PETROMIN RESOURCES LTD.

Consolidated Annual Financial Statements

Years ended September 30, 2014, and 2013

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Petromin Resources Ltd.

We have audited the accompanying consolidated financial statements of Petromin Resources Ltd., which comprise the consolidated statements of financial position as at September 30, 2014 and 2013 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

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Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Petromin Resources Ltd. as at September 30, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Petromin Resources Ltd.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

January 30, 2015

PETROMIN RESOURCES LTD.

Consolidated Financial Statements
Years Ended September 30, 2014 and 2013

PETROMIN RESOURCES LTD.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
AS AT

		September 30, 2014		September 30, 2013
Assets				
Current				
Cash	**$**	**6,530**	$	-
Accounts receivable (Note 5)		**125,904**		256,815
		132,434		256,815
Prepaid expenses		**8,139**		8,139
Long-term equity investment (Note 6)		**-**		1,010,186
Equipment (Note 7)		**7,301**		9,055
Oil and gas interests (Note 9)		**1,411,958**		1,485,953
Total assets	**$**	**1,599,832**	$	2,770,148
Liabilities				
Current				
Bank overdraft	**$**	**-**	$	8,824
Accounts payable and accrued liabilities		**1,302,610**		1,177,514
Due to related parties (Note 10)		**511,351**		326,947
		1,813,961		1,513,285
Decommissioning liabilities (Note 11)		**118,829**		109,503
Shareholders' Equity (Deficiency)				
Share capital (Note 12)		**18,359,874**		18,359,874
Share-based payment reserve (Note 12)		**2,036,402**		1,978,264
Convertible debentures (Note 13)		**630,000**		630,000
Deficit		**(21,399,234)**		(19,820,778)
Total shareholders' equity (deficiency)		**(372,958)**		1,147,360
Total liabilities and shareholders' equity	**$**	**1,599,832**	$	2,770,148

Nature and continuance of operations (Note 1)
Commitments (Note 19)
Subsequent event (Note 20)

Approved by the Board of Directors and authorized for issue on January 28, 2015:

"A. Ross Gorrell" Director "Kenny Chan" Director

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

PETROMIN RESOURCES LTD.

Consolidated Statements of Operations and Comprehensive Loss
For the years ended September 30, 2014 and 2013
(Expressed in Canadian dollars)

		2014		2013
Revenue				
Petroleum and natural gas sales	**$**	**874,393**	$	992,461
Royalties		**29,593**		32,553
		903,986		1,025,014
Expenses				
Operating and production		**643,978**		867,393
General and administrative (Note 14)		**488,415**		489,599
Share-based payments (Note 12)		**58,138**		-
Depletion and depreciation (Notes 7 and 9)		**130,168**		82,918
Loss on equity investment (Note 6)		**471,326**		96,426
Write-off of equity investment (Note 6)		**538,860**		-
Interest and financing charges		**51,169**		57,383
Recovery of aging payables		**-**		(78,686)
Loss on Foreign exchange		**6,119**		**-**
Write-off of accounts receivable		**94,269**		62,482
Total expenses		**(2,482,442)**		(1,577,515)
Net loss and comprehensive loss for the year	**$**	**(1,578,456)**	$	(552,501)
Basic and diluted loss per share	**$**	**(0.02)**	$	(0.01)
Weighted average number of common shares outstanding		**71,144,374**		68,921,223

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

PETROMIN RESOURCES LTD.

Consolidated Statement of Changes in Shareholders' Equity (Deficiency)
For the years ended September 30, 2014 and 2013
(Expressed in Canadian dollars)

