United Hunter Oil and Gas Corp.

Form 51-102F1
Management's Discussion and Analysis
For the Years Ended December 31, 2014

(Presented in Canadian Dollars)

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United Hunter Oil & Gas Corp.
Management's Discussion and Analysis

Management's Discussion and Analysis ("MD&A") of the financial position of United Hunter Oil & Gas Corp. (the "Company" or “UHO”) should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2014. The information provided is as of April 30, 2015. These documents and additional information about the Company are available at www.sedar.com. Unless otherwise noted, dollar amounts are expressed in Canadian dollars. References to US$ means United States of America dollars.

Description of Business

The Company is engaged in the exploration and development of oil and gas properties. The Company owns a 65% indirect joint venture interest in Excelaron, LLC (“Excelaron”), an exploration stage company based in San Luis Obispo, California, and a 25% joint venture interest in Alamo Creek Oil LLC (“Alamo”), an exploration stage company based in San Luis Obispo, California. The Company’s common shares are listed for trading on the TSX Venture Exchange under the symbol “UHO”.

Forward-looking Statements

The MD&A, which contains forward-looking statements, is intended to provide readers with a reasonable basis of assessing performance of the Company. The use of any of the words ”believe”, “expect”, “estimate”, “will”, “should”, “intend”, and similar expressions are intended to identify forward looking statements. Forward looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such risks include but are not limited to, statements with respect to: the focus of capital expenditures, the sale, farming in, farming out or development of certain exploration properties using third party resources, the implied assessment, resources in place based on certain estimates and assumptions, that the described resources exist in the quantities predicted or estimated, and can be profitably produced in the future. There is no certainty that it will be commercially viable to produce any portion of the resources, the impact of changes in petroleum and natural gas prices on cash flow; drilling plans; processing capacity; operating and other costs. The Company’s acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom; the Company’s goal to sustain or grow production and reserves through prudent management and acquisitions; the emergence of accretive growth opportunities; the Company’s ability to benefit from the combination of growth opportunities and the ability to grow through the capital markets; development costs and the source of funding thereof; the quantity of petroleum and natural gas resources or reserves; treatment under governmental regulatory regimes and tax laws; liquidity and financial capital; the impact of potential acquisitions and the timing for achieving such impact; expectations regarding the ability to raise capital and continually add to reserves through acquisition and development; the performance characteristics of the Company’s petroleum and natural gas properties; and realization of the anticipated benefits of acquisitions and dispositions. The Company undertakes no obligation to update such forward-looking statements or information if circumstances or management's estimates or opinions should change, unless required by law.

Some of the risks and other factors, which could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in Canada, the United States of America and globally; supply and demand for petroleum and natural gas; industry conditions, including fluctuations in the price of petroleum and natural gas; governmental regulation of the petroleum and natural gas industry, including income tax, environmental and regulatory matters; fluctuation in foreign exchange or interest rates; risks and liabilities inherent in petroleum and natural gas operations, including exploration, development, exploitation, marketing and transportation risks; geological, technical, drilling and processing problems; unanticipated operating events which can reduce production or cause production to be shut-in or delayed; the ability of our industry partners to pay their proportionate share of joint interest billings; failure to obtain industry partner and other third party consents and approvals, when required; stock market volatility and market valuations; competition for, among other things, capital, acquisition of reserves, processing and transportation capacity, undeveloped land and skilled personnel; and the need to obtain required approvals from regulatory authorities.

In addition, other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements.

Readers should be aware that historical results are not necessarily indicative of future performance. No assurance can be given that any events anticipated by the forward looking statements or information will transpire or occur, or if any of them do, what benefits the Company may derive therefrom.

Statements relating to "resources" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the described resources exist in the quantities predicted or estimated, and can be profitably produced in the future. There is no certainty that it will be commercially viable to produce any portion of the resources described in this MD&A.

The following table outlines certain forward-looking statements contained in this MD&A and provides material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Page No.	Forward looking statements	Assumptions	Risk factors
7	Overall Performance – Huasna Property – *Development Plan* "After the completion of the pilot program a full analysis of the field's commercial potential would be conducted. The pilot program would have been used to obtain new subsurface information and to initiate production using intermittent hot water injection. In this approach, hot water would be injected in each well for intermittent periods followed by periods of production. These first four wells would have been drilled and completed as vertical or near vertical, and would be logged using appropriate modern logs. Fresh cores and fluid samples would be taken and analyzed. The Company plans to use reservoir modeling that would involve construction of a geological model and reservoir simulation using thermal and dual permeability formulations to assess the recovery potential and to optimize vertical and horizontal spacing in conjunction with injection rates and schedule."	The Company assumes that the results of the pilot program will demonstrate that the heavy oil can be produce commercially.	The pilot program may not prove that the heavy oil can be produced commercially. The price of oil and gas is subject to unpredictable fluctuations making any pilot program unsustainable should prices decline significantly.
12	Liquidity and Capital Resources – Liquidity "…the Board has reasonable expectation that the Company has adequate resources to meet its working capital requirements for the foreseeable future."	The Company is a going concern.	Due to unforeseen expenditures the Company does not have available cash to meet its liabilities. The Company is not be able to raise capital through the issuance of equity it is not be able to meet future commitments should permits be granted.
13	Liquidity and Capital Resources – Huasna Capital Expenditures- "It has been estimated that the initial pilot scheme for the development plan, consisting of four vertical hot water injector/producers, plus surface equipment, would cost US$1,875,000, of which, US$800,000 will be paid by the Company, with all costs for the development of the development plan thereafter being paid 65% by the Company and 35% by its joint venture partner. The Huasna project will be	Estimates accurately approximate the actual budgeted costs.	Estimates may not reflect actual costs when the project is undertaken. Actual cost may be higher than estimates.

