BRUIN
oil & gas

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

AND THE PERIOD FROM JANUARY 30, 2014

TO DECEMBER 31, 2014

August 17, 2016

Independent Auditor's Report

To the Directors 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, 2015 and December 31, 2014 and the statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2015 and for the period from 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 audits. We conducted our audits 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.

PricewaterhouseCoopers LLP
Suncor Energy Centre, 111 5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

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, 2015 and December 31, 2014 and its financial performance and its cash flows for the year ended December 31, 2015 and for the period from January 30, 2014 to December 31, 2014 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants
Calgary, Alberta

STATEMENT OF FINANCIAL POSITION

As at December 31, 2015 and 2014

Canadian ($000s)	**2015**	2014
Assets		
Current assets:		
Cash and cash equivalents	**$19,015**	$23,093
Accounts receivable (note 4)	**2**	3,005
Prepaid expenses	**76**	69
	19,093	26,167
Assets held for sale (notes 5, 6 and 13)	**2,811**	-
Property, plant and equipment (note 6)	**38**	5,841
Exploration and evaluation assets (note 7)	**200**	2,778
Total assets	**$22,142**	$34,786
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	**$96**	$5,858
Liabilities associated with Assets held for sale (notes 5, 9, and 13)	**328**	-
Decommissioning liabilities (note 9)	-	597
Total liabilities	**$424**	$6,455
Shareholders' equity:		
Share capital (note 10)	**32,649**	32,649
Contributed surplus	**2,385**	427
Accumulated deficit	**(13,316)**	(4,745)
	21,718	28,331
Total liabilities and shareholders' equity	**$22,142**	$34,786

Commitments (note 19)
Subsequent events (note 20)

The accompanying notes form an integral part of these 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 LOSS AND COMPREHENSIVE LOSS

For the year ended December 31, 2015 and the period from January 30, 2014 to December 31, 2014

Canadian ($000s)	2015	2014
Expenses:		
General and administrative	**$1,505**	$466
Share-based compensation (note 10)	**1,567**	359
Depletion and depreciation (note 6)	**4**	1
Impairment of exploration and evaluation assets (note 7)	**1,652**	-
	4,728	826
Loss before other items	**(4,728)**	(826)
Other items:		
Interest income	**196**	29
Loss before income taxes	**(4,532)**	(797)
Income tax recovery (note 14)	**-**	162
Loss from continuing operations	**(4,532)**	(635)
Loss from discontinued operations (note 13)	**(4,039)**	(4,110)
Net loss and comprehensive loss for the period	**$(8,571)**	$(4,745)
Loss per common share		
Basic and diluted – continuing operations (note 11)	**$(0.17)**	$(0.12)
Basic and diluted – discontinued operations (note 11)	**$(0.16)**	$(0.76)
Total Basic and diluted (note 11)	**$(0.33)**	$(0.88)

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

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2015 and the period from January 30, 2014 to December 31, 2014

Canadian ($000s)	**Share capital**	**Contributed surplus**	**Deficit**	**Total**
Balance, January 30, 2014	$ -	$ -	$ -	$ -
Issuance of common shares	34,379	-	-	34,379
Share issue costs	(1,730)	-	-	(1,730)
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
Share-based compensation	-	1,958	-	1,958
Net loss for the year	-	-	(8,571)	(8,571)
Balance, December 31, 2015	$32,649	$2,385	$(13,316)	$21,718

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2015 and the period from January 30, 2014 to December 31, 2014

