



Avanti Energy Inc.

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian Dollars)

NOTICE OF NO AUDIT OR 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 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.

Avanti Energy Inc.

(in Canadian Dollars)

Condensed Consolidated interim Statements of Financial Position

As at	March 31, 2015	December 31, 2014
ASSETS		
Current		
Cash and cash equivalents	\$ 17,776	\$ 294,634
Accounts receivable	20,744	23,950
Prepays and deposits (Note 11)	29,626	55,625
Other – pre-acquisition advances	67,992	-
	136,138	374,209
Non-current assets		
Intangible assets (Note 4)	1,903,043	1,903,043
Long term deposits (Note 5)	65,363	65,363
Deferred acquisition costs (Note 15)	803,666	134,767
Property (Note 7)	92,400	92,900
	\$ 3,000,610	\$ 2,570,282
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 227,102	\$ 78,891
Due to related parties (Note 11)	655,189	87,953
	882,291	166,844
Reclamation obligation (Note 6)	15,000	15,000
	897,291	181,844
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	5,943,821	5,943,821
Equity reserves	596,056	596,056
Deficit	(4,436,558)	(4,151,439)
	2,103,319	2,388,438
	\$ 3,000,610	\$ 2,570,282

Nature and continuance of operations (Note 1)

Events after the reporting period (Note 14)

Approved by the board:

“John McIntyre”

Director

“Douglas Ford”

Director

Avanti Energy Inc.

(in Canadian Dollars)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the 3 months ended March 31,	2015	2014
Revenue		
Oil and gas sales	\$ 3,560	\$ -
	3,560	-
Expenses		
Administrative	61,065	37,493
Consulting fees (Note 11)	100,611	189,785
Depletion (Note 7)	500	-
Loss (gain) on foreign exchange	5,865	(3,618)
Lease operating expense	32,483	206,764
Management fees (Note 11)	75,000	75,000
Professional fees	6,819	7,337
Share-based payments (Note 8)	-	38,183
Transfer agent and filing fees	18,066	9,719
	(288,679)	(560,663)
Loss and comprehensive loss	\$ (285,119)	\$ (560,663)
Basic and diluted loss per share	(0.01)	(0.01)
Weighted average number of shares outstanding- basic and diluted	47,149,243	38,776,084

Avanti Energy Inc.

(in Canadian Dollars)

Condensed Consolidated Interim Statements of Cash Flows

For the 3 months ended March 31,	2015	2014
OPERATING ACTIVITIES		
Net loss for the period	\$ (285,119)	\$ (560,663)
Items not affecting cash		
Depletion	500	-
Share-based payments	-	38,183
Changes in non-cash working capital items:		
Accounts receivable, prepaids and deposits	29,205	41,497
Accounts payable and accrued liabilities	715,447	11,633
Cash used in operating activities	460,033	(469,350)
INVESTING ACTIVITIES		
Cash advances paid to CMI	(67,992)	-
Deferred acquisition costs	(668,899)	-
Cash used in investing activities	(736,891)	-
FINANCING ACTIVITIES		
Common shares issued for cash	-	1,676,087
Share issue costs	-	(38,732)
Cash provided by financing activities	-	1,637,355
Change in cash and cash equivalents during the period	(276,858)	1,168,005
Cash and cash equivalents, beginning of period	294,634	275,700
Cash and cash equivalents, end of period	\$ 17,776	\$ 1,443,705
Cash paid for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 12)

Avanti Energy Inc.

