

COBRA VENTURE CORPORATION

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

FOR THE THREE MONTH PERIOD ENDED FEBRUARY 28, 2017

Contact Information:

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UNAUDITED 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, 2017.

COBRA VENTURE CORPORATION
INTERIM STATEMENTS OF FINANCIAL POSITION
As at February 28, 2017 and November 30, 2016
(Unaudited – Expressed in Canadian Dollars)

	Notes	February 28, 2017	November 30, 2016
ASSETS			
Current assets			
Cash and cash equivalents		\$ 2,585,389	\$ 2,611,012
Receivables	3, 11	75,774	102,915
Prepaid expenses		33,311	30,301
Asset held for sale	6	-	-
Total current assets		<u>2,694,474</u>	<u>2,744,228</u>
Non-current assets			
Investment	4	350,000	350,000
Property and equipment	5	<u>865,652</u>	<u>907,944</u>
Total non-current assets		<u>1,215,652</u>	<u>1,257,944</u>
Total assets		\$ 3,910,126	\$ 4,002,172
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ <u>63,605</u>	\$ <u>59,877</u>
Non-current liabilities			
Decommissioning liabilities	8	<u>137,117</u>	<u>136,966</u>
Total liabilities		<u>200,722</u>	<u>196,843</u>
Equity			
Capital stock	9	2,809,553	2,809,553
Reserves	10	142,180	142,180
Retained earnings		<u>757,671</u>	<u>853,596</u>
Total equity		<u>3,709,404</u>	<u>3,805,329</u>
Total liabilities and equity		\$ 3,910,126	\$ 4,002,172

Approved on April 25, 2017 on behalf of the Board:

“Daniel B. Evans” Director
Daniel B. Evans

“Cyrus Driver” Director
Cyrus Driver

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

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

	Notes	Three months ended February 28, 2017	Three months ended February 29, 2016
OIL AND GAS REVENUES			
Production revenue		\$ 156,293	\$ 114,835
DIRECT COSTS			
Production and operation costs		74,804	79,493
Depletion	5	52,266	21,701
Accretion	8	<u>151</u>	<u>252</u>
Total direct costs		<u>(127,221)</u>	<u>(101,446)</u>
Gross profit		<u>29,072</u>	<u>13,389</u>
EXPENSES			
Amortization	5	97	139
Consulting fees		24,047	23,950
Investor relations		-	932
Management fees	11	70,526	70,526
Media and website		675	675
Office and miscellaneous		9,927	8,919
Professional fees	11	14,900	24,682
Rent	11	6,070	5,768
Transfer agent and filing fees		2,145	2,151
Travel and promotion		<u>680</u>	<u>727</u>
Total expenses		<u>(129,067)</u>	<u>(138,469)</u>
Loss before other items		(99,995)	(125,080)
OTHER ITEMS			
Interest income		<u>4,070</u>	<u>4,858</u>
Net loss for the period		\$ (95,925)	\$ (120,222)
Basic and fully diluted loss per common share		\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding, basic and diluted		15,903,748	15,903,748

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

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

	Notes	Three months ended February 28, 2017	Three months ended February 29, 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period		\$ (95,925)	\$ (120,222)
Items not affecting cash:			
Accretion	8	151	252
Amortization	5	97	139
Depletion	5	52,266	21,701
Interest income		(4,070)	(4,858)
Changes in non-cash working capital items:			
Decrease in receivables		31,129	14,106
Increase in prepaid expenses		(3,010)	(3,010)
Increase (decrease) in accounts payable and accrued liabilities		<u>3,728</u>	<u>(77,510)</u>
Net cash flows used in operating activities		<u>(15,634)</u>	<u>(169,402)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		82	399
Exploration and evaluation expenditures		<u>(10,071)</u>	<u>(48,039)</u>
Net cash flows (used in) provided by investing activities		<u>(9,989)</u>	<u>(47,640)</u>
Change in cash and cash equivalents during the period		(25,623)	(217,042)
Cash and cash equivalents, beginning of period		<u>2,611,012</u>	<u>3,121,672</u>
Cash and cash equivalents, end of period		<u>\$ 2,585,389</u>	<u>\$ 2,904,630</u>
Cash and cash equivalents consist of:			
Cash		\$ 35,389	\$ 49,630
Cash equivalents		<u>2,550,000</u>	<u>2,855,000</u>
		<u>\$ 2,585,389</u>	<u>\$ 2,904,630</u>
Cash paid for interest		\$ -	\$ -
Cash paid for income taxes		\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 13)