(Canadian $000s)	2015	2014
Cash provided by (used in):		
Operations:		
Net loss from continuing operations	**$(4,532)**	$(635)
Items not involving cash:		
Depletion, depreciation and amortization	**4**	1
Impairment of exploration and evaluation assets	**1,652**	-
Share-based compensation	**1,567**	359
Funds flow used for operations	**(1,309)**	(275)
Change in non-cash working capital (note 15)	**11**	(34)
Cash flow used for continuing operations	**(1,298)**	(309)
Cash flow from (used for) discontinued operations	**(2,554)**	3,839
Cash flow from operating activities	**(3,852)**	3,530
Financing:		
Share issuances (note 10(b))	**-**	32,649
Cash flow from financing activities	**-**	32,649
Investing:		
Investing activities – continuing operations		
Purchases of property, plant and equipment	**(5)**	(37)
Cash flow used by investing activities – continuing operations	**(5)**	(37)
Cash flow used for discontinued operations	**(221)**	(13,049)
Cash flow from investing activities	**(226)**	(13,086)
Increase (decrease) in cash and cash equivalents	**(4,078)**	23,093
Cash and cash equivalents, beginning of period	**23,093**	-
Cash and cash equivalents, end of period	**$19,015**	$23,093

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015 and the period from January 30, 2014 to December 31, 2014 (Tabular amounts in thousands of Canadian dollars, unless otherwise stated. Amounts in text are in Canadian dollars unless otherwise stated).

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.". The Company's principal business activities are the acquisition, exploration and development of oil and gas properties in western Canada.

The registered office of the Company is Suite 1700, 205 5 Ave SW, Calgary Alberta, T2P 2V7.

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) Statement of compliance and authorization

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements were authorized for issue by the Board of Directors on August 17, 2016.

(b) Basis of measurement

The financial statements have been prepared on the historical costs basis, except for the revaluation to fair value of certain financial assets and financial liabilities, as required under IFRS and described in note 3. 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 year's presentation. The comparative statement of net loss and comprehensive loss has been re-presented as if an operation discontinued during the current year had been discontinued from the beginning of the comparative year (see note 13).

(c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, 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 estimates are revised and in any future years affected. 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.

(d) Cash and cash equivalents

Cash and cash equivalents is comprised of cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturity of three months or less from inception.

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

(e) Oil and gas properties

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

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, taking into account estimated future development costs necessary to bring those reserves into production. 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.

(f) 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 net loss and comprehensive loss.

(g) Assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition. Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs of disposal, with impairments recognized in the statement of net loss and comprehensive loss in the period measured. Assets held for sale are not depleted or depreciated.

(h) 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.

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, plant 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.

(i) Impairment

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

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 the statement of net loss and comprehensive loss 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 previously impaired 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. The recovery is limited to the original carrying amount less depletion and depreciation that would have been recorded had the asset not been impaired.

(j) 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. This generally occurs when product is physically transferred into a vessel, pipeline or other delivery mechanism.

(k) 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. The number of options expected to vest 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.

The Company capitalizes the qualifying portion of share based compensation that is directly attributable to the development activities of exploration and evaluation assets and petroleum and gas assets, with a corresponding reduction in share based compensation expense.

(l) Flow through 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 net loss and comprehensive loss.

(m) 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.

(n) 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.

The Company uses a credit adjusted risk free rate to calculate the net present value of decommissioning liabilities. These costs recognized in the statement of net loss and comprehensive 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 the statement of net loss and comprehensive loss.

Estimated costs for decommissioning liabilities costs are adjusted as estimates change. 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.

(o) 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, 2015 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 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.

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.

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 net loss and 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, 2015 the Company has no assets or liabilities classified as derivative financial instruments.

(p) 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.

(q) Earnings per share

Basic earnings (loss) 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.

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 instruments comprise share options and performance warrants granted to employees.

(r) Discontinued operations

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale (see note 2 (g)), if earlier. When an operation is classified as a discontinued operation, the comparative statement of net loss and comprehensive loss is re-presented as if the operation had been discontinued from the start of the comparative year.

