

Terra Nova Energy Ltd.

Condensed Interim Consolidated Financial Statements

Nine months ended April 30, 2015 and 2014

(Unaudited - Expressed in Canadian Dollars)

Notice of no Auditor Review of Interim Financial Statements

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

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

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

Terra Nova Energy Ltd.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

	Notes	April 30, 2015 \$	July 31, 2014 \$
Assets			
Current assets			
Cash and cash held-in-trust		2,907,262	152,143
Receivables	5	4,089	216,436
Prepaid expenses		35,786	15,387
		<u>2,947,137</u>	<u>383,966</u>
Equipment		17,599	22,708
Exploration and evaluation interests	6	3,080,815	5,892,481
		<u>6,045,551</u>	<u>6,299,155</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7,10	262,875	223,523
Convertible notes	8	-	1,500,000
Decommissioning obligation		33,366	35,448
		<u>296,241</u>	<u>1,758,971</u>
Equity Attributable to Shareholders			
Share capital	9	26,686,351	24,724,372
Contributed surplus		7,224,197	6,687,583
Accumulated other comprehensive loss (%AOCLO)		(324,479)	(42,289)
Deficit		<u>(27,836,759)</u>	<u>(26,829,482)</u>
		<u>5,749,310</u>	<u>4,540,184</u>
		<u>6,045,551</u>	<u>6,299,155</u>

Nature of operations - Note 1

Going concern - Note 2

Commitments and contingencies - Notes 6 and 9

Subsequent events . Notes 6 and 9(b)

Approved by the Board of Directors on June 25, 2015

Henry Aldorf+ Director

Robert McMorran+ Director

Terra Nova Energy Ltd.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and nine months ended April 30, 2015 and 2014

(Unaudited - Expressed in Canadian Dollars)

	Notes	Three months ended		Nine months ended	
		2015	April 30, 2014	2015	April 30, 2014
		\$	\$	\$	\$
Audit and accounting	10	26,970	37,540	94,664	146,294
Filing and transfer agent		10,388	9,829	33,729	51,622
Depreciation		1,703	2,433	5,109	7,299
Legal	10	8,370	9,149	31,138	39,462
Management	10	46,322	39,269	148,630	146,777
Office and miscellaneous		15,805	6,775	73,685	27,650
Overhead charged to exploration		(6,223)	(4,113)	(6,223)	(43,029)
Shareholder communications		6,723	6,562	35,096	9,264
Share-based payments	9(c)	-	-	486,345	32,512
Travel and related		24,485	6,787	30,512	23,312
Loss before other items		(134,543)	(114,231)	(932,685)	(441,163)
Interest income		14	833	408	6,521
Write-off of exploration and evaluation interests		-	(55,402)	-	(1,139,707)
Interest, accretion and loan placement expense	8	-	(106,885)	(75,000)	(318,959)
Loss for the period		(134,529)	(275,685)	(1,007,277)	(1,893,308)
Other comprehensive (loss) income					
Exchange (loss) gain on translation of foreign accounts		(121,934)	283,611	(282,190)	649,600
Comprehensive loss for the period		(256,463)	7,926	(1,289,467)	(1,243,708)
Loss per share . basic and diluted	9(f)	(0.00)	(0.00)	(0.01)	(0.03)
Weighted average number of shares outstanding . basic and diluted		87,533,785	66,322,197	78,574,722	66,028,790

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

Terra Nova Energy Ltd.

Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended April 30, 2015 and 2014

(Unaudited - Expressed in Canadian Dollars)

	2015	2014
	\$	\$
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Cash Provided From (Used In)		
Operating Activities		
Loss for the period	(1,007,277)	(1,893,308)
Items not affecting cash:		
Depreciation	5,109	7,299
Share-based payments . options	486,345	32,512
Write-off of exploration and evaluation interests	-	1,139,707
Accretion and loan placement expense	-	176,084
	<hr/>	<hr/>
	(515,823)	(537,706)
Net change in non-cash working capital items		
Receivables	56,415	504,073
Prepaid expenses	(20,399)	(25,544)
Accounts payable and accrued liabilities	(93,467)	98,928
	<hr/>	<hr/>
	(573,274)	39,751
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Investing Activities		
Exploration and evaluation interests	9,336	(2,171,984)
Proceeds on partial disposition of exploration and evaluation interests	2,813,574	-
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	2,822,910	(2,171,984)
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Financing Activity		
Proceeds from securities issued	512,248	97,900
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	512,248	97,900
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Foreign exchange (loss) gain on cash held in foreign currencies	(6,765)	18,163
Increase (decrease) in cash and cash held-in-trust	2,755,119	(2,016,170)
Cash and cash held-in-trust . beginning of the period	152,143	2,267,231
	<hr/>	<hr/>
Cash and cash held-in-trust . end of the period	2,907,262	251,061
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Cash paid for interest	-	-
Cash paid for income taxes	-	-
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Supplemental cash flow information - Note 11

Terra Nova Energy Ltd.

