COBRA VENTURE CORPORATION

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian dollars)

FOR THE THREE MONTH PERIOD ENDED FEBRUARY 28, 2014

Contact Information:

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed interim financial statements for the three month period ended February 28, 2014.

COBRA VENTURE CORPORATION
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)

	Notes	February 28, 2014	November 30, 2013 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		$ 423,051	$ 466,659
Receivables	3	52,423	53,532
Prepaid expenses		97,254	186,183
Income taxes receivable		231,474	200,336
Total current assets		804,202	906,710
Non-current assets			
Investment	4	181,250	217,500
Property and equipment	5	1,409,718	1,128,175
Exploration and evaluation assets	6	106,926	96,942
Assets held for sale	15	3,321,551	3,321,551
Total non-current assets		5,019,445	4,764,168
Total assets		$ 5,823,647	$ 5,670,878
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	7	$ 141,624	$ 200,844
Loans payable	8	323,400	-
Total current liabilities		465,024	200,844
Non-current liabilities			
Decommissioning liabilities	9	67,095	53,347
Total liabilities		532,119	254,191
Equity			
Capital stock	10	3,579,953	3,579,953
Reserves	11	252,784	252,784
Accumulated other comprehensive loss		(59,812)	(27,985)
Retained earnings		1,518,603	1,611,935
Total equity		5,291,528	5,416,687
Total liabilities and equity		$ 5,823,647	$ 5,670,878

Nature, continuance of operations and going concern (Note 1)

Approved on April 28, 2014 on behalf of the Board:

"Daniel B. Evans"	Director	*"Cyrus Driver"*	Director
Daniel B. Evans		Cyrus Driver	

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

COBRA VENTURE CORPORATION
CONDENSED INTERIM STATEMENTS OF INCOME (LOSS)
(Unaudited)
(Expressed in Canadian Dollars)

	Notes	Three Month Period Ended February 28, 2014	Three Month Period Ended February 28, 2013
OIL AND GAS REVENUES			
Production revenue		$ 64,889	$ 12,438
DIRECT COSTS			
Production and operation costs		35,147	13,412
Depletion	5	18,161	860
Accretion	9	367	250
Total direct costs		(53,675)	(14,522)
Gross profit (loss)		11,214	(2,084)
EXPENSES			
Amortization	5	284	400
Consulting fees		10,773	47,880
Corporate services		1,200	3,600
Financing fees	8	15,000	-
Loan interest	8	8,400	-
Management fees	12	55,000	70,000
Media and website		450	5,175
Office and miscellaneous		4,035	16,474
Professional fees	12	18,549	42,690
Property investigation costs		2,400	-
Rent	12	9,700	7,816
Share-based payments	11, 12	-	3,864
Transfer agent and filing fees		1,317	6,019
Total expenses		(127,108)	(203,918)
Loss before other item		(115,894)	(206,002)
OTHER ITEM			
Interest income		980	6,655
Loss before income taxes		(114,914)	(199,347)
INCOME TAXES			
Deferred tax recovery (expense)	13	(4,423)	377
Income tax recovery	13	26,005	55,525
Total income tax recovery		21,582	55,902
Loss for the period		$ (93,332)	$ (143,445)
Basic and fully diluted loss per common share		$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding		15,903,748	15,903,748

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

COBRA VENTURE CORPORATION
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian Dollars)

	Notes	Three Month Period Ended February 28, 2014	Three Month Period Ended February 28, 2013
Loss for the period		$ (93,332)	$ (143,445)
Other comprehensive loss			
Unrealized loss on available-for-sale investments, net of tax recovery of $4,423 (2013 – $Nil)	4	(31,827)	-
Comprehensive loss		$ (125,159)	$ (143,445)

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

COBRA VENTURE CORPORATION
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)