(s) 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 – The IASB has undertaken a three-phase project to replace IAS 39 "Financial Instruments: Recognition and Measurement" with IFRS 9 "Financial Instruments." In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. In November 2013, the IASB issued the third phase of IFRS 9 which details the new general hedge accounting model. Hedge accounting remains optional and the new model is intended to allow reporters to better reflect risk management activities in the financial statements and provide more opportunities to apply hedge accounting. The mandatory effective date of this standard has tentatively been set to January 1, 2018. Management is currently assessing the potential impact of the adoption of IFRS 9 on the Company's financial statements.

ii. IFRS 11 – Joint Arrangements – This standard provides guidance on the accounting for acquisitions of interests in joint operations constituting a business. With prospective treatment, effective January 1, 2016, all such transactions will be accounted for using the principles of business combinations accounting within IFRS 3 “Business Combinations” and other IFRS’ except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance. It is not expected that the adoption of this standard will have a material impact on the Company’s financial statements.

iii. IFRS 15 – Revenue from Contracts with Customers – This new standard specifies recognition requirements for revenue as well as requiring more informative and relevant disclosures. The standard replaces IAS 11 “Construction Contracts” and IAS 18 “Revenue” as well as a number of revenue related interpretations. This standard comes in effect January 1, 2018. Management is currently assessing the potential impact of adoption of this standard on the Company’s financial statements.

iv. IFRS 16 – Leases – This new standard replaces IAS 17 and will require all leases to be recorded on the Company’s balance sheet except those that meet the limited exception criteria. The expense associated with operating leases will be removed and be replaced with the recording of depreciation and finance expense, consistent with how finance leases are treated. This standard comes in effect January 1, 2019. Management is currently assessing the potential impact of adoption of this standard on the Company’s financial statements.

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. For additional details on impairment see note 6.

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 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. For additions details on income taxes see note 14.

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. For additional details on share-based compensation see note 10.

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 credit adjusted risk-free discount rates and inflations rates used. Actual amounts may differ from the estimates used in the preparation of these financial statements. For additional details on decommissioning liabilities see note 9.

v. Depletion, depreciation and reserves

Depletion is based on the proved plus probable reserves as evaluated in accordance with the Canadian Oil and Gas Evaluation Handbook ("COGEH"). The process of determining reserves is complex. It requires significant judgements and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data form ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates are based on current production forecasts, prices and economic conditions.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices and reservoir performance. Such revisions can be either positive or negative.

Changes in reserve estimates impact the financial results of the Company as reserves and estimated future development costs are used to calculate depletion and are also used in measuring fair value less costs to dispose of property, plant and equipment for impairment calculations. For additional details on depletion, depreciation and reserves see note 6.

(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. For additional details on transfers of exploration and evaluation assets to property, plant and equipment see notes 6 and 7.

4. Accounts Receivable

As at December 31	2015	2014
Trade	**$109**	$607
Joint venture	**23**	1,653
Reclassified as assets held for sale	**(132)**	-
GST	**2**	745
Accounts receivable	**$2**	$3,005

Accounts 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 16. The Company recorded a write-down in its joint venture receivables of $231,000 at December 31, 2015 as it determined all receivables with its 50% joint venture partner were uncollectible (December 31, 2014 - $nil). All accounts receivables associated with assets held for sale ($132,000) have been reclassified to assets held for sale.

5. Assets Held for Sale

On December 15, 2015, the Company signed an agreement to dispose of all its producing oil and natural gas properties which were located in the Fiske CGU. At December 31, 2015 this property was classified as assets held for sale as it was highly probable that its carrying value would be received through a sales transaction rather than through continuing use. The cash proceeds, after closing adjustments are $2.5 million based on an executed purchase and sales contract. The disposition of these assets closed on January 15, 2016.