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

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

	Notes	Capital stock		Reserves	Retained earnings	Total equity
		Number	Amount			
Balance at November 30, 2015		15,903,748	\$ 3,579,953	\$ 38,576	\$ 1,251,704	\$ 4,870,233
Loss for the period		<u>-</u>	<u>-</u>	<u>-</u>	<u>(120,222)</u>	<u>(120,222)</u>
Balance at February 29, 2016		15,903,748	3,579,953	38,576	1,131,482	\$ 4,750,011
Return of Capital	6, 9	-	(770,400)	-	-	(770,400)
Share-based payments	10, 11	-	-	103,604	-	103,604
Loss for the period		<u>-</u>	<u>-</u>	<u>-</u>	<u>(277,886)</u>	<u>(277,886)</u>
Balance at November 30, 2016		15,903,748	\$ 2,809,553	\$ 142,180	\$ 853,596	\$ 3,805,329
Loss for the period		<u>-</u>	<u>-</u>	<u>-</u>	<u>(95,925)</u>	<u>(95,925)</u>
Balance at February 28, 2017		15,903,748	\$ 2,809,553	\$ 142,180	\$ 757,671	\$ 3,709,404

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

1. NATURE OF OPERATIONS

Cobra Venture Corporation (“the Company”) was incorporated under the Business Corporation Act (Alberta) on August 18, 1998 and, effective July 25, 2014, continued into the Province of British Columbia under the provisions of the Business Corporations Act (British Columbia). 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 2600 Oceanic Plaza, 1066 West Hastings Street Vancouver, BC, V6E 3X1.

These 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.

	February 28, 2017	November 30, 2016
Working capital	\$ 2,630,869	\$ 2,684,351
Retained earnings	\$ 757,671	\$ 853,596

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These interim financial statements are unaudited and have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The policies applied in these financial statements are based on IFRS issued and effective as of February 28, 2017. The Board of Directors approved the financial statements for issue on April 25, 2017.

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 property and equipment;
- iii) Assessment of any indicators of impairment of available-for-sale investments; and
- iv) Determination of assets classified as held for sale (refer to Note 6).

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 plus 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 forecast production based on proved plus probable reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Critical accounting estimates (continued)

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 plus probable reserves.

When management determines that circumstances indicate potential impairment, exploration and evaluation assets and 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.

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 discount 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.

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) Cash and cash equivalents

Cash and cash equivalents include cash on deposit and are highly liquid investments that are readily convertible to cash which are subject to an insignificant risk of change in value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Property and equipment and exploration and evaluation assets

i) Recognition and measurement

a) Exploration and evaluation costs

Pre-license costs are recognized in profit or loss as incurred.

All exploratory costs incurred subsequent to acquiring the right to explore for natural resources and before technical feasibility and commercial viability of the area have been established are capitalized. Such costs can typically include costs to acquire land rights, geological and geophysical costs, decommissioning costs, and exploration well costs.

Exploration and evaluation costs are not depreciated and are accumulated in cost centers by well, field or exploration area and carried forward pending determination of technical feasibility and commercial viability.

The technical feasibility and commercial viability of extracting reserves from exploration and evaluation assets is considered to be generally determinable when proved and probable reserves are determined to exist. Upon determination of proved plus probable reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to development and production assets, net of any impairment loss.

Management reviews and assesses exploration and evaluation assets to determine if technical feasibility and commercial viability exist. If management decides not to continue the exploration and evaluation activity, the unrecoverable costs are charged to profit or loss in the period in which the determination occurs.

b) Development and production costs

Items of property and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion and accumulated impairment losses. Costs include lease acquisition, drilling and completion, production facilities, decommissioning costs, geological and geophysical costs and directly attributable general and administrative costs related to development and production activities, net of any government incentive programs.