	Number of common shares		Share capital		Share-based payments reserve		Convertible debentures (Note 13)		Deficit		Total
Balance, September 30, 2012	**67,294,374**	**$**	**18,169,374**	**$**	**1,978,264**	**$**	**630,000**	**$**	**(19,268,277)**	**$**	**1,509,361**
Common shares issued	3,850,000		192,500		-		-		-		192,500
Share issuance costs - cash	-		(2,000)		-		-		-		(2,000)
Loss for the year	-		-		-		-		(552,501)		(552,501)
Balance, September 30, 2013	**71,144,374**	**$**	**18,359,874**	**$**	**1,978,264**	**$**	**630,000**	**$**	**(19,820,778)**	**$**	**1,147,360**
Share-based payments	-		-		58,138		-		-		58,138
Loss for the year	-		-		-		-		(1,578,456)		(1,578,456)
Balance, September 30, 2014	**71,144,374**	**$**	**18,359,874**	**$**	**2,036,402**	**$**	**630,000**	**$**	**(21,399,234)**	**$**	**(372,958)**

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

PETROMIN RESOURCES LTD.

Consolidated Statements of Cash Flows
For the years ended September 30, 2014 and 2013
(Expressed in Canadian dollars)

		2014		2013
Cash flows from operating activities				
Loss for the year	**$**	**(1,578,456)**	$	**(552,501)**
Add items not affecting cash				
Interest on decommissioning liabilities		**2,080**		**1,308**
Share-based payments		**58,138**		**-**
Depletion and depreciation		**130,168**		**82,918**
Loss on equity investment		**471,326**		**96,426**
Write-off of equity investment		**538,860**		**-**
Write-off of accounts receivables		**94,269**		**62,482**
Net changes in non-cash working capital items related to operations				
Accounts receivable		**36,642**		**(15,764)**
Prepaid expenses		**-**		**-**
Due to related parties		**184,404**		**109,504**
Accounts payable and accrued liabilities		**235,738**		**286,684**
Net cash flows from operating activities		**173,169**		**71,057**
Cash flows from investing activities				
Project advance		**-**		**(131,311)**
Additions to oil and gas interests		**(157,113)**		**(292,696)**
Additions to equipment		**(702)**		**-**
Net cash flows used in investing activities		**(157,815)**		**(424,007)**
Cash flows from financing activities				
Proceeds from private placement, net of share issuance costs		**-**		**190,500**
Bank overdraft		**(8,824)**		**8,824**
Net cash flows from (used in) financing activities		**(8,824)**		**199,324**
Change in cash for the year		**6,530**		(153,626)
Cash, beginning of year		**-**		153,626
Cash, end of year		**6,530**		-
Supplementary Cash Flow Information				
Interest paid	**$**	**1,625**	$	1,274
Income taxes paid	**$**	**-**	$	-
Supplementary Non-Cash Information				
Additions to oil and gas interests resulting from a change in estimate relating to decommissioning liabilities	**$**	**(7,246)**	$	15,037
Exploration and evaluation assets transferred to oil and gas interests	**$**	**-**	$	163,824
Accounts payable related to capitalized oil and gas interests	**$**	**252,526**	$	363,168

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

1. Nature and Continuance of Operations

Petromin Resources Ltd. (the "Company") was incorporated under the laws of British Columbia in 1985, and is a publicly traded company with its shares listed on the TSX Venture Exchange. The Company is principally engaged in the acquisition, exploration and development of interests in oil and natural gas projects in Canada.

The address of the Company's corporate office and principal place of business is #1120 – 1090 West Pender Street, Vancouver B.C., Canada, V6E 3N7.

These consolidated financial statements comprise the financial statements of Petromin Resources Ltd. and its wholly owned subsidiaries, International King Jack Hydrocarbons Inc. and Far East Oil & Gas Ltd. All inter-company balances and transactions have been eliminated upon consolidation.

The business of exploring and developing oil and natural gas properties involves a high degree of risk, and there can be no assurance that planned exploration and development programs will result in profitable oil and natural gas operations. The recoverability of amounts shown for capitalized exploration and evaluation assets and oil and gas interests are dependent on the ability of the Company to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such properties at a profit. Changes in future conditions could require material write-downs of the carrying values of oil and natural gas interests.

Although the Company has taken steps to verify title to exploration and evaluation assets, and oil and gas interests in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's continuing operations are dependent upon its ability to either secure additional equity capital or generate cash flow from operations in the future, which is not assured. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary, should the Company be unable to secure additional equity capital or generate cash from operations in the future.

