EAST WEST PETROLEUM CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
JUNE 30, 2015

(Unaudited - Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

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

EAST WEST PETROLEUM CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	Note	June 30, 2015 $	March 31, 2015 $
ASSETS			
Current assets			
Cash		8,101,769	8,401,122
GST receivable		15,969	19,568
Amounts receivable	3	838,525	754,270
Prepaid expenses		52,233	79,679
Advances receivable	4	311,850	209,270
Total current assets		9,320,346	9,463,909
Non-current assets			
Investment in associated company	5	167,240	-
Exploration and evaluation assets	6	5,259,814	5,835,112
Property, plant and equipment	7	3,144,698	4,207,757
Other		33,066	33,066
Total non-current assets		8,604,818	10,075,935
TOTAL ASSETS		17,925,164	19,539,844
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		611,478	562,212
Non-current liabilities			
Decommissioning liabilities	8	977,938	1,062,292
TOTAL LIABILITIES		1,609,416	1,624,504
SHAREHOLDERS' EQUITY			
Share capital	9	40,282,421	40,344,281
Share-based compensation reserve		5,032,874	5,008,538
Foreign currency translation reserve		(712,456)	320,538
Deficit		(28,287,091)	(27,758,017)
TOTAL SHAREHOLDERS' EQUITY		16,315,748	17,915,340
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		17,925,164	19,539,844

Commitments - see Note 13

Events after the Reporting Period - see Note 16

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on August 31, 2015 and are signed on its behalf by:

/s/ David Sidoo	*/s/ Nick DeMare*
David Sidoo	Nick DeMare
Director	Director

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

EAST WEST PETROLEUM CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

	Note	Three Months Ended June 30, 2015 $	Three Months Ended June 30, 2014 $
Revenues and costs			
Petroleum and natural gas sales		1,189,398	1,812,924
Production costs		(315,306)	(313,475)
Transportation and storage costs		(189,803)	(251,275)
Royalties		(51,156)	(84,092)
		633,133	1,164,082
Expenses			
Depletion and depreciation	8	755,905	642,840
General exploration		58,001	2,639,088
Finance expense of decommissioning liabilities	9	8,053	6,611
General and administrative		397,727	396,563
Share-based compensation	10(d)	24,336	18,809
		1,244,022	3,703,911
Loss before other items		(610,889)	(2,539,829)
Other items			
Gain on sale of investment		-	10,903
Interest and other income		18,379	38,005
Foreign exchange		55,601	(902,917)
Equity loss in associated company	6	(33,000)	-
		40,980	(854,009)
Loss before deferred income tax		(569,909)	(3,393,838)
Deferred income tax		-	(25,000)
Net loss for the period		(569,909)	(3,418,838)
Other comprehensive (loss) income			
Change in currency translation of foreign subsidiary		(1,032,994)	378,149
Change in fair value of investment		-	(211,171)
Comprehensive loss for the period		(1,602,903)	(3,251,860)
Basic and diluted loss per common share		$(0.01)	$(0.04)
Weighted average number of common shares outstanding		90,548,554	93,092,930

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

EAST WEST PETROLEUM CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian Dollars)

Three Months Ended June 30, 2015

	Share Capital		Reserves			
	Number of Shares	Amount $	Share-Based Compensation $	Foreign Currency Translation $	Deficit $	Total Equity $
Balance at March 31, 2015	90,654,165	40,344,281	5,008,538	320,538	(27,758,017)	17,915,340
Repurchase of common shares	(139,000)	(61,860)	-	-	40,835	(21,025)
Share-based compensation	-	-	24,336	-	-	24,336
Currency translation adjustment	-	-	-	(1,032,994)	-	(1,032,994)
Net loss for the period	-	-	-	-	(569,909)	(569,909)
Balance at June 30, 2015	90,515,165	40,282,421	5,032,874	(712,456)	(28,287,091)	16,315,748

