Anterra Energy Inc.

Financial Statements

For the years ended December 31, 2015 and 2014

Independent Auditors' Report

To the Shareholders of Anterra Energy Inc.

We have audited the accompanying financial statements of Anterra Energy Inc. which comprise the statement of financial position as at December 31, 2015, the statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Anterra Energy Inc. as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 2 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Anterra Energy Inc.'s ability to continue as a going concern.

Other Matter
The financial statements of the Anterra Energy Inc. as at and for the year ended December 31, 2014, were audited by another auditor who expressed an unmodified opinion on those financial statements on April 28, 2015.

MNP LLP

Calgary, Alberta
July 28, 2016

Chartered Professional Accountants

MNP LLP

ANTERRA ENERGY INC

Statements of Financial Position

As at December 31	Note	**2015**	2014
Assets			
Current			
Trade and other receivables	7	**$ 1,690,088**	$ 2,747,669
Deposits and prepaid expenses		**825,627**	1,090,822
Fair value of risk management contracts	13	**-**	222,111
		2,515,715	4,060,602
Non-current			
Property, plant and equipment	9	**36,078,853**	64,445,608
Evaluation and exploration assets	10	**-**	386,667
		$ 38,594,568	$ 68,892,877
Liabilities			
Current			
Bank debt	11	**$ 9,920,816**	$ 12,484,515
Trade and other payables		**11,896,022**	9,687,480
Fair value of risk management contracts	13	**429,482**	-
		22,246,320	22,171,995
Non-current			
Other non-current liabilities	12	**-**	2,808,105
Decommissioning liabilities	14	**24,549,767**	22,669,166
Convertible debenture	15	**3,732,117**	3,610,812
		50,528,204	51,260,078
Equity			
Share capital	17	**46,706,177**	46,706,177
Equity component of convertible debenture	15	**454,895**	454,895
Contributed surplus		**2,882,545**	2,882,545
Deficit		**(61,977,253)**	(32,410,818)
		(11,933,636)	17,632,799
		$ 38,594,568	$ 68,892,877

Going concern (Note 2)
Subsequent events (Note 24)

See accompanying notes to financial statements

"signed" Director
(Gang Fang)

"signed" Director
(Gary Chang)

ANTERRA ENERGY INC

Statements of Loss and Comprehensive Loss

For the years ended December 31,	Note	**2015**	2014
Revenue			
Production and processing		**$ 12,570,594**	$ 23,779,400
Royalties		**(1,137,655)**	(5,053,519)
		11,432,939	18,725,881
Realized gain on risk management contracts	13	**986,881**	194,512
Unrealized (loss) gain on risk management contracts	13	**(651,593)**	222,111
		11,768,227	19,142,504
Expenses			
Production and operating		**8,275,297**	11,522,489
Transportation		**718,328**	1,022,161
Spill clean-up and site remediation recovery		**(1,478,102)**	2,865,021
Depletion, and depreciation	9	**5,181,700**	4,235,607
General and administrative		**1,983,522**	2,598,506
Finance expense	19	**1,562,867**	1,397,382
Share-based payments	18	**-**	1,752
Impairment expense	9	**25,240,171**	11,553,164
		41,483,783	35,196,082
Loss before income tax		**(29,715,556)**	(16,053,578)
Other Income	9	**149,121**	-
Loss and comprehensive loss		**$ (29,566,435)**	$ (16,053,578)
Loss per share			
Basic and diluted	20	**$ (0.06)**	**$ (0.03)**

See accompanying notes to financial statements

ANTERRA ENERGY INC

Statements of Changes in Equity

	Note	Share Capital	Equity Component of Convertible Debenture	Contributed Surplus	Deficit	Total Equity
Balance, January 1, 2014		$46,706,177	$ 454,895	$2,880,793	$ (16,357,240)	$33,684,625
Share based payments	18	-	-	1,752	-	1,752
Loss for the year		-	-	-	(16,053,578)	(16,053,578)
Balance, December 31 , 2014		$46,706,177	$ 454,895	$2,882,545	$ (32,410,818)	$17,632,799
Loss for the year		-	-	-	(29,566,435)	(29,566,435)
Balance, December 31 , 2015		**$46,706,177**	**$ 454,895**	**$2,882,545**	**$ (61,977,253)**	**$(11,933,636)**

See accompanying notes to financial statements

ANTERRA ENERGY INC
Statements of Cash Flows

For the years ended December 31,		**2015**		2014
Operating activities:	Note			
Loss for the year		**$ (29,566,435)**	$	(16,053,578)
Adjustments for:				
Depletion and depreciation	9	**5,181,700**		4,235,607
Accretion	19	**553,062**		675,171
Share based payments	18	**-**		1,752
Sale of property, plant and equipment		**(114,369)**		-
Unrealized gain on risk management contracts	13	**651,593**		(222,111)
Impairment expense	9	**25,240,171**		11,553,164
Decommissioning expenditure	14	**(19,270)**		(698,533)
Change in non-cash working capital	21	**775,511**		6,518,896
Cash provided by operating activities		**2,701,963**		6,010,368
Investing activities:				
Property, plant and equipment expenditures	9	**(335,966)**		(6,947,240)
Proceeds of sale of property, plant and equipment		**250,000**		-
Change in non-cash working capital	21	**(52,298)**		2,467,061
Cash used in investing activities		**(138,264)**		(4,480,179)
Financing activities:				
Repayment of bank debt		**(2,563,699)**		(1,530,189)
Cash used in financing activities		**(2,563,699)**		(1,530,189)
Change in cash and cash equivalents		**$ -**	$	-
Cash and cash equivalents, beginning of year		**$ -**	$	-
Cash and cash equivalents, end of year		**$ -**	$	-

See accompanying notes to financial statements

1. Reporting entity:

Anterra Energy Inc. ("Anterra" or the "Company") is engaged in the acquisition, exploitation, development and production of oil and natural gas from properties in western Canada. The Company's common shares are listed and trade on the TSX Venture Exchange under the symbol AE.A. The Company's head office is located at 1420, 1122 4th Street SW, Calgary, Alberta T2R 1M1 and its registered office is located at 3700, 400 - 3rd Avenue SW Calgary, Alberta T2P 4H2.

