BOULDER ENERGY LTD.

For the Three and Six Months Ended June 30, 2015

Q2 2015 INTERIM REPORT

TSX : BXO OTCQX : BLLDF boulderenergy.ca

FINANCIAL AND OPERATING HIGHLIGHTS

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Change	**2015**	2014	Change
(000s, except per share amounts)	($)	($)	(%)	($)	($)	(%)
Financial						
Oil and natural gas revenues	**31,962**	47,913	(33)	**65,171**	85,454	(24)
Funds from operations [(1)]	**17,332**	27,312	(37)	**36,402**	51,176	(29)
Per share – basic	**0.38**	0.60	(37)	**0.80**	1.12	(29)
Per share – diluted	**0.38**	0.60	(37)	**0.80**	1.12	(29)
Cash flow from operating activities	**28,550**	28,374	1	**35,029**	50,243	(30)
Net income (loss)	**(403)**	11,027	(104)	**138**	18,682	(99)
Per share – basic	**(0.01)**	0.24	(104)	**–**	0.41	(100)
Per share – diluted	**(0.01)**	0.24	(104)	**–**	0.41	(100)
Capital expenditures [(2)]	**21,393**	34,646	(38)	**44,711**	89,315	(50)
Net debt [(3)]	**140,989**	86,721	63	**140,989**	86,721	63
Shareholders' equity	**250,474**	216,433	16	**250,474**	216,433	16
(000s)	(#)	(#)	(%)	(#)	(#)	(%)
Share Data						
At period-end	**45,517**	45,517	–	**45,517**	45,517	–
Weighted average – basic	**45,517**	45,517	–	**45,517**	45,517	–
Weighted average – diluted	**45,637**	45,517	–	**45,637**	45,517	–
						(%)
Operating [(4)]						
Production						
Natural gas *(mcf/d)*	**10,205**	10,154	1	**11,758**	9,686	21
Crude oil *(bbls/d)*	**4,783**	4,437	8	**5,455**	3,921	39
NGLs *(bbls/d)*	**218**	423	(48)	**376**	427	(12)
Total *(boe/d)*	**6,702**	6,552	2	**7,790**	5,962	31
Average wellhead prices						
Natural gas *($/mcf)*	**2.70**	5.07	(47)	**2.83**	5.56	(49)
Crude oil and NGLs *($/bbl)*	**64.67**	97.66	(34)	**56.02**	96.14	(42)
Combined average *($/boe)*	**52.41**	80.36	(35)	**46.22**	79.18	(42)
Netbacks						
Operating netback *($/boe)*	**30.17**	52.51	(43)	**24.91**	53.65	(54)
Funds flow netback *($/boe)*	**28.62**	45.81	(38)	**25.90**	47.42	(45)
Gross (net) wells drilled						
Gas *(#)*	**– (–)**	– (–)	– (–)	**– (–)**	1 (1.0)	-100 (-100)
Oil *(#)*	**4 (4.0)**	3 (3.0)	33 (33)	**7 (7.0)**	10 (10.0)	-30 (-30)
Standing *(#)*	**2 (2.0)**	– (–)	– (–)	**2 (2.0)**	– (–)	– (–)
Total *(#)*	**6 (6.0)**	3 (3.0)	100 (100)	**9 (9.0)**	11 (11.0)	-18 (-18)
Average working interest *(%)*	**100**	100	–	**100**	100	–

(1) Funds from operations and funds from operations per share are not recognized measures under International Financial Reporting Standards (IFRS). Refer to the commentary in the Management's Discussion and Analysis under "Non-GAAP Measurements" for further discussion.

(2) Total capital expenditures, including acquisitions and excluding non-cash transactions. Refer to commentary in the Management's Discussion and Analysis under "Capital Expenditures and Acquisitions" for further information.

(3) Net debt, which is calculated as current liabilities (excluding derivative financial instruments) and bank debt less current assets (excluding derivative financial instruments), is not a recognized measure under IFRS. Please refer to the commentary under "Non-GAAP Measurements" for further discussion.

(4) For a description of the boe conversion ratio, refer to the commentary in the Management's Discussion and Analysis under "Other Measurements".

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the financial condition and results of operations for Boulder Energy Ltd. ("Boulder" or the "Company") is dated August 13, 2015 and should be read in conjunction with the Company's unaudited interim financial statements and related notes for the three and six months ended June 30, 2015, as well as the Company's audited carve-out financial statements and related notes for the years ended December 31, 2014 and 2013 and 2012. All financial information is reported in Canadian dollars, unless otherwise noted.

This MD&A contains additional generally accepted accounting principles (GAAP) measures, non-GAAP measures and forward-looking statements. Readers are cautioned that the MD&A should be read in conjunction with the Company's disclosure under "Non-GAAP Measures" and "Forward-looking Information and Statements" included at the end of this MD&A.

ABOUT BOULDER ENERGY LTD.

Boulder was founded through a Plan of Arrangement (the "Plan of Arrangement") that divided DeeThree Exploration Ltd. ("DeeThree") into two pure-play companies, Granite Oil Corp. ("Granite") and Boulder Energy Ltd. ("Boulder"). The Plan of Arrangement was approved by a vote of shareholders on May 14, 2015, and was completed on May 15, 2015. Boulder began trading on the Toronto Stock Exchange on May 21, 2015.

Boulder is a growth-oriented junior oil and natural gas producer based in Calgary, Alberta. Boulder's primary focus is driving sustainable organic growth at its Company-operated, 100 percent owned multi-zone Belly River pool at Brazeau in the Alberta Deep Basin. The Belly River pool at Brazeau has been substantially de-risked through horizontal, multi-stage-fractured wells drilled into 10 separate stacked zones and sub-zones. The property includes complete Company-owned infrastructure to produce, process, and market oil, natural gas and natural gas liquids, with sufficient spare capacity to accommodate significant production growth.

Boulder is headquartered in Calgary, Alberta and the common shares of Boulder are listed for trading on the Toronto Stock Exchange under the symbol BXO and on the United States OTCQX under the symbol BLLDF.

COMMON CONTROL TRANSACTION AND COMPARATIVE INFORMATION

On April 7, 2015, DeeThree Exploration Ltd. and Boulder Energy Ltd. entered into a Plan of Arrangement (the "Plan of Arrangement") whereby DeeThree would transfer its oil and natural gas properties located in the Brazeau Belly River and Peace River Arch areas of Northern Alberta, Canada ("Northern Assets") to Boulder and each DeeThree shareholder received one third (0.3333) of one share of New DeeThree shares and one half (0.5) of one share of Boulder. On May 14, 2015, the holders of common shares of DeeThree approved the Plan of Arrangement. The Plan of Arrangement was completed on May 15, 2015.

In addition to the Northern Assets being transferred from DeeThree to Boulder, debt of $130 million as well as decommissioning liabilities, derivative financial instruments and a deferred tax liability were also transferred. In connection with the completion of the Plan of Arrangement, Boulder obtained a new credit facility from a syndicate of lenders. The Boulder credit facility has an authorized borrowing base of $175 million consisting of a $155 million extendible revolving credit facility and a $20 million extendible revolving operating facility. At the close of the Plan of Arrangement, $130 million was drawn down under the Boulder credit facility to repay the obligations of DeeThree under its credit facility. As a result, obligations of DeeThree under its prior credit facility have been fully repaid and settled. Boulder commenced active oil and natural gas operations with the transfer of the Northern Assets upon close of the Plan of Arrangement on May 15, 2015.

Since the shareholders of DeeThree and Boulder upon close of the Plan of Arrangement were the same, this transaction is a common-control transaction. Financial and Operational Results below present the historic financial position, results of operations and cash flows of DeeThree's Northern Assets for all prior periods up to and including May 15, 2015 on a carve-out basis as if they had operated as a stand-alone entity subject to DeeThree's control. The financial position, results of operations and cash flows from December 19, 2014 (the date of incorporation of Boulder) to May 15, 2015 include both the Northern Assets and Boulder (though there were no operations in Boulder during that period) on a combined basis and from May 15, 2015 forward include the actual historical results of Boulder after assuming the Northern Assets upon close of the Plan of Arrangement.

In other words, for reporting purposes, it is assumed that Boulder held these assets prior to May 15th, 2015 and as such; information provided includes production for the entire second quarter of 2015 and the six months year to date as well as comparative periods.

2015 SECOND QUARTER FINANCIAL AND OPERATING HIGHLIGHTS

Boulder's average production of 6,702 boe/d for the second quarter of 2015 reflects operating results from existing wells in the Brazeau and Peace River Arch areas as well as results from the Company's reduced Q1 2015 capital program of 3 gross (3.0 net) wells.

For the quarter ended June 30, 2015, Boulder realized a combined average sales price of $52.41/boe, a 35 percent decrease over the prior year and a 26 percent increase over the first quarter of 2015. This was due to decreased market prices for crude oil and natural gas prices compared to the prior year, and an increase in market prices since the first quarter of 2015. With average operating costs of $9.08/boe, transportation costs of $2.87/boe and average royalties of 20 percent, Boulder achieved an operating netback of $30.17/boe, a 43 percent decrease over the prior year.

Boulder incurred $21.4 million of capital expenditures in Q2 2015, with a capital program that focused on the drilling of 6 gross (6.0 net) wells.

SUBSEQUENT EVENTS

Subsequent to the quarter end, on July 2, 2015, the Company issued 485,000 flow-through shares at a price of $9.55 per flow-through share and 466,000 flow-through shares at a price of $11.25 per flow-through share for total gross proceeds of $9.87 million through a private placement. In connection with the issuance of flow-through shares, the Company is required to spend $4.63 million on eligible development expenditures and $5.24 million on eligible exploration expenditures by December 31, 2016. The expenditures will be renounced to shareholders effective December 31, 2015.

OUTLOOK

After a quiet first half of 2015 on the operations front pending completion of the Reorganization, Boulder is positioned to deliver on its long term plan to shareholders. Although the Company is facing some temporary headwinds in getting its gas to market, it has reacted quickly to deal with the issue, allowing oil volumes to get to sales to maintain cash flow for the second half of 2015 in line with expectations and beyond. The Company has diligently focused and succeeded in reducing capital expenditures on a per well basis to maximize profitability and growth in the new oil price reality. Assuming US$45 WTI for the second half of the year, the Company plans to incur approximately $45 million of capital expenditures which, when combined with the new well costs of $3.5 million per well, should result in 2015 year end net debt being approximately equal to June 30, 2015 net debt of $141 million. Prudently continuing the exploration and delineation of its long term light oil resource play is expected to provide a healthy inventory of de-risked locations to exploit when oil prices become more favorable. In the meantime, the Company is committed to maintain oil volumes while lowering overall corporate declines, with a focus on operational efficiencies and preserving a strong balance sheet.

Funds from Operations (1)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
(000s)	*($)*	*($)*	*($)*	*($)*
Net income (loss)	**(403)**	11,027	**138**	18,682
Non-cash items:				
Depletion and depreciation (D&D) expense	**11,676**	12,399	**27,012**	22,877
Deferred income tax expense	**2,606**	3,840	**2,943**	6,490
Share-based compensation (2)	**281**	491	**752**	784
Accretion	**124**	134	**256**	261
Unrealized loss (gain) on financial instruments	**3,180**	(651)	**5,177**	1,952
Exploration and evaluation (E&E) expense	**–**	72	**256**	130
Abandonment and reclamation costs	**(132)**	–	**(132)**	–
Funds from operations (1)	**17,332**	27,312	**36,402**	51,176

(1) Funds from operations and funds from operations per share are not recognized measures under IFRS. Refer to the commentary in the Management's Discussion and Analysis under "Non-GAAP Measurements" for further discussion.

(2) The share-based compensation amount included in the calculation of funds from operations was adjusted for the non-cash portion related to certain field employees that was reclassified to operating expenses for presentation in the statement of operations and comprehensive income.

During the three months ended June 30, 2015, the Company generated funds from operations totalling $17.3 million ($0.38 per basic and diluted share) compared to $27.3 million ($0.60 per basic and diluted share) in the comparative period of 2014 and $19.1 million ($0.42 per basic and diluted share) in the first quarter of 2015. The year-over-year and quarter-over-quarter decreases reflect decreased revenue associated with decreased commodity prices, slightly offset by decreased royalties and operating costs, and by realized gains on the Company's financial hedges.

Funds from operations totalled $36.4 million ($0.80 per basic and diluted share) for the six months ended June 30, 2015 compared to $51.2 million ($1.12 per basic and diluted share) recorded in the same period of 2014.

Net Income

For the three months ended June 30, 2015, the Company recorded a net loss of $0.4 million ($0.01 per basic and diluted share) compared to net income of $11.0 million ($0.24 per basic and diluted share) in the same period of 2014 and net income of $0.5 million ($0.01 per basic and diluted share) in the first quarter of 2015. The Company's decreased net income for the quarter was primarily due to the decreased operating netback in the period, offset by the realized gains on the Company's financial hedges.

Net income for the six months ended June 30, 2015 was $0.1 million ($nil per basic and diluted share) compared to net income of $18.7 million ($0.41 per basic and diluted share) in the comparative period of 2014.