Three Months Ended June 30, 2014

	Share Capital		Reserves				
	Number of Shares	Amount $	Share-Based Compensation Reserve $	Foreign Currency Translation Reserve $	Available-for-Sale Investment $	Deficit $	Total Equity $
Balance at March 31, 2014	93,108,665	41,436,619	4,352,906	838,213	194,945	(21,894,117)	24,928,566
Repurchase of common shares	(44,500)	(19,804)	-	-	-	6,384	(13,420)
Share-based compensation	-	-	18,809	-	-	-	18,809
Currency translation adjustment	-	-	-	378,149	-	-	378,149
Unrealized loss on investment	-	-	-	-	(211,759)	-	(211,759)
Deferred income tax on unrealized loss on investment	-	-	-	-	25,000	-	25,000
Reclassification on sale of investment	-	-	-	-	(24,412)		(24,412)
Net loss for the period	-	-	-	-	-	(3,418,838)	(3,418,838)
Balance at June 30, 2014	93,064,165	41,416,815	4,371,715	1,216,362	(16,226)	(25,306,571)	21,682,095

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

EAST WEST PETROLEUM CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended June 30,	
	2015	2014
	$	$
Operating activities		
Net loss for the period	(569,909)	(3,418,838)
Adjustments for:		
Depletion and depreciation	755,905	642,840
Finance expense of decommissioning liabilities	8,053	6,611
Share-based compensation	24,336	18,809
Foreign exchange	432	-
Gain on sale of investment	-	(10,903)
Equity loss in associated company	33,000	
Deferred income tax	-	25,000
	251,817	(2,736,481)
Changes in non-cash working capital items:		
(Increase) decrease in amounts receivable	(170,456)	645,977
Decrease in GST receivable	3,599	485,273
Decrease in prepaid expenses	22,622	9,300
Increase (decrease) in accounts payable and accrued liabilities	131,922	(928,650)
	(12,313)	211,900
Net cash provided by (used in) operating activities	239,504	(2,524,581)
Investing activities		
Proceeds from sale of investment	-	62,030
Expenditures on exploration and evaluation assets	(38,880)	(885,334)
Increase in other assets	-	(16,533)
Expenditures on property, plant and equipment	(36,239)	(855,674)
Advances receivable	(103,012)	-
Repayments from NAMG	-	9,004
Repayment to joint venture partner	-	(466,594)
Investment in associated company	(200,240)	-
Net cash used in investing activities	(378,371)	(2,153,101)
Financing activity		
Repurchase of common shares	(21,025)	(13,420)
Net cash used in financing activity	(21,025)	(13,420)
Effect of exchange rate changes on cash	(139,461)	675,050
Net change in cash	(299,353)	(4,016,052)
Cash at beginning of period	8,401,122	12,273,810
Cash at end of period	8,101,769	8,257,758

Supplemental cash flow information - See Note 14

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

1. Nature of Operations

East West Petroleum Corp. (the "Company") was incorporated on October 23, 1987 under the provisions of the Company Act (British Columbia) and its major activity is the development and exploration of international oil and gas properties. The Company is listed and trades on the TSX Venture Exchange ("TSXV") under the symbol "EW". The Company's principal office is located at #1210 - 1095 West Pender Street, Vancouver, British Columbia V6E 2M6 Canada.

The Company is in the process of exploring, developing and producing from its oil and gas properties and has two oil and gas properties that contain reserves that are economically recoverable. The success of the Company's exploration and development of its oil and gas properties requires significant additional exploration and development activities to establish additional proved reserves and to commercialize its oil and gas exploration properties. The Company is also influenced by significant financial risks as well as commodity prices. In addition, the Company will use cash and operating cash flow to further explore and develop its properties towards planned principal operations. The Company monitors its cash and cash equivalents and adjusts its expenditure plans to conform to available funding. The Company plans to fund exploration and development activities through existing cash resources.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's consolidated financial statements for the year ended March 31, 2015.

For other assets, impairment losses recognized in prior years are assessed at each reporting date for indications that previously recognized impairment losses may no longer exist or may have decreased. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The impairment loss is reversed only to the extent that the asset's or CGU's carrying amount does not exceed the carrying amount that would have been determined, net of depletion, had no impairment loss been recognized in prior years. An impairment loss in respect of goodwill is not reversed.

Basis of Presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. The condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise stated.