(in Canadian Dollars)

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity For the 3 months ended March 31,

	Number of shares	Share capital	Equity reserves	Deficit	Total
Balance, December 31, 2013	34,901,665	\$ 4,244,331	\$ 533,871	\$ (2,393,609)	\$ 2,384,593
Warrants exercised	4,044,500	485,340	-	-	485,340
Private placement	7,430,578	1,190,747	-	-	1,190,747
Share issue costs (private placement)	-	(38,732)	-	-	(38,732)
Fair value of agent warrants	-	(28,072)	28,072	-	-
Share-based payments	-	-	38,183	-	38,183
Loss for the period	-	-	-	(560,663)	(560,663)
Balance, March 31, 2014	46,376,743	\$ 5,853,614	\$ 600,126	\$ (2,954,272)	\$ 3,499,468
Balance, December 31, 2014	47,149,243	\$ 5,943,821	\$ 596,056	\$ (4,151,439)	\$ 2,388,438
Loss for the period	-	-	-	(285,119)	(285,119)
Balance, March 31, 2015	47,149,243	\$ 5,943,821	\$ 596,056	\$ (4,436,558)	\$ 2,103,319

Avanti Energy Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2015 and 2014

(in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Avanti Energy Inc. (the "Company" or "AVN", formerly Overlord Capital Ltd.) is a resource company whose common shares trade on the TSX Venture Exchange ("TSX-V") and is in the business of acquiring, developing, exploring and evaluating oil and gas properties. The Company was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the *British Columbia Business Corporations Act* on March 7, 2011.

On May 31, 2013, the Company announced the successful completion of the acquisitions of Avanti Exploration SA LLC ("Avanti SA") and Avanti Oil, LLC ("Avanti Oil"). The acquisition of Avanti SA and Avanti Oil were deemed to be acquisitions of a group of assets that do not constitute a business. As a result, the Company has acquired all of the issued and outstanding interests in Avanti SA and Avanti Oil (Note 4).

The Company's head office is located at Suite 1450-701 West Georgia Street, Vancouver, British Columbia V6C 2T4 and its registered and records office address is Suite 1750, 1185 West Georgia Street, Vancouver, British Columbia, V6E 4B6.

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The Company has only recently commenced generating revenue from operations and will require additional financing or outside participation to undertake further exploration and subsequent development of its oil and gas interests. Future operations of the Company are dependent on its ability to raise additional equity financing and the attainment of profitable operations. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

The Company is in the process of exploring and evaluating its exploration and evaluation assets and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future production or proceeds from the disposition thereof.

Avanti Energy Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2015 and 2014
(in Canadian dollars)

2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). The unaudited condensed consolidated interim financial statements follow the same accounting policies and methods of application as our most recent annual financial statements and do not include all of the information required for full annual financial statements. Accordingly, they should be read in conjunction with our IFRS financial statements for the fiscal year ended December 31, 2014. The accounting policies applied in these unaudited condensed consolidated interim financial statements are based on International Financial Reporting Standards (“IFRS”) issued and outstanding as of May 28, 2015, the date the Board of Directors approved these unaudited condensed consolidated interim financial statements and they are consistent with those disclosed in the annual financial statements.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on May 28, 2015.

Principles of consolidation

The condensed consolidated interim financial statements include the financial statements of the Company and its wholly-owned subsidiaries of Avanti SA and Avanti Oil. All intercompany transactions, balances, revenues and expenses are eliminated on consolidation.

Significant accounting judgments, estimates and assumptions

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Critical judgments in applying accounting policies

The preparation of these condensed consolidated interim financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1. In addition, management has made judgments regarding the functional currency of the Company, and has determined that the functional currency of the Company and its subsidiaries is the Canadian dollar.

Key sources of estimation uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting our financial statements include, but are not limited to, the following:

Avanti Energy Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2015 and 2014
(in Canadian dollars)

2. BASIS OF PREPARATION (cont'd)

Significant accounting judgments, estimates and assumptions (cont'd)

Share-based payments

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based compensation payment expense for the period along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 8.

Reserve estimates

Reserve engineering is an inherently complex and subjective process of estimating underground accumulations of petroleum and natural gas. The process relies on interpretations of available geological, geophysical, engineering and production data. The accuracy of a reserves estimate is a function of the quality and quantity of available data, the interpretation of that data, the accuracy of various economic assumptions and the judgment of those preparing the estimate. Because these estimates depend on many assumptions, all of which may differ from actual results, reserves estimates and estimates of future net revenue may be different from the sales volumes ultimately recovered and net revenues actually realized. Changes in market conditions, regulatory matters and the results of subsequent drilling, testing and production may require revisions to the original estimates. Estimates of reserves impact: (i) the assessment of whether or not a new well has found economically recoverable reserves; (ii) depletion rates; and (iii) the determination of the realizable value of oil and gas properties for impairment tests, all of which could have a material impact on earnings.

