

International Frontier Resources Corporation

Interim Financial Statements

For The Six Month Periods Ended
June 30, 2015 and 2014

Contents

	Page
National Instrument 51-102 Notice	3
Condensed Balance Sheets	4
Condensed Interim Statements of Operations and Comprehensive Loss	5
Condensed Interim Statements of Changes in Equity	6
Condensed Interim Statements of Cash Flows	7
Notes to the Interim Financial Statements	8-20

National Instrument 51-102 Notice

The condensed interim financial statements of International Frontier Resources Corporation ("the Company") for the six month periods ended June 30, 2015 and 2014 have been compiled by management.

These financial statements have not been reviewed or audited on behalf of the shareholders by the Company's independent external auditors.

International Frontier Resources Corporation
Condensed Balance Sheets

	June 30, 2015	December 31, 2014
Assets		
Current		
Cash and cash equivalents (Note 13)	**$ 2,022,365**	$ 2,803,670
Receivables	**88,680**	63,810
Prepaids and deposits	**101,225**	14,980
	2,212,270	2,882,460
Restricted cash on deposit	**300,000**	300,000
Exploration and evaluation (Note 5)	**9,716,870**	9,665,190
Property, plant and equipment (Note 6)	**953,660**	1,032,660
Reclamation deposits	**335,210**	333,630
	$ 13,518,010	$ 14,213,940
Liabilities		
Current		
Payables and accruals	**$ 350,020**	$ 454,585
Current portion of decommissioning liabilities (Note 7)	**167,725**	167,725
	517,745	622,310
Decommissioning liabilities (Note 7)	**1,041,510**	1,035,510
	1,559,255	1,657,820
Shareholders' Equity		
Share capital	**42,292,955**	42,292,955
Contributed surplus	**11,325,360**	11,325,360
Deficit	**(41,659,560)**	(41,062,195)
	11,958,755	12,556,120
	$ 13,518,010	$ 14,213,940

Commitments and contingencies (Note 12)

On behalf of the Board

(Signed) "Wm. Patrick Boswell" Director **(Signed) "Steve Hanson"** Director

See accompanying notes to the financial statements.

International Frontier Resources Corporation

Condensed Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

	Three Months ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
Revenue				
Oil	$ **182,175**	$ 310,230	$ **300,385**	$ 618,725
Less: royalties	**(43,495)**	(73,015)	**(71,975)**	(144,570)
	138,680	237,215	**228,410**	474,155
Interest income	**5,290**	8,865	**11,790**	18,020
Foreign exchange gain (loss)	**(4,035)**	(7,535)	**11,660**	(7,330)
	139,935	238,545	**251,860**	484,845
Expenses				
Field operating costs	**159,755**	119,130	**248,335**	230,985
General and administration	**290,200**	156,165	**515,890**	302,120
Accretion (Note 7)	**3,000**	4,950	**6,000**	9,960
Depletion and depreciation (Note 6)	**41,010**	39,870	**79,000**	83,540
Share based compensation(Note 8)	**-**	93,755	**-**	93,755
	493,965	413,870	**849,225**	720,360
Net loss and comprehensive loss	**$ (354,030)**	$ (175,325)	**(597,365)**	(235,515)
Net loss per share (Note 10)				
Basic and diluted	**$ (0.005)**	$ (0.003)	**$ (0.01)**	$ (0.004)

See accompanying notes to the interim financial statements.

International Frontier Resources Corporation
Statements of Changes in Equity
June 30, 2015

