STRIKEWELL ENERGY CORP.

Unaudited Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2016 and 2015

(Expressed in Canadian Dollars)

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3) released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim consolidated financial statements as at and for the three months ended March 31, 2016 and 2015.

Strikewell Energy Corp.

Condesed Interim Consolidated Statements of Financial Position

(Unaudited - Prepared by Management)

(Expressed in Canadian dollars)

	Notes		As at March 31, 2016		As at December 31, 2015
ASSETS	9, 10				
Current Assets					
Cash		**$**	**37,930**	$	11,913
Accounts receivable	5		**125,493**		280,579
			163,423		292,492
Non-Current Assets					
Petroleum and natural gas interests	7		**730,365**		776,265
		$	**893,788**	$	1,068,757
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts payable and accrued liabilities	5, 8, 13	**$**	**2,963,842**	$	2,751,761
			2,963,842		2,751,761
Non-Current Liabilities					
Loan Payable	7, 9		**1,419,327**		1,382,189
Notes payable	7, 10		**4,494,243**		4,396,734
Decommissioning obligations	7, 11		**85,531**		85,531
			8,962,943		8,616,215
SHAREHOLDERS' DEFICIENCY					
Capital stock	12		**16,771,855**		16,771,855
Contributed Surplus	9, 10		**4,071,936**		4,071,936
Deficit			**(28,912,946)**		(28,391,249)
			(8,069,155)		(7,547,458)
		$	**893,788**	$	1,068,757

Approved on behalf of the Board:

"Peter Bryant" **Director**

"Alistair Palmer" **Director**

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

Strikewell Energy Corp.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)
For the period ended March 31, 2016 with comparative figures for 2015
(Unaudited - Prepared by Management)
(Expressed in Canadian dollars)

	Notes		For the three months ended March 31, 2016		For the three months ended March 31, 2015
Revenue					
Petroleum and natural gas		**$**	**129,887**	$	21,041
Royalties			**(32,895)**		(5,086)
			96,992		15,955
Direct expenses					
Production			**91,782**		7,523
Depletion and accretion			**45,900**		800
			137,682		8,323
Operating income			**(40,690)**		7,632
General and administrative expenses					
Administration fees	13c		**15,000**		15,000
Directors' and officers' fees	13a		**4,500**		4,500
Filing and transfer agent fees			**6,046**		6,073
Interest and accretion on long-term debt			**433,203**		353,628
Office and miscellaneous			**22,258**		1,369
			481,007		380,570
Net loss and total comprehensive loss for the period			**(521,697)**		(372,938)
Basic and diluted loss per share		**$**	**(0.06)**	$	(0.04)
Weighted average number of common shares outstanding			**8,626,862**		8,626,862

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

Strikewell Energy Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency
For the period ended March 31, 2016 and 2015

(Unaudited - Prepared by Management)

(Expressed in Canadian dollars)

	Number of Shares	Captial Stock	Contributed Surplus	Deficit	Total
Balance as at January 1, 2015	8,626,862	$ 16,771,855	$ 3,603,492	$ (26,334,070)	$ (5,958,723)
Net loss for the period	-	-	-	(372,938)	(372,938)
Balance as at March 31, 2015	**8,626,862**	**$ 16,771,855**	**$ 3,603,492**	**$ (26,707,008)**	**$ (6,331,661)**

	Number of Shares	Captial Stock	Contributed Surplus	Deficit	Total
Balance as at January 1, 2016	8,626,862	$ 16,771,855	$ 4,071,936	$ (28,391,249)	$ (7,547,458)
Net loss for the period	-	-	-	(521,697)	(521,697)
Balance as at March 31, 2016	**8,626,862**	**$ 16,771,855**	**$ 4,071,936**	**$ (28,912,946)**	**$ (8,069,155)**

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

Strikewell Energy Corp.