	Notes	Three Month Period Ended February 28, 2014	Three Month Period Ended February 28, 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		$ (93,332)	$ (143,445)
Items not affecting cash:			
Accretion	9	367	250
Amortization	5	284	400
Depletion	5	18,161	860
Financing fees	8	15,000	-
Loan interest	8	8,400	-
Share-based payments	11	-	3,864
Deferred tax expense (recovery)	13	4,423	(377)
Interest income		(980)	(6,655)
Changes in non-cash working capital items:			
Decrease (increase) in receivables		1,407	(8,580)
Decrease in prepaid expenses		88,929	675
Increase (decrease) in accounts payable and accrued liabilities		(60,973)	17,656
Increase in income taxes receivable		(31,138)	-
Decrease in income taxes payable		-	(1,177,234)
Net cash flows used in operating activities		(49,452)	(1,312,586)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		682	19,115
Acquisition of property and equipment		(285,082)	-
Exploration and evaluation expenditures		(9,756)	-
Net cash flows (used in) provided by investing activities		(294,156)	19,115
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan proceeds		300,000	-
Net cash flows provided by financing activities		300,000	-
Change in cash and cash equivalents during the period		(43,608)	(1,293,471)
Cash and cash equivalents, beginning of period		466,659	2,681,566
Cash and cash equivalents, end of period		$ 423,051	$ 1,388,095
Cash and cash equivalents consist of:			
Cash		$ 123,051	$ 124,000
Cash equivalents		300,000	1,264,095
		$ 423,051	$ 1,388,095
Cash paid for interest		$ -	$ -
Cash paid for income taxes		$ -	$ 1,121,709

Supplemental disclosure with respect to cash flows (Note 14)

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

COBRA VENTURE CORPORATION
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
(Expressed in Canadian Dollars)

		Capital stock					
	Note	Number	Amount	Reserves	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
Balance at November 30, 2012		$ 15,903,748	$ 3,579,953	$ 373,679	$ 50,859	$ 2,014,687	$ 6,019,178
Stock options expired	11	-	-	(131,514)	-	131,514	-
Share-based payments	11	-	-	3,864	-	-	3,864
Loss for the period		-	-	-	-	(143,445)	(143,445)
Balance at February 28, 2013		$ 15,903,748	$ 3,579,953	$ 246,029	$ 50,859	$ 2,002,756	$ 5,879,597
Balance at November 30, 2013		$ 15,903,748	$ 3,579,953	$ 252,784	$ (27,985)	$ 1,611,935	$ 5,416,687
Unrealized loss on available-for-sale investments	4	-	-	-	(31,827)	-	(31,827)
Loss for the period		-	-	-	-	(93,332)	(93,332)
Balance at February 28, 2014		$ 15,903,748	$ 3,579,953	$ 252,784	$ (59,812)	$ 1,518,603	$ 5,291,528

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

1. NATURE, CONTINUANCE OF OPERATIONS AND GOING CONCERN

Cobra Venture Corporation ("the Company") was incorporated under the Business Corporation Act (Alberta) on August 18, 1999. The Company's principal business activity is the exploration and development of petroleum and natural gas interests and its common shares are listed on the TSX Venture Exchange ("the Exchange") under the symbol "CBV". The Company's head office is located at 2489 Bellevue Avenue, West Vancouver, BC V7V 1E1. The Company's registered and records office is located at 1900, 530 – 3rd Avenue SW, Calgary, AB T2P 0R3.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and settle its obligations in the normal course of business. The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow. There is substantial doubt that the Company can meet general operating and property expenditures due to its limited working capital. There can be no assurances that the Company will be able to raise additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and evaluation activities and there would be substantial doubt whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

	February 28, 2014	November 30, 2013
Working capital	$ 339,178	$ 705,866
Retained earnings	$ 1,518,603	$ 1,611,935

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee (IFRICs). Accordingly, they do not include all of the information required for full annual financial statements by International Financial Reporting Standards ("IFRS") for complete financial statements for year-end reporting purposes. Results for the period ended February 28, 2014, are not necessarily indicative of future results.

The accounting policies applied by the Company in these condensed interim financial statements other than as noted in Note 2 (d) are the same as those applied by the Company in its most recent annual financial statements as at and for the year ended November 30, 2013 as filed on SEDAR at www.sedar.com.

b) Basis of presentation

The financial statements have been prepared on historical cost basis, except for certain financial instruments which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Significant accounting judgments and critical accounting estimates

The preparation of these financial statements in conformity with IFRS requires estimates and assumptions that affect the amounts reported in these financial statements.

