

GALILEO PETROLEUM LTD.
(An Exploration Stage Company)

**Condensed Consolidated Interim Financial Statements
(Unaudited)**

For the nine months

ended

March 31, 2015

Galileo Petroleum Ltd.
Suite 915 – 700 West Pender Street
Vancouver, British Columbia, Canada V6C 1G8

Trading Symbol: GPL
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**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

GALILEO PETROLEUM LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars; Unaudited)

	Note	March 31, 2015 <u>(Unaudited)</u>	June 30, 2014 <u>(Audited)</u>
ASSETS			
Current			
Cash		\$ 511	\$ 15,414
Amounts receivable		3,017	21,371
Prepaid expenses and deposits		33,835	16,419
		<u>37,363</u>	<u>53,204</u>
Non-current			
Petroleum and natural gas properties	7	307,674	351,430
		<u>307,674</u>	<u>351,430</u>
		<u>\$ 345,037</u>	<u>\$ 404,634</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities		85,676	203,996
Due to related parties	12	116,375	23,808
		<u>202,051</u>	<u>227,804</u>
Non-current			
Decommissioning obligation	9	77,816	77,816
		<u>77,816</u>	<u>77,816</u>
SHAREHOLDERS' EQUITY			
Share capital	10	4,433,423	4,406,246
Contributed surplus	10	1,277,793	1,277,793
Deficit		(5,646,046)	(5,585,025)
		<u>65,170</u>	<u>99,014</u>
		<u>\$ 345,037</u>	<u>\$ 404,634</u>

Going concern (Note 2)

These consolidated financial statements are authorized for issue by the Board of Directors on May 29, 2015.

They 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.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars; Unaudited)

	Note	For the three months ended March 31,		For the nine months ended March 31,	
		2015	2014	2015	2014
Revenue					
Petroleum and natural gas		\$ 11,586	\$ 11,704	\$ 57,537	\$ 33,065
Royalties		(606)	(197)	(5,981)	(986)
		<u>10,980</u>	<u>11,507</u>	<u>51,556</u>	<u>32,079</u>
Expenses					
General and administrative	11	24,594	44,459	87,489	93,586
Resource operating expenses		13,813	18,448	47,261	42,935
Depletion, depreciation and amortization	7, 8	19,194	18,061	57,582	54,506
		<u>57,601</u>	<u>80,968</u>	<u>192,332</u>	<u>191,027</u>
Other items					
Unrealized loss on marketable securities	5	-	-	-	(1,578)
Impairment on exploration and evaluation assets	6	-	(318,641)	-	(318,641)
Gain on sale of resource assets interest	7	-	-	2,280	-
Gain on extinguishment of debt	10	-	-	62,877	-
Other income		14,366	250	14,598	1,884
		<u>14,366</u>	<u>(318,391)</u>	<u>79,755</u>	<u>(318,335)</u>
Net income (loss) before income taxes		<u>(32,255)</u>	<u>(387,852)</u>	<u>(61,021)</u>	<u>(477,283)</u>
Total comprehensive income (loss) for the period		<u>\$ (32,255)</u>	<u>\$ (387,852)</u>	<u>\$ (61,021)</u>	<u>\$ (477,283)</u>
Loss per share		<u>\$ (0.01)</u>	<u>\$ (0.12)</u>	<u>\$ (0.01)</u>	<u>\$ (0.15)</u>
Weighted average number of common shares outstanding		<u>5,422,692</u>	<u>3,249,702</u>	<u>5,379,712</u>	<u>3,249,702</u>

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

GALILEO PETROLEUM LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars; Unaudited)

	Number of shares	Share Capital	Contributed surplus	Deficit	Total Shareholders' Equity
Balance at June 30, 2013 (Audited)	3,249,702	\$ 4,237,854	\$ 1,277,793	\$ (5,198,181)	\$ 317,466
Net loss and comprehensive loss	-	-	-	(477,283)	(477,283)
Balance at March 31, 2014 (Unaudited)	3,249,702	4,237,854	1,277,793	(5,675,464)	(159,817)
Shares issued for debt settlement	1,871,027	168,392	-	-	168,392
Net loss and comprehensive loss	-	-	-	90,439	90,439
Balance at June 30, 2014 (Audited)	5,120,729	4,406,246	1,277,793	(5,585,025)	99,014
Shares issued for debt settlement	301,963	27,177	-	-	27,177
Net income and comprehensive income	-	-	-	(61,021)	(61,021)
Balance at March 31, 2015 (Unaudited)	5,422,692	\$ 4,433,423	\$ 1,277,793	\$ (5,646,046)	\$ 65,170