Condensed Interim Consolidated Statements of Cash Flows
For the period ended March 31, 2016 and 2015
(Unaudited - Prepared by Management)
(Expressed in Canadian dollars)

	Notes	For the three months ended March 31, 2016	For the three months ended March 31, 2015
Operating activities			
Net income (loss) for the period		**$ (521,697)**	$ (372,938)
Items not involving cash:			
Depletion and accretion	7	**45,900**	800
Accrued interest and accretion on notes payable	10	**286,626**	1,466,490
Accrued interest and accretion on loan payable	9	**146,577**	133,490
		(42,594)	1,227,842
Changes in non-cash working capital:			
Accounts receivable		**155,086**	(2,529)
Accounts payable and accrued liabilities		**(86,475)**	(1,227,663)
Cash used in operating activities		**26,017**	(2,350)
Inflow (outflow) of cash		**26,017**	(2,350)
Cash, beginning of period		**11,913**	20,431
Cash, end of period		**$ 37,930**	$ 18,081

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Strikewell Energy Corp. (the “Company” or “Strikewell”) is a public exploration and production company with petroleum and natural gas interests in Alberta, Canada.

Strikewell is a publicly listed company incorporated in Canada with limited liability under the legislation of the province of British Columbia. The Company’s shares are listed on the TSX Venture Exchange.

The principal mailing address of the Company is RPO Box 60610 Granville Park, Vancouver, British Columbia, Canada, V6H 4B9. The records of the Company are located at 1500 West 16 Avenue, Vancouver, British Columbia, Canada V6K 2L6. The Company’s registered office address is 885 West Georgia Street, Suite 900, Vancouver, British Columbia, Canada, V6H 3H1.

These unaudited condensed interim consolidated financial statements (“interim financial statements”) have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has incurred a net loss of $521,697 (2015 - $372,938), is currently unable to self-finance operations, has a working capital deficiency of $2,800,419 (December 31, 2015 - $2,459,269) an accumulated deficit of $28,912,946 (December 31, 2015 - $28,391,249), limited resources, no significant source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and development of its petroleum and natural gas interests. The Company will require additional equity and/or debt financing to meet its administrative overhead costs, and to continue exploration work on its petroleum and natural gas interests.

The application of the going concern concept is dependent upon the Company’s ability to generate future profitable operations, raise additional capital through debt and/or equity financing, and its debtors’ continued forbearance on the Company’s outstanding debt. Management is actively seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management’s plan will be successful.

These matters indicate material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. These interim financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PREPARATION

(a) Statement of compliance:

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

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued):

These interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. They do not include all the information required for full annual financial statements.

These interim financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value. In addition, these interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out in note 3 have been applied consistently to all periods presented by the Company and its subsidiary.

(b) Functional and presentation currency:

These interim financial statements are presented in Canadian dollars, which is the Company's and its subsidiary's functional currency.

(c) Use of estimates and judgments:

The preparation of interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that may affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Following are the accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

Critical accounting judgments

Reserves

The estimate of petroleum and natural gas reserves is integral to the calculation of the amount of depletion charged to the consolidated statements of comprehensive loss and is also a key determinant in assessing whether the carrying value of any of the Company's development and production assets have been impaired. Changes in reported reserves can impact asset carrying values and the decommissioning provision due to changes in expected future cash flows. The Company's reserves are evaluated and reported on by independent reserve engineers at least annually in accordance with Canadian Securities Administrators' National Instrument 51-101 *Standards of Disclosure of Oil and Gas Activities*. Reserve estimation is based on a variety of factors including engineering data, geological and geophysical data, projected future rates of production, commodity pricing and timing of future expenditures, all of which are subject to significant judgment and interpretation.

2. BASIS OF PREPARATION (continued)

(c) Use of estimates and judgments (continued):

Recoverability of asset carrying values

At each reporting date, the Company assesses its petroleum and natural gas properties and exploration and evaluation assets for possible impairment, to determine if there is any indication that the carrying amounts of the assets may not be recoverable. An assessment is also made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. Determination as to whether and how much an asset is impaired, or no longer impaired, involves management estimates on highly uncertain matters such as future commodity prices, discount rates, production profiles, operating costs, future capital costs and reserves. Changes in circumstances may impact these estimates, which may impact the recoverable amount of assets. Any change in the impairment loss or reversal of impairment loss could have a material financial impact in future periods, but future depletion expense would be impacted as a result.