	subject to a 12.5% basic overriding royalty plus an additional 5% of net revenue after energy-related lifting costs.”		
13	Liquidity and Capital Resources – Huasna Capital Expenditures “For the expanded development plan it has been estimated that a vertical hot water injection well will cost US$300,000 to drill and the hot water boiler and associated facilities will cost upwards of US$1,000,000 or more.”	Estimates accurately approximate the actual budgeted costs.	Estimates may not reflect actual costs when the project is undertaken. Actual cost may be higher than estimates.
13	Liquidity and Capital Resources – Huasna Capital Expenditures “Total capital expenditures for a fully exploited project as described would be estimated at US$14,175,000 (US$9,213,750 net to the Company).	Estimates accurately approximate the actual budgeted costs.	Estimates may not reflect actual costs when the project is undertaken. Actual cost may be higher than estimates.
13	Liquidity and Capital Resources – Huasna Capital Expenditures (a) “Total abandonment and restoration liabilities have been estimated at US$350,000 ($US227,500 net to the Company).”	Estimates accurately approximate the actual budgeted costs.	Estimates may not reflect actual costs when the project is undertaken. Actual cost may be higher than estimates.
14	Legal Matters “The Company is not currently involved in any claims, disputes, litigation or other actions with third parties which it believes could have a material adverse effect on its financial condition or results of operations.”	The Company is not currently involved in any claims, disputes, litigation, or other actions with third parties which management believes could have material adverse effect on its financial condition or results of operations.	The Company becomes involved in claims, disputes, litigation, or other actions with third parties which could have material adverse effect on its financial condition or results of operations.

Overall Performance

Huasna Property

The Company holds an indirect 65% indirect interest in Excelaron, which holds a 100% interest in an oil and natural gas property consisting of more than 250 acres on the western edge of the Huasna Basin, an existing California Department of Oil, Gas and Geothermal Resources designated oilfield within the Meridian Anticline located in Arroyo Grande, California (“Huasna”). The Company will pursue the exploration and development of these oil and gas properties held by Excelaron pursuant to the terms of a joint operating agreement. Its joint venture partner in Excelaron is Australia Oil Company Investments Pty Limited.

Description of the Geologic Area

The onshore portion of the Santa Maria Basin is a triangular shaped structural basin located north of Los Angeles in the state of California and bounded by the Santa Ynez Mountains to the south and the San Rafael Mountains to the north.

The basin contains Cenozoic Miocene to Quaternary strata that pinch out against the older strata of the mountain ranges to the south and north. An unconformity at the top of the Mesozoic strata indicates a period of widespread emergence and erosion during the middle Tertiary period. Sedimentation commenced again when Lower Miocene strata were deposited during a period of regional crustal extension. During much of the ensuing Miocene time the Monterey Formation was deposited, the major reservoir zone and only source rock in the basin. The Monterey Formation ranges in thickness from 1,000 to 4,000 feet and consists primarily of organic rich clastic poor strata, more calcareous in the lower section and increasingly cherty and siliceous in the upper section. These are deeper water deposits as sea level was high at this time.

Much of the oil in the Santa Maria Basin is trapped in west-northwest trending faulted anticlines. In the Monterey Formation, the reservoirs are very thick fractured sections of chert, siliceous shale and dolomite. The oil is usually heavy and typically ranges from 10° to 20° API. Matrix porosity is typically about 10% to 35% but the permeability within the matrix is negligible. The recoverable oil is predominantly located in the fracture system for which the porosity ranges from 1% to 2% or less, but permeability can be very large.

The Huasna Field is located in the northern portion of the Santa Maria Basin and is a mapped surface anticlinal feature with tar sealed Monterey Formation as the outcropping formation. Structural closure is 450 acres and the first well drilled into the structure, Scherer-Dickes #1, was perforated from 900 to 2,200 feet in the Monterey Formation.

Resource Evaluation Methodology

The in-place and recoverable resource estimates that follow are taken from a report prepared by Gaffney, Cline & Associates Inc. (the "GCA Report") entitled the "Huasna Field Resource Evaluation" dated October 27, 2010 and with volumes reported as of July 31, 2010. The GCA Report was prepared, at that time, in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101"), and the report is available at www.sedar.com.

GCA has not updated its report, but has been advised by United Hunter Oil and Gas Corporation ("United Hunter" or "the Company") that no activity has taken place in the Huasna field since the date of the GCA Report, and that United Hunter still plans to implement the same evaluation and hot-water enhanced recovery scheme ("the Project") in the Huasna field contemplated in the GCA Report. On that basis GCA has agreed that the volume estimates given below should remain unchanged.

United Hunter has reviewed these materials and discussed the current status of the project with GCA and they have confirmed that, in their view, the planned Project complies with the updated Guidelines for Estimation and Classification of Resources Other Than Reserves (the "ROTR Guidelines") in volume 2 of the Canadian Oil and Gas Evaluation Handbook (the "COGEH").

In particular, United Hunter notes that the planned Project is considered to be a pre-development study and is based on technology under development. In the event resources are encountered in the targeted reservoir, the Company would initiate a field test of the hot water technology and a review of the anticipated costs associated with developing such a project. There is no certainty that any portion of the resources will be commercially viable to produce any portion of the resources. The objectives of such a field test and a project review would be to better establish the economic viability of the recovery process, given the potential scale of such a surface facility; the study of the local infrastructure, access to local markets and the need of any additional requirements to support such a facility; the local political environment; and the additional permit approvals for such any such facilities, if one was to be developed on the subject property. Because the development plans are based on recent estimates and technologies regarding future events, actual results will vary and the variations may be material.

