

GALILEO PETROLEUM LTD.

Consolidated Financial Statements

For the year ended June 30, 2015

(Expressed in Canadian Dollars)

Galileo Petroleum Ltd.
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Independent Auditors' Report

To the Shareholders of Galileo Petroleum Ltd.:

We have audited the accompanying consolidated financial statements of Galileo Petroleum Ltd. and its subsidiary, which comprise the consolidated statements of financial position as at June 30, 2015 and 2014, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity 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 as issued by the International Accounting Standards Board, 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 audits 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 assessing 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 during our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Galileo Petroleum Ltd. and its subsidiary as at June 30, 2015 and 2014, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter - Going Concern

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that Galileo Petroleum Ltd. has incurred a loss of \$430,928 for the year ended June 30, 2015, has not earned significant revenues to date and has accumulated losses of \$6,015,953. These conditions indicate the existence of substantial doubt on Galileo Petroleum Ltd.'s ability to continue as a going concern.

November 2, 2015
Calgary, Alberta

MNP LLP
Chartered Professional Accountants

GALILEO PETROLEUM LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note	June 30, 2015	June 30, 2014
ASSETS			
Current			
Cash		\$ 1,453	\$ 15,414
Accounts receivable		6,849	21,371
Prepaid expenses and deposits		33,835	16,419
		42,137	53,204
Non-current			
Petroleum and natural gas properties	7	12,936	351,430
		12,936	351,430
		\$ 55,073	\$ 404,634
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 201,001	\$ 227,804
Shareholders' loans	13	76,700	-
		277,701	227,804
Non-current			
Decommissioning obligations	9	82,109	77,816
		82,109	77,816
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	10	4,433,423	4,406,246
Contributed surplus		1,277,793	1,277,793
Deficit		(6,015,953)	(5,585,025)
		(304,737)	99,014
		\$ 55,073	\$ 404,634

Going concern (Note 2)
Subsequent event (Note 16)

These consolidated financial statements were approved by the board of Directors on November 2, 2015 are signed on the Company's behalf by:

"David Hottman"

David Hottman, Director

"Mark T. Brown"

Mark Brown, Director

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

GALILEO PETROLEUM LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

		For the years ended June 30,	
	Note	<u>2015</u>	<u>2014</u>
Revenue			
Petroleum and natural gas		\$ 69,845	\$ 73,308
Royalties		(7,019)	(3,764)
		<u>62,826</u>	<u>69,544</u>
Expenses			
General and administrative	11	161,753	131,964
Resource operating		54,987	57,819
Depletion	7	141,678	58,483
Accretion	9	2,014	2,049
		<u>360,432</u>	<u>250,315</u>
Other items			
Impairment on petroleum and natural gas properties	7	(213,079)	-
Other income		16,880	-
Gain on extinguishment of debt	10	62,877	114,146
Impairment of evaluation and exploration assets	6	-	(318,641)
Unrealized loss on marketable securities	5	-	(1,578)
		<u>(133,322)</u>	<u>(206,073)</u>
Net loss and comprehensive loss for the year		<u>\$ (430,928)</u>	<u>\$ (386,844)</u>
Loss per share		<u>\$ (0.08)</u>	<u>\$ (0.08)</u>
Weighted average number of common shares outstanding		<u>5,397,036</u>	<u>5,120,729</u>

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

GALILEO PETROLEUM LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian dollars)

	Note	Number of shares	Share capital	Contributed surplus	Deficit	Total shareholders' equity (deficiency)
Balance at June 30, 2013		3,249,702	4,237,854	1,277,793	(5,198,181)	317,466
Shares issued for debt settlements	10	1,871,027	168,392	-	-	168,392
Net loss and comprehensive loss		-	-	-	(386,844)	(386,844)
Balance at June 30, 2014		5,120,729	4,406,246	1,277,793	(5,585,025)	99,014
Shares issued for debt settlements	10	301,952	27,177	-	-	27,177
Net loss and comprehensive loss		-	-	-	(430,928)	(430,928)
Balance at June 30, 2015		5,422,681	\$ 4,433,423	\$ 1,277,793	\$ (6,015,953)	\$ (304,737)

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

GALILEO PETROLEUM LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

Cash provided by (used for):	For the years ended June 30,	
	2015	2014
Operating Activities		
Net loss	\$ (430,928)	\$ (386,844)
Items not involving cash:		
Depletion	141,678	58,483
Accretion	2,014	2,049
Unrealized loss on marketable securities	-	1,578
Gain on extinguishment of debt	(62,877)	(114,146)
Impairment on petroleum and natural gas properties	213,079	-
Impairment on evaluation and exploration assets	-	318,641
Changes in non-cash working capital relating to operating activities	60,357	142,353
Cash provided by (used in) operating activities	(76,677)	22,114
Investing Activities		
Recovery of exploration and evaluation assets	-	424
Additions to petroleum and natural gas properties	(13,984)	(19,854)
Cash used in investing activities	(13,984)	(19,430)
Financing activities		
Cash from shareholders' loans	76,700	-
Cash used in financing activities	76,700	-
Net increase (decrease) in cash	(13,961)	2,684
Cash – beginning of year	15,414	12,730
Cash – end of year	\$ 1,453	\$ 15,414

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

1. NATURE OF OPERATIONS

Galileo Petroleum Ltd. (the "Company" or "Galileo") was incorporated on August 14, 2000 under the Business Corporations Act of the Province of British Columbia and trades under the symbol "GPL" on the TSX Venture Exchange. Its registered office is 19th Floor, 885 West Georgia Street, Vancouver, BC V6C 3H4. On October 20, 2014, the Company completed a three for one share consolidation (see *Note 10*). All references to number of shares and per share amounts have been retroactively restated to reflect the consolidation.

The Company is a junior oil and gas company, engaged in the production, development and exploration of crude oil and natural gas reserves in Alberta and Saskatchewan, Canada.

2. GOING CONCERN

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company incurred a net loss of \$430,928 for the year ended June 30, 2015 (2014 – \$386,844). To date, the Company has not earned significant revenues and has accumulated losses of \$6,015,953. The continuation of the Company as a going concern is dependent upon the ability of the Company to obtain necessary equity or other financing to continue operations, and/or to attain sufficient profitable operations.

The current market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. 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. The outcome of these matters cannot be predicted at the present time. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The consolidated financial statements do not include any adjustments to the recoverability and classification of recorded assets amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. If the going concern basis was not appropriate for these consolidated financial statements, adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used.