The Company has two reportable operating segments and a corporate segment. The oil and gas production segment explores for, develops and produces oil and natural gas. The midstream processing segment provides oil and gas processing and water disposal services to third parties.

2. Going Concern:

Continuing weak crude oil prices experienced during 2015 have negatively impacted earnings and cash flow for the period. Additionally, two major pipeline failures at the Company's Nipisi property during 2014, compounded by related production interruptions, have further strained the Company's financial resources.

As a result, at December 31, 2015, the Company has a working capital deficiency of $9.8 million, excluding bank debt of $9.9 million, at December 31, 2015, and was in default under its Credit Facility Agreement.

Pursuant to a review by the Company's lender, Canadian Western Bank ("CWB") effective March 9, 2015, the Company's revolving, operating demand loan credit facility was reduced to a maximum amount of $10 million and a non-revolving demand loan facility with maximum amount of $1.0 million. The non-revolving loan facility was repayable as to $200,000 on acceptance of a facilities agreement and thereafter in minimum monthly principal payments of $200,000. On April 15, 2016 CWB made demand upon the Company for payment in full of Anterra's outstanding indebtedness.

On May 6, 2016, pursuant to an order granted by the Court of Queen's Bench of Alberta, the Company obtained creditor protection under the *Companies' Creditors Arrangement Act* (Canada) (The "CCAA"). CCAA protection stays creditors and others from enforcing rights against Anterra and affords the Company the opportunity to restructure its financial affairs. In conjunction with the CCAA application, the Company has arranged for a $2.5 million interim convertible loan which is available to the Company to fund the CCAA proceedings, expenditures required to place oilfield operations back online and general operations.

These conditions create a material uncertainty that may cast significant doubt as to the Company's ability to execute on its business plan and continue as a going concern.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of obligations in the normal course of business. If this assumption is not appropriate, adjustments to the carrying amounts of assets and liabilities, revenues and expenses and the statement of financial position classifications used in the financial statements may be necessary and such adjustments could be material.

3. Basis of preparation:

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (“IASB”).

The financial statements have been prepared on the historical cost basis except as disclosed in Note 6, and are presented in Canadian dollars ($CAD), which is the Company’s functional currency.

The financial statements were authorized for issuance by the Board of Directors on July 28, 2016.

Use of estimates and judgments:

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Actual results may differ materially from these estimates.

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 for any future years affected. Significant estimates and judgments made by management in the preparation of these financial statements are outlined below.

Critical judgments in applying accounting policies:

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

Judgments are required to assess when impairment indicators exist and impairment testing is required.

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.

Key sources of estimation uncertainty:

The following are the key sources of estimation uncertainties affecting the measurement of balances and transactions in these financial statements.

(i) Impairment estimate:

The assessment for impairment for P&E and E&E assets involves comparing the carrying value of the CGU with the higher of value in use calculations and fair value less costs to sell. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional supply-and-demand conditions for crude oil, natural gas and liquids. Impairment is recognized in the statement of loss and comprehensive loss in the period in which carrying amount exceeded the recoverable amount.

Impairment reversals are recognized to the extent of the original impairment, but are limited to the net book value that would have existed had the original impairment never been recorded, including estimates for depletion. In determining the appropriate discount rate the Company considers the acquisition metrics of recent transactions completed on similar assets to those in the specific CGU.

(ii) Decommissioning obligations:

The Company estimates decommissioning obligations for oil and gas wells and their associated production facilities and pipelines. In most instances, removal of assets and remediation occurs many years into the future. This requires assumptions and estimates regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, and future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

(iii) Income taxes:

Tax provisions are based on enacted or substantively enacted legislation. Changes in legislation could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and an assessment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

(iv) Reserves:

Estimation of reported recoverable quantities of proved and probable reserves include judgmental assumptions regarding production profiles, future commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and production, transportation and marketing costs for future cash flows, as well as the interpretation of complex geological and geophysical models and data.

The economical geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying values of the Company's petroleum and natural gas properties and equipment, the calculation of depletion and depreciation, the provision for decommissioning obligations, and the recognition of deferred tax assets due to changes in expected future cash flows. The recoverable quantities of reserves and estimated cash flows from Anterra's petroleum and natural gas interests are assessed and evaluated at least annually by independent reserve evaluators in accordance with National Instrument 51-101.

(v) Share-based payments:

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

4. Significant accounting policies:

The accounting policies set out below have been applied consistently in these financial statements.

(a) Financial instruments:

(i) Non-derivative financial instruments:

Non-derivative financial instruments comprise trade and other receivables, bank debt, trade and other payables, convertible debenture and other non-current liabilities. Financial assets have been classified as loans and receivables, financial liabilities have been classified as other financial liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these non-derivative financial instruments 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 will not be used for trading or speculative purposes. The Company has not designate its financial derivative contracts as effective accounting hedges, and therefore will not apply hedge accounting, even though the Company considers all commodities contracts to be economic hedges. As a result, all financial derivative contracts will be classified as fair value through profit or loss and will be recorded on the statements of financial position at fair value. Transaction costs are recognized in profit or loss when incurred.

