BRUIN oil & gas

UNAUDITED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

AND MARCH 31, 2015

STATEMENT OF FINANCIAL POSITION

Unaudited (Canadian $000s)	As at Mar. 31, 2016	As at Dec. 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	19,423	19,015
Trade and other receivables (NOTE 5)	6	2
Prepaids and deposits (NOTE 7)	1,876	76
	21,305	19,093
Assets held for sale (NOTES 8 AND 13)	-	2,811
Property, plant and equipment (NOTE 10)	37	38
Exploration and evaluation (NOTE 9)	200	200
TOTAL ASSETS	**21,542**	**22,142**
LIABILITIES		
Current Liabilities		
Trade and other payables (NOTE 6)	175	96
Liabilities associated with assets held for sale (NOTES 8 AND 13)	-	328
Total liabilities	**175**	**424**
SHAREHOLDERS' EQUITY		
Share capital (NOTE 11)	32,649	32,649
Contributed surplus (NOTE 11)	2,622	2,385
Accumulated deficit	(13,904)	(13,316)
	21,367	**21,718**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**21,542**	**22,142**

COMMITMENTS (NOTE 15)
SUBSEQUENT EVENTS (NOTE 19)

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

Approved on behalf of the Board of Directors:

Signed "Donald A. Engle" *Signed "James C. Lough"*

Donald A. Engle
Chairman of the Board

James C. Lough
Director

STATEMENT OF NET AND COMPREHENSIVE LOSS

Unaudited (Canadian $000s, except per share amounts)	For the three months ended Mar. 31, 2016	For the three months ended Mar. 31, 2015
Expenses		
General and administration	414	281
Share-based compensation (NOTE 12)	237	561
Depletion, depreciation and amortization (NOTE 10)	1	1
	652	843
Loss before other items	(652)	(843)
Other items		
Interest income	46	55
LOSS FROM CONTINUING OPERATIONS	**(606)**	**(788)**
INCOME (LOSS) FROM DISCONTINUED OPERATIONS (NOTE 13)	18	(168)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**(588)**	**(956)**
EARNINGS (LOSS) PER SHARE ($) (NOTE 11)		
Basic and diluted - continuing operations (NOTE 11)	(0.02)	(0.03)
Basic and diluted - discontinued operations (NOTE 11)	-	(0.01)
TOTAL BASIC AND DILUTED (NOTE 11)	**(0.02)**	**(0.04)**

Refer to NOTE 13 for a summary of revenue, royalties, and expenses presented as income (loss) from discontinued operations in the statement of net loss and comprehensive loss.

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Unaudited (Canadian $000s)	For the three months ended Mar. 31, 2016	For the three months ended Mar. 31, 2015
SHARE CAPITAL		
Balance, beginning of period	32,649	32,649
BALANCE, END OF PERIOD	**32,649**	**32,649**
CONTRIBUTED SURPLUS		
Balance, beginning of period	2,385	427
Share-based compensation	237	697
BALANCE, END OF PERIOD	**2,622**	**1,124**
DEFICIT		
Balance, beginning of period	(13,316)	(4,745)
Net income (loss) for the period	(588)	(956)
BALANCE, END OF PERIOD	**(13,904)**	**(5,701)**

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

STATEMENT OF CASH FLOWS

Unaudited (Canadian $000s)	For the three months ended Mar. 31, 2016	For the three months ended Mar. 31, 2015
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss from continuing operations	(606)	(788)
ITEMS NOT AFFECTING CASH:		
Depletion, depreciation and amortization (NOTE 10)	1	1
Share-based compensation (NOTE 12)	237	561
Funds flow used for operations	**(368)**	**(226)**
Change in non-cash working capital (NOTE 17)	29	(414)
CASH FLOW USED FOR CONTINUING OPERATIONS	**(339)**	**(640)**
Cash flow from (used for) discontinued operations (NOTE 17)	111	(3,232)
CASH FLOW USED FOR OPERATING ACTIVITIES	**(228)**	**(3,872)**
INVESTING ACTIVITIES		
Discontinued operations	2,486	(178)
Change in non-cash working capital (NOTE 17)	(1,850)	-
CASH FLOW FROM (USED FOR) INVESTING ACTIVITIES	**636**	**(178)**
Decrease in cash and cash equivalents	408	(4,050)
Cash and cash equivalents, beginning of period	19,015	23,093
CASH AND CASH EQUIVALENTS, END OF PERIOD	**19,423**	**19,043**