3. BASIS OF PRESENTATION**(a) Statement of compliance with IFRS**

These consolidated financial statements have been prepared in accordance and compliance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect as of June 30, 2015.

These consolidated financial statements, and the policies applied herein, were authorized for issue by the Board of Directors on November 2, 2015.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost method except for cash, marketable securities and share-based transactions which are measured at fair value.

(c) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

3. BASIS OF PRESENTATION *(continued)***(d) Reporting entity**

The consolidated financial statements as at and for the years ended June 30, 2015 and June 30, 2014 include the accounts of the Company and its inactive wholly owned subsidiary Portal Resources US Inc. All significant inter-company transactions and balances have been eliminated.

(e) Significant accounting judgments and estimates

The timely preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Accordingly, actual amounts may differ from these estimates. Estimates and underlying assumptions are viewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below.

Reserves

Estimation of reported recoverable quantities of proved and probable reserves include judgmental assumptions regarding production profile, commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economical, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying values of the Company's petroleum and natural gas properties, the calculation of depletion, the provision for decommissioning obligations, and the recognition of deferred tax assets due to changes in expected future cash flows. The recoverable quantities of reserves and estimated cash flows from the Company's petroleum and natural gas interests are independently evaluated by reserve engineers at least annually.

Identification of cash-generating units

The Company's assets are aggregated into cash-generating units, for the purpose of calculating impairment, based on their ability to generate largely independent cash flows. By their nature, these estimates and assumptions are subject to measurement uncertainty and may impact the carrying value of the Company's assets in future periods.

Share based payments

All equity-settled, share-based awards issued by the Company are fair valued using the Black-Scholes option-pricing model. In assessing the fair value of equity based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

Decommissioning obligations

The Company estimates future remediation costs of production facilities, wells and pipelines at different stages of development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires judgment regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

3. BASIS OF PRESENTATION *(continued)***(e) Significant accounting judgments and estimates** *(continued)**Impairment of petroleum and natural gas assets*

For the purposes of determining whether impairment of petroleum and natural gas assets has occurred, and the extent of any impairment or its reversal, the key assumptions the Company uses in estimating future cash flows are future petroleum and natural gas prices, expected production volumes and anticipated recoverable quantities of proved and probable reserves. These assumptions are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates. Changes in the aforementioned assumptions could affect the carrying amounts of assets, and impairment charges and reversal will affect profit or loss.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The carrying amount of the Company's exploration and evaluation assets is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists.

Taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods.

Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in the consolidated statement of loss and comprehensive loss in the period in which the change occurs.

4. SIGNIFICANT ACCOUNTING POLICIES**Revenue**

Revenue from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party and collection is reasonably assured. Revenue is presented both before and after royalties payable to the Crown and others.

Joint controlled operations and assets

Certain activities of the Company are conducted jointly with others where the participants have a direct ownership interest in, and jointly control, the related assets. Accordingly, the accounts of the Company reflect only its working interest share of revenues, expenses and capital expenditures.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)***Exploration and evaluation**

Pre-exploration costs are recognized as an expense in the period incurred. Pre-exploration activities are expenditures incurred prior to obtaining the legal rights or licenses to explore a mineral resource.

Intangible exploration and evaluation expenditures are capitalized and may include costs of license acquisition, geological and geophysical evaluations, technical studies, exploration drilling and testing and other directly attributable costs. Tangible assets acquired which are consumed in developing an intangible exploration asset are recorded as part of the cost of the exploration asset. The costs are accumulated in cost centers by exploration area pending determination of technical feasibility and commercial viability.

The technical feasibility and commercial viability of extracting a mineral resource in an exploration area is considered to be determinable when economical quantities of reserves are determined to exist. A review of each exploration project by area is carried out at each reporting date to ascertain whether reserves have been discovered. Upon determination of commercial reserves, associated exploration costs are transferred from exploration and evaluation to petroleum and natural gas properties as reported on the statement of financial position. Exploration and evaluation assets are reviewed for impairment prior to any such transfer.

Assets classified as exploration and evaluation are not amortized. If technical feasibility and commercial viability has determined not to be achieved, the capitalized exploration costs and relevant dry hole costs are charged to the consolidated statement of loss and comprehensive loss as an impairment expense.

Petroleum and natural gas properties*Recognition and measurement*

Petroleum and natural gas properties are measured at cost less accumulated depletion and accumulated impairment losses if any.

Petroleum and natural gas properties consists of the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Petroleum and natural gas assets include developing and producing interests such as land acquisitions, geological and geophysical costs, facility and production equipment and associated turnarounds, other directly attributable costs and the initial estimate of the costs of dismantling and removing an asset and restoring the site on which it was located.

Depletion

The net carrying value of petroleum and natural gas assets, net of estimated residual value, is depleted on a geographic or geotechnical area basis using the unit of production method. This depletion calculation includes actual production in the period and total estimated proved and probable reserves attributed to the petroleum and natural gas assets being depreciated, taking into account total capitalized costs plus estimated future development costs necessary to bring those reserves into production. Relative volumes of reserves and production (before royalties) are converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil. These estimates are reviewed by independent reserves evaluators at least annually.

Impairment

The Company assesses at each reporting date whether there are indications of impairment of each cash generating unit ("CGU") it has identified. If indications of impairment exist, or at least annually, the Company estimates the asset's recoverable amount, which is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use.

Fair value less costs to sell represents the value for which an asset could be sold in an arm's length transaction, and is presented as a function of the future cash flows of the proved and probable reserves. Value in use is estimated as the discounted present value of the future cash flows expected to arise from the continued use of the asset or CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and the impairment loss is charged to the consolidated statement of loss and comprehensive loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)***Petroleum and natural gas properties** *(continued)**Impairment (continued)*

For impairment losses recognized in prior periods, 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. Previously recognized impairment loss reversals are limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior periods. Impairment reversals are recognized as an impairment recovery in the consolidated statement of loss and comprehensive loss.

Equipment

Equipment is recorded at cost less accumulated amortization. Equipment which includes vehicles, furniture and fixtures and field equipment, computer software and computer equipment are depreciated on a straight-line basis over the estimated useful lives of the assets at rates of 20 percent to 50 percent per annum.

Provisions and decommissioning obligations

Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of a past event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

The Company's activities give rise to dismantling, restoration and site disturbance remediation activities. Costs related to abandonment activities are estimated by management in consultation with the Company's engineers based on risk-adjusted current costs which take into consideration current technology in accordance with existing legislation and industry practices.