Resource Estimates

The oil gravity in the Monterey shale accumulation is presumed to be 8.5 - 13° API and its exploitation will be facilitated by application of an enhanced recovery program utilizing a hot water injection design. Under Excelaron's design, the program would have hot water injected into these subsurface zones to raise the reservoir temperature thereby increasing the oil's mobility and providing a displacement mechanism for the oil to flow to the surface. The Huasna area is considered to have known accumulations of oil as it has been penetrated by at least 7 wells and has produced approximately 23,000 barrels of oil. At the time of the GCA Report the Company had committed to spend significantly more money to develop a pilot program to further determine the field's commercial viability, conditioned upon local environmental and regulatory permitting approval.

The GCA Report contains volumetric estimates of the Discovered Petroleum initially-In-Place ("DPIIP") using the existing well information. DPIIP is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production.

The GCA Report estimates that recoverable oil via primary methods would yield 2% of DPIIP based on Huasna's rock and fluid properties and, by making separate thermal estimates using analytical tools, it would yield a 4 to 6% recovery factor based on the hot water stimulation process that the Company planned to test and implement at Huasna. As a point of reference, the GCA Report compared the estimated recoverable oil in terms of barrels per acre foot with other fields that produce heavy oil from the same formation, such as Orcutt and Santa Maria, but these cannot be considered direct analogs because they produce less viscous oil than that from the Huasna area.

Recoverable oil per unit rock volume in Orcutt and Santa Maria range from 50 to 150 barrels per acre-foot, with Huasna estimated at approximately 24 barrels per acre-foot – well below the range in those other fields.

The estimates of Contingent Resources contained in the GCA Report are as of July 31, 2010, using technology under development methods and estimates of recovery derived as described above, and assume the installation of sufficient facilities and drilling of sufficient wells to drain the entire field area of 400 acres in the P50 case. GCA's P50 DPIIP is 96 million barrels ("MMBbl") with net recoverable to the Company of 2.7 MMBbl; 1.2 MMBbl in the 160 acres owned by the Company, and an additional 1.5 MMBbl in the adjacent acreage. The P90 DPIIP is 44.6 MMBbl with net recoverable of 1.2 MMBbl (0.5 MMBbl in the owned 160 acres and 0.7 MMBbl in the adjacent acreage). The P10 DPIIP is 174 MMBbl with net recoverable to the Company of 5.1 MMBbl (2.3 MMBbl in the owned 160 acres and 2.8 MMBbl in the adjacent acreage). Net recoverable volumes are based on the assumption that the Company's 65% interest in the 160 acre project area would apply to the remainder of the Huasna field. The net volumes have been reduced for royalties. The Contingent Resources were estimated in accordance with the reserve and resource definitions set out in the COGEH volume 1 chapter 5, which is also incorporated by reference into NI 51-101.
The main contingencies identified in the GCA Report are:

• establishing production in commercial quantities using primary or secondary methods;

• securing the necessary permits to develop the field;

• securing funds and services in order to drill and complete new wells;

• constructing processing and transportation facilities; and

• securing sales contracts for the oil that can be produced.

United Hunter Discussion of the Huasna Development Plan

At the time of the GCA Report, the Company had proposed to drill 12 new wells within the five years (2011 – 2015) following the issuance of the GCA Report. The initial phase, of the 12 well plan, was subsequently re-defined as a pilot program consisting of up to four vertical producers that would be drilled and operated with a rental boiler/treater generator for about six months to examine the potential for commercial production. After the completion of the pilot program a full analysis of the field's commercial potential would be conducted. The pilot program would have been used to obtain new subsurface information and to initiate production using intermittent hot water injection. In this approach, hot water would be injected in each well for intermittent periods followed by periods of production. These first four wells would have been drilled and completed as vertical or near vertical, and would be logged using appropriate modern logs. Fresh cores and fluid samples would be taken and analyzed. The Company plans to use reservoir modeling that would involve construction of a geological model and reservoir simulation using thermal and dual permeability formulations to assess the recovery potential and to optimize vertical and horizontal spacing in conjunction with injection rates and schedule.

The next development phase, subject to a successful pilot program, consists of an additional eight wells plus a water disposal well and a permanent facility. The Company plans to adopt a principle of maximum recovery while causing the least possible surface impact. In practice, vertical and directional wells will be drilled from central locations that at subsurface will project an optimal spacing pattern. Hot water injection will be applied at about 2,400 bbl/day rates. The hot water will be injected in each well sequentially allowing wells to alternate through injection and production cycles. Recent fluid sampling that post-dated the GCA Report has shown that increasing the temperature of the fluid by modest amounts reduces oil viscosity. Applied at intervals no thicker than 300-400 feet the proposed injection scheme is typically accomplished by injecting into the deepest interval first and then plugging and later completing upwards to shallower depths. This technology, as defined by the ROTR Guidelines, would be considered as a "technology under development", with the intent to prove commercial viability of Contingent Resources in the field and subsequently develop a follow-up plan and submit that proposed development plan to the San Luis Obispo County for additional permitting approvals towards development of commercial production. This technology was selected as it may reasonably be expected to be potentially applicable to the subject reservoir in the Huasna property.

The Huasna Field is considered to be a known accumulation of oil because it produced approximately 23,000 bbls of oil in the past. Therefore, the Company was willing to make a significant investment to evaluate this field to assess whether development would be commercially viable.