Condensed Interim Consolidated Statements of Changes in Equity

For the nine months ended April 30, 2015 and 2014

(Unaudited - Expressed in Canadian Dollars)

	Common Shares #	Share Capital \$	Contributed Surplus \$	Equity Component of Convertible Notes \$	AOCL \$	Deficit \$	Total \$
Balance . July 31, 2013	65,432,197	24,032,436	6,581,604	129,153	(666,181)	(24,659,311)	5,417,701
Issued during the period:							
For cash pursuant to exercise of options	890,000	97,900	-	-	-	-	97,900
Transfer on exercise of options	-	28,228	(28,228)	-	-	-	-
Share-based payments	-	-	32,512	-	-	-	32,512
Comprehensive loss for the period	-	-	-	-	649,600	(1,893,308)	(1,243,708)
Balance . April 30, 2014	66,322,197	24,158,564	6,585,888	129,153	(16,581)	(26,552,619)	4,304,405
Issued during the period:							
Pursuant to conversion of convertible loan	3,681,816	432,458	-	(27,458)	-	-	405,000
Pursuant to interest on convertible loan	1,269,999	133,350	-	-	-	-	133,350
Transfer on maturity of convertible notes	-	-	101,695	(101,695)	-	-	-
Comprehensive loss for the period	-	-	-	-	(25,708)	(276,863)	(302,571)
Balance . July 31, 2014	71,274,012	24,724,372	6,687,583	-	(42,289)	(26,829,482)	4,540,184
Issued during the period:							
Pursuant to private placement of units	2,532,500	445,872	60,628	-	-	-	506,500
Less: cash issue costs	-	(4,252)	-	-	-	-	(4,252)
Pursuant to conversion of convertible loan	13,636,364	1,500,000	-	-	-	-	1,500,000
Pursuant to exercise of warrants	90,909	10,000	-	-	-	-	10,000
Transfer on exercise of warrants	-	10,359	(10,359)	-	-	-	-
Share-based payments	-	-	486,345	-	-	-	486,345
Comprehensive loss for the period	-	-	-	-	(282,190)	(1,007,277)	(1,289,467)
Balance . April 30, 2015	87,533,785	26,686,351	7,224,197	-	(324,479)	(27,836,759)	5,749,310

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

Terra Nova Energy Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2015

(Unaudited - Expressed in Canadian Dollars)

1. Nature of operations

Terra Nova Energy Ltd. (the "Company" or "Terra Nova") was incorporated under the British Columbia Business Corporations Act and continued under the laws of Alberta effective August 20, 2012. The Company's principal business is the acquisition and exploration of petroleum and natural gas properties. The Company's shares trade on the TSX Venture Exchange (the "TSX-V") under the symbol "TGC", the Frankfurt Stock Exchange under the symbol "TLTN" and the OTCQX marketplace under the symbol "NVMF". The Company's corporate head office is located at Suite 880, 580 Hornby Street, Vancouver, British Columbia, Canada.

2. Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 - Interim Financial Reporting. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended July 31, 2014 which have been prepared in accordance with IFRS as issued by the IASB.

In the preparation of these interim condensed consolidated financial statements, the Company has used the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended July 31, 2014 except as outlined in Note 3.

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

Unless otherwise stated, all dollar amounts are in Canadian dollars. The notation "A\$" represents Australian dollars and "US\$" represents US dollars.

3. Changes in accounting policies including initial adoption

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning before or on January 1, 2014.

The following new standards, amendments and interpretations that have been adopted for the Company's current fiscal year have not had a material impact on the Company:

- IAS 32 Financial instruments, Presentation
- IAS 36 Impairment of Assets
- IFRIC 21 Levies

4. Accounting standards issued but not yet effective

The following new standard has been issued but not yet applied.

