COBRA VENTURE CORPORATION

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

FOR THE SIX MONTH PERIOD ENDED MAY 31, 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 six month period ended May 31, 2014.

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

	Notes	May 31, 2014	November 30, 2013 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		$ 227,099	$ 466,659
Receivables	3	47,557	53,532
Prepaid expenses		30,461	186,183
Income taxes receivable		262,205	200,336
Total current assets		567,322	906,710
Non-current assets			
Investment	4	108,750	217,500
Property and equipment	5	1,398,050	1,128,175
Exploration and evaluation assets	6	111,597	96,942
Assets held for sale	15, 19	3,326,962	3,321,551
Total non-current assets		4,945,359	4,764,168
Total assets		$ 5,512,681	$ 5,670,878
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	7	$ 168,169	$ 200,844
Loans payable	8, 19	318,986	-
Total current liabilities		487,155	200,844
Non-current liabilities			
Decommissioning liabilities	9	68,749	53,347
Total liabilities		555,904	254,191
Equity			
Capital stock	10	3,579,953	3,579,953
Reserves	11	118,079	252,784
Accumulated other comprehensive loss		(122,597)	(27,985)
Retained earnings		1,381,342	1,611,935
Total equity		4,956,777	5,416,687
Total liabilities and equity		$ 5,512,681	$ 5,670,878

Nature, continuance of operations and going concern (Note 1)
Subsequent events (Note 19)

Approved on July 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 Ended May 31, 2014	Three Month Ended May 31, 2013	Six Month Ended May 31, 2014	Six Month Ended May 31, 2013
OIL AND GAS REVENUES					
Production revenue		$ 49,806	$ 27,308	$ 114,695	$ 39,746
DIRECT COSTS					
Production and operation costs		19,443	10,377	54,590	23,790
Depletion	5	148,748	2,828	166,909	3,688
Accretion	9	520	251	887	500
Total direct costs		(168,711)	(13,456)	(222,386)	(27,978)
Gross profit (loss)		(118,905)	13,852	(107,691)	11,768
EXPENSES					
Amortization	5	284	409	568	809
Consulting fees		9,000	2,792	19,773	50,672
Corporate services		-	3,600	1,200	7,200
Financing fees	8	-	-	15,000	-
Loan interest	8	10,586	-	18,986	-
Management fees	12	86,052	70,000	141,052	140,000
Media and website		934	4,725	1,384	9,900
Office and miscellaneous		4,680	52,676	8,715	69,150
Professional fees	12	53,085	41,098	71,634	83,788
Property investigation costs		2,947	-	5,347	-
Rent	12	7,984	11,232	17,684	19,048
Share-based payments	11, 12	-	3,793	-	7,657
Transfer agent and filing fees		5,230	3,469	6,547	9,488
Total expenses		(180,782)	(193,794)	(307,890)	(397,712)
Loss before other item		(299,687)	(179,942)	(415,581)	(385,944)
OTHER ITEM					
Interest income		874	2,347	1,854	9,002
Loss before income taxes		(298,813)	(177,595)	(413,727)	(376,942)
INCOME TAXES					
Deferred tax recovery (expense)	13	(9,715)	(961)	(14,138)	(584)
Income tax recovery (expense)	13	36,562	48,752	62,567	104,277
Total income tax recovery		26,847	47,791	48,429	103,983
Loss for the period		$ (271,966)	$ (129,804)	$ (365,298)	$ (273,249)
Basic and fully diluted loss per common share		$ (0.02)	$ (0.01)	$ (0.02)	$ (0.02)
Weighted average number of common shares outstanding		15,903,748	15,903,748	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 May 31, 2014	Three Month Period Ended May 31, 2013	Six Month Period Ended May 31, 2014	Six Month Period Ended May 31, 2013
Loss for the period		$ (271,966)	$ (129,804)	$ (365,298)	$ (273,249)
Other comprehensive loss					
Unrealized loss on available-for-sale investments, net of tax recovery of $14,138 (2013 – $18,850)	4	(62,785)	(126,150)	(94,612)	(126,150_
Comprehensive loss		$ (334,751)	$ (225,954)	$ (459,910)	$ (399,399)