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

	2015	2014
Accounts receivable (note 4)	**$132**	$-
Property, plant and equipment (note 6)	**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:

	2015	2014
Accounts payable and accrued liabilities (note 8)	**$135**	$-
Decommissioning liabilities (note 9)	**193**	-
Liabilities associated with Assets held for sale	**$328**	$-

6. Property, Plant and Equipment

A continuity of the net book value of property, plant and equipment to December 31, 2015 is set out below:

	Development & Production Properties	Office Equipment	Total
Cost			
Balance, January 1, 2015	$10,480	$15	$10,495
Additions	-	5	5
Refund on drilling deposits	(249)	-	(249)
Transfers from exploration and evaluation	2,187	-	2,187
Change in decommissioning provision	(417)	-	(417)
Transfer to assets held for sale	(11,978)	-	(11,978)
Balance, December 31, 2015	$ 23	$20	$ 43

Accumulated Depreciation			
Balance, January 1, 2015	$4,653	$ 1	$4,654
Depletion, depreciation and amortization	1,121	4	1,125
Impairment loss	3,525	-	3,525
Transfer to assets held for sale	(9,299)	-	(9,299)
Balance, December 31, 2015	$ -	$ 5	$ 5
Net book value December 31, 2015	$ 23	$15	$ 38

	Development & Production Properties	Office Equipment	Total
Cost			
Balance, January 30, 2014	$ -	$ -	$ -
Additions	22	15	37
Decommissioning liabilities incurred	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, depreciation and amortization	662	1	663
Impairment loss	3,991	-	3,991
Balance, December 31, 2014	$4,653	$ 1	$4,654
Net book value December 31, 2014	$5,827	$14	$5,841

Future capital costs required to develop proved reserves in the amount of $3.7 million (December 31, 2014 – $3.7 million) are included in the depletion calculation for development and production assets.

The Company had one CGU at December 31, 2015 (Fiske).

On December 15, 2015, the Company signed an agreement to dispose of all its producing oil and natural gas properties which were located in the Fiske CGU (note 5). The Company recorded an impairment charge on the assets held for sale of $3.5 million on the re-measurement of the property to the lower of its carrying amount and its fair value less costs of disposal which has been included within loss from discontinued operations in the statement of net loss and comprehensive loss. The carrying value of these assets, after impairment, was classified as assets held for sale (see note 5 for additional information).

During the previous year ended December 31, 2014, indicators of potential impairment were identified and recoverable amounts for the Fiske CGU were estimated based on fair value less cost of disposal, calculated using the present value of the CGUs expected future after-tax cash flows. The after-tax discount rate applied in the impairment calculation at December 31, 2014 was 10%. The Company determined that the aggregate carrying value of the Fiske CGU was $4.0 million higher than the recoverable amount and therefore an impairment loss of $4.0 million was recorded in the period ended December 31, 2014.

7. Exploration and Evaluation Assets

Exploration and evaluation assets consist of the Company's undeveloped land, seismic, and geological and geophysical costs that are pending the determination of technical feasibility.

The following table reconciles movements of exploration and evaluation assets during the period:

Cost	Total
Balance, January 30, 2014	$ -
Additions	12,643
Transfers to property, plant and equipment	(9,865)
Balance, December 31, 2014	$2,778
Additions	1,261
Transfers to property, plant and equipment	(2,187)
Impairment of exploration and evaluation assets	(1,652)
Balance, December 31, 2015	$ 200

Included in exploration and evaluation asset additions is capitalized stock-based compensation of $391,000 (December 31, 2014 - $68,000).

At December 31, 2015, the Company assessed the exploration and evaluation assets for impairment. The Company concluded that $1.7 million of undeveloped land, seismic, and geological and geophysical assets were impaired as the Company does not have intentions to develop the undeveloped lands to which these assets relate.

8. Accounts Payable and Accrued Liabilities

As at December 31	2015	2014
Trade	**$231**	$5,262
Joint venture	**-**	596
Reclassified as liabilities associated with assets held for sale	**(135)**	-
Accounts payable and accrued liabilities	**$ 96**	$5,858

Trade payables and joint venture payables are non-interest bearing. All accounts payables associated with assets held for sale ($135,000) have been reclassified to liabilities associated with assets held for sale.