The Company has a history of operating losses and as at September 30, 2014, has a deficit of $21,399,234 and a working capital deficiency of $1,681,527. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds. This raises significant doubt as to the Company's ability to continue as a going concern.

2. Basis of Presentation

a) Statement of compliance

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and which were in effect as of September 30, 2014.

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

b) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. The functional currency of the Company's wholly owned subsidiaries, International King Jack Hydrocarbons Inc. and for East Oil & Gas Ltd. is also the Canadian dollar.

c) Critical accounting estimates, judgments and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingent liabilities as at the date of the consolidated financial statements, and the reported amount of revenues 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. Actual results may differ from these estimates.

The key sources of estimation uncertainty and judgment that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are as follows:

Critical Judgments

i) Going Concern

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

2. Basis of Presentation (cont'd...)

ii) Deferred tax assets and liabilities

Significant judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income realized, including the use of tax planning strategies.

iii) Identification of cash generating units

Cash generating units are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The classification of assets into cash generating units requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, external users, shared infrastructure, and the way in which management monitors the Company's operations.

Key Sources of Estimation Uncertainty

(i) Assessment of commercial reserves

Management is required to assess the level of the Company's commercial reserves together with the future expenditures required to access those reserves. These assessments are utilized in determining the depletion charge for the period, assessing whether any impairment charge is required against producing and developed projects. By their nature, these estimates of discovered and probable crude oil and natural gas reserves, including the estimates of future prices, costs, related future cash flows and the selection of a pre-tax risk adjusted discount rate relevant to the asset in question, are subject to measurement uncertainty. The Company employs an independent reserves specialist who periodically assesses the Company's level of commercial reserves by reference to data sets including geological, geophysical and engineering data together with reports, presentation and financial information pertaining to the contractual and fiscal terms applicable to the Company's assets. Significant judgment and estimates are involved when determining whether there have been any significant changes in the Company's crude oil and natural gas reserves.

(ii) Share-based payments

The Company has a stock option plan for directors, officers, employees and consultants. Services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of the grant, excluding the impact of any non-market vesting conditions. The fair value of share options are estimated by using the Black-Scholes model on the date of the grant based on certain assumptions. Those assumptions are described in Note 12 and include, among others, expected volatility, expected life of the options and number of options expected to vest.

2. Basis of Presentation (cont'd...)

(iii) Decommissioning liabilities

The Company recognizes the liability for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of oil and gas interests, when those obligations result from the exploration or development of its properties. The Company assesses its provision for site reclamation at each reporting date. Significant estimates and assumptions are made in determining the provision for site reclamation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and discount rates. Those uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future reclamation costs required.

(iv) Depletion and valuation of oil and gas property

The amounts recorded for depletion of oil and gas properties and the valuation of cash-generating units of oil and gas properties are based on estimates. These estimates of proved and probable reserves, production rates, future petroleum prices, future development costs, remaining lives and periods of future benefits of the related assets and other relevant assumptions.

(v) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will not enhance the assets' performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently, to all periods presented in these consolidated financial statements and have been applied consistently by the Company and its subsidiaries.

3. Significant Accounting Policies (cont'd...)

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned and controlled subsidiaries as described in Note 2. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

b) Foreign currency

The Company's functional and reporting currency is the Canadian dollar. The functional currency of the Company's subsidiaries, as described in Note 1, is also the Canadian dollar. Transactions denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the rate of exchange in effect at the consolidated statement of financial position date. Non-monetary assets and liabilities are translated at historical rates. Any gains or losses resulting from translation have been included in net loss.

c) Revenue recognition

Revenue from the sale of oil and gas is recognized when title and the risks and rewards of ownership passes to the buyer, normally at the pipeline delivery point for natural gas and at the wellhead for crude oil, and when collection is reasonably assured.

d) Exploration and evaluation assets

Costs of exploring for and evaluating oil and natural gas properties are capitalized within exploration and evaluation assets. Exploration and evaluation assets do not include costs of general prospecting or evaluation costs incurred prior to having obtained the legal right to explore an area, which are expensed as incurred.