FINANCIAL AND OPERATING RESULTS

Sales Volumes

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
Sales				
Natural gas *(mcf/d)*	**10,205**	10,154	**11,758**	9,686
Crude oil *(bbls/d)*	**4,783**	4,437	**5,455**	3,921
NGLs *(bbls/d)*	**218**	423	**376**	427
Total sales *(boe/d)*	**6,702**	6,552	**7,790**	5,962
Production Split				
Natural gas	**25**	26	**25**	27
Crude oil	**72**	68	**70**	66
NGLs	**3**	6	**5**	7
Total	**100**	100	**100**	100

For the second quarter of 2015, the Company's production averaged 6,702 boe/d compared to 6,552 boe/d in the same period of 2014 and 8,890 boe/d in the first quarter of 2015. This represents a 2 percent year-over-year increase and a 25 percent quarter-over-quarter decrease. The quarter-over-quarter decrease reflects decreased production due to transportation and regulatory issues as well as natural declines. Beginning in May of 2015, the regional TCPL gas system began an unscheduled mandated maintenance program. This issue has caused continuous disruption in sales gas to both Boulder and the rest of the industry and is the first time a disruption to sales gas has occurred since purchasing the property in 2011. During the quarter, the Company was forced to shut in or flare gas volumes and at times shut in oil volumes to comply with the outages. Also in the second quarter of 2015, the deep cut process was changed at the regional gas plant, resulting in a drop in the sales liquids yield from 55 bbls/mmcf to approximately 25 bbls/mmcf with most of the reduction pertaining to propane.

For the first six months of 2015, Boulder's production averaged 7,790 boe/d compared to 5,962 boe/d a year ago, representing a 30 percent increase. During the 2015 six month period, production was comprised of 11,758 mcf/d of gas, 5,455 bbls/d of crude oil and 376 bbls/d of NGLs, thereby increasing the Company's crude oil and NGL production to 75 percent of total corporate production versus 73 percent in the comparable period of 2014.

Revenue

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
(000s)	*($)*	*($)*	*($)*	*($)*
Natural gas	**2,505**	4,689	**6,023**	9,748
Crude oil	**28,682**	41,099	**57,187**	70,804
NGLs and other	**775**	2,125	**1,961**	4,902
Total oil and natural gas revenue	**31,962**	47,913	**65,171**	85,454

During the three months ended June 30, 2015, revenue decreased by 33 percent to $32.0 million from $47.9 million in the comparative period of 2014. The year-over-year decrease was mainly the result of reduced crude oil market prices and the resulting decrease in the corporate average price per boe. When compared to the first quarter of 2015, revenue decreased 4 percent from $33.2 million due to decreased production.

For the first six months of 2015, revenue totalled $65.2 million compared to $85.5 million for the same period of 2014. During the six-month period ended June 30, 2015, total revenue decreased 24 percent compared to the same period of 2014 primarily as a result of lower crude oil market prices year to date.

Pricing is discussed in further detail in "Commodity Prices and Foreign Exchange" below.

Commodity Prices and Foreign Exchange

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
	($)	*($)*	*($)*	*($)*
Benchmark Prices				
Natural gas				
NYMEX *(US$/mmbtu)* (1)	**2.74**	4.56	**2.77**	4.73
AECO *(Cdn$/GJ)* (2)	**2.67**	4.44	**2.71**	4.93
Crude oil				
WTI (US$/bbl)	**57.94**	102.99	**53.29**	100.84
Edmonton Light (MSW) *(Cdn$/boe)*	**67.64**	105.55	**59.71**	102.67
Differential – MSW/WTI *(US$/bbl)*	**(2.86)**	(6.14)	**(4.83)**	(7.19)
Average Realized Prices				
Natural gas *($/mcf)*	**2.70**	5.07	**2.83**	5.56
Crude oil *($/bbl)*	**65.89**	101.80	**57.92**	99.77
NGLs *($/bbl)*	**37.91**	54.23	**28.45**	62.74
Combined average *($/boe)*	**52.41**	80.36	**46.22**	79.18
Foreign Exchange				
Cdn$/US$	**1.2294**	1.0905	**1.2353**	1.0970
US$/Cdn$	**0.8134**	0.9170	**0.8095**	0.9116

(1) Mmbtu is the abbreviation for millions of British thermal units. One mcf of natural gas is approximately 1.02 mmbtu.
(2) GJ is the abbreviation for gigajoule. One mcf of natural gas is approximately 1.05 GJ.

CRUDE OIL PRICING

The average realized price of Boulder's crude oil was $65.89/bbl for the second quarter of 2015 compared to $101.80/bbl for the second quarter of 2014, and $51.63/bbl in the first quarter of 2015. Boulder's realized oil price decreased by 35 percent from the prior year's second quarter due to a decrease in the US$ WTI benchmark oil price, offset by the narrowing of differentials and a weakened Canadian dollar. Boulder's realized oil price increased by 28 percent from the first quarter of 2015, due to an increase in the US$ WTI benchmark oil price, offset by the change in differentials.

For the six months ended June 30, 2015, the Company's average realized crude oil price was $57.92/bbl compared to $99.77/bbl in the same period of 2014, a 42 percent decrease driven by lower year-to-date benchmark prices, offset by the narrowing of differentials and a weakened Canadian dollar.

NATURAL GAS PRICING

Boulder receives a premium to AECO gas index price due to the heat content of its sales gas. Boulder's average realized natural gas price was $2.70/mcf for the second quarter of 2015 versus $5.07/mcf in the second quarter of 2014 and $2.93/mcf in the first quarter of 2015. The Company's realized gas price decreased by 47 percent from the same period of 2014 and 8 percent from the first quarter of 2015, driven by a 40 percent decrease in the AECO gas index price from the same period of 2014 and 3 percent from the first quarter of 2015.

For the six months ended June 30, 2015, the Company's average realized price for natural gas decreased 49 percent to $2.83/mcf compared to $5.56/mcf in the same period in 2014, driven by a 45 percent decrease in the AECO gas index price.

Royalties

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
	($)	*($)*	*($)*	*($)*
Oil and natural gas revenues *(000s)*	**31,962**	47,913	**65,171**	85,454
Total royalties (000s)	**6,273**	8,278	**12,716**	14,410
Total royalties ($/boe)	**10.29**	13.88	**9.02**	13.35
Percent of revenue *(%)*	**20**	17	**20**	17

The Brazeau property is primarily subject to Crown royalties payable to the provincial government and overriding royalties on oil, natural gas and NGLs production payable to counterparties. These types of royalties are sensitive to production levels and commodity prices; therefore, the Company's royalties will fluctuate with commodity prices, well production rates, production declines of existing wells along with performance and location of new wells drilled.

For the second quarter of 2015, royalties totalled $6.3 million or 20 percent of revenue compared to $8.3 million or 17 percent of revenue for the same quarter in 2014 and $6.4 million or 19 percent of revenue in the first quarter of 2015. The year-over-year royalty rate increase was mainly due to increased production from wells subject to overriding royalties, as well as some wells no longer qualifying for the 5 percent royalty holiday.

During the first six months of 2015, royalties totalled $12.7 million or 20 percent of revenue compared to $14.4 million or 17 percent of revenue a year ago.

Operating and Transportation Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
(000s except per boe)	*($)*	*($)*	*($)*	*($)*
Operating expenses	**5,539**	7,298	**12,547**	11,453
Transportation expenses	**1,749**	1,032	**4,781**	1,692
Total operating and transportation expenses	**7,288**	8,330	**17,328**	13,145
Operating expenses *($/boe)*	**9.08**	12.24	**8.90**	10.61
Transportation expenses *($/boe)*	**2.87**	1.73	**3.39**	1.57
Total operating and transportation expenses *($/boe)*	**11.95**	13.97	**12.29**	12.18

Operating costs include all costs associated with the production of crude oil and natural gas. The major components of operating costs include charges for contract operating, processing fees, lease rentals, property and pipeline taxes, utilities and well maintenance charges.

Operating expenses for the second quarter of 2015 totalled $5.5 million or $9.08/boe compared to $7.3 million or $12.24/boe in the same period of 2014 and $7.0 million or $8.76/boe in the first quarter of 2015. The year-over-year decrease was driven by the Company ceasing to have any wells on extended flow-back until being tied into the pipeline (which contributed to higher operating costs in Q2 2014).

Transportation expenses for the three months ended June 30, 2015 were $1.7 million or $2.87/boe compared to $1.0 million or $1.73/boe in the second quarter of 2014 and $3.0 million or $3.79/boe in the first quarter of 2015. When the Company experiences pipeline capacity constraints, it must use alternative means of transportation to move production volumes to market. In particular, in the first quarter of 2015, Boulder saw increased clean oil trucking costs related to increased volumes in that period. As a result, late in that quarter, the Company invested $1 million in two oil hauling trucks and trailer units in the Brazeau area, which began operating in April and have helped to reduce transportation costs during the three months ended June 30, 2015.

For the six months ended June 30, 2015, the Company incurred operating expenses of $12.5 million or $8.90/boe compared to $11.5 million or $10.61/boe in the corresponding 2014 period. Transportation expenses for the first six months of 2015 totalled $4.8 million or $3.39/boe versus $1.7 million or $1.57/boe in the same period of last year.

Risk Management

Boulder maintains a risk management program to reduce the volatility of revenues and to increase the certainty of funds from operations. Boulder considers all of its risk management contracts to be effective economic hedges of the underlying business transactions. As at June 30, 2015, the Company had the following crude oil and interest rate risk management contracts with a total mark-to-market asset of $0.03 million (March 31, 2015- asset of $12.7 million and December 31, 2014 – asset of $14.7 million):

CRUDE OIL CONTRACTS

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price
May 15/15-Dec. 31/15	Crude Oil	Fixed	1,000 bbls/d	WTI-NYMEX	US$60.25/bbl
July.1/15-Dec. 31/15	Crude Oil	Fixed	1,000 bbls/d	WTI-NYMEX	US$61.10/bbl

INTEREST RATE CONTRACT

Term	Amount	Fixed Rate	Index
May 15 /15 – Feb. 18/16	Cdn$30 million	1.44%	CDOR

Gains and losses on risk management contracts are composed both of unrealized gains or losses that represent the change in the mark-to-market position of those contracts throughout the period and of realized gains and losses representing the portion of the contracts that have settled in cash during the period. The Company has elected not to use hedge accounting for its current risk management contracts.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
	($)	*($)*	*($)*	*($)*
Unrealized loss (gain) on financial instruments *(000s)*	**3,180**	(651)	**5,177**	1,952
Unrealized loss (gain) on financial instruments *($/boe)*	**5.21**	(1.09)	**3.67**	1.81

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
	($)	*($)*	*($)*	*($)*
Realized loss (gain) on financial instruments *(000s)*	**(1,620)**	1,751	**(6,621)**	2,745
Realized loss (gain) on financial instruments *($/boe)*	**(2.66)**	2.94	**(4.70)**	2.54

During the second quarter of 2015, the Company recorded an unrealized loss on financial instruments of $3.2 million and a realized gain of $1.6 million. The unrealized loss resulted from the mark-to-market of financial risk management contracts at the period end. These non-cash unrealized derivative losses are generated by the change over the reporting period in the mark-to-market valuation of Boulder's risk management contracts. The realized gain represents actual cash settlements under the respective commodity, foreign exchange and interest rate contracts in the period.

In the same period of the prior year, the Company recorded an unrealized gain of $0.7 million and a realized loss of $1.8 million and in the previous quarter, an unrealized loss of $2.0 million and a realized gain of $5.0 million.

For the six months ended June 30, 2015, the Company recorded an unrealized loss of $5.2 million and a realized gain of $6.6 million compared to an unrealized loss of $2.0 million and a realized loss of $2.7 million, respectively, in the same period of 2014.

G&A Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
(000s except per boe)	*($)*	*($)*	*($)*	*($)*
Gross G&A expense	**1,582**	1,590	**3,658**	3,241
Capitalized G&A (direct)	**(320)**	(259)	**(598)**	(622)
Overhead recoveries	**(31)**	(124)	**(117)**	(248)
G&A expense (net)	**1,231**	1,207	**2,943**	2,371
G&A expense (net) *($/boe)*	**2.02**	2.02	**2.09**	2.20

Gross G&A expense totalled $1.6 million for the three-month period ended June 30, 2015 compared to $1.6 million in the comparable period of 2014 and $2.1 million in the first quarter of 2015. Net G&A costs were $1.2 million or $2.02/boe in the second quarter of 2015 compared to $1.2 million or $2.02/boe a year earlier and $1.7 million or $2.14/boe in the first quarter of 2015. When compared to the same quarter of the prior year, gross G&A costs stayed relatively consistent.

Net G&A expense for the first six months of 2015 totalled $2.9 million or $2.09/boe compared to $2.4 million or $2.20/boe in the same period of 2014.

The Company capitalized direct G&A expenses amounting to $0.3 million and had overhead recoveries of $0.03 million in the second quarter of 2015 versus $0.3 million and $0.1 million, respectively, in the comparative period of 2014, and $0.3 million and $0.09 million, respectively, in the first quarter of 2015.

During the six months ended June 30, 2015, the Company capitalized $0.6 million in direct costs related to its exploration and development efforts and $0.1 million of overhead recoveries compared to $0.6 million and $0.2 million, respectively, in the same period of 2014.