9. Decommissioning Liabilities

	2015	2014
Balance, beginning of period	**$597**	$ -
Liabilities incurred	**-**	593
Accretion expense	**13**	4
Change in estimate	**(417)**	-
Reclassified as liabilities associated with assets held for sale	**(193)**	-
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 credit adjusted risk-free rate of 8% and an inflation rate of 1.5% (December 31, 2014 – 1.5%). The undiscounted amount of the estimated cash flows required to settle the obligations is $0.7 million (December 31, 2014 - $0.7 million) which will be incurred over the next 20 years. At December 31, 2015 a 1 percent decrease in the discount rate used would result in a $39,000 increase in the decommissioning liability, and a 1 percent increase in the discount rate would results in a $33,000 decrease in the decommissioning liability.

All decommissioning liabilities are associated with assets held for sale at December 31, 2015 and have been reclassified to liabilities associated with assets held for sale ($193,000).

10.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:

Common Shares	Number Issued	Amount Issued
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 and 2015	25,789	$32,649

i. In August 2014, the Company closed a private placement offering for 9,640,251 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 1,082,779 flow through common shares for gross proceeds of $1.2 million. In connection with the offering, the Company recognized a flow through premium liability of $0.2 million. All expenditures associated with the flow through common shares were renounced and spent prior to December 31, 2014.

iii. In October 2014, the Company closed a private placement offering of 750,000 common shares for gross proceeds of $0.75 million.

iv. In December 2014, the Company closed a private placement offering for 14,316,250 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) Contributed surplus

	2015	2014
Balance, beginning of period	**$ 427**	$ -
Share-based compensation – options (capitalized)	**339**	37
Share-based compensation – options (expensed)	**1,287**	211
Share-based compensation – warrants (capitalized)	**52**	31
Share-based compensation – warrants (expensed)	**280**	148
Balance, end of period	**$2,385**	$427

(d) 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 and 2015	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 that date.

Subsequent to December 31, 2015, 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 (see note 20).

(e) 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 30 days following the termination of the optionee's employment or engagement and 14 days when the optionee's employment or engagement is terminated for just cause. The maximum number of outstanding share options under the plan is limited to 10% 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, 2015 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
Granted	150	$1.60
Balance, December 31, 2015	2,731	$1.39

The range of exercise prices of the outstanding and exercisable options and weighted average remaining life as at December 31, 2015 are as follows:

Exercise Price	Outstanding Number of Options	Exercisable Number of Options	Weighted Average Remaining Life
$ 1.00	962	321	3.62
$ 1.60	1,769	540	3.98
	2,731	861	3.85

The weighted average fair value of the share purchase options granted during the period is $1.20 (2014 - $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.

	2015	2014
Risk-free interest rate	**1.00%**	1.26%
Expected life	**5.0 years**	5.0 years
Expected volatility	**101%**	106%
Weighted average grant date share price	**$1.60**	$1.38
Expected dividend yield	**0%**	0%

(f) 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, certain performance warrant grants vest to the grantee over a three-year period and certain performance warrant grants vest to the grantee 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 grantee has the right to exercise those performance warrants for five years from the date of the granting and the performance warrants typically terminate 30 days following the termination of the optionee's employment or engagement and 14 days when the optionee's employment or engagement is terminated for just cause.

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, 2015 are as follows:

	Number	Average Exercise Price	Weighted Average Remaining Life
Balance, January 30, 2014	-	$-	-
Granted	1,851	$2.16	4.79
Balance, December 31, 2014	1,851	$2.16	4.79
Granted	100	$3.10	4.12
Balance, December 31, 2015	1,951	$2.21	3.78

The range of exercise prices of the outstanding and exercisable warrants and weighted average remaining life as at December 31, 2015 are as follows:

Exercise Price	Outstanding Number of Warrants	Exercisable Number of Warrants	Weighted Average Remaining Life
$ 1.10 - $1.50	962	321	3.62
$ 1.60 - $4.80	989	-	3.98
	1,951	321	3.78

At December 31, 2015 management reviewed its assumptions for performance warrants that vest upon a liquidity event of the Company and determined it was improbable that a liquidity event would occur. Therefore, the 989,000 performance warrants which vest upon a liquidity event by the Company are not exercisable at December 31, 2015 and are not anticipated to vest in the future. The cumulative stock based compensation recognized related to these performance warrants of $654,000 has been reversed in the current period.