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	Six Month Period Ended May 31, 2014	Six Month Period Ended May 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		$ (365,298)	$ (273,249)
Items not affecting cash:			
Accretion	9	887	500
Amortization	5	568	809
Depletion	5	166,909	3,688
Loan interest	8	18,986	-
Share-based payments	11	-	7,657
Deferred tax expense	13	14,138	584
Interest income		(1,854)	(9,002)
Changes in non-cash working capital items:			
Decrease in receivables		6,776	6,973
Decrease in prepaid expenses		155,722	1,369
Decrease in accounts payable and accrued liabilities		(32,675)	(28,373)
Increase in income taxes receivable		(61,869)	-
Decrease in income taxes payable		-	(1,223,057)
Net cash flows used in operating activities		(97,710)	(1,512,101)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,053	20,514
Acquisition of property and equipment		(428,763)	-
Exploration and evaluation expenditures		(14,140)	(1,678)
Net cash flows (used in) provided by investing activities		(441,850)	18,836
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		(239,560)	(1,493,265)
Cash and cash equivalents, beginning of period		466,659	2,681,566
Cash and cash equivalents, end of period		$ 227,099	$ 1,188,301
Cash and cash equivalents consist of:			
Cash		$ 27,099	$ 822,994
Cash equivalents		200,000	365,307
		$ 227,099	$ 1,188,301
Cash paid for interest		$ 8,400	$ -
Cash paid for income taxes		$ 5,133	$ 1,122,339

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)

	Note	Capital stock Number	Capital stock 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	-	-	7,657	-	-	7,657
Unrealized loss on available-for-sale investments		-	-	-	(126,150)	-	(126,150)
Loss for the period		-	-	-	-	(273,249)	(273,249)
Balance at May 31, 2013		15,903,748	$ 3,579,953	$ 249,822	$ (75,291)	$ 1,872,952	$ 5,627,436
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	-	-	-	(94,612)	-	(94,612)
Transfer of reserves to deficit on expiry of options		-	-	(134,705)	-	134,705	-
Loss for the period		-	-	-	-	(365,298)	(365,298)
Balance at May 31, 2014		15,903,748	$ 3,579,953	$ 118,079	$ (122,597)	$ 1,381,342	$ 4,956,777

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.

	May 31, 2014	November 30, 2013
Working capital	$ 80,167	$ 705,866
Retained earnings	$ 1,381,342	$ 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 May 31, 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 May 31, 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:

	May 31, 2014	November 30, 2013
Trade receivables	$ 46,756	$ 36,357
Interest receivable	801	3,123
GST receivable	-	14,052
	$ 47,557	$ 53,532

4. INVESTMENT

	May 31, 2014	November 30, 2013
Shares in Mobius Resources Inc. (formerly Zodiac Exploration Corp.)	$ 108,750	$ 217,500

As of May 31, 2014, the Company has 241,666 shares of Mobius Resources Inc. (November 30, 2013 – 3,625,000 of pre-consolidated Zodiac shares), classified as an available-for-sale investment.

During the period ended May 31, 2014, the Company recorded an unrealized loss of $94,612 (2013 – $126,150) to adjust the shares to market value, net of tax recovery of $14,138 (2013 – $18,850) 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	417,644	-	5,709	423,353
Provisions of decommissioning liabilities (Note 9)	14,000		-	14,000
Balance, May 31, 2014	$ 1,094,806	$ 19,496	$ 766,251	$ 1,880,553
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	166,909	569	-	167,478
Balance, May 31, 2014	$ 466,220	$ 16,283	$ -	$ 482,503
Carrying amounts				
As at November 30, 2013	$ 363,851	$ 3,782	$ 760,542	$ 1,128,175
As at May 31, 2014	$ 628,586	$ 3,213	$ 766,251	$ 1,398,050

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 May 31, 2014, the Company received $38,939 (2013 - $9,864) 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 May 31, 2014, the Company received $22,257 (2013 - $28,896) 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 May 31, 2014, the Company received $53,499 (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	14,139	-	14,139
Provisions of decommissioning liabilities (Note 9)	516	-	516
Balance, May 31, 2014	$ 111,597	$ -	$ 111,597

Hayter area, Alberta

During the year ended November 30, 2013, the Company entered into a Participation Agreement whereby the Company was 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 has 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:

	May 31, 2014	November 30, 2013
Trade payables	$ 80,169	$ 96,550
Due to related parties (Note 12)	77,000	68,794
Accrued liabilities	11,000	35,500
Total	$ 168,169	$ 200,844

(Expressed in Canadian Dollars)

8. LOANS PAYABLE

	Loan principal	Loan interest	Total
Balance, November 30, 2012 and 2013	$ -	$ -	$ -
Additions	300,000	18,986	318,986
Balance, May 31, 2014	$ 300,000	$ 18,986	$ 318,986

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 paid $15,000 as a loan facility fee to cover all costs and expenses incurred by the lenders.

Subsequent to the quarter ended May 31, 2014, these loans together with all accrued interest were fully repaid.