IFRS 9 . Financial Instruments: Classification and Measurement. IFRS 9 introduces new requirements for the classification and measurement of financial instruments and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact on its consolidated financial statements.

Terra Nova Energy Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2015

(Unaudited - Expressed in Canadian Dollars)

5. Receivables

	April 30, 2015 \$	July 31, 2013 \$
Recoverable (payable) taxes	(19,367)	5,228
Receivable from farmors for seismic and overhead	228,128	620,695
Allowance for doubtful accounts	(204,672)	(409,487)
Total receivables	4,089	216,436

6. Exploration and evaluation interests

Exploration and evaluation interests consist of the following:

	April 30, 2015 \$	July 31, 2014 \$
Holloman Farm-in Agreement acquisition costs	835,582	835,582
Seismic expenditures . PEL 112	3,846,559	3,846,295
Seismic expenditures . PEL 444	3,429,400	3,365,125
Drilling expenditures . PEL 112	3,834,224	3,818,124
Drilling expenditures . PEL 444	351,556	-
Other expenditures	247,283	202,316
Restoration obligations	34,941	34,941
Sale of interest to Perseville	(2,813,574)	-
Contributions from farmors	(897,863)	(522,369)
Recoverable from farmors	(43,752)	(209,113)
Write-downs	(5,445,266)	(5,445,266)
Effects of translation of foreign accounts	(298,275)	(33,154)
	3,080,815	5,892,481

On May 11, 2012, as amended on May 29, 2013, the Company entered into an oil and gas farm-in agreement to secure the right to earn up to a 55% working interest in petroleum and natural gas rights on certain on-shore Australian Petroleum Exploration Licenses (PEL), known as PEL 112 and 444 (the Farm-in Agreement). The purchase price paid for the exploration and evaluation (E&E) rights included cash payments that totaled \$351,165 (US\$350,000), 1,000,000 common shares having a market value of \$250,000 and transaction costs including directly attributable due diligence and legal fees of \$235,448.

To earn an initial 20% interest in each PEL, the Company completed initial seismic acquisition requirements as outlined in the Farm-in Agreement (the Seismic Earn-in Obligation). Any amounts incurred pursuant to the Seismic Earn-in Obligation in excess of A\$4,700,000 shall be borne by Terra Nova as to 55% and by the farmors as to 45%.

During the year ended July 31, 2013, the Company completed the seismic acquisition requirements for PEL 112 and accordingly, the Company earned a 20% interest in PEL 112. During the year ended July 31, 2014, the Company earned a 20% interest in PEL 444 on completion of the seismic acquisition requirements.

At April 30, 2015, the Company had incurred A\$7,167,485 (\$7,275,959) of the Seismic Earn-in Obligation. The farmors are obligated to pay for 45% of Seismic Earn-in Obligation in excess of A\$4,700,000. In July 2013, the Company received contributions of A\$523,259 from one of the farmors. In October 2014, the

Terra Nova Energy Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited - Expressed in Canadian Dollars)

Company received contributions of A\$193,844 from another one of the farmers and in February 2015 the Company received a further A\$189,614. At April 30, 2015, the Company has recorded a receivable of A\$214,698 (\$204,672) from the farmers. At April 30, 2015, the Company recognized an allowance for doubtful accounts of A\$214,698 (\$204,672).

The Company earned an additional 5.8333% interest in each PEL by drilling one well at PEL 112 during the year ended July 31, 2014. As at July 31, 2014, the Company had a 25.8333% interest in PEL 112 and PEL 444.

On February 23, 2015, the Company sold a 5.1666% working interest in each of PEL 112 and PEL 444 to Perseville Investing Inc. (Perseville) for a total of \$3,000,000 (the Transaction), including payment of A\$189,614 (\$186,426) of amounts owing to the Company. The net amount of \$2,813,574 was applied to the sale of the 5.1666% working interest in the PELs.

Prior to closing of the Transaction, Perseville owned a 25.6664% working interest in each of PEL 112 and PEL 444. Accordingly, Perseville has increased its working interest in PEL 112 and PEL 444 to 30.8330% and Terra Nova now owns a 20.6667% working interest in each of PEL 112 and PEL 444.