Impairment of Non-Financial Assets

The Company assesses its oil and gas properties, including exploration and evaluation assets, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least annually. The assessment of any impairment of property and equipment and exploration and evaluation assets is dependent upon estimates of recoverable amounts that take into account factors such as reserves, economic and market conditions, timing of cash flows, the useful lives of assets and their related salvage values.

Depreciation and depletion

Depletion of petroleum and natural gas properties is provided using the unit-of-production method based on production volumes before royalties in relation to total estimated reserves as determined using estimates as described above. Changes in forward price estimates, production levels or results of future drilling may change the economic status of reserves and may result in reserves being revised.

Avanti Energy Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2015 and 2014

(in Canadian dollars)

2. BASIS OF PREPARATION (cont'd)

Significant accounting judgments, estimates and assumptions (cont'd)

Decommissioning provisions

Provisions for decommissioning provisions associated with the Company's drilling operations are based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, prices, discovery and analysis of site conditions and changes in clean up technology.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

The Company considers cash and cash equivalents to include cash on deposit, cash held in trust, highly liquid short term interest bearing variable rate Guaranteed Investment Certificates, and Bankers' Acceptance Papers. As at March 31, 2015, the Company had cash and cash equivalents on hand of \$17,776, consisting of cash of \$17,776 (2014 year-end: \$294,634) and short term interest bearing notes of \$nil (2014 year-end: \$200,000).

Intangible assets

Intangible assets include the proprietary data of Avanti SA and Avanti Oil on the date of acquisition (Note 4).

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Avanti Energy Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Exploration and evaluation assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to capital assets are capitalized by property. Consulting, management and lease operating costs are expensed to profit or loss. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a resource interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written-off to profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be under development. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

Share-based payments

The Company's stock option plan allows Company employees, directors, officers and consultants to acquire shares of the Company. The fair value of options granted is recognized as share-based payment expense with a corresponding increase in equity reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

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(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based payments (cont'd)

Fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. In situations where equity instruments are issued to consultants and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Property – Oil and Gas interests

Property, which includes oil and gas interests, represents costs incurred in developing oil and natural gas reserves and maintaining or enhancing production from such reserves. Future decommissioning costs, related to producing assets, are also capitalized to property. Property is carried at cost, less accumulated depletion, depreciation and amortization and accumulated impairment losses. Gains and losses on disposal of property are determined as the difference between proceeds from disposal and the carrying amount of the asset sold and is recognized in earnings.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as oil and gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are expensed to earnings as incurred. Such capitalized petroleum and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are expensed as incurred.

Exchanges of development and production assets (swaps, farm-outs or farm-ins) are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. The cost of the acquired asset is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. Any gain or loss on derecognition of the asset given up is recognized in earnings.

New Accounting Standards

Effective January 1, 2015, the following standards were adopted but did not have a material impact on the financial statements.

- IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015.

Avanti Energy Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New Accounting Standards (cont'd)

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018.

4. ASSET ACQUISITIONS

On May 15, 2013 the Company completed (i) a share purchase agreement with Avanti SA pursuant to which the Company acquired all of the issued and outstanding common shares in Avanti SA; and (ii) a share purchase agreement with Avanti Oil pursuant to which the Company acquired all of the issued and outstanding common shares in Avanti Oil.

