Border Petroleum Limited

Condensed Consolidated Interim Financial Statements

(Unaudited)

For the Three and Six Months Ended

June 30, 2014 and 2013

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL RESULTS

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim financial statements of the Company as at, and for the three and six months ended June 30, 2014 and 2013, have been prepared in accordance with IFRS and are the responsibility of the Audit Committee. The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements as at and for the three and six months ended June 30, 2014 and 2013 in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Border Petroleum Limited
Condensed Interim Consolidated Balance Sheets
(amounts in Canadian dollars)

(unaudited)

	Notes		June 30, 2014		March 31, 2013
Assets					
Current assets					
Cash and cash equivalents		$	3,493,984	$	3,122,067
Accounts receivable	4(c)		988,865		1,026,529
Assets held for sale			-		2,300,000
Deposits and prepaid expenses			48,200		58,696
Total current assets			4,531,049		6,507,292
Lease reclamation deposits			1,418,030		289,151
Exploration and evaluation assets	6		2,154,388		1,741,432
Property and equipment	7		2,344,780		2,796,591
Total assets		$	10,448,247	$	11,334,466
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	4(d)	$	1,473,992	$	1,857,787
Total current liabilities			1,473,992		1,857,797
Decommissioning provisions	8		2,107,851		2,143,204
Total liabilities			3,581,843		4,000,991
Shareholders' Equity					
Share capital			65,404,764		65,404,764
Contributed surplus			3,072,238		3,071,291
Deficit			(61,610,598)		(61,142,580)
Total shareholders' equity			6,866,404		7,333,475
Total liabilities and shareholders' equity		$	10,448,247	$	11,334,466

Commitments and contingencies	14
Subsequent events	15

Per: *"Al Kroontje"*
Director

Per: *"Steve Thompson"*
Director

See accompanying notes to the condensed interim consolidated financial statements.

Border Petroleum Limited
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(amounts in Canadian dollars)

(unaudited)

	Notes	Three months ended June 30, 2014	Three months ended June 30, 2013
Revenue			
Oil and natural gas sales		$ 436,463	$ 627,583
Royalties		(20,929)	(50,636)
		415,534	576,947
Expenses			
Production and operating		342,260	686,173
General and administrative		503,491	411,348
Stock-based compensation	10(a)	947	114,268
Depletion and depreciation	7	44,629	319,301
		891,327	1,531,090
		(475,793)	(954,143)
Finance income, net	11	7,775	31,234
Loss before income taxes		(468,018)	(922,909)
Deferred income tax recovery		-	(48,298)
Net loss and comprehensive loss		$ (468,018)	$ (874,611)
Loss per share - basic and diluted	12	$ (0.01)	$ (0.01)

See accompanying notes to the condensed interim consolidated financial statements.

Border Petroleum Limited
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(amounts in Canadian dollars)

(unaudited)

	Notes	Number of Common Shares		Share capital stated value		Contributed surplus		Deficit		Total equity
Balance at March 31, 2013		**332,978,953**	**$**	**65,354,764**	**$**	**2,628,762**	**$**	**(39,814,998)**	**$**	**28,168,528**
Cancelled – Common Shares		(6,062,446)	$	-	$	-	$	-	$	-
Reduced by way of 10:1 consolidation of common shares		(294,224,843)		-		-		-		-
Share issuance – Common Shares		1,000,000		50,000		-		-		50,000
Stock-based compensation related to stock options	10(a)	-		-		442,529		-		442,529
Net loss and comprehensive loss		-		-		-		(21,327,582)		(21,327,582)
Balance at March 31, 2014		**33,691,664**	**$**	**65,404,764**	**$**	**3,071,291**	**$**	**(61,142,580)**	**$**	**7,333,475**
Stock-based compensation related to stock options	10(a)	-		-		947		-		947
Net loss and comprehensive loss		-		-		-		(468,018)		(468,018)
Balance at June 30, 2014		**33,691,664**	**$**	**65,404,764**	**$**	**3,072,238**	**$**	**(61,610,598)**	**$**	**6,866,404**

See accompanying notes to the condensed interim consolidated financial statements.