The major obstacle in carrying out this development plan was and continues to be securing the necessary permits from the regulatory authorities, which requires environmental impact compliance and approval. The Draft Environmental Impact Report ("DEIR") was released by the County Planning and Building Department on June 19, 2011 and was circulated for 45 days ending on August 5, 2011. Interested parties provided comments on the environmental document that would then be addressed by the County's consultant, Marine Research Specialists, in the Final Environment Impact Review. The Planning Commission reviewed the DEIR on February 23, 2012 and March 8, 2012. The County's Planning Commission voted 4-1 to deny the Huasna project from proceeding in the Huasna Valley. The decision was appealed to the County's Board of Supervisors ("Board of Supervisors") for the final decision. The meeting for the Board of Supervisors hearing was held on May 15, 2012 and concluded with all public testimony, but due to the lateness of the hour, did not deliberate. Excelaron presented an alternative drilling plan and other data at the Board of Supervisors meeting to mitigate the Class 1 impacts and the Board of Supervisors requested time to have their questions answered by the County Technical Staff. At a hearing held on August 21, 2012, the Board of Supervisors denied Excelaron's application for conditional use permits ("Notice") for its planned exploration and development of Huasna.

On November 19, 2012, Excelaron filed a petition for writ of mandate, with the complaint of inverse condemnation and a damages action against the County (the "Complaint") seeking a writ commanding the County to set aside its decision denying the Huasna project and either approving or remanding the Huasna project to the Board of Supervisors for further consideration consistent with the Court's opinion on the merits or to recover just compensation for the value of the Huasna project, as well as reasonable attorney's fees, expenses, and costs of suit. The bases of the suit are:

- The County, by and through its Planning Commission and Board of Supervisors, abused its discretion when it denied the Huasna project. Specifically, the County failed to proceed in the manner prescribed by its own laws and ordinances when it applied new and unwritten standards to the Huasna project, when it interpreted its laws and ordinances in a way that precluded approval of the Huasna project, and when it refused to consider any alternatives pursuant to the California Environmental Quality Act ("CEQA").
- The County further abused its discretion because its decision was not supported by the findings it adopted, and the findings were not supported by substantial evidence in the record.
- The County's actions have effected a regulatory taking of Excelaron's property and the County has further failed to proceed in a manner prescribed by law because it has not paid just compensation to Excelaron for the taking.
- Accordingly, Excelaron was and continues to be prevented from accessing or utilizing its mineral estates, which, as separate and legally-distinct property interests under the law, have been deprived of all economic value.

As required by County Code and Code of Civil Procedure, Excelaron filed the Complaint within 90 days of the Notice and served the Complaint to the County within 60 days of filing. On January 25, 2013, the County filed a general demurrer to all causes of action in the Complaint, claiming that it was barred by statute of limitations imposed by Government Code, which required the action to be filed and served within 90 days of the Notice.

On March 18, 2013, the Superior Court dismissed the Complaint and on April 8, 2013, the Company filed an Appeal of the dismissal. On November 7, 2013, Excelaron filed an Opening Brief setting out its arguments and on March 19, 2014, the County filed a response. The Court heard the case in San Luis Obispo County in late May, 2014. Subsequently, on July 25, 2014, the Second Appellate District, Court of Appeal of the State of California affirmed the Superior Court of California, County of San Luis Obispo's ruling to dismiss the writ and takings lawsuit filed by Excelaron, LLC, in regards to the San Luis Obispo Board of Supervisors denial of the permit to drill the Mankin's (Huasna) Oil Field.

During the year ended December 31, 2014, after several years of Excelaron being denied the required permits and filing unsuccessful lawsuits to appeal the denial, the Company has decided to write-down its investment in Excelaron resulting in the Company recognizing an impairment of $3,742,916 (2013 - $nil) which consists of the carrying value of the investment of $4,670,996 offset by a reversal of the consideration payable of $928,080 that will not be required to be paid out as the required permits have not been obtained.

Atlee Buffalo Property

On April 26, 2013, the Company disposed of its interest in Atlee Buffalo to a company controlled by a former director of the Company for $171,939, which was settled by the purchaser's assumption and payment of $171,939 of outstanding accounts payable of the Company.

Alamo Creek Oil, LLC - Porter Ranch Property

The Company acquired a 45% joint venture interest in Alamo Creek Oil LLC ("Alamo") in the year 2010. Shortly after that, Alamo leased 4,068 acres adjacent to the Santa Maria Basin and south east of the Company's Huasna property

("Porter Ranch"). The property was briefly explored in the 1980's by Phillips Petroleum Company ("PPCo") who drilled one well and completed extensive roadwork and wells pads for two additional well locations prior to abandoning the project due to depressed oil prices. There has been no subsequent exploration since that time. The only well PPCo drilled in 1984 tested oil from three separate zones and then abandoned and plugged this well. Adjacent wells have tested oil ranging from light (30 API) to heavy (15 – 18 API), some with associated gas and numerous surface oil seeps. Within the leased area there are currently two anticlinal structures, which have been only tested at their extremities. The forward work program includes acquiring all historical well and seismic data prior to the possible acquisition of new seismic data over the anticlines. Based on this information, up to three exploration wells could be drilled. Alamo has paid a net $53,000 for the license for the 91 miles of 2D seismic data which cover the Porter Ranch from ConocoPhillips. These seismic lines have been reprocessed and evaluated by Alamo's geophysical team.

In the second quarter of 2011, Alamo leased an additional 4,983 acres increasing the acreage under lease to 9,051 acres.