Under the terms of the Farm-In Agreement, Holloman Energy Corporation (Holloman) and Perseville were required to transfer to Terra Nova an aggregate of 5.8333% working interest in both PEL 112 and PEL 444 (the Earning Contributions) for each of the next five wells drilled as set forth below:

	Current working interest (%)	Well 1 (%)	Well 2 (%)	Well 3 (%)	Well 4 (%)	Well 5 (%)
Holloman	48.5003	(4.8333)	(3.8889)	(3.8889)	(3.8889)	(3.8889)
Perseville	30.8330	(1.0000)	(1.9444)	(1.9444)	(1.9444)	(1.9444)
Terra Nova	20.6667	5.8333	5.8333	5.8333	5.8333	5.8333

In accordance with the Transaction, Perseville will not be required to transfer its Earning Contributions to the Company in the event that it pays its proportionate share of the drill costs in connection with drilling a well.

Perseville is a related party of Terra Nova as it is a private company controlled by a family member of a Director of Terra Nova.

Subsequent to April 30, 2015, the Company terminated the Farm-In Agreement and the joint venture partners are now subject to the 2006 Joint Operating Agreement (the JOA). Terra Nova, being appointed as operator pursuant to the Farm-In Agreement and Deeds of Assignment, will continue to serve as operator. Further, the JOA provides that an operator can only be removed by a vote of not less than 51% of the participating interests. The operator has the right to propose an exploration budget after which point each party must approve capital to fund its working interest. As of the date of these financial statements, the Company is the operator.

In the event that a party to the JOA does not participate in a work program, the JOA provides that the proposed work program will be conducted as a sole risk operation by the participating parties. Pursuant to the sole risk operation provisions of the JOA and provided that the work program results in a discovery of a field, the non-participating parties would be excluded from participating in any future activities on the newly discovered field. Notwithstanding the foregoing, the non-participating parties may still participate in work programs in the area outside of the field and within the applicable license.

PEL 444 is in good standing until January 11, 2016 and PEL 112 is in good standing until January 10, 2019.

Terra Nova Energy Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2015

(Unaudited - Expressed in Canadian Dollars)

7. Accounts payable and accrued liabilities

	April 30, 2015 \$	July 31, 2014 \$
Trade payables	185,512	89,804
Amounts due to related parties (Note 10)	77,363	121,219
Interest payable on convertible notes (Note 8)	-	12,500
Total accounts payable and accrued liabilities	262,875	223,523

8. Convertible notes

	Liability Component \$	Equity Component \$
Balance . July 31, 2013	1,689,012	129,153
Amortization of loan placement expenses	97,306	-
Accretion	118,682	-
Conversion of \$405,000	(405,000)	(27,458)
Expiry of conversion feature of \$1,500,000	-	(101,695)
Balance . July 31, 2014	1,500,000	-
Conversion of \$1,500,000	(1,500,000)	-
Balance . April 30, 2015	-	-

On June 28, 2013, the Company issued convertible notes for the principal sum of \$1,905,000. The convertible notes bore interest at 10% per annum and were originally scheduled to be repaid on June 28, 2014. The convertible notes were convertible at the option of the holder into common shares of the Company at a conversion price of \$0.11 per share.

For accounting purposes, the convertible notes were separated into its liability and equity components. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the convertible notes assuming an 18% effective interest rate which was the estimated rate for convertible notes without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible notes and the fair value of the liability component.

In connection with the convertible notes, the Company incurred \$12,922 in legal and filing fees. In addition, the Company issued an aggregate of 818,181 finder's warrants entitling the holder thereof the right to purchase a common share at a price of \$0.11 per share up to June 28, 2015. The warrants expired unexercised. The Company valued the finder's warrants at \$93,229 using the Black-Scholes option pricing model. The assumptions used in the Black-Scholes option pricing model was as follows: share price of \$0.20; exercise price of \$0.11; expected volatility of 100%; expected life of 1 year; a risk-free interest rate of 0.78%; and an expected dividend rate of nil. The aggregate loan placement expenses of \$106,151 were recorded against the liability component and were amortized to the statements of comprehensive loss over the original contractual term of the convertible notes.

During the nine months ended April 30, 2015, the Company recorded interest expense of \$75,000 (2014 - \$142,875), accretion expense of \$nil (2014 - \$96,479) and amortization of loan placement expenses of \$nil (2014 - \$79,605).