The acquisition of Avanti SA was treated as an asset acquisition. The fair value of the assets acquired and liabilities assumed as at the date of acquisition were as follows:

Cash	\$ 5,151
Prepaid assets	182,103
Exploration and evaluation assets	113,288
Intangible assets	1,473,406
Accounts payable	(106,000)
Net assets acquired	<u>\$ 1,667,948</u>

Consideration paid:

Value of 7,500,000 common shares of the Company	\$ 1,237,500
Advances from Avanti Energy Inc.	430,448
	<u>\$1,667,948</u>

The acquisition of Avanti Oil was treated as an asset acquisition. The fair value of the assets acquired and liabilities assumed as at the date of acquisition were as follows:

Deposit	\$ 65,363
Intangible assets	429,637
Net assets acquired	<u>\$ 495,000</u>

Avanti Energy Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2015 and 2014

(in Canadian dollars)

4. ASSET ACQUISITIONS (cont'd)

Consideration paid:

Value of 3,000,000 common shares of the Company	\$ 495,000
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Summary of intangible assets:

Acquisition of Avanti SA	\$1,473,406
Acquisition Avanti Oil	429,637
	<u>\$1,903,043</u>

Intangible assets include the proprietary data of Avanti SA and Avanti Oil on the date of acquisition and have indefinite useful lives that are tested for impairment annually.

The following contingent consideration from the Company is applicable to the Avanti Oil share purchase Agreement:

- a. issuance of 2,000,000 common shares to the members of Avanti Oil, or their assignees, upon Avanti Oil entering into an agreement for the re-development of an onshore oil and gas field in Brazil;
- b. issuance of 500,000 common shares to the members of Avanti Oil, or their assignees, upon Avanti Oil acquiring an oil and gas asset in South or Latin America;
- c. issuance of 500,000 common shares to the members of Avanti Oil, or their assignees, upon Avanti Oil entering into a joint venture agreement for the participation in a bid to acquire oil and gas assets being auctioned by the Government of Brazil;
- d. issuance of 1,000,000 common shares to the members of Avanti Oil, or their assignees, upon Avanti Oil commencing a submission of a work program to re-develop the Italy Project (as defined in the Avanti Oil share purchase agreement); and
- e. issuance of 500,000 common shares to the members of Avanti Oil, or their assignees, upon Avanti Oil acquiring a minimum of an 87.5% interest in the Italy Project.

In addition to the share consideration set forth above, upon Avanti Oil acquiring a minimum of an 87.5% interest in the Italy Project, the Company will pay \$300,000 to certain members of Avanti Oil, and will also pay to certain members of Avanti Oil, 30% of the net sale proceeds in connection with the sale of the Italy Project to a third party, or, in the event the Avanti Oil commences production of the Italy Project, 12.5% of the net proceeds of monies earned from production of the Italy Project.

5. LONG TERM DEPOSIT

On June 10, 2010, the Company's subsidiary, Avanti Oil, entered into an agreement with an Italian company, whereby Avanti Oil paid 50,000 Euros (\$65,363) as consideration for the deposit to purchase 75% of the shares of the Italian company. At Avanti Oil's option, the Company may alternatively receive a like amount of the gas development activities of the Italian company in the Cugno le Macine concession, an oil and gas concession in the Region of Basilicata, Italy.

Avanti Energy Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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(in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS

	PWK Wells, USA	Forestar, USA	Turnkey Temple Inland, USA	Total
Balance - December 31, 2013	\$ 99,959	\$ 47,699	-	\$ 147,658
Additions	-	-	-	-
Impairment	-	-	-	-
Balance – March 31, 2014	\$ 99,959	\$ 47,699	-	\$ 147,658
Balance – December 31, 2014	\$ -	\$ -	\$ -	\$ -
Additions	-	-	-	-
Impairment	-	-	-	-
Balance – March 31, 2015	\$ -	\$ -	\$ -	\$ -

Forestar 8 Well, Louisiana, USA

The Company entered into an agreement with Avanti Exploration and began work on the re-entry of the Forestar 8 well during the year ended December 31, 2013. Under this agreement, the Company paid 50% of the re-entry costs to earn a 25% interest in this well as well as two other nearby wells known as the Dubose and Turnkey Temple Inland. The results obtained during the year ended December 31, 2014 were negative and as a result the Company no longer plans to develop the well. As a result, costs totaling \$47,699 were written off to the statement of loss and comprehensive loss during the year ended December 31, 2014.