Decommissioning obligations are measured at the present value of the best estimate of expenditures required to settle the present obligations at the reporting date. When the fair value of the liability is initially measured, the estimated cost, discounted using a risk-free discount rate, is capitalized by increasing the carrying amount of the related petroleum and natural gas properties. The increase in the provision due to the passage of time ("accretion") is recognized as an expense whereas increases and decreases due to revisions in the estimated future cash flows are recorded as adjustments to the carrying amount of the related petroleum and natural gas properties. Actual costs incurred upon settlement of the liability are charged against the obligation to the extent that the obligation was previously established. The carrying amount capitalized in petroleum and natural gas properties is depleted in accordance with the Company's depletion policy. The Company reviews the obligation at each reporting date and revisions to the estimated timing of cash flows, discount rates and estimated costs will result in an increase or decrease to the obligations. Any difference between the actual costs incurred upon settlement of the obligation and recorded liability is recognized as a gain or loss in the consolidated statement of loss and comprehensive loss.

Share capital

Proceeds from the issuance of common shares are classified as equity on the consolidated statement of financial position. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)***Foreign Currency Translation**

Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalent using foreign exchange rates at the statement of financial position dates. Non-monetary items are translated at historical exchange rates. Revenues and expenses are translated using average rates of exchange during the year. Exchange gains or losses arising from currency translation are included in the determination of net loss.

Share based payment transactions

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Financial instruments

Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

At initial recognition, all financial instruments are classified in one of the following categories depending on the purpose for which the instruments were acquired:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") are financial assets held for trading or that are designated as such by management. Such assets are held for trading if it is acquired principally for the purpose of selling in the short-term. These assets are initially recognized, and subsequently carried, at fair value, with changes recognized in the statement of comprehensive loss. Transaction costs are expensed. Assets in this category include cash and marketable securities.

Loans and receivables

Loans and receivables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, less any impairment losses, with interest expense recognized on an effective yield basis. Assets in this category include accounts receivable.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Liabilities in this category include accounts payables and accrued liabilities.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)***Flow-through shares**

The Company may issue flow-through shares to finance a portion of its capital expenditure program. Pursuant to the terms of the flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. The difference to the value ascribed to flow-through shares issued and the value that would have been received for common shares at the date of issuance of the flow-through shares is initially recognized as a liability on the consolidated statement of financial position. When the expenditures are renounced, the liability is drawn down, a deferred tax liability is recorded equal to the estimated amount of deferred tax payable by the Company as a result of the renunciation and the difference is recognized as a deferred tax expense.

Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized 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. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Loss per share

Loss per share has been calculated using the weighted-average number of common shares outstanding during the year. 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 earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that proceeds received from the exercise of "in-the-money" stock options and warrants would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Accounting standards adopted during the year

During the year, the Company adopted the following new standards:

- In May 2013, the IASB issued amendments to IAS 36 "Impairment of Assets" which reduces the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarifies the disclosures required when an impairment loss has been recognized or reversed in the period. The amendments are required to be adopted retrospectively for fiscal years beginning January 1, 2014, with earlier adoption permitted. The adoption of this standard will only impact the Company's disclosures in the notes to the consolidated financial statements in periods when an impairment loss or impairment reversal is recognized.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- In May 2013, the IASB issued IFRIC 21 "Levies" ("IFRIC 12"), which was developed by the IFRS Interpretations Committee ("IFRIC"). IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that no liability should be recognized before the specified minimum threshold to trigger that levy is reached. IFRIC 21 is required to be adopted retrospectively for fiscal years beginning January 1, 2014, with earlier adoption permitted. The adoption of this standard may have an impact on the Company's accounting for production and similar taxes, which do not meet the definition of an income tax in IAS 12 "Income Taxes." The adoption of this standard has no impact on the amounts recorded in the Company's consolidated financial statements.
- IFRS 3, "Business combinations" ("IFRS 3"). The amendments to IFRS 3, issued in December 2013, clarify the accounting for contingent consideration in a business combination. At each reporting period, an entity measures contingent consideration classified as an asset or a financial liability at fair value, with changes in fair value recognized in profit or loss. The amendments are effective for business combinations for which the acquisition date is on or after July 1, 2014. The adoption of this standard has no impact on the amounts recorded in the Company's consolidated financial statements.

Accounting standards issued but not yet applied

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

- IFRS 9, "Financial instruments" ("IFRS 9"). In November 2013, IFRS 9 was amended with significant changes to hedge accounting. In addition, an entity can now apply the "own credit requirement" in isolation without the need to change any other accounting for financial instruments. The standard is effective for annual periods beginning on or after January 1, 2018. The full impact of the standard on the Company's consolidated financial statements will not be known until the project is complete. 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.
- IFRS 15 "Revenue from Contracts with Customers" - On September 1, 2018, the Company will be required to adopt IFRS 15, "Revenue from Contracts with Customers". IFRS 15 was issued in May 2014 and will replace IAS 11, "Construction Contracts," IAS 18, "Revenue Recognition," IFRIC 13, "Customer Loyalty Programmes," IFRIC 15, "Agreements for the Construction of Real Estate," IFRIC 18, "Transfers of Assets from Customers," and SIC-31, "Revenue – Barter Transactions Involving Advertising Services." IFRS 15 provides a single, principle-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17 and financial instruments and other contractual rights or obligations within the scope of IFRS 9 "Financial Instruments," IFRS 10, "Consolidated Financial Statements" and IFRS 11, "Joint Arrangements." In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities.

5. MARKETABLE SECURITIES

The Company owns 150,000 shares of Pengram Corporation ("Pengram"). At June 30, 2015, the fair value of the Pengram shares was \$Nil (2014 - \$Nil). During the year ended June 30, 2015, the Company recorded a net unrealized loss of \$Nil with respect to these shares (2014 – \$1,578).

6. EXPLORATION AND EVALUATION ASSETS

Balance June 30, 2013	\$	319,065
Dispositions		(424)
Impairment		(318,641)
Balance June 30, 2014		-
Balance June 30, 2015	\$	-

Provost

In February, 2012, the Company acquired a 50% ownership in 928 acres (1.5 square miles) of exploratory land at Provost, Alberta.

During the year ended June 30, 2014, the Company performed an impairment analysis on the Provost assets and concluded there was impairment due to the upcoming expiry of the leases on these properties. The Company therefore recorded an impairment of \$79,967 of project expenditures.