As at:	June 30, 2015		December 31, 2014		June 30, 2014	
	Number	Amount	Number	Amount	Number	Amount
Common shares						
Balance, beginning of period	**66,378,965**	**$ 42,292,955**	**63,578,965**	**$ 42,186,105**	**63,578,965**	**$ 42,186,105**
Shares issued in the year (Note 8)	**-**	**-**	**2,800,000**	**182,000**	**-**	**-**
Value of warrants (Note 8)	**-**	**-**	**-**	**(75,150)**	**-**	**-**
Balance, end of period	**66,378,965**	**$ 42,292,955**	**66,378,965**	**$ 42,292,955**	**63,578,965**	**$ 42,186,105**
Contributed surplus						
Balance, beginning of period		**$ 11,325,360**		**$ 11,154,155**		**$ 11,154,155**
Share based compensation expense (Note 8)		**-**		**96,055**		**93,755**
Value of warrants (Note 8)		**-**		**75,150**		**-**
Balance, end of period		**$ 11,325,360**		**$ 11,325,360**		**$ 11,247,910**
Deficit						
Balance beginning of period		**$ (41,062,195)**		**$ (40,500,730)**		**$ (40,500,730)**
Net loss for the period		**(597,365)**		**(561,465)**		**(235,515)**
Deficit end of period		**$ (41,659,560)**		**$ (41,062,195)**		**$ (40,736,245)**

See accompanying notes to the financial statements.

International Frontier Resources Corporation

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Three Months ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
Operating				
Net loss	**$ (354,030)**	$ (175,325)	**$ (597,365)**	$ (235,515)
Non cash items:				
Depletion and depreciation	**41,010**	39,870	**79,000**	83,540
Accretion	**3,000**	4,950	**6,000**	9,960
Share based compensation	**-**	93,755	**-**	93,755
Decommissioning liabilities settled	**-**	(1,940)	**-**	(1,940)
	(310,020)	(38,690)	**(512,365)**	(50,200)
Change in non-cash operating working capital (Note 13)	**(144,870)**	12,160	**(217,260)**	(206,395)
	(454,890)	(26,530)	**(729,625)**	(256,595)
Investing				
Additions to exploration and assets	**(26,150)**	(51,735)	**(51,680)**	(48,285)
Change in non-cash investing working capital (Note 13)	**-**	-	**-**	-
	(26,150)	(51,735)	**(51,680)**	(48,285)
Net increase (decrease) in cash and cash equivalents	**(481,040)**	(78,265)	**(781,305)**	(304,880)
Cash and cash equivalents (Note 13)				
Beginning of period	**2,503,405**	2,775,905	**2,803,670**	3,002,520
End of period	**$ 2,022,365**	$ 2,697,640	**$ 2,022,365**	$ 2,697,640

See accompanying notes to the interim financial statements.

1. Nature of operations

The Company is engaged in the exploration for and development of oil and natural gas reserves. These activities are conducted in the Central Mackenzie Valley ("CMV"), Northwest Territories, Canada, south east Alberta, Canada, north-west Montana in the United States and in Mexico. These financial statements are denoted in Canadian dollars.

The Company was incorporated under the Canada Business Corporations Act in Alberta, Canada in 1997. The Company is listed on the TSX Venture Exchange, having the symbol IFR-V. The address of the Company's corporate office and principal place of business is 100, 601 10 Avenue S.W., Calgary, Alberta, Canada.

2. Basis of preparation and statement of compliance

The condensed interim financial statements have been prepared by management and reported in Canadian dollars in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited Financial Statements at December 31, 2014.

The timely preparation of the condensed interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenue and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the condensed interim `financial statements.

These condensed interim financial statements were approved and signed by the Chief Executive Officer and the President on August 27, 2015, having been duly authorized to do so by the Board of Directors.

3. Summary of significant accounting policies

These unaudited interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements for the year ended December 31, 2014, except as identified in Note 4.

The preparation of unaudited interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Further information on the Company's significant accounting policies, future changes in accounting policies and estimates can be found in the notes to the audited financial statements for the year ended December 31, 2014.

4. New Accounting Policies

Future Accounting Policy Changes

IFRS 9 "Financial Instruments"

On July 24, 2014, the IASB issued the final version of IFRS 9, “Financial Instruments” (“IFRS 9”) to replace IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”).

IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity’s own credit risk is recorded in OCI rather than net earnings, unless this creates an accounting mismatch. In addition, a new expected credit loss model for calculating impairment on financial assets replaces the incurred loss impairment model used in IAS 39. The new model will result in more timely recognition of expected credit losses. IFRS 9 also includes a simplified hedge accounting model, aligning hedge accounting more closely with risk management. The Company does not currently apply hedge accounting.

IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on the Financial Statements.

IFRS 15 "Revenue Recognition"

On May 28, 2014, the IASB issued IFRS 15, “Revenue From Contracts With Customers” (“IFRS 15”) replacing International Accounting Standard 11, “Construction Contracts” (“IAS 11”), IAS 18, “Revenue” (“IAS 18”), and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded.

The new standard is effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 15 on the Financial Statements.

5. Exploration and evaluation assets

As at June 30, 2015, exploration and evaluation assets consist of total costs incurred less impairments in the the Central Mackenzie Valley ("CMV"), Northwest Territories, Canada of $6,935,535 (December 31, 2014 - $6,883,855), costs incurred in Southern Alberta, Canada of $32,605 (December 31, 2014 - $32,605) and costs incurred in, north-west Montana, USA of $2,748,730 (December 31, 2014 - $2,748,730).

Cost	**Canada**	**USA**	**Total**
Balance at December 31, 2014	$ 23,038,620	$ 2,748,730	$ 25,787,350
Additions	51,680	-	51,680
Balance at June 30, 2015	**$ 23,090,300**	**$ 2,748,730**	**$ 25,839,030**

Accumulated Impairment	**Canada**	**USA**	**Total**
Balance, as at December 31, 2014	$ (16,122,160)	$ -	$ (16,122,160)
Additions	-	-	-
Balance at June 30, 2015	**$ (16,122,160)**	**$ -**	**$ (16,122,160)**
Carrying Value			
Balance at December 31, 2014	$ 6,916,460	$ 2,748,730	$ 9,665,190
Balance at June 30, 2015	$ 6,968,140	$ 2,748,730	$ 9,716,870

At June 30, 2015, the Company booked an impairment charge of $Nil (December 31, 2014 - $32,605l) with respect to its exploration and evaluation assets in the Southern Alberta

6. Property, plant and equipment

Cost	**Petroleum and natural gas properties**	**Office furniture and equipment**	**Carrying Amount**
Balance at December 31, 2014	$ 4,083,875	$ 132,225	$ 4,216,100
Additions	-	-	-
Balance at June 30, 2015	**$ 4,083,875**	**$ 132,225**	**$ 4,216,100**
Depletion and depreciation			
Balance at December 31, 2014	$ (3,093,665)	$ (89,775)	$ (3,183,440)
Depletion and depreciation	(74,590)	(4,410)	(79,000)
Balance at June 30, 2015	**$ (3,168,255)**	**$ (94,185)**	**$ (3,262,440)**
Carrying Value			
Balance at December 31, 2014	$ 990,210	$ 42,450	$ 1,032,660
Balance at June 30, 2015	$ 915,620	$ 38,040	$ 953,660

7. Decommissioning Liabilities

The total future decommissioning liabilities result from the Company's net ownership interest in wells and facilities. Management estimates the total undiscounted amount of future cash flows required to reclaim and abandon wells and facilities as at June 30, 2015 is $1,106,120 (December 31, 2014 - $1,106,120) with abandonment dates ranging from 1 to 7 years (December 31, 2014 – 1 to 7 years). The liability was determined using an average risk-free rate of 0.91% (December 31, 2014 – 1.32%) and an inflation rate of 2% (December 31, 2014 – 2%).