Effective March 31, 2012, the Company declined to pay its share of a cash call and its joint venture interest in Alamo was reduced from 45% to 25%.

The initially submitted proposed minor use permit for drilling and testing was for up to 4 exploratory oil/gas wells on two existing pads, approximately 1 acre in total area, to determine commercial viability of the targeted hydrocarbons. Subsequently, Alamo amended the permit application to be for just one test well. These specific well pads were created more than 34 years ago by Phillips Petroleum Company with an approved permit (R8C0825:1 & ED80-145) for ten exploratory oil and gas wells. No fracking is proposed. Drilling pads and local access roads currently exist on the property. Access to public roads will use Alamo Creek Road to Highway 166, and then east or west (to Highway 101). No permanent facilities are proposed with this application request. A 10-person drilling crew is expected during drilling activities. The entire work program on the single test well is expected to be completed within a 3 month period, where at such time the single test well would be shut in after the initial testing has been completed. No further oil related activities would be allowed on the site without subsequent discretionary permit approval.

As previously mentioned, Phillips Petroleum Company received permitting approval from the County and the State Division of Oil, Gas & Geothermal Resources (DOGGR) in 1981. All three pads and access roads were graded and completed and one well was drilled on Pad "C" the westernmost pad. This application seeks a minor use permit to drill and test the previously permitted exploratory test wells on existing Pads "A" and "B" to establish whether mineral resources in commercial quantities are accessible via these locations.

As at December 31, 2014, the Company reviewed the investment for indication of impairment and noted continuing equity losses in operations, the decline in market prices for oil and gas, and the market capitalization of Alamo was higher than their net assets. Based on these factors, the Company recorded an impairment loss of $27,675 on their investment in Alamo Creek.

Impairment losses

During the year ended December 31, 2014, after several years of Excelaron being denied the required permits and filing unsuccessful lawsuits to appeal the denial, the Company has decided to write-down its investment in Excelaron resulting in the Company recognizing an impairment of $3,742,916 (2013 - $nil) which consists of the carrying value of the investment of $4,670,996 offset by a reversal of the consideration payable of $928,080 that will not be required to be paid out as the required permits have not been obtained.

As at December 31, 2014, the Company reviewed the investment for indication of impairment and noted continuing equity losses in operations, the decline in market prices for oil and gas, and the market capitalization of Alamo was higher than their net assets. Based on these factors, the Company recorded an impairment loss of $27,675 on their investment in Alamo Creek.

<u>Result of Operations</u>

Selected Year End Information

	Year ended December 31	
	2014	2013
	$	$
Expenses		
Consulting fees	75,923	48,000
Depletion and depreciation	-	43,827
Equity loss on Alamo Creek	21,906	27,492
Equity loss on Excelaron	12,602	40,842
Foreign exchange loss	71,196	43,382
General and administrative	26,084	28,321
Impairment of investment in Alamo Creek and Excelaron	3,770,591	-
Operating and transportation	7,448	42,856
Professional fees	70,625	54,089
Publiic company costs	45,395	18,223
Salaries and benefits	146,249	98,720
Stock-based compensation	5,313	46,560
Travel	20,343	4,350
Interest expense	12,490	6,721
Total Expense	**4,286,165**	**503,383**

For the years ended December 31, 2014 and 2013:

Expenses

The Company had a net and comprehensive loss for the year ended December 31, 2014 of $4,286,165 (2013: $442, 147). Significant increases and decreases over the year ended December 31, 2014 compared to the prior comparative period results are as follows:

- Consulting fees increased to $75,923 (2013: $48,000). The Company contracted with an engineer in September to evaluate several potential properties as well as a contract for business advisory services.

- Depletion and Depreciation was $nil during the current year (2013: $43,827). The Company disposed of its oil and gas extraction operations in the prior year and therefore, no depletion and depreciation occurred in the current year.

- Equity loss for Excelaron and Alamo were $12,602 and $21,906 respectively (2013: $40,842, $27,492) for ongoing operations on the Company's property interests.

- Foreign exchange losses increased $71,196 (2013: $43,382) due to the depreciation of the Canadian dollar versus the US dollar.

- General and administrative costs remain level to prior year costs $26,084 (2013: 28,321). The main component included was insurance costs which accounted for 56% general and administrative cost while office expenses and other sundry accounts accounted for the other 44%.

- Impairment of investment in Alamo Creek and Excelaron in the current year resulted in an impairment expense of $3,770,591 compared to $nil in the prior year. The increase was due to the Company's decision to record impairment losses for its two primary assets due to the long delays in acquiring drilling permits.

- Operating and transportation expense decreased to $7,448 (2013: $42,856) as the Company had no transportation needs in the current year as there was no oil or gas production.

- Professional fees increased over the year to $70,625 (2013:$54,089) due to the private placement financing completed during the period as well as an ongoing legal dispute with a former employee.

- Public company costs increased significantly to $45,395 (2013: $18,223) pursuant to cost incurred on the private placement completed during the period as well as cost to transfer agents for two annual general meetings held in 2014.

- Salaries and benefits increased over the year to $146,249 ($98,720). The Company had two full time employees as December 31, 2014.

- Travel increased over the year to $20,343 as a result of managements travel for property visits and meetings with various stakeholders (2013: $4,350)

- Interest expense was increased to $12,490 (2013: $6,721) due to loans received in the current and prior years. Interest and principle of all outstanding loans were repaid during the current year pursuant to funds received from the private placement.

Fourth Quarter

On December 16, 2014, the Company announced the granting of 400,000 of the Company's common shares to an officer of the Company in lieu of unpaid salary. Common shares outstanding as a result of this transaction are 32,430,267.