Turnkey Temple Island, USA

The Company earned a 25% interest in this well as a result of work completed on the Forestar 8 Well as described above. During the year, as a result of difficulties with the well, the well was shut in. As a result, during the year ended December 31, 2014 the Company has written off costs incurred of \$37,289 to the statement of loss and comprehensive loss.

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6. EXPLORATION AND EVALUATION ASSETS (cont'd)

Reclamation Obligation

The Company's reclamation obligation consists of costs accrued based on the current best estimate of the plug and abandonment liability expense to be incurred upon the cessation of economic use of well locations. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the reporting date, known legal requirements and estimates prepared by a third party specialist. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

Management used a risk-adjusted interest rate of 10% in preparing the Company's provision for closure and reclamation. Although the ultimate amount of reclamation costs to be incurred cannot be predicted with certainty, the net undiscounted amount of estimated cash flows required to settle the Company's estimated obligations is \$35,000 over the next 8 years.

Balance, December 31, 2014	\$	15,000
Additions		-
Balance, March 31, 2015	\$	15,000

7. PROPERTY

		Total
Balance – December 31, 2014	\$	92,900
Additions		-
Depletion		500
Balance – March 31, 2015	\$	92,400

VUA Miller #1 Well, Louisiana, USA

The Company currently holds a 25% working interest in the VUA Miller #1 Well

PWK Wells, Louisiana, USA

The Company currently holds a 25% interest in the PWK Wells, which consist of two wells.

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8. SHARE CAPITAL

Authorized

Unlimited common shares with no par value.

During the period ended March 31, 2015, the Company had no common share capital activity.

During the period ended March 31, 2014, the Company:

- (i) closed a non-brokered private placement for gross proceeds of \$1,190,747 via the issuance of 7,430,578 common shares at \$0.16 (US\$0.145) per share. The Company paid Finder's Fees of \$28,639 in cash; incurred legal and other costs of \$18,656; and issued 145,991 warrants with a value of \$28,072, each exercisable into one common shares at \$0.16 for a term of two years from the date of issuance. The warrants were valued using the Black-Scholes model with the following assumptions:

Risk-free interest rate	1.00%
Expected life	2 years
Expected volatility	147.99%
Expected dividend yield	Nil
Fair value per warrant	\$0.19

- (ii) issued 4,044,500 common shares upon the exercise of warrants for gross proceeds of \$485,340.

Escrow shares

- (i) *Pre-public shares*

As at March 31, 2015, 300,000 (2014: 900,000) common shares were held in escrow.

The escrow shares are released from escrow as follows:

- 10% released on April 27, 2012 (the date of TSX-V acceptance of the qualifying transaction)
- an additional 15% released on each of the six, twelve, eighteen, twenty-four, thirty and thirty-six months following the initial release on April 27, 2012.

- (ii) *Avanti acquisition shares (Note 4)*

All shares issued for the acquisition of Avanti SA and Avanti Oil were the subject of an Escrow agreement dated May 15, 2013. As at March 31, 2015, 4,725,000 (2014: 7,875,000) common shares were held in escrow.

The escrow shares are released from escrow as follows:

- 10% released as of June 4, 2013 (the date of TSX-V acceptance of the Avanti transactions)
- an additional 15% released on each of the six, twelve, eighteen, twenty-four, thirty and thirty-six months following the initial release on June 4, 2013.

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8. SHARE CAPITAL

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less an applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

As at March 31, 2015, the following options were outstanding and exercisable:

Number of options	Exercise price	Remaining life (years)	Expiry date
50,000	\$ 0.10	2.05	April 19, 2017
2,875,000	\$ 0.20	3.66	November 25, 2018
200,000	\$ 0.205	3.85	February 5, 2019
3,125,000			

A summary of changes of stock options outstanding is as follows:

	Options	Weighted average exercise price
Balance outstanding and exercisable as at December 31, 2013	2,950,000	\$ 0.20
Granted	200,000	0.21
Exercised	(25,000)	0.20
Balance outstanding and exercisable as at December 31, 2014 and March 31, 2015	3,125,000	\$ 0.20

These options entitle the holder thereof the right to acquire one common share for each option held. The weighted average remaining life of outstanding options is 3.64 years.