As at June 30, 2015, the carrying value is \$Nil (2014 - \$Nil) on the Provost project.

Bigwave

On May 21, 2013, the Company sold its 28.5% share of certain land rights for aggregate proceeds of \$14,535. The Company recorded a loss on disposition of exploration and evaluation assets of \$28,995 as a result of this transaction.

During the year ended June 30, 2014, the Company performed an impairment analysis on the Bigwave assets and recorded an impairment of \$238,674 of project expenditures.

As at June 30, 2015, the carrying value is \$Nil (2014 - \$Nil) on the Bigwave project.

GALILEO PETROLEUM LTD.

Notes to the Consolidated Financial Statements
For the years ended June 30, 2015 and 2014

7. PETROLEUM AND NATURAL GAS PROPERTIES

Cost:

Balance, June 30, 2013	\$	1,892,392
Additions		19,854
Change in estimate in decommissioning obligations		661
Balance, June 30, 2014	\$	1,912,907
Additions		13,984
Change in estimate in decommissioning obligations		2,279
Balance, June 30, 2015	\$	1,929,170

Accumulated depletion and depreciation and impairment losses:

Balance, June 30, 2013	\$	(1,503,806)
Depletion expense		(57,671)
Balance, June 30, 2014		(1,561,477)
Depletion expense		(141,678)
Impairment loss		(213,079)
Balance, June 30, 2014	\$	(1,916,234)

Net book value:

June 30, 2014	\$	351,430
June 30, 2015	\$	12,936

The depletion and depreciation of petroleum and natural gas properties are recognized in depletion, depreciation and amortization in the statement of loss and comprehensive loss. Future development costs of \$10,600 (2014 - \$318,800) are included in the depletion calculation. The impairment of petroleum and natural gas properties, and any eventual reversal thereof, are recognized in the statement of loss and comprehensive loss.

At June 30, 2015, the Company tested its CGU's for impairment. The recoverable amount of the CGU was based on the higher of the value in use and the fair value less costs to sell. The estimate of fair value less costs to sell (2%) was determined using a discount rate of 10% and forecasted cash flows, with escalating prices and future development costs, as obtained from an independent reserves engineer for the Company's proved plus probable reserves. The forecast prices used to estimate the fair value less cost to sell are those used by the independent reserves engineer. The impairment loss during the year ended June 30, 2015 was \$213,079 (2014 - \$Nil) due to the decrease in reserves and reserve value. The following represent the prices that were used in the June 30, 2015 impairment tests.

Year	Average price forecast Oil
2015	53.13
2016	58.34
2017	62.51
2018	68.85
2019	69.88
2020	71.67

GALILEO PETROLEUM LTD.

Notes to the Consolidated Financial Statements
For the years ended June 30, 2015 and 2014

8. EQUIPMENT

Cost:	
Balance, June 30, 2014	\$ 112,359
Balance, June 30, 2015	\$ 112,359
Accumulated depreciation:	
Balance, June 30, 2013	\$ (111,547)
Depreciation expense	(812)
Balance, June 30, 2014	\$ (112,359)
Balance, June 30, 2015	\$ (112,359)
Net book value:	
June 30, 2014	\$ -
June 30, 2015	\$ -

9. DECOMMISSIONING OBLIGATIONS

Balance June 30, 2013	\$ 75,106
Accretion	2,049
Change in estimate	661
Balance June 30, 2014	77,816
Accretion	2,014
Change in estimate	2,278
Balance June 30, 2015	\$ 82,108

The decommissioning obligations are estimated based on the Company's net ownership in all wells and facilities, the estimated cost to restore and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. The Company estimates the undiscounted cash flows related to its decommissioning liabilities is approximately \$93,000 (2014 - \$93,000). The fair values of these obligations were calculated using risk free rates between 1.28% to 2.31% (2014 - 1.83% to 2.78%), an inflation rate of 2% (2014 - 2%) and expected abandonment dates between 2017 to 2022.

10. SHARE CAPITAL

a. Authorized

There are an unlimited number of common shares without par value.

On October 17, 2014, the TSX-V approved a common share consolidation on the basis of three pre-consolidation common shares for one post-consolidation common share of the Company. The consolidation was made effective on October 20, 2014. All references to the number of shares and per share amounts have been retroactively restated to reflect the consolidation.

b. Details of issuance of common shares

On June 26, 2014, the Company issued a total of 1,871,027 common shares at a fair value of \$168,392, based on the Company's share price on the date of issue, in settlement for certain debts owed by the Company for an aggregate amount of \$282,538. The Company recorded a gain on extinguishment of debt of \$114,146.

10. SHARE CAPITAL *(continued)*

b. Details of issuance of common shares *(continued)*

On August 7, 2014, the Company issued a total of 301,952 common shares at a fair value of \$27,177, based on the Company's share price on the date of issue, in settlement for certain debts owed by the Company for an aggregate amount of \$45,295. The Company recorded a gain on extinguishment of debt of \$18,118 in addition to other debts settled in cash for amounts less than face value.

	Number of Shares		Amount
Balance at June 30, 2013	3,249,702	\$	4,237,854
Issued for settlement of debt	1,871,027		168,392
Balance at June 30, 2014	5,120,729		4,406,246
Issued for settlement of debt	301,952		27,177
Balance at June 30, 2015	5,422,681	\$	4,433,423

c. Share Purchase Option Compensation Plan

The Company established a 10% rolling stock option plan whereby the Board of Directors may from time to time grant options to individual eligible directors, officers, employees or consultants. The maximum term of any option is five years. The exercise price of an option is not less than the closing price on the last trading day preceding the grant date, less allowable discounts in accordance with the policies of the Exchange. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options granted under the Stock Option Plan are subject to a minimum one year vesting schedule whereby 25% of each option will vest on each of the three month anniversaries of the date of grant, up to and including the end of the first year after such grant, or such other more restrictive vesting schedule as the administrator of the Stock Option Plan may determine.