Share-Based Compensation

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
(000s except per boe)	***($)***	*($)*	***($)***	*($)*
Gross share-based compensation [(1)]	**461**	799	**1,228**	1,279
Capitalized share-based compensation	**(187)**	(308)	**(483)**	(495)
Share-based compensation expense (net)	**274**	491	**745**	784
Share-based compensation expense (net) *($/boe)*	**0.45**	0.82	**0.53**	0.73

(1) Gross stock-based compensation was adjusted for the non-cash portion related to certain field employees that was reclassified to operating expenses for presentation in the statement of operations and comprehensive income.

The Company has a stock option plan, described in note 10 to the interim financial statements for the period ended June 30, 2015. Options granted under the plan have a four-year vesting term and expire five years from the grant date, with the fair value of options granted estimated at the grant date using the Black-Scholes option-pricing model. At June 30, 2015, the Company had 1,710,797 options outstanding under this plan.

As part of the Plan of Arrangement, some of the DeeThree options were exercised or cancelled and Boulder options were issued. This option program entitles officers, directors, employees and certain consultants to purchase Company shares. Options were issued based on the exercise price proportion of the fraction A/B, where A is the volume weighted average price of the Boulder Common Shares on the first five trading days on the TSX and B is the aggregate of (i) the volume weighted average price of Boulder Common shares for the first five trading days on the TSX and (ii) the volume weighted average price of the Granite Common shares on the first five trading days on the TSX. The options issued in relation to the Plan of Arrangement maintain the same vesting and expiry dates from when the original DeeThree options were previously issued.

Of the 1,710,797 options outstanding at June 30, 2015, 311,797 options were issued in relation to the Plan of Arrangement, and 1,399,000 were new Boulder options.

Share-based compensation expense is a non-cash expense that reflects the amortization over the vesting period of the fair value of stock options granted to the Company's employees, consultants and directors. For those stock options granted to field employees, their portion of the share-based compensation is reclassified to operating expenses, in order to be consistent with the recognition of their salaries on the statement of operations and comprehensive income.

For the quarter ended June 30, 2015, the Company incurred a net expense of $0.3 million or $0.45/boe versus $0.5 million or $0.82/boe in the same period of 2014 and $0.5 million or $0.59/boe in the first quarter of 2015. The year-over-year absolute decrease was due to the number of options granted under the new plan in the quarter.

During the first six months of 2015, Boulder incurred net share-based compensation expense of $0.7 million or $0.53/boe compared to $0.8 million or $0.73/boe recorded in the first six months of 2014.

Depletion and Depreciation (D&D)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
	($)	*($)*	*($)*	*($)*
Depletion and depreciation expense *(000s)*	**11,676**	12,399	**27,012**	22,877
Depletion and depreciation expense *($/boe)*	**19.14**	20.80	**19.16**	21.20

Boulder records D&D expense on its property and equipment over the individual useful lives of the assets, employing the unit-of-production method using proved plus probable reserves and associated estimated future development capital required for its oil and natural gas assets, a straight-line method for field facilities (20-year useful life), and a straight-line method for trucks and trailers (3 years). Assets in the E&E phase are not amortized.

For the three months ended June 30, 2015, the Company recorded D&D expense of $11.7 million or $19.14/boe compared to $12.4 million or $20.80/boe in the same period of 2014 and $15.3 million or $19.17/boe in the first quarter of 2015. The absolute decrease in D&D expense quarter over quarter is due to lower costs incurred related to finding and developing reserves.

For the six months ended June 30, 2015, D&D expense was $27.0 million or $19.16/boe compared to $22.9 million or $21.20/boe in the same period of 2014.

Exploration and Evaluation (E&E) Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
	($)	*($)*	*($)*	*($)*
Exploration and evaluation expense *(000s)*	**–**	72	**256**	130
Exploration and evaluation expense *($/boe)*	**–**	0.12	**0.18**	0.12

Boulder accumulates costs related to E&E assets in one pool pending determination of technical feasibility and commercial viability of the asset. E&E costs are primarily for seismic data, undeveloped land and drilling until the well in question is complete and results have been evaluated. Costs related to wells determined to be uneconomical as well as costs of undeveloped land lease expiries are expensed as they occur.

During the second quarter of 2015, the Company did not record any E&E expense. This compares to $0.07 million or $0.12/boe in the same period of 2014, and $0.3 million or $0.32/boe in the first quarter of 2015, all of which related to lease expiries.

During the six months ended June 30, 2015, the Company recorded E&E expense of $0.3 million or $0.18/boe compared to $0.1 million or $0.12/boe in the comparable period of 2014.

Accretion and Finance Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
(000s except per boe)	*($)*	*($)*	*($)*	*($)*
Accretion expense on decommissioning liabilities	**124**	132	**256**	259
Finance expense	**1,333**	1,037	**2,278**	1,609
Total accretion and finance expenses	**1,457**	1,169	**2,534**	1,868
Accretion expense on decommissioning liabilities *($/boe)*	**0.20**	0.22	**0.18**	0.24
Finance expense *($/boe)*	**2.19**	1.74	**1.62**	1.49
Total accretion and finance expenses *($/boe)*	**2.39**	1.96	**1.80**	1.73

Accretion expense represents the increase in the present value of the Company's decommissioning liabilities. In the second quarter of 2015, the Company recorded accretion expense of $0.1 million or $0.20/boe compared to $0.1 million or $0.22/boe in the same period of 2014 and $0.1 million or $0.16/boe in the first quarter of 2015.

During the three months ended June 30, 2015, interest and finance expenses increased to $1.3 million or $2.19/boe from $1.0 million or $1.74/boe in the same period of 2014 and $0.9 million or $1.18/boe in the first quarter of 2015. During th quarter, the Company incurred a one-time fee of $0.3 million related to the setup of a new syndicated facility. The Company also incurred interest charges and standby fees related to the $175 million credit facility, which was drawn to $125.0 million at June 30, 2015 (June 30, 2014 – $86.2 million and December 31, 2014 - $139.2 million).

For the first six months of 2015, the Company recorded accretion expense of $0.3 million or $0.18/boe compared to $0.3 million or $0.24/boe in the comparable period of 2014. The Company also recorded finance expense of $2.3 million or $1.62/boe compared to $1.6 million or $1.49/boe in the same period of the prior year.

Income Taxes

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
	($)	*($)*	*($)*	*($)*
Deferred income tax expense *(000s)*	**2,606**	3,840	**2,943**	6,490
Deferred income tax expense *($/boe)*	**4.27**	6.44	**2.09**	6.01

During the second quarter of 2015, the Company recorded a deferred income tax expense of $2.6 million or $4.27/boe compared to an expense of $3.8 million or $6.44/boe in same period of 2014 and $0.3 million or $0.41/boe in the first quarter of 2015. The second quarter expense was primarily related to an increase in the taxable base of the oil and natural gas assets, driven by capital spending during the period and the impact of an increase in the corporate tax rate from 25 percent to 27 percent.

During the six months ended June 30, 2015, the Company recorded a deferred income tax expense of $2.9 million or $2.09/boe compared to an expense of $6.5 million or $6.01/boe in the same period of 2014.

Boulder does not have current income taxes payable and does not expect to pay current income taxes in 2015 as the Company had estimated tax pools available at June 30, 2015 of $315.3 million (December 31, 2014 – $278.0 million).

Netbacks (per unit) (2)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
	($/boe)	*($/boe)*	*($/boe)*	*($/boe)*
Average sales price	**52.41**	80.36	**46.22**	79.18
Royalties	**(10.29)**	(13.88)	**(9.02)**	(13.35)
Operating	**(9.08)**	(12.24)	**(8.90)**	(10.61)
Transportation	**(2.87)**	(1.73)	**(3.39)**	(1.57)
Operating netback (1)	**30.17**	52.51	**24.91**	53.65
G&A and other expense (excludes non-cash items)	**(2.02)**	(2.02)	**(2.09)**	(2.20)
Realized gain (loss) on financial instruments	**2.66**	(2.94)	**4.70**	(2.54)
Finance expense	**(2.19)**	(1.74)	**(1.62)**	(1.49)
Funds flow netback (1)	**28.62**	45.81	**25.90**	47.42
D&D expense	**(19.14)**	(20.80)	**(19.16)**	(21.20)
Accretion	**(0.20)**	(0.22)	**(0.18)**	(0.24)
Share-based compensation	**(0.45)**	(0.82)	**(0.53)**	(0.73)
Unrealized gain (loss) on financial instruments	**(5.21)**	1.09	**(3.67)**	(1.81)
E&E expense	**–**	(0.12)	**(0.18)**	(0.12)
Deferred income tax expense	**(4.27)**	(6.44)	**(2.09)**	(6.01)
Net income netback (1)	**(0.65)**	18.50	**0.09**	17.31

(1) Non-GAAP measure; refer to the commentary below. Operating netback, funds flow netback and net income netback are calculated by dividing operating income, funds flow from operations and net income by the sales volume in boe for the period then ended. For a description of the boe conversion ratio, refer to "Other Measurements" below.

(2) For a description of the boe conversion ratio, refer to "Other Measurements" below.

The operating netback was $30.17/boe for the three months ended June 30, 2015 compared to $52.51/boe in the same period of 2014 and $20.90/boe in the first quarter of 2015. As compared to the prior year's second quarter, the Company experienced a lower realized average price throughout the three months ended June 30, 2015 due to a decrease in WTI prices, as well as lower royalties and operating expenses than a year earlier. As compared to the first quarter of 2015, the Company realized a higher average price due to an increase in WTI prices, contributing to the increase in operating netback quarter-over-quarter.

For the first six months of 2015, Boulder achieved an operating netback of $24.91/boe compared to $53.65/boe in the same period of 2014, due to lower year-to-date pricing but offset by lower royalties and operating expenses.

INVESTMENT AND INVESTMENT EFFICIENCIES

Capital Expenditures and Acquisitions

(excluding decommissioning liabilities and capitalized share-based compensation)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
(000s) (excluding decommissioning liabilities and capitalized share-based compensation)	*($)*	*($)*	*($)*	*($)*
Property acquisitions and adjustments	**–**	4,408	**–**	4,518
Drilling and completions	**17,799**	20,346	**36,283**	66,643
Equipment and facilities	**3,263**	9,490	**7,535**	16,052
Land and lease retention	**42**	–	**326**	543
Geological and geophysical	**–**	121	**–**	905
Capitalized G&A and other	**289**	281	**567**	654
Total capital expenditures	**21,393**	34,646	**44,711**	89,315
Total wells drilled *(#)*	**6 (6.0)**	3 (3.0)	**9 (9.0)**	11 (11.0)

During the second quarter of 2015, the Company incurred a total of $21.4 million (second quarter 2014 – $34.6 million) in capital expenditures, excluding non-cash decommissioning liabilities and capitalized share-based compensation. During the period, $nil was spent on acquisitions (second quarter 2014 – $4.4 million). Drilling and completion expenditures totalled $17.8 million in the second quarter of 2015 (second quarter 2014 – $20.3 million), $3.3 million was spent on equipment and facilities (second quarter 2014 – $9.5 million), $0.04 million on land sales (second quarter 2014 – $nil) and $nil related to seismic programs (second quarter 2014 – $0.1 million). The remaining $0.3 million in the second quarter of 2015 (second quarter 2014 – $0.3 million) was invested in capitalized G&A and other corporate assets.

During the first six months of 2015, the Company incurred a total of $44.7 million (2014 – $89.3 million) in capital expenditures, excluding the non-cash decommissioning liabilities and capitalized share-based compensation. During the period, the Company spent $nil on acquisitions (2014 - $4.5 million). Drilling and completion expenditures totalled $36.3 million (2014 - $66.6 million), $7.5 million was spent on equipment and facilities (2014 - $16.1 million), $0.3 million on land sales (2014 - $0.5 million) and $nil related to seismic programs (2014 - $0.9 million). The remaining $0.6 million spent in the first six months of 2015 (2014 - $0.7 million) was invested in capitalized G&A and other corporate assets.

Drilling Activity

	Development		Total	
	Gross	Net	Gross	Net
	(#)	(#)	(#)	(#)
Three Months Ended June 30, 2015				
Crude oil	**4**	**4.0**	**4**	**4.0**
Standing	**2**	**2.0**	**2**	**2.0**
Total wells	**6**	**6.0**	**6**	**6.0**
Success rate *(%)*		**100**		**100**
Average working interest *(%)*		**100**		**100**
Three Months Ended June 30, 2014				
Crude oil	3	3.0	3	3.0
Total wells	3	3.0	3	3.0
Success rate *(%)*		100		100
Average working interest *(%)*		100		100
Six Months Ended June 30, 2015				
Crude oil	**7**	**7.0**	**7**	**7.0**
Standing	**2**	**2.0**	**2**	**2.0**
Total wells	**9**	**9.0**	**9**	**9.0**
Success rate *(%)*		**100**		**100**
Average working interest *(%)*		**100**		**100**
Six Months Ended June 30, 2014				
Gas	1	1.0	1	1.0
Crude oil	10	10.0	10	10.0
Total wells	11	11.0	11	11.0
Success rate *(%)*		100		100
Average working interest *(%)*		100		100

During the second quarter of 2015, Boulder drilled a total of 6 gross (6.0 net) wells, 4 gross (4.0 net) of which were crude oil development wells, and 2 gross (2.0 net) of which were standing crude oil development wells with a 100 percent success rate. During the three months ended June 30, 2014, the Company drilled 3 gross (3.0 net) development wells, all of which were crude oil development wells.