Significant accounting judgments

Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

i) Determination of categories of financial assets and financial liabilities;

ii) Assessment of any indicators of impairment of the carrying value of exploration and evaluation assets and property and equipment;

iii) Recoverability of the carrying value of exploration and evaluation assets; and

iv) Determination of assets classified as held for sale (refer to Note 15)

Critical accounting estimates

Key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year include, but are not limited to, the following:

Reserves base – The oil and gas development and production properties are depleted on a unit-of-production ("UOP") basis at a rate calculated by reference to proved and probable reserves determined in accordance with National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" and incorporating the estimated future cost of developing and extracting those reserves. Proved plus probable reserves are determined using estimates of oil and natural gas in place, recovery factors and future oil and natural gas prices. Future development costs are estimated using assumptions as to number of wells required to produce the reserves, the cost of such wells and associated production facilities and other capital costs.

Depletion of oil and gas assets – Oil and gas properties are depleted using a UOP method over proved plus probable reserves. The calculation of the UOP rate of depletion could be impacted to the extent that actual production in the future is different from current forecasts production based on proved plus probable reserves.

Impairment indicators and calculation of impairment – At each reporting date, the Company assesses whether or not there are circumstances that indicate a possibility that the carrying values of exploration and evaluation assets and property and equipment are not recoverable, or impaired. Such circumstances include incidents of physical damage, deterioration of commodity prices, changes in the regulatory environment, or a reduction in estimates of proved and probable reserves.

When management judges that circumstances indicate potential impairment, property and equipment are tested for impairment by comparing the carrying values to their recoverable amounts. The recoverable amounts of cash generating units are determined based on the higher of value-in-use calculations and fair value less costs to sell. These calculations require the use of estimates and assumptions, that are subject to change as new information becomes available including information on future commodity prices, expected production volumes, quantities of reserves, discount rates, future development costs and operating costs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Significant accounting judgments and critical accounting estimates (continued)

Critical accounting estimates (continued)

Decommissioning liabilities – The calculation of decommissioning liabilities includes estimates of the future costs to settle the liability, the timing of the cash flows to settle the liability, the rate and the future inflation rates. The impact of differences between actual and estimated costs, timing and inflation on the financial statements of future periods may be material.

Income taxes - The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements.

Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives.

Share-based payments – The fair value of share-based payments is determined using a Black-Scholes Option pricing model. Such option pricing models require the input of subjective assumptions including the expected price volatility, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant.

Assets held for sale – The measurement of assets held for sale is based on the lower of the carrying amount and fair value less costs to sell, with impairments recognized in profit or loss in the period measured. Determination of fair value and costs to sell requires estimation including the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, and the incremental costs directly attributable to the disposal of the assets, excluding finance costs and income tax expense.

d) New accounting pronouncements

Certain new and revised accounting standards have been published that are not mandatory for the Company's February 28, 2014 reporting period. These standards have not been adopted and are yet to be assessed by the Company unless otherwise stated:

i) Effective for annual periods beginning on or after January 1, 2014

- Amended IAS 32, *Financial Instruments: Presentation*
- Amended IAS 36, *Impairment of Assets*
- Amended IFRS 10, *Consolidated Financial Statements*
- Amended IFRS 12, *Disclosures of Interests in Other Entities*
- Amended IAS 27, *Separate Financial Statements*

ii) No effective date

- New standard IFRS 9, *Financial Instruments, Classification and Measurement*

The Company plans to adopt these standards as soon as they become effective for the Company's reporting period.

(Expressed in Canadian Dollars)

3. RECEIVABLES

The Company's receivables are as follows:

	February 28, 2014	November 30, 2013
Trade receivables	$ 31,672	$ 36,357
Interest receivable	298	3,123
GST receivable	20,453	14,052
	$ 52,423	$ 53,532

4. INVESTMENT

	February 28, 2014	November 30, 2013
Shares in Zodiac Exploration Corp.	$ 181,250	$ 217,500

As of February 28, 2014, the Company has 3,625,000 (November 30, 2013 – 3,625,000) shares of Zodiac Exploration Corp., classified as an available-for-sale investment.