Details of the Group

In addition to the Company, the condensed consolidated interim financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

Non-controlling interest in the net assets of the consolidated subsidiaries are identified separately from the Company's equity. The non-controlling interest consists of the non-controlling interest's portion of net assets and income or losses.

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. Investments in associates are accounted for using the equity method (equity accounted

(Unaudited - Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

investees) and are recognized initially at cost. The condensed consolidated interim financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued, except to the extent that the Company has an obligation, or has made payments on behalf of the investee.

The Company accounts for its investment in North South Petroleum Corp. ("North South") using the equity method. See also Note 5.

3. Amounts Receivable

	June 30, 2015 $	March 31, 2015 $
Production receivable	820,076	714,729
Other	18,449	39,541
	838,525	754,270

4. Advances Receivable

On March 6, 2015 the Company entered into a letter of intent (the "LOI") with Frontier Natural Resources Inc. ("Frontier") whereby it agreed to provide Frontier a credit facility of US $250,000 (the "Credit Facility"). The LOI contemplates the negotiation of a definitive credit agreement and the exploration of a potential acquisition of 100% of the capital of Frontier.

Advances under the Credit Facility bear interest at 3% per annum, payable monthly, and are scheduled to mature on December 31, 2015 unless mutually extended by both parties. The Company will also have the option to convert the advances into Class A Preferred Shares of Frontier at a conversion price of US $0.20 per share.

Frontier is a privately held oil and natural gas company incorporated in Pennsylvania, U.S.A. in 2014. A director of the Company is also a shareholder and director of Frontier.

The conversion feature is considered an embedded derivative. However, the Company is unable to reliably measure its fair value. Therefore, the fair value of the host advances receivable was determined with any residual against the fair value of the combined hybrid instrument allocated to the embedded derivative. The value of the embedded derivative was immaterial.

During the three months ended June 30, 2015 the Company recorded interest income of $2,066 (fiscal 2015 - $214) which was unpaid at June 30, 2015 and is included in amounts receivable.

5. Investment in Associated Company

On April 9, 2015 the Company purchased 3,900,000 common shares of North South for $195,000 pursuant to a non-brokered private placement conducted by North South. Upon the initial purchase the Company owned 16.74% of the outstanding common shares of North South. In addition, the President of the Company and a director of the Company were appointed as directors of North South. North South is a public company trading on the NEX board of the TSXV.

(Unaudited - Expressed in Canadian Dollars)

5. Investment in Associated Company (continued)

Subsequently the Company acquired a further 19,000 common shares of North South through open market purchases for a total consideration of $5,240, and as at June 30, 2015. the Company owned approximately 16.83% of the issued and outstanding common shares of North South. The Company's judgement is that it has significant influence in North South and accordingly, the investment in North South is accounted for under the equity method.

As at June 30, 2015 the Company's investment in North South is as follows:

	$
Investment in North South	
- initial private placement purchase	195,000
- open market purchases	5,240
	200,240
Equity loss in North South	(33,000)
	167,240

North South's aggregate assets, aggregate liabilities as at June 30, 2015 and net loss for the period from April 9, 2015 to June 30, 2015 are as follows:

	$
Aggregate assets	1,116,000
Aggregate liabilities	(10,000)
Net loss for the period	(194,500)
Company's share of net loss during the period	(33,000)

See also Note 16(ii).

6. Exploration and Evaluation Assets

	New Zealand		United States		
	PEP 54879 $	PEP 55770 $	Tejon Main Area $	White Wolf $	Total $
Balance at March 31, 2014	5,666,415	-	122,154	318,121	6,106,690
Capital expenditures	289,744	63,357	-	-	353,101
Net revenues pre-commercial discovery	(44,972)	-	-	-	(44,972)
Revision of estimate for decommissioning liabilities	(8,134)	-	-	-	(8,134)
Foreign exchange movement	(67,941)	-	-	-	(67,941)
Impairment	-	(63,357)	(122,154)	(318,121)	(503,632)
Balance at March 31, 2015	5,835,112	-	-	-	5,835,112
Capital expenditures	36,673	-	-	-	36,673
Revision of estimate for decommissioning liabilities	6,245	-	-	-	6,245
Foreign exchange movement	(618,216)	-	-	-	(618,216)
Balance at June 30, 2015	5,259,814	-	-	-	5,259,814