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

NOTES TO FINANCIAL STATEMENTS

For the three months ended March 31, 2016 and 2015. (Tabular amounts in thousands of Canadian dollars, unless otherwise stated. Amounts in text are in Canadian dollars unless otherwise stated).

1. REPORTING ENTITY

Bruin Oil & Gas Inc. ("Bruin" or the "Company") is a growth-oriented, private oil and natural gas company whose principal business activities are the acquisition, exploration and development of oil and gas properties in western Canada.

The Company was incorporated under the laws of the Province of 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.".

Bruin's head office is located at Suite 1700, 205 5 Avenue SW, Calgary Alberta, T2P 2V7.

2. BASIS OF PRESENTATION

Statement of Compliance and Authorization

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

The financial statements were approved and authorized for issue by Bruin's Board of Directors on August 17, 2016.

Basis of Measurement

These financial statements have been prepared on the historical cost basis, except for the revaluation to fair value of certain financial assets and financial liabilities, as required under IFRS and described in the accounting policies in NOTE 3 below. The condensed interim financial statements (the "financial statements") are measured and presented in Canadian dollars as the functional currency of the Company.

Certain comparative amounts in the statement of net loss and comprehensive loss have been reclassified to conform with the current period's presentation. The comparative statement of net loss and comprehensive loss has been re-presented as if an operation discontinued during the current period had been discontinued from the beginning of the comparative period (NOTE 13).

Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Actual results may differ from such estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected. Significant judgments, estimates and assumptions made by management in these financial statements are outlined in NOTE 3 of the December 31, 2015 annual financial statements. There have been no significant changes in the Company's critical accounting estimates and judgments applied during the interim period ended March 31, 2016 relative to the most recent annual financial statements as at December 31, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies and methods of computation have been followed as the audited financial statements at December 31, 2015. The condensed interim financial statements for the three months ending March 31, 2016 should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2015.

There are standards and amendments that have not been adopted as they apply to future periods that may results in future changes to the Company's existing accounting policies and disclosures. The Company is currently evaluating the impact that these standards will have on the Company's financial statements. A description of these standards and interpretations that will be adopted by the Company in future periods is disclosed in NOTE 2 of the audited annual financial statements for the year ended December 31, 2015.

4. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2016, the Company adopted the amendment to IFRS 11 "Joint Arrangements" to clarify the accounting treatment when an entity acquires interests in joint ventures and joint operations. The amendment requires these acquisitions to be accounted for as business combinations. The Company adopted this amendment prospectively. Adoption of this amended standard did not result in a significant impact to the Company's financial statements.

5. TRADE AND OTHER RECEIVABLES

($000s)	As at Mar. 31, 2016	As at Dec. 31, 2015
Trade	6	109
Joint venture	-	23
Reclassified as assets held for sale	-	(132)
GST	-	2
TRADE AND OTHER RECEIVABLES	**6**	**2**

6. TRADE AND OTHER PAYABLES

($000s)	As at Mar. 31, 2016	As at Dec. 31, 2015
Trade	95	160
Accrued	80	71
Reclassified as liabilities associated with assets held for sale	-	(135)
TRADE AND OTHER PAYABLES	**175**	**96**

7. PREPAIDS AND DEPOSITS

($000s)	As at Mar. 31, 2016	As at Dec. 31, 2015
Prepaids	26	76
Deposits	1,850	-
PREPAIDS AND DEPOSITS	**1,876**	**76**

During the three months ended March 31, 2016, the Company paid a $1.9 million deposit related to the acquisition of oil and gas assets that closed subsequent to the quarter ended March 31, 2016 (NOTE 19). Subsequent to the quarter ended March 31, 2016, the deposit was increased to $2.2 million.