The Company's decommissioning liabilities changed as follows:

	June 30, 2015	December31, 2014
Balance, beginning of period	$ **1,203,235**	$ 1,031,560
Adjustments for abandonment dates and estimated costs	**-**	156,000
Liabilities settled	**-**	(3,595)
Accretion expense	**6,000**	19,270
Balance, end of period	**$ 1,209,235**	$ 1,203,235
Current portion	**(167,275)**	167,275)
Long term portion	**$ 1,041,510**	$ 1,035,510

8. Share Capital

a) Authorized:

Unlimited common shares
Unlimited preferred shares

	Number of Shares	**Issue Price**	**Amount ($)**
Balance at December 31, 2013	63,578,965		$ 42,186,105
Shares issued via private placement	2,800,000	$0.065	182,000
Value attributed to warrants			(30,945)
Value attributed to extension of 2013 warrants			(44,205)
Balance at December 31, 2014 and June 30, 2015	**66,378,965**		**$42,292,955**

8. Share Capital (continued)

b) Contributed Surplus

	June 30, 2015	December 31, 2014
Balance, beginning of period	$ **11,325,360**	$ 11,154,155
Stock options	**-**	96,055
Extension of 2013 warrants	**-**	44,205
Warrants	**-**	30,945
Balance, end of period	**$ 11,325,360**	$ 11,325,360

c) Share Purchase Warrants

	June 30, 2014		December 31, 2014	
	Number of Warrants	**Amount**	Number of Warrants	Amount
Balance, beginning of period	**6,800,000**	**$ 213,480**	4,000,000	$ 138,330
Value attributed to extension of 2013 warrants (i)	-	**-**		44,205
Issued (ii)	**-**	**-**	2,800,000	30,945
Balance, end of period	**6,800,000**	**$ 213,480**	6,800,000	$ 213,480

(i) On November 6, 2013, the Company completed a non-brokered private placement, consisting of the issue of 4,000,000 units at a price of $0.065 per unit for gross proceeds of $260,000. Each Unit consists of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at a price of $0.10 for a period of two years from the date of issuance. All of the units were purchased by Directors of the Company.

In November 2014 the Company was granted a one year extension of these warrants to November 16, 2016.

8. Share Capital (continued)

c) Share Purchase Warrants

The weighted average fair market value of warrants granted in 2013 was $ 0.06, and the weighted average fair market value of these warrant per extension was $0.01. The fair value of each warrant granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	December 31, 2014	December 31, 2013
:		
Risk-free interest rate	**1.05%**	1.11%
Forfeiture rate	**0.00%**	0.00%
expected life of warrants	**2 years**	2 years
Volatility	**69%**	101%

(ii) On October 29, 2014, the Company completed a non-brokered private placement, consisting of the issue of 2,800,000 units at a price of $0.065 per unit for gross proceeds of $182,000. Each Unit consists of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at a price of $0.10 for a period of two years from the date of issuance. Directors and Officers of the Company purchased all of the units.

The weighted average fair market value of warrants granted was $ 0.01. The fair value of each warrant granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	December 31, 2014
Risk-free interest rate	1.05%
Forfeiture rate	0.00%
Expected life of options	2 years
Volatility	69%

d) Stock options

The Company has a stock option plan available to consultants, officers, directors, and employees of the Company to be granted options of up to 10 percent of the issued and outstanding common shares of the Company. The exercise price of each option approximates the market price for the common shares on the date the option was granted. As at June 30, 2015, 6,637,900 common shares were reserved for issuance under the plan. Options granted under the plan vest upon granting and have a term of five years to expiry.

8. Share Capital (continued)

d) Stock options

Outstanding and exercisable	March 31, 2014		December 31, 2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	**6,356,500**	**$ 0.10**	6,306,500	$ 0.10
Granted	**800,000**	**$ 0.10**	1,781,500	$ 0.10
Expired	**(800,000)**	**$ 0.10**	(1,731,500)	$ 0.10
Exercised	**-**	**$ -**	-	$ -
Balance, end of period	**6,356,500**	**$ 0.10**	6,356,500	$ 0.10

June 30, 2015	Options Outstanding			Options Exercisable	
Exercise Price	Options Outstanding	Weighted Average Contractual Life (years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercisable Price
$0.10	6,056,500	2.50	$ 0.10	6,056,500	$ 0.10
$0.13	300,000	1.34	$ 0.13	300,000	$ 0.13
	6,356,500	2.56	$ 0.10	6,356,500	$ 0.10

During the period ended June 30, 2015 certain Officers and Directors agreed to surrender 800,000 stock options. The Company also issued 800,000 stock options to a director of the Company, exercisable at a price of $0.10 per share for a period of five years. The fair value of the new options granted was estimated on the date of grant using the Black Scholes option-pricing model with the following assumptions:

	June 30, 2015
Risk-free interest rate	0.56%
Forfeiture rate	0.00%
Expected life of options	5 years
Volatility	83.19%

The fair value of these options was lower than the fair value of the cancelled options as calculated on the date of grant. As a result, total compensation expense of $Nil has been recorded in respect of these options at June 30, 2015.

