

Unaudited Interim Condensed Consolidated Financial Statements of

ENHANCED OIL RESOURCES INC.

Three Months Ended March 31, 2016 and 2015

ENHANCED OIL RESOURCES INC.

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 interim consolidated condensed financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditor has not performed a review of these unaudited interim consolidated condensed 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.

May 30, 2016

ENHANCED OIL RESOURCES INC.

Condensed Consolidated Balance Sheets (Unaudited)

(all amounts expressed in thousands of US dollars)

	As of March 31, 2016	As of December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 2,124	\$ 1,257
Restricted cash	-	1,248
Receivables	309	293
Pepaid expenses and other deposits	246	251
	<u>2,679</u>	<u>3,049</u>
Non-current assets		
Property and equipment, net	40,285	40,424
Restricted cash	3,025	3,025
Other	24	74
	<u>46,013</u>	<u>46,572</u>
Total Assets	\$ 46,013	\$ 46,572
Liabilities And Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,179	\$ 701
Asset retirement obligations	530	84
	<u>1,709</u>	<u>785</u>
Asset retirement obligations	18,527	18,977
Shareholders' equity		
Equity instruments	124,166	124,166
Contributed surplus	9,256	9,256
Accumulated deficit	(107,645)	(106,612)
	<u>25,777</u>	<u>26,810</u>
Total Liabilities and Shareholders' Equity	\$ 46,013	\$ 46,572

See accompanying notes to unaudited interim condensed consolidated financial statements.

Approved by the Board of Directors:

/s/ Al H. Denson

Al H. Denson

Director

/s/ Andrew Hromyk

Andrew Hromyk

Director

ENHANCED OIL RESOURCES INC.

Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)
(all amounts expressed in thousands of US dollars)

	Three Months Ended	
	March 31,	
	2016	2015
Revenues		
Oil and gas gross sales	\$ 236	\$ 267
Less: Royalties	(51)	(54)
	<u>185</u>	<u>213</u>
Expenses		
Operating costs, production costs and taxes	168	430
Workover expenses	21	101
General and administrative	685	676
Gain on disposition of assets	-	(16)
Depreciation, depletion, and amortization	191	154
Accretion	96	128
Other, net	58	(1)
Loss on derivative financial instruments, net	-	65
Foreign currency translation gain	(1)	(4)
	<u>1,218</u>	<u>1,533</u>
Loss before income taxes	(1,033)	(1,320)
Income tax provision	-	-
Net comprehensive loss for the period	<u>(1,033)</u>	<u>(1,320)</u>
Loss per share - basic and diluted	\$ (0.06)	\$ (0.08)

See accompanying notes to unaudited interim condensed consolidated financial statements.

ENHANCED OIL RESOURCES INC.

Condensed Consolidated Statements of Shareholders' Equity (Unaudited)
(all amounts, except common shares, expressed in thousands of US dollars)

	Number of Common Shares			
	March 31,		March 31,	
	2016	2015	2016	2015
Total Shareholders' Equity, beginning balances			\$ 26,810	\$ 31,988
Equity Instruments (Common Shares)				
Balance, January 1	16,008,810	16,018,632	124,166	124,166
Balance, March 31	16,008,810	16,018,632	124,166	124,166
Contributed Surplus				
Balance, January 1			9,256	9,256
Balance, March 31			9,256	9,256
Accumulated Deficit				
Balance, January 1			(106,612)	(101,434)
Net loss			(1,033)	(1,320)
Balance, March 31			(107,645)	(102,754)
Total Shareholders' Equity, ending balances			\$ 25,777	\$ 30,668

See accompanying notes to unaudited interim condensed consolidated financial statements.

ENHANCED OIL RESOURCES INC.

