Condensed Interim Consolidated Financial Statements

(Unaudited)

ARSENAL ENERGY INC.

For the three and nine months ended September 30, 2015 and 2014

Arsenal Energy Inc.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

(thousands of $Cdn)		**September 30, 2015**		**December 31, 2014**
Assets				
Current assets:				
Cash	$	2,946	$	2,573
Accounts receivable		6,437		10,553
Inventory		386		570
Risk management contracts (note 8)		-		11,946
Prepaid expenses and deposits		869		649
		10,638		26,291
Reclamation deposit		200		174
Exploration and evaluation assets (note 3)		1,958		3,639
Property, plant and equipment (note 4)		194,613		206,320
	$	207,409	$	236,424
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	11,744	$	16,700
Bank loan (note 5)		7,246		-
Current tax payable		348		522
Current portion of decommissioning obligations (note 6)		750		750
Incentive compensation liability		81		1,571
Risk management contracts (note 8)		298		57
		20,467		19,600
Bank loan (note 5)		42,808		60,000
Flow-through share premium		854		1,628
Risk management contracts (note 8)		397		139
Decommissioning obligations (note 6)		45,535		43,979
Deferred taxes		15,897		20,386
		125,958		145,732
Shareholders' Equity:				
Common shares (note 7)		155,932		151,434
Contributed surplus		11,514		11,388
Accumulated other comprehensive income		8,079		3,182
Deficit		(94,074)		(75,312)
		81,451		90,692
	$	207,409	$	236,424

Subsequent event (note 7)
Segmented information (note 11)

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

Arsenal Energy Inc.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Unaudited)

(thousands of $Cdn, except per share amounts)	Three Months Ended September 30 2015	Three Months Ended September 30 2014	Nine Months Ended September 30 2015	Nine Months Ended September 30 2014
Revenue				
Oil and natural gas	$ 13,382	$ 33,322	$ 43,553	$ 91,830
Royalties	(2,530)	(7,725)	(9,215)	(19,997)
Net revenue	10,852	25,597	34,338	71,833
Realized gain (loss) on risk management contracts	1,834	(1,357)	14,900	(5,151)
Unrealized gain (loss) on risk management contracts	(41)	6,443	(12,446)	5,052
Net revenue after risk management	12,645	30,683	36,792	71,734
Expenses				
Operating and transportation	5,375	7,065	16,447	23,098
General and administrative	971	1,197	3,220	3,333
Exploration and evaluation expenses	285	1,112	2,828	3,032
Property, plant and equipment impairment (note 4)	20,150	-	20,150	-
Exploration and evaluation write-down (note 3)	1,181	-	1,181	-
Interest and other financing charges	540	727	1,599	2,093
Depletion and depreciation	6,854	8,489	21,162	22,658
Accretion (note 6)	289	618	863	1,385
Share-based compensation (recovery)	(56)	1,070	(842)	2,806
Foreign exchange (gain)	(2,809)	(1,535)	(5,504)	(1,664)
Loss on sale of property	115	-	1,564	-
	32,895	18,743	62,668	56,741
Income (loss) before income tax	(20,250)	11,940	(25,876)	14,993
Provision for (recovery of) income taxes				
Current	9	257	146	764
Deferred	(6,673)	2,061	(8,541)	3,955
	(6,664)	2,318	(8,395)	4,719
Net income (loss)	**$ (13,586)**	**$ 9,622**	**$ (17,481)**	**$ 10,274**
Other comprehensive income (loss)				
Translation gain on foreign operations	2,362	1,379	4,897	1,329
Comprehensive income (loss)	**$ (11,224)**	**$ 11,001**	**$ (12,584)**	**$ 11,603**
Net income (loss) per share (note 7)				
Basic and diluted	$ (0.71)	$ 0.57	$ (0.95)	$ 0.63

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

Arsenal Energy Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

(thousands)	Number of Shares	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total Shareholders' equity
Balance December 31, 2013	16,080	$137,705	$10,940	$802	$(96,575)	$52,872
Net income for the period	-	-	-	-	10,274	10,274
Dividends	21	186	-	-	(3,192)	(3,006)
Issue of shares net of costs	799	5,887	-	-	-	5,887
Issued on exercise of options	96	836	-	-	-	836
Share-based compensation expensed	-	-	354	-	-	354
Repurchase of shares	(22)	(194)	35	-	-	(159)
Translation loss on foreign operations	-	-	-	1,329	-	1,329
Balance September 30, 2014	16,974	$144,420	$11,329	$2,131	$(89,493)	$68,387