8. PROPERTY DISPOSITION

On January 15, 2016, the Company completed a disposition of all its producing oil and natural gas properties which were located in the Fiske CGU for proceeds of $2.5 million after closing adjustments. These assets were classified as held for sale on the December 31, 2015 statement of financial position (NOTE 13).

The carrying value of assets and associated decommissioning liabilities disposed during the three months ended March 31, 2016 are summarized below.

($000s)	
Property, plant and equipment	2,679
Decommissioning liabilities	(193)
Carrying value of net assets disposed	2,486
Cash proceeds, after closing adjustments	2,486
GAIN (LOSS) ON SALE OF ASSETS	**-**

9. EXPLORATION AND EVALUATION

Exploration and evaluation assets consist of the Company's undeveloped land and exploration projects that are pending the determination of technical feasibility. There were no indicators of impairment at March 31, 2016.

($000s)	
Balance at December 31, 2014	2,778
Additions	1,261
Transfers to petroleum and natural gas assets (NOTE 10)	(2,187)
Impairment of exploration and evaluation assets	(1,652)
BALANCE AT DECEMBER 31, 2015	**200**
Additions	-
BALANCE AT MARCH 31, 2016	**200**

There was no capitalized stock based compensation included in exploration and evaluation additions during the three months ended March 31, 2016 (year ended December 31, 2015 - $391,000).

10. PROPERTY, PLANT AND EQUIPMENT

($000s)	As at Mar. 31, 2016	As at Dec. 31, 2015
Petroleum and natural gas assets at cost	23	23
Corporate assets at cost	20	20
Property, plant and equipment at cost	43	43
Accumulated depletion and depreciation	(6)	(5)
PROPERTY, PLANT AND EQUIPMENT NET CARRYING AMOUNT	**37**	**38**

Petroleum and Natural Gas Assets

The following table reconciles movement of property, plant and equipment (“PP&E”) during the period:

COST ($000s)	
Balance at December 31, 2014	10,480
Refund on drilling deposits	(249)
Transfer from exploration and evaluation assets (NOTE 7)	2,187
Change in decommissioning provision	(417)
Transfer to assets held for sale	(11,978)
BALANCE AT DECEMBER 31, 2015	**23**
Additions	-
BALANCE AT MARCH 31, 2016	**23**

ACCUMULATED DEPLETION ($000s)	
Balance at December 31, 2014	4,653
Depletion, depreciation and amortization	1,121
Impairment loss	3,525
Transfer to assets held for sale	(9,299)
BALANCE AT DECEMBER 31, 2015	**-**
Depletion	-
BALANCE AT MARCH 31, 2016	**-**
NET CARRYING AMOUNT, MARCH 31, 2016	**23**

There were no direct general and administrative costs capitalized by the Company during the three months ended March 31, 2016 (year ended December 31, 2015 - $nil).

Corporate Assets

COST ($000s)	
Balance at December 31, 2014	15
Additions	5
BALANCE AT DECEMBER 31, 2015	**20**
Additions	-
BALANCE AT MARCH 31, 2016	**20**

ACCUMULATED DEPRECIATION AND AMORTIZATION	
Balance at December 31, 2014	1
Depreciation and amortization	4
BALANCE AT DECEMBER 31, 2015	**5**
Depreciation and amortization	**1**
BALANCE AT MARCH 31, 2016	**6**
NET CARRYING AMOUNT, MARCH 31, 2016	**14**

11. SHARE CAPITAL

a) Authorized

Unlimited number of common voting shares.

Unlimited number of preferred shares, issuable in series.

b) Issued and Outstanding Common Shares

($000s except for share amounts)	Number	Amount
Common Shares		
Balance at December 31, 2014	25,789,279	32,649
BALANCE AT DECEMBER 31, 2015 AND MARCH 31, 2016	**25,789,279**	**32,649**

Subsequent to the quarter ended March 31, 2016, the Company completed a series of private placement financings for a total of 34,298,324 common shares issued for gross proceeds of $33.2 million. Refer to NOTE 19 for additional information.