The continuity of stock options for the year ended June 30, 2015 is as follows:

Expiry date	Exercise Price (\$)	June 30, 2014	Granted	Exercised	Expired/ cancelled	June 30, 2015
January 17, 2015	2.25	1,333	-	-	(1,333)	-
September 9, 2015	2.10	6,667	-	-	-	6,667
Options outstanding		8,000	-	-	(1,333)	6,667
Options vested and exercisable		6,667	-	-	-	6,667
Weighted average exercise price (\$)		2.12	-	-	2.25	2.10

11. GENERAL AND ADMINISTRATIVE EXPENSES

The components of general and administrative expenses are as follows:

	<u>2015</u>	<u>2014</u>
Consulting	\$ 17,412	\$ 11,545
Investor relations	7,797	4,948
Rent	9,439	11,327
Salaries and benefits	26,030	47,693
Professional fees	11,961	29,598
Other	89,114	26,853
	<u>\$ 161,753</u>	<u>\$ 131,964</u>

12. TAXES

The net tax provision differs from that expected by applying the combined federal and provincial income tax rates of 25% for the year ended June 30, 2015 (2014 – 25%).

	<u>2015</u>	<u>2014</u>
Loss before taxes	\$ (430,926)	\$ (386,844)
Combined federal and provincial income tax rate	<u>25%</u>	<u>25%</u>
Expected income tax recovery	(107,732)	(96,711)
Non-deductible expenses for tax		197
Changes in statutory enacted rates	(211,062)	-
Expiration of non-capital loss carry forwards	136,247	(16,896)
Change in estimates and other	34,934	-
Deferred tax asset not recognized	147,613	113,410
Deferred tax recovery	<u>\$ -</u>	<u>\$ -</u>

The significant components of the Company's deferred tax assets are as follows:

	<u>2015</u>	<u>2014</u>
Deferred tax assets (liabilities)		
Non-capital loss carryforwards	\$ 2,141,435	\$ 2,108,177
Share issue costs and other	5,548	14,315
Equipment	13,940	12,907
Petroleum and natural gas properties	517,250	395,161
Deferred tax assets not recognized	(2,678,173)	(2,530,560)
	<u>\$ -</u>	<u>\$ -</u>

12. TAXES (continued)

The Company has incurred losses for Canadian income tax purposes of approximately \$7,931,239, which can be carried forward to reduce taxable income in future years. The losses expire in the following periods:

Year of Origin	Year of Expiry	Non-Capital losses
2006	2026	816,604
2007	2027	894,120
2008	2028	1,218,558
2009	2029	1,294,962
2010	2030	975,784
2011	2031	1,145,956
2012	2032	1,067,903
2013	2033	335,329
2014	2034	6,054
2015	2035	175,969
		<u>\$ 7,931,239</u>

13. RELATED PARTY TRANSACTIONS

Payments to related parties were made in the normal course of operations and were valued at fair value as determined by management. Amounts due to or from related parties are unsecured, non-interest bearing and due on demand. There are no commitments or guarantees associated with the outstanding balances.

Amounts in accounts payable	Services for:	Year ended June 30, 2015		Year ended June 30, 2014	
		Total Charges	Balance Outstanding	Total Charges	Balance Outstanding
A private company with a director in common with the Company	Accounting, finance, promissory note	\$ 43,276	\$ 43,276	\$ 80,525	\$ -
A public company with directors in common with the Company	Administrative fees, advances	10,902	13,251	13,083	1,308
Directors	Accrued salaries, management services, reimbursements, loans	64,200	64,200	52,500	22,500
Total		\$118,378	\$ 120,727	\$ 146,108	\$ 23,808

During the year ended June 30, 2015, the Company received a loan from a private company with a director in common for \$25,000. The loan is unsecured, non-interest bearing and has no fixed terms of repayment. As of June 30, 2015 the Company owes this private company \$25,000 (June 30, 2014 – \$Nil) in regards to this loan.

During the year ended June 30, 2015, the Company received loans from certain directors of the Company for \$51,700. The loans are unsecured, non-interest bearing and have no fixed terms of repayment. As of June 30, 2015 the Company owes these certain directors \$51,700 (June 30, 2014 – \$Nil) in regards to these loans.

These shareholders' loans were subsequently settled with equity (Note 16)

13. RELATED PARTY TRANSACTIONS *(continued)*

Key management personnel compensation includes all compensation paid to executive management and members of the board of directors of the Company.

	<u>2015</u>	<u>2014</u>
Salaries	\$ 25,000	\$ 52,500
Total	<u>\$ 25,000</u>	<u>\$ 52,500</u>

14. FINANCIAL INSTRUMENTS

The fair value of the Company's cash, marketable securities, and accounts receivable and accounts payables and accrued liabilities approximate their carrying values due to their current nature.

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and marketable securities are measured using level 1 inputs. There were no transfers between levels 1,2 and 3.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest risk.

(a) Currency risk

The Company's formerly owned property interests in the United States made it subject to foreign currency fluctuations and inflationary pressures which may have adversely affected the Company's financial position, results of operations and cash flows. The Company was affected by changes in exchange rates between the Canadian Dollar and foreign functional currencies. The Company does not invest in foreign currency contracts to mitigate the risks, and has no foreign currency exposure at the statement of financial position date.

(b) Credit risk

The Company's cash and short-term investments are held in a Canadian financial institution. The Company's accounts receivable consists primarily of joint venture receivables and tax due from the federal government of Canada.

14. FINANCIAL INSTRUMENTS *(continued)*

(c) 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 manages liquidity risk through the management of its capital structure and periodic financial support from management. Accounts payable and accrued liabilities are due within the current operating year.

(d) 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 no interest bearing debt.

(e) Commodity Price Risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices, affecting results of operations and cash generated from operating activities. Such prices may also affect the value of exploration and development properties and the level of spending for future activities. Prices received by the Company for its production are largely beyond the Company's control as oil and gas prices are impacted by world economic events that dictate the levels of supply and demand. A 1% change in price will increase/decrease net income (loss) by an immaterial amount.

The Company did not have any commodity price contracts in place as at or during the year ended June 30, 2015 and 2014.

15. MANAGEMENT OF CAPITAL RISK

The Company manages its shareholders' equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral and oil and gas properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and short-term investments.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing development efforts, the Company does not pay out dividends. There are no externally imposed requirements.

The Company expects its current capital resources will not be sufficient to carry its exploration plans and operations through its current operating period and that further equity financing will be required.

16. SUBSEQUENT EVENT

On September 14, 2015, the Company issued a total of 1,634,000 common shares at a fair value of \$81,700 in settlement for certain shareholder's loans owed by the Company for an aggregate amount of \$81,700 (*Note 13*).

17. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

GALILEO PETROLEUM LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS For the year ended June 30, 2015

NOTE TO READER

Management's Discussion and Analysis ("MD&A") is intended to help the reader understand Galileo Petroleum Ltd. (formerly Portal Resources Ltd., "Galileo", or the "Company"), its history, business environment, strategies, performance and risk factors from the viewpoint of management.