(thousands)	Number of Shares	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total Shareholders' equity
Balance December 31, 2014	17,877	$151,434	$11,388	$3,182	$(75,312)	$90,692
Net loss for the period	-	-	-	-	(17,481)	(17,481)
Dividends	75	187	-	-	(1,281)	(1,094)
Issue of shares net of costs	1,364	3,913	-	-	-	3,913
Issued on vesting of share awards	60	398	(398)	-	-	-
Share-based compensation expensed	-	-	524	-	-	524
Translation gain on foreign operations	-	-	-	4,897	-	4,897
Balance September 30, 2015	19,376	$155,932	$11,514	$8,079	$(78,249)	$81,451

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

ARSENAL ENERGY INC.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

(thousands of $Cdn)	Three months ended September 30 2015	Three months ended September 30 2014	Nine months ended September 30 2015	Nine months ended September 30 2014
Operating Activities:				
Net income (loss) for the period	$ (13,586)	$ 9,622	$ (17,481)	$ 10,274
Items not affecting cash:				
Unrealized (gain) loss on risk management contracts	41	(6,443)	12,446	(5,052)
Depletion and depreciation	6,854	8,489	21,162	22,658
Impairment and write-down	21,331	-	21,331	-
Accretion of decommissioning obligations (note 6)	289	618	863	1,385
Deferred tax expense (recovery)	(6,673)	2,061	(8,541)	3,955
Share-based compensation	(56)	1,070	(967)	2,806
Unrealized foreign exchange gain	(2,694)	(1,535)	(5,380)	(1,401)
Loss on sale of property and equipment	115	-	1,564	-
Decommissioning obligations settled (note 6)	(823)	(719)	(994)	(1,320)
Net change in non-cash working capital (note 10)	1,357	4,465	1,666	(1,429)
Net cash from operating activities	6,155	17,628	25,669	31,876
Financing Activities:				
Bank loan	(5,946)	(2,115)	(9,946)	3,886
Dividends paid	(319)	(996)	(1,094)	(3,006)
Issue of shares for cash, net of share issue costs	4,235	6,790	4,235	6,790
Issue of shares on exercise of stock options	-	519	-	561
Purchase of put options	-	(13)	-	(343)
Repurchase of shares	-	(18)	-	(159)
Net change in non-cash working capital items (note 10)	15	-	(119)	-
Net cash from (to) financing activities	(2,015)	4,167	(6,924)	7,729
Investing Activities:				
Property, plant and equipment	(4,897)	(14,862)	(17,603)	(44,003)
Exploration and evaluation asset expenditures	-	(7)	-	(506)
Acquisition of properties	-	-	-	(152)
Proceeds on disposition of properties	179	100	1,856	100
Net change in non-cash working capital items (note 10)	(1,819)	(7,997)	(2,932)	4,825
Net cash to investing activities	(6,537)	(22,766)	(18,679)	(39,736)
Foreign exchange gain (loss) on cash held in foreign currency	172	(5)	307	51
Change in cash during the period	(2,225)	(976)	373	(80)
Cash, beginning of period	5,171	2,115	2,573	1,219
Cash, end of period	$ 2,946	$ 1,139	$ 2,946	$ 1,139

The following are included in cash flow from operating activities:				
Interest paid in cash	$ 542	$ 696	$ 1,578	$ 1,968
Income taxes paid in cash	$ -	$ -	$ 405	$ 818

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

Notes to condensed interim consolidated financial statements *(Unaudited)*
(Tabular amounts in thousands except per share amounts)

1. Reporting entity:

Arsenal Energy Inc. ("Arsenal" or the "Company") is an oil and gas exploration, development and production Company based in Calgary, Alberta, Canada. The Company conducts its operations in the Western Canadian Sedimentary basin in Canada and the Williston basin in the United States. The condensed interim consolidated financial statements of the Company as at September 30, 2015 comprise the Company and its wholly owned subsidiaries, Arsenal Energy U.S.A. Inc. and Arsenal Energy Holdings Ltd.; which were incorporated in the USA and Canada respectively. Arsenal's principle place of business is located at Suite 1900, 639 – 5th Avenue SW, Calgary Alberta, Canada, T2P 0M9.