Exploration and evaluation assets are not depleted or depreciated and are carried forward until technical feasibility and commercial viability is considered to be determined. The technical feasibility and commercial viability is generally considered to be determined when proved plus probably reserves are determined to exist and the commercial production of oil and gas has commenced. A review of each exploration license or field is carried out at least annually to ascertain whether the project is technically feasible and commercially viable. Upon determination of technical feasibility and commercial viability, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to oil and gas interests.

3. Significant Accounting Policies (cont'd...)

e) Oil and gas interests

All costs directly associated with the development of oil and natural gas reserves are capitalized on an area-by-area basis. Development costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include proved property acquisitions, development drilling, completion, gathering and infrastructure costs and transfers of exploration and evaluation assets.

Costs accumulated within each area are depleted using the unit-of-production method based on proved plus probable reserves using estimated future prices and costs. Costs subject to depletion include estimated future costs to be incurred in developing proved and probable reserves.

For divestitures of properties, a gain or loss is recognized in profit or loss. Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in profit or loss.

f) Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write off the cost of equipment, less its estimated residual value, using the declining balance method at the following rates per annum:

Computer equipment	30%
Office equipment	20%

3. Significant Accounting Policies (cont'd...)

g) Impairment of non-financial assets

Non-financial assets are evaluated at the end of each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit, the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets, where the recoverable amount of the cash generating unit is the greater of the cash generating unit's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments to the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of operations and comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognized immediately in the statement of operations and comprehensive loss.

h) Income taxes

Income tax on profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax paid or payable in respect of previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the year that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions.

3. Significant Accounting Policies (cont'd...)

i) Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

Basic loss per common share is calculated by dividing net loss available to common shareholders by the weighted-average number of shares outstanding during the year. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

j) Segmented reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's President and CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company manages its business on the basis of one reportable segment under one geographic region, being Canada.

k) Share-based payments

The Company recognizes share-based payments expense based on the estimated fair value of the options granted. A fair value measurement is made for each vesting instalment within each option grant and is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period of the options granted as both share-based payments expense and share-based payment reserve. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The reserves account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

3. Significant Accounting Policies (cont'd...)

l) Decommissioning provisions

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of long-lived assets. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the statement of operations and comprehensive loss.

m) Financial instruments

All financial instruments are classified into one of five categories: fair value through profit or loss, held-to-maturity, loans and receivables, available-for-sale, or other financial liabilities. All financial instruments and derivatives are carried in the consolidated statement of financial position at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are recognized at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Financial assets at fair value through profit or loss are measured at fair value and changes in fair value are recognized in profit or loss. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is sold or impaired.

The Company has classified its cash as fair value through profit or loss. Accounts receivable are classified as loans and receivables. Bank overdraft, accounts payable and accrued liabilities, and due to related parties are classified as other financial liabilities, all of which are measured or recognized at amortized cost. The Company has no derivatives or embedded derivatives at the date of these consolidated financial statements.

3. Significant Accounting Policies (cont'd...)

m) Financial instruments (cont'd...)

The Company also provides the required disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data

See Note 16 for relevant disclosures.

n) Long-term equity investment

The Company utilizes the equity method of accounting for investments subject to significant influence. Under this method, investments are originally recorded at cost and adjusted thereafter to include the Company's pro-rata share of post-acquisition earnings or losses. Any dividends received or receivable from this investee would reduce the carrying value of the investment. Investments are assessed annually for indicators of impairment. Any impairment losses are recorded as loss on equity investment and are included in the statements of operations and comprehensive loss.

o) Comprehensive loss

Comprehensive loss consists of net loss and other comprehensive loss and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the years presented, comprehensive loss is the same as net loss.