(iii) Compound financial instruments;

Compound financial instruments issued by the Company may comprise convertible debentures that can be converted to common shares at the option of the holder for a fixed number of common shares.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component, if any, is recognized initially at the difference between the fair value of the compound financial instruments as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

(iv) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(b) Exploration and evaluation assets and property, plant and equipment:

(i) Recognition and measurement:

Exploration and evaluation expenditures:

Pre-license costs are recognized in the statement of loss and comprehensive loss as incurred.

Exploration and evaluation ("E&E") costs, including the costs of acquiring licenses, geological and geophysical expenditures and drilling and completion costs are initially capitalized as either tangible or intangible exploration or evaluation assets according to the nature of the assets acquired. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability.

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.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven and probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proven and/or probable reserves have been discovered. Upon determination of proven and probable reserves, intangible E&E assets attributable to those reserves are first tested for impairment and then transferred from E&E assets to a separate category within tangible assets referred to as oil and natural gas interests.

The cost of undeveloped land that expires or any impairment recognized during a period is charged against earnings as exploration and evaluation expense.

Development and production costs:

Items of property, plant and equipment ("PP&E"), which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. The initial cost of an asset includes its purchase price or construction cost, costs attributable to bringing the asset into operation and the initial estimate of decommissioning obligations. Development and production assets are grouped into CGUs for impairment testing. When significant parts of an item of PP&E, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Disposition:

Gains or losses on disposal of an item of PP&E, including oil and natural gas interests are recognized in the statement of loss and comprehensive loss. The gain or loss is measured as the difference between the fair value of proceeds received and the carrying value of the asset disposed, including capitalized future decommissioning costs.

(ii) Subsequent costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of PP&E are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the statement of loss and comprehensive loss as incurred. Such capitalized oil and natural gas interests 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. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of PP&E are recognized in the statement of loss and comprehensive loss as incurred.

(iii) Depletion and depreciation:

The net carrying amount 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 proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Proven and probable reserves are estimated annually using independent reserve engineer reports prepared in accordance with Canadian Securities Regulation National Instrument 51-101, and represent the estimated quantities of crude oil, natural gas and natural gas liquids 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.

For other assets, depreciation is recognized on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for other assets for the current and comparative years are as follows:

Midstream processing equipment	20 years
Office and other equipment	5 years
Turnaround	3 years

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

(c) Impairment:

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the statement of loss and comprehensive loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the statement of loss and comprehensive loss.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than E&E assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and other intangible assets that have indefinite lives or that are not yet available for use an impairment test is completed each year. E&E assets are assessed for impairment when they are reclassified to PP&E and when facts and circumstances suggest the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value less cost to sell is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction. The fair value less cost to sell of oil and natural gas assets is generally determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU discounted by an appropriate discount rate. Consideration is given to acquisition metrics of recent transactions completed on similar assets to those contained within the relevant CGU.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to the CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset, or its CGU, exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the assumptions used to determine the recoverable amount in the period that led to impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

(d) Business combinations:

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

Transaction costs that are incurred in connection with a business combination other than those associated with the issue of debt or equity securities, are recognized in the statement of loss and comprehensive loss.

(e) Share based payments:

The Company uses the fair value method for valuing share based compensation. Under this method, the compensation cost attributed to stock options are measured at the fair value at the grant date and expensed over the vesting period with a corresponding increase in contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the settlement of the stock options, the previously recognized value in contributed surplus is recorded as an increase to share capital.

(f) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

(g) Decommissioning liabilities:

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of expenditures required to settle the present obligation at the measurement date using a risk free discount rate. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision is established.

(h) Revenue:

Revenue from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party.

Revenue from midstream activities is recorded when the service is rendered to the customer.

Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

(i) Finance income and expenses:

Finance expense is comprised of interest expense on borrowings, accretion of the discount on decommissioning liabilities and accretion of the equity component of convertible debentures. Interest income is recognized as it accrues, using the effective interest rate method.

(j) Income tax:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of loss and comprehensive 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 taxes are recognized in respect of 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 or on taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable income 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.

(k) Per share amounts:

Basic earnings (loss) per share is calculated by dividing the net income (loss) for the year attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The Company's potentially dilutive instruments are comprised of stock options granted and warrants issued.

5. New Accounting Pronouncements:

The following pronouncements from the IASB will become effective for financial reporting periods beginning on or after January 1, 2016 and have not yet been adopted by the Company. All of these new or revised standards permit early adoption with transitional arrangements depending upon the date of initial application:

IFRS 9 “Financial Instruments” replaces IAS 39 “Financial Instruments: Recognition and Measurement” and addressed the classification and measurement of financial instruments with an, effective date of January 1, 2018.

IFRS 15 “Revenue From Contracts with Customers” replaces IAS 11 “Construction Contracts” and IAS 18 “Revenue” and establishes a single revenue recognition framework that applies to contracts with customers, effective date of January 1, 2018.

IFRS 16 “Leases” replaces IAS 17 “Lease” and requires entities to recognize lease assets and lease obligations on the balance sheet, essentially removing the classification of leases as either operating leases or finance leases and treating all leases as finance leases, effective January 1, 2019.

The Company has not completed its evaluation of the effect of adopting these standards on its financial statements.

6. Determination of fair values:

A number of the Company’s accounting policies and disclosures require the determination of fair value, for both 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 note specific to that asset or liability.