This MD&A has been prepared based on information known to management as of November 2, 2015 and should be read in conjunction with the consolidated financial statements for the year ended June 30, 2015 and supporting notes. These consolidated statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by IASB.

The following comments may contain management estimates of anticipated future trends, activities or results. These are not a guarantee of future performance, since actual results will change based on other factors and variables beyond management control.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls, and to ensure that information used internally or disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable.

The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management regularly to review financial statement results, including the MD&A and to discuss other financial, operating and internal control matters.

The reader is encouraged to review Company statutory filings on www.sedar.com and to review general information, including maps on the Company's website at www.galileopetroleum.ca.

DATE

This MD&A is prepared as of November 2, 2015.

DESCRIPTION OF BUSINESS AND OVERVIEW

The Company is a growth oriented natural resource exploration company focused primarily on the acquisition, exploration and development of crude oil projects. The Company is concentrating on identifying early stage oil or natural gas properties that have potential for discovery of large reserves as well as acquiring more advanced projects that, with further development, have good production potential.

On March 8, 2011, the Company signed an Agreement to participate in the exploration, exploitation and production of oil and natural gas in central Saskatchewan – see "Exploration review".

On October 20, 2014, the TSX Venture Exchange ("TSX-V") approved the Company's share consolidation on the basis of 3 pre-consolidation common shares for 1 post-consolidation common share of the Company. All references to number of shares and per share amounts have been retroactively restated to reflect this consolidation.

FORWARD LOOKING STATEMENTS

Certain information set forth in this report contains forward-looking statements. By their nature, forward looking statements are subject to numerous risks and uncertainties including: the results of current oil and gas operation and exploration activities; market reaction to future operation and exploration activities;

significant changes in oil prices; currency fluctuations; general market and industry conditions; and other factors detailed in the Company's public filings. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Galileo Petroleum Ltd.'s actual results, programs and financial position could differ materially from those expressed in or implied by these forward-looking statements, and accordingly, no assurance can be given that the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits Galileo Petroleum Ltd. will derive therefrom. Galileo Petroleum Ltd. disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward looking statements included or incorporated by reference in this document include statements with respect to:

- The Company's progress, potential and uncertainties of its oil and gas drilling program in central Saskatchewan.
- The Company's progress, potential and uncertainties of its oil and gas drilling program in central Alberta.
- The Company's expectations regarding the ability to find new projects in Canada.
- Expectations regarding the ability to raise capital to continue its exploration, project search and acquisition activities.

EXPLORATION REVIEW

HIGHLIGHTS

The Company entered an agreement to participate in the development of an oil and natural gas play in central Saskatchewan (See Salt Lake project).

OUTLOOK

The Company continues to monitor production from the Salt Lake (BirdBear) Project and will undertake a review of the current portfolio with the view of monetizing several assets for debt reduction. New projects for acquisition, on a larger scale, are being targeted.

PETROLEUM AND NATURAL GAS JOINT VENTURES

Salt Lake Project (Birdbear formation)

On March 8, 2011, the Company entered into an agreement to participate in the development of an oil play in central Saskatchewan. Under the terms of the agreement the Company has the right to earn a 25%, non-operating, working interest in a total of four sections of land (2,560 acres). A 25% working interest in the first two sections was earned by participating in, and paying a 50% cost share of, the drilling of one vertical and one horizontal well. An interest in an additional two sections of land was earned with participation on a "straight up basis" (25% of costs for a 25% working interest) in the drilling of a subsequent horizontal well. Each of the horizontal wells will qualify for the Province of Saskatchewan's drilling incentive program with a maximum 2.5% government royalty on the first 100,000 barrels of production.

On March 28, 2011, the Company secured two additional sections of contiguous land by way of a seismic option. Future production from these lands is subject to a sliding scale nonconvertible royalty.

On August 15, 2011, the Company announced that it had established oil production through a five-well drilling program. The Company tested and brought the wells on stream achieving combined average production of 130 barrels of oil per day ("bopd"), 33 bopd net to the Company.

At this time only one oil well remains producing on a limited basis, and one natural gas well is suspended due to low gas prices.

As at June 30, 2015, the Company has spent a total of \$2,043,551 (June 30, 2014 - \$2,027,288) on the Birdbear project.

Provost

In February, 2012, the Company acquired a 50% ownership in 928 acres (1.5 square miles) of exploratory land at Provost, Alberta. The primary target of this project is the Sparky formation which can be prolific for medium grade oil.

During the year ended June 30, 2014, the Company performed an impairment analysis on the Provost assets and concluded there was impairment due to the upcoming expiry leases on these properties. The Company, therefore, wrote off \$79,967 of project expenditures.

As at June 30, 2015 the Company has recorded total expenditures of \$Nil (June 30, 2014 – \$Nil) on the Provost project.

Bigwave Joint Venture

On November 1, 2008, the Company signed the Bigwave Joint Venture Agreement (the "Agreement") to participate for a 15% working interest in the exploration, exploitation and production of oil and natural gas from lands located in central Alberta. In December of 2008 the Agreement was modified to allow the Company to participate for a 20% interest. During the quarter ended September 30, 2009 the Company increased its interest in the joint venture to 22%.

On April 9, 2010 the Company purchased the Participation Agreement for \$5,000 and 500,000 common shares in the capital of the Company. On the closing of the purchase, the Participation Agreement was terminated and the Company held a 22% working interest in the Joint Venture.

On August 2010 the Company acquired an additional 6.5% working interest in the joint venture and the Company's working interest in the joint venture increased from 22% to 28.5%.

On May 21, 2013, the Company sold its 28.5% share of certain land rights for aggregate proceeds of \$14,535. The Company recorded a loss on disposition of exploration and evaluation assets of \$28,995 as a result of this transaction.

During the year ended June 30, 2013, the Company performed an impairment analysis on the Bigwave Joint venture assets and concluded there was impairment due to the upcoming expiry leases on these properties. The Company, therefore, wrote off \$355,813 of project expenditures.

During the year ended June 30, 2014, the Company performed an impairment analysis on the Bigwave Joint venture assets and concluded there was impairment due to the upcoming expiry leases on these properties. The Company, therefore, wrote off \$238,674 of project expenditures.

As at June 30, 2015 the Company has recorded total net expenditures of \$Nil (June 30, 2014 – \$Nil) on the Bigwave project.