9. Capital Disclosures

In the management of capital, the Company includes certain working capital balances in the definition of capital. Management reviews its capital requirements on an ongoing basis and believes that its approach, given the relative size of the Company, is reasonable. As at June 30, 2015 the Company's capital as defined above was as follows:

	June 30, 2015	December 31, 2014
Working capital balances included:		
Cash and cash equivalents	**$ 2,022,365**	$ 2,803,670
Restricted cash	**300,000**	300,000
Payables and accruals	**(350,020)**	(454,585)
Current portion of asset decommissioning liabilities	**(167,725)**	(167,725)
	$ 1,804,620	$ 2,481,360

The Company is in the business of oil and gas exploration in Canada, the United States and Mexico. Management determines the Company's capital structure and makes adjustments to it based on funds available to the Company in order to support the acquisition, exploration and development of oil and gas properties. The Board of Directors has not established quantitative return on capital criteria for capital management but rather relies upon the expertise of the management team to sustain the future development of the business.

The majority of the properties in which the Company currently has an interest are in the exploration stage and do not generate any revenue. The Company does earn revenue from properties owned in Alberta. The Company therefore is dependent upon partnerships with industry and external financing to fund the majority of its future exploration programs. The Company will spend existing working capital and will seek additional financing as needed. The Company will continue to assess new properties and to seek to acquire an interest in additional properties if management feels there is sufficient geologic or economic potential.

Historically, the Corporation has relied on proceeds from the sale of its common shares to fund its operations. In order to accelerate the Corporation's current exploration programs the Corporation may require additional capital. The timing, pace, scope and amount of the Corporation's capital expenditures is largely dependent on the operators' capital expenditure programs and the availability of capital to the Corporation.

The Corporation may obtain funds for future capital investments from strategic alliances with other energy or financial partners, the issuance of additional Common Shares, preferred shares or debt securities, project financing, sale of property interests, or other arrangements, all of which may dilute the interest of the Corporation's existing shareholders. In the current economic environment there can be no assurances that the Company can raise capital through the sale of its shares.

10. Per share

	Three Months ended June 30,		**Six Months Ended June 30,**	
	2015	2014	**2015**	2014
Net loss	**$ (354,030)**	$ (175,325)	**$ (597,365)**	$ (235,515)
Weighted average number of shares	**66,578,963**	6,578,963	**66,578,963**	63,578,963
Basic and diluted loss per share	**$ (0.005)**	$ (0.003)	**$ (0.01)**	$ (0.004)

In calculating diluted common share amounts for the period ended June 30, 2015 the Company excluded 6,336,500 (June 30, 2015 – 6,036,500) options and 6,800,000 warrants (June 30, 2014 - 4,000,000), because the exercise price was greater than the average market price of its common shares during the year.

11. Related party transactions

In the first quarter the Company paid compensation to key executives as follows:

	Six months ended June 30, 2015	Six months ended June 30, 2014
Executive officers – salaries	**$ 70,000**	$ 70,000
Executive officers and directors – consulting fees	**196,550**	121,550
Share based compensation	**-**	93,755
Royalty incentive program	**11,530**	24,350
	$ 278,080	$ 309,655

At June 30, 2015, $22,110 (December 31, 2014 – $24,745) of the above amounts were included in payables and accruals.

The above transactions were incurred in the normal course of operations of the Company and have been recorded at the exchange amounts that were established and agreed upon by the related parties.