2. Basis of preparation:

(a) Statement of compliance:

These condensed interim consolidated financial statements have been prepared by management in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and were prepared using accounting policies consistent with IFRS. These condensed interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements and notes for the year ended December 31, 2014 and should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2014. In the opinion of management, these condensed interim consolidated financial statements contain all adjustments necessary to present fairly Arsenal's financial position as at September 30, 2015 and the results of its operations and its net cash from operating activities for the three and nine months then ended.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 2, 2015.

(b) Basis of measurement:

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments and short term incentive compensation liability which are measured at fair value.

(c) Functional and presentation currency:

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the parent company's functional currency. Arsenal's subsidiary Arsenal Energy U.S.A. Inc. has a U.S. dollar functional currency.

3. Exploration and evaluation assets:

Cost or deemed cost		Total
Balance at December 31, 2013	$	10,259
Additions		487
Impairment		(5,199)
Transfer to property, plant and equipment		(1,908)
Balance at December 31, 2014	$	3,639
Impairment		(1,181)
Divestitures		(500)
Balance at September 30, 2015	$	1,958

In Q3 2015, due to lower land and commodity prices affecting both the development plans and the value of the related properties, the Company recognized a write-down of $1.2 million related to certain exploratory lands purchased in prior years.

4. Property, plant and equipment:

Cost or deemed cost		Total
Balance at December 31, 2013	$	255,778
Additions		52,187
Capitalized general and administration		860
Acquisitions		152
Transfer from exploration and evaluation assets		1,908
Divestitures		(259)
Decommissioning obligations acquired and incurred		646
Change in decommissioning obligations		7,601
Foreign currency translation		10,520
Balance at December 31, 2014	$	329,393
Additions		17,058
Capitalized general and administration		545
Divestitures		(4,931)
Decommissioning obligations incurred		550
Change in decommissioning obligations		497
Foreign currency translation		21,221
Balance at September 30, 2015	$	364,333

Accumulated depletion and depreciation		Total
Balance at December 31, 2013	$	89,116
Depletion and depreciation expense		31,003
Divestitures		(100)
Foreign currency translation		3,054
Balance at December 31, 2014	$	123,073
Depletion and depreciation expense		21,054
Divestitures		(1,620)
Impairment		20,150
Foreign currency translation		7,063
Balance at September 30, 2015	$	169,720

NBV	Total
Balance, at December 31, 2014	206,320
Balance, at September 30, 2015	194,613

For the three and nine months ended September 30, 2015, the Company sold certain non-core properties for proceeds of $179,000 and $1.9 million respectively. Losses on disposal of $115,000 and $1.6 million respectively were recorded on these transactions.

At September 30, 2015, an indicator of impairment existed in the form of significantly reduced commodity prices. This required the Company to conduct an impairment test on the carrying value of its property, plant and equipment assets.

The Company conducted an impairment test using the higher of the value-in-use and fair value less cost to sell calculations. The recoverable amount of the impaired CGU's was determined by to $137.6 million as at September 30, 2015 based on a value in use test utilizing a discount rate ranging from 10% to 12%. As a result, three cash generating units ("CGU") were determined to have impairments in the Medium Oil CGU of $4.2 million, Central Gas CGU of $1.0 million and U.S. properties CGU of $15.0 million ($11.2 million US), for a total impairment of $20.2 million.

The recoverable amount is sensitive to pricing, production volumes, proved and probable reserves, operating costs and future capital expenditures which are based on forecasts as provided by the external reserve engineer and on management's best estimates.

5. Bank loan:

The Company's credit facility was reviewed in May 2015 based on the Company's yearend engineering report prepared by an independent petroleum engineer. Based on the reserves as determined in the engineering report and applying the price deck as provided by the syndicate, the new borrowing base was revised to $55.0 million. The credit facility included a $45.0 million Extendable Syndicated Credit Facility, a $10.0 million Extendable Operating Credit Facility and a $15.0 million Supplemental Credit Facility.