Summary of Quarterly Results (prepared in accordance with IFRS)

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2013	2013	2013	2013	2014	2014	2014	2014
	$	$	$	$	$	$	$	$
			(note 1)				(note 2)	(note 3)
Net revenue	79,000	14,960	-	-	-	-	-	
Total loss	112,103	219,437	32,473	78,133	53,421	126,550	141,937	3,964,757
Per share	(0.01)	(0.02)	(0.00)	(0.01)	(0.00)	(0.01)	(0.01)	(0.21)

Note 1: Reduction in loss reflects reduction in salaries due to voluntary reduction in management salaries and the resignation of two officers and a reduction in other expenses in an effort to conserve cash

Note 2: Increase in net loss reflects an increases in salaries for management. In addition, legal and public company expenses increased due to the private placement completed during the period.

Note 3: The increase in loss is due to the impairment expense on the write down of Alamo Creek and Excelaron taken at the year ended December 31, 2014.

Liquidity & Capital Resources

The Company has financed its operations through the issue of equity. At December 31, 2014, the Company had working capital of $336,465 (2013: deficit of $248,457) and for the year ended December 31, 2014, the Company incurred losses of $4,286,165 (2013 - $442,147) and negative cash flows from operations of $422,985 (2013 - $125,699). Limited working capital and losses limit the Company's ability to fund operations and the exploration and development of oil and gas properties. The Company has impaired its two main projects due to unsuccessful attempts to secure the necessary drilling permits for Alamo Creek and Excelaron in a timely manner which will force the Company to find and finance new opportunities.

As at December 31, 2014, the Company currently has no assets or operations that generate revenue, and has an accumulated deficit of $10,912,772. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. The financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. After careful consideration, the Board has reasonable expectation that the Company has adequate resources to meet its working capital requirements for the foreseeable future. However, in order to acquire new projects with the potential to produce in commercial quantities or should the Company acquire the required permits for the Excelaron or Alamo Creek projects, additional equity financing will be required. The continuation of the Company as a going concern is dependent on raising the necessary financing and secure new projects, but the outcome of these efforts cannot be predicted at this time.

Revenues

The Company generated no revenues after April 26, 2013. The Company disposed of its interest in Atlee Buffalo to a company controlled by a former director of the Company for $171,939, which was settled by the purchaser's assumption and payment of $171,939 of outstanding accounts payable of the Company.

Financing

On July 21, 2014 the Company implemented a consolidation of the issued and outstanding common shares of the Company on the basis of one post-consolidation common share for 10 pre-consolidation common shares resulting in 12,030,267 in common shares outstanding.

On September 2, 2014, the Company completed a non-brokered private placement of 20,000,000 common shares at $0.05 per common share for gross proceeds of to $1,000,000 offset by shares issuance costs of $7,100.

The net proceeds from the Offering will be used for: continuing expenses associated with the minor use permit application currently being reviewed by San Luis Obispo County and the anticipated drilling of the Porter Ranch prospect near the Huasna Valley, in San Luis Obispo County, California; ongoing legal expenses associated with the Corporation's interest in the Mankin's Ranch Prospect in the Huasna Valley; and general working capital and repayment of debt.

The following table shows specific expenditures outside of normal day-to-day expenditures that were used from proceeds raised:

Items	**Expenses** **$**
Repayment of debt	329,200
Payment of accrued salary	73,131
Investment in Alamo Creek	20,592
Legal	19,638

As of December 31, 2014, the Company had repaid debt of $329,220 and paid $73,131 of accrued salary to a director and manager of the Company. A further $20,592 has been invested in Alamo Creek to continue with work to acquire permits.

At December 31, 2014, the Company had a cash balance of $385,409. The Company believes it currently has the funds on hand to meet its obligations and liabilities as they come due through 2015.

In order to continue its efforts to acquire and carry out additional operations on its 65% interest in Excelaron, Alamo Creek, or any other projects which managements believes the Company should undertake, further funds will be required either through further equity financing and/or loans.

Cash Flows from Operating Activities

The Company used cash of $422,985 for operating activities during the year ended December 31, 2014 compared to $125,699 for the comparable period ended December 31, 2013. The increase in the use of cash relates to the net loss for the year as well as to repay outstanding accounts payable and accrued liabilities.

Cash Flows from Financing Activities

Cash flows from financing activities increased to $817,900 during year ended December 31, 2014 compared to $175,000 during the year end December 31, 2013. This increase is due to the non-brokered private placement of 20,000,000 common shares issued at $0.05 for gross proceeds of $1,000,000, proceeds from loan payable of $135,000, offset by share issuance costs of $7,100 and repayment of loans of $310,000. During the prior year, the Company received $175,000 from the proceeds of loans payable

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Cash Flows on Investing Activities

The cash flow from investing activities at the year ended December 31, 2014 resulted in an outflow of $33,425 compared to an outflow at December 31, 2013 of $129,037. The reduction in cash used for investing activities relates to cash calls for interests in Excelaron and Alamo Creek being significantly lower in fiscal 2014 due to legal matters for Excelaron being performed on a pro bono basis as well as the Company not acquiring any property, plant and equipment as it had done during the year end December 31, 2013.

Huasna capital expenditures

It has been estimated that the initial pilot scheme for the development plan, consisting of four vertical hot water injector/producers, plus surface equipment, would cost US$1,875,000, of which US$800,000 will be paid by the Company, with all costs for the development of the development plan thereafter being paid 65% by the Company and 35% by its joint venture partner. The project will be subject to a 12.5% basic overriding royalty plus an additional 5% of net revenue after energy-related lifting costs.