6. Exploration and Evaluation Assets (continued)

(a) On December 11, 2012 the Government of New Zealand awarded the Company and its partner, TAG Oil Ltd. ("TAG"), interests in three onshore exploration blocks located in the Taranaki Basin, New Zealand. Under the terms of the agreements, the Company agreed to participate in the drilling of a minimum of nine exploration wells on Petroleum Exploration Permits ("PEP") 54876, 54877 and 54879. The Company could earn a 50% participation interest in PEP 54876 and PEP 54879 and a 30% participation interest in PEP 54877 by funding 100% ($2,500,000 each well - the "Initial Funding") of the initial well cost on PEP 54876, the first two wells on PEP 54877 and the initial well on PEP 54879. All subsequent costs on the wells are to be funded based on each company's participation interest. The Company is entitled to receive 100% of the oil and gas revenues, on a permit-by-permit basis, to recover its Initial Funding. TAG is the operator of the joint venture.

PEP 54876

In April 2014 the Company completed drilling on PEP 54876, the results of which confirmed that there were no commercial deposits as at March 31, 2014.

PEP 54877

On January 7, 2014 commercial discovery was declared on PEP 54877 and the capitalized expenditures were transferred to property, plant and equipment.

PEP 54879

No decision has been made on the commerciality of PEP 54879 and all net revenues have been recorded as a recovery against the capitalized costs. During fiscal 2015 the Company received net revenues of $44,972 from production from the testing of the G1 well on PEP 54879. No revenue was received during the three months ended June 30, 2015.

(b) On December 5, 2013 the Government of New Zealand awarded the Company and its partner, TAG, an interest in an onshore exploration block located in the East Coast Basin, New Zealand. Under the terms of the agreement, the Company agreed to participate in the initial work program of seismic reprocessing, seismic data acquisition and drilling of one exploration well on PEP 55770. In December 2014 the Company and TAG agreed to the termination of the Company's interest and the Company recorded an impairment of $63,357 in fiscal 2015 for costs incurred.

(c) On August 29, 2012 the Company entered into a letter of intent with Lani, LLC ("Lani") and subsequently, on November 13, 2012, the Company entered into a farm-in agreement (collectively the "Lani Agreement") whereby it was assigned certain participation interests in Lani's petroleum and gas leases covering exploration properties in the San Joaquin Basin of California. Under the terms of the Lani Agreement the Company was assigned:

(i) 25% working interest in the Tejon Ranch Extension. The Company funded 100% of the working interest costs associated with the drilling and completing of one exploration well on the Tejon Ranch Extension leases, for an amount of US $1,300,000;

(ii) an initial 21.25% working interest in the Tejon Main Area. On August 1, 2013 the Company entered into a purchase and sale agreement with Solimar Energy Limited ("Solimar") a party at arms-length to the Company, whereby the Company paid US $110,000 to Solimar to acquire an additional 28.75% working interest to increase the Company's working interest to 50%. The Company was required to fund 71.25% of the working interest costs associated with the drilling and completing one exploration well on the Tejon Main Area leases, up to a maximum of US $926,250; and

(iii) 50% working interest in leases in the White Wolf. The Company was required to fund US $347,500 to Lani to be used for lease delay rental payments and for leasing new acreage in White Wolf.

6. Exploration and Evaluation Assets (continued)

NAMG is the operator of the subject leases. NAMG has been unsuccessful in obtaining sufficient financing to proceed with further exploration and development of the properties. In light of this uncertainty and results to date on the other properties during fiscal 2015 the Company determined to record impairment charges of $122,154 on the Tejon Main Area and $318,121 on White Wolf.

(d) During fiscal 2010 the Company was informed by the government of Romania that it had been awarded four exploration blocks located in the Pannonian Basin, in western Romania. In May 2011 the Company signed petroleum concession agreements with the National Agency for Minerals and Hydrocarbons ("NAMR") the government agency in Romania which regulates the oil and gas industry.