Condensed Consolidated Statements of Cash Flows (Unaudited)
(all amounts expressed in thousands of US dollars)

	Three Months Ended	
	March 31,	
	2016	2015
Cash provided by (used in):		
Operating activities		
Net loss for the year	\$ (1,033)	\$ (1,320)
Add (deduct) noncash and other items:		
Depreciation, depletion, and amortization	191	154
Accretion of asset retirement costs	96	128
Gain on disposition of assets	-	(16)
Unrealized loss on derivative financial instruments	-	50
Foreign currency translation gain	(1)	(4)
Non-cash other expense	8	-
	<u>(739)</u>	<u>(1,008)</u>
Asset retirement expenditures	(8)	-
Changes in non-cash working capital	<u>(142)</u>	<u>(226)</u>
Cash used in operations	<u>(889)</u>	<u>(1,234)</u>
Investing activities		
Property and equipment expenditures	(151)	(73)
Decreases in restricted cash, net	1,248	-
Non-cash changes from investing activities	<u>-</u>	<u>45</u>
Cash used in by investing activities	<u>1,097</u>	<u>(28)</u>
Financing activities		
Proceeds from private placement funding	<u>659</u>	<u>-</u>
Cash provided by financing activities	<u>659</u>	<u>-</u>
Change in cash and cash equivalents	867	(1,262)
Cash and cash equivalents, beginning of the period	<u>1,257</u>	<u>4,079</u>
Cash and cash equivalents, end of period	<u>\$ 2,124</u>	<u>\$ 2,817</u>

See accompanying notes to unaudited interim condensed consolidated financial statements.

ENHANCED OIL RESOURCES INC.

Notes to Unaudited Interim Condensed Consolidated Financial Statements
(All amounts in thousands of US dollars unless otherwise indicated)

Three Months Ended March 31, 2016

1. Reporting Entity and Description of Business

Enhanced Oil Resources Inc. is a company incorporated in British Columbia, Canada and is engaged, through its wholly-owned U.S. subsidiaries (collectively referred to as the “Company”) in the acquisition, development, operation and exploitation of crude oil and natural gas properties in the Permian Basin in eastern New Mexico, United States.

Common shares of the Company are listed on the TSX Venture Exchange (“TSXV”) under the symbol “EOR” and quoted on the OTCQX (“Over the Counter” qualified stock exchange) of the OTC Markets Group, under the symbol “EORIF”. The address of the registered office of the Company is 940, 1040 West Georgia Street, Vancouver, British Columbia, V6E 4H1.

2. Basis of Presentation and Summary of Significant Accounting Policies

Statement of Compliance

These unaudited interim condensed 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 condensed financial statements, including International Accounting Standard 34, “Interim Financial Reporting.” The Company has consistently applied the same accounting policies as those set out in the audited consolidated financial statements for the year ended December 31, 2015, which are available on the Company’s website at www.enhancedoilres.com. Certain disclosures included in the notes to the annual consolidated financial statements have been condensed in the following note disclosures or have been disclosed on an annual basis only. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies applied in these unaudited interim consolidated financial statements are based on IFRS issued and outstanding as of May 30, 2016, the date the Company’s Board of Directors approved the statements.

The accompanying unaudited interim condensed consolidated financial statements include all adjustments, composed of normal recurring adjustments, considered necessary by management to fairly state the Company’s results of operations, financial position and cash flows. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year, and, accordingly, actual results may differ from these estimates.

Basis of Presentation

Functional Currency – These unaudited interim condensed consolidated financial statements are presented in United States dollars, unless otherwise indicated. All references to \$ are to United States dollars and references to C\$ are to Canadian dollars.

ENHANCED OIL RESOURCES INC.

Notes to Unaudited Interim Condensed Consolidated Financial Statements
(All amounts in thousands of US dollars unless otherwise indicated)

Three Months Ended March 31, 2016

Reclassifications – Certain reclassifications have been made to the March 31, 2015 unaudited interim condensed consolidated financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or accumulated deficit.

Basis of Measurement and Estimation Uncertainty – The unaudited interim condensed consolidated financial statements are prepared on a historical cost basis except as detailed in the Company’s accounting policies disclosed in this note. The timely preparation of the unaudited interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the unaudited interim condensed consolidated financial statements, and the amount of revenues and expenses. Accordingly, actual results may differ from these estimates.