During the first six months of 2015, Boulder drilled 9 gross (9.0 net) wells in total, including 7 gross (7.0 net) crude oil development wells, and 2 gross (2.0 net) standing development wells also targeting crude oil. During the six months ended June 30, 2014, the Company drilled a total of 11 gross (11.0 net) wells, including 10 gross (10.0 net) crude oil development wells, and 1 gross (1.0 net) gas development well.

LIQUIDITY AND FINANCIAL RESOURCES

Net Debt [(1)]

The following table summarizes the change in net debt during the six months ended June 30, 2015 and the year ended December 31, 2014:

	Six Months Ended June 30, 2015	Year Ended December 31, 2014
(000s)	*($)*	*($)*
Net debt[(1)] – beginning of period	(107,781)	(77,778)
Funds from operations	36,402	109,799
Capital expenditures	(44,711)	(189,750)
Acquisitions	–	(21,925)
Net contributions from (distributions to) DeeThree	(24,699)	71,873
Share issue costs	(200)	–
Net debt[(1)] – end of period	(140,989)	(107,781)

(1) Net debt, which is calculated as current liabilities (excluding derivative financial instruments) and bank debt less current assets (excluding derivative financial instruments), is not a recognized measure under IFRS. Please refer to the commentary under "Non-GAAP Measurements" for further discussion.

Boulder entered 2015 with a net debt of $107.8 million. During the first six months, the Company generated funds from operations of $36.4 million and invested $44.7 million in capital expenditures. With regard to the Plan of Arrangement, there was a distribution of $24.7 million to DeeThree and the Company incurred $0.2 million in share issue costs. Boulder exited the quarter with a net debt of $141.0 million.

The Company may utilize any of the following strategies to address its net debt and to fund its capital program: (i) issue new shares; (ii) issue new debt securities; (iii) amend, revise, renew or extend the terms of the existing $175 million committed term syndicated credit facility (the "Syndicated Facility"); (iv) enter into new agreements establishing new credit facilities; and (v) adjust its capital spending.

At June 30, 2015, the Company's Syndicated Facility had an authorized borrowing base of $175 million, including a $155 million extendible revolving facility and a $20 million operating facility. At the period end, the facility was drawn to approximately $125.0 million with $50.0 million of unused borrowing capacity.

The Syndicated Facility is available for a revolving period of 364 days plus a one-year term-out, which is extendible annually, subject to syndicate approval. Repayments of principal are not required provided that the borrowings under the Syndicated Facility do not exceed the authorized borrowing amount and the Company is in compliance with covenants, representations and warranties. As at June 30, 2015, the Company was in compliance with all covenants. Covenants include reporting requirements, permitted indebtedness, permitted hedging and other standard business operating covenants. There are no financial covenants under the Syndicated Facility. The authorized borrowing amount is subject to interim reviews by the financial institutions and the next semi-annual review of the Syndicated Facility is scheduled for November 2015. Security is provided for by a floating charge demand debenture over all assets in the amount of $500 million.

The Syndicated Facility bears interest on a grid system which ranges from bank prime plus 1.0 percent to bank prime plus 3.5 percent depending on the Company's total net debt to cash flow ratio as defined by the lender, ranging from less than 1:1 to greater than 4:1. The Syndicated Facility provides that advances may be made by way of prime rate loans, U.S. base rate loans, London InterBank Offered Rate (LIBOR) loans, bankers' acceptances or letters of credit. A standby fee of 0.500 percent to 1.125 percent is charged on the undrawn portion of the Syndicated Facility, also calculated depending on the Company's total net debt to cash flow ratio, as defined by the lender.

During the second half of 2015, Boulder expects to spend $45 million on its capital program, focused on further exploration and development of the Brazeau property. The Company expects to fund future capital expenditures with funds from operations and the Credit Facility.

RELATED-PARTY TRANSACTIONS AND OFF-BALANCE-SHEET TRANSACTIONS

There were no off-balance-sheet transactions entered into during the period nor are there any outstanding as at the date of this MD&A. There were no related-party transactions during the period, except for those associated with the Plan of Arrangement.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Years Ended December 31,	2015	2016	Total
(000s)	*($)*	*($)*	*($)*
Operating lease – office	213	107	320
Operating lease – equipment	16	–	16
Total	229	107	336

As at June 30, 2015, the Company had contractual obligations for its office leases totaling approximately $0.3 million to March 2016. The head office lease obligations are comprised of lease payments and an estimate of occupancy costs. The Company also had contractual obligations for several vehicles and equipment totalling approximately $0.02 million to October 2015.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of voting common shares. The common shares of the Company commenced trading on the TSX Exchange on May 21, 2015 under the symbol "BXO". As at August 13, 2015, the Company had the following equity securities outstanding:

Common shares outstanding	46,468,092
Stock options outstanding	1,710,797

SELECTED QUARTERLY INFORMATION [1]

Three Months Ended	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014	March 31, 2014
(000s, except per share amounts and production figures)	($)	($)	($)	($)	($)	($)
Oil and natural gas revenues	31,962	33,209	45,492	50,711	47,913	37,541
Funds from operations	17,332	19,070	26,317	32,323	27,312	23,864
Per share – basic	0.38	0.42	0.58	0.71	0.60	0.52
Per share – diluted	0.38	0.42	0.58	0.71	0.60	0.52
Cash flow from operating activities	28,550	6,479	28,749	37,477	28,374	21,869
Net income (loss)	(403)	541	16,638	11,694	11,029	7,655
Per share – basic	(0.01)	0.01	0.37	0.26	0.24	0.17
Per share – diluted	(0.01)	0.01	0.37	0.26	0.24	0.17
Total assets	457,408	467,866	460,445	404,503	358,248	334,300
Capital expenditures [2]	21,393	23,318	59,857	62,503	34,646	54,669
Net debt [3]	140,989	131,205	107,781	98,993	86,721	112,555
Shareholders' equity	250,474	270,298	288,463	246,595	216,433	171,745
Production						
Natural gas (mcf/d)	10,205	13,328	13,393	11,150	10,156	9,219
Crude oil (bbls/d)	4,783	6,134	5,822	4,975	4,437	3,399
NGLs (bbls/d)	218	535	737	582	423	431
Total (boe/d)	6,702	8,890	8,791	7,415	6,552	5,366

(1) The selected quarterly information was prepared in accordance with the accounting principles described in the notes to the financial statements, except for funds from operations, which is not prescribed under IFRS (see "Non-GAAP Measurements" below).

(2) Total capital expenditures, including acquisitions.

(3) Net debt, which is calculated as current liabilities (excluding derivative financial instruments) and bank debt less current assets (excluding derivative financial instruments), is not a recognized measure under IFRS. Please refer to the commentary under "Non-GAAP Measurements" for further discussion.

BUSINESS RISKS AND RISK MITIGATION

The Boulder management team conducts focused strategic planning and has identified the key risks, uncertainties and opportunities associated with Company's business that can affect its financial results. They include, but are not limited to:

Reserves and Resource Estimates

Boulder's exploration and production activities are concentrated in the Western Canada Sedimentary Basin, where the industry is very competitive. There are a number of risks facing participants in the oil and natural gas industry, some of which are common to all businesses, while others are specific to the sector. These include risks such as finding and developing oil and natural gas reserves economically, estimating reserves, producing the reserves in commercial quantities, finding a suitable market at attractive commodity prices, financial and liquidity risks and environmental and safety risks.

Boulder's future oil and natural gas reserves and production, and therefore its cash flows, will be highly dependent on the Company's success in exploiting its reserve base and acquiring additional reserves. The Company mitigates the risk of finding and developing economical oil and natural gas reserves by utilizing a team of highly qualified professionals with expertise and experience in these areas. Boulder attempts to maximize drilling success by exploring areas that have multi-zone opportunities, including targeting deeper horizons with uphole potential, continuously assessing new acquisition opportunities to complement existing activities and balancing higher-risk exploratory drilling with lower-risk development drilling.

Beyond exploration risk, there is the potential that the Company's oil and natural gas reserves may not be economically produced at prevailing prices. Boulder minimizes this risk by generating exploration prospects internally, targeting high-quality projects, operating the project, and by attempting to access sales markets through Company-owned infrastructure or mid-stream operators.

Boulder has retained an independent engineering consulting firm that assists the Company in evaluating oil and natural gas reserves. Reserve values are based on a number of variable factors and assumptions such as commodity prices, projected production, future production costs and governmental regulation. The reserves and recovery information contained in the independent reserves evaluation is an estimate. The actual production and ultimate reserves from the properties may be greater or less than the estimates prepared by the independent reserves evaluator.

Volatility of Oil and Natural Gas Prices

The Company's operational results and financial condition depend on the prices received for oil and natural gas production. Differentials on Canadian crude oil have shown significant volatility throughout 2014 and into 2015 due to pipeline and infrastructure constraints. There are numerous projects proposed to alleviate pipeline bottlenecks into and in the United States, expand refinery capacity and expand or build new pipelines in Canada and the United States to source new markets, many of which are in the regulatory application phase. There can be no assurance that such regulatory approvals will be secured on a timely basis or at all. Any movement in oil and natural gas prices will have an effect on Boulder's ability to conduct its capital expenditure program. Oil and natural gas prices are determined by economic and, in some circumstances, political factors. Supply and demand factors, including weather and general economic conditions as well as conditions in other oil and natural gas regions, influence prices.

Boulder is exposed to commodity price risk whereby the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are affected by not only the relationship between the Canadian and United States dollars, but also global economic events that dictate the levels of supply and demand. The Company protects itself from fluctuations in prices by maintaining an appropriate hedging strategy and may enter into oil and natural gas risk management contracts. If the Company engages in activities to manage its commodity price exposure, it may forego the benefits it would otherwise experience if commodity prices were to increase. In addition, commodity derivatives contracts activities could expose Boulder to losses. To the extent that Boulder engages in risk management activities related to commodity prices, it will be subject to credit risks associated with the counterparties with which it contracts. As at the date of this MD&A, Boulder has two crude oil hedges (refer to "Risk Management" above for details).

Operational Matters

The operation of oil and natural gas wells involves a number of operating and natural hazards that may result in blowouts, environmental damage and other unexpected or dangerous conditions causing damage to Boulder and possible liability to third parties. Boulder has established an environmental, health and safety program and has updated its operational emergency response plan and operational safety manual to address these operational issues. Boulder maintains a comprehensive insurance plan, which includes liability insurance, where available, in amounts consistent with industry standards, as well as business interruption insurance for selected facilities, to the extent that such insurance is available, to mitigate risks and protect against significant losses where possible. Boulder may become liable for damages arising from such events against which it cannot insure or against which it may elect not to insure because of high premiums or other reasons. Boulder operates in accordance with all applicable environmental legislation and strives to maintain compliance with such regulations. Boulder's mandate includes ongoing development of procedures, standards and systems to allow its staff to make the best decisions possible and ensuring those decisions are in compliance with the Company's environmental, health and safety policies.

Access to Capital

The oil and natural gas industry is a very capital-intensive industry and, in order to fully realize the Company's strategic goals and business plans, Boulder will rely on equity markets as a source of new capital in addition to bank financing and internally generated cash flow to fund its ongoing capital investments. Boulder's ability to raise additional capital will depend on a number of factors that are beyond the Company's control, such as general economic and market conditions. Internally generated funds will also fluctuate with changing commodity prices. Boulder currently has a $175 million syndicated facility with four banks. The Company is required to comply with covenants under this facility and in the event it does not comply, access to capital could be restricted or repayment could be required. Boulder routinely reviews the covenants based on actual and forecast results and has the ability to make changes to development plans to comply with the covenants under the credit facility. Boulder anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future funds from operations and available bank credit. Boulder is committed to maintaining a strong balance sheet along with an adaptable capital expenditure program that can be adjusted to capitalize on, or reflect, acquisition opportunities and, if necessary, a tightening of liquidity sources. From its founding to the date of this MD&A, Boulder has had no defaults or breaches on its bank debt or any of its financial liabilities.

Counterparty Risk

Boulder assumes customer credit risk associated with oil and gas sales, financial hedging transactions and joint venture participants. In the event that Boulder's counterparties default on payments to Boulder, cash flows will be impacted. The Company may be exposed to third-party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its commodities and other parties. Boulder has established credit policies and controls designed to mitigate the risk of default or non-payment with respect to oil and natural gas sales, financial hedging transactions and joint venture participants. The Company makes every effort to sell its commodities to major companies with excellent credit ratings.

Variations in Interest Rates and Foreign Exchange Rates

Variations in interest rates could result in an increase in the amount Boulder pays to service debt. World oil prices are quoted in US dollars and the price received by Canadian producers is therefore affected by the Canadian/US dollar exchange rate, which may fluctuate over time. A material increase in the value of the Canadian dollar would, other variables remaining constant, negatively impact Boulder's net production revenue. Volatility in interest rates and the Canadian dollar may affect future cash flow from operations and reduce funds available for capital expenditures. Boulder may initiate certain derivative contracts to attempt to mitigate these risks. To the extent Boulder engages in risk management activities related to foreign exchange rates, it will be subject to credit risk associated with counterparties with which it contracts. As at the date of this MD&A, Boulder has one interest rate swap risk management contract in place.

Changes in Income Tax Legislation

In the future, income tax laws or other laws may be changed or interpreted in a manner that adversely affects Boulder or its shareholders. Tax authorities having jurisdiction over Boulder or its shareholders may disagree with how Boulder calculates its income for tax purposes to the detriment of Boulder and its shareholders.