(a) Trade and other receivables, bank debt, trade and other payables and other non-current liabilities

The fair value of these balances approximated their carrying value due to their short term to maturity. The carrying value of bank debt approximates fair value due to the floating interest rate. The carrying value of other non-current liabilities approximates its fair value as the interest rate is a market interest rate.

(b) Share based compensation

The fair value of share based payments is measured using a Black-Scholes option-pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic 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 behavior), expected dividends, and the risk-free interest rate (based on government bonds).

(c) Property, plant and equipment and exploration and evaluation assets

The fair value of oil and natural gas interests, included in PP&E, are estimated with reference to the discounted cash flows expected to be derived from oil and gas production based upon externally prepared reserve reports. The fair values of E & E assets are estimated with reference to values of current arm's length transactions in comparable locations.

(d) Derivatives

The fair value of risk management contracts is determined by discounting the difference between the contracted prices and published forward price curves as at the statement of financial position date, using the remaining contracted amounts and risk-free interest rate (based on published government rates). The fair value of options and costless collars is based on option models that use published information with respect to volatility, prices and interest rates.

7. Financial risk management:

(a) Overview:

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities. Financial risks include; credit risk, liquidity risk and market risk.

The following addresses the Company's exposure to each of these risks, its objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(b) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from joint venture partners and oil and natural gas marketers.

All of the Company's operations are conducted in Canada. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with stable, substantial and industry recognized purchasers. Historically, the Company has not experienced any collection issues with its oil and natural gas marketers. Receivables from joint interest partners are typically collected within one to three months of the joint interest bill being issued. The Company attempts to mitigate risk relating to joint interest receivables by obtaining partner pre-approval of significant capital expenditures and in other instances may request cash advances in cases of significant capital expenditures. Collection of outstanding balances, however, is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. Further risk exists with joint interests as disagreements occasionally arise that increase the potential for non-collection. The Company does not typically obtain collateral from oil and natural gas marketers or joint interests; however, the Company does have the ability to withhold production from joint partners in the event of non-payment.

As at December 31, 2015 and 2014, the Company's trade and other receivables are comprised as follows:

	2015	2014
Oil and natural gas marketing companies	**1,305,161**	1,162,758
Joint interest partners	**638,114**	1,740,446
Allowance for doubtful accounts	**(253,187)**	(155,535)
	1,690,088	2,747,669

As at December 31, 2015 and 2014, the Company's trade and other receivables are aged as follows:

	2015	2014
Current (less than 90 days)	**1,314,576**	2,623,232
Past due (more than 90 days)	**628,699**	280,272
Allowance for doubtful accounts	**(253,187)**	(155,535)
	1,690,088	2,747,969

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's financial liabilities consist of bank debt, trade and other payables, other non-current liabilities and a convertible debenture.

The Company ensures that it has sufficient resources to meet expected operational expenses including the servicing of financial obligations excluding the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. To achieve this objective, the Company prepares annual capital and operational expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditure. The Company also attempts to match its payment cycle with collection of oil and natural gas revenue on the 25th of each month.

As at December 31, 2015, financial liabilities total $25,978,437 (2014 - $28,590,912) all of which are current except for $3,732,117 (2014 - $3,610,812) convertible debenture (Note 15) which is due on March 15, 2018.

(d) Market risk:

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company may use both financial derivatives and physical delivery sales contracts to manage market risks. All such transactions will be conducted within risk management tolerances as set by the Board of Directors. Refer to note 13 for details regarding the Company's risk management contracts.

Currency risk:

All sales are valued in $CAD. Prices for oil are determined in global markets and generally denominated in United States dollars. Natural gas prices obtained by the Company are influenced by both US and Canadian demand and the corresponding North American supply, and recently, by imports of liquefied natural gas. The exchange rate effect cannot be quantified but generally an increase in the value of the $CAD as compared to the United States dollar ($US) will reduce the prices received by the Company for its petroleum and natural gas sales.

Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The interest charged on the outstanding bank loan fluctuates with the interest rates posted by the lenders. The Company is exposed to interest rate risk on its bank debt which bears a floating interest rate and has not entered into any mitigating interest rate contracts.

For the year ended December 31, 2015, a 1% or 100 basis point increase or decrease in market interest rates on the Company's floating rate bank debt would change net loss by $99,208.

Commodity price risk:

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar and also world economic events that dictate the levels of supply and demand.

(e) Capital management:

The Company's objective in managing its capital structure is to maintain a flexible structure that permits the Company to meet its financial obligations, execute on its planned growth strategy and preserve its access to capital markets. The Company's capital structure is composed of the following:

	2015	2014
Shareholders' equity	**$ (11,933 636)**	**$ 17,632,799**
Convertible debenture	**3,732,117**	**3,610,812**
Other non-current liabilities	**-**	**2,808,105**
Bank debt	**9,920,816**	**12,484,515**
Net working capital deficiency	**9,809,789**	**5,626,878**
	$11,529,086	**$ 42,163,109**

In a normal economic environment, the Company is able to manage its capital structure and make adjustments in response to changes in economic conditions and the underlying risk associated with oil and gas assets. The Company monitors its capital and financing requirements through an annual budget process and monthly updates to the budget forecast and working capital projections. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances, the use of bank and other credit arrangements, adjusting capital spending, or by undertaking other strategies as deemed appropriate under the specific circumstances.

Under the Company's current bank debt agreement, it is required to maintain a working capital ratio, after adding the unused portion of the revolving demand loan facility and excluding outstanding debt under the facility, of not less than 1:1. As at December 31, 2015, the adjusted working capital ratio was below 1:1 and the Company is in default under the bank debt agreement. The default may continue throughout 2016.

Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the year ended December 31, 2015. The Company is not subject to externally imposed capital requirements.

8. Segmented financial information:

For the year ended December 31, 2015	Oil and Gas Production	Midstream Processing	Corporate Segment	Eliminations	Total
Revenue	$ 9,024,395	$ 3,582,828	-	$ (36,629)	$ 12,570,594
Royalties	(1,137,655)	-	-	-	(1,137,655)
	7,886,740	3,582,828	-	(36,629)	11,432,939
Realized gain on risk management contracts	986,881	-	-	-	986,881
Unrealized loss on risk management contracts	(651,593)	-	-	-	(651,593)
	8,222,028	3,582,828	-	(36,629)	11,768,227
Production and operating expenses	6,962,439	1,349,487	-	(36,629)	8,275,297
Spill clean-up and site remediation	(1,478,102)	-	-	-	(1,478,102)
Transportation	677,090	41,238	-	-	718,328
Depletion and depreciation	4,834,220	347,480	-	-	5,181,700
General and administrative expenses	1,092,840	444,294	446,388	-	1,983,522
Impairment expense	25,240,171	-	-	-	25,240,171
Finance expense	431,756	21,585	1,109,526	-	1,562,867
Other income	149,121	-	-	-	149,121
Net income (loss)	**$(29,389,265)**	**$ 1,378,744**	**$ (1,555,914)**	**-**	**$ (29,566,435)**
Capital expenditures:					
Property, plant and equipment (net of disposition)	**$ 124,401**	**$ 75,934**	**-**	**-**	**$ 200,335**
Total Assets	**$ 33,101,180**	**$ 2,977,763**	**2,515,625**	**-**	**$ 38,594,568**

8. Segmented financial information, continued;

For the year ended December 31, 2014	Oil and Gas Production	Midstream Processing	Corporate Segment	Eliminations	Total
Revenue	$ 20,136,286	$ 3,696,527	-	$ (53,413)	23,779,400
Royalties	(5,053,519)	-	-	-	(5,053,519)
	15,082,767	3,696,527	-	(53,413)	18,725,881
Realized gain on risk management contracts	194,512	-	-	-	194,512
Unrealized gain on risk management contracts	222,111	-	-	-	222,111
	15,499,390	3,696,527	-	(53,413)	19,142,504
Production and operating expenses	9,766,827	1,809,075	-	(53,413)	11,522,489
Spill clean-up and site remediation	2,865,021	-	-	-	2,865,021
Transportation	1,004,306	17,855	-	-	1,022,161
Depletion and depreciation	4,076,584	159,023	-	-	4,235,607
General and administrative expenses	1,655,919	299,593	642,994	-	2,598,506
Share-based payments	-	-	1,752	-	1,752
Impairment expense	11,553,164	-	-	-	11,553,164
Finance expense	530,165	23,698	843,519	-	1,397,382
Net income (loss)	**($15,952,596)**	**$1,387,283**	**($1,488,265)**	**-**	**($16,053,578)**
Capital expenditures:					
Property, plant and equipment	**$ 6,842,317**	**$ 92,758**	**$ 12,165**	**$ -**	**$ 6,947,240**
Total Assets	**$61,626,405**	**$3,205,870**	**$4,060,602**	**$ -**	**$ 68,892,877**

9. Property, plant and equipment:

	Petroleum and natural gas properties $	Processing and other assets $	Total $
Cost			
Balance at January 1, 2014	77,882,913	5,336,130	83,219,043
Additions	6,840,487	106,753	6,947,240
Decommissioning provisions	499,420	161,779	661,199
Balance at December 31, 2014	85,222,820	5,604,662	90,827,482
E&E transfer	386,667	-	386,667
Additions, net of dispositions	124,401	75,934	200,335
Decommissioning provisions	1,424,765	43,349	1,468,114
Balance at December 31, 2015	**87,158,653**	**5,723,945**	**92,882,598**
Depletion, depreciation and impairment			
Balance at January 1, 2014	8,353,334	2,239,769	10,593,103
Depletion and depreciation	4,076,584	159,023	4,235,607
Impairment for the year	11,553,164	-	11,553,164
Balance at December 31, 2014	23,983,082	2,398,792	26,381,874
Depletion and depreciation	4,834,220	347,480	5,181,700
Impairment for the year	25,240,171	-	25,240,171
Balance at December 31, 2015	**54,057,473**	**2,746,272**	**56,803,745**
Net book value			
Balance at December 31, 2014	61,239,738	3,205,870	64,445,608
Balance at December 31, 2015	**33,101,180**	**2,977,673**	**36,078,853**

Future development costs totaling $9,209,900 (2014 - $35,708,400) are included in the depletion calculation. Personnel expenses of $149,175 (2014 - $225,158) directly attributed to capital activities were capitalized in property, plant and equipment during the year.

On May 1, 2015, the Company disposed of its certain petroleum and gas properties in Saskatchewan for cash proceeds of $250,000 before closing adjustments. The petroleum and natural gas properties had a carrying value of $263,706 at the time of disposition, and an associated decommissioning liability of $128,075, resulting in a gain on disposal of $114,369.

Impairment charge:

At December 31, 2015, due to a decline in the future commodity prices, reserve revisions and adjustments to future costs, the Company tested its oil and natural gas CGUs for impairment. As a result, the Company determined that the carrying amount of the cash generating units at Breton, Strathmore, Two Creek and Other Alberta Properties exceeded their recoverable amount calculated using fair value less costs to sell. The fair value less costs to sell was determined on a discounted cash flow basis, based on 2015 year-end reserves and commodity prices, using a discount rate of 12%. The impairment was attributed to PP&E and an impairment loss of $25,240,171 was recorded.