Subsequent to the quarter ended March 31, 2016 the put-call options were exercised for $7 million ($6.6 million net of fees) resulting in the issuance of 4,375,000 common shares and the cancellation of 4,375,000 special voting shares. Refer to NOTE 11 (d) for additional information.

c) Contributed Surplus

($000s)	Mar. 31, 2016	Dec. 31, 2015
Balance, beginning of period	2,385	427
Share-based compensation - options (capitalized)	-	339
Share-based compensation - options (expense)	186	1,287
Share-based compensation - warrants (capitalized)	-	52
Share-based compensation - warrants (expense)	51	280
BALANCE, END OF PERIOD	**2,622**	**2,385**

d) Issued and Outstanding Preferred Shares and Put-Call Options

	Preferred Shares		Put-Call Options	
	Number	Amount	Number	Amount
Balance, December 31, 2014	4,375	-	4,375	-
BALANCE AT DECEMBER 31, 2015 AND MARCH 31, 2016	**4,375**	**-**	**4,375**	**-**

In December 2014, the Company issued 4,375,000 series 1 special voting preferred shares and 4,375,000 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 issued and outstanding 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. In November 2015, the put-call option expiry date was extended from December 17, 2015 to June 17, 2016. If the put-call options have not been fully exercised by June 17, 2016 the outstanding put-call options will automatically be exercised on this date.

Subsequent to the quarter ended March 31, 2016 the remaining put-call options were exercised for $7 million ($6.6 million net of fees) resulting in the issuance of 4,375,000 common shares and the cancellation of 4,375,000 special voting shares.

e) Per share amounts

	For the three months ended	
($000s except per share amounts)	Mar. 31, 2016	Mar. 31, 2015
Net loss from continuing operations	(606)	(788)
Net income (loss) from discontinued operations	18	(168)
Net loss for the period	(588)	(956)
Weighted average number of shares - basic and diluted	25,789,279	25,789,279
Basic and diluted net loss per share - continuing operations	(0.02)	(0.03)
Basic and diluted net loss per share - discontinued operations	-	(0.01)
Basic and diluted net loss per share	**(0.02)**	**(0.04)**

12. SHARE-BASED COMPENSATION

a) Stock Options

During the three months ended March 31, 2016 no stock options were approved for issuance by the Board of Directors (year ended December 31, 2015 – 150,000). The options granted under the Stock Option Plan are exercisable on the basis of one-third on the anniversary of grant and equally thereafter on the second and third anniversary dates of the date of the grant. Each option allows the holder to purchase one common share of the Company. The options expire five years from the date of issue.

Share based compensation during the three months ended March 31, 2016 was $186,000 (three months ended March 31, 2015 – $430,000). Of this amount, $186,000 (three months ended March 31, 2015 – $347,000) was included in share-based compensation expense and $nil was included in exploration and evaluation assets as part of capitalized administration costs relating to development and production activities (three months ended March 31, 2015 – $83,000).

The following table sets forth a reconciliation of the stock option plan activity through to March 31, 2016:

	Number	Wtd. Avg. Exercise Price ($)
Balance at December 31, 2014	2,581,000	1.38
Granted	150,000	1.60
BALANCE AT DECEMBER 31, 2015 AND MARCH 31, 2016	**2,731,000**	**1.39**

The range of exercise prices of the outstanding and exercisable options at March 31, 2016 were as follows:

	Outstanding Options		Exercisable Options	
Exercise Price Range	Wtd. Avg. Contractual Life	Number of options	Number of options	Wtd. Avg. Exercise Price ($)
$1.00	3.37	962,000	321,000	1.00
$1.60	3.73	1,769,000	590,000	1.60
	3.60	**2,731,000**	**911,000**	**1.39**

There were no stock options exercised during the three months ended March 31, 2016 (year ended December 31, 2015 – nil).