During the year ended March 31, 2015, the Company granted nil (2014: 200,000) stock options with a fair value of \$nil (2014: \$38,183) or \$nil (2014: \$0.19) per option.

Avanti Energy Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2015 and 2014
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8. SHARE CAPITAL (cont'd)

Warrants

As at March 31, 2015, the following warrants were issued and outstanding:

Number of warrants	Exercise price	Remaining life (years)	Expiry date
170,000	\$ 0.15	0.65	November 25, 2015
<u>145,991</u>	<u>\$ 0.16</u>	<u>0.93</u>	<u>March 3, 2016</u>
315,991			

A summary of changes of warrants outstanding is as follows:

	Warrants	Weighted average exercise price
Balance, December 31, 2013	5,150,000	\$ 0.12
Exercised	(4,792,000)	0.12
Expired (unexercised)	(188,000)	0.12
Issued	<u>145,991</u>	<u>0.16</u>
Balance, December 31, 2014 and March 31, 2015	315,991	\$ 0.15

9. FINANCIAL INSTRUMENTS

Fair value

The Company's consolidated financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and due to related parties. As at March 31, 2015, the carrying value of accounts receivable, accounts payable and accrued liabilities and due to related parties approximate their fair value due to their short terms to maturity. Cash and cash equivalents is measured at fair value using level 1 inputs.

The Company's risk exposures and the impact on the condensed consolidated interim financial statements are summarized below.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents is held at large Canadian and US financial institution in interest bearing accounts and in lawyers trust accounts. The Company has no investment in asset-backed commercial paper. The Company's accounts receivable consist mainly of government sales tax ("GST") receivable due from the government of Canada. As a result, the Company does not believe it is exposed to significant credit risk.

Avanti Energy Inc.

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9. FINANCIAL INSTRUMENTS (cont'd)

Fair value (cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The Company intends to settle these with funds from its positive working capital position.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities that are denominated in a foreign currency. As at March 31, 2015, the Company considers foreign currency risk to be insignificant.

c) Price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and gas are impacted not only by the relationship between the Canadian and United States dollar, but also by world economic events that dictate the levels of supply and demand. The Company does not have any financial risk management contracts in place as at March 31, 2015 to manage this risk.

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10. CAPITAL MANAGEMENT

The Company's capital structure consists of the components of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing and amounts payable to related parties. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, high liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements. The Company may raise additional debt or equity financing in the future to meet its obligations.

11. RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Key Management Personnel	Period ended March 31,	
	2015	2014
Salaries and short term benefits ⁽ⁱ⁾	\$ 163,178	\$ 151,858
Share-based payments	-	38,183
	<u>\$ 163,178</u>	<u>\$ 190,041</u>

⁽ⁱ⁾Salaries and short term benefits include \$75,000 (2014: \$75,000) in Management fees and \$88,178 (2014: \$76,858) in Consulting fees; recorded on the Statement of Loss and Comprehensive Loss.

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11. RELATED PARTY TRANSACTIONS (cont'd)

During the period ended March 31, 2015, the Company entered into the following transactions with key management personnel:

Related party	Nature of transaction
Mark Frascogna.LLC ("Frascogna")	Consulting fees for the services provided by Mark Frascogna as Vice President, Commercial Affairs
Tim Berge LLC ("Berge")	Consulting fees for the services provided of Tim Berge as Vice President, Exploration and Development
Contact Financial Corp. ("CFC")	Rent and shared office expenses.
Pacific Equity Management Corp. ("PEMC")	Management fees for services provided by CFO, VP Corporate Development, VP Finance, Independent Director, Accountant, and Administrator.
Avanti Exploration, LLC ("Avanti Exploration")	Participation agreements, and operating arrangements for exploration and evaluation assets in Louisiana. Loan Agreement related to the acquisition of CMI Energia S.p.A