For the expanded development plan it has been estimated that a vertical hot water injection well will cost US$300,000 to drill and the hot water boiler and associated facilities will cost upwards of US$1,000,000 or more.

Total capital expenditures for a fully exploited project as described would be estimated at US$14,175,000 (US$9,213,750 net to the Company), comprised of the following:

(a) the well pilot program, consisting of four vertical hot water injector/oil producers which would be drilled and operated with a rental boiler/treater generator for about six months to examine the potential for commercial production, potentially a water disposal well will also be drilled if there is a requirement to dispose of produced formation water; and
(b) phase 2, consisting of 8 vertical or inclined wells and a disposal well (if not drilled during the pilot program), building of water boiler/treater facilities.

Total abandonment and restoration liabilities have been estimated at US$350,000 (US$227,500 net to the Company).

Of the first US$1,875,000 required for the development plan, the Company has already advanced US$1,075,000 and the remaining US$800,000 will be advanced at such time as Excelaron secures its conditional use permits for its planned operations on its oil and natural gas properties. In the event that Excelaron does not secure such permits or the Company does not pay the US$800,000, the 65% Membership Interest will be reduced to a 35% Membership Interest in Excelaron. The Company has also agreed to pay a shareholder of the Company a 5% assignable gross overriding royalty on all amounts received, directly or indirectly, by the Company that can be attributed to its 65% Membership Interest in Excelaron.

During the year ended December 31, 2014, the Company has decided to write-down its investment in Excelaron resulting in the Company recognizing an impairment of $3,742,916 (2013 - $nil) which consists of the carrying value of the investment of $4,670,996 offset by a reversal of the consideration payable of $928,080 (US$800,000) that will not be required to be paid out as the required permits have not been obtained.

Commitments

On September 8, 2014, all principal and interest on loans received was repaid for a total of $329,211. No loans were outstanding as at the year ended December 31, 2015

Legal Matters

The Company may, from time to time, be involved in various claims, lawsuits, disputes with third parties, or breach of contract incidental to the operations of its business. The Company is not currently involved in any claims, disputes, litigation or other actions with third parties which it believes could have a material adverse effect on its financial condition or results of operations.

Disclosure of Outstanding Share Data (as at April 30, 2014)

Shares
Authorized:

Unlimited number of common shares, no par value.
Unlimited number of preference shares, issuable in series. The preference shares are issuable in series and may be issued in one or more series, from time to time, by the directors of the Company. The directors of the Company are authorized to fix, among other things, the designation, preferences, rights and restrictions attaching to each series of preference shares, in addition to the entitlement of each series of preference shares to receive the assets of the Company available on a liquidation, dissolution or winding-up of the Company. The preference shares are entitled to preference over the common shares and any other shares ranking junior to the such preference shares with respect to, among other things, payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Company. Unless the rights attaching to the preference shares state otherwise, each preference share carries one vote at all meetings of shareholders, other than at meetings of the holders of the common shares meeting separately as a class.

Outstanding
32,430,267 common shares.
No preferred shares are outstanding.

On September 2, 2014, the Company closed a private placement of 20,000,000 common shares at a price of $0.05 in Canadian dollars for total proceeds of $1,000.000.

On December 16, 2014, the Company announced the granting of 400,000 of the Company's common shares to an officer of the Company in lieu of unpaid salary.

Stock options

Authorized
The Company may grant options to its directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares at the time of the grant.

Outstanding

The Company granted 35,000 stock options to a director on July 30, 2014 at an exercise price of $1.00 and with an expiry date five years from the date of grant. The stock options will vest 1/3 on the date of grant and an additional 1/3 vesting each subsequent year until the options are fully vested on July 30, 2016. The Company also granted 110,000 stock options at September 1, 2014, to a consultant at an exercise price of $0.07 for five years from the grant date. These options fully vested three months from the grant date.

	Outstanding			Exercisable	
Exercise price $	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number of stock options	Weighted average exercise price $
0.07	110,000	4.7	0.07	–	–
1.00	140,000	3.7	1.00	116,666	1.00
	250,000	4.2	0.59	116,666	1.00

The fair value of stock options granted was determined using the Black-Scholes option pricing model. During the year ended December 31, 2014, the Company granted stock options with a fair value of $5,313 (2013 - $46,560). The weighted average fair value of the options vested during the year ended December 31, 2014 was $0.04 (2013 - $0.35) per option. Weighted average assumptions used in calculating the fair value of stock-based compensation expense, assuming no expected dividends or forfeitures are as follows:

	2014	2013
Risk-free rate	1.59%	1.95%
Volatility	112%	100%
Weighted average expected life (years)	4.00	3.59

Related Party Transactions

(a) During the year ended December 31, 2014, the amount of $84,429 (2013 – $61,177) was incurred to a company controlled by the President of the Company for salaries and benefits.

(b) During the year ended December 31, 2014, the amount of $46,000 (2013 – $nil) was incurred to the Chief Financial Officer and Director of the Company for salaries and benefits.

(c) During the year ended December 31, 2014, the amount of $5,986 (2013 - $85,618) was incurred to former directors and officers of the Company for consulting fees, salaries, and benefits.

(d) During the year ended December 31, 2014, the amount of $1,408 (2013 - $35,359) was recognized as stock-based compensation for the vesting of stock options granted to directors and officers of the Company.

(e) During the year ended December 31, 2014, the amount of $nil (2013 - $24,088) was incurred for legal fees to a firm where a former director is a partner.