The fair value of each option granted or acquired is estimated on the date of grant or acquisition using the Black-Scholes option pricing model with the following weighted average assumptions:

For the three months ended	For the three months ended Mar. 31, 2016	Mar. 31, 2015
Risk-free Interest rate (%)	-	1.00%
Expected life (years)	-	5.0
Estimated volatility of underlying common shares (%)	-	101%
Weighted average grant date share price	-	1.60
Expected dividend yield (%)	-	0%

The weighted average fair value of options granted up to March 31, 2016 is $1.06 per option (three months ended March 31, 2015 -$1.06).

b) Performance Warrants

During the three months ended March 31, 2016 no performance warrants were approved for issuance by the Board of Directors (year ended December 31, 2015 – 100,000). Certain performance warrants granted under the Stock Option Plan are exercisable on the basis of one-third on the anniversary of grant and equally thereafter on the second and third anniversary dates of the date of the grant. Certain performance warrants only vest and are exercisable upon the completion of a liquidity event by the Company which include a sale of all of the assets or shares of the Company for cash or share consideration or listing on a recognized stock exchange. The performance warrants expire on the fifth anniversary of the issue date.

Share compensation during the three months ended March 31, 2016 was $51,000 (three months ended March 31, 2015 - $267,000). Of this amount, $51,000 (three months ended March 31, 2015– $214,000) was included in share-based compensation expense and $nil (three months ended March 31, 2015– $53,000) was included in exploration and evaluation assets as part of capitalized administration costs relating to development and production activities.

The following table sets forth a reconciliation of performance warrant activity through to March 31, 2016:

	Number	Wtd. Avg. Exercise Price ($)
Balance at December 31, 2014	1,851,000	2.16
Granted	100,000	3.10
BALANCE AT DECEMBER 31, 2015 AND MARCH 31, 2016	**1,951,000**	**2.21**

The range of exercise prices of the outstanding and exercisable warrants at March 31, 2016 were as follows:

	Outstanding Warrants		Exercisable Warrants	
Exercise Price Range	Wtd. Avg. Contractual Life Remaining	Number of warrants	Number of warrants	Wtd. Avg. Exercise Price ($)
$1.00 - $1.50	3.37	962,000	321,000	1.20
$1.60 - $4.80	3.73	989,000	-	3.10
	3.53	**1,951,000**	**321,000**	**2.21**

There were no performance warrants exercised during the three months ended March 31, 2016 (year ended December 31, 2015 – nil).

The fair value of each warrant granted or acquired is estimated on the date of grant or acquisition using the Black-Scholes option pricing model with the following weighted average assumptions:

For the three months ended	Mar. 31, 2016	Mar. 31, 2015
Risk-free interest rate (%)	-	1.00%
Expected life (years)	-	5.0
Estimated volatility of underlying common shares (%)	-	101%
Weighted average grant date share price	-	1.60
Expected dividend yield (%)	-	0%

The weighted average fair value of performance warrants granted is $0.92 per performance warrant for warrants granted up to March 31, 2016.

The following table summarizes the Company's share-based compensation:

($000s)	For the three months ended Mar. 31, 2016	Mar. 31, 2015
Share-based compensation - options	186	430
Share-based compensation - performance warrants	51	267
Capitalized share-based compensation	-	(136)
TOTAL SHARE-BASED COMPENSATION	**237**	**561**

All stock options and performance warrants to the previous Bruin management were cancelled on June 15, 2016 and a new stock option and performance warrant plan has been put in place for the new Bruin management team. Refer to NOTE 19 for additional information.

13. DISCONTINUED OPERATIONS

On January 15, 2016 the Company disposed of all its producing oil and natural gas properties which were located in the Fiske CGU (NOTE 8). The comparative statement of net loss and comprehensive loss has been re-presented to show the discontinued operation separately from continuing operations.