Going concern

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

The assessment of an asset acquisition or business combination and existing working interest

Management has had to apply judgments with respect to whether the acquisition of the additional interests in the property and equipment was a business combination or an asset acquisition. Management applied a three-element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs of each acquisition in order to reach a conclusion.

In instances where the Company acquired additional working interest, the Company does not re-measure the previously held interest in the assets that it already controls.

Critical accounting estimates

Decommissioning obligations

Amounts recorded for decommissioning obligations require the use of management's best estimates of future decommissioning expenditures, expected timing of expenditures and future inflation rates. The estimates are based on internal and third party information and calculations are subject to change over time and may have a material impact on profit or loss or financial position. For more information on the Company's decommissioning obligations see note 11.

2. BASIS OF PREPARATION (continued)

(c) Use of estimates and judgments (continued):

Recoverability of accounts receivable

Accounts receivables are recorded at the estimated recoverable amount, which involves the estimate of uncollectible accounts.

Discount rate of loans

The loans and notes payable are initially recognized at fair value, calculated as the net present value of the liability based upon discount rate issued by comparable issuers and accounting for at amortized cost using the effective interest rate method.

Income taxes

Related assets and liabilities are recognized for the estimated tax consequences between amounts included in the consolidated financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, and accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time. These differences could materially impact earnings.

(d) Approval of the interim financial statements:

These interim financial statements of Strikewell for the three months ended March 31, 2016 and 2015 were approved and authorized for issue by the Board of Directors on May 25, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation:

(i) Subsidiary

The interim financial statements include the accounts of the Company and its wholly-owned subsidiary, Strikewell Capital Corp. (“Strikewell Capital”). A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investee. All intercompany transactions and balances have been eliminated upon consolidation.

(ii) Jointly controlled operations and jointly controlled assets

The Company’s petroleum and natural gas activities involve jointly controlled assets. The interim financial statements include the Company’s share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments:

(i) Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss (“FVTPL”), loans and receivables, held-to-maturity (“HTM”) and available-for-sale (“AFS”). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Financial assets at fair value through profit or loss

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

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate method.

Held-to-maturity

HTM financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company’s management has the positive intention and ability to hold to maturity. HTM financial assets are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method.

Available-for-sale

AFS financial assets are non-derivatives that are either designated as AFS or not classified in any of the other financial assets categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive loss and classified as a component of equity. When an AFS financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in accumulated other comprehensive income is included in profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued):

(ii) Financial liabilities

The Company classifies its financial liabilities as FVTPL or other financial liabilities.

Fair value through profit or loss

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

Other financial liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost using the effective interest rate method. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date.

(iii) Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(iv) Fair value hierarchy

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue recognition:

Revenue from the sale of petroleum and natural gas is recorded when title passes to an external party and is based on volumes delivered to customers at contractual delivery points, and rates and collectability are reasonably assured. Delivery is generally at the time the petroleum enters the tanks and when the natural gas enters the pipeline. The costs associated with the delivery, including operating and maintenance costs, transportation and production-based royalty expenses, are recognized during the same period in which the related revenue is earned and recorded.

(d) Petroleum and natural gas interests:

Petroleum and natural gas interests are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into cash-generating units ("CGUs") for impairment testing. As at March 31, 2016, the Company has one CGU, which consists of the Garrington property held by Strikewell Capital.

Gains and losses on disposal of petroleum and gas interests are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized net within profit or loss.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of development and production assets are recognized as petroleum 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 profit or loss as incurred. Such capitalized petroleum 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 property, development and production assets are recognized in profit or loss as incurred.