When significant parts of an item of property and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

ii) Subsequent costs

Costs incurred subsequent to development and production that are significant are recognized as oil and gas property only when they increase the future economic benefits embodied in the specific asset to which they relate.

iii) Amortization and depletion

The net carrying value of oil and gas properties is amortized using the unit-of-production method by reference to the ratio of production in the period to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Property and equipment and exploration and evaluation assets (continued)

iii) Amortization and depletion (continued)

For other assets amortization is recognized in profit or loss on a declining-balance basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives for other assets are as follows:

Computer Equipment - 30%

f) Share issuance costs

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are no longer probable of being issued. Share issuance costs consist primarily of corporate finance fees, filing fees and legal fees.

g) Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

h) Decommissioning liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Decommissioning liabilities are determined by discounting the expected future cash flows at a risk-free rate applicable to the underlying asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the period ended February 28, 2017, stock options to purchase 1,590,000 (2016 – 225,000) common shares of the Company were not included in the computation of earnings (loss) per share because the effect would have been anti-dilutive.

j) Royalties, lease and fee simple revenue

Revenue and royalties from oil and gas operations are recognized at the time the oil is sold or natural gas is delivered, and collectability is reasonably assured.

Revenue from oil and gas leases is recognized over the term of the lease on a straight-line basis. Payments received in advance are recorded as deferred revenue.

k) Assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognized in profit or loss. The Company presents assets held for sale separately from the Company's other assets and separately from liabilities directly associated with the assets held for sale.

l) Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share-based payments reserve is transferred to retained earnings. The Company estimates a forfeiture rate and adjusts the corresponding expense each period based on an updated forfeiture estimate.

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Share-based payments (continued)

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods and services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioral considerations.

All equity-settled share-based payments are reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to capital stock, adjusted for any consideration paid. Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the holder on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

m) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income (loss). Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the year-end date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

n) Interests in joint arrangements

A joint arrangement can take the form of a joint venture or joint operation. All joint arrangements involve a contractual arrangement that establishes joint control, which exists only when decisions about the activities that significantly affect the returns of the investee require unanimous consent of the parties sharing control. A joint operation is a joint arrangement in which the Company has rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement in which the Company has rights to only the net assets of the arrangement.

Joint operations are accounted for by recognizing the Company's share of the assets, liabilities, revenue, expenses and cash flows of the joint operation.

The Company does not have any joint ventures.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Loans and receivables (“LAR”) - Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale (“AFS”) - Non-derivative financial assets that are designated as AFS or are not classified as LAR, held-to-maturity investments or financial assets at fair value through profit or loss. They are carried at fair value with changes in fair value recognized directly in other comprehensive income (loss), except for those investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured, which shall be measured at cost.

Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss. Transaction costs associated with assets classified as AFS are included in initial carrying amount of the assets.

The Company has classified its cash and cash equivalents and receivables as LAR. The investments are classified as AFS.

Financial liabilities

Other financial liabilities (“OFL”) - This category consists of liabilities carried at amortized cost using the effective interest method which are initially recognized at fair value less directly attributable transaction costs.

The Company classifies its accounts payable and accrued liabilities as OFL.

p) New and amended accounting pronouncements

New and amended standards not yet adopted by the Company:

The following standards have not yet been adopted and are being evaluated to determine their impact on the Company’s financial statements. The Company plans to adopt these standards as soon as they become effective for the Company’s reporting period.

- 1) New standard IFRS 9, Financial Instruments, classification and measurement is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, “Financial Instruments: Recognition and Measurement.” IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit and loss. This standard is effective for years beginning on or after January 1, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) New and amended accounting pronouncements (continued)

New and amended standards not yet adopted by the Company (continued):

- 2) New standard IFRS 15, Revenue from Contracts with Customers, provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. This standard is effective for reporting periods beginning on or after January 1, 2018.
- 3) New standard IFRS 16, Leases, specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

3. RECEIVABLES

The Company's receivables are as follows:

	February 28, 2017	November 30, 2016
Trade receivables	\$ 60,717	\$ 91,825
Interest receivable	9,203	5,216
GST receivable	<u>5,854</u>	<u>5,874</u>
	<u>\$ 75,774</u>	<u>\$ 102,915</u>

4. INVESTMENT

	February 28, 2017	November 30, 2016
Shares in Star Valley Drilling Ltd.	\$ 350,000	\$ 350,000

At February 28, 2017, the Company had 350,000 shares (November 30, 2016 - 350,000) of Star Valley Drilling Ltd, a privately owned company, valued at \$350,000 (November 30, 2016 - \$350,000) classified as available-for-sale investment. As there is no quoted market price in an active market for the investment, the investment shall be carried at cost.