12. Commitments and contingencies

a) The Company has issued a letter of credit for its share of a refundable deposit on Northwest Territories exploration license. The letter of credit is secured by a total assignment of cash of $300,000 (December 31, 2014 – $300,000). The Company is contingently liable under the letter of credit for $300,000 (December 31, 2013 - $300,000). The deposit will be refunded by $1 for every $4 spent on qualified expenditures on the exploration license

b) The Company is party to an agreement to lease its premises until October 31, 2016. The annual rent of premises consists of a minimum rent plus occupancy costs. Minimum rent payable for premises until the end of the lease is:

2015	$11,280
2016	$18,100

c) The Company has established a Royalty Incentive Agreement for officers who are also Directors and consultants. Under the plan, the compensation committee issues units and pays royalties on an annual basis to employees, consultants and directors. The units entitle the holder to receive an annual payment based on 2% of the Company's annual gross oil and gas production revenue, net of transportation and processing fees from licenses and lands owned by the Company. Under the terms of the agreement, once the Company has recovered payout of 100% of its cumulative annual capital expenditures from licenses and lands owned by the Company, the payment to employees, consultants and directors is based on 4% of the Company's annual production revenue less transportation and processing fees. At June 30, 2015, payout of 100% of cumulative annual capital expenditures had been reached on the Alderson property. Costs of $11,530 (June 30, 2014- $24,350) were booked with respect to this plan.

13. Supplemental cash flow information

Changes in non-cash working capital items increase (decrease) cash as follows:

	Three Months ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
Receivables	**$ (54,040)**	$ 22,005	**$ (24,870)**	$ (36,790)
Prepaids	**24,610**	45,495	**(87,825)**	(138,700)
Payables and accruals	**(115,440)**	(55,360)	**(104,565)**	(30,905)
	$ (144,870)	$ 12,160	**$ (217,260)**	$ (206,395)
Operating activities	**$ (144,870)**	$ 12,160	**$ (217,260)**	$ (206,395)
Investing activities	**-**	-	**-**	-
	$ (144,870)	$ 12,160	**$ (217,260)**	$ (206,395)
Interest paid	**$ -**	$ -	**$ -**	$ -

Cash and cash equivalents are comprised of:

	Three Months ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
Cash on hand	**$ 136,050**	$ 297,640	**$ 136,050**	$ 297,640
Short term investments (bearing interest rates ranging from 1.0% - 1.15%)	**1,886,315**	2,400,000	**1,886,315**	2,400,000
	$ 2,022,365	$ 2,697,640	**$ 2,022,365**	$ 2,697,640

14. Financial Instruments

The Company is exposed to financial risk in a range of financial instruments including cash and cash equivalents, restricted cash, receivables, reclamation deposits and payables and accruals. The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are discussed below:

a) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. A portion of the Company's financial assets at the balance sheet date arise from crude oil sales. Industry standard dictates that commodity sales are settled on the 25th day of the month following the month of production.

At June 30, 2015, substantially all of the accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. The Company markets its oil through one marketer. The increased risk arising from exposure to one entity is mitigated by the fact that oil production is not a significant part of the Company's business at this time as the Company is engaged primarily in the exploration for and development of petroleum and natural gas reserves. The following table presents the aging of the Company's accounts receivable at June 30, 2015:

14. Financial Instruments (continued)

Total receivables:	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
$ 88,680	$ 77,190	$ 11,490	$ -	$ -

The maximum exposure to credit risk is represented by the carrying amount on the balance sheet of all the financial assets. There are no material financial assets that are past due. During 2015, there was no allowance for doubtful accounts recorded, as all amounts outstanding at June 30, 2015 are deemed collectible.