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)	12,322
Change in estimates	2,193
Accretion	887
Balance, May 31, 2014	$ 68,749

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 2.24% and 2.78% (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 May 31, 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 May 31, 2014 is as follows:

Expiry Date	Exercise Price	November 30, 2013	Granted	Expired/ cancelled	Exercised	May 31, 2014	Exercisable
April 3, 2014	$ 0.16	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	-	(1,050,000)	-	825,000	825,000
Weighted average exercise price		$ 0.17	-	$ 0.16	-	$ 0.19	$ 0.19
Weighted average remaining contractual life						1.53 years	

Share-based payments

During the period ended May 31, 2014, the Company recorded share-based payments of $Nil (2013 - $7,657) for fair value of stock options vested during the period. The Company did not grant any stock options during the periods ended May 31, 2014 and 2013.

12. RELATED PARTY TRANSACTIONS

Amounts paid or accrued to related parties are as follows:

Paid or accrued to:	Nature of transactions	Six Month Period Ended May 31, 2014	Six Month Period Ended May 31, 2013
A limited partnership of which a Director is a partner	Rent	$ 17,684	$ 19,048
A firm of which a Director is a partner	Accounting	31,095	60,850
A firm of which the Corporate Secretary is a partner	Legal	22,910	3,194
A company owned by a Director and Officer [i)]	Financing fees and interest	11,329	-
Spouse of a Director and Officer [ii)]	Financing fees and interest	5,664	-
Directors [iii)]	Financing fees and interest	16,993	-
		$ 105,675	$ 83,092

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS (continued)

i) During the six month period ended May 31, 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 six month period ended May 31, 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 six month period ended May 31, 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		Six Month Period Ended May 31, 2014		Six Month Period Ended May 31, 2013
Directors and Officers	Salaries and benefits i)	$	30,000	$	30,000
A company owned by a Director and Officer	Management		110,000		110,000
Directors and Officers	Share-based payments ii)		-		7,657
		$	140,000	$	147,657

i) There were no post-employment benefits, termination benefits, or other long-term employment benefits paid to key management in either the six 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:

		May 31, 2014		November 30, 2013
A firm of which a Director is a partner	$	42,918	$	49,544
Directors		28,949		-
A company owned by a Director and Officer		5,133		19,250
	$	77,000	$	68,794

(Expressed in Canadian Dollars)

13. INCOME TAXES

A reconciliation of income taxes for the period ended May 31, 2014, at statutory rates with reported taxes is as follows:

	May 31, 2014	May 31, 2013
Loss before income taxes	$ (401,570)	$ (376,942)
Combined federal and provincial tax rate	25.92%	26.00%
Income tax recovery at statutory rates	$ (104,074)	$ (98,005)
Effect of tax rate change	798	(1,883)
Non-deductible items	-	1,991
Change in unrecognized deductible temporary differences	54,847	(5,796)
Total income tax recovery	$ (48,429)	$ (103,693)
Current income tax recovery	$ (62,567)	$ (104,277)
Deferred tax expense (recovery)	$ 14,138	$ 584

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

	May 31, 2014	May 31, 2013
Deferred tax assets (liabilities):		
Investments	$ 18,363	$ 11,294
Decommissioning liabilities	17,606	9,811
Share issuance costs and cumulative eligible cost	925	1,294
Property and equipment	24,275	(40,299)
	61,169	(17,900)
Unrecognized deferred tax liabilities	(61,169)	(17,900)
Net deferred tax liabilities	$ -	$ -

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the period ended May 31, 2014, significant non-cash transactions for the Company included:

i) $515 of provisions of decommissioning liabilities in exploration and evaluation assets; and

ii) $14,000 of provisions of decommissioning liabilities in property and equipment.

iii) $134,705 fair value of 1,500,000 expired stock options in retained earnings.

During the period ended May 31, 2013, significant non-cash transactions for the Company included:

i) $134,514 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.

During the period ended May 31, 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 expects the sale to close within fiscal year 2014.

As at May 31, 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:

	May 31, 2014	November 30, 2013
Land (Note 5)	$ 3,326,962	$ 3,321,551

See note 19.

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.

The carrying value of the Company's financial assets and liabilities approximates their fair value and amortized cost due to their short term maturity or capacity of prompt liquidation.

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 May 31, 2014, the Company had a cash and cash equivalents balance of $227,099 (November 30, 2013 - $466,659) to settle current liabilities of $487,155 (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 $200,000 (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 May 31, 2014.

19. SUBSEQUENT EVENTS

In July 2014, the Company partially closed on 4.2 acres of the land sale (note 15) for $1,428,988 and received net proceeds of approximately $1,425,241. The Company expects to close the remaining parts of the land sale by fiscal 2014.

Subsequent to the quarter ended May 31, 2014, the Company repaid all loans payable with accrued interest (note 8).