4. Recent Accounting Pronouncements

New standards adopted during the year

Effective October 1, 2013, the following standards were adopted but have had no material impact on the consolidated financial statements:

- IAS 1 (Amendment): This standard is amended to change the disclosure of items presented in OCI, including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future.
- IFRS 7 (Amendment): This standard is amended to enhance disclosure requirements related to offsetting of financial assets and financial liabilities.
- IFRS 10: New standard to establish principles for the presentation and preparation of consolidated financial statements.
- IFRS 11: New standard to account for the rights and obligations in accordance with a joint agreement.
- IFRS 12: New standard for the disclosure of interests in other entities not within the scope of IFRS 9 / IAS 39.
- IFRS 13: New standard on the measurement and disclosure of fair value.
- IAS 27 (Amendment): As a result of the issue of IFRS 10, IFRS 11 and IFRS 12. IAS 27 deals solely with separate financial statements.
- IAS 28 (Amendment): New standard issued that supersedes IAS 28 (2003) to prescribe the application of the equity method to investments in associates and joint ventures.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IAS 32 (Amendment): Standard amended to clarify requirements for offsetting financial assets and financial liabilities, effective for annual periods beginning on or after January 1, 2015.
- IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015.
- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.
- IFRS 10 Investment Entities – Amendment: effective for periods beginning on or after January 1, 2014.
- IFRIC 21 Levies: effective for periods beginning on or after January 1, 2014.

(Expressed in Canadian dollars)

5. Accounts Receivable

Accounts receivable includes the following:

		September 30, 2014		September 30, 2013
Accounts receivable	$	125,904	$	253,310
GST receivable		-		3,505
	$	125,904	$	256,815

6. Long-term Equity Investment

Terrawest Energy Corp. (“Terrawest”) is a Canadian privately owned coal bed methane development company. On November 6, 2007, the Company subscribed for 40,000,000 units of a private placement in Terrawest at a price of $0.015 per unit, each unit consisting of one common share and one common share purchase warrant, with each full warrant exercisable into one additional common share of Terrawest for a period of two years at a price of $0.03 per share.

On December 28, 2007, the Company purchased 700,000 preferred shares at a price of $0.015 per share from preferred shareholders of Terrawest.

On March 18, 2009, the Company exercised warrants to purchase an additional 16,666,667 common shares of Terrawest at a price of $0.03 per share.

On November 1, 2009, the Company exercised warrants to purchase an additional 16,666,667 common shares of Terrawest at a price of $0.03 per share. The remaining 6,666,666 warrants expired unexercised.

As at September 30, 2014, the Company holds a 22.28% (2013 - 22.28%) interest in Terrawest, and the investment has been accounted for using the equity method of accounting. During the year ended September 30, 2014, the Company recognized losses from its investment of Terrawest of $471,326 (2013 - $96,426). The Company fully impaired the remaining balance of its carrying value in its investment in Terrawest amounting to $538,860, as a result of continued losses and uncertainly as to the investment's recoverability. The Company has discontinued to recognize its share of further losses from Terrawest from September 30, 2014.

The Company has two directors in common with Terrawest.

(Expressed in Canadian dollars)

7. Equipment

		Computer equipment		Office equipment		Total
Cost						
Balance, September 30, 2012	$	66,203	$	20,018	$	86,221
Additions		-		-		-
Balance, September 30, 2013		66,203		20,018		86,221
Additions		702		-		702
Balance, September 30, 2014	$	66,905	$	20,018	$	86,923
Accumulated depreciation						
Balance, September 30, 2012	$	(60,006)	$	(14,120)	$	(74,126)
Depreciation for the year		(1,860)		(1,180)		(3,040)
Balance, September 30, 2013		(61,866)		(15,300)		(77,166)
Depreciation for the year		(1,512)		(944)		(2,456)
Balance, September 30, 2014	$	(63,378)	$	(16,244)	$	(79,622)
Net book value						
September 30, 2013	$	4,337	**$**	4,718	**$**	9,055
September 30, 2014	$	3,527	$	3,774	$	7,301

8. Exploration and Evaluation Assets

In July 2013, the Morningside well commenced commercial production. As a result, the previously recorded exploration and evaluation assets were reclassified to oil and gas interests for the year ended September 30, 2013.