During the period ended February 28, 2014, the Company recorded an unrealized loss of $31,827 (2013 – $Nil) to adjust the shares to market value, net of tax recovery of $4,423 (2013 – $Nil) as other comprehensive loss.

5. PROPERTY AND EQUIPMENT

	Oil and Gas Properties	Computer Equipment	Land	Total Property and Equipment
Cost				
Balance, November 30, 2012	$ 380,483	$ 19,496	$ 4,021,876	$ 4,421,855
Additions	2,878	-	60,217	63,095
Transfer from exploration and evaluation assets (Note 6)	279,801	-	-	279,801
Reclassified as assets held for sale (Note 15)	-	-	(3,321,551)	(3,321,551)
Balance, November 30, 2013	663,162	19,496	760,542	1,443,200
Additions	282,365	-	4,470	286,835
Provisions of decommissioning liabilities (Note 9)	13,153	-	-	13,153
Balance, February 28, 2014	$ 958,680	$ 19,496	$ 765,012	$ 1,743,188
Accumulated amortization and depletion				
Balance, November 30, 2012	$ 203,305	$ 14,093	$ -	$ 217,398
Amortization and depletion	96,006	1,621		97,627
Balance, November 30, 2013	299,311	15,714	-	315,025
Amortization and depletion	18,161	284	-	18,445
Balance, February 28, 2014	$ 317,472	$ 15,998	$ -	$ 333,470
Carrying amounts				
As at November 30, 2013	$ 363,851	$ 3,782	$ 760,542	$ 1,128,175
As at February 28, 2014	$ 641,208	$ 3,498	$ 765,012	$ 1,409,718

5. PROPERTY AND EQUIPMENT (continued)

Land

During the year ended November 30, 2012, the Company acquired a 100% interest in certain lands and premises located in the Municipal District of Rocky View No. 44, in the Province of Alberta, consisting of approximately 15.78 acres, excepting thereout all mines and minerals, for $3,975,000, and closing costs of $46,876, for a total of $4,021,876.

During the year ended November 30, 2013, the Company entered into an agreement to sell approximately 12.84 acres of the land and consequently reclassified $3,321,551 as assets held for sale (Note 15). The Company intended to retain ownership to approximately 2.94 acres of the land.

Oil and gas properties

Willesden Green area, Alberta

During the year ended November 30, 2007, the Company acquired a 40% net working interest in 160 acres of land in Central Alberta for $18,570.

During the year ended November 30, 2008, the Company acquired an 80% working interest in an oil well located in the Willesden Green area which is subject to applicable royalties, by incurring all costs, risk and expenses associated with completing the test well.

During the year ended November 30, 2009, the Company entered into an arrangement with a private oil and gas operator in the area and the operator agreed to perform some remedial work in the well and prepare and tie-in the well to earn 50% of the Company's interest being a 40% working interest.

During the year ended November 30, 2010, the operator completed its obligations, paid the Company $460,000 based on a BOE/day calculation and earned its 40% working interest.

During the period ended February 28, 2014, the Company received $19,837 (2013 - $Nil) in production revenue.

Davey Lake area, Alberta

During the year ended November 30, 2010, the Company entered into an agreement with RNM Services Ltd. ("RNM") to earn a 13.5% working interest in a well located in the Davey Lake area by incurring all RNM's costs to drill, case, complete and equip and tie-in (or abandon) the well. The Company paid RNM a one-time fee of $26,250 to enter into this agreement.

During the period ended February 28, 2014, the Company received $13,671 (2013 - $11,861) in production revenue.

Gull Lake, Saskatchewan

During the year ended November 30, 2013, the Company entered into a Participation Agreement whereby the Company (and two other arm's length companies) is granted the right to equally participate to drill and complete up to 4 initial test wells (each "Test Well") located in Gull Lake, Saskatchewan. Under the agreement, the Company had to pay 29.33% of the drilling costs of each Test Well to earn a net working interest of 14.665% in each well. Based on all 4 Test Wells being drilled, the Company's net earned position would be equal to 14.665% of 1640 acres.