Border Petroleum Corp.
Condensed Interim Consolidated Statements of Cash Flows
(amounts in Canadian dollars)
(unaudited)

	Notes	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013
Cash and cash equivalents provided by (used in):			
Loss for the period		$ (468,018)	$ (874,611)
Adjustments for:			
Depletion and depreciation		44,629	319,301
Stock-based compensation		947	114,268
Interest income on secured debt		-	(33,941)
Accretion of decommissioning provisions		3,344	4,961
Actual abandonment costs incurred		(9,089)	
Deferred income tax expense (recovery)		-	(48,298)
Operating cash flow before changes in non-cash working capital		(428,187)	(518,320)
Changes in non-cash working capital	5	(1,489,377)	117,154
Net cash used in operating activities		(1,917,564)	(401,166)
Cash flows from investing activities			
Additions to exploration and evaluation assets		(35,383)	(168,945)
Additions to property and equipment		-	(268,828)
Changes in non-cash working capital	5	24,864	(415,577)
Net cash used in investing activities		(10,519)	(853,350)
Cash flows from financing activities			
Proceeds from the sale of properties		2,300,000	-
Net cash from financing activities		2,300,000	-
Change in cash and cash equivalents		371,917	(1,254,516)
Cash and cash equivalents (bank overdraft), beginning of period		3,122,067	8,266,710
Cash and cash equivalents, end of period		$ 3,493,984	$ 7,012,194
Cash and cash equivalents is comprised of:			
Bank balances, end of period		$ 2,428,984	$ 1,012,194
Term deposits, end of period		1,065,000	6,000,000
Cash and cash equivalents, end of period		$ 3,493,984	$ 7,012,194

See accompanying notes to the condensed interim consolidated financial statements.

1. General business description

Border Petroleum Limited ("Border" or the "Corporation") is engaged in the exploration for, development of and production of oil and natural gas in Western Canada. Border Petroleum Limited is a publicly traded company, incorporated and domiciled in Canada. The address of business of the Corporation is Suite 2000, 840 – 7 Avenue SW, Calgary, Alberta, Canada, T2P 3G2. These consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 28, 2014.

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements are unaudited and have been prepared in accordance with International Accounting (IAS) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (IFRS). Certain information and disclosures normally included in the annual financial statements prepared in accordance with the IFRS have been condensed or omitted. The condensed interim financial statements should be read in conjunction with the Corporation’s audited financial statements as at, and for the years ended, March 31, 2014, and the notes thereto.

(b) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation’s functional currency.

(c) 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 application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In preparation of these condensed interim consolidated financial statements, the significant judgements made for management in applying the Corporation’s accounting policies and the key sources of estimations uncertainty were the same as those that applied to the financial statement as at and for the year ended March 31, 2014.

3. Significant accounting policies

The condensed interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the Corporation’s March 31, 2014 annual consolidated financial statements. The Corporation continues to assess the impact of adopting the pronouncements of the IABS as described in the Corporation’s March 31, 2014 annual financial statements.

4. Financial instruments and risk management

(a) Risk management overview

The Corporation's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital. Further quantitative disclosures are included throughout these financial statements. The Corporation employs risk management strategies and polices to ensure that any exposure to risk are in compliance with the Corporation's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, Border's management has the responsibility to administer and monitor these risks.

(b) Fair value of financial instruments

The fair values of cash and cash equivalents, accounts receivable, deposits, and accounts payable and accrued liabilities approximate their carrying value.

At June 30, 2014, the Corporation does not have any financial derivatives, including commodity contracts.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly, and are based on valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Cash and cash equivalents are measured at fair value based on their Level 1 designation.

(c) Credit risk

Credit risk is primarily related to the Corporation's receivables from oil and natural gas marketers and joint venture partners and the risk of financial loss if a customer, partner, or counterparty to a financial instrument fails to meet its contractual obligations. Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. Currently the Corporation sells the majority of its production to one oil and gas marketer. The Corporation historically has not experienced any collection issues with its oil and natural gas marketers. Joint venture receivables are typically collected within one to three months of the joint venture bill being issued to the partner.

The Corporation attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to expenditure. The Corporation does not typically obtain collateral from joint venture partners; however, in certain circumstances, it may cash-call a partner in advance of the work and as well the Corporation has the ability in most cases to withhold production from joint venture partners in the event of non-payment.

(amounts in Canadian dollars)

As at June 30, 2014 and March 31, 2014, the Corporation's accounts receivable were comprised of the following:

		June 30, 2013		March 31, 2014
Oil and natural gas sales	**$**	**150,880**	$	109,477
Joint interest partners and other		**833,846**		917,384
GST		**4,139**		(332)
		988,865		1,026,529
Less: allowance for doubtful accounts		**-**		-
	$	**988,865**	$	1,026,529