The four concessions have specific mandatory work programs (the "Romania Work Programs"), which were estimated at US $56,630,000 for all four programs, to be completed over two years from final approval. Production from the concessions is also subject to royalties of between 3.5% to 13.5% based on quarterly gross production payable to the government.

On May 20, 2011 the Company and Naftna Industrija Srbije j.s.c. Novi Sad ("NIS"), an arm's length corporation, signed a memorandum of understanding to jointly explore the four exploration blocks in Romania. On October 27, 2011 the Company and NIS signed a farm-out agreement (the "Farm-out"). Under the terms of the Farm-out, NIS paid the Company $250,000 and agreed to pay a further $275,000 upon final concession approvals by the government of Romania and assignment of an 85% participation interest and operatorship of the Romania Work Programs to NIS. NIS has the obligation to fund the Romania Work Programs, including environmental work, 2D and 3D seismic acquisition and processing, and the drilling of 12 wells. The Company retains a 15% carried interest in each block through the obligatory two year Phase I work program and the optional one year Phase II work program. If a commercial discovery is made, the Company is responsible for its 15% interest in development of the commercial discovery.

During fiscal 2012 the Company received final concession approval by the government of Romania for one exploration block (EX-2 Tria) and the Company transferred the 85% participation interest in EX-2 Tria to NIS Petrol S.R.L ("NSI Petrol"), a wholly-owned subsidiary of NIS, and the Company received a pro-rated payment of $68,750 from NIS. On November 22, 2013 the Company received final concession approval on the three remaining exploration blocks. The Company subsequently transferred the 85% participation interest in the exploration blocks to NIS Petrol and received the final payment of $206,250 during fiscal 2014.

NAMR has granted NIS and the Company an extension of 2.5 years, until June 2017, to conduct the Phase I work program for the exploration block, EX-2 Tria.

(e) Effective March 28, 2012 the Company (10% interest), Oil India Limited (40% interest), Oil and Natural Gas Corporation Limited (30% interest) and Gail (India) Limited (20% interest) (collectively the "Partners") and the government of India signed a production sharing contract (the "PSC") for Block AA-ONN-2010/2 (the "AA Block") located in the Assam-Arakan Basin of northeast India. Under the terms of the PSC work program commitment, the Partners was to acquire certain 3D seismic data and drill two wells, at an estimated cost to the Company of US $2.8 million, over a five year period. In January 2015 the petroleum exploration license for the AA Block was signed. In July 2015 the Company provided notice that it would be withdrawing from the PSC.

(Unaudited - Expressed in Canadian Dollars)

7. Property, Plant and Equipment

	Petroleum and Natural Gas Properties		Office Equipment and Leasehold Improvements	Total
	PEP 54877 $	Carbon $	$	$
Cost:				
Balance at March 31, 2014	8,703,700	1,195,693	52,128	9,951,521
Capital expenditures	1,759,144	-	1,796	1,760,940
Revision of estimate for decommissioning costs	48,565	12,418	-	60,983
Foreign exchange movement	(30,122)	-	-	(30,122)
Balance at March 31, 2015	10,481,287	1,208,111	53,924	11,743,322
Capital expenditures	42,586	-	-	42,586
Revision of estimate for decommissioning costs	18,632	2,832	-	21,464
Foreign exchange movement	(1,105,016)	-	-	(1,105,016)
Balance at June 30, 2015	9,437,489	1,210,943	53,924	10,702,356
Accumulated Depletion and Depreciation and Impairment:				
Balance at March 31, 2014	(1,298,069)	(656,799)	(40,235)	(1,995,103)
Depletion and depreciation	(2,705,010)	(100,812)	(11,915)	(2,817,737)
Impairment	(2,507,939)	(60,500)	-	(2,568,439)
Foreign exchange movement	(154,286)	-	-	(154,286)
Balance at March 31, 2015	(6,665,304)	(818,111)	(52,150)	(7,535,565)
Depletion and depreciation	(737,157)	(18,748)	-	(755,905)
Foreign exchange movement	733,812	-	-	733,812
Balance at June 30, 2015	(6,668,649)	(836,859)	(52,150)	(7,557,658)
Carrying Value:				
Balance at March 31, 2015	3,815,983	390,000	1,774	4,207,757
Balance at June 30, 2015	2,768,840	374,084	1,774	3,144,698

(a) Effective September 1, 2010 the Company executed a purchase and sale agreement with Sphere Energy Corp. ("Sphere"), a private company, whereby the Company paid $1,125,000 to acquire Sphere's working interests, ranging from 4.12% to 20%, in four producing oil wells and fourteen gas wells (the "Carbon Property") located northeast of Calgary, Alberta.