COBRA VENTURE CORPORATION
NOTES TO THE INTERIM FINANCIAL STATEMENTS
(Unaudited – Expressed in Canadian Dollars)
FEBRUARY 28, 2017

5. PROPERTY AND EQUIPMENT

	Oil and Gas Properties	Computer Equipment	Total Property and Equipment
Cost			
Balance, November 30, 2015	\$ 2,600,474	\$ 19,496	\$ 2,619,970
Additions	63,878	-	63,878
Provisions of decommissioning liabilities	<u>1,240</u>	<u>-</u>	<u>1,240</u>
Balance, November 30, 2016	2,665,592	19,496	2,685,088
Additions	<u>10,071</u>	<u>-</u>	<u>10,071</u>
Balance, February 28, 2017	\$ 2,675,663	\$ 19,496	\$ 2,695,159
Accumulated amortization, depletion and impairment loss			
Balance, November 30, 2015	\$ 1,443,405	\$ 17,644	\$ 1,461,049
Amortization and depletion	216,622	556	217,178
Impairment loss	<u>98,917</u>	<u>-</u>	<u>98,917</u>
Balance, November 30, 2016	1,758,944	18,200	1,777,144
Amortization and depletion	<u>52,266</u>	<u>97</u>	<u>52,363</u>
Balance, February 28, 2017	\$ 1,811,210	\$ 18,297	\$ 1,829,507
Carrying amounts			
As at November 30, 2016	\$ 906,648	\$ 1,296	\$ 907,944
As at February 28, 2017	\$ 864,453	\$ 1,199	\$ 865,652

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 year ended November 30, 2015, the Company recorded an impairment charge of \$24,454 on the property due to a sustained decline in forecasted crude oil and natural gas prices.

During the period ended February 28, 2017, the Company recorded \$16,049 (2016 - \$20,814) in production revenue.

5. PROPERTY AND EQUIPMENT (continued)

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 year ended November 30, 2015, the Company recorded an impairment charge of \$106,374 on the property due to a sustained decline in forecasted crude oil prices.

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) was 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. The Company currently maintains a 14.665% interest in the Gull Lake project area. As at February 28, 2017, the Company participated in seven wells.

During the year ended November 30, 2015, the Company recorded an impairment charge of \$664,978 on the property due to a sustained decline in forecasted crude oil prices. The impairment was determined using a value in use approach using estimated expected cash flow based on proved plus probable reserves using a pre-tax discount rate of 10%.

During the year ended November 30, 2016, the Company recorded an impairment charge on the property of \$98,917 due to a sustained decline in forecasted crude oil and natural gas prices.

During the period ended February 28, 2017, the Company recorded \$140,243 (2016 - \$94,021) in production revenue.

6. EXPLORATION AND EVALUATION ASSETS

	Hayter area, Alberta	LH Property, British Columbia	Total
Balance, November 30, 2014	\$ 115,149	\$ -	\$ 115,149
Property acquisition costs	-	300,000	300,000
Drilling and completion	1,466	-	1,466
Provisions of decommissioning liabilities	(450)	-	(450)
Impairment on exploration and evaluation assets	(116,165)	-	(116,165)
Reclassification to asset held for sale	-	(300,000)	(300,000)
Balance, November 30, 2015 and 2016	\$ -	\$ -	\$ -

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 a 25.3333% working interest (after payout) and a 33.3333% working interest (before payout) upon paying 33.3333% of the cost to abandon and recomplete the Existing Wells (“Payout”). The Company also agreed to:

6. EXPLORATION AND EVALUATION ASSETS (continued)

Hayter area, Alberta (continued)

- 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.