The Supplemental Credit Facility was available by way of a single advance on the effective date, of which $12.0 million was originally drawn. During the quarter the Company repaid $4.8 million of the Supplemental Credit Facility, leaving $7.2 million outstanding as at September 30, 2015. The Supplemental Credit Facility is required to be repaid by May 31, 2016 and bears a margin of 2% higher than the Extendable Syndicated Credit Facility. Proceeds from any common share equity issues (not including proceeds from the sale of flow-through shares) and from the sale of properties are required to be applied to reduce the Supplemental Facility. This portion of the bank loan has been classified as current.

At September 30, 2015, bank debt under the Extendable Syndicated Credit Facility amounted to $42.8 million (December 31, 2014 – $60.0 million). There were no US dollar denominated borrowings. For the Extendable Credit Facility, Bankers' Acceptances ("BA") and LIBOR loans bear interest at the BA or LIBOR rate plus a margin ranging from 2.0% to 4.5% per annum. The Extendable operating facility bears interest at the agent's prime interest rate plus an applicable margin ranging from 1.0% to 3.5% per annum. A standby fee ranging from 0.50% to 1.125% per annum is charged on the unutilized portion of the Extendable Credit Facility.

The credit facility is secured by an unlimited liability guarantee to the lenders, an ISDA Master Agreement, a demand debenture in the amount of $300 million granting a first priority security interest over all present and after acquired personal property and a first floating charge over all present and after acquired petroleum and natural gas interests and mortgages creating specific fixed charges on some of the oil and gas properties of the Company in North Dakota.

The Company's credit facility has a financial covenant that, without the written consent of the lenders, would result in a breach of the agreement. The Company cannot permit the adjusted working capital ratio, including the unutilized portion of the facility and excluding the value of any risk management contracts, to fall to below 1:1. At September 30, 2015, the Company was in compliance with this and all other non-financial covenants as required by the agreement.

The credit facility is subject to a semi-annual borrowing base review or redetermination in the event of a material adverse effect. The available lending limit of the credit facility is based on the syndicate's interpretation of the Company's reserves and future commodity prices and costs, there is no assurance that the amount of the credit facility will not decrease at the next scheduled review. The next scheduled review is November 30, 2015.

6. Decommissioning obligations:

		Nine months ended September 30, 2015		Year ended December 31, 2014
Beginning of period	$	44,729	$	36,321
Obligations settled		(994)		(1,987)
Obligations disposed		(390)		(36)
Obligations incurred		550		646
Change in estimates		497		7,601
Accretion expense		863		1,753
Foreign currency translation		1,030		431
End of period	$	46,285	$	44,729

Expected to be incurred within one year	$	750	$	750
Expected to be incurred beyond one year	$	45,535	$	43,979

7. Share capital:

The Company is authorized to issue an unlimited number of common shares with the holders of common shares being entitled to one vote per share.

(a) Issued

	Nine months ended September 30, 2015		Year ended December 31, 2014	
	Number of Shares	Share capital	Number of Shares	Share Capital
Balance, beginning of period	17,877	$151,434	16,080	$137,705
Issue of shares, net of costs	1,364	3,913	1,712	12,843
Issued on share dividend	75	187	42	358
Issued on vesting of share awards	60	398	-	-
Issued on exercise of options	-	-	101	877
Repurchase of shares	-	-	(41)	(349)
Cancelled on expiration of exchange provision	-	-	(17)	-
Balance, end of period	19,376	$155,932	17,877	$151,434

On July 14, 2015 the Company completed a private placement bought deal of 778,460 common shares at $3.15 per share and 585,700 flow-through common shares at $3.70 per share for total gross proceeds of $4.6 million. The terms of the flow-through shares require the Company to renounce to investors by December 31, 2015 Canadian Exploration Expenses in the amount of $2.2 million and to incur such expenditures by December 31, 2016.

Dividends

During the nine months ended September 30, 2015, the Company declared quarterly dividends totaling $0.07 per share. As at September 30, 2015, there were no dividends payable to shareholders (December 31, 2014 - $ nil).

On November 2, 2015, the Directors declared a quarterly dividend of $0.02 per common share to shareholders of record on November 13, 2015 to be paid on November 27, 2015.