The Corporation establishes an allowance for doubtful accounts as determined by management based on their assessed collectability; therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. The Corporation believes that its counterparties currently have the financial capacity to settle outstanding obligations in the normal course of business. There were no receivables allowed for or written off during the year ended June 30, 2014, and there is $651,364 in accounts receivable outstanding greater than 90 days at June 30, 2014, which the Corporation would consider past due under normal conditions. Cash and cash equivalent balances consist of amounts on deposit with banks and term deposits. The Corporation manages the credit exposure of cash by selecting financial institutions with high credit ratings. Total credit risk at June 30, 2014, is comprised of $988,865 in accounts receivable, $48,200 in deposits and prepaid expenses, $1,418,030 in lease reclamation deposits, and $3,493,984 in cash and cash equivalents. The increase in lease reclamation deposits is attributable to the Alberta Energy Regulator’s (“AER”) Directive 006 that substantially increased abandonment and reclamation costs and the Liability Management Rating (“LMR”) Security deposit initiative. As a result of the sale of producing properties this quarter, Border’s LMR rating decreased which in turn increased the mandatory AER LMR security deposit required.

(d) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation’s approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking harm to the Corporation’s reputation. The Corporation prepares capital expenditure budgets which are regularly monitored and updated as considered necessary. As well, the Corporation utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. Also see note 4(f) for a discussion on the Corporation's capital management policy.

The Corporation's accounts payable and accrued liabilities as at June 30, 2014 and March 31, 2014, are comprised of the following:

	June 30, 2014	March 31, 2014
Trade	$ 661,938	$ 1,028,777
Royalties	28,219	74,050
Capital	235,419	217,360
Joint venture	548,416	537,600
	$ 1,473,992	$ 1,857,787

(e) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, interest rates and foreign exchange rates will affect the Corporation's net earnings or the value of financial instruments and are largely outside the control of the Corporation. The objective of the Corporation is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns. Market risks are as follows:

Foreign currency risk

Prices for oil are determined in global markets and generally denominated in United States dollars. Natural gas prices obtained by the Corporation will be influenced by both U.S. and Canadian demand and the corresponding North American supply, and by imports of liquefied natural gas. An increase in the value of the Canadian dollar relative to the U.S. dollar will decrease the revenues received from the sale of oil and natural gas commodities.

The impact of such exchange rate fluctuations cannot be accurately quantified. As at June 30, 2014, the Corporation had no forward exchange rate contracts in place nor did any working capital items denominated in foreign currencies.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate price risk to the extent that the note payable and investment in secured debt both bear interest at a fixed rate and interest rate cash flow risk to the extent that bank debt, if any, bears interest at a floating rate. The Corporation had no interest rate swaps or financial contracts in place as at or during the three months ended June 30, 2014 or as at or during the year ended March 31, 2014.

Commodity price risk

The nature of the Corporation's operations results in exposure to fluctuations in commodity prices. Commodity prices for oil and natural gas are impacted by global economic events that dictate the levels of supply and demand. Border's management continuously monitors commodity prices and may consider instruments to manage exposure to these risks when it deems appropriate.

(amounts in Canadian dollars)

The Corporation's production is usually sold using "spot" or near term contracts, with prices fixed at the time of transfer of custody or on the basis of a monthly average market price. The Corporation, however, may give consideration in certain circumstances to the appropriateness of entering into long term, fixed price marketing contracts. As at and during the three months ended June 30, 2014 and during the year ended March 31, 2014, the Corporation had not entered into financial derivative sales contracts.

(f) Capital management

The Corporation's policy is to maintain a strong capital base with the following objectives:

- Maintaining financial flexibility
- Maintaining creditor and investor confidence, and
- Sustaining the future development of the business.

The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying oil and natural gas assets. Working capital and debt instruments (if any) are the components of the Corporation's capital structure to be managed. The most significant alternatives available for the management of the capital structure include adjusting capital spending to manage projected debt levels or to issue common shares or debentures when management and the Board of Directors feel the timing is appropriate. Management continually monitors the Corporation's projected capital spending and its net debt to maintain a sound capital position.

Working capital is determined on the following basis:

	June 30, 2014	March 31, 2014
Cash and cash equivalents	$ 3,493,984	$ 3,122,067
Accounts receivable and prepaid expenses	1,037,065	1,085,225
Assets held for sale	-	2,300,000
Accounts payable and accrued liabilities	(1,473,992)	(1,857,787)
Working capital	$ 3,057,057	$ 4,649,505

(amounts in Canadian dollars)

5. Supplemental cash flow information

Changes in non-cash working capital is comprised of:

		Three Months ended June 30, 2014		Three Months ended June 30, 2013
Source/(use) of cash:				
Accounts receivable	$	37,664	$	(39,641)
Prepaid expenses and deposits		10,496		(48)
Lease reclamation		(1,128,878)		-
Accounts payable and accrued liabilities		(383,795)		(258,734)
	$	(1,464,513)	$	(298,423)
Related to operating activities	$	(1,489,377)	$	117,154
Related to investing activities		24,864		(415,577)
Related to financing activities		-		-
Changes in non-cash working capital	$	(1,464,513)	$	(298,423)
Cash interest paid	$	59	$	2,230

6. Exploration and evaluation assets

Balance at March 31, 2013	$	5,032,385
Additions		1,952,889
Exploration and evaluation assets expensed		(5,243,842)
Balance at March 31, 2014		1,741,432
Additions		35,383
Transfers from property and equipment		377,573
Balance at June 30, 2014	$	2,154,388

(amounts in Canadian dollars)

7. Property and equipment

		Oil and natural gas interests		Corporate and other		Total
Cost						
Balance at March 31, 2013	$	44,741,001	$	74,909	$	44,815,910
Additions		968,597		-		968,597
Acquisition of Red Earth properties		933,008		-		933,008
Disposition of properties		(404,457)		-		(404,457)
Transfers to assets held for sale		(2,300,000)		-		(2,300,000)
Decommissioning provisions		(35,716)		-		(35,716)
Balance at March 31, 2014		43,902,433		74,909		43,977,342
Transfers to exploration and evaluation assets		(377,574)		-		(377,574)
Decommissioning provisions (note 10)		(38,697)		-		(38,697)
Actual abandonment costs		9,089		-		9,089
Balance at June 30, 2014	$	43,495,251	$	74,909	$	43,570,160
Accumulated depletion, depreciation and net impairment losses						
Balance at March 31, 2013	$	26,766,665	$	36,970	$	26,803,635
Depletion and depreciation		869,654		10,096		879,750
Impairment		13,497,366		-		13,497,366
Balance at March 31, 2014		41,133,685		47,066		41,180,751
Depletion and depreciation		42,892		1,737		44,629
Balance at June 30, 2014	$	41,176,577	$	48,803	$	41,225,380
Net book value:						
At March 31, 2014	$	2,768,748	$	27,843	$	2,796,591
At June 30, 2014	$	2,318,674	$	26,106	$	2,344,780

At June 30, 2014, $3,006,000 (June 2013 - $28,164,000) of future development costs related to proved and probable reserves were included in costs subject to depletion.

(amounts in Canadian dollars)

8. Decommissioning provisions

The Corporation's decommissioning provisions result from its ownership interest in oil and natural gas assets including well sites and gathering systems. Total decommissioning provisions is estimated based on the Corporation's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The total estimated, inflated undiscounted risked cash flows required to settle the provisions, before considering salvage, is approximately $2,349,536 at June 30, 2014 (March 31, 2014 – $2,923,510), which has been discounted using risk-free rates ranging from 1.10% to 2.78 % at June 30, 2014 (March 31, 2014 – 1.00% to 3.24%). These obligations are to be settled based on the economic lives of the underlying assets, which currently extend up to 19.5 years into the future and will be funded from general corporate resources at the time of abandonment.

The following table summarizes changes in the decommissioning provisions for the three months ended June 30, 2014, and the year ended March 31, 2014:

		June 30, 2014		**March 31, 2014**
Decommissioning provisions, beginning of period	$	2,143,204	$	2,204,770
New liabilities recognized		-		(200,515)
Actual abandonment costs incurred		-		(51,698)
Change in previous estimates		(38,697)		175,962
Accretion (unwinding of discount)		3,344		14,685
Decommissioning provisions, end of period	$	2,107,851	$	2,143,204

9. Share capital

(a) Authorized

Unlimited number of voting common shares

(b) Issued common shares

As at June 30, 2014 and March 31, 2014, the Corporation had 33,691,664 common shares issued and outstanding with a stated value of $65,404,764.

(c) Warrants

As at June 30, 2014 and March 31, 2014, the Corporation had no warrants outstanding.

(amounts in Canadian dollars)

10. Stock-based compensation

(a) Stock option plan

The Corporation has established a stock option plan (the "Plan") which is administered by the Board of Directors, allowing the Board of Directors to grant stock options. The Corporation adopted a 10% Rolling Stock Option Plan, which allows for the granting of stock options for the purchase of up to 10% of the outstanding common shares of the Corporation.

Additionally, options may not be granted to any one person, any one consultant or any persons performing investor relations duties in any twelve month period which could, when exercised, result in the issuance of shares exceeding 5%, 2% or 2%, respectively, of the issued and outstanding common shares of the Corporation. All options granted under the Plan shall expire as determined by the Board of Directors not later than the tenth anniversary of the date the options were granted.