Principles of Consolidation and Presentation – The unaudited interim condensed consolidated financial statements of the Company include the financial information of Enhanced Oil Resources Inc. (the “Parent Company”) and its wholly-owned subsidiary, Ridgeway Petroleum (Florida), Inc. (“RF”). RF includes the results of its wholly-owned subsidiaries, Enhanced Oil Resources USA Inc. and Arizona Resources Industries, Inc. (“ARI”), ARI includes the results of its wholly-owned subsidiaries, Ridgeway Arizona Oil Corp., EOR Operating Company, St. Johns Dome Operating Company and Phoenix Energy Inc. Ridgeway Arizona Oil Corp. includes the results of its wholly-owned subsidiary, Ridgeway SPV Inc. All intercompany amounts have been eliminated upon consolidation.

3. Restricted Cash

Restricted cash is comprised of escrowed amounts or certificates of deposit at banks which are pledged to secure plugging and abandonment obligations for properties operated by the Company’s subsidiaries or to secure a well site reclamation project in Canada.

The following table summarizes the restricted cash balances of the Company:

	March 31, 2016	December 31, 2015
Escrow deposit for St. Johns Dome contingent obligations	\$ -	\$ 1,248
Bank deposits to secure asset retirement obligations	3,025	3,025
Balance, end of year	\$ 3,025	\$ 4,273
<hr/>		
Short -term	\$ -	\$ 1,248
<hr/>		
Long-term	\$ 3,025	\$ 3,025

In January of 2016 in connection with the sale of the St. Johns Dome obligations noted above, approximately \$1.25 million of the Company’s restricted cash was released from escrow (see Note 10 – Commitments).

ENHANCED OIL RESOURCES INC.

Notes to Unaudited Interim Condensed Consolidated Financial Statements
(All amounts in thousands of US dollars unless otherwise indicated)

Three Months Ended March 31, 2016

4. Receivables

The Company's receivables were comprised of amounts due from crude oil purchasers of \$0.1 million at both March 31, 2016 and December 31, 2015, and other receivables of \$0.2 million for the same periods. Management does not consider any of the receivable balances to be impaired. The carrying amount of receivables approximates the fair value due to the short-term nature of the financial instrument.

5. Property and Equipment

Property and equipment activity for the period ended March 31, 2016 was as follows:

	Oil and Gas		Other		Total	
	Properties					
Balance, January 1, 2016	\$	43,231	\$	823	\$	44,054
Additions		243		21		264
Dispositions		(122)		-		(122)
Change in discount rates of asset retirement obligations		(6)		-		(6)
Balance, March 31, 2016	\$	43,346	\$	844	\$	44,190

Accumulated depreciation and depletion:

Balance, January 1, 2016	\$	(2,962)	\$	(668)	\$	(3,630)
Depreciation and depletion		(158)		(33)		(191)
Dispositions		(84)		-		(84)
Balance, March 31, 2016	\$	(3,204)	\$	(701)	\$	(3,905)

Net book value:

January 1, 2016	\$	40,269	\$	155	\$	40,424
March 31, 2016	\$	40,142	\$	143	\$	40,285

Future development costs of \$95.6 million and \$133.5 million for the periods ended March 31, 2016 and 2015, respectively, have been included in the computation of depletion expense. No general and administrative costs have been capitalized with regard to property and equipment.

6. Asset Retirement Obligation

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the estimated future obligations associated with the retirement of resource properties and oil and gas properties:

ENHANCED OIL RESOURCES INC.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

(All amounts in thousands of US dollars unless otherwise indicated)

Three Months Ended March 31, 2016

Balance, January 1, 2016	\$ 19,061
Decrease in provision due to change in discount rates	(6)
Increase in provision due to passage of time (accretion)	96
Increase in provision due to asset addition	110
Decrease in provision due to asset disposition	(196)
Asset retirement costs incurred	(8)
Balance, March 31, 2016	\$ 19,057

The total undiscounted amount of estimated future cash flows required to settle the obligations is \$27.8 million as of March 31, 2016, discounted using risk free rates from 0.70% to 2.36% at March 31, 2016, and assumes an inflation rate of 1.5%. The Company expects to settle these obligations over the next twenty-five years with funds from general Company resources at the time of retirement.