(b) Share based payments

Share award incentive plan

The Company grants restricted and performance share awards to directors, officers and employees that vest as to one-third on each of the first, second and third anniversary dates of the grant. On June 19, 2015 the first vesting of the share incentive awards occurred. The payout multiplier for the Performance Awards was calculated at 1.5 based on the Company's ranking in the 2nd quartile based on overall shareholder return versus a peer group. On June 18, 2015 the Company issued additional Restricted and Performance Share Awards.

Changes in the share awards are summarized in the table on the following page:

Share awards	Number of Restricted Awards	Number of Performance Awards	Total Share Awards
Balance at December 31, 2013	-	-	-
Granted	127	115	242
Balance at December 31, 2014	127	115	242
Granted	124	117	241
Adjustment for dividends	1	1	2
Adjustment for performance factor	-	20	20
Vested and converted to common shares	(25)	(35)	(60)
Vested and paid in cash	(16)	(21)	(37)
Cancelled or forfeited	(11)	(7)	(18)
Balance at September 30, 2015	200	190	390

Share option plan

The Company discontinued grants under the share option plan in 2014. The remaining share options outstanding are summarized in the following table:

Share options	Number of Options	Weighted average exercise price
Balance at December 31, 2013	1,268	$ 6.41
Exercised	(101)	5.76
Cash settled	(148)	5.48
Cancelled, expired or forfeited	(5)	5.89
Balance at December 31, 2014	1,014	$ 6.61
Cancelled, expired or forfeited	(396)	7.88
Balance at September 30, 2015	618	$ 5.70
Exercisable at September 30, 2015	538	$ 5.95

(c) Net income (loss) per share

The following table shows the weighted average number of common and diluted shares.

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Weighted average shares outstanding:				
Basic and diluted	19,156	16,881	18,320	16,355

In computing diluted income per share for the nine months ended September 30, 2015, 1,008,000 (2014- 1,260,000) share options and share awards were excluded from the dilution calculations as they were anti-dilutive.

8. Risk management and financial instruments:

The Company had the following risk management contracts in place as at September 30, 2015.

Interest rate risk

Subject of Contract	Remaining Term	National Quantity	Reference	Strike Price	Option Traded	Fair Value
30 day BA rate	October 1, 2015 – February 13, 2018	$30,000,000	CAD–BA–CDOR	1.80%	Swap	$ (695)

Current	$ 298
Long term	397
	$ 695

Commodity price risk

For the three and nine months ended September 30, 2015, the Company monetized crude oil risk management contracts for proceeds of $1.9 million and $15.0 million respectively. There are no commodity risk management contracts outstanding as at September 30, 2015.

9. Capital management:

The Company considers its capital structure to include working capital, the credit facility and shareholders' equity. The Company manages its capital base primarily on its net debt to annualized funds from operations ratio and its net debt to equity ratio. The Company continually monitors, through its annual budgeting and quarterly forecasting process, the risk reward profile of its exploration and development projects, its production profile and the economic indicators in the market including commodity prices, interest rates and foreign exchange rates. It then determines increases or decreases to its capital budget and what, if any, additional initiatives may need to be implemented.

Net debt as at September 30,	2015	2014
Working capital deficiency [1]	$ (2,285)	$ (8,146)
Bank loan	(50,054)	(73,084)
Net debt [5]	(52,339)	(81,230)
Annualized funds from operations [2,3,4]	23,624	59,976
Net debt to annualized funds from operations ratio [6]	2.22	1.35
Shareholders' equity	$ 81,451	$ 68,387
Net debt to equity	0.64	1.19

1 Excludes the value of risk management contracts and the current portion of the bank loan.
2 Excludes exploration and evaluation expenses.
3 Based on the last quarter's funds from operations annualized.
4 Management uses funds from operations before changes in non-cash working capital and annualized funds from operations to analyze operating performance and leverage. Funds from operations as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable to the calculation of similar measures for other entities. Funds from operations as presented is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow provided by operating activities, net earnings or loss or other measures of financial performance calculated in accordance with IFRS.
5 Net debt is used by management to analyze leverage. Net debt does not have any standardized meaning prescribed by IFRS and therefore these terms may not be comparable with the calculation of similar measures for other entities.
6 Net debt to annualized funds from operations ratio does not have a prescribed meaning under IFRS.