($000s)	For the three months ended Mar. 31, 2016	Mar. 31, 2015
Oil revenue	31	472
Royalties	(2)	(44)
	29	428
Operating expense	11	200
Accretion expense	-	3
Depletion, depreciation and amortization	-	393
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**18**	**(168)**

The assets presented as Assets held for sale on the statement of financial position are comprised of the following:

($000s)	As at Mar. 31, 2016	As at Dec. 31, 2015
Trade and other receivables	-	132
Property, plant and equipment	-	2,679
ASSETS HELD FOR SALE	**-**	**2,811**

The liabilities presented as liabilities associated with Assets held for sale on the statement of financial position are comprised of the following:

($000s)	As at Mar. 31, 2016	As at Dec. 31, 2015
Trade and other payables	-	135
Decommissioning liabilities	-	193
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	**-**	**328**

For the year ended December 31, 2015, decommissioning liabilities included in liabilities associated with assets held for sale related to 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 credit adjusted risk-free rate of 8% and an inflation rate of 1.5%. The undiscounted amount of the estimated cash flows required to settle the obligations is $0.7 million which will be incurred over the next 20 years.

All decommissioning liabilities are associated with assets held for sale at December 31, 2015.

14. KEY MANAGEMENT COMPENSATION

($000s)	For the three months ended Mar. 31, 2016	Mar. 31, 2015
Salaries and benefits	123	112
Consulting fees	30	30
Share-based compensation benefit	226	593
TOTAL KEY MANAGEMENT COMPENSATION	**379**	**735**

Subsequent to the quarter ended March 31, 2016, termination benefits of $997,000 were paid on the termination of all executive officers without cause.

15. COMMITMENTS

Subsequent to the quarter ended March 31, 2016, the Company entered into an office lease for five years with an option to both the Company and the lessor to terminate the lease at any time after July 2019. Future minimum lease payments are as follows:

	2016	2017	2018	2019	2020	Therafter
Operating lease – office buildings	47,250	142,650	295,538	494,819	596,984	164,145
Total annual commitments	**47,250**	**142,650**	**295,538**	**494,819**	**596,984**	**164,145**

The sublandlord has the right to terminate the office lease with 6 months written notice at any point after July 30, 2019. There is no compensation to the Company should the sublandlord terminate the lease after this date.

The subtenant has the right to terminate the lease if there is a sale of the Company. If the subtenant terminates the lease, there is a $600,000 penalty. Should the subtenant terminate the lease prior to July 30, 2019, the subtenant is required to pay lease payments up to July 30, 2019 with no payment required for lease payments after July 30, 2019.

16. FINANCIAL INSTRUMENTS

The Company has exposure to credit, liquidity and foreign currency risk from its use of financial instruments. Further qualitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for identifying the principal risks of the Company and ensuring the policies and procedures are in place to appropriately manage these risks. Bruin's management identifies, analyzes and monitors risks and considers the implication of the market condition in relation to the Company's activities.

a) Fair Value of Financial Instruments:

Financial instruments comprise cash and cash equivalents, accounts receivable and trade and other payables.

There are three levels of fair value by which a financial instrument can be classified:

Level 1 - Quoted prices in active markets for identical assets and liabilities such as traded securities on a registered exchange where there are a sufficient frequency and volume of transactions to provide ongoing pricing information.

Level 2 - Inputs other than quoted prices that are observable for the asset and liability either directly and indirectly such as quoted forward prices for commodities, time value and volatility factors which can be substantially observed or corroborated in the marketplace; and

Level 3 - Inputs that are not based on observable market data.

The fair value of cash and cash equivalents, accounts receivable and trade and other payables approximate their carrying amounts due to their short term maturities.

The following table summarizes Bruin's financial instruments at March 31, 2016:

($000s)	Fair value through profit & loss	Loans and receivables	Financial liabilities	Total carrying value
Assets				
Cash and cash equivalents	-	19,423	-	19,423
Trade and other	-	6	-	6
	-	19,429	-	19,429
Liabilities				
Trade and other	-	-	175	175
	-	-	175	175

The following table summarizes Bruin's financial instruments at December 31, 2015:

($000s)	Fair value through profit & loss	Loans and receivables	Financial liabilities	Total carrying value
Assets				
Cash and cash equivalents	-	19,015	-	19,015
Trade and other receivables	-	134	-	134
	-	19,149	-	19,149
Liabilities				
Trade and other	-	-	231	231
	-	-	231	231