Environmental Concerns

The oil and natural gas industry is subject to environmental regulation pursuant to local, provincial and federal legislation. A breach of such legislation may result in the imposition of fines or issuance of clean-up orders in respect of Boulder or its working interests. Such legislation may be changed to impose higher standards and potentially more costly obligations to Boulder. Boulder focuses on conducting transparent, safe and responsible operations in the communities in which its people live and work.

Project Risks

Boulder's ability to execute projects and market oil and natural gas depends on numerous factors beyond its control, including: availability of processing capacity, availability and proximity of pipeline capacity, availability of storage capacity, supply of and demand for oil and natural gas, availability of alternative fuel sources, effects of inclement weather, availability of drilling and related equipment, unexpected cost increases, accidental events, change in regulations and the availability and productivity of skilled labour. Because of these factors, Boulder could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

In addition, Boulder is also subject to other risks and uncertainties which are described in its predecessor Company's (DeeThree Exploration Ltd.) Annual Information Form (AIF) dated March 25, 2015 and in the Management Information Circular dated April 9, 2015.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's financial statements requires management to adopt accounting policies that involve the use of significant estimates and assumptions. They are developed based on the best available information and are believed by management to be reasonable under the circumstances. New events or additional information may result in the revision of these estimates over time. Boulder's financial and operating results incorporate certain estimates, including:

- Estimated revenues, royalties and operating expenses on production as at a specific reporting date but for which actual revenues and costs have not yet been received;
- Estimated capital expenditures on projects that are in progress;
- Estimated D&D charges that are based on estimates of oil and gas reserves that Boulder expects to recover in the future;
- Estimated fair values of financial instruments that are subject to fluctuation depending on underlying commodity prices, foreign exchange rates and interest rates, volatility curves and the risk of non-performance;
- Estimated value of decommissioning liabilities that depend on estimates of future costs and timing of expenditures;
- Estimated future recoverable value of PP&E and any associated impairment charges or recoveries; and
- Estimated compensation expense under Boulder's share-based compensation plan.

Boulder has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Further, past estimates are reviewed and compared to actual results, and actual results are compared to budget in order to make more informed decisions on future estimates. For further information on certain estimates inherent in the financial statements, refer to Note 2 in the interim financial statements for the period ended June 30, 2015 and the audited carve-out financial statements for the years ended December 31, 2014 and 2013.

FUTURE ACCOUNTING POLICY CHANGES

In July 2014, IFRS 9 Financial Instruments was issued as a complete standard, including the requirements previously issued related to classification and measurement of financial assets and liabilities, and additional amendments to introduce a new expected loss impairment model for financial assets, including credit losses. Retrospective application of this standard with certain exemptions is effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted. The full impact of the standard on the Company's financial statements will not be known until the project is complete.

In December 2014, the IASB issued narrow-focus amendments to IAS 1 Presentation of Financial Statements to clarify existing requirements related to materiality, order of notes, subtotals, accounting policies and disaggregation. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2016, with earlier application permitted. The adoption of this amended standard is not expected to have a material impact on the Company's disclosure.

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. It replaces existing revenue recognition guidance and provides a single, principles based five-step model to be applied to all contracts with customers. Retrospective application of this standard is currently effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of this standard.

NON-GAAP MEASUREMENTS

Funds from Operations

This MD&A contains the terms "funds from operations" and "funds from operations per share", which should not be considered an alternative to or more meaningful than cash flow from (used in) operating activities as determined in accordance with IFRS. These terms do not have any standardized meaning under IFRS. Boulder's determination of funds from operations and funds from operations per share may not be comparable to that reported by other companies. Management uses funds from operations to analyze operating performance and leverage, and considers funds from operations to be a key measure as it demonstrates the Company's ability to generate cash necessary to fund future capital investments and to repay debt, if applicable. Funds from operations is calculated using cash flow from operating activities as presented in the statement of cash flows, before changes in non-cash working capital. Boulder presents funds from operations per share whereby per share amounts are calculated using weighted-average shares outstanding, consistent with the calculation of earnings per share.

The following table reconciles funds from operations with cash flow from operating activities, which is the most directly comparable measure calculated in accordance with IFRS:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
(000s)	*($)*	*($)*	*($)*	*($)*
Cash flow from operating activities	**28,550**	28,374	**35,029**	50,243
Changes in non-cash working capital	**(11,218)**	(1,062)	**1,373**	933
Funds from operations	**17,332**	27,312	**36,402**	51,176

The Company considers corporate netbacks to be a key measure as they demonstrate Boulder's profitability relative to current commodity prices. Corporate netbacks are comprised of operating, funds flow and net income netbacks. Operating netback is calculated as the average sales price of the Company's commodities, less royalties, operating costs and transportation expenses. Funds flow netback starts with the operating netback and further deducts general and administrative costs and finance expenses, and then adds realized gains on financial instruments. To calculate the net income netback, Boulder takes the funds flow netback and deducts share-based compensation expense as well as depletion and depreciation charges, accretion expense, unrealized gains or losses on financial instruments, any exploration and evaluation expense and deferred income taxes. No IFRS measure is reasonably comparable to netbacks. See "Netbacks (per unit)" for the netback calculations.

Net Debt

Net debt, which represents current assets less current liabilities and bank debt, excluding current derivative financial instruments, are used to assess efficiency, liquidity and the Company's general financial strength. No IFRS measure is reasonably comparable to net debt.

OTHER MEASUREMENTS

All financial figures are in Canadian dollars. Where amounts are expressed on a barrel of oil equivalent (boe) basis, natural gas volumes have been converted to oil equivalence at 6,000 cubic feet of gas to 1 barrel of oil. This conversion ratio of 6:1 is based on an energy-equivalent conversion for the individual products, primarily applicable at the burner tip, and does not represent a value equivalency at the wellhead. Such disclosure of boe may be misleading, particularly if used in isolation. Readers should be aware that historical results are not necessarily indicative of future performance.

FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors. These statements speak only as at the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements pertaining to the following: projections of market prices and costs, supply and demand for natural gas and crude oil, the quantity of reserves, natural gas and crude oil production levels, capital expenditure programs, treatment under governmental regulatory and taxation regimes, and expectations regarding the Company's ability to raise capital and to continually add to reserves through acquisitions and development.

With respect to forward-looking statements in this MD&A, the Company has made assumptions regarding, among other things, the legislative and regulatory environments of the jurisdictions where the Company carries on business or has operations, the impact of increasing competition and the Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors discussed in this MD&A, such as: volatility in the market prices for natural gas and crude oil; uncertainties associated with estimating reserves; geological, technical, drilling and processing problems; liabilities and risks, including environmental liabilities and risks inherent in natural gas and crude oil operations; incorrect assessments of the value of acquisitions; and competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel. In addition, test results are not necessarily indicative of long-term performance or of ultimate recovery.

This forward-looking information represents the Company's views as at the date of this MD&A and such information should not be relied upon as representing its views as of any subsequent date. Boulder has attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. There may be other factors, however, that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate, as results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities legislation.

Additional information regarding the Company and factors that could affect its operations and financial results are included in reports on file with Canadian securities regulatory authorities, and may be accessed through the SEDAR website (www.sedar.com), or at the Company's website (www.boulderenergy.ca). Furthermore, the forward-looking statements contained in this MD&A are made as at the date of this MD&A and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

STATEMENTS OF FINANCIAL POSITION

(Unaudited)

As at	June 30, 2015	December 31, 2014
(000s)	*($)*	*($)*
Assets		
Current assets		
Accounts receivable	13,819	23,073
Deposits and prepaid expenses	351	425
Derivative financial instruments (note 12)	34	14,725
	14,204	38,223
Non-current assets		
Exploration and evaluation assets (note 5)	26,961	26,969
Property and equipment (note 6)	416,243	395,253
Total assets	457,408	460,445
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	30,145	40,777
	30,145	40,777
Non-current liabilities		
Bank debt (note 7)	125,014	90,502
Decommissioning liabilities (note 8)	24,824	22,526
Deferred tax liability	26,951	18,177
Total liabilities	206,934	171,982
Shareholders' equity		
Share capital (note 9)	200,111	–
Contributed surplus	201	–
Net investment in Northern Assets (note 13)	–	238,439
Retained earnings	50,162	50,024
Total shareholders' equity	250,474	288,463
Total liabilities and shareholders' equity	457,408	460,445

Commitments (note 14)

Subsequent events (note 15)

See accompanying notes to the interim financial statements.

STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
(000s, except per share amounts)	*($)*	*($)*	*($)*	*($)*
Revenue				
Oil and natural gas revenues	**31,962**	47,913	**65,171**	85,454
Royalties	**(6,273)**	(8,278)	**(12,716)**	(14,410)
Oil and natural gas revenues, net of royalties	**25,689**	39,635	**52,455**	71,044
Expenses				
Operating and transportation	**7,288**	8,330	**17,328**	13,145
General and administrative	**1,231**	1,207	**2,943**	2,371
Depletion and depreciation (note 6)	**11,676**	12,399	**27,012**	22,877
Share-based compensation (note 10)	**274**	491	**745**	784
Exploration and evaluation expense (note 5)	**–**	72	**256**	130
	20,469	22,499	**48,284**	39,307
Unrealized loss (gain) on financial instruments	**3,180**	(651)	**5,177**	1,952
Realized loss (gain) on financial instruments	**(1,620)**	1,751	**(6,621)**	2,745
Accretion and finance expenses	**1,457**	1,169	**2,534**	1,868
	23,486	24,768	**49,374**	45,872
Income before income tax	**2,203**	14,867	**3,081**	25,172
Taxes				
Deferred income tax expense	**2,606**	3,840	**2,943**	6,490
Net income (loss) and comprehensive income (loss) for the period	**(403)**	11,027	**138**	18,682
Retained earnings, beginning of the period	**50,565**	10,663	**50,024**	3,008
Retained earnings, end of the period	**50,162**	21,690	**50,162**	21,690
Net income (loss) per share (note 9)				
Basic	**(0.01)**	0.24	**–**	0.41
Diluted	**(0.01)**	0.24	**–**	0.41

See accompanying notes to the interim financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(000s)	Share Capital ($)	Contributed Surplus ($)	Net Investment in Northern Assets *(note 13)* ($)	Retained Earnings (Deficit) ($)	Total Equity ($)
Balance – January 1, 2015	**–**	**–**	**238,439**	**50,024**	**288,463**
Common shares issued by way of Plan of Arrangement (note 4)	**200,257**	**–**	**(200,257)**	**–**	**–**
Share issue costs	**(200)**	**–**	**–**	**–**	**(200)**
Tax benefit of share issue costs	**54**	**–**	**–**	**–**	**54**
Share-based compensation (note 10,13)	**–**	**201**	**620**	**–**	**821**
Net distributions to DeeThree (note 13)	**–**	**–**	**(24,699)**	**–**	**(24,699)**
Reserve for common control (note 13)	**–**	**–**	**(14,103)**	**–**	**(14,103)**
Net income	**–**	**–**	**–**	**138**	**138**
Balance – June 30, 2015	**200,111**	**201**	**–**	**50,162**	**250,474**
Balance – January 1, 2014	–	–	164,761	3,008	167,769
Share-based compensation	–	–	784	–	784
Net contributions from DeeThree	–	–	29,196	–	29,196
Net income	–	–	–	18,682	18,682
Balance – June 30, 2014	–	–	194,741	21,690	216,431

See accompanying notes to the interim financial statements.

STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
(000s)	*($)*	*($)*	*($)*	*($)*
Cash flow from (used in):				
Operating activities				
Net income for the period	**(403)**	11,027	**138**	18,682
Adjustments for:				
Depletion and depreciation expense (note 6)	**11,676**	12,399	**27,012**	22,877
Deferred income tax expense	**2,606**	3,840	**2,943**	6,490
Share-based compensation (note 10)	**281**	491	**752**	784
Accretion (note 8)	**124**	134	**256**	261
Unrealized loss (gain) on financial instruments	**3,180**	(651)	**5,177**	1,952
Exploration and evaluation expense (note 5)	**–**	72	**256**	130
Abandonment and reclamation costs (note 8)	**(132)**	–	**(132)**	–
	17,332	27,312	**36,402**	51,176
Change in non-cash working capital (note 11)	**11,218**	1,062	**(1,373)**	(933)
	28,550	28,374	**35,029**	50,243
Financing activities				
Change in bank debt	**1,419**	(14,332)	**34,512**	13,566
Net distributions to DeeThree (note 13)	**(5,523)**	33,168	**(24,699)**	29,196
Share issue costs	**(200)**	–	**(200)**	–
	(4,304)	18,836	**9,613**	42,762
Investing activities				
Property and equipment expenditures	**(21,345)**	(30,137)	**(44,595)**	(85,177)
Exploration and evaluation expenditures	**(48)**	(101)	**(116)**	380
Property acquisitions	**–**	(4,408)	**–**	(4,518)
Changes in non-cash working capital (note 11)	**(2,853)**	(12,564)	**69**	(3,690)
	(24,246)	(47,210)	**(44,642)**	(93,005)
Change in cash and cash equivalents	**–**	–	**–**	–
Cash and cash equivalents – beginning of period	**–**	–	**–**	–
Cash and cash equivalents – end of period	**–**	–	**–**	–

See accompanying notes to the interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

As at and for the three and six month periods ended June 30, 2015

(Unaudited)

01 REPORTING ENTITY

Boulder Energy Ltd. ("Boulder" or the "Company") is a publicly traded company incorporated under the laws of Alberta. The Company is principally engaged in the exploration for and exploitation, development and production of oil and natural gas, and conducts many of its activities jointly with others. These financial statements reflect only the Company's interests in such activities.