In testing a CGU for impairment, the Company used the commodity price forecast prepared and used by its independent reserve evaluators in the assessment and evaluation of the Company's 2015 year-end reserves, the information presented below has been extracted from the evaluator's commodity price forecast.

Year	Inflation rate	CAD to USD Exchange Rate	Crude oil Canadian Light Sweet ($cdn/bbl)	Alberta AECO Average price ($cdn/mcf)
2016	1.5%	0.75	55.20	2.25
2017	1.5%	0.80	69.00	2.95
2018	1.5%	0.83	78.43	3.42
2019	1.5%	0.85	89.41	3.91
2020	1.5%	0.85	91.71	4.20
2021	1.5%	0.85	93.08	4.28
2022	1.5%	0.85	94.48	4.35
2023	1.5%	0.85	95.90	4.43
2024	1.5%	0.85	97.34	4.51
2025	1.5%	0.85	98.80	4.59
2026	1.5%	0.85	100.28	4.67

A 3% change in the discount rate would result in a $1,724,477 change in the impairment amount recognized.

10. Evaluation and exploration assets:

Balance, January 1, 2013	$	4,547,147
Additions		651
Exploration and evaluation expense		(4,161,131)
Balance, December 31, 2014 and 2013	$	386,667
Exploration and evaluation transfer		(386,667)
Balance, December 31, 2015		-

Exploration and evaluation (E&E) assets consist of the Company's exploration projects which are pending the determination of proven or probable reserves. Additions represent costs incurred on E&E assets during the year. A $386,667 E&E asset has been transferred to PPE in 2015.

11. Bank debt:

	December 31, 2015	December 31, 2014
Authorized		
Revolving demand loan	**$10,000,000**	$15,000,000
Non-revolving demand loan	**1,005,154**	-
	$11,005,154	$15,000,000
Outstanding		
Revolving demand loan	**$9,340,661**	$12,484,515
Non-revolving demand loan	**580,155**	-
	$9,920,816	$12,484,515

As at March 9, 2015, the Company's authorized revolving, operating demand loan was reduced to a maximum amount of $10 million and a non-revolving demand loan with maximum amount of $1.0 million. The revolving facility bears interest at the bank prime plus 1.25% (December 31, 2014 - prime rate plus 1.00%), with an effective rate at December 31, 2015 of 3.95% (December 31, 2014 – 3.75%). The non-revolving facility bears interest at the bank prime rate plus 3.00% with an effective rate as at December 31, 2015 of 5.70%, and is repayable in minimum monthly principal payments of $200,000.

The loan amounts are secured by a first floating charge debenture in the amount of $35 million over all assets of the Company. Under the bank debt agreement, the Company is required to maintain an adjusted working capital ratio, after adding the unused portion of the revolving demand loan facility and excluding outstanding debt under the facility, of not less than 1:1. As at December 31, 2015 the adjusted working capital ratio was below 1:1 and the Company is in default under the bank debt agreement. The default may continue throughout 2016.

12. Other non-current liabilities:

Non-current liabilities as of December 31, 2015 are nil (2014 - $2,808,105) and are comprised of amounts payable to a related party due January 31, 2015 together with interest at 10% per annum, see note 25.

13. Risk management contracts:

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, operating and financial activities. The Company's financial risks are consistent with those discussed in Note 7.

During the year, the Company entered into two commodity price contracts, both of which had expired by year end, to mitigate a degree of its exposure to commodity price risk and provide a degree of stability to operating cash flows which enable the Company to fund a portion of its capital program. Additionally the Company has entered into two fixed price power contacts one of which remains outstanding also outlined below.

Financial assets and liabilities carried at fair value are required to be classified in accordance with a hierarchy that prioritizes the inputs used to measure fair value. The risk management contracts are valued using level 2 inputs which are based on quoted forward prices of similar instruments that can be substantially observed or corroborated in the market place.

During the year, the Company recognized a realized gain of $986,881 and an unrealized loss of $651,593 with respect to the contracts.

Power price contract

Remaining term	Contract Type	Volume	Price
Jan. 2016 – June 2017	Fixed price	1.5 MW	$55.25/MWh

At December 31, 2015, the foregoing derivative contract was recorded at fair value on the statement of financial positon as a liability of $429,482.

14. Decommissioning liabilities:

Balance at January 1, 2014	$ 22,152,634
Changes to estimate	661,199
Obligations settled	(698,533)
Accretion expense	553,866
Balance, December 31, 2014	$ 22,669,166
Changes to estimate	1,468,114
Obligations settled	(19,270)
Accretion expense	431,757
Balance, December 31, 2015	**$ 24,549,767**

The Company's decommissioning liability results from its ownership interest in petroleum and natural gas assets including well sites, gathering systems and processing and production facilities, all of which will require future expenditures for decommissioning under existing legislation.

The Company has estimated the net present value of the decommissioning obligations to be $24,549,767 at December 31, 2015 (2014 - $22,669,166) based on an undiscounted total future liability of $24,708,339 (2014 - $24,849,754). These expenditures are expected to be incurred over the next 25 years with the majority of costs to be incurred between 2015 and 2025. A risk free rate of 1.90% (2014 – 2.50%) and an inflation factor of 2% were used to determine the decommissioning liability at December 31, 2015.