(f) During the year ended December 31, 2014, the amount of $nil (2013 - $1,918) was incurred for royalties to two former directors.

Off Balance Sheet Arrangements and Proposed Transactions

The Company does not have any off-balance sheet arrangements. The Company has no proposed transactions.

Financial Instruments and Other Instruments

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at December 31, 2014 as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, December 31, 2014 $
Cash	385,409	–	–	385,409

The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, and loans payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consists of GST refunds due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

The Company operates in Canada and United States, but has the majority of its cash held in Canada in Canadian dollars. Future exploration programs may be denominated in US dollars. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in these foreign currencies.

The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk. However, management of the Company believes there is no significant exposure to foreign currency fluctuations due to the limited number of transactions conducted in the United States dollar.

(d) Interest Rate Risk

The Company's cash may contain highly liquid investments that earn interest at market rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

Changes in Accounting Policies including Initial Adoption

Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these financial statements.

IFRS 9, *Financial Instruments* (New)
IFRS 10, *Consolidated Financial Statements* (Amended)
IFRS 11, *Joint Arrangements* (Amended)
IFRS 12, *Disclosure of Interests in Other Entities* (Amended)
IAS 16, *Property, Plant, and Equipment* (Amended)
IAS 27, *Separate Financial Statements* (Amended)
IAS 28, *Investments in Associates and Joint Ventures* (Amended)
IAS 32, *Financial Instruments: Presentation* (Amended)

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

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

Risks and Uncertainties

The Company is subject to various risks and uncertainties due to the nature of the business and its present stage of development.

Liquidity

The Company has financed its operations through the issue of equity. At December 31, 2014, the Company had working capital of $336,465 (2013: deficit of $248,475) and for the year ended December 31, 2014, the Company incurred losses of $4,286,165 (2013 - $442,147) and negative cash flows from operations of $422,985 (2013 - $125,699). Limited working capital and losses limit the Company's ability to fund operations and the exploration and development of oil and gas properties. The Company has impaired its two main projects due to unsuccessful attempts to secure the necessary drilling permits for Alamo Creek and Excelaron in a timely manner which will force the Company to find and finance new opportunities.

As at December 31, 2014, the Company currently has no assets or operations that generate revenue, and has an accumulated deficit of $10,912,772. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. After careful consideration, the Board has reasonable expectation that the Company has adequate resources to meet its working capital requirements for the foreseeable future. However, in order to acquire new projects with the potential to produce in commercial quantities or should the Company acquire the required permits for the Excelaron or Alamo Creek projects, additional equity financing will be required. The continuation of the Company as a going concern is dependent on raising the necessary financing and secure new project, but the outcome of these efforts cannot be predicted at this time.

Permits
The operations of the Company require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits, including conditional use permits that may be required to carry out exploration and development of its projects, in particular, Huasna. The Company will work to secure the conditional use permits, but the outcome of these efforts cannot be predicted at this time.

Exploration
The Company is exposed to the inherent risks associated with oil and gas exploration and development, including the uncertainty of oil and gas resources and their development into recoverable reserves; the uncertainty as to potential project delays from circumstances beyond the Company's control; and the timing of production; as well as title risks, risks associated with joint venture agreements and the possible failure to obtain mining licenses.

Commodity price
The Company is exposed to commodity price risk with respect to oil and gas prices. A significant decline in oil and gas commodity prices may affect the Company's ability to obtain capital for the exploration and development of its interest in oil and gas properties.

Share-based payments
Share-based payments are measured using a Black-Scholes option pricing model. Measurement inputs include share price on grant date, exercise price, expected volatility (based on historical volatility of securities of comparable companies), weighted average expected life and forfeiture rate (both based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds).

Classification of fair value of financial instruments
The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 - quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 - inputs for the asset or liability that are not based on observable market data

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities, and loans payable approximate fair value due to their short-term nature.

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

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

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

Capital management
The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2013.

Other Information

Additional Disclosure for Venture Corporations without Significant Revenue

The following tables set out a breakdown of material components of the general and administration costs and capitalized exploration and evaluation of the Company:

General and administration costs

	Year ended December 31	
	2014	**2013**
	$	**$**
Bank charges	2,208	1,494
Courier	500	135
Capital tax	2,439	842
Insurance	14,733	20,278
Office	5,350	3,270
Telephone	854	2,303
	26,084	28,321

Critical Accounting Estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Judgments
The key judgments made in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements are as follows:

Identification of cash generating units
Cash generating units ("CGUs") are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The classification of assets into cash generating units requires significant judgment and interpretations with respect to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality.

Estimates
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

Recoverability of Accounts Receivable
The Company reviews the recoverability of accounts receivable on a regular basis and uses specific identification for any write down of accounts receivable that is considered to be uncollectible. As the Company's accounts receivable consists of only GST receivable from the Government of Canadian, it considers the full balance of the accounts receivable to be collectible.

Impairment of investment in joint ventures
The Company assesses the carrying amount of its investment in joint ventures at each reporting date to determine whether there are any indicators that the carrying amount of the investment may be impaired. For the purposes of determining fair value of its investments in joint ventures, management assesses the recoverable amount of each CGU considering estimated recoverable production, commodity or contracted prices, foreign exchange rates,

production levels, capital and cash costs. Changes in any of these assumptions or judgments could result in a significant difference between the carrying amount and fair value of these investments.

Share-based compensation
The Company uses the Black-Scholes option pricing model in determining share-based compensation, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility. Consequently, the actual share-based compensation expense may vary from the amount estimated.

Deferred income taxes
Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.