Boulder was incorporated in Alberta, Canada under the Business Corporation Act (Alberta) on December 19, 2014 under the name 1867656 Alberta Ltd. and subsequently changed its name to Boulder Energy Ltd. on April 7, 2015. The Company commenced trading on the TSX Exchange ("TSX") on May 21, 2015 under the symbol "BXO".

On April 7, 2015, DeeThree Exploration Ltd. ("DeeThree") and Boulder Energy Ltd. entered into a Plan of Arrangement (the "Plan of Arrangement") whereby DeeThree would transfer its oil and natural gas properties located in the Brazeau Belly River and Peace River Arch areas of Northern Alberta, Canada ("Northern Assets") to Boulder and each DeeThree shareholder would receive one third (0.3333) of one share of New DeeThree shares and one half (0.5) of one share of Boulder. On May 14, 2015, the holders of common shares of DeeThree approved the Plan of Arrangement. The Plan of Arrangement was completed on May 15, 2015.

In addition to the Northern Assets being transferred from DeeThree to Boulder, debt of $130 million as well as decommissioning liabilities, derivative financial instruments and a deferred tax liability were also transferred. Boulder commenced active oil and natural gas operations with the transfer of the Northern Assets upon close of the Plan of Arrangement on May 15, 2015.

Boulder is registered and domiciled in Canada. Its main office is located at Suite 2200, 520 Third Avenue S.W., Calgary, Alberta.

02 BASIS OF PRESENTATION

(a) STATEMENT OF COMPLIANCE

These financial statements for the three and six months ended June 30, 2015 and 2014 were prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB).

The interim financial statements should be read in conjunction with the Company's audited carve-out financial statements for the year ended December 31, 2014.

The interim financial statements were authorized for issuance by the Board of Directors on August 13, 2015.

(b) BASIS OF MEASUREMENT

The interim financial statements present the historic financial position, results of operations and cash flows of the transferred Northern Assets for all prior periods up to and including May 15, 2015 on a carve-out basis as if they had operated as a stand-alone entity subject to DeeThree's control ("carve-out financial statements"). The financial position, results of operations and cash flows from December 19, 2014 (the date of incorporation of Boulder) to May 15, 2015 include both the Northern Assets and Boulder (though there were no operations in Boulder during that period) on a combined basis and from May 15, 2015 forward include the actual historical results of Boulder after assuming the Northern Assets upon close of the Plan of Arrangement. The carve-out financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS).

In respect of the carve-out financial statements, the basis of allocation for certain assets, liabilities, revenue and expenses are described below:

- » Accounts receivable – amounts attributable to the Northern Assets were estimated based on specific determination by purchaser.
- » Deposits and prepaid expenses – amounts attributable to the Northern Assets were estimated based on the proved plus probable (2P) reserve values attributable to the Brazeau and Peace River Arch areas as a percentage of the total DeeThree proved plus probable reserves value.
- » Derivative financial assets (liabilities) and related gains (losses) – amounts related to commodity contracts were calculated on a fair value basis, allocating the realized and unrealized gains or losses to the Northern Assets based on the Northern Assets share of the total DeeThree production volumes in the period. The unrealized gain or loss in the period then determined the fair value of the contracts at the period end dates.
- » Exploration and evaluation assets ("E&E") – Northern exploration and evaluation assets consist primarily of undeveloped land in the Brazeau and Peace River Arch areas, which has been recorded based on a proportion of the assets historical cost.
- » Property and equipment ("PP&E") – PP&E attributed to the Northern Assets opening balance at January 1, 2014 was done on a proportionate basis of the Brazeau and Peace River Arch assets and was based on historical cost. The Northern Assets PP&E was assumed to be funded upon establishment using funds from owner's investment through equity. Further capital additions in 2014 were assumed to be funded through bank debt, cash flow from operations and funds raised through share issuance included in owner's net investment.
- » Bank debt – bank indebtedness attributed to the Northern Assets were estimated based on the proved plus probable (2P) reserve values attributable to the Brazeau and Peace River Arch areas as a percentage of the total DeeThree proved plus probable reserves value.
- » Accounts payable and accrued liabilities – amounts attributed to the Northern Assets were estimated based on the prior month's expenses relating to the assets and operations being distributed as well as capital additions for the Brazeau and Peace River Arch areas, assuming a 45 day payment cycle.
- » Decommissioning liabilities – amounts attributed to the Northern Assets related to decommissioning liabilities were done so based on the Northern Assets proportionate obligation to abandon and reclaim wells and land within the Brazeau and Peace River Arch areas.
- » Accretion – amounts attributed to the Northern Assets were estimated based on the accretion related to the proportionate decommissioning liabilities.
- » General and administrative – amounts attributed to the Northern Assets were allocated based on a proportion of these expenses based on the Northern Assets share of the total DeeThree production volumes in the period.
- » Share based compensation – amounts attributed to the Northern Assets were allocated based on a proportion of these expenses based on the Northern Assets share of the total DeeThree production volumes in the period.
- » Deferred income taxes – amounts attributed to the Northern Assets related to deferred income tax were allocated based on the carve-out net income before tax adjusting for temporary and permanent differences. The opening balance of deferred tax assets and liabilities was re-created using tax pools directly associated with the Brazeau and Peace River Arch properties for carve-out purposes.

(c) FUNCTIONAL AND PRESENTATION CURRENCY

The interim financial statements are presented in Canadian dollars, which is the functional currency of the Company.

(d) USE OF ESTIMATES AND JUDGMENTS

The preparation of the interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and affect the results reported in these financial statements, and could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

(i) KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are key estimates and the underlying assumptions made by management affecting the measurement of balances and transactions in the Company's financial statements. Management has determined that these key estimates and underlying assumptions remain appropriate for these interim financial statements.

Common control transaction

Since the shareholders of Boulder and DeeThree upon the close of the Plan of Arrangement were the same, the transaction is a common control transaction. As such, the assets and liabilities assumed by Boulder, including property and equipment, exploration and evaluation assets, decommissioning liabilities, debt, derivative financial instruments and a deferred tax liability, were originally recognized at the date of the acquisition at the net carrying value of the Northern Assets according to the historical cost financial records of DeeThree.

Carve-out financial statements

The interim financial statements present the historic financial position, results of operations and cash flows of the transferred Northern Assets for all prior periods up to and including May 15, 2015 on a carve-out basis as if they had operated as a stand-alone entity subject to DeeThree's control (carve-out financial statements). The financial position, results of operations and cash flows from December 19, 2014 (the date of incorporation of Boulder) to May 15, 2015 include both the Northern Assets and Boulder (though there were no operations in Boulder during that period) on a combined basis and from May 15, 2015 forward include the actual historical results of Boulder after assuming the Northern Assets upon close of the Plan of Arrangement. The preparation of the carve-out financial statements requires the use of significant judgements by management in the allocation of the reported amounts of DeeThree to the carve-out assets and liabilities. The carve-out financial statements do not necessarily reflect what the financial position, results of operations and cash flows would have been had these net assets been in a separate entity, or the future results of the business, as it exists after the completion of the Plan of Arrangement.

Business combinations

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed, which includes assessing the value of oil and natural gas properties based on the estimation of recoverable quantities of proved plus probable reserves being acquired.

Valuation of property and equipment

Estimation of recoverable quantities of proved plus probable reserves includes assumptions regarding future commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows as well as the interpretation of complex geological and geophysical models and data. Changes in reported reserves can affect the impairment of assets, the decommissioning obligations, the economic feasibility of exploration and evaluation assets and the amounts reported for depletion, depreciation and amortization of property, plant and equipment. These reserve estimates are verified by third-party professional engineers, who work with information provided by the Company to establish reserve determinations in accordance with National Instrument (NI) 51-101, "Standards of Disclosure for Oil and Gas Activities".

Oil and natural gas development and production assets are depleted on a unit-of-production basis at a rate calculated by reference to proved and probable reserves determined in accordance with NI 51-101 and incorporate the estimated future cost of developing and extracting those reserves. Proved and probable reserves are estimated using independent reserve engineers' reports and represent the estimated quantities of oil, natural gas and NGLs that geological, geophysical and engineering data demonstrate with a specified degree of certainly to be recoverable in future years from known reservoirs and which are considered commercially producible. Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable, it being 90 percent likely that the actual remaining quantities recovered will exceed the estimated proved reserves. Probable reserves are those additional reserves that are less certain to be recovered than proved reserves, it being equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves. The level of estimated reserves is also a key determinant in assessing whether the carrying value of any of the Company's development and production assets has been impaired.

The recoverable amounts of cash-generating units (CGUs) and individual assets have been determined based on the higher of the present value of value-in-use calculations and discounted fair values less costs to sell. These calculations require the use of estimates and assumptions, including the discount rate. It is reasonably possible that the commodity price assumptions may change, which may then impact the estimated life of the field and economically recoverable reserves, and may then require a material adjustment to the carrying value of property and equipment. The Company monitors internal and external indicators of impairment relating to its tangible assets.

Provisions for decommissioning costs

The Company estimates the decommissioning obligations for oil and natural gas wells and their associated production facilities and pipelines. In most instances, removal of assets and remediation occurs many years into the future. Amounts recorded for the decommissioning obligations and related accretion expense require assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, inflation estimates, future removal technologies in determining the removal cost and the estimate of the liability specific discount rates to determine the present value of these cash flows.

Measurement of share-based compensation

The Company's estimate of stock-based compensation depends on estimates of historical volatility, dividend yield, expected term and forfeiture rates.

Valuation and utilization of tax losses

The deferred tax liability is based on estimates as to the timing of the reversal of temporary differences, substantively enacted tax rates and the likelihood of assets being realized.

Valuation of derivative financial instruments

The Company's estimate of the fair value of derivative financial instruments depends on estimated forward prices and volatility in those prices.

(ii) JUDGEMENTS

The following are critical judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements. Management has determined that these critical judgments remain appropriate for these interim financial statements.

Impairment

The Company's assets are aggregated into CGUs for the purpose of calculating impairment. CGUs are based on an assessment of the unit's ability to generate independent cash inflows. The determination of the Company's CGUs was based on management's judgement in regards to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality.

Judgments are required to assess when impairment indicators are evident and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of land and other relevant assumptions.

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found.

03 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below were applied consistently to all periods presented in these financial statements. Certain comparative amounts were reclassified to conform with the current period's presentation, as noted below.

(a) PROPERTY AND EQUIPMENT

CAPITALIZATION

Items of property and equipment, which include oil and natural gas development and production assets, are measured at cost less accumulated depletion, depreciation and impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of decommissioning obligation, if any, and, for qualifying assets, borrowing costs. Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as petroleum and natural gas properties only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized petroleum and natural gas properties generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis.

DEPLETION AND DEPRECIATION

The net carrying value of development and production assets is depleted using the unit-of-production method by reference to the ratio of production in the year to the related proved plus probable reserves, taking into account estimated future development costs necessary to convert those reserves into production. Proved plus probable reserves are estimated annually by independent qualified reserves evaluators and represent the estimated quantities of crude oil, natural gas and NGLs which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. Future development costs are estimated taking into account the amount of physical development that will be required to produce the reserves. For interim financial statements, internal estimates of changes in reserves and future development costs are used for determining depletion for the period.

For depletion purposes, relative volumes of petroleum and natural gas production and reserves are converted at the energy-equivalent conversion rate of 6,000 cubic feet of natural gas to 1 barrel of crude oil.

Other property and equipment are stated in the statement of financial position at cost less accumulated depreciation. Depreciation is calculated over the estimated useful life of the asset based on the original cost less estimated residual value. The methods and useful lives of the Company's other property and equipment are as follows:

Facilities
20 years straight-line

Trucks and trailers
Three years straight-line

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

IMPAIRMENT

At each reporting date, Boulder assesses its development and production assets for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable. Such indicators include changes in the business plans, significant downward revisions of estimated volumes, significant declines in commodity prices, increases in estimated future development expenditures, changes in regulations, evidence of physical damage and low plant utilization. If any such indicator is evident, the asset's recoverable amount is estimated.

The assessment for impairment entails comparing the carrying value of the CGU with its recoverable amount, that is, the higher of fair value less costs to sell and value in use. Each CGU is identified in accordance with International Accounting Standard (IAS) 36 – "Impairment of Assets". If necessary, impairment is charged through the statement of operations and comprehensive income if the capitalized costs of the CGU exceed the recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or been erased. An impairment loss is reversed if there has been an increase in the estimated recoverable amount of a previously impaired asset. An impairment loss may never be reversed beyond the asset's original carrying amount, net of depreciation or depletion.

(b) EXPLORATION AND EVALUATION (E&E) ASSETS

CAPITALIZATION

Pre-licence costs are recognized in the statement of operations as incurred.