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

GALILEO PETROLEUM LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED MARCH 31
(Expressed in Canadian dollars; Unaudited)

	2015	2014
Cash provided by (used for):		
Operating Activities		
Net income (loss)	\$ (61,021)	\$ (477,283)
Items not involving cash:		
Depletion, depreciation and amortization	57,582	54,506
Gain on extinguishment of debt	(62,877)	(1,884)
Unrealized loss (gain) on marketable securities	-	1,578
Impairment on petroleum and natural gas properties	-	318,641
Changes in non-cash working capital relating to operating activities	25,239	24,258
	(41,077)	(80,184)
Investing Activities		
Recovery of (additions to) exploration and evaluation assets	-	424
Recovery of (additions to) petroleum and natural gas properties	(13,826)	(38,118)
Recovery of capital expenditures	-	33,660
	(13,826)	(4,034)
Financing activities		
Shareholders' loans	40,000	80,000
	40,000	80,000
Net increase (decrease) in cash	(14,903)	(4,218)
Cash – beginning of period	15,414	12,730
Cash (Deficit) – end of period	\$ 511	\$ 8,512

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

GALILEO PETROLEUM LTD.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2015

(Expressed in Canadian dollars)

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 condensed consolidated interim 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 \$61,021 for the nine months ended March 31, 2015 (2014 – \$477,283). To date, the Company has not earned significant revenues and has accumulated losses of \$5,646,046. 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.

There are material uncertainties that cast significant doubt about the appropriateness of the going concern assumption. 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.

These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset 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 interim consolidated financial statements, adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statements of financial position classifications used.

3. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance and compliance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with IFRS issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements, and the policies applied herein, were authorized for issue by the Board of Directors on May 29, 2015.

(b) Basis of preparation

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s June 30, 2014 consolidated annual financial statements.

GALILEO PETROLEUM LTD.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2015

(Expressed in Canadian dollars)

3. BASIS OF PRESENTATION *(continued)*

(c) Basis of measurement

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

(d) Functional and presentation currency

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

(e) Reporting entity

The condensed consolidated interim financial statements as at and for the periods ended March 31, 2015, March 31, 2014, and June 30, 2014 include the accounts of the Company and its inactive wholly owned subsidiary Portal Resources US Inc., and its formerly owned Argentinean subsidiary, Portal del Oro S.A. ("Portal S.A."). All significant inter-company transactions and balances have been eliminated.

(f) Significant accounting judgments and estimates

The timely preparation of the condensed consolidated interim 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 and depreciation, 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.

GALILEO PETROLEUM LTD.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2015

(Expressed in Canadian dollars)

3. BASIS OF PRESENTATION *(continued)*

(f) Significant accounting judgments and estimates *(continued)*

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.

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.

Income 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 statement of comprehensive loss in the period in which the change occurs.

4. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended June 30, 2014. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the nine month period ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending June 30, 2015.

GALILEO PETROLEUM LTD.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2015

(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

- 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.
- 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 Company is currently assessing and quantifying the effect on its consolidated financial statements.
- 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 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.

5. MARKETABLE SECURITIES

The Company owns 150,000 shares of Pengram Corporation ("Pengram"). At March 31, 2015, the fair value of the Pengram shares was \$Nil (June 30, 2014 - \$Nil). During the nine months ended March 31, 2015, the Company recorded a net unrealized loss of \$Nil with respect to these shares (2014 – \$1,578).

GALILEO PETROLEUM LTD.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2015

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS

Balance June 30, 2013	\$	319,065
Dispositions		(424)
Impairment		(318,641)
<hr/>		
Balance June 30, 2014		-
Additions		-
Impairment		-
<hr/>		
Balance March 31, 2014	\$	-

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 March 31, 2015, the Company has recorded total expenditures of \$Nil (June 30, 2014 - \$Nil) on the Provost project.

Bigwave Joint Venture

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 concluded there was impairment as the remainder leases on these properties had expired. The Company therefore recorded an impairment of \$238,674 (2013 - \$355,813) of project expenditures.

As at March 31, 2015, the Company has recorded a total expenditures of \$Nil (June 30, 2014 - \$Nil) on the Bigwave project.

Border Play

As at June 30, 2013, the Company had recorded an impairment of \$31,150 of project expenditures. The carrying value is \$Nil as at March 31, 2015 (June 30, 2014 - \$Nil).

Manito Joint Venture

As at June 30, 2013, the Company had recorded an impairment of \$18,000 of project expenditures. The carrying value is \$Nil as at as at March 31, 2015 (June 30, 2014 - \$Nil).