At March 31, 2016, the Company estimated plugging obligations of \$2.1 million and \$0.9 million for active leases administered by the Bureau of Land Management (BLM) and for active leases administered by the New Mexico Oil Conservation Division (OCD), respectively, in its Milnesand field. In addition, the Company estimated plugging obligations of \$1.7 million and \$7.3 million for active BLM leases and for active OCD leases, respectively, in its Chaveroo field. Total estimated plugging obligations for expired leases (all in the Chaveroo field) was \$4.2 million. The table below summarizes the Company's total estimated plugging obligations by field at March 31, 2016.

	Active Leases		Expired Leases		Facilities	Total Liability
	BLM	OCD	BLM	OCD		
Milnesand Field	2,115	942	-	-	761	3,818
Chaveroo Field	1,661	7,327	1,550	2,644	2,057	15,239
Balance, March 31, 2016	\$ 3,776	\$ 8,269	\$ 1,550	\$ 2,644	\$ 2,818	\$ 19,057

7. Accounts Payable and Accrued Liabilities

The Company's trade payables at March 31, 2016, and December 31, 2015, were \$0.04 million and \$0.2 million, respectively. The Company's accrued liabilities at March 31, 2016, and December 31, 2015, were \$1.2 million and \$0.5 million, respectively.

During 2015, the Company received \$0.3 million in connection with the private placement discussed in Note 14 – Private Placement. As of March 31, 2016, the Company had received an additional \$0.7 million in private placement subscription payments. Until completion of the private placement, the subscription payments have been recorded in other current liabilities on the unaudited interim condensed consolidated balance sheet.

ENHANCED OIL RESOURCES INC.

Notes to Unaudited Interim Condensed Consolidated Financial Statements
(All amounts in thousands of US dollars unless otherwise indicated)

Three Months Ended March 31, 2016

8. Equity Instruments

Share Consolidation – Effective January 15, 2015, the Directors of the Company authorized the implementation of a share consolidation of one (1) new common share for ten (10) pre-consolidation common shares. The Company's shares began trading on the post-consolidation basis on January 21, 2015, and, accordingly, all references to the outstanding common shares and the common share options of the Company in these financial statements have been restated to give effect to the consolidation as if the number of shares or options were effective for all periods presented.

Authorized Shares – The Company is authorized to issue an unlimited number of common shares of no par value and up to 25 million preferred shares of no par value.

Issued and Outstanding – The Company had 16,008,810 common shares outstanding at both March 31, 2016 and December 31, 2015.

Stock option plan – The Company has a stock option plan under which up to 10% of the number of outstanding common shares may be reserved for issuance as of any particular stock option grant date. The stock options were granted with a five-year expiry term. The exercise prices for all outstanding options are denominated in Canadian dollars, the trading currency of the Company's common shares.

The following tables summarize information about stock options as at March 31, 2016 (number of options in thousands):

	<u>Number of Options</u>	<u>Weighted-Average Exercise Price (C\$)</u>
Oustanding, January 1, 2016	50	\$ 1.72
Granted	-	
Expired	-	
Forfeited	-	
Oustanding, March 31, 2016	50	\$ 1.72

The following table summarizes information about stock options as at March 31, 2016 (number of option shares in thousands):

ENHANCED OIL RESOURCES INC.

Notes to Unaudited Interim Condensed Consolidated Financial Statements
(All amounts in thousands of US dollars unless otherwise indicated)

Three Months Ended March 31, 2016

Range of Prices C\$		Options Outstanding			Options Exercisable		
		Weighted-Average			Weighted-Average		
Low	High	Number Outstanding	Remaining Contractual Life (Yrs.)	Weighted-Average Exercise Price (C\$)	Number Exercisable	Weighted-Average Exercise Price (C\$)	
\$ 1.00	\$ 1.60	30	1.49	\$ 1.20	30	\$ 1.20	
	1.61	20	0.03	2.50	20	2.50	
\$ 1.00	\$ 2.50	50	0.91	\$ 1.72	50	\$ 1.72	

Earnings per share – The weighted average number of shares outstanding that were used for purposes of the computation of basic per share data was 16,008,810 and 16,018,632 at March 31, 2016 and 2015, respectively. Since the Company incurred a net loss for both periods, no common stock equivalents were included in the computation of diluted earnings per share as their inclusion would have been anti-dilutive.