Oil and natural gas E&E assets are accounted for in accordance with IFRS 6 – "Exploration for and Evaluation of Mineral Resources", whereby costs associated with the exploration for and evaluation of oil and natural gas reserves are accumulated on an area-by-area basis and are capitalized as either tangible or intangible E&E assets when incurred. Pre-licence costs are recognized in the statement of operations and comprehensive income as incurred. E&E costs, including the costs of acquiring licences and of drilling and completing wells, initially are capitalized as E&E assets according to the expenditure's nature. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability.

When a specific well, field or area is determined to be technically feasible and commercially viable, the accumulated costs are transferred to property and equipment. When a specific well, field or area is determined not to be technically feasible or commercially viable, or the Company decides not to continue with the project, the unrecoverable costs are recorded in earnings as E&E expenses.

No depletion or depreciation is provided for E&E assets.

IMPAIRMENT

E&E 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. For purposes of impairment testing, E&E assets are tested at an operating segment level.

(c) BUSINESS COMBINATIONS

The purchase method of accounting is used to account for corporate acquisitions and assets that meet the definition of a business combination under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of closing. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognized immediately in the statement of operations and comprehensive income.

(d) LEASED ASSETS

Other leases are operating leases, which are not recognized on the Company's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the lease's term. Lease incentives received are recognized as an integral part of the total lease expense over the lease's term.

(e) JOINT INTEREST ACTIVITIES

Some of the Company's exploration, development and production activities are conducted jointly with other entities and, accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

(f) REVENUE RECOGNITION

Oil, natural gas and NGL sales are recognized when commodities are sold and title passes to the customer. Royalty expense is recognized as it accrues, in accordance with the overriding royalty agreements.

(g) DECOMMISSIONING LIABILITIES

The present value of expected future abandonment and reclamation costs is recorded on the statement of financial position as both a decommissioning liability and a charge to property and equipment at the time the obligation is incurred. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and is discounted using a risk-free interest rate. The amount included as property and equipment is depleted over the life of the reserves by the unit-of-production method. The liability accretes until the Company settles the decommissioning liability; this accretion charge is included as a finance cost on the statement of operations and comprehensive income. Actual reclamation and abandonment costs incurred are charged against the liability to the extent the liability was established.

Estimates for future abandonment and reclamation costs are based on historical costs to abandon and reclaim similar sites, taking into consideration current costs. The liability is based on the Company's net interest in the respective sites.

(h) INCOME TAXES

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

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

Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to do so, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

(i) FLOW-THROUGH SHARES

The Company may finance a portion of its exploration and development activities through the issuance of flow-through shares. Under flow-through share agreements, the resource expenditure deductions for income tax purposes related to exploratory development activities are renounced to subscribers in accordance with tax legislation. Flow-through shares issued are recorded in share capital at the fair value of common shares on the date of issuance. The premium received on issuing flow-through shares is initially recorded as a long-term premium liability. As qualifying expenditures are incurred, the premium is reversed and a deferred income tax liability is recorded. The net amount is then recognized as deferred income tax expense.

(j) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, term deposits held with banks and other short-term, highly liquid investments with maturities of three months or less at the time of purchase.

(k) SHARE-BASED COMPENSATION

The fair value of the options is determined using the Black-Scholes option pricing model and each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The grant date fair value of options granted to officers, directors, employees and certain consultants is recognized as compensation expense with a corresponding increase in contributed surplus over the vesting period. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

Upon the exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital. In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed. In the event that options are forfeited, previously recognized compensation expense associated with the unvested portion of such stock options is reversed.

(l) FINANCIAL INSTRUMENTS

(i) NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise cash and cash equivalents, accounts receivable, bank debt, and accounts payable and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through earnings, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, term deposits held with banks and other short-term, highly liquid investments with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management, whereby Company management has the ability and intent to net bank overdrafts against cash, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Financial Assets at Fair Value through Profit or Loss

An instrument is classified as fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated as fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has designated cash and cash equivalents at fair value.

Other

Other non-derivative financial instruments, which may include accounts receivable, accounts payable and accrued liabilities, and bank debt, are measured at amortized cost using the effective interest rate method less any impairment losses.

(ii) DERIVATIVE FINANCIAL INSTRUMENTS

The Company may enter into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges and, therefore, has not applied hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, all financial derivative contracts are classified as fair value through profit or loss and are recorded on the statement of financial position at fair value. Transaction costs are recognized in profit or loss when incurred. As at June 30, 2015, the Company has commodity and interest rate financial derivative contracts.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss. The Company does not have any embedded derivatives that are separately accounted for.

(m) SHARE CAPITAL

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and stock options are recognized as a deduction from equity, net of deferred income taxes.

(n) PER SHARE AMOUNTS

Basic net income or loss per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted-average number of common shares outstanding during the period. Diluted per share amounts are determined by adjusting the profit or loss attributable to common shareholders and the weighted-average number of common shares outstanding for the effects of dilutive instruments, such as stock options and warrants granted using the treasury stock method. Should the Company have a loss for the period, options and warrants would be anti-dilutive and, therefore, will have no effect on the determination of loss per share.

(o) COMMON CONTROL TRANSACTION

The assets and liabilities assumed by Boulder under the common control transaction, including property and equipment, exploration and evaluation assets, decommissioning liabilities, derivative financial instruments and a deferred tax liability, were originally recognized at the date of the acquisition at their respective carrying amounts according to the historical cost financial records of DeeThree.

(p) FUTURE ACCOUNTING POLICY CHANGES

In July 2014, IFRS 9 Financial Instruments was issued as a complete standard, including the requirements previously issued related to classification and measurement of financial assets and liabilities, and additional amendments to introduce a new expected loss impairment model for financial assets, including credit losses. Retrospective application of this standard with certain exemptions is effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted. The full impact of the standard on the Company's financial statements will not be known until the project is complete.

In December 2014, the IASB issued narrow-focus amendments to IAS 1 Presentation of Financial Statements to clarify existing requirements related to materiality, order of notes, subtotals, accounting policies and disaggregation. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2016, with earlier application permitted. The adoption of this amended standard is not expected to have a material impact on the Company's disclosure.

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. It replaces existing revenue recognition guidance and provides a single, principles based five-step model to be applied to all contracts with customers. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of this standard.

04 COMMON CONTROL TRANSACTION

As described in Note 1, on May 14, 2015, DeeThree shareholders approved the Plan of Arrangement whereby DeeThree would transfer its oil and natural gas properties located in the Brazeau Belly River and Peace River Arch areas of Northern Alberta, Canada ("Northern Assets") to Boulder and each DeeThree shareholder received one third (0.3333) of one share of New DeeThree shares and one half (0.5) of one share of Boulder. In connection with the Plan of Arrangement, in addition to the Northern Assets being transferred from DeeThree to Boulder, debt of $130 million as well as decommissioning liabilities, derivative financial instruments and a deferred tax liability were also transferred. Since the shareholders of Boulder and DeeThree upon the close of the Plan of Arrangement were the same, this transaction is a common control transaction. As such, the Company elected to recognize the assets and liabilities assumed by Boulder at the carrying amount of the Northern Assets according to the historical cost financial records of DeeThree as follows:

CARRYING AMOUNT OF NORTHERN ASSETS ACQUIRED

(000s)	*($)*
Property and equipment	403,154
Exploration and evaluation assets	26,988
Deferred income taxes	(24,400)
Decommissioning liabilities	(24,439)
Derivative financial instruments	(512)
Assumption of debt	(130,000)
	250,791
Retained earnings to the date of Plan of Arrangement	(50,534)
	200,257

CONSIDERATION

(000s)	*($)*
Common shares issued by way of Plan of Arrangement	200,257

05 EXPLORATION AND EVALUATION ASSETS

	Six Months Ended June 30, 2015	Year Ended December 31, 2014
(000s)	*($)*	*($)*
Balance – beginning of period	**26,969**	17,235
Additions	**756**	11,259
Acquisitions through business combinations	**–**	6,088
Transfers to property and equipment	**(508)**	(1,815)
E&E expenses	**–**	(5,367)
Lease expiries	**(256)**	(431)
Balance – end of period	**26,961**	26,969

E&E assets consist of the Company's exploration projects that are pending the determination of proved or probable reserves. Additions represent the Company's share of costs incurred on E&E assets during the period and acquisitions represent E&E assets included in business combinations during the period.

During the six month period ended June 30, 2015, the Company incurred $0.3 million related to lease expiries on undeveloped land (year ended December 31, 2014 - $0.4 million) and did not incur any costs related to the drilling of unsuccessful wells (year ended December 31, 2014 – $5.4 million on one well in the Peace River Arch area that was determined to be unsuccessful).

During the six month period ended June 30, 2015, approximately $0.08 million of directly attributable general and administrative expense and $0.1 million of directly attributable share-based compensation expense were capitalized as expenditures on exploration and evaluation assets (year ended December 31, 2014 – $0.4 million and $0.3 million, respectively).

06 PROPERTY AND EQUIPMENT

	Oil and Natural Gas Properties
(000s)	*($)*
Cost	
Balance – January 1, 2014	305,942
Additions	182,315
Acquisitions	17,252
Transfers from E&E assets	1,815
Balance – December 31, 2014	**507,324**
Additions	**47,494**
Transfers from E&E assets	**508**
Balance – June 30, 2015	**555,326**
Accumulated depletion and depreciation	
Balance – January 1, 2014	57,929
Depletion and depreciation for the year	54,142
Balance – December 31, 2014	**112,071**
Depletion and depreciation for the period	**27,012**
Balance – June 30, 2015	**139,083**
Net book value	
December 31, 2014	395,253
June 30, 2015	**416,243**

(a) CAPITALIZATION OF GENERAL AND ADMINISTRATIVE AND SHARE-BASED COMPENSATION EXPENSES

During the six month period ended June 30, 2015, approximately $0.6 million of directly attributable general and administrative expense and $0.4 million of directly attributable share-based compensation expense were capitalized as expenditures on property and equipment (year ended December 31, 2014 – $1.4 million and $1.2 million, respectively).

(b) AMORTIZATION AND IMPAIRMENT CHARGES

At June 30, 2015, management determined that no impairment indicators were present and as such, did not perform an impairment test.

(c) FUTURE DEVELOPMENT COSTS AND SALVAGE VALUE

During the six months ended June 30, 2015, an estimated $265.0 million of future development costs associated with proved plus probable undeveloped reserves were included in the calculation of depletion and depreciation expense and an estimated $12.3 million of salvage value of production equipment was excluded (year ended December 31, 2014 – $285.8 million and $12.3 million, respectively).

07 BANK DEBT

At June 30, 2015, the Company had a committed term syndicated credit facility (the "Syndicated Facility") with an authorized borrowing base of $175 million, including a $155 million extendible revolving facility and a $20 million operating facility. At June 30, 2015, $125.0 million was drawn against this facility (December 31, 2014 – $90.5 million).

The Syndicated Facility is available for a revolving period of 364 days plus a one-year term-out, which is extendible annually, subject to syndicate approval. Repayments of principal are not required provided that borrowings under the Syndicated Facility do not exceed the authorized borrowing amount and the Company is in compliance with covenants, representations and warranties. As at June 30, 2015, the Company is in compliance with all covenants. Covenants include reporting requirements, permitted indebtedness, permitted hedging and other standard business operating covenants. There are no financial covenants under the Syndicated Facility. The authorized borrowing amount is subject to interim reviews by the financial institutions and the next semi-annual review of the Syndicated Facility is scheduled for November 2015. Security is provided for by a floating charge demand debenture over all assets in the amount of $500 million.

Borrowings under the Syndicated Facility are available on a fully revolving basis until April 29, 2016, at which time the Company can request approval by the lenders for an extension of an additional 364 days or convert the outstanding indebtedness to a one-year term loan with full repayment due at April 28, 2017. As a result of these terms, the bank debt is classified as a long-term liability on the statement of financial position at June 30, 2015.

The Syndicated Facility bears interest on a grid system which ranges from bank prime plus 1.0 percent to bank prime plus 3.5 percent depending on the Company's total net debt to cash flow ratio as defined by the lender, ranging from less than 1:1 to greater than 4:1. The Syndicated Facility provides that advances may be made by way of prime rate loans, U.S. base rate loans, London InterBank Offered Rate (LIBOR) loans, bankers' acceptances or letters of credit. A standby fee of 0.500 percent to 1.125 percent is charged on the undrawn portion of the Syndicated Facility, also calculated depending on the Company's total net debt to cash flow ratio, as defined by the lender.

08 DECOMMISSIONING LIABILITIES

The Company has estimated the net present value of decommissioning obligations to be $24.8 million as at June 30, 2015 (December 31, 2014 – $22.5 million) based on an undiscounted total future liability of $33.0 million (December 31, 2014 – $31.2 million). These payments are expected to be incurred over a period of two to 20 years with the majority of costs to be incurred between 2017 and 2026. At June 30, 2015, a risk-free rate of 2 percent (December 31, 2014 – 2.5 percent) and an inflation rate of 2 percent (December 31, 2014 – 2 percent) were used to calculate the net present value of the decommissioning liabilities. The $1.4 million of revisions is related to a change in the risk-free rate used in the calculation.