15. Convertible debenture:

6% redeemable convertible debenture

December 31	**2015**	2014
6% redeemable convertible debenture, at face value	**$4,000,000**	$4,000,000
Equity component, before deferred income taxes	**(606,526)**	(606,526)
Accretion	**338,643**	217,338
Balance	**$3,732,117**	$3,610,812

On March 14, 2013, immediately prior to and in connection with the acquisition of Terrex, the Company issued a $4 million principal amount convertible debenture as partial settlement of a hydrocarbon purchase agreement between Terrex and Sandstorm Metals & Energy Ltd. The debenture bears interest at 6% payable semi-annually with the principal repayable on March 14, 2018; the debenture is secured, subordinate to the bank credit facility, by a floating charge on the property and assets of the Company.

At the option of the holder on 20 days' notice, the debenture is convertible, in whole or in part at any time, into common shares of the Company at a price of $0.10 per share. The debenture is redeemable, in whole or in part at any time, by the Company on 30 days' notice.

The debenture was initially recorded at its principal amount net of an equity component valued at $606,526 ($454,895 after deferred income tax) attributable to the holder's option to convert the debt into common shares.

16. Income tax:

The difference between income tax expense for the year and expected income taxes based on the statutory tax rate arises as follows:

Reconciliation of effective tax rate:

Rate Reconciliation	2015	2014
Income (loss) before tax	**$ (29,566,435)**	$ (16,053,578)
Statutory tax rate	**26.0%**	25.0%
Expected income tax expense (recovery)	**(7,687,273)**	(4,013,395)
Share based compensation	**-**	438
Effect of tax rate differences	**(1,055,093)**	-
Changes in tax pool estimates and other non-deductible items	**70,975**	-
Change in unrecognized deferred tax assets	**8,671,391**	4,012,957
Total income tax expense (recovery)	**$ -**	$ -

The statutory tax rate for the year ended December 31, 2015, increased from 25% to 26% due to an increase in the provincial tax rate on July 1, 2015.

The related tax benefits have only been recognized to the extent there are taxable temporary differences to offset with.

Deferred tax assets and liabilities are attributable to the following:

	2015	2014
Deferred tax liabilities:		
Property, plant and equipment (including E&E assets)	**-**	(5,614,553)
Convertible debt liability	**(72,328)**	(97,297)
Risk management contracts	**-**	(55,528)
Less deferred tax assets:		
Decommissioning liabilities	**-**	5,667,292
Non-capital losses	**72,328**	100,086
Net deferred tax liability	**-**	-

Deferred tax assets have not been recognized in respect to the following deductible temporary differences:

	2015	2014
Property, plant and equipment (including E&E assets)	**11,507**	**-**
Non-capital losses	**41,930,622**	37,507,641
Risk management contracts	**429,482**	-
Decommissioning liabilities	**24,549,767**	-
Share issue costs and other	**356,639**	467,051
Total unrecognized deductible temporary differences	**67,278,017**	**37,974,692**

The Company has non-capital losses for income tax purposes totaling approximately $67.2 million. The losses expire between 2023 and 2035.

17. Share capital:

Authorized

Unlimited Class A voting shares without par value

Unlimited preferred shares, issuable in series, rights and privileges to be determined on issue.

Issued and Outstanding		Class A Shares	Warrants	$
Balance, December 31, 2013		246,438,032	-	31,110,546
Acquisition	(a)(b)	36,680,174	5,150,000	2,356,213
Private placement	(c)	107,692,308	1,000,000	6,619,750
Private placement	(d)	106,060,606	1,000,000	6,619,668
Expired	(b)	-	(3,150,000)	-
Balance, December 31, 2014		496,871,120	4,000,000	46,706,177
Expired	(b)(c)(d)	-	(4,000,000)	-
Balance, December 31 , 2015		**496,871,120**	**-**	**46,706,177**

(a) On March 14, 2013, a total of 36,680,174 shares were issued on the Terrex Acquisition: 31,813,614 shares were issued to Terrex shareholders in exchange for all Terrex shares; 3,000,000 shares were issued to Sandstorm directly pursuant to the Sandstorm Settlement Agreement; and 1,866,560 shares were issued to individuals directly pursuant to the settlement of personnel obligations.

(b) On March 14, 2013, a total of 5,150,000 warrants for the acquisition of a total of 1,581,050 Anterra Class A shares were issued in relation to the Terrex Acquisition: warrants to purchase 967,050 shares at a price of $1.001 expired on August 21, 2013 and warrants to purchase 614,000 shares at a price of $0.603 per share expiring on July 15, 2015. No value has been attributed to the warrants.

(c) On April 5, 2013, pursuant to a private placement, the Company issued 107,692,308 Class A common shares, at a price of $0.065 per share, to LandOcean Resource Investment Canada Co. Ltd. for gross proceeds of $7 million. The Company paid a cash fee of $350,000 and issued 1,000,000 common shares purchase warrants relating to the private placement. Each warrant entitles the holder to acquire one common share at a price of $0.10 per share, expiring on April 4, 2015.

(d) On August 26, 2013, pursuant to a private placement, the Company issued 106,060,606 Class A common shares at a price of $0.066 per share, to Huisheng Group Co. Ltd. for gross proceeds of $7 million. The Company paid a cash fee of $350,000 and issued 1,000,000 common shares purchase warrants relating to the private placement. Each warrant entitles the holder to acquire one common share at a price of $0.10 per share, expiring on August 21, 2015.