The exercise price of the options is to be determined by the Board of Directors, but shall not be less than the market price of the common shares of the Corporation on the TSXV on the last business day before the date on which the options are granted, less any discount permitted by the rules of the TSXV. Vesting of the options is at the discretion of the Board of Directors but generally will occur over a two to three year period following the grant date.

As at June 30, 2014 and March 31, 2014, the Corporation had 320,000 stock options outstanding with a weighted average exercise price of $2.51 and 235,000 of these stock options were exercisable at a weighted average price of $2.45. There were no stock options granted during the three months ended June 30, 2014.

Compensation costs of $947 for the three months ended June 30, 2014, (June 2013 - $114,268) have been expensed and have resulted in a corresponding increase in contributed surplus.

(b) The following table summarizes the expiry terms of the Corporation's outstanding stock options as at June 30, 2014:

Date of grant	Outstanding Options	Weighted Average Remaining Contractual life (years)	Number of Stock Options Exercisable
November 3, 2010	15,000	1.6	15,000
February 2, 2010	30,000	1.8	30,000
March 1, 2011	20,000	1.9	20,000
December 7, 2011	170,000	2.7	170,000
	320,000		235,000

(amounts in Canadian dollars)

11. Finance income and expense

		Three months ended June 30		
		2014		**2013**
Finance income				
Interest income	**$**	**11,178**	$	38,425
Finance expenses				
Other interest expense		**59**		2,230
Accretion of decommissioning provisions (note 10)		**3,344**		4,961
		3,403		7,191
Net finance expense recognized in the statement of loss	**$**	**7,775**	$	31,234

12. Earnings (loss) per share

The following table summarizes the common shares used in calculating net loss per share:

Weighted Average Common Shares Outstanding	**Three months ended June 30,**	
	2014	**2013**
Basic and diluted (2014 reflects a 10 to 1 consolidation)	33,691,664	332,978,953

All outstanding options, warrants and conversion features on notes payable were excluded from the dilution calculation as inclusion of these items would be anti-dilutive for all periods.

13. Related party transactions

The Corporation utilizes the services of a law firm in which a Director of the Corporation is a Partner. During the three months ended June 30, 2014, the Corporation incurred $47,323 (June 30, 2013 - $7,724) on legal services and strategic process fees, which is included in general and administrative expense.

14. Commitments and contingencies

(a) Legal matters

Canflame, now amalgamated with the wholly-owned subsidiary of the Corporation, has been named as a defendant in a lawsuit on behalf of a joint venture partner seeking to recover damages allegedly sustained by them as a result of a breach of agreement pertaining to the drilling of shallow natural gas wells in the Pembina area of Alberta and their associated costs. Canflame has filed a counterclaim in this matter. On November 26, 2013, that joint venture partner filed a voluntary assignment in bankruptcy pursuant to the provisions of the *Bankruptcy and Insolvency Act* such that the matter is now being handled by the appointed Receiver.

(b) Office lease

The Corporation entered into a commitment related to the leasing of office premises. The payments due, including estimated operating costs, from July 1, 2014 to November 30, 2014 total $94,080.

15. Subsequent events

1) On August 25, 2014, the Corporation closed its previously announced private placement of 30,000,000 units ("Units") of the Corporation at a price of $0.05 per Unit for total gross and net proceeds of $1,500,000. Each Unit is comprised of one common share of the Corporation (the "Common Shares") and one-half of a share purchase warrant (the "Warrant"). Each full Warrant entitles the holder to acquire one additional Common Share at a price of $0.06 per share for a period of 2 years. The Common Shares and Warrants are subject to a four month hold period from the date of issuance.

2) On August 28, 2014, the Corporation closed the majority of its previously announced acquisition of oil and gas assets (the "Producing Assets") from a private, arm's length Calgary based junior oil and gas company, for a purchase price of $2,485,000 payable in cash. The Producing Assets are located in the Chip Lake, Royce, Mulligan and Blueridge areas of Central and North Central Alberta and as of the effective date of June 1, 2014 produced approximately 160 bbls of oil equivalent per day comprised of 40 bbls/day of light oil, 25 bbls/d of NGL's and approximately 575 mcf/d of natural gas. The remaining oil and gas assets are subject to a preferential first right of refusal ("ROFR") such that closing of those additional assets will occur after the ROFR is waived, or not at all in the case that the ROFR is exercised by an unrelated third party holding the ROFR.

3) On August 28, 2014, the Corporation granted 3,150,000 options ("Options") to officers, directors, employees and consultants. Each Option entitles the holder to acquire one Common Share at a price of $0.06 per Common Share for a period of 5 years.