(b) At March 31, 2015 the Company assessed the recoverability of its investment in petroleum and natural gas properties by performing impairment tests at the cash-generating unit levels. The recoverable amounts of each cash-generating unit were estimated based on the higher of the value in use and the fair value less costs to sell. The estimated fair value less costs to sell was used and was determined using estimated future cash flows based on estimated reserves, discounted at 10%. Based on the impairment tests, the carrying amount of the investment in petroleum and natural gas properties was determined to be impaired in the amount of $2,568,439 for fiscal 2015.

(c) See also Note 11.

(Unaudited - Expressed in Canadian Dollars)

8. Decommissioning Liabilities

	Three Months Ended June 30, 2015 $	Year Ended March 31, 2015 $
Balance, beginning of period	1,062,292	995,388
Finance cost	8,053	26,034
Revision of estimate	27,709	47,490
Foreign exchange movement	(100,116)	(6,620)
Balance, end of period	997,938	1,062,292

The total amount of estimated undiscounted cash flows required to settle the Company's estimated obligation is $1,037,439 (March 31, 2015 - $1,190,800) which has been discounted using a pre-tax risk-free rate of 3.25% (March 31, 2015 - 3.5%) and an inflation rate of 1.016% (March 31, 2015 - 1.016%). The present value of the decommissioning liabilities may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur.

The total future asset decommissioning obligations were estimated based on the Company's net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future years. These liabilities will be settled at various dates which are currently expected to extend up to 2024. Settlement of the liabilities is expected to be funded from general corporate funds at the time of retirement.

9. Share Capital

(a) *Authorized Share Capital*

The Company's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) *Reconciliation of Changes in Share Capital*

No equity financings were conducted by the Company during the three months ended June 30, 2015 or fiscal 2015.

On February 3, 2015 the Company filed a renewal normal course issuer bid which authorizes the Company to repurchase for cancellation up to 8,725,822 common shares until February 2, 2016 or the date by which the Company has acquired the maximum number of common shares under the normal course issuer bid.

During the three months ended June 30, 2015 the Company repurchased a total of 139,000 (fiscal 2015 - 2,454,500) common shares for $21,025 (fiscal 2015 - $371,803) cash consideration. The average cost of the common shares repurchased was $0.15 (fiscal 2015 - $0.15) per share. The difference between the purchase price and the carrying value of the common shares was $61,860 (fiscal 2015 - $720,535).

See also Note 16(a).

(c) *Share Option Plan*

The Company has established a fixed share option plan (the "Plan"), in which a total of 12,408,697 common shares have been reserved for issuance under the Plan. The minimum exercise price of the share options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years from the date of grant.

(Unaudited - Expressed in Canadian Dollars)

9. Share Capital (continued)

During the three months ended June 30, 2015 the Company recorded compensation expense of $4,196 (2014 - $18,809) on the vesting of share options.

The fair value of share options vested is estimated using the Black-Scholes option pricing model using the following assumptions:

	2015	2014
Risk-free interest rate	0.43%	0.97% - 1.48%
Estimated volatility	74%	76% - 91%
Expected life	3 years	1 year - 4 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average grant date fair value of all share options vested during the three months ended June 30, 2015 was $0.02 (2014 - $0.04) per share option.

During the three months ended June 30, 2015 the Company repriced share options previously granted to purchase a total of 1,930,000 common shares, from an original exercise price of $0.18 per share to a revised exercise price of $0.14 per share. The fair value of share options repriced has been estimated using the Black-Scholes option pricing model. The assumptions used were: risk-free interest rate 0.66% - 0.91%; estimated volatility 71% - 82%; expected life 0.3 year - 4.5 years; expected dividend yield 0%; and estimated forfeiture rate 0%. The value assigned to the re-pricing of the share options was $20,140.