Depletion and depreciation

The net carrying value of development or production assets is depleted using the unit-of-production method by reference to the ratio of production in the year to the related proven reserves. These estimates are reviewed by independent reserve engineers at least annually.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Petroleum and natural gas interests (continued):

Depletion and depreciation (continued)

Proven reserves are estimated using independent reserve engineer reports and represent the estimated quantities of petroleum, 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 viable. There should be a minimum of 90 percent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and a maximum 10 percent statistical probability that it will be less. Such reserves may be considered commercially viable if management has the intention of developing and producing them and such intention is based upon:

- a reasonable assessment of the future economics of such production;
- a reasonable expectation that there is a market for all or substantially all the expected petroleum and natural gas production; and
- evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Reserves may only be considered proven if future economic feasibility is supported by either actual production or conclusive formation test. The area of reservoir considered proven includes (a) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, or both, and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of petroleum and natural gas controls the lower proved limit of the reservoir.

(e) Impairment:

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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 the present value of the estimated future cash flows discounted at the asset’s original effective interest rate.

Individually 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 profit or 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 profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Impairment (continued):

Non-financial assets

Petroleum and natural gas interests are assessed for impairment if facts and circumstances suggest that 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 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.

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. 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.

An impairment loss would be recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

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 estimates used to determine the recoverable amount. 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.

(f) Income taxes:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss, except to the extent that if the income tax expense related to items recognized directly in equity, the income tax expense would also be recognized in equity.

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

Deferred tax is recognized using the asset and liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Income taxes (continued):

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

(g) Earnings (loss) per share:

Basic earnings (loss) per share is calculated by dividing net income (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is computed using the treasury stock method. In accordance with the treasury stock method, the weighted average number of common shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(h) Share-based payments:

The Company may grant share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments to non-employees is recognized and measured at the date the goods or services are received based on the fair value of such goods or services. If it is determined that the fair value of goods and services received cannot be reliably measured the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as petroleum and natural gas interests with a corresponding increase in contributed surplus. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in capital stock and the related share-based payment in contributed surplus is transferred to capital stock. For those options that expire or are forfeited after vesting, the recorded value is transferred to deficit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Decommissioning obligations:

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation 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 expenditure required to settle the present obligation at the interim statement of financial position date. 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 was established.

(j) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present obligation (legal or constructive) that can be estimated reliably, and it is probable that expenditure 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.

(k) New accounting pronouncements:

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

Applicable to the Company's annual period beginning January 1, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) New accounting pronouncements (continued):

IFRS 9 *Financial Instruments* (2014)

IFRS 9 contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a “fair value through other comprehensive income” category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment. The 2014 version of IFRS 9 introduces an “expected credit loss” model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
- Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Applicable to the Company’s annual period beginning January 1, 2018.

IFRS 16 *Leases*

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

Applicable to the Company’s annual period beginning January 1, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) New accounting pronouncements (continued):

Clarification of Acceptable Methods of Depreciation and Amortization
(Amendments to IAS 16 and IAS 38)

Amends IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Applicable to the Company's annual period beginning January 1, 2016.

The Company has not early-adopted these standards and is currently assessing the impact that the standards will have on the interim financial statements.

4. FINANCIAL INSTRUMENTS

Fair value:

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. All financial instruments measured at fair value are categorized into a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The Company's financial instrument classified as Level 1 in the fair value hierarchy is cash. The Company's financial instruments classified as Level 2 are notes and loans payable.

Classification:

The Company classifies its financial instruments as follows: cash is classified as a financial asset at FVTPL; accounts receivable, as loans and receivables; accounts payable and accrued liabilities, loans payable and notes payable, as other financial liabilities.

5. FINANCIAL RISK MANAGEMENT

(a) Overview:

The Company has exposure to the following risks from its use of financial instruments:

- Market risk;
- Credit risk; and
- Liquidity risk.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

The Company's cash is held in bank accounts and, due to the short-term nature of these financial instruments, fluctuations in market interest rates do not have a significant impact on the fair value as at March 31, 2016 and 2015.