Stock-Based Compensation – No stock-based compensation expense was recognized during the three months ended March 31, 2016 and 2015, as no options were granted and all options were fully vested at January 1, 2014.

9. Related Party Transactions

The Company paid approximately \$0.06 million in management fees to an entity controlled by the Company's Chief Executive Officer during the three months ended March 31, 2016 and 2015, respectively.

10. Commitments

The Company is committed to the following future payments (principally related to office leases), as of March 31, 2016:

2016	79
2017	45
Total	\$ 124

In February 2014, the Company amended its CO₂ Purchase Agreement with Kinder Morgan CO₂ Company, L.P. (Kinder Morgan), to extend the dates before which the Company is obligated to take or pay for CO₂ purchases and connect to Kinder Morgan's pipeline. The agreement will provide the source of CO₂ for use in tertiary oil recovery projects in the Permian Basin. The contract, as amended, requires the Company to take or pay for the purchase of 27.4 billion cubic feet of CO₂ over a five-year period commencing no later than January 1, 2018. The maximum daily purchase commitment required under the contract is 20 million cubic feet per day during year three with the cost of CO₂ fluctuating based on the price of crude oil and transportation tariffs at the time. The Company will be

ENHANCED OIL RESOURCES INC.

Notes to Unaudited Interim Condensed Consolidated Financial Statements
(All amounts in thousands of US dollars unless otherwise indicated)

Three Months Ended March 31, 2016

required to construct a pipeline, currently estimated to be a distance of approximately 32 miles, to the pipeline operated by Kinder Morgan. Both the purchase commitment and the obligation to pay, as amended, are cancellable before January 1, 2017, without termination penalty.

In connection with the sale of certain assets to Kinder Morgan in 2012, the Company agreed to be contingently responsible for up to \$5.0 million of future appraisal drilling costs to evaluate helium in certain areas of the St. Johns Dome field (“Drilling Costs”). The obligation was secured in part by \$2.5 million placed into escrow at closing of the sale. On September 4, 2015, approximately \$1.25 million of the Company’s restricted cash was released from escrow. On January 11, 2016, Kinder Morgan released from escrow the remaining balance of approximately \$1.25 million. The funds released in 2016 are included in cash provided by investing activities in the Company’s consolidated statement of cash flows for the three months ended March 31, 2016. (See Note 3 - Restricted Cash.)

11. Financial Instruments - Commodity Contracts

The Company realized derivative losses net of contract settlements of \$0.01 million for the three months ended March 31, 2015. The Company had no outstanding derivative agreements relating to its crude oil sales during the three months ended March 31, 2016.

12. Fair Value Measurements

Fair value estimates are made at a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Values are based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 - Values are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – Values are based on prices or valuation techniques that are not based on observable market data.

The Company has determined that the carrying value of its short-term financial assets and liabilities (cash and cash equivalents, restricted cash, receivables, accounts payable and accrued liabilities, borrowings) approximates fair value at the consolidated balance sheet dates due to the short-term maturity of these instruments.

The fair values of the derivatives are determined by a Level 2 valuation model, where pricing inputs other than quoted prices in an active market are used. These pricing inputs include quoted forward prices for commodities, foreign exchange rates, volatility and risk-free rate discounting, all of which can be observed or corroborated in the marketplace. The actual gains and losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices and foreign exchange rates as compared to the valuation assumptions.

ENHANCED OIL RESOURCES INC.

Notes to Unaudited Interim Condensed Consolidated Financial Statements
(All amounts in thousands of US dollars unless otherwise indicated)

Three Months Ended March 31, 2016

13. Risk Management

Risks Associated with Financial Assets and Liabilities – The Company is exposed to financial risks arising from its financial assets and liabilities. Financial risks include market risks (such as commodity prices, foreign exchange and interest rates), credit risk and liquidity risk. The future cash flows of financial assets or liabilities may fluctuate due to the movements in market prices and the exposure to credit and liquidity risks.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments exposed to concentrations of credit risk are primarily cash and cash equivalents, including restricted cash, accounts receivable and counterparty risk on derivative contracts. The Company limits its exposure to credit risk with respect to cash equivalents by investing available cash in short-term deposits with Canadian and US banks, principally in overnight money market funds investing in government treasury instruments. The Company's receivables mainly consist of amounts due from sales of its crude oil and natural gas production. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

With respect to its crude oil and natural gas production receivables, the Company is the operator of all its property interests and owns the significant majority of the working interest in producing and non-producing properties.