GALILEO PETROLEUM LTD.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2015

(Expressed in Canadian dollars)

7. PETROLEUM AND NATURAL GAS PROPERTIES

Cost:

Balance, June 30, 2013	\$	1,892,392
Additions		19,854
Change in estimate		661
Balance, June 30, 2014	\$	1,912,907
Additions		13,826
Balance, March 31, 2015	\$	1,926,733

Accumulated depletion and depreciation and impairment

losses:

Balance, June 30, 2013	\$	(1,503,806)
Depletion and depreciation expense		(57,671)
Balance, June 30, 2014	\$	(1,561,477)
Depletion and depreciation expense		(57,582)
Balance, March 31, 2015	\$	(1,619,059)

Net book value:

June 30, 2013	\$	388,586
June 30, 2014	\$	351,430
March 31, 2015	\$	307,674

The depletion and depreciation of petroleum and natural gas properties are recognized in depletion, depreciation and amortization in the statement of comprehensive loss. Future development costs of \$318,800 (June 30, 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 impairment on petroleum and natural gas properties in the statement of comprehensive loss.

At June 30, 2014, 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, 2014 was \$nil (2013 - \$880,000). The following represent the prices that were used in the June 30, 2014 impairment tests.

Year	Average	Average
	price	price
	forecast	forecast
2014	Oil 76.40	Gas 4.46
2015	72.40	4.46
2016	72.40	4.64
2017	73.50	4.94
2018	74.60	5.14
2019	75.70	5.38

GALILEO PETROLEUM LTD.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2015

(Expressed in Canadian dollars)

8. EQUIPMENT

Cost:

Balance, June 30, 2013	\$	112,359
Balance, June 30, 2014	\$	112,359
Balance, March 31, 2015	\$	112,359

Accumulated depletion and depreciation:

Balance, June 30, 2013	\$	(111,547)
Depreciation expense		(812)
Balance, June 30, 2014	\$	(112,359)
Depreciation expense		-
Balance, March 31, 2015	\$	(112,359)

Net book value:

June 30, 2013	\$	812
June 30, 2014	\$	-
Balance, March 31, 2015	\$	-

9. DECOMMISSIONING OBLIGATIONS

Balance June 30, 2012	\$	76,882
Accretion		1,658
Change in estimate		(3,434)
Balance June 30, 2013		75,106
Accretion		2,049
Change in estimate		661
Balance June 30, 2014	\$	77,816

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 (June 30, 2014 - \$93,000). The fair values of these obligations were calculated using a risk free rate between 1.83% and 2.78% (June 30, 2013 – 2.69% and 3.55%), an inflation rate of 2% (June 30, 2013 – 2%) and an expected abandonment date of 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.

GALILEO PETROLEUM LTD.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2015

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

b. Detail 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.

On August 7, 2014, the Company issued a total of 301,963 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.

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 nine months ended March 31, 2015 is as follows:

Expiry date	Exercise Price (\$)	June 30, 2014	Granted	Exercised	Expired/cancelled	March 31, 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 (\$)		2.16	-	-	-	2.10

11. GENERAL AND ADMINISTRATIVE EXPENSES

The components of general and administrative expenses are as follows:

For the nine months ended:	March 31, 2015	March 31, 2014
Consulting	\$ 11,865	\$ 8,545
Investor relations	2,358	2,220
Other	18,910	13,332
Professional fees	23,361	23,301
Rent	8,495	8,495
Salaries and benefits	22,500	37,693
	\$ 87,489	\$ 93,586

GALILEO PETROLEUM LTD.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2015

(Expressed in Canadian dollars)

12. 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. All outstanding balances are unsecured, and there are no commitments or guarantees associated with the outstanding balances.

		Nine months ended March 31, 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	\$ 27,526	\$ 27,526	\$ 80,525	\$ -
A public company with directors in common with the Company	Administrative fees, advances	9,812	12,149	13,083	1,308
Directors	Accrued salaries, expense reimbursement, loans	39,200	76,700	52,500	22,500
Total		\$ 76,538	\$ 116,375	\$ 146,108	\$ 23,808

During the nine months ended March 31, 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 March 31, 2015 the Company owes this private company \$25,000 (June 30, 2014 – \$Nil) in regards to this loan.

During the nine months ended March 31, 2015, the Company received loans from certain directors of the Company for \$31,700. The loans are unsecured, non-interest bearing and have no fixed terms of repayment. As of March 31, 2015 the Company owes these certain directors \$31,700 (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.

	Nine months ending March 31,	
	2015	2014
Short-term employee benefits	\$ 22,500	\$ 22,500
Share-based payments	-	-
Total	\$ 22,500	\$ 22,500

13. FINANCIAL INSTRUMENTS

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

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.