		Morningside
Balance, September 30, 2012	$	163,824
Acquisition costs		-
Drilling and completion costs		368,737
Reclassified to Oil and Gas interests		(532,561)
Balance, September 30, 2014, and 2013	$	-

(Expressed in Canadian dollars)

9. Oil and Gas Interests

	Frog Lake	Redwater North	Gibly	Morningside	Total
Balance, September 30, 2012	$ 797,985	$ 43,102	$ 20,511	$ 4,345	$ 865,943
Reclassified from exploration and evaluation assets	-	-	-	532,561	532,561
Expenditures	118,957	-	33,332	-	152,289
Decommissioning liability	7,187	4,264	1,791	1,796	15,038
Depletion	(60,727)	(9,202)	(8,789)	(1,160)	(79,878)
Balance, September 30, 2013	863,402	38,164	46,845	537,542	1,485,953
Expenditures	46,471	-	-	-	46,471
Decommissioning liability	(14,118)	(1,229)	1,355	21,238	7,246
Depletion	(92,963)	(5,832)	(21,204)	(7,713)	(127,712)
Balance, September 30, 2014	$ 802,792	$ 31,103	$ 26,996	$ 551,067	$ 1,411,958

(Expressed in Canadian dollars)

10. Related Party Transactions

Related parties and related party transactions impacting the consolidated financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	Year ended September 30, 2014	2013
Share-based payments	$33,222	$ -
Short-term benefits*	179,400	182,400
	$ 212,622	$ 182,400

*include paid and accrued base salaries pursuant to contractual employment, consulting, or management agreements.

These have been recorded in wages and benefits and consulting fees.

Amounts due to related parties consist of $511,351 (September 30, 2013 - $326,947) to directors or officers of the Company, or to companies controlled by directors or officers of the Company. This amount includes $175,551 in accrued interest payable on convertible debentures owing to a related party, and a $7,500 operating loan provided to the Company by the CEO of the Company. The loan is unsecured, non-interest bearing and due on demand.

(Expressed in Canadian dollars)

11. Decommissioning Liabilities

	September 30, 2014	September 30, 2013
Balance, beginning of year	$ 109,503	$ 93,158
Change in estimate	7,246	15,037
Interest	2,080	1,308
Balance, end of year	$ 118,829	$ 109,503

The following assumptions were used to estimate the decommissioning liabilities:

	September 30, 2014	September 30, 2013
Total escalated future costs	$ 135,108	$ 125,269
Discount rate, per annum	2.0%	2.0%
Inflation rate, per annum	1.9%	1.9%

These costs are expected to be made over time with the majority of the costs to be incurred between 2016 and 2028.

12. Share Capital

a) Authorized capital

The authorized share capital consists of an unlimited number of common voting shares without nominal or par value.

b) Capital transactions

No shares were issued during the year ended September 30, 2014.

On April 23, 2013, the Company completed a 3,250,000 unit private placement at a price of $0.05 per unit with gross proceeds of $162,500. Each unit is comprised of one common share and one half common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at a price of $0.10 until April 24, 2015. The residual value associated with the finance warrants is $Nil. The Company incurred cash share issuance costs of $2,000 in connection with the financing.

On May 31, 2013, the Company completed a 600,000 common share private placement at a price of $0.05 per share with total proceeds of $30,000. 300,000 common share purchase warrants were issued with an exercise price of $0.10 per common share expiring October 1, 2015. The residual value associated with the finance warrants is $Nil.

(Expressed in Canadian dollars)

12. Share Capital

c) Warrants

The following is a summary of warrants outstanding:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, September 30, 2012	4,950,000	$ 0.10
Issued	1,925,000	0.10
Expired	(450,000)	0.10
Outstanding, September 30, 2014, and 2013	6,425,000	$ 0.10

The following is a summary of the outstanding warrants, with their respective expiry dates and exercise prices.