Receivables related to the sale of crude oil production are with two major reputable marketers and proceeds are collected within approximately 25 days following the month of delivery. With respect to the majority of operated production, the Company remits royalty and severance taxes to the other royalty and working interest owners of the leaseholds interests.

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's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. At March 31, 2016, the Company had cash of \$2.1 million, excluding restricted cash of \$3.0 million. The Company believes it can meet its current obligations, but currently has negative cash flows due to declining oil prices and production. The Company is still dependent on raising funds by borrowings, equity issues, or asset sales to finance its ongoing operations, capital expenditures and acquisitions. The contractual maturity of the majority of accounts payable is within three months or less. Management has delayed capital expenditures on certain projects until the oil commodity pricing environment improves and has reduced general and administrative and operating costs during 2015 and 2016. The Company has historically financed its expenditures and working capital requirements through the sale of common stock or, on occasion, through the issuance of short-term debt

ENHANCED OIL RESOURCES INC.

Notes to Unaudited Interim Condensed Consolidated Financial Statements
(All amounts in thousands of US dollars unless otherwise indicated)

Three Months Ended March 31, 2016

Foreign Exchange Risk

Substantially all of the Company's assets and expenditures are either denominated in or made with US dollars. As a result, the Company has very limited exposure to foreign exchange risk in relation to existing commitments or assets denominated in a foreign currency. The Company has chosen not to enter into any foreign exchange contracts since its Canadian dollar working capital balances are not significant to the consolidated entity.

Commodity Price Risk

The Company is exposed to fluctuations in the world commodity prices for its products with a corresponding impact to cash flow. Reduced cash flow may result in lower levels of capital being available for field activity, thus compromising the Company's capacity to grow production while at the same time replacing continuous production declines from existing properties. When the Company forecasts increased debt levels due to capital expenditures exceeding cash flow, it may enter into oil and natural gas hedging contracts in order to provide stability of future cash flow and, thus, predictable debt reduction. The Company engages in derivative financial instruments solely to manage its commodity price risk exposure relative to its actual commodity production and not for speculative purposes.

14. Private Placement

In 2015, the Company announced a private placement of up to US \$5.5 million at a price of C\$0.05 per Share. During 2015, the Company received subscription payments of \$0.3 million in connection with the private placement. As of March 31, 2016, the Company had received an additional \$0.7 million in private placement subscription payments. The private placement subscription payments have been recorded in other current liabilities on the unaudited interim condensed consolidated balance sheet. (See Note 7 – Accounts Payable and Accrued Liabilities and Note 16 – Subsequent Events.)

15. Supplemental Cash Flow Information

The (increase)/decrease in non-cash working capital from continuing operations is comprised of:

	<u>March 31,</u> <u>2016</u>	<u>March 31,</u> <u>2015</u>
Receivables	\$ (16)	\$ (46)
Other current assets	5	(6)
Other non current assets	50	-
Accounts payable and accrued liabilities	(181)	(174)
Total	<u>\$ (142)</u>	<u>\$ (226)</u>
Relating to:		
Operating activities	<u>\$ (142)</u>	<u>\$ (226)</u>

ENHANCED OIL RESOURCES INC.

Notes to Unaudited Interim Condensed Consolidated Financial Statements
(All amounts in thousands of US dollars unless otherwise indicated)

Three Months Ended March 31, 2016

16. Subsequent Events

On May 13, 2016, the Company closed a private placement of 64,700,000 common shares of the Company at a price of C \$0.05 per share to raise gross proceeds of US\$2,500,000. The common shares are subject to a trading hold period expiring on September 14, 2016. (See Note 14 – Private Placement.)