The Company's loans and notes payable are at fixed interest rates, and therefore, the Company's exposure to interest rate cash flow risk is minimal.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

(c) Credit risk:

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and accounts receivable. The credit risk associated with cash is minimized substantially by ensuring these financial assets are placed with a major financial institution with a high credit rating.

5. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued):

Accounts receivable primarily consists of revenues from the sale of petroleum and natural gas. To reduce credit risk, the Company regularly reviews the collectability of accounts receivable. The aging of the trade receivables as at March 31, 2016 and December 31, 2015 is:

Due Date		**March 31, 2016**		**December 31, 2015**
0 – 60 days	$	124,391	$	221,943
61 days +		-		57,733
	$	124,391	$	279,676

Concentration of credit risk exists with the Company's accounts receivable. The Company's concentration of credit risk and maximum exposure thereto is as follows:

		March 31, 2016		**December 31, 2015**
Trade receivables	$	124,391	$	279,676

(d) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in satisfying obligations as they become due. The Company assesses its liquidity risk by forecasting cash flows required by operations and anticipated financing activities.

The Company has a cash balance at March 31, 2016 of $37,930 (December 31, 2015 - $11,913) and accounts receivable of $125,493 (December 31, 2015 - $280,579). At March 31, 2016, the Company had accounts payable and accrued liabilities of $2,963,842 (December 31, 2015 - $2,751,761) and a working capital deficiency of $2,800,419 (December 31, 2015 - $2,459,269). Based on the current funds held, the Company will need to rely upon financing from shareholders and/or debt holders to obtain sufficient working capital. There is no assurance that such financing will be available on terms and conditions acceptable to the Company.

5. FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk (continued):

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at March 31, 2016:

Due Date	Accounts Payable and Accrued Liabilities	Loans Payable	Notes Payable	Total
		(note 9)	(note 10)	
0 – 30 days	$ 2,963,842	$ -	$ -	$ 2,963,842
31 days – 1 year	-	-	-	
2 to 5 years	-	1,987,424	6,193,220	8,180,644
	$ 2,963,842	$ 1,987,424	$ 6,193,220	$ 11,144,486

The amounts listed below are the undiscounted contractual maturities for financial liabilities held by the Company as at December 31, 2015:

Due Date	Accounts Payable and Accrued Liabilities	Loans Payable	Notes Payable	Total
		(note 9)	(note 10)	
0 – 30 days	$ 2,751,761	$ -	$ -	$ 2,751,761
31 days – 1 year	-	-	-	-
2 to 5 years	-	1,987,424	6,193,220	8,180,644
	$ 2,751,761	$ 1,987,424	$ 6,193,220	$ 10,932,405

6. CAPITAL MANAGEMENT

The Company defines its capital as debt and shareholders' deficiency. Capital requirements are driven by the Company's exploration activities on its petroleum and natural gas interests. Management's objective is to ensure there are adequate capital resources to safeguard the Company's ability to continue as a going concern. Management reviews its capital management approach on an on-going basis and believes its approach given the relative size of the Company is reasonable.

Although the Company has been successful at raising funds in the past through obtaining debt financing from current shareholders, it is uncertain whether it can continue this financing methodology.

The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company's capital stock and debt are not subject to any externally imposed capital requirements and the Company did not change its approach to capital management during the period ended March 31, 2016.

7. PETROLEUM AND NATURAL GAS INTERESTS

Cost	Well Equipment	Acquisition and Lease	Asset Retirement	Total
Balance at December 31, 2014	90,000	403,997	10,000	503,997
Additions	-	1,004,139	75,469	1,079,608
Balance at December 31, 2015	$ 90,000	$ 1,408,136	$ 85,469	$ 1,583,605
Additions	-	-	-	-
Balance at March 31, 2016	$ 90,000	$ 1,408,136	$ 85,469	$ 1,583,605