PETROLEUM AND NATURAL GAS EXPENDITURES

During the year ended June 30, 2015, the Company spent \$13,984 on petroleum and natural gas property expenditures (2014 - \$54,175) and had recovery expenses of \$Nil (2013 - \$33,660). The Company's oil and gas properties are located in Alberta and Saskatchewan, Canada.

	Exploration and Evaluation Assets		Developing & Producing	Total
	Bigwave	Provost	Salt Lake	
Total as at June 30, 2013	\$ 239,098	\$ 79,967	\$ 388,586	\$ 707,651
Crown Lease	(424)	-	3,709	3,285
Drilling	-	-	964	964
Recovery of drilling costs	-	-	(33,660)	(33,660)
Completion	-	-	49,502	49,502
Total expenditures	(424)	-	20,515	20,091
Impairment loss	(238,674)	(79,967)	-	(318,641)
Depletion of oil and gas properties	-	-	(57,671)	(57,671)
Total as at June 30, 2014	\$ -	\$ -	\$ 351,430	\$ 351,430
Completion	-	-	13,984	13,984
Decommissioning obligation	-	-	2,279	2,279
Total expenditures	-	-	16,263	16,263
Impairment loss	-	-	(213,079)	(213,079)
Depletion of oil and gas properties	-	-	(141,678)	(141,678)
Total as at June 30, 2015	\$ -	\$ -	\$ 12,936	\$ 12,936

IMPAIRMENT OF LONG-LIVED ASSETS

The Company completed an impairment analysis as at June 30, 2015, which considered the indicators of impairment in accordance with IAS 36, "Impairment Assets". Management recorded an impairment loss of \$213,079 for the year ended June 30, 2015 (June 30, 2014 - \$Nil).

SUMMARY OF SELECTED ANNUAL FINANCIAL INFORMATION

For the years ended June 30th

	2015	2014	2013
Net loss	\$ 430,928	\$ 386,844	\$ 1,689,917
Basic EPS	\$ 0.08	\$ 0.04	\$ 0.17
Total assets	\$ 55,073	\$ 404,634	\$ 806,014
Total capital expenditures	\$ 13,984	\$ 19,430	\$ 4,061
Total long-term debt	Nil	Nil	Nil

SUMMARY OF QUARTERLY RESULTS

	Three Months Ended			
	June 30	March 31	December 31	September 30
	2015	2015	2014	2014
	\$	\$	\$	\$
Oil and gas revenue	7,206	9,669	18,513	27,438
Other gains (losses)	(201,232)	2,521	4,387	61,002
Expenses	164,280	56,046	76,509	63,597
Net income (loss)	(358,306)	(43,856)	(53,609)	24,843
Net loss per share	(0.04)	(0.01)	(0.01)	Nil

	Three Months Ended			
	June 30	March 31	December 31	September 30
	2014	2014	2013	2013
	\$	\$	\$	\$
Oil and gas revenue	37,465	11,507	7,148	14,213
Other gains (losses)	112,262	(318,391)	1,634	-
Expenses	59,288	80,968	44,186	68,240
Net income (loss)	90,439	(387,852)	(35,404)	(54,027)
Net loss per share	0.01	(0.04)	(0.00)	(0.01)

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2015 AND 2014

For the quarter ended June 30, 2015 the Company recorded net loss of \$358,306 (loss per share - \$0.07) compared to a net loss of \$90,439 (loss per share - \$0.01) in the fourth quarter of fiscal 2014. The increase of \$267,867 in loss during the three months ended June 30, 2015 compared to the same period in 2014, was primarily due to an increase in impairment of \$213,079 and an increase in depletion expense of \$80,119, offset by a decrease in gain on extinguishment of debt of \$114,146.

During the three months ended June 30, 2015, the Company recorded \$7,206 (2014 - \$37,465) in oil and gas revenues.

During the three months ended June 30, 2015, the Company incurred \$164,280 (2014 - \$59,288) in expenses, of which \$84,096 (2014 - \$3,977) relates to non-cash depletion. The Company's general and administrative expenses, excluding the non-cash items, and the resource operating expenses of \$7,726 (2014 - \$14,844) amounted to \$72,458 compared to 2014's \$38,378, an increase of \$34,080. The increase was primarily due to an increase in management and consultant fees related to the Company's project search efforts. Other administrative expenditures varied over the period but the overall effect of these variances was not material.

RESULTS OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2015 AND 2014

For the year ended June 30, 2015, the Company incurred losses of \$430,928 (\$0.08 loss per share) compared to a net loss of \$386,844 (\$0.08 loss per share) for the same period in 2014.

During the year ended June 30, 2015, the Company incurred \$360,432 (2014 - \$250,315) in expenses, of which \$141,678 (2014 - \$58,483) relates to non-cash depletion. Excluding the non-cash items and the resource operating expenses of \$54,987 (2014 - \$57,819), the Company's general and administrative expenses amounted to \$161,753 compared to 2014's \$131,964, an increase of \$29,789. The increase was primarily due to an increase in management and consultant fees related to the Company's project search efforts; offset by a decrease in salary, audit and engineering fees in a Company's continued effort to conserve cash. Other administrative expenditures varied over the periods but the overall effect of these variances was not material.

During the year ended June 30, 2015 the Company realized an impairment on petroleum and natural gas properties of \$213,079 (2014 - \$Nil).

During the year ended June 30, 2015, the Company capitalized \$13,984 in oil and gas evaluation and exploration net costs compared to \$19,430 oil and gas evaluation and exploration net costs incurred in the year ended June 30, 2014.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements that would potentially affect its operations or financial condition of the Company.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash on hand of \$1,453 and a working capital deficiency of \$235,564 as of June 30, 2015 (June 30, 2014 - \$15,414 and \$174,600 respectively). The decrease in cash of \$13,961 is primarily due to \$76,677 spent in operating activities and oil and gas expenditures of \$13,984 offset by \$76,700 in shareholders' loans received. The decrease in working capital deficiency of \$60,964 is primarily due miscellaneous operation expenditures offset by the settlement of certain debts with shares of the Company and the write-off of certain accounts payable.

As at June 30, 2015, the Company has an authorized unlimited number of common shares without par value. All issued shares are fully paid. The following amounts have been retroactively restated to reflect the post consolidation number of shares and per share amounts.