September 30, 2014			
Exercise Price	Number Outstanding	Expiry Date	Remaining Life (Years)
$ 0.10	1,625,000	April 24, 2015	0.56
0.10	4,500,000	June 18, 2015	0.72
0.10	300,000	October 1, 2015	1.00
$ 0.10	6,425,000		

(Expressed in Canadian dollars)

12. Share Capital (cont'd...)

d) Stock options

The Company has adopted an incentive stock option plan under the rules of the TSX-V pursuant to which it is authorized to grant stock options to executive officers, directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the stock option plan, the option exercise price of any option granted shall not be less than the market price of the Company's common shares. The options can be granted for a maximum term of 5 years, and vest immediately on the date of the grant or otherwise at the discretion of the Board. The plan must be approved each year at the annual general meeting of the shareholders.

During the year ended September 30, 2014, the Company granted 2,450,000 stock options (September 30, 2013 – Nil). Share-based payments expense using the Black-Scholes option pricing model was $58,138 (September 30, 2013 - $Nil), which was also recorded as share-based payments reserve on the statement of financial position. The weighted average fair value of the options granted was $0.02 (September 30, 2013 - $Nil) per option.

The following weighted average assumptions were used for the Black-Scholes method of valuation of stock options granted during the years ended September 30, 2014 and 2013:

	September 30, 2014	September 30, 2013
Risk-free interest rate	1.99%	N/A
Expected life of options	5 years	N/A
Annualized volatility	123%	N/A
Dividend rate	0%	N/A
Forfeiture rate	0%	N/A

Stock option transactions for the years ended September 30, 2014 and 2013 are as follows:

	Number of options		**Weighted average exercise price**
Balance outstanding as at September 30, 2012 and 2013	4,250,000	$	0.11
Granted	2,450,000		0.05
Expired	(200,000)		0.12
Balance outstanding and exercisable as at September 30, 2014	6,500,000	$	0.09

(Expressed in Canadian dollars)

12. Share Capital (cont'd...)

d) Stock options (cont'd...)

As at September 30, 2014, the following stock options were outstanding and exercisable:

Number of Options Outstanding	Exercise Price	Expiry Date	Exercisable	Remaining Life (years)
100,000	$ 0.20	November 27, 2014	100,000	0.16 (1)
400,000	$ 0.20	February 19, 2015	400,000	0.39
50,000	$ 0.13	April 19, 2015	50,000	0.55
3,500,000	$ 0.10	September 16, 2017	3,500,000	2.96
2,450,000	$ 0.05	October 31, 2018	2,450,000	4.09

(1) Options expired unexercised subsequent to the year ended September 30, 2014.

13. Convertible Debentures

During the year ended September 30, 2009, the Company issued 630 subordinated unsecured convertible debentures for proceeds of $630,000 to a company with two directors in common. Each debenture is convertible into 5,000 common shares in the capital of the Company for a price of $0.20 per share (the "Conversion Price").

The convertible debentures mature in August 2014. Interest is payable quarterly in arrears at 9% per annum. To the extent that the right to convert the debentures is not exercised before the maturity date, each unconverted debenture will convert into common shares at the Conversion Price on the maturity date. As the Company has unrestricted ability to settle the principal through the issuance of fixed number of common shares at fixed Conversion Price, the convertible debentures are classified as shareholders' equity.

As at September 30, 2014, the convertible debentures had yet to be converted into common shares of the Company, as the Company has yet to receive regulatory approval.

September 30, 2014	September 30, 2013
$ 630,000	$ 630,000

(Expressed in Canadian dollars)

14. Expenses by Nature

General and administrative expenses for year ended September 30, 2014 and 2013 consist of the following:

		Year ended September 30 2014		Year ended September 30 2013
Consulting fees	**$**	**119,464**	$	137,611
Filing agent and transfer fees		**12,371**		18,087
Office and miscellaneous		**99,160**		100,180
Professional fees		**65,417**		35,415
Travel and promotion		**2,816**		7,375
Allowance for doubtful accounts		**-**		-
Wages and benefits		**189,187**		190,931
Total	**$**	**488,415**	$	489,599

15. Income Taxes

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

		2014		2013
Net Loss before income taxes	$	(1,578,456)	$	(552,501)
Expected income tax recovery	$	(410,000)	$	(141,000)
Change in statutory rates and other		(75,000)		(41,000)
Permanent difference		146,000		-
Share issue costs		-		(1,000)
Change in unrecognized deductible temporary difference		86,000		183,000
Total	$	-	$	-

(Expressed in Canadian dollars)

15. **Income Taxes** (cont'd...)