A summary of the Company's share options at June 30, 2015 and 2014 and the changes for the three months ended on those dates, is as follows:

	2015		2014	
	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $
Balance, beginning of period	7,392,000	0.16	7,088,530	0.46
Expired	(150,000)	0.14	-	-
Balance, end of period	7,242,000	0.15	7,088,530	0.46

The following table summarizes information about the share options outstanding and exercisable at June 30, 2015:

Number Outstanding	Number Exercisable	Exercise Price $	Expiry Date
250,000	250,000	0.50	October 1, 2015
360,000	360,000	0.14	October 1, 2015
570,000	570,000	0.14	February 2, 2016
80,000	80,000	0.14	March 14, 2016
12,000	12,000	0.40	April 6, 2016
12,000	12,000	0.14	April 6, 2016
650,000	650,000	0.14	April 4, 2018
300,000	100,000	0.175	October 3, 2019
108,000	36,000	0.14	October 3, 2019
4,900,000	4,900,000	0.14	November 14, 2019
7,242,000	6,970,000		

(Unaudited - Expressed in Canadian Dollars)

10. Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

During the three months ended June 30, 2015 and 2014 the following amounts were incurred with respect to the Company's President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company:

	2015 $	2014 $
Professional fees	46,500	63,000
Share-based compensation	-	4,430
	46,500	67,430

As at June 30, 2015, $nil (2014 - $3,500) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) *Transactions with Other Related Parties*

(i) During the three months ended June 30, 2015 and 2014 the following amounts were incurred with respect to other non-management officers and directors of the Company:

	2015 $	2014 $
Professional fees	79,500	102,000
Share-based compensation	-	3,287
	79,500	105,287

As at June 30, 2015, $23,000 (2014 - $31,000) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the three months ended June 30, 2015 the Company incurred a total of $16,900 (2014 - $17,400) to Chase Management Ltd. ("Chase"), a private corporation owned by the CFO of the Company, for accounting and administration services provided by Chase personnel, excluding the CFO. As at June 30, 2015, $15,100 (2014 - $10,000) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) See also Note 4.

11. Financial Instruments and Risk Management

The nature of the Company's operations expose the Company to credit risk, liquidity risk and market risk, and changes in commodity prices, foreign exchange rates and interest rates may have a material effect on cash flows, net income and comprehensive income.

This note provides information about the Company's exposure to each of the above risks as well as the Company's objectives, policies and processes for measuring and managing these risks.

(Unaudited - Expressed in Canadian Dollars)

11. **Financial Instruments and Risk Management** (continued)

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

Credit Risk

Credit risk is the risk of financial loss to the Company if counterparties do not fulfill their contractual obligations. The most significant exposure to this risk is relative to the sale of oil production. All of the Company's production is sold directly to an oil super major. The Company is paid for its oil sales within 30 days of shipment. The Company has assessed the risk of non-collection from the buyer as low due to the buyer's financial condition.

Cash is held with a Canadian chartered bank and is monitored to ensure a stable return.

The carrying amount of cash, amounts receivable and advances receivable represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts on its amounts receivable as at June 30, 2015 and did not provide for any doubtful accounts.

Commodity Price Risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices, affecting results of operations and cash generated from operating activities. Such prices may also affect the value of exploration and development properties and the level of spending for future activities. Prices received by the Company for its production are largely beyond the Company's control as petroleum prices are impacted by world economic events that dictate the levels of supply and demand. All of the Company's oil production is sold at spot rates exposing the Company to the risk of price movements. Effective May 16, 2015 the Company entered into a gas supply agreement to sell its share of gas production from the Cheal E field at a price of NZD $4.75 per gigajoule, ending December 31, 2015.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

	Contractual Maturity Analysis at June 30, 2015				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	8,101,769	-	-	-	8,101,769
Amounts receivable	838,525	-	-	-	838,525
Advances receivable	-	311,850	-	-	311,850
Accounts payable and accrued liabilities	(611,478)	-	-	-	(611,478)