Accumulated Depletion, Depreciation and Impairment	Well Equipment	Acquisition and Lease	Asset Retirement	Total
Balance at December 31, 2014	62,735	276,863	240	339,838
Additions	6,759	105,750	6,419	118,928
Impairment	-	348,574	-	348,574
Balance at December 31, 2015	$ 69,494	$ 731,187	$ 6,659	$ 807,340
Additions	3,951	41,570	379	45,900
Balance at March 31, 2016	$ 73,445	$ 772,757	$ 7,038	$ 853,240

Carrying amounts	Well Equipment	Acquisition and Lease	Asset Retirement	Total
December 31, 2015	$ 20,506	$ 676,949	$ 78,810	$ 776,265
March 31, 2016	$ 16,555	$ 635,379	$ 78,431	$ 730,365

On October 9, 2015, the Company closed an agreement of purchase and sale dated June 30, 2015 (the “Agreement”) between Strikewell Capital and Mr. John Hislop. Pursuant to the Agreement, Strikewell Capital agreed to purchase an 80% working interest in the Garrington property (the “Garrington Property”), for a purchase price of $1,000,000 (the “Purchase Price”). The Agreement has an effective date of July 1, 2015 and was accounted for as a business combination. The Purchase Price was paid and satisfied at the closing of the transaction, by way of issuance by Strikewell Capital to Mr. John Hislop of a promissory note in the amount of $1,000,000 (the “Promissory Note”). The Promissory Note is due June 30, 2022 and bears interest at a rate of 15% per annum. Strikewell Capital may prepay the Promissory Note without penalty. Strikewell Capital now owns a 90% working interest in the Garrington Property.

During the year ended December 31, 2015, the Company performed an assessment of potential impairment indicators, and management determined that with the recent decline in crude oil and natural gas prices that an impairment test on its petroleum and natural gas assets was required. It was determined that the carrying amounts of its developed and producing property exceeded its recoverable amounts. Accordingly, an impairment charge of $348,574 (2014 - $nil) was recognized. The recoverable amounts were determined using a value in use discounted cash flow method and categorized in Level 3 of the fair value hierarchy. Key assumptions in the determination of cash flows from reserves include crude oil and natural gas prices, loss factors and discount rates specific to the underlying composition of assets residing the CGU. The pre-tax discount rate used was 16%.

7. PETROLEUM AND NATURAL GAS INTERESTS (continued)

The following tables show the future crude oil and natural gas price estimates used by the Company's independent reserves evaluator at December 31, 2015:

2015:	2016	2017	2018	2019	2020	2021	2022	2023	Thereafter
WTI (US$/bbl)	45.00	53.60	62.40	69.00	73.10	77.30	81.60	86.20	+2%/year
WCS (C$/bbl)	46.40	54.40	59.70	66.30	68.20	72.30	76.50	80.90	+2%/year
AECO (C$/MMbtu)	2.70	3.20	3.55	3.85	3.95	4.20	4.45	4.70	+2%/year

Security

As at March 31, 2016 and December 31, 2015, all of the Company's properties are pledged as security for the loans and notes payable (notes 9 and 10).

Contingencies

Although the Company believes that it has title to its petroleum and natural gas interests, it cannot control or completely protect itself against the risk of title disputes or challenges.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31, 2016		**December 31, 2015**
Trade payables	$	536,217	$	622,692
Interest payable		2,393,126		2,094,570
Due to related party (note 14)		7,999		7,999
Accrued liabilities		26,500		26,500
	$	2,963,842	$	2,751,761

9. LOANS PAYABLE

(a) Lender 1 – Loan payable to a significant shareholder of the Company:

		Total
Carrying amount, June 1, 2014		1,510,893
Revaluation of loan payable		(971,178)
Accretion expense		77,513
Carrying amount, December 31, 2014		617,228
Accretion expense		110,231
Carrying amount, December 31, 2015	$	727,459
Accretion expense		32,911
Carrying amount, March 31, 2015	$	760,370

9. LOANS PAYABLE (continued)

(a) (continued)