	Six Months Ended June 30, 2015	Year Ended December 31, 2014
(000s)	*($)*	*($)*
Balance – beginning of period	**22,526**	16,673
Liabilities incurred	**744**	1,750
Liabilities acquired	**–**	1,415
Revisions	**1,430**	2,164
Settlements	**(132)**	(17)
Accretion of decommissioning liabilities	**256**	541
Balance – end of period	**24,824**	22,526

09 SHARE CAPITAL

(a) AUTHORIZED

Unlimited number of common voting shares, no par value.
Unlimited number of preferred shares, no par value, issuable in series.

(b) ISSUED – COMMON SHARES

	Six Months Ended June 30, 2015		Year Ended December 31, 2014	
	Shares	*Amount*	*Shares*	*Amount*
	(#)	*($000s)*	*(#)*	*($000s)*
Balance – beginning of period	**1**	**–**	–	–
Common shares issued	**–**	**–**	1	–
Common shares issued by way of Plan of Arrangement	**45,517,092**	**200,257**	–	–
Share issue costs	**–**	**(200)**	–	–
Tax benefit of share issue costs	**–**	**54**	–	–
Balance – end of period	**45,517,093**	**200,111**	1	–

In May 2015, Boulder issued 45,517,092 common shares in the initial treasury order related to the Plan of Arrangement.

(c) PER SHARE AMOUNTS

Per share amounts were calculated on the weighted-average number of shares outstanding. For the purpose of computing per share amounts, the number of shares outstanding for the periods prior to the Plan of Arrangement is deemed to be the number of shares issued by the Company to the shareholders of DeeThree upon closing of the Plan of Arrangement. For the period after the Plan of Arrangement, the number of shares outstanding in the computation of per share amounts is the total issued shares of the Company on May 15, 2015.

The basic and diluted shares outstanding were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
(000s, except per share amounts)	*($)*	*($)*	*($)*	*($)*
Net income (loss) for the period	**(403)**	11,027	**138**	18,682
	(#)	*(#)*	*(#)*	*(#)*
Weighted-average number of common shares				
– basic	**45,517**	45,517	**45,517**	45,517
– diluted	**45,637**	45,517	**45,637**	45,517
	($)	*($)*	*($)*	*($)*
Net income (loss) per weighted average common share				
– basic	**(0.01)**	0.24	**–**	0.41
– diluted	**(0.01)**	0.24	**–**	0.41

10 SHARE-BASED COMPENSATION

The Company has an option plan that entitles officers, directors, employees and certain consultants to purchase Company shares. Options are granted based on the five-day volume-weighted average common share price prior to the date of grant, vest 20 percent after six months and then 20 percent on the first, second, third and fourth anniversaries from the grant date and expire five years from the grant date.

The number and weighted-average exercise prices of stock options are as follows:

	Six Months Ended June 30, 2015		Year Ended December 31, 2014	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
	(#)	*(#)*	*(#)*	*($)*
Outstanding – January 1	**–**	**–**	–	–
Options issued under the Plan of Arrangement (i)	**311,797**	**$4.49**	–	–
New Options Issued (ii)	**1,399,000**	**$8.27**	–	–
Outstanding – end of period	**1,710,797**	**$7.58**	–	–
Exercisable – end of period	**21,500**	**$5.04**	–	–

(i) OPTIONS ISSUED UNDER THE PLAN OF ARRANGEMENT

As part of the Plan of Arrangement, some of the DeeThree options were cancelled and replaced with new Boulder options. This option program entitles officers, directors, employees and certain consultants to purchase Company shares. Options were issued based on the exercise price proportion of the fraction A/B, where A is the volume weighted average price of the Boulder Common Shares on the first five trading days on the TSX and B is the aggregate of (i) the volume weighted average price of Boulder Common shares for the first five trading days on the TSX and (ii) the volume weighted average price of the Granite Common shares on the first five trading days on the TSX. These options maintain the same vesting and expiry dates from when the original DeeThree options were previously issued.

The number and weighted average contractual life of the options granted in connection with the Plan of Arrangement are as follows:

Weighted-Average Exercise Price	Options Outstanding	Weighted-Average Contractual Life	Options Exercisable
($)	*(#)*	*(years)*	*(#)*
As at June 30, 2015			
3.00-3.99	129,000	1.33	–
4.00-4.99	103,293	1.60	6,000
5.00-5.99	52,504	1.57	15,500
6.00-6.99	3,000	2.21	–
7.00-7.99	24,000	2.42	–
	311,797	1.55	21,500

The fair value of the replacement common share purchase options granted in connection with the Plan of Arrangement as at the date of grant using the Black-Scholes option-pricing model and the following weighted-average assumptions:

	Six Months Ended June 30, 2015
Risk-free interest rate	0.64%
Expected life	1.63 years
Expected volatility	70%
Expected dividend yield	0%
Fair value of options granted during the period	$1.58/option

(ii) NEW OPTIONS

The number and weighted average contractual life of the options granted under the Company's stock option plan during the period are as follows:

Weighted-Average Exercise Price	Options Outstanding	Weighted-Average Contractual Life	Options Exercisable
($)	*(#)*	*(years)*	*(#)*
As at June 30, 2015			
8.00-8.50	1,399,000	4.98	–
	1,399,000	4.98	–

The fair value of the new common share purchase options granted during the period was estimated as at the date of grant using the Black-Scholes option-pricing model and the following weighted-average assumptions:

	Six Months Ended June 30, 2015
Risk-free interest rate	0.73%
Expected life	3.10 years
Expected volatility	61%
Expected dividend yield	0%
Fair value of options granted during the period	$3.30/option

A forfeiture rate of 2 percent for options granted during the six months ended June 30,2015 was used when recording share-based compensation expense. This estimate is adjusted to the actual forfeiture rate. Gross share-based compensation was $1.2 million for the period ended June 30, 2015 (year ended December 31, 2014 - $3.1 million). Of this amount, $0.04 million was reclassified to operating expense for the amount related to field employees (year ended December 31, 2014 – $0.1 million) and $0.5 million was capitalized (year ended December 31, 2014 – $1.2 million), resulting in total net share-based compensation expense of $0.7 million for the period (year ended December 31, 2014 - $1.2 million).

All share based compensation up to the date of the Plan of the Arrangement included in the carve-out financial statements has been included in the Net Investment in Northern Assets account on the Statement of Changes in Shareholders' Equity.

11 SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital are comprised of:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
(000s)	*($)*	*($)*	*($)*	*($)*
Accounts receivable	**9,446**	(1,009)	**9,254**	(11,952)
Deposits and prepaid expenses	**531**	(258)	**74**	(641)
Accounts payable and accrued liabilities	**(1,612)**	(10,235)	**(10,632)**	7,970
	8,365	(11,502)	**(1,304)**	(4,623)
Related to operating activities	**11,218**	1,062	**(1,373)**	(933)
Related to investing activities	**(2,853)**	(12,564)	**69**	(3,690)
	8,365	(11,502)	**(1,304)**	(4,623)

12 DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Boulder classifies the fair value of these transactions according to the following hierarchy based on the nature of the 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 continuous pricing information.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices 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 are derived from inputs that are not based on observable market data.

The carrying value of bank debt, accounts receivable, accounts payable and accrued liabilities included in the statement of financial position approximate fair value due to the short-term nature of those instruments. The fair value measurement of the derivative financial instruments has a fair value hierarchy of Level 2.

(a) PROPERTY AND EQUIPMENT AND E&E ASSETS

The fair value of property and equipment recognized in a business combination is based on market values. The market value of property and equipment is the estimated amount for which property and equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of petroleum and natural gas properties (included in property and equipment) and E&E assets is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

The market value of other items of property and equipment is based on the quoted market prices for similar items.

(b) BANK DEBT, ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The fair value of bank debt, accounts receivable, accounts payable and accrued liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value of these balances approximated their carrying value at June 30, 2015 due to their short term to maturity.

(c) STOCK OPTIONS

The fair value of stock options is measured using the Black-Scholes option-pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted-average historical volatility adjusted for changes expected due to publicly available information), weighted-average expected life of the instruments (based on historical experience and general option-holder behaviour) and the risk-free interest rate (based on Government of Canada bonds).

(d) DERIVATIVE FINANCIAL INSTRUMENTS

As at June 30, 2015, the Company had the following crude oil, natural gas, foreign exchange and interest rate risk management contracts, with a total mark-to-market asset of $0.03 million, all of which is short-term (December 31, 2014 – short term asset of $14.7 million):

CRUDE OIL CONTRACTS

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price
May 15/15 – Dec.31/15	Crude Oil	Fixed	1,000 bbls/d	WTI-NYMEX	US $60.25
July.1/15 – Dec.31/15	Crude Oil	Fixed	1,000 bbls/d	WTI-NYMEX	US $61.10

INTEREST RATE CONTRACT

Term	Amount	Fixed Rate	Index
May 15/15 – Feb. 18/16	Cdn$30 million	1.44%	CDOR

13 NET INVESTMENT IN NORTHERN ASSETS

DeeThree's net investment in the operations of the Northern Assets is presented as a net investment in Northern Assets in these interim financial statements. The net investment in Northern Assets is comprised of the accumulated net contributions from and distributions to DeeThree up to May 15, 2015, the date of the common control transaction as described in Notes 1 and 4. All share based compensation up to the date of the Plan of the Arrangement included in the carve-out financial statements has been included in the Net Investment in Northern Assets account on the Statement of Changes in Shareholders' Equity.

Net financing transactions with DeeThree as presented on the interim statement of cash flows represent the net contributions and distributions related to funding between Northern Assets and DeeThree. The following table reconciles the net investment in Northern Assets:

	Six Months Ended June 30, 2015	Year Ended December 31, 2014
Balance, beginning of period	**238,439**	164,761
Distribution of Northern Assets from DeeThree	**(200,257)**	–
Net distributions to DeeThree	**(24,699)**	71,873
Share-based compensation	**620**	1,805
Reserve for common control	**(14,103)**	–
Balance, end of period	**–**	238,439

14 COMMITMENTS

Years Ended December 31,	**2015**	2016	Total
(000s)	*($)*	*($)*	*($)*
Operating lease – office	**213**	107	320
Operating lease – equipment	**16**	–	16
Total	**229**	107	336

As at June 30, 2015, the Company had contractual obligations for its office leases totaling approximately $0.3 million to March 2016. The head office lease obligations are comprised of lease payments and an estimate of occupancy costs. The Company also had contractual obligations for several vehicles and equipment totally approximately $0.02 million to October 2015.

15 SUBSEQUENT EVENTS

Subsequent to the quarter end, on July 2, 2015, the Company issued 485,000 flow-through shares at a price of $9.55 per flow-through share and 466,000 flow-through shares at a price of $11.25 per flow-through share for total gross proceeds of $9.87 million through a private placement. In connection with the issuance of flow-through shares, the Company is required to spend $4.63 million on eligible development expenditures and $5.24 million on eligible exploration expenditures by December 31, 2016. The expenditures will be renounced to shareholders effective December 31, 2015.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Michael Kabanuk, Chairman
President and CEO of
Granite Oil Corp.

Brendan Carrigy
Independent Businessman

Martin Cheyne
Chief Executive Officer
Boulder Energy Ltd.

Henry Hamm (1)(2)(3)(4)
Independent Businessman

Dennis Nerland (1)(2)(3)
Partner
Shea Nerland Calnan LLP

Brad Porter (1)(2)(3)(4)
Independent Businessman

Kevin Andrus (1)(2)(3)(4)
Portfolio Manager of
Energy Investments
GMT Capital Corp.

(1) Audit Committee Member
(2) Reserves Committee Member
(3) Corporate Governance & Compensation Committee Member
(4) Nominating Committee Member

OFFICERS

Martin Cheyne
Chief Executive Officer

Clayton Thatcher
President

Casey Paulhus
Chief Financial Officer

Robin Bieraugle
Chief Operating Officer

Trevor Murray
Vice President, Land

Mel Chambers
Vice President, Exploration

Hayden Knorr
Vice President, Production

Daniel Kenney
Corporate Secretary

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Calgary, Alberta

ATB Financial
Calgary, Alberta

The Bank of Nova Scotia
Calgary, Alberta

The Toronto-Dominion Bank
Calgary, Alberta

EVALUATION ENGINEERS

Sproule Associates Limited
Calgary, Alberta

LEGAL COUNSEL

DLA Piper (Canada) LLP
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

CST Trust Company
Calgary, Alberta

STOCK TRADING

Toronto Stock Exchange
Trading Symbol: BXO

OTCQX
Trading Symbol: BLLDF

ABBREVIATIONS

bbls	barrels
boe	barrels of oil equivalent
GJ	gigajoules
/d	per day
mbbls	thousand barrels
mboe	thousand barrels of oil equivalent
mcf	thousand cubic feet
mm	million
mmbtu	million British thermal units
mmcf	million cubic feet
NGLs	natural gas liquids

CONVERSION OF UNITS

1.0 mcf	=	1.02 mmbtu
1.0 mcf	=	1.05 GJ
1.0 acre	=	0.40 hectares
2.5 acres	=	1.0 hectare
1.0 bbl	=	0.159 cubic metres
6.29 bbls	=	1.0 cubic metre
1.0 foot	=	0.3048 metres
3.281 feet	=	1.0 metre
1.0 mcf	=	28.2 cubic metres
0.035 mcf	=	1.0 cubic metre
1.0 mile	=	1.61 kilometres
0.62 miles	=	1.0 kilometre

Natural gas is equated to oil on the basis of 6 mcf : 1 bbl

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