GALILEO PETROLEUM LTD.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2015

(Expressed in Canadian dollars)

13. FINANCIAL INSTRUMENTS *(continued)*

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, bank indebtedness, short-term investments and marketable securities are measured using level 1 inputs.

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 balance sheet date.

(b) Credit risk

The Company's cash and short-term investments are held in a Canadian financial institution. The Company does not have any asset-backed commercial paper in its cash 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 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 risk that the Company will realize a loss as a result of a decline in the fair value of the short - term investments is limited because they are generally held to maturity.

(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 nine months ended March 31, 2015.

GALILEO PETROLEUM LTD.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2015

(Expressed in Canadian dollars)

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. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. 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.

GALILEO PETROLEUM LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS For the nine months ended March 31, 2015

NOTE TO READER

Management's Discussion and Analysis ("MD&A") is intended to help the reader understand Galileo Petroleum 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 May 29, 2015 and should be read in conjunction with the condensed consolidated interim financial statements for the nine months ended March 31, 2015 and the related notes all of which are prepared in accordance 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 March 29, 2015.

DESCRIPTION OF BUSINESS AND OVERVIEW

The Company is a natural resource exploration company focused primarily on the acquisition, exploration and development of crude oil projects. The Company is concentrating on identifying oil or natural gas properties that have potential for discovery of reserve and 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 and natural gas 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 one oil well remains producing on a limited basis, and one natural gas well is suspended due to low gas prices.

As at March 31, 2015, the Company has total expenditures of \$2,041,113 (June 30, 2014 - \$2,027,288) on

the Salt Lake 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 March 31, 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 March 31, 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 nine months ended March 31, 2015, the Company spent net of recovery expenses a total of \$13,826 on petroleum and natural gas property expenses (2014 – \$38,118). The Company’s oil and gas properties are located in 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	-	-	13,826	13,826
Total expenditures	-	-	13,826	13,826
Depletion of oil and gas properties	-	-	(38,388)	(57,582)
Total as at March 31, 2015	\$ -	\$ -	\$ 326,868	\$ 307,674

IMPAIRMENT OF LONG-LIVED ASSETS

The Company completed an impairment analysis as at March 31, 2015, which considered the indicators of impairment in accordance with IAS 36, "Impairment Assets". Management recorded an impairment loss of \$Nil for the nine months ended March 31, 2015 (2014 - \$Nil), no other impairment charge was required because:

- there have been no significant changes in the legal factors or climate that affects the value of the remaining properties;
- all properties rights remain in good standing;
- there have been no significant changes in the projections for the properties.

SUMMARY OF SELECTED ANNUAL FINANCIAL INFORMATION

For the years ended June 30th

	2014	2013	2012
Net loss	\$ 386,844	\$ (1,689,917)	\$ (1,159,501)
Basic EPS	\$ (0.04)	\$ (0.17)	\$ (0.12)
Total assets	\$ 404,634	\$ 806,014	\$ 2,411,691
Total capital expenditures	\$ 19,430	\$ (4,061)	\$ 1,120,261
Total long-term debt	Nil	Nil	Nil

SUMMARY OF QUARTERLY RESULTS

	Three Months Ended			
	March 31	December 31	September 30	June 30
	2015	2014	2014	2014
	\$	\$	\$	\$
Oil and gas revenue	9,669	18,513	27,438	37,465
Other gains (losses)	2,521	4,387	61,002	112,262
Expenses	56,046	76,509	63,597	59,288
Net income (loss)	(43,856)	(53,609)	24,843	90,439
Net loss per share	(0.01)	(0.01)	Nil	(0.03)

	Three Months Ended			
	March 31	December 31	September 30	June 30
	2014	2013	2013	2013
	\$	\$	\$	\$
Oil and gas revenue	11,704	7,148	14,213	15,058
Other gains (losses)	(318,391)	1,634	-	(1,416,947)
Expenses	81,165	41,187	68,240	174,605
Net loss	(387,852)	(32,405)	(54,027)	(1,576,494)
Net loss per share	(0.01)	(0.01)	(0.02)	(0.49)

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

For the quarter ended March 31, 2015 the Company recorded net loss of \$32,255 (loss per share - \$0.01) compared to a net loss of \$387,852 (loss per share - \$0.01) in the third quarter of fiscal 2014. The change in net income was due to the impairment on exploration and evaluation assets of \$318,641 recorded in the third quarter of fiscal 2014.

During the three months ended March 31, 2015, the Company recorded \$11,586 (2014 - \$11,704) in oil and gas revenues.

