted Average Remaining Life
$ 1.00	962	-	4.62
$ 1.60	1,619	-	4.96
	2,581	-	4.84

The weighted average fair value of the share purchase options granted during the period is $1.06 per option. Options were priced using the Black-Scholes option pricing model using the weighted average assumptions to estimate the fair value of options granted. The expected volatility of the Company was estimated by using the historical volatility of comparable public entities.

(all amounts are expressed in thousands except where otherwise noted)

9. Share Capital *(continued)*

		2014
Risk-free interest rate		**1.26%**
Expected life		**5.0 years**
Expected volatility		**106%**
Weighted average grant date share price	**$**	**1.38**
Expected dividend yield		**0%**

(e) Performance Warrants

The Company has a performance warrants plan under which employees, directors and key consultants and/or advisors are eligible to receive grants. Under the plan, which was approved by the shareholders, the granted performance warrants vest to the grantee over a three year period, the grantee has the right to exercise those performance warrants for five years from the date of the granting and the performance warrants typically terminate 90 days following the termination of the optionee's employment or engagement. The number of performance warrants and the exercise price is set by the Company's Board of Directors at the time of granting.

Performance warrants issued and outstanding at December 31, 2014 are as follows:

	Number		Average Exercise Price	Weighted Average Remaining Life
Balance, January 30, 2014	-	$	-	-
Granted	1,851		2.21	4.79
Balance, December 31, 2014	1,851	$	2.21	4.79

All performance warrants remain unvested at December 31, 2014.

Details of the performance warrants outstanding at December 31, 2014 are as follows:

Exercise Price	Outstanding Number of Warrants	Weighted Average Remaining Life
$1.10 to $1.50	962	4.62
$1.60 to $4.80	889	4.96
	1,851	4.79

The weighted average fair value of the performance warrants granted during the year is $0.77 per warrant. Warrants were priced using the Black-Scholes option pricing model using the weighted average assumptions to estimate the fair value of warrants granted. The expected volatility of the Company was estimated by using the historical volatility of comparable public entities.

(all amounts are expressed in thousands except where otherwise noted)

9. Share Capital *(continued)*

		2014
Risk-free interest rate		**1.28%**
Expected life		**5.0 years**
Expected volatility		**107%**
Weighted average grant date share price	**$**	**1.29**
Expected dividend yield		**0%**

10. Loss per Common Share

		2014
Net loss	**$**	**(4,745)**
Number of Common Shares		
Weighted average common shares outstanding –basic and diluted		**5,375**
Net loss per common share	**$**	**(0.88)**

As at December 31, 2014 the impact of the share options and performance warrants is excluded from loss per share as the effect is anti-dilutive given the Company has a loss.

11. Key Management Compensation

Key management is defined as the Board of Directors and the four executive management members. The fair value of compensation and other fees paid to key management for the period ended December 31, 2014:

		2014
Salaries and benefits	$	288
Consulting fees		100
Stock based compensation		223
	$	612

In accordance with the employment agreements of the executive officers, the Company is required to provide for a termination benefit, in the event of a change in control or termination of employment without cause, an amount equal to 100% of the Executive's annual base salary plus an amount equal to 10% of the amount paid as salary for compensation of loss of employment benefits. At December 31, 2014 the estimated commitment of the termination benefit payable is estimated to be approximately $132,000. No termination benefits have been paid in the period.

(all amounts are expressed in thousands except where otherwise noted)

12. Depletion, depreciation and amortization

		2014
Depletion	$	662
Depreciation and amortization		1
Impairment of property and equipment		3,991
	$	4,654

13. Income Taxes

Income tax expense varies from the amount that would be computed by applying the combined basic federal and provincial statutory income tax rates for Canada at December 31, 2014 at 26.00% to income before income taxes.

A reconciliation of the differences is as follows:

		2014
Net loss before taxes	**$**	**(4,907)**
Computed income taxes		**(1,276)**
Increase (decrease) in taxes:		
Permanent differences		**96**
Amortization of share issue costs		**(90)**
Effect on renouncement of flow-through shares		**162**
Amount for which no deferred tax asset was recognized		**946**
Deferred tax recovery	**$**	**(162)**

The Company has not recorded deferred income tax assets in relation to its estimated total income tax pools due to the uncertainty related to the realization of such assets. As at December 31, 2014, no deferred income tax assets were recognized for the following deductible temporary differences:

		2014
Non-capital operating losses	**$**	**3,524**
Share issue costs		**1,384**
Exploration and evaluation costs		**116**
		5,024
Temporary differences for which no deferred tax assets were recognized		**(5,024)**
	$	**-**

(all amounts are expressed in thousands except where otherwise noted)

13. Income Taxes *(continued)*

The following table shows the movement in deferred tax assets during the period:

Deferred income tax asset	Balance atJanuary 30, 2014	Recognized in Comprehensive Loss	Recognized in Statement of Financial Position	Balance at December 31, 2014
Non-capital losses	$ -	$ (916)	$ -	$ (916)
Share issue costs	-	-	(360)	(360)
Exploration and evaluation costs	-	(192)	162	(30)
Unrecognized deferred tax assets	-	946	360	1,306
	$ -	$ (162)	$ 162	$ -

As at December 31, 2014, the Company had the following income tax pools available for deduction:

Income tax pool	Amount
Non-capital losses	$ 3,524
Decommissioning liabilities	597
Share issue costs	1,384
Oil and gas properties	8,071
	$ 13,576

Deferred income tax assets are recognized for non-capital losses carried forward to the extent that the realization of the related income tax benefit through future taxable income is probable. The Company's non-capital losses expire in 2034.