Market Risk

Market risk is the risk that changes in foreign exchange rates, commodity prices and interest rates will affect the Company's cash flows, net income and comprehensive income. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

11. Financial Instruments and Risk Management (continued)

Foreign Currency Exchange Rate Risk

Foreign currency exchange rate risk is the risk that future cash flows, net income and comprehensive income will fluctuate as a result of changes in foreign exchange rates. All of the Company's petroleum sales are denominated in United States dollars and gas sales, operational and capital activities related to the Company's properties are transacted primarily in New Zealand dollars and/or United States dollars with some costs also being incurred in Canadian dollars.

The Company currently does not have significant exposure to other currencies and this is not expected to change in the foreseeable future as the work commitments in New Zealand are expected to be carried out in New Zealand and to a lesser extent, in United States dollars.

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 Company is exposed to interest rate fluctuations on its cash which bears a floating rate of interest. The risk is not considered significant.

The Company did not have any interest rate swaps or financial contracts in place during the three months ended June 30, 2015 and 2014 and any variations in interest rates would not have materially affected net income.

Fair Value of Financial Instruments

Financial instruments are classified into one of the following five categories: fair value through profit or loss ("FVTPL"); held-to-maturity investments; loans and receivables; available-for-sale and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	**Category**	**June 30, 2015 $**	**March 31, 2015 $**
Cash	FVTPL	8,101,769	8,401,122
Investment in associated company	Held to maturity investments	167,240	-
Amounts receivable	Loans and receivables	838,525	754,270
Advances receivable	Loans and receivables	311,850	209,270
Accounts payable and accrued liabilities	Other financial liabilities	(611,478)	(562,212)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

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

The recorded amounts for amounts receivable, advances receivable, and accounts payable and accrued liabilities and amounts due to joint venture partner approximate their fair value due to their short-term nature. The fair value of cash and investment under the fair value hierarchy is measured using Level 1 inputs.

(Unaudited - Expressed in Canadian Dollars)

12. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of petroleum and natural gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain development of the business. The Company defines capital that it manages as share capital. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's share capital is not subject to any external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any currently contemplated. There have been no changes to the Company's approach to capital management during the period.

13. Commitments

The Company has the following commitments for capital expenditures at June 30, 2015:

	Total $	Less than One Year $	More than One Year $
Operating leases	74,880	69,120	5,760
Other long-term obligations	2,715,280	1,747,140	968,140
Total contractual obligations	2,790,160	1,816,260	973,900

Effective August 1, 2011 the Company entered into an operating lease, expiring July 31, 2016, for the rental of an office in Vancouver, BC with a gross monthly lease payment of $5,760.

See also Note 6.

14. Supplemental Cash Flow Information

During the three months ended June 30, 2015 and 2014 non-cash activities were conducted by the Company as follows:

	2015 $	2014 $
Investing activities		
Expenditures on property, plant and equipment	(2,832)	(291,883)
Expenditures on exploration and evaluation assets	-	(10,614)
	(2,832)	(302,497)
Operating activities		
Provision for decommissioning liabilities	2,832	3,268
Increase in accounts payable and accrued liabilities	-	299,229
	2,832	302,497

(Unaudited - Expressed in Canadian Dollars)

15. Segmented Information

The Company currently operates in one business segment, being the acquisition, exploration and production of oil and gas properties.

	As at June 30, 2015		
	Canada $	New Zealand $	Total $
Revenues	30,553	1,158,845	1,189,938
Exploration and evaluation assets	-	5,259,814	5,259,814
Property, plant and equipment	375,858	2,768,840	3,144,698

	As at March 31, 2015		
	Canada $	New Zealand $	Total $
Revenues	157,322	6,389,855	6,547,177
Exploration and evaluation assets	-	5,835,112	5,835,112
Property, plant and equipment	391,774	3,815,983	4,207,757

16. Events after the Reporting Period

Subsequent to June 30, 2015 the Company:

(i) repurchased 119,500 common shares of the Company under its NCIB for $14,393; and

(ii) purchased 125,500 common shares of North South through the public market for a total consideration of $27,648.