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statement of financial position are as follows:

	2014	**Expiry dates**	**2013**	**Expiry dates**
Oil and gas interests and exploration and evaluation assets	$8,403,000	No expiry	$8,472,000	No expiry
Equipment	25,000	No expiry	24,000	No expiry
Share issue costs	7,000	2035-2038	19,000	2033-2037
Marketable securities	1,611,000	No expiry	-	N/A
Non-capital losses available for future periods	4,221,000	2015-2034	4,621,000	2014-2033

16. Financial Risk Factors

The Company's financial instruments consist of cash, accounts receivable, bank overdraft, accounts payable and accrued liabilities, and due to related parties. The fair value of the Company's accounts receivable, accounts payable and accrued liabilities, and due to related parties approximates their carrying value, due to their short-term maturities or ability of prompt liquidation. The Company's other financial instrument, cash, recorded at fair value, under the fair value hierarchy, is based on level one quoted prices in active markets for identical assets or liabilities.

The Company is exposed in varying degrees to a variety of financial instrument related risks.

<u>Credit risk</u>

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. The Company's credit risk is limited to the carrying amount on the statement of financial position.

The Company's cash is held through Canadian chartered banks, which are high-credit quality financial institutions. The Company's accounts receivable are primarily from customers operating in petroleum and natural gas industry within Canada and from related parties.

16. Financial Risk Factors (cont'd...)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining cash balances to the extent possible. Liquidity requirements are managed based on expected cash flow to ensure there is capital to meet short term and long term obligations. As disclosed in Note 1, the ability of the Company to continue as a going concern is dependent on many factors. The Company's cash is primarily invested in bank accounts. On September 30, 2014, the Company had current assets of $132,434 to settle current liabilities of $1,813,961. Management will seek to arrange extended payment terms with certain vendors until further financing is arranged.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and foreign exchange rates.

a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has cash balances and its current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company is not exposed to significant risk due to fluctuating interest rates.

The Company's convertible debentures which matured during the year ended September 30, 2014, bear interest at a fixed rate and therefore the Company does not have interest rate risk associated with its convertible debentures.

b) Commodity and Equity Price risk

The value of the Company's oil and gas interests are dependent on the price of oil and gas. Market prices for the oil and gas historically have fluctuated widely and are affected by numerous factors outside the Company's control, including but not limited to, levels of worldwide production short term changes in supply and demand, industrial and retail demand, as well as certain other factors related specifically to oil and gas. If oil and gas prices decline for a prolonged period below the cost of production, it may not be economically feasible to continue towards production. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

17. Financial Risk Factors (cont'd...)

Market Risk (cont'd...)

c) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company has historically funded certain operations in Asia in connection with its former equity investment in US dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

18. Capital Management

The Company's objectives when managing capital are to safeguard its assets while at the same time maintaining investor, creditor and market confidence and to sustain future development of the business.

The Company's oil and gas interests are in commercial operation; as such the Company is dependent on external financing to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. In the management capital, the Company includes its components of shareholders' equity.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company and its subsidiaries are not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year ended September 30, 2014.

19. Commitments

The Company entered into a lease agreement for its office premises commencing October 1, 2012 and ending October 1, 2015. Monthly Lease payments in the amount of $2,165 are required up to and for the year ended September 30 2015.

20. Subsequent Event

On November 21, 2014, the Company completed the first tranche of a non-brokered private placement for gross proceeds of $38,250. 1,275,000 common shares were issued at the price of $0.03 per share. 1,275,000 common share purchase warrants were issued to places at the exercise price of $0.05 per warrant in the first year and $0.10 in the second year, expiring November 19, 2016.