18. Share based payments:

A summary of the status of the Company's stock option plan as December 31, 2015 and 2014, and changes during the period ending on those dates is presented below:

Options Outstanding	**Number of options**	**Weighted average exercise price $**
Balance, December 31, 2014, 2013	16,600,000	0.13
Expired	(13,100,000)	0.10
Balance, December 31, 2015	3,500,000	0.255

The following table summarizes stock options outstanding and exercisable:

Options Exercisable					
Range of exercise prices	**Number outstanding at December 31, 2015**	**Expiry date**	**Weighted average exercise price**	**Number exercisable at December 31, 2015**	**Weighted average remaining contractual life**
$0.255	3,500,000	March 26, 2016	$0.255	3,500,000	0. 23years

No options were granted during the years ended December 31, 2015 and 2014.

19. Finance income and expenses:

		2015		2014
Finance income:				
Interest income on bank deposits	$	(843)	$	(897)
Financial expenses:				
Interest on bank debt		534,280		483,108
Interest on other liabilities		236,368		-
Interest on debenture		240,000		240,000
Accretion of debenture		121,305		121,305
Accretion of decommissioning liabilities		431,757		553,866
		1,563,710		1,398,279
Net finance expense		1,562,867		1,397,382

20. Per share amounts:

Basic loss per share was calculated as follows:

		2015		2014
Loss for the year	$	29,566,435	$	16,053,578
Weighted average number of common shares (Basic)		496,871,120		496,871,120

The effect of outstanding options, warrants and convertible instruments is non-dilutive.

21. Supplemental cash flow information:

Changes in non-cash working capital is comprised of

	2015	2014
Source of cash:		
Trade and other receivable	1,057,581	220,369
Deposit and prepaid expenses	265,195	(201,913)
Trade and other payable	(599,563)	8,967,501
	723,213	8,985,957
Related to operating activities	775,511	6,518,896
Related to investing activities	(52,298)	2,467,061

22. Commitments:

The Company has entered into a lease arrangement for office facilities that expires December 31, 2017. Annual base lease payments are $221,892.

23. Key management personnel compensation:

Key management personnel include the Board of Directors and Executives that have authority and responsibility for planning, directing and controlling the activities of the Company.

In addition to their salaries, the Company also provides non-cash benefits to Executive officers. Key management personnel compensation is comprised of the following:

	2015	2014
Salaries, wages and other compensation	$ 530,087	$ 526,461
Short-term employee benefits	96,895	97,237
Share based payments (i)	-	1,752
	$ 626,982	$ 625,450

(i) Represents the amortization of share based compensation associated with options granted to executive officers as recorded in the financial statements.

24. Subsequent events:

On April 15, 2016, the Company announced that the CWB had made demand upon the Company for payment in full of the Company's outstanding indebtedness, and that to secure safety of operations, the Company had undertaken a process of shutting-in its operated wells and facilities with the exception of certain midstream facilities.

On April 29, 2016, the Company announced that the filing of its annual audited financial statements and management's discussion and analysis for the year ended December 31, 2015 would be delayed beyond the filing deadline of April 29, 2016. On May 6, 2016, the Alberta Securities Commission issued a cease trade order against the Company for failure to file the required annual disclosure documents, subsequent to which, the securities regulators in each of the jurisdictions in which the Company is a reporting issuer issued similar orders ("the "Cease Trade Orders"). The Company's securities have been halted from trading on the TSX Venture Exchange until such time as the Cease Trade Orders have been revoked or varied and the Company meets Exchange requirements in relation to the reinstatement of trading. The Company intends to finalize the required disclosure documents and apply to the applicable securities commissions to have the Cease Trade Orders revoked.

On May 6, 2016, pursuant to an order granted by the Court of Queen's Bench of Alberta, the company obtained creditor protection under the *Companies' Creditors Arrangement Act* (Canada) (The "CCAA"). CCAA protection stays creditors and others from enforcing rights against Anterra and affords the Company the opportunity to restructure its financial affairs. In conjunction with the CCAA application, the Company arranged for a $2.5 million interim convertible loan which is available to the Company to fund the CCAA proceedings and expenditures required to place oilfield operations back online. With the availability of funds from the interim loan, the Company has placed those wells shut in during April back on production and commenced a well reactivation and workover program relating to other non-producing wells. As a result, the Company is currently producing approximately 450 Boe/d.

On June 3, 2016, the court granted an extension of the initial order until August 16, 2016.

25. Related party transactions:

The Company has entered into the following transactions with related parties:

a) LandOcean Energy Services Co., Ltd. ("LandOcean") and Western Union Petro (Canada) Technology Co., Ltd. ("Western Union"), a wholly owned subsidiary of LandOcean, currently holds approximately 21.7% of the issued and outstanding Class A common shares of Anterra through its subsidiary.

   On April 8, 2013, the Company entered into an agreement ("the Agreement") with LandOcean whereby LandOcean was to provide Anterra with long-term technical consulting services including integrated reservoir studies, exploitation evaluations and production planning for existing properties and acquisition projects through to the end of 2014.

   During 2014, the Company engaged Western Union to complete various field projects including the initial stage of a water-flood project at Strathmore, Alberta. To December 31, 2015, total costs of $3,834,642 (2014 - $3,683,534) have been incurred relating to the various projects, of which, $2,982,047 (2014 - $2,867,939) remains payable at December 31, 2015, together with interest of 5% to 10% during the year and 15% on balances outstanding after January 31, 2016. No work, further to that completed to the end of 2015, is ongoing or anticipated with the above related entities.

b) During the twelve months ended December 31, 2015, a consulting company, to which an officer of Anterra is related, charged the Company $101,256 (2014 - $100,579) for consulting services.

c) During twelve months ended December 31, 2015, a consulting company, to which a director of Anterra is related, charged the Company $4,200 (2014 - $23,500) for management and advisory services.