Liquidity Risk

The Company's approach to managing liquidity risk is to have sufficient cash and/or credit facilities to meet its obligations when due. Management typically forecasts cash flows for a period of 12 months to identify any financing requirements. Liquidity is managed through daily and longer-term cash, debt and equity management strategies. These include estimating future cash generated from operations based on reasonable production and pricing assumptions, estimating future discretionary and non-discretionary capital expenditures and assessing the amount of equity or debt financing available. As at March 31, 2016, the Company considers itself to be well-capitalized, with working capital in excess of current commitments. At March 31, 2016, the Company's financial liabilities include trade and other payables of $175 (year ended December 31, 2015 - $231). All financial liabilities have contractual maturities of less than one year. Subsequent to the quarter ended March 31, 2016, the Company was recapitalized by a new management team (NOTE 19).

17. CAPITAL DISCLOSURES

a) Capital Base

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.

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)cash, net of accounts payable

(b)shareholders' equity.

The following table represents the net capital of the Company:

($000s)	As at Mar. 31, 2016	As at Dec. 31, 2015
Cash, net of accounts payable	19,248	18,784
Shareholders' equity	21,367	21,718
TOTAL CAPITAL	**40,615**	**40,502**

The Company's share capital is not subject to external restrictions and the Company has no bank debt.

b) Supplemental Information

The following table presents the composition of changes in non-cash working capital and the allocation to operating and investing activities:

	For the three months ended	
($000s)	Mar. 31, 2016	Mar. 31, 2015
CHANGES IN NON-CASH WORKING CAPITAL:		
Trade and other receivables (NOTE 5)	128	1,585
Prepaids and other assets (NOTE 7)	(1,800)	12
Trade and other payables (NOTE 6)	(56)	(5,199)
TOTAL CHANGES IN NON-CASH WORKING CAPITAL	**(1,728)**	**(3,602)**
CHANGES IN NON-CASH WORKING CAPITAL RELATED TO:		
Operating activities	29	(414)
Investing activities	(1,850)	-
Discontinued operations	93	(3,188)
TOTAL CHANGES IN NON-CASH WORKING CAPITAL	**(1,728)**	**(3,602)**

The following tables presents the composition of cash flows from (used for) discontinued operations:

Discontinued Operating Activities

	For the three months ended	
CASH FLOW FROM (USED FOR) DISCONTINUED OPERATIONS	Mar. 31, 2016	Mar. 31, 2015
Net income (loss) from discontinued operations	18	(168)
Accretion expense	-	3
Depletion, depreciation and amortization	-	393
Change in non-cash working capital	93	(3,460)
CASH FLOW FROM (USED FOR) DISCONTINUED OPERATIONS	**111**	**(3,232)**

Discontinued Investing Activities

	For the three months ended	
CASH FLOW FROM (USED FOR) DISCONTINUED INVESTING ACTIVITIES	Mar. 31, 2016	Mar. 31, 2015
Purchases of property, plant and equipment	-	(450)
Disposal of property, plant and equipment	2,486	-
Change in non-cash working capital	-	272
CASH FLOW FROM (USED FOR) DISCONTINUED INVESTING ACTIVITIES	**2,486**	**(178)**

18. RELATED PARTY DISCLOSURES

The Company had related party transactions that were entered into the normal course of business for the period ended March 31, 2016.

A Director of the Company as at March 31, 2016 is a Director of a company which received office rental payments of $42,000 (March 31, 2015 - $25,000) from Bruin. The Company also incurred a total of $25,000 (March 31, 2015 -$75,000) for legal services provided by a law firm where the Corporate Secretary is a partner of this law firm.

As at March 31, 2016 no related party amounts are included in accounts payable (December 31, 2015 - $nil).

Subsequent to the quarter ended March 31, 2016, the Company signed a purchase and sale agreement with a Company owned by certain members of the new Bruin management team, wherein the Company agreed to purchase $55,000 of office equipment and software licenses, reimburse the related Company for incurred third party consulting fees of $42,000 and issue 43,000 common shares at $1.00 per share to the related Company in return for a payment of $43,000. All payments resulted in a total issuance of 140,000 common shares at $1.00 per share. This transaction has been reviewed and approved by the Board of Directors.