Terra Nova Energy Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2015

(Unaudited - Expressed in Canadian Dollars)

On July 2, 2014, \$405,000 of the convertible notes were converted into 3,681,816 common shares of the Company. On June 28, 2014, \$1,500,000 convertible notes matured and the convertible notes became due on demand. On October 6, 2014, the term of the convertible notes was extended to December 28, 2014 with all other terms of the original convertible notes remaining the same. On December 24, 2014, \$1,500,000 of the convertible notes were converted into 13,636,364 common shares of the Company.

On July 24, 2014, the Company issued 1,269,999 common shares of the Company at the fair value of \$133,350 as settlement of \$190,500 of interest on the convertible notes. The Company recorded a gain on debt settlement of \$57,150. On February 27, 2015, the Company paid the final \$75,000 of interest expense.

9. Share capital

a) Authorized:

An unlimited number of common shares without par value.

b) Financings:

During the nine months ended April 30, 2015, the Company completed the following financing:

- i) On January 30, 2015, the Company completed a private placement offering of 2,532,500 units at a price of \$0.20 per unit for gross proceeds of \$506,500. Each unit is comprised of one common share and one-half of one common share purchase warrant with each whole warrant entitling the holder thereof to purchase one additional common share at \$0.25 per share up to January 30, 2016. The Company allocated \$60,628 to the share purchase warrants using the relative fair value method. The assumptions used in the Black-Scholes option pricing model was as follows: share price of \$0.17; exercise price of \$0.25; expected volatility of 100%; expected life of 1 year; a risk-free interest rate of 1.0%; and an expected dividend rate of nil. In connection with the private placement, the Company incurred \$4,252 of legal and filing fees.

c) Options:

The Company has established a stock option plan in accordance with the policies of the TSX Venture Exchange under which it is authorized to grant share purchase options up to 10% of its outstanding shares. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Market Price (as that term is defined in the policies of the TSX Venture Exchange). The options are for a maximum term of ten years and vest as determined by the board of directors. All options granted have vested on the grant date.

Terra Nova Energy Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2015

(Unaudited - Expressed in Canadian Dollars)

A summary of the status of the Company's stock option plan as at April 30, 2015 and July 31, 2014 and the changes during the periods then ended is presented below:

	Number of options	Weighted average exercise price \$
Balance outstanding . July 31, 2013	3,800,000	0.26
Granted	890,000	0.11
Exercised	(890,000)	0.11
Expired	(400,000)	0.30
Forfeited	(300,000)	0.26
Balance outstanding . July 31, 2014	3,100,000	0.25
Granted	4,325,000	0.18
Expired	(500,000)	0.30
Balance outstanding and exercisable . April 30, 2015	6,925,000	0.20

At April 30, 2015, stock options outstanding that entitled the holder thereof to acquire one share for each option held are as follows:

Expiry Date	Exercise Price \$	Number of Options
May 16, 2015	0.30	⁽¹⁾ 600,000
July 18, 2018	0.18	1,300,000
October 31, 2019	0.18	4,325,000
May 16, 2022	0.30	700,000
		<u>6,925,000</u>

⁽¹⁾ Subsequent to April 30, 2014, these stock options expired unexercised.

During the nine months ended April 30, 2015, the Company recorded share-based payments expense of \$486,345 (2014 - \$32,512). The weighted average fair value of stock options granted during the nine months ended April 30, 2015 of \$0.112 per option (2014 - \$0.032 per option) was estimated using the Black-Scholes option pricing model with the following assumptions:

	2015	2014
Average stock price	0.17	0.06
Average exercise price	0.18	0.11
Average risk-free interest rate	2.00%	1.63%
Expected life	4.0 years	4.0 years
Expected volatility	100%	100%
Expected dividends	\$nil	\$nil

The expected volatility was calculated in comparison to similar TSX Venture Exchange companies and the historical stock price of the Company since being listed.

Terra Nova Energy Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2015

(Unaudited - Expressed in Canadian Dollars)

d) Warrants:

A summary of warrants outstanding as of April 30, 2015 and July 31, 2014 and changes during the periods then ended is presented below:

	Number of warrants	Weighted average exercise price \$
Balance outstanding . July 31, 2013	53,607,645	0.29
Expired	(46,016,964)	0.30
Balance outstanding . July 31, 2014	7,590,681	0.28
Issued	1,266,250	0.25
Exercised	(90,909)	0.11
Expired	(6,772,500)	0.30
Balance outstanding . April 30, 2015	1,993,522	0.20

At April 30, 2015, warrants outstanding that entitled the holder thereof to acquire one share for each warrant held are as follows:

Expiry Date	Exercise Price \$	Number of Warrants
June 28, 2015	0.11	727,272
January 30, 2016	0.25	1,266,250
		<u>1,993,522</u>

e) Convertible notes:

The Company had outstanding convertible notes (Note 8) which were convertible into 17,318,180 common shares of the Company. On July 3, 2014, a portion of the outstanding convertible notes were converted into 3,681,816 common shares of the Company. On December 24, 2014, the remaining \$1,500,000 of convertible notes were converted into 13,636,364 common shares of the Company.

f) Basic and diluted loss per share:

During the nine months ended April 30, 2015, potentially dilutive common shares totaling 8,918,522 (2014 . 74,425,826) were not included in the calculation of basic and diluted loss per share because their effect was anti-dilutive.

Terra Nova Energy Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2015

(Unaudited - Expressed in Canadian Dollars)

10. Related party transactions

During the three and nine months ended April 30, 2015 and 2014, the Company incurred the following expenditures charged by directors and officers of the Company and/or companies they owned or were significant shareholders of:

	Three months ended		Nine months ended	
	April 30,		April 30,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Non-audit accounting fees	9,139	5,602	32,412	37,642
Legal fees (corporate secretary)	1,093	2,904	8,648	6,501
Management fees	37,500	38,874	114,000	146,435
Office and miscellaneous fees	9,000	-	33,000	-
Exploration and evaluation interests . management and consulting fees	31,323	45,937	72,852	105,181
	88,055	93,317	260,912	295,759

At April 30, 2015, accounts payable and accrued liabilities included \$77,363 (July 31, 2014 - \$121,219) of amounts owing to directors and officers of the Company and/or companies they control or of which they were significant shareholders. The amounts owing include amounts related to expenditures charged to the Company and for reimbursements of expenditures paid for on behalf of the Company. The amounts owing are unsecured, non-interest bearing and due on demand.

Key management includes the Chief Executive Officer, the Chief Financial Officer, the VP of Exploration, the VP of Finance and the directors of the Company. The compensation paid or payable to key management for services during the three and nine months ended April 30, 2015 and 2014 is identical to the table above other than share-based payments expense. During the nine months ended April 30, 2015, key management received share-based payments of \$323,293 (2014 - \$32,512).

An additional related party transaction is disclosed in Note 6.

11. Supplemental cash flow information

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the nine months ended April 30, 2015 the following transactions were excluded from the statement of cash flows:

- exploration and evaluation interest expenditures of \$132,953 included in accounts payable and accrued liabilities at April 30, 2015, less expenditures included in accounts payable at July 31, 2014 of \$134 (net exclusion of \$132,819);
- exploration and evaluation interest of \$nil included in receivables at April 30, 2015, less amounts included in receivables at July 31, 2014 of \$155,932 (net exclusion of \$155,932); and,
- the issuance by the Company of 13,636,364 common shares on the conversion of \$1,500,000 of convertible notes.

Terra Nova Energy Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2015

(Unaudited - Expressed in Canadian Dollars)

During the nine months ended April 30, 2014 the following transactions were excluded from the statement of cash flows:

- a) exploration and evaluation interest expenditures of \$33,038 included in accounts payable and accrued liabilities at April 30, 2014, less expenditures included in accounts payable at July 31, 2013 of \$903,489 (net inclusion of \$870,451); and,
- b) exploration and evaluation interest of \$567,708 included in receivables at April 30, 2014, less amounts included in receivables at July 31, 2013 of \$455,130 (net inclusion of \$112,578).

12. Geographic Information

Management has presented segmented information on a geographical basis. Geographic segment information of the Company's assets is as follows:

	April 30, 2015 \$	July 31, 2014 \$
Canada	2,839,073	41,474
Australia	3,206,478	6,257,681
Total assets	6,045,551	6,299,155

Geographic segmentation of the Company's loss during the nine months ended April 30, 2015 and 2014 is as follows:

	2015 \$	2014 \$
Canada	(981,023)	(703,480)
Australia	(26,254)	(1,189,828)
Loss	(1,007,277)	(1,893,308)

Geographic segmentation of the Company's capital recoveries (expenditures) during the nine months ended April 30, 2015 and 2014 is as follows:

	2015 \$	2014 \$
Australia	2,822,910	(2,171,984)
Total capital recoveries (expenditures)	2,822,910	(2,171,984)