	No. of Common Shares Issued and Outstanding	Share Capital Amount
June 30, 2014	5,120,729	\$ 4,406,246
June 30, 2015	5,422,681	\$ 4,433,423
November 2, 2015	7,056,681	\$ 4,515,123

At June 30, 2015 the Company had 6,667 (June 30, 2014 – 8,000) outstanding stock options with a weighted average exercise price of \$2.10 (June 30, 2014 - \$2.12). If the remaining outstanding options were exercised, the Company's available cash would increase by \$14,000.

During the year ended June 30, 2015, 1,333 stock options expired unexercised, and nil options were exercised.

As at June 30, 2015 contributed surplus totaled \$1,277,793 (June 30, 2014 - \$1,277,793).

Stock options outstanding as at June 30, 2015 are as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
6,667	\$2.10	09-Sep-15
<u>6,667</u>		

As the date of the MD&A there were 7,056,681 common shares issued and outstanding and there would be 7,063,348 common shares, on a fully diluted basis.

The Company relies on equity financings to fund its exploration activities, corporate overhead expenses and acquisitions. There is no guarantee that the Company will be able to secure additional financing in the future at terms that are favourable. To date, the Company has not used debt or other means of financing to further its exploration programs.

TRANSACTIONS WITH RELATED PARTIES

Payments to related parties were made in the normal course of operations and were valued at fair value as determined by management. Amounts due to or from related parties are unsecured, non-interest bearing and due on demand. All outstanding balances are unsecured, and there are no commitments or guarantees associated with the outstanding balances.

		Year ended June 30, 2015		Year ended June 30, 2014	
		Total Charges	Balance Outstanding	Total Charges	Balance Outstanding
Amounts in accounts payable	Services for:				
A private company with a director in common with the Company	Accounting, finance, promissory note	\$ 43,276	\$ 43,276	\$ 80,525	\$ -
A public company with directors in common with the Company	Administrative fees, advances	10,902	13,251	13,083	1,308
Directors	Accrued salaries, management services, reimbursements, loans	64,200	64,200	52,500	22,500
Total		\$ 118,378	\$ 120,727	\$ 146,108	\$ 23,808

During the year ended June 30, 2015, the Company received a loan from a private company with a director in common for \$25,000. The loan is unsecured, non-interest bearing and has no fixed terms of repayment. As of June 30, 2015 the Company owes this private company \$25,000 (June 30, 2014 – \$Nil) in regards to this loan.

During the year ended June 30, 2015, the Company received loans from certain directors of the Company for \$51,700. The loans are unsecured, non-interest bearing and have no fixed terms of repayment. As of June 30, 2015 the Company owes this certain directors \$51,700 (June 30, 2014 – \$Nil) in regards to these loans.

Key management personnel compensation includes all compensation paid to executive management and members of the board of directors of the Company for the years ending June 30,

	2015		2014	
Short-term employee benefits	\$	25,000	\$	52,500
Share based payments		-		-
Total		\$25,000		\$52,500

PROPOSED TRANSACTIONS

The Company does not currently have any proposed transactions approved by the board of directors. All current transactions are fully disclosed in the financial statements for the period ended June 30, 2015.

ADDITIONAL INFORMATION

Additional information about the Company is available on SEDAR at www.sedar.com.

Outstanding Share Data

As at November 2, 2015 the Company had the following items issued and outstanding:

- 7,056,681 common shares.
- 6,667 common stock options with a weighted average exercise price of \$2.10 expiring on September 9, 2015.

RISKS AND UNCERTAINTIES

The Company's financial success will be dependent upon the extent to which it can discover oil and gas reserves or acquire oil and gas properties and the economic viability of developing its properties.

The Company competes with many companies possessing greater financial resources and technical facilities than itself. The market price of oil and gas is volatile and cannot be controlled. There is no assurance that the Company's oil and gas exploration and development activities will be successful. The development of oil and gas properties involves many risks that even a combination of experience,

knowledge and careful evaluation may not be able to overcome.

The development of oil and gas resources in Canada is subject to a comprehensive review, approval and permitting process that involves various federal and regional agencies. There can be no assurance given that the required approvals and permits for an oil and gas project, if technically and economically warranted, on the Company's claims can be obtained in a timely or cost effective manner.

Most of the Company's short to medium term operating funds and cash flow must be derived from external financing. Actual funding may vary from what is planned due to a number of factors including the progress of exploration and development on its current properties. Should changes in equity market conditions prevent the Company from obtaining additional external financing, the Company will need to review its exploration and oil and gas property holdings to prioritise project expenditures based on funding availability.

The Company competes with larger and better financed companies for exploration personnel, contractors and equipment. Increased exploration activity has increased the demand for equipment and services. There can be no assurance that the Company can obtain required equipment and services in a timely or cost effective manner.

The Company's financing activities in Canada make it subject to foreign currency fluctuations and such fluctuations may materially affect its financial position and results.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2014. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

INTERNAL CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING ("ICFR")

The Company's management is also responsible for establishing and maintaining internal controls over financial reporting. The internal controls are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. It should be noted that a control system, no matter how well conceived or operated, can only provide reasonable assurance, not absolute assurance, that the objectives of the control system are met.

No changes occurred in the current period of the Company's ICFR that have materially affected or are reasonable likely to materially affect the Company's ICFR.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The fair values of the Company's cash, marketable securities, short-term investments, amounts receivable, accounts payables and accrued liabilities approximate their carrying values.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest risk.

(a) Currency risk

The Company may acquire property interests in foreign jurisdictions that may make it subject to

foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign functional currencies. The Company does not invest in foreign currency contracts to mitigate the risks.

(b) Credit risk

The Company's cash and cash equivalents are held in a Canadian financial institution. The Company does not have any asset-backed commercial paper in its cash and cash equivalents or short-term investments. The Company's amounts receivable consists primarily of recovered rent and office expense, and tax due from the federal government of Canada.

(c) 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 manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities are due within the current operating period.

(d) 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 risk that the Company will realize a loss as a result of a decline in the fair value of the cash and cash equivalents is limited because they are generally held to maturity. A 1% change in the interest rate, with other variables unchanged, would affect the Company by an annualized amount of interest equal to approximately \$100.

(e) Commodity Price Risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices, affecting results of operations and cash generated from operating activities. Such prices may also affect the value of exploration and development properties and the level of spending for future activities. Prices received by the Company for its production are largely beyond the Company's control as oil and gas prices are impacted by world economic events that dictate the levels of supply and demand.

The Company did not have any commodity price contracts in place as at or during the year ended June 30, 2015.