- (a) Paid/accrued \$1,500 (2014 - \$nil) in rent and \$nil (2014: \$nil) in consulting fees to CF, a company in which a director is a significant shareholder.
- (b) Paid/accrued \$75,000 (2014: \$75,000) to PEMC, a company controlled by a director and an officer for management services.
- (c) Paid/accrued \$58,785 (2014: \$51,238) to Frascogna, a company controlled by an officer for consulting fees.
- (d) Paid/accrued \$29,393 (2014: \$25,620) to Berge, a company controlled by an officer for consulting fees.
- (e) Included in prepaids and deposits is \$18,718 (2014: \$39,558) paid to Avanti Exploration, a company with two common directors for advances on exploration work to be completed after period-end.
- (f) Issued nil (2014: 200,000) stock options to officers and directors with a fair value of \$nil (2014: \$38,183).

Due to related parties of \$655,189 (2014: \$114,204) includes \$633,300 [US\$500,000] (2014: \$nil) borrowed pursuant to a Loan Agreement with Avanti Exploration, a Company owned jointly by a director and the Chief Executive Officer. The Loan Agreement is secured by the amended purchase and sale agreement between the Company and Dove Energy BV for the acquisition by Avanti of all of the issued and outstanding shares of CMI Energia S.p.A ("CMI"). CMI owns a 90% working interest in a natural gas permit in Italy (Note 14). The borrowed amount is due upon demand and it is convertible into a beneficial working interest in the CMI Italian asset.

Due to related parties includes \$21,889 (2014: \$114,204) unsecured with no fixed terms for payment. During the current and prior fiscal periods the Company entered into certain agreements with Avanti Exploration, a Company owned jointly by a director and the Chief Executive Officer

Avanti Energy Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The Company had no significant non-cash transactions during the period ended March 31, 2015.

The Company's significant non-cash transactions during the period ended March 31, 2014 were as follows:

(a) issued 145,991 warrants with a fair value of \$28,072 for Finders' fees in connection with a private placement (Note 8).

(b) granted 200,000 options with a value of \$38,183 to a director of the company (Note 8).

13. SEGMENT INFORMATION

The Company operates in the acquisition, exploration, and evaluation of exploration and evaluation assets and production of oil and gas properties. Geographic segmentation of the Company's non-current assets is as follows:

	March 31, 2015		
	USA	Italy	Total
Property	\$ 92,400	\$ -	\$ 92,400
Long term deposits	-	65,363	65,363
Intangible assets	1,903,043	-	1,903,043
Deferred acquisition costs	-	803,666	803,666
	\$ 1,995,443	\$ 869,029	\$ 2,864,472

	March 31, 2014		
	USA	Italy	Total
Exploration and evaluation assets	\$ 147,658	\$ -	\$ 147,658
Long term deposits	-	65,363	65,363
Intangible assets	1,903,043	-	1,903,043
	\$ 2,050,701	\$ 65,363	\$ 2,116,064

All revenues earned are derived from operations in the United States.

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14. EVENTS AFTER THE REPORTING PERIOD

- (a) Effective April 15, 2015, pursuant to an amended purchase and sale agreement between the Company and Dove Energy BV, Avanti acquired all of the issued and outstanding shares of CMI Energia S.p.A ("CMI"). CMI owns a 90% working interest in a natural gas permit in Italy, including an application for the conversion of the natural gas discovery in the permit into an exploitation concession.

As consideration under for the purchase, Avanti paid to Dove a cash payment of US\$1,530,000 and issued 12,970,000 million common shares of Avanti. Dove will retain a 15% working interest in the project. Concurrent with closing of the acquisition, Avanti arranged for a syndicate of investors to acquire a 41.66% working interest in the project for US\$1,430,000, plus the commitment of US\$1,300,000 to finance the 2015 operating budget for the project.

CMI now a wholly-owned subsidiary of Avanti, will remain the operator of the project and CMI will retain a 33.33% working interest in the project.

- (b) Effective April 15, 2015 Avanti closed Tranche #1 of a non-brokered private placement for gross proceeds of \$500,001 via the issuance of 1,666,667 common shares at \$0.30 (US\$0.24) per share.