14. Change in Non-Cash Working Capital

	2014
Operations:	
Accounts receivable	**$ (3,005)**
Prepaid expenses	**(69)**
Accounts payable and accrued liabilities	**5,858**
Net loss per common share	**$ 2,784**

The following cash payments have been made for the period ended December 31, 2014:

	2014
Taxes	**$ -**
Interest	**$ -**

15. Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Audit and Risk Management Committee, which is responsible for developing and monitoring the Company's compliance with risk management policies and procedures. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(a) Credit risk

Credit risk arises from the possibility that a counterparty to which the Company provides goods or services is unable or unwilling to fulfill their obligations. The extent of the risk depends on the credit quality of the counterparty to which the Company provides goods or service.

The Company's primary exposure to credit risk is on cash and cash equivalents deposited with various financial institutions. The Company's policy is to limit cash holdings and near cash investments to instruments issued by major Canadian banks, or investments of equivalent or better quality. Credit risk associated with cash and cash equivalents can be assessed with reference to the external credit rating of those financial institutions. The following table discloses the credit ratings of the financial institutions where the Company holds its cash and cash equivalents:

		2014
A	$	23,093

The Company is also exposed to credit risk from trade or joint venture receivables (Note 4) which are owed from customers or joint venture partners without an external credit rating. The Company manages credit risk from joint venture receivables by ensuring they are collateralized by sufficient security. The Company has the right to withhold oil production in the event of default by a joint venture partner. For trade receivables, the Company analyzes credit risk for each customer before standard payment and delivery terms are offered. Trade receivables are due for payment with 30 day terms.

Trade receivables are all current and none are past due.

(all amounts are expressed in thousands except where otherwise noted)

15. Financial Risk Management *(continued)*

(b) 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's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analysis. Any short fall in expected cash requirements is mitigated by the issuance of equity instruments.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

December 31, 2014	Carrying amount	Contractual cash flows	6 months or less	Thereafter
Accounts payable	$ 5,858	$ 5,858	$ 5,858	$ -
Total	$ 5,858	$ 5,858	$ 5,858	$ -

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market price risk is comprised of three types of market price changes: foreign currency exchange rates, interest rates and commodity prices.

i. Interest rate risk

Interest rate risk is the risk of change in the borrowing rates of the Company. The Company is not exposed to significant interest rate risk.

ii. Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as oil, natural gas and natural gas liquids. Based upon an increase of $1.00 change in oil price, there would be an increase of $0.01 million to net income.

(d) Fair value of financial instruments

The carrying amount of non-derivative financial instruments classified as current approximates fair value due to their short-term to maturity.

Fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. The Company analyzes financial instruments carried at fair value and categorizes them based on their valuation method as follows:

15. Financial Risk Management *(continued)*

Level I – Quoted prices are available in active markets for identical assets or liabilities at the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on a consistent basis.

Level II – Pricing inputs used are other than prices in active markets included in Level I and which are either directly or indirectly observable in the market. Fair values in Level II are determined by using quoted market prices in active markets and adjusted for factors specific to the asset or liability. Level II valuations are based on inputs, including quoted forward prices for commodities and interest rates, time value, volatility factors and broker quotations, which can be substantially observed or corroborated in the market place for over-the-counter derivatives.

Level III – Fair values are determined using inputs for the asset or liability that are not readily observable or are unavailable. These instruments may include items based upon pricing services or broker quotes where the observations of inputs are unavailable to the Company. In these instances, internal methodologies are used to determine fair value with inputs based upon historical data, forward pricing curves, time value of money, and market risk including counterparty default.

All of the Company's financial instruments are classified as level 1 in the hierarchy.

16. Capital Disclosures

The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All financing, including equity and debt, are analyzed by management and approved by the Board of Directors.

The Company's objectives when managing capital are:

(a) to safeguard the Company's ability to continue as a going concern and provide returns for shareholders; and

(b) to facilitate the acquisition or development of oil and gas projects consistent with the growth strategy of the Company.

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential acquisitions, in addition to preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity and monthly review of financial results.

The Company funds its share of expenditures of all commitments from existing cash and cash equivalent received primarily from issuances of shareholders' equity. The Company is not subject to any externally imposed capital requirements.

16. Capital Disclosures *(continued)*

The Board of Directors regularly reviews the Company's cash flow analysis and assesses the timing and need for additional equity financing. The Company's results will impact its access the capital necessary to meet these expenditure commitments. There can be no assurance that equity financing will be available or sufficient to meet those commitments, or for other corporate purposes, or if equity financing is available, that it will be on terms acceptable to the Company.

The Company considers the following items capital:

(a) accounts payable net of cash; and

(b) shareholders' equity.

The following table represents the net capital of the Company:

		2014
Accounts payable, net of cash	$	(17,074)
Shareholders' equity		28,331
Total capital	$	11,257

The Company does not have any externally imposed requirements on its capital.