Should the Company determine that the ultimate collection of a receivable is in doubt, it will provide the necessary provision in its allowance for doubtful accounts with a corresponding charge to earnings. If the Company subsequently determines an account is uncollectible, the account is written off with a corresponding charge to the allowance account. At June 30, 2015, the Company's allowance for doubtful accounts balance was $Nil (June 30, 2014 – $Nil).

b) Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate cash flow risk to the extent the changes in market interest rates will impact the Company's interest rate price risk with respect to funds invested in short term marketable securities. As at June 30, 2015, the Company did not have any financial assets based on variable interest rates and as such the Company has no specific interest rate risk at year-end. The Company does not use interest rate hedges or fixed interest rate contracts to manage the Company's exposure to interest rate.

c) Foreign currency risk

The Corporation is exposed to risks arising from fluctuations in foreign currency exchange rates, primarily between Canadian and U.S. dollars. The Corporation does not utilize any foreign currency based derivatives. In order to manage this risk and to defer the realization of any resulting currency loss from converting Canadian dollars to US dollars, the Corporation retains cash balances in both US and Canadian dollars.

The Corporation regularly analyses foreign currency risk between Canadian dollars and US dollars by calculating the effect of percent changes in the foreign currency exchange rates against period end cash and cash equivalents. For example, applying a 1% plus or minus change in the period end conversion rate (1.2474) of Canadian to US dollars against the Corporation's Canadian denominated cash and cash equivalents of $53,060 at June 30, 2015 would have affected the value of such balances by approximately $425. At June 30, 2015, substantially all of the Corporation's business operations are conducted in either US dollars or Canadian dollars and there are no significant outstanding foreign currency accounts receivable or accounts payable balances.

14. Financial Instruments (continued)

d) Liquidity Risk

Liquidity risk includes the risk that:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements including, amounts projected to complete budgeted capital expenditures are continuously monitored and adjusted as input variables change. These variables include, but are not limited to, opening cash and cash equivalents balance, available bank lines, oil and natural gas production from existing wells, results from new wells drilled, commodity prices, and cost overruns on capital projects and changes to government regulations relating to prices, taxes, royalties, land tenure, allowable production and access to equity markets. As these variables change, liquidity risks may necessitate the need for the Company to conduct equity issues or obtain project debt financing.

e) Fair value of financial instruments

The Company's financial instruments include cash and cash equivalents, trade accounts receivable, restricted cash on deposit, reclamation deposits and payables and accruals. The fair values of receivables and payables and accruals approximate their carrying amounts due to their short terms to maturity. The restricted cash balances are equal to their fair values. The Company classifies the fair value of financial instruments at fair value through profit or loss according to the following hierarchy based on the amount of observable inputs used to value the instrument.

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 volume 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 marketplace.

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

At June 30, 2015, cash and cash equivalents and restricted cash on deposit have been classified as Level 1.

14. Financial Instruments (continued)

	June 30, 2015		Fair Value Measurements	
	Carrying Value ($)	Fair Value ($)	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)
Financial assets:				
Loans and receivables				
Receivables	$ 88,680	$ 88,680	$ -	$ 88,680
Reclamation deposits	335,210	335,210	-	335,210
Held for trading				
Cash and cash equivalents	2,022,365	2,022,365	2,022,365	-
Restricted cash on deposit	300,000	300,000		300,000
	$ 2,746,255	$ 2,746,255	$ 2,022,365	$ 723,890
Financial liabilities				
Measured at amortized costs				
Payables and accruals	$ 350,020	$ 350,020	$ -	$ 350,020
Total financial liabilities	$ 350,020	$ 350,020	$ -	$ 350,020

	December 31, 2014		Fair Value Measurements	
	Carrying Value ($)	Fair Value ($)	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)
Financial assets:				
Loans and receivables				
Receivables	$ 63,810	$ 63,810	$ -	$ 63,810
Reclamation deposits	333,630	333,630	-	333,630
Held for trading				
Cash and cash equivalents	2,803,670	2,803,670	2,803,670	-
Restricted cash on deposit	300,000	300,000		300,000
	$ 3,501,110	$ 3,501,110	$ 2,803,670	$ 697,440
Financial liabilities				
Measured at amortized costs				
Payables and accruals	$ 454,585	$ 454,585	$ -	$ 454,585
Total financial liabilities	$ 454,585	$ 454,585	$ -	$ 454,585