10. Supplemental cash flow information:

	Three months ended September 30 2015	Three months ended September 30 2014	Nine months ended September 30 2015	Nine months ended September 30 2014
Change in non-cash working capital items:				
Accounts receivable	$ 2,275	$ 2,227	$ 4,132	$ 481
Prepaid expenses and deposits	(72)	2	388	(589)
Inventory	59	113	109	(3)
Accounts payable and accrued liabilities	(2,709)	(5,874)	(6,014)	3,507
	(447)	(3,532)	(1,385)	3,396
Amounts related to operating activities	1,357	4,465	1,666	(1,429)
Amounts related to financing activities	15	-	(119)	-
Amounts related to investing activities	(1,819)	(7,997)	(2,932)	4,825
	$ (447)	$ (3,532)	$ (1,385)	$ 3,396

11. Segmented information:

A portion of the Company's assets and revenues are located and earned in Canada and the United States, and are monitored as an identifiable reporting segment by management. Business risks and economic indicators are similar across both Canada and the United States.

Three months ended September 30, 2015 (000's Cdn. $)	Canada	U.S.	Total
Oil and gas revenue	8,012	5,370	13,382
Operating income [1]	2,745	2,732	5,477
Funds from operations [2]	4,715	1,191	5,906
Loss before income taxes	(3,416)	(16,834)	(20,250)
Net loss	(2,998)	(10,588)	(13,586)
Exploration and evaluation assets, as at	1,958	-	1,958
Property, plant and equipment, as at	99,703	94,910	194,613
Property, plant and equipment expenditures	3,753	1,144	4,897
Property acquisitions (dispositions), net	(179)	-	(179)
Exploration and evaluation dispositions	-	-	-

Three months ended September 30, 2014 (000's Cdn. $)	Canada	U.S.	Total
Oil and gas revenue	17,927	15,395	33,322
Operating income [1]	8,992	9,540	18,532
Funds from operations [2]	8,030	6,964	14,994
Income before income taxes	6,332	5,608	11,940
Net income (loss)	6,398	3,224	9,622
Exploration and evaluation assets, as at	10,150	-	10,150
Property, plant and equipment, as at	101,776	94,531	196,307
Property, plant and equipment expenditures	8,652	6,210	14,862
Property acquisitions (dispositions), net	(100)	-	(100)
Exploration and evaluation expenditures	7	-	7

Nine months ended September 30, 2015 (000’s Cdn. $)	Canada	U.S.	Total
Oil and gas revenue	25,027	18,526	43,553
Operating income [1]	7,728	10,163	17,891
Funds from operations [2]	22,238	5,587	27,825
Loss before income taxes	(6,313)	(19,563)	(25,876)
Net loss	(5,217)	(12,264)	(17,481)
Exploration and evaluation assets, as at	1,958	-	1,958
Property, plant and equipment, as at	99,703	94,910	194,613
Property, plant and equipment expenditures	8,906	8,697	17,603
Property acquisitions (dispositions), net	(1,356)	-	(1,356)
Exploration and evaluation dispositions	(500)	-	(500)

Nine months ended September 30, 2014 (000’s Cdn. $)	Canada	U.S.	Total
Oil and gas revenue	51,885	39,945	91,830
Operating income [1]	23,904	24,831	48,735
Funds from operations [2]	20,832	16,825	37,657
Income before income taxes	5,157	9,836	14,993
Net income	5,262	5,012	10,274
Exploration and evaluation assets, as at	10,150	-	10,150
Property, plant and equipment, as at	101,776	94,531	196,307
Property, plant and equipment expenditures	16,724	27,279	44,003
Property acquisitions (dispositions), net	52	-	52
Exploration and evaluation expenditures	506	-	506

1 Defined as oil and gas revenues less royalties and operating and transportation costs. Operating income does not have any standardized meaning prescribed by IFRS and therefore this term may not be comparable with the calculation of for other entities.

2 Defined as net cash from operating activities before the net change in non-cash operating working capital, decommissioning obligations settled, exploration and evaluation expenses and transaction costs, if applicable. Funds from operations does not have any standardized meaning prescribed by IFRS and therefore this terms may not be comparable with the calculation for other entities.