The weighted average fair value of the performance warrants granted during the year is $1.06 (2014 – $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.

	2015	2014
Risk-free interest rate	**1.00%**	1.28%
Expected life	**5.0 years**	5.0 years
Expected volatility	**101%**	107%
Weighted average grant date share price	**$1.60**	$1.29
Expected dividend yield	**0%**	0%

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 20 for additional information.

11. Loss per Common Share

Per share amounts are calculated using the total weighted average number of common shares outstanding for the year ended December 31, 2015 and for the period ended December 31, 2014. As of December 31, 2015 there were 3,720,000 stock options and performance warrants excluded from the fully diluted calculation as they were anti-dilutive and 962,000 options excluded from the fully diluted calculation as they were at the money.

The calculation of basic and diluted net earnings per share is based on the weighted average number of common shares outstanding as shown in the table below:

	2015	2014
Loss from continuing operations	**$(4,532)**	$ (635)
Net loss from discontinued operations	**(4,039)**	(4,110)
Net loss for the period	**$(8,571)**	$(4,745)
Weighted average common shares outstanding –basic and diluted	**25,789**	5,375
Basic and diluted net loss per share – continuing operations	**(0.17)**	(0.12)
Basic and diluted net loss per share – discontinued operations	**(0.16)**	(0.76)
Basic and diluted net loss per share	**(0.33)**	(0.88)

12. Key Management Compensation

Key management is defined as the Board of Directors and the four executive management members. The table below summarizes the fair value of compensation and other fees paid to key management for the year ended December 31, 2015 and the period from January 30, 2014 to December 31, 2014:

	2015	2014
Salaries and benefits	**$ 494**	$288
Consulting fees	**120**	100
Stock based compensation	**1,733**	223
Total key management compensation	**$2,347**	$611

Subsequent to December 31, 2015, termination benefits of $997,000 were paid on the termination of all executive officers without cause.

13. Discontinued Operations

On December 15, 2015, the Company signed an agreement to dispose of all its producing oil and natural gas properties which were located in the Fiske CGU (see note 5). The disposition of these assets closed on January 15, 2016.

The comparative statement of net loss and comprehensive loss has been re-presented to show the discontinued operation separately from continuing operations.

	2015	2014
Oil revenue	**$ 1,616**	$ 910
Royalties	**(126)**	(84)
	1,490	826
Operating expense	**639**	279
Accretion expense	**13**	4
Depletion, depreciation and amortization	**1,121**	662
Bad debt expense	**231**	-
Impairment of property, plant and equipment	**3,525**	3,991
Loss from discontinued operations	**$(4,039)**	$(4,110)

14. 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, 2015 at 26.5% (2014 - 26.0%) to income before income taxes.

A reconciliation of the differences is as follows:

	2015	2014
Net loss before taxes	**$(8,571)**	$(4,907)
Computed income taxes	**(2,271)**	(1,276)
Increase (decrease) in taxes:		
Permanent differences	**421**	96
Amortization of share issue costs	**(92)**	(90)
Effect on renouncement of flow-through shares	**-**	162
Change in tax rate	**(85)**	-
Amount for which no deferred tax asset was recognized	**2,027**	946
Deferred tax recovery	**$ -**	$ (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, 2015, no deferred income tax assets were recognized for the following deductible amounts:

	2015	2014
Non-capital operating losses	**$8,595**	$3,524
Share issue costs	**1,038**	1,384
Property, plant and equipment and exploration and evaluation costs	**6,780**	116
	16,413	5,024
Temporary differences for which no deferred tax assets were recognized	**(16,413)**	(5,024)
	$ -	$ -

The components of the net deferred income tax asset at December 31, 2015 and 2014 are as follows:

Deferred income tax asset	**Balance at January 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)
Property, plant and equipment and exploration and evaluation costs	-	(192)	162	(30)
Unrecognized deferred tax assets	-	946	360	1,306
	$-	$(162)	$162	$ -

Deferred income tax asset	**Balance at January 1, 2015**	**Recognized in Comprehensive Loss**	**Recognized in Statement of Financial Position**	**Balance at December 31, 2015**
Non-capital losses	$(916)	$(1,404)	$ -	$(2,320)
Share issue costs	(360)	-	80	(280)
Property, plant and equipment and exploration and evaluation costs	(30)	(1,800)	-	(1,830)
Unrecognized deferred tax assets	1,306	3,204	(80)	4,430
	$ -	$ -	$ -	$ -

As at December 31, 2015, the Company had the following income tax pools available for deduction:

Income tax pool	Amount
Non-capital losses	$8,595
Decommissioning liabilities	180
Share issue costs	1,038
Oil and gas properties	9,694
	$19,507

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 between 2034 and 2035.

15. Change in Non-Cash Working Capital

	2015	2014
Operations:		
Accounts receivable	**$2,871**	$(3,005)
Prepaid expenses	**(7)**	(69)
Accounts payable and accrued liabilities	**(5,627)**	5,858
Change in non-cash working capital	**$(2,763)**	$2,784
Relating to:		
Operating activities	**$11**	$(34)
Investing activities	**-**	-
Discontinued operations	**$(2,774)**	$2,818
Change in non-cash working capital	**$2,763**	$2,784

No cash payments related to taxes or interest have been made for the year ended December 31, 2015 or the period ended December 31, 2014.

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

Discontinued Operating Activities

Cash flow from (used for) discontinued operations	**2015**	2014
Loss from discontinued operations	**$(4,039)**	$(4,110)
Items not involving cash:		
Accretion expense	**13**	4
Depletion, depreciation and amortization	**1,121**	662
Impairment of property, plant and equipment	**3,525**	3,991
Change in non-cash working capital	**$(3,174)**	$3,292
Cash flow from discontinued operations	**$2,554**	$3,839

Discontinued Investing Activities

Cash flow from (used for) discontinued investing activities	**2015**	2014
Refund of drilling deposit	**$249**	$-
Exploration and evaluation expenditures	**(870)**	(12,575)
Change in non-cash working capital	**$400**	$(474)
Cash flow from (used for) discontinued investing activities	**$(221)**	$(13,049)

16. 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 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:

December 31,	**2015**	**2014**
Credit Rating – A	$19,015	$23,093

The Company is also exposed to credit risk from trade or joint venture receivables (see 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.

(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, 2015	Carrying amount	Contractual cash flows	1 year or less	Thereafter
Accounts payable	$231	$231	$231	$-
Total	$231	$231	$231	$-

December 31, 2014	Carrying amount	Contractual cash flows	1 year 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.

(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:

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.

17. 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.

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:

	2015	2014
Cash, net of accounts payable	**$18,784**	$17,235
Shareholders' equity	**21,718**	28,331
Total capital	**$40,502**	$45,566

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

18. Related Party Disclosures

The Company had related party transactions that were entered into the normal course of business for the year ended December 31, 2015.

A Director of the Company as at December 31, 2015 is a Director of a company which received office rental payments of $112,000 (December 31, 2014 - $33,000) from Bruin. The Company also incurred a total of $101,000 (December 31, 2014 -$73,000) for legal services provided by a law firm where the Corporate Secretary is a partner of this law firm.

As at December 31, 2015 no related party amounts are included in accounts payable (December 31, 2014 - $nil).

Subsequent to December 31, 2015, 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. Commitments

Subsequent to year-end, 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**	**Thereafter**
Operating lease – office building	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.

20. Subsequent Events

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.

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)
Total 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.

In August 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.

Financing

On June 15, 2016, the remaining put-call option (see note 10) 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 year end is 38,673,324 for proceeds of $40.2 million.

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.