During the period ended February 28, 2014, the Company received $31,381 (2013 - $Nil) in production revenue.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

	Hayter area, Alberta	Gull Lake, Saskatchewan	Total
Balance, and November 30, 2012	$ -	$ -	$ -
Drilling and completion	68,119	279,876	347,995
Geological and other consulting	19,720	-	19,720
Provisions of decommissioning liabilities (Note 9)	9,103	6,008	15,111
Write-down of exploration and evaluation assets	-	(6,083)	(6,083)
Transfer to property and equipment (Note 5)	-	(279,801)	(279,801)
Balance, November 30, 2013	96,942	-	96,942
Drilling and completion	9,756	-	9,756
Provisions of decommissioning liabilities (Note 9)	228	-	228
Balance, February 28, 2014	$ 106,926	$ -	$ 106,926

Hayter area, Alberta

During the year ended November 30, 2013, the Company entered into a Participation Agreement whereby the Company is granted the right to participate in a governing Joint Operating Agreement ("JOA") to earn a working interest in two wells (“Existing Wells”) located in the Hayter area of Alberta. The Company had the right to earn 25.3333% working interest (after payout) and 33.3333% working interest (before payout) upon paying 33.3333% cost to abandon and recomplete the Existing Wells (“payout”). The Company also agreed to:

1) pay $17,500 (paid), plus GST, to RNM as consideration for RNM providing all of the geological review, analysis and granting the rights under Participation Agreement to the Company;

2) pay $32,008 (paid) of the cash call required by the JOA for the 33.3333% working interest; and

3) pay 100% of any future seismic costs under the JOA.

Any new wells drilled under the JOA shall be shared on the after pay-out interest of the Company for 25.3333%.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	February 28, 2014	November 30, 2013
Trade payables	$ 55,467	$ 96,550
Due to related parties (Note 12)	64,441	68,794
Accrued liabilities	21,716	35,500
Total	$ 141,624	$ 200,844

(Expressed in Canadian Dollars)

8. LOANS PAYABLE

	Loan principal	Loan interest	Financing fees	Total
Balance, November 30, 2012 and 2013	$ -	$ -	$ -	$ -
Additions	300,000	8,400	15,000	323,400
Balance, February 28, 2014	$ 300,000	$ 8,400	$ 15,000	$ 323,400

On December 17, 2013, the Company entered into loan agreements with related parties of the Company (Note 12) and received an aggregate of $300,000 loans proceeds. The loans are for a term of one year with interest of 14% per annum. In connection to the loans, the Company agreed to pay $15,000 as a loan facility fee to cover all costs and expenses incurred by the lenders.

9. DECOMMISSIONING LIABILITIES

Balance, November 30, 2012	$ 37,234
Addition (Note 6)	15,111
Accretion	1,002
Balance, November 30, 2013	53,347
Addition (Note 5 and 6)	13,381
Accretion	367
Balance, February 28, 2014	$ 67,095

The total provision was estimated by management based on the Company's interests in all wells, estimated costs to reclaim and abandon wells, and the estimated timing of costs to be incurred in future periods. The undiscounted amount of the estimated cash flows required to settle the obligation is approximately $99,788 (November 30, 2013 - $86,020). The estimated cash flow has been discounted using risk free rates of 2.42% and 2.94% (November 30, 2013 – 2.61% and 3.07%). The estimated settlement ranges from nine years to a maximum of twenty years.

10. CAPITAL STOCK

Authorized:

Unlimited number of common voting shares, with no par value.
Unlimited number of preferred shares, issuable in series.

During the periods ended February 28, 2014 and 2013, the Company did not have any share activities.

(Expressed in Canadian Dollars)

11. RESERVES

Stock options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 20%, being 3,180,749, 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 as calculated on the date of grant. Options vest as determined by the board of directors. The options can be granted for a maximum term of 5 years.