During the three months ended March 31, 2015, the Company incurred \$57,601 (2014 - \$80,968) in expenses, of which \$19,194 (2014 - \$18,061) relates to non-cash depreciation and depletion. The Company's general and administrative expenses, excluding the non-cash items, and the resource operating expenses of \$13,813 (2014 - \$18,448) amounted to \$24,594 compared to 2014's \$44,459, a decrease of \$19,867. The decrease was primarily due to a decrease in audit fees and investor relation expenses incurred in the period, as well as a general decrease in other office expenses that resulted from the Company's increased efforts to curtail operations and conserve cash.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED MARCH 31, 2015 AND 2014

During the nine months ended March 31, 2015 the Company incurred losses of \$61,021 (loss per share - \$0.01) compared to a net loss of \$477,283 (loss per share - \$0.15) for the same period in 2014. The change in net income was due to the impairment on exploration and evaluation assets of \$318,641 recorded in the third quarter of fiscal 2014.

During the nine months ended March 31, 2015, the Company recorded \$57,537 (2014 - \$33,065) in oil and gas revenues.

During the nine months ended March 31, 2015, the Company incurred \$192,332 (2014 - \$191,027) in expenses, of which \$57,582 (2014 - \$54,506) relates to non-cash depreciation and depletion. The Company's general and administrative expenses, excluding the non-cash items, and the resource operating expenses of \$47,261 (2014- \$42,935) amounted to \$87,489 compared to 2014's \$93,586 a decrease of \$6,097. The decrease was primarily due to a decrease in audit fees and investor relation fees incurred in the period, a decrease in salaries paid to salaried employees, and a decrease of other office expenses that resulted from the Company's increased efforts to curtail operations and conserve cash; offset by the increase in legal fees and transfer agent fees related to the settlement of debt with shares

and the Company's share consolidation.

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's cash totaled \$511 and had a working capital deficiency of \$164,688 as of March 31, 2015 (June 30, 2014: cash of \$15,414 and working capital deficiency of \$174,600). The decrease in cash of \$14,903 is primarily due to \$41,077 spent in operating activities and oil and gas expenditures of \$13,826; offset by \$40,000 in shareholders' loans received. The decrease in working capital deficiency of \$9,912 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 March 31, 2015, the Company has an authorized unlimited number of common shares without par value. All issued shares are fully paid.

	No. of Common Shares Issued and Outstanding	Share Capital Amount
June 30, 2013	3,249,702	\$ 4,237,854
June 30, 2014	5,120,729	\$ 4,406,246
March 31, 2015	5,422,692	\$ 4,433,423

At March 31, 2015 the Company had 6,667 (June 30, 2014 – 8,000) outstanding stock options with an exercise price of \$2.10 (June 30, 2014 - \$2.13). If the remaining outstanding options were exercised, the Company's available cash would increase by \$14,000.

During the nine months ended March 31, 2015, nil stock options were cancelled, and nil options were exercised.

As at March 31, 2015, contributed surplus totaled \$1,277,793 (June 30, 2014 - \$1,277,793).

Stock options outstanding as at March 31, 2015 are as follows:

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

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.

		Nine months ended March 31, 2015		Year ended June 30, 2014	
Amounts in accounts payable	Services for:	Total Charges	Balance Outstanding	Total Charges	Balance Outstanding
		\$	\$	\$	\$
A private company with a director in common with the Company	Accounting, finance, promissory note	27,526	27,526	80,525	-
A public company with directors in common with the Company	Administrative fees, advances	9,812	12,149	13,083	1,308
Directors	Accrued salaries, expense reimbursement, loans	39,200	76,700	52,500	22,500
Total		\$ 76,538	\$ 116,375	\$ 146,108	\$ 23,808

During the nine months ended March 31, 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 March 31, 2015 the Company owes this private company \$25,000 (June 30, 2014 – \$Nil) in regards to this loan.

During the nine months ended March 31, 2015, the Company received loans from certain directors of the Company for \$31,700. The loans are unsecured, non-interest bearing and have no fixed terms of repayment. As of March 31, 2015 the Company owes these certain directors \$31,700 (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.

	Nine months ended March 31,	
	2015	2014
Short-term employee benefits	\$ 22,500	\$ 22,500
Share-based payments	-	-
Total	\$ 22,500	\$ 22,500

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 March 31, 2015.

ADDITIONAL INFORMATION

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

Outstanding Share Data

As at May 29, 2015 the Company had the following items issued and outstanding:

- 5,422,692 common shares.
- 6,667 common stock options with a weighted average exercise price of \$2.10 expiring until 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.

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

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 oil and gas sales receivable, 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 nine months ended March 31, 2015.