This loan between the Company and Mr. John Hislop has a principal balance of $865,924, is secured by the assets of the Company and bears interest at 10% per annum payable semi-annually. On June 1, 2014, the terms of the loan agreement were amended to reflect an update to the maturity date of the loan from June 1, 2014 to June 1, 2019. There were no other changes to the pre-existing terms of the loan. At December 31, 2014, the loan was revalued to account for current comparable market interest rates. As a result, the effective interest rate was determined to be 30% per annum and a gain of $971,178 was deemed to have been received upon extension of the due date of the loan. This gain was recorded in contributed surplus to reflect the benefit having been received by a related party. Included in accounts payable and accrued liabilities is accrued interest of $158,753 as at March 31, 2016 (December 31, 2015 - $137,105).

(b) Lender 2 – Loan payable to a company controlled by a significant shareholder of the Company:

		Total
Carrying amount, December 31, 2014		35,570
Accretion expense		1,873
Carrying amount, December 31, 2015	$	37,443
Accretion expense		-
Carrying amount, March 31, 2016	$	37,443

On February 1, 2013, the Company entered into a promissory note with Caravel Management Corp. (“Caravel”) for an amount up to $200,000, which bears interest calculated quarterly at a rate of 15% per annum for a period of five years (the “Caravel Promissory Note”). According to the Caravel Promissory Note, as of March 31, 2016, the Company owes Caravel the principal sum of $46,500 and $22,391 in accrued interest. Included in accounts payable and accrued liabilities is accrued interest of $22,391 as at March 31, 2016 (December 31, 2015 - $19,937).

(c) Lender 3 – Loan payable to a significant shareholder of the Company:

		Total
Carrying amount, December 31, 2014	$	-
Additions		565,998
Accretion expense		10,271
Carrying amount, December 31, 2015	$	576,269
Accretion expense		5,720
Carrying amount, March 31, 2016	$	581,989

On July 1, 2015, the Company entered into a promissory note with Mr. John Hislop for $1,000,000, which bears interest calculated quarterly at a rate of 15% per annum for a period of seven years. The loan was revalued to account for current comparable market interest rates. As a result, the effective interest rate was determined to be 30% per annum and a gain of $434,002 was recorded in contributed surplus to reflect the benefit

9. LOANS PAYABLE (continued)

(c) Lender 3 – Loan payable to a significant shareholder of the Company: (continued)

having been received by a related party. As of March 31, 2016 the Company owes Mr. John Hislop the principal sum of $1,000,000 and $113,116 in accrued interest. Included in accounts payable and accrued liabilities is accrued interest of $113,116 as at March 31, 2016 (December 31, 2015 - $75,616).

(d) Lender 4 – Loan payable to a significant shareholder of the Company:

		Total
Carrying amount, December 31, 2014	$	-
Additions		40,557
Accretion expense		461
Carrying amount, December 31, 2015	$	41,018
Accretion expense		379
Carrying amount, March 31, 2016	$	41,397

On August 25, 2015, the Company entered into a promissory note with Mr. John Hislop for $75,000, which bears interest calculated quarterly at a rate of 15% per annum for a period of seven years. The loan was revalued to account for current comparable market interest rates. As a result, the effective interest rate was determined to be 30% per annum and a gain of $34,442 was recorded in contributed surplus to reflect the benefit having been received by a related party. As of March 31, 2016, the Company owes Mr. John Hislop the principal sum of $75,000 and $6,781 in accrued interest. Included in accounts payable and accrued liabilities is accrued interest of $6,781 as at March 31, 2016 (December 31, 2015 - $3,945).

10. NOTES PAYABLE

		Vendor Note		Second Note		Total
Face value of notes payable	$	4,018,636	$	2,174,584	$	6,193,220
New value, January 1, 2014		4,018,636		2,174,584		6,193,220
Revaluation of notes payable		(1,536,299)		(831,329)		(2,367,628)
Accretion expense		158,684		85,867		244,551
Carrying amount, December 31, 2014		2,641,021		1,429,122		4,070,143
Accretion expense		211,917		114,674		326,591
Carrying amount, December 31, 2015	$	2,852,938	$	1,543,796	$	4,396,734
Accretion expense		63,272		34,237		97,509
Carrying amount, March 31, 2016	$	2,916,210	$	1,578,033	$	4,494,243

Notes payable consists of two notes arising from the purchase consideration for the acquisition of Strikewell Capital and the restructuring of certain accounts payable and loans payable of the Company. The notes were issued January 1, 2006.