A continuity of share purchase options for the period ended February 28, 2014 is as follows:

Expiry Date	Exercise Price	November 30, 2013	Granted	Expired/ cancelled	Exercised	February 28, 2014	Exercisable
April 3, 2014	$ 0.16	1,050,000	-	-	-	1,050,000 *	1,050,000
May 27, 2015	0.17	600,000	-	-	-	600,000	600,000
May 25, 2017	0.24	225,000	-	-	-	225,000	225,000
Total		1,875,000	-	-	-	1,875,000	1,875,000
Weighted average exercise price		$ 0.17	-	-	-	$ 0.17	$ 0.17
Weighted average remaining contractual life						0.84 years	

* Expired subsequent to February 28, 2014.

Share-based payments

During the period ended February 28, 2014, the Company recorded share-based payments of $Nil (2013 - $3,864) for fair value of stock options vested during the period. The Company did not grant any stock options during the periods ended February 28, 2014 and 2013.

12. RELATED PARTY TRANSACTIONS

Amounts paid or accrued to related parties are as follows:

Paid or accrued to:	Nature of transactions	Three Month Period Ended February 28, 2014	Three Month Period Ended February 28, 2013
A limited partnership of which a Director is a partner	Rent	$ 9,700	$ 7,816
A firm of which a Director is a partner	Accounting	8,100	30,570
A firm of which the Corporate Secretary is a partner	Legal	7,795	-
A company owned by a Director and Officer i)	Financing fees and interest	7,800	-
Spouse of a Director and Officer ii)	Financing fees and interest	3,900	-
Directors iii)	Financing fees and interest	11,700	-
		$ 48,995	$ 38,386

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS (continued)

i) During the period ended February 28, 2014, the Company entered into a loan agreement with a Company owned by a Director and Officer and received $100,000 in loan proceeds. The loan is for a term of one year with interest of 14% per annum. In connection to the loans, the Company agreed to pay $5,000 as a loan facility fee to cover all costs and expenses incurred by the lender.

ii) During the period ended February 28, 2014, the Company entered into a loan agreement with a spouse of a Director and Officer and received $50,000 in loan proceeds. The loan is for a term of one year with interest of 14% per annum. In connection to the loans, the Company agreed to pay $2,500 as a loan facility fee to cover all costs and expenses incurred by the lender.

iii) During the period ended February 28, 2014, the Company entered into loan agreements with two Directors and received $100,000 and $50,000 in loan proceeds. The loans are for a term of one year with interest of 14% per annum. In connection to the loans, the Company agreed to pay $5,000 and $2,500 respectively as a loan facility fee to cover all costs and expenses incurred by the lenders.

Key management compensation is as follows:

Paid or accrued to:	Nature of transactions	Three Month Period Ended February 28, 2014	Three Month Period Ended February 28, 2013
Directors and Officers	Salaries and benefits i)	$ -	$ 15,000
A company owned by a Director and Officer	Management	55,000	55,000
Directors and Officers	Share-based payments ii)	-	3,864
		$ 55,000	$ 73,864

i) There were no post-employment benefits, termination benefits, or other long-term employment benefits paid to key management in either the three month period ended 2014 or 2013.

ii) Share-based payments are the fair value of options granted and vested.

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling activities of the Company, directly or indirectly including any director (whether executive or otherwise) of the Company. The Company's key management personnel include the Chief Executive Officer and Directors.

The amounts due to related parties included in accounts payable and accrued liabilities are as follows:

	February 28, 2014	November 30, 2013
A firm of which a Director is a partner	$ 44,690	$ 49,544
A firm of which the Corporate Secretary is a partner	501	-
A company owned by a Director and Officer	19,250	19,250
	$ 64,441	$ 68,794

(Expressed in Canadian Dollars)

13. INCOME TAXES

A reconciliation of income taxes for the period ended February 28, 2014, at statutory rates with reported taxes is as follows:

	February 28, 2014	February 28, 2013
Loss before income taxes	$ (114,914)	$ (199,347)
Combined federal and provincial tax rate	25.92%	25.00%
Income tax recovery at statutory rates	$ (29,782)	$ (49,837)
Effect of tax rate change	673	-
Non-deductible items	-	966
Change in unrecognized deductible temporary differences	7,527	(7,031)
Total income tax recovery	$ (21,582)	$ (55,902)
Current income tax recovery	$ (26,005)	$ (55,525)
Deferred tax expense (recovery)	$ 4,423	$ (377)

The significant components of the Company's deferred tax assets and liabilities are as follows:

	February 28, 2014	November 30, 2013
Deferred tax assets (liabilities):		
Investments	$ 8,938	$ 4,225
Decommissioning liabilities	17,386	13,870
Share issuance costs and cumulative eligible cost	925	925
Property and equipment	(14,253)	(15,628)
	12,996	3,392
Unrecognized deferred tax assets	(12,996)	(3,392)
Net deferred tax assets	$ -	$ -

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the period ended February 28, 2014, significant non-cash transactions for the Company included:

i) $1,753 of property and equipment acquisition costs included in accounts payable;

ii) $228 of provisions of decommissioning liabilities in exploration and evaluation assets; and

iii) $13,153 of provisions of decommissioning liabilities in property and equipment.

During the period ended February 28, 2013, significant non-cash transactions for the Company included:

i) $131,514 fair value of 500,000 expired stock options in retained earnings.

(Expressed in Canadian Dollars)

15. ASSETS HELD FOR SALE

On February 25, 2014, the Company entered into an agreement to sell 12.84 acres of land located in the Municipal District of Rocky View No. 44, in the province of Alberta, to an arm's length private Alberta corporation for an aggregate purchase price of $4,365,600. Closing of the sale is subject to certain conditions precedents including receipt of all necessary regulatory approvals, satisfactory due diligence inspection by the purchaser and the purchaser obtaining suitable mortgage financing to complete the transactions on or before May 5th, 2014.

During the period ended February 28, 2014, the Company received $50,000 refundable deposit in trust, which would be applied to the purchase price upon closing of the transaction. The Company expected the sale to close within fiscal year 2014.

As at February 28, 2014 and November 30, 2013, the 12.84 acres of land for sale met the criteria to be classified as assets held for sale as according to IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*. As a result, the Company reclassified $3,321,551 from property and equipment (Note 5) to assets held for sale and presented the amount separately under non-current assets in the statements of financial position.

Assets held for sale are as follows:

	February 28, 2014	November 30, 2013
Land (Note 5)	$ 3,321,551	$ 3,321,551

16. FINANCIAL INSTRUMENTS AND RISK

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 **–** Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 **–** Inputs that are not based on observable market data.

The fair value of the Company's cash and cash equivalents, receivables, loans payable, accounts payable and accrued liabilities approximate their carrying values. The Company's investment is measured at fair value using Level 1 inputs.

16. FINANCIAL INSTRUMENTS AND RISK (continued)

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to trade receivable, loans payable and cash and cash equivalents. Management believes that the credit risk concentration with respect to trade receivable is not significant and cash and cash equivalents is remote as it maintains accounts with highly-rated financial institutions. The loans payable are primarily due from related parties and have minimal credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at February 28, 2014, the Company had a cash and cash equivalents balance of $423,051 (November 30, 2013 - $466,659) to settle current liabilities of $465,024 (November 30, 2013 - $200,844). All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

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*

The Company's cash equivalents consist of cashable GIC of $300,000 (November 30, 2013 - $300,000) at interest rates of prime less 1.80% (November 30, 2013 - prime less 1.75%). Since the GIC is cashable anytime, the Company believes it is not exposed to significant interest rate risk. The interest rate risk on the Company's obligations is not considered significant.

b) *Foreign currency risk*

The Company conducts its activities in Canada with Canadian dollars. Therefore, the Company believes it is not exposed to foreign currency risk.

c) *Price risk*

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

17. SEGMENTED INFORMATION

The Company operates in one business segment, being the exploration and development of oil and gas interests, in Canada.

18. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern. In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (ie. capital stock, reserves, accumulated other comprehensive loss and retained earnings).

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the period ended February 28, 2014.