19. SUBSEQUENT EVENTS

a) Implementation of new executive team

On June 15, 2016 a new management team replaced the previous Bruin management team. This new management team organized (i) a recapitalization of the Company through a series of private placements; (ii) the appointment of a new Board of Directors; and (iii) the acquisition of an oil-weighted asset base in the Alberta Viking formation.

b) Acquisition of oil and gas assets

On June 15, 2016, the Company closed an acquisition of oil and gas assets located in the Alberta Viking formation (the "Viking Acquisition") for a total purchase price of $23.0 million, subject to customary closing adjustments. The Viking Acquisition will be accounted for as a business combination using the acquisition method, whereby the net assets acquired and the liabilities assumed are recorded at fair value. The assets acquired consisted of producing properties, reserves, facilities, undeveloped land and prepaid mineral leases. The effective date of the acquisition was April 1, 2016.

As a result of the Viking Acquisition, the Company was also required to pay deposits associated with the Alberta Energy Regulators ("AER") licensee liability rating program of $13.7 million. The deposits are refundable once the Company's operated license's deemed assets are greater than their deemed liabilities based on parameters determined by the AER.

The following table summarizes the aggregate fair value of net assets acquired and the preliminary allocation of the purchase price:

FAIR VALUE OF NET ASSETS ACQUIRED	
Exploration and evaluation assets	8,705
Property, plant and equipment	20,058
Prepaid expenses	846
Decommissioning liabilities	(6,554)
FAIR VALUE OF NET ASSETS ACQUIRED (1)	**23,055**
Consideration	
Cash	23,055
Total purchase price	**23,055**

(1) The fair values allocated to the net assets acquired were estimated based on information available at the time of the preparation of these financial statements. The amount of cash consideration, after closing adjustments, was estimated based on an interim statement of adjustments. The actual amounts which will ultimately be recognized by the Company upon finalizing the accounting for the property acquisition may differ from these estimates.

On August 10, 2016 the Company acquired certain oil and gas assets in the Consort area for total consideration of $650,000 comprised of $500,000 cash and 150,000 common shares at $1.00 per share.

c) Financing

On June 15, 2016 the remaining put-call option (NOTE 11) was exercised for $7.0 million ($6.6 million net of fees) resulting in the issuance of 4,375,000 common shares and the cancellation of 4,375,000 special voting shares.

In June and July 2016 the Company entered into a series of private placement financings for a total of 34,298,324 common shares issued for gross proceeds of $33.2 million. The financings were comprised of:

- (i) 7,058,824 common shares issued to certain members of new management at $0.85 per share for proceeds of $6.0 million.
- (ii) 27,239,500 common shares issued to other investors at $1.00 per share for proceeds of $27.2 million.

The total number of common shares issued subsequent to the quarter ended March 31, 2016 is 38,673,324 for proceeds of $40.2 million.

d) Stock option and performance warrant grants

Subsequent to year-end, the Board of Directors granted 3,722,310 stock options with an exercise price of $0.85 per option and 2,642,690 stock options with an exercise price of $1.00 per option. The stock options have a life of 5 years and time vest one third on each of the first three anniversary dates of the grant.

Subsequent to year-end, the Board of Directors granted 16,125,000 performance warrants. The performance warrants are equally divided into five tranches with exercise prices of $1.50, $1.70, $1.90, $2.10 and $2.30. The performance warrants have a life of 5 years and time vest one fifth on the grant date and one fifth on each of the first four anniversary dates of the grant. The right to exercise the performance warrants is subject to a performance event taking place which includes the occurrence of any of the following (i) the Company raising a minimum of $25 million through a private placement, excluding the securities issued as part of the recapitalization that occurred in June 2016 (ii) the occurrence of an initial public offering on a recognized Canadian or U.S. stock exchange, or (iii) a change of control.