10. NOTES PAYABLE (continued)

The principal owing under the Vendor Note and the Second Note were due for repayment January 1, 2014 and bore interest at 2% for years one and two, 3% for years three and four, 4% for year five and 15% for years six through eight, compounded and payable semi-annually.

On January 1, 2014, the promissory notes were renewed and are now due for repayment December 31, 2018 and bear interest at 15% per annum. All other terms remain unchanged.

In 2014, the notes were revalued to account for extended repayment terms and for current comparable market interest rates. As a result, the effective interest rate was determined to be 30% per annum and a gain of $2,367,628 was deemed to have been received upon extension of the due dates of the notes. This gain was recorded in contributed surplus to reflect the benefit having been received by a related party.

All assets of the Company have been pledged as security for the notes payable. The Vendor Note is due to a significant shareholder of the Company, Mr. John Hislop. The Second Note is due to Caravel.

Included in accounts payable and accrued liabilities is accrued interest of $2,090,212 as at March 31, 2016 (December 31, 2015 - $1,857,966).

11. DECOMMISSIONING OBLIGATIONS

A reconciliation of the decommissioning obligations is provided below:

Balance, December 31, 2014		10,000
Accretion		62
Change in estimate		75,469
Balance, December 31, 2015	$	85,531
Accretion		-
Balance, March 31, 2016	$	85,531

During the year ended December 31, 2015, the Company revised its estimates to abandon and reclaim its petroleum and natural gas properties. The revisions were made in accordance with the Alberta Energy Regulator's guidance for abandonment and reclamation costs updated during the year. The majority of the costs will be incurred after 2030. An inflation factor of 1.60% has been applied to the estimated asset retirement cost. A risk-free rate of 2.17% was used to calculate the fair value of the decommissioning obligations. The assumptions have remained relatively unchanged since the year ended December 31, 2015 and thus no change to the obligation has been recorded at March 31, 2016.

12. CAPITAL STOCK

(a) Authorized:

Unlimited number of common shares without par value.
Unlimited number of Class A preferred shares without par value.

(b) Issued:

The Class A preferred shares are issuable in series; each series to have rights and restrictions as determined by the Board of Directors. The issuance of preferred shares of any series is subject to regulatory approval. There are no preferred shares outstanding.

(c) Stock options:

During 2007, the Company adopted a new incentive stock option plan under which the Company may issue up to a maximum of 10% of the issued shares of the Company as stock options to acquire common shares in the capital of the Company as an incentive to officers, directors, employees and consultants. There were no stock options issued or outstanding during the three months ended March 31, 2016 and the year ended December 31, 2015.

13. RELATED PARTY TRANSACTIONS

As at March 31, 2016 the transactions made with related parties to the Company not otherwise disclosed consist of the following:

(a) Directors' fees of $4,500 (2015 - $4,500) were paid to key management personnel. Key management comprises officers and directors of the Company. Key management personnel were not paid any share-based payments, post-employment benefits, termination benefits or other long-term benefits during the three months ended March 31, 2016 and 2015.

(b) Included in accounts payable is $7,999 (2015 - $7,999) in trade payables due to a significant shareholder of the Company.

(c) Administration fees of $15,000 (2015 - $15,000) were paid or payable to Caravel. Included in accounts payable and accrued liabilities is $275,486 (December 31, 2015 - $259,627) in trade payables due to Caravel.

The amounts due to related parties included in accounts payable and accrued liabilities are non-interest-bearing, unsecured and due on demand.

14. OPERATING SEGMENT

The Company operates in one reportable operating segment, being the exploration and development of petroleum and natural gas interests. The Company's assets and activities are located in Canada.