During the year ended November 30, 2015, the Company decided to abandon the property and recorded an impairment charge of \$116,165.

LH Property, British Columbia

The Company entered into a purchase agreement dated for reference February 24, 2015, with International Bethlehem Mining Corp (“IBC”) and Magnum Goldcorp Inc. (“Magnum”), pursuant to which Magnum has agreed to sell and the Company has agreed to purchase one-half of Magnum's 51-per-cent option interest in certain properties owned by IBC. Pursuant to the terms of the purchase agreement, the Company will purchase one-half (25.5 per cent) of Magnum's 51-per-cent interest in the properties in exchange for a \$300,000 payment (paid). Magnum was required to use \$200,000 of this payment to complete certain expenditures on the properties in accordance with the Magnum option agreement (completed) and was required to use reasonable commercial efforts to fulfill its obligations under the Magnum option agreement such that the option becomes exercised. As of November 13, 2015, the Company was advised by Magnum that the Option with IBC had been exercised, and accordingly, the Company acquired a 25.5% interest in the Properties and a joint venture was formed between the Company, IBC and Magnum. The Company and Magnum have certain directors in common.

On December 21, 2015, the Company, Magnum and IBC (the “Parties”) entered into a non-binding letter of intent pursuant to which Magnum has indicated its intention to acquire all of the interest of each of the Company and IBC in the property. As a result, the Company has reclassified the property to asset held for sale at November 30, 2015.

On March 10, 2016, the Parties announced that they entered into a definitive asset purchase agreement dated March 1, 2016 (the “LH Property Agreement”), with respect to the acquisitions by Magnum of all of the interest of the Company and IBC in the LH Property (the “LH Property Transaction”). On April 27, 2016, the Parties announced that all conditions to closing of the acquisition by Magnum of all of the interest of each of the Company and IBC in the LH Property Transaction were met and that the Parties closed the LH Property Transaction on April 26, 2016 (the “Closing Date”). Magnum now owns 100% of the LH Property. On the Closing Date, Magnum issued 17,120,000 common shares in its capital to the Company (valued at \$770,400) (the “Magnum Shares”) as consideration for its interest in the LH Property. As a result, the Company recognized a gain on sale of assets of \$470,400.

The Company distributed all of the Magnum Shares received by the Company to its shareholders on a pro rata basis as a return of capital (the “Return of Capital”) pursuant to the TSX Venture Exchange’s due bill trading policy.

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7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	February 28, 2017	November 30, 2016
Trade payables	\$ 19,605	\$ 13,877
Due to related parties (Note 11)	10,000	10,000
Accrued liabilities	<u>34,000</u>	<u>36,000</u>
Total	\$ 63,605	\$ 59,877

8. DECOMMISSIONING LIABILITIES

Balance, November 30, 2015	\$ 124,481
Change in estimates	1,240
Accretion	<u>11,245</u>
Balance, November 30, 2016	136,966
Accretion	<u>151</u>
Balance, February 28, 2017	<u>\$ 137,117</u>

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 \$144,000 (November 30, 2016 - \$144,000). The estimated cash flow has been adjusted using an inflation rate of 1.50% (November 30, 2016 - 1.5%) and discounted using a risk free rates of 1.62% to 2.34% (November 30, 2016 - 1.58% to 2.16%). The estimated settlement ranges from five years to a maximum of 4 - 13 years.

9. CAPITAL STOCK

Authorized:

Unlimited number of common voting shares, with no par value.

During the period ended February 28, 2017, the Company did not have any share activities.

During the year ended November 30, 2016, the Company distributed all of the Magnum shares received by the Company to its shareholders on a pro rate basis as a return of capital in the amount of \$770,400 (see Note 6).

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10. 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 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option is as determined by the Board at the time of grant, subject to the requirements of the TSX-V. Options vest as determined by the Board of Directors. The options can be granted for a maximum term of 10 years.

A continuity of share purchase options for the period ended February 28, 2017 is as follows:

Expiry Date	Exercise Price	November 30, 2016	Granted	Expired/ cancelled	Exercised	February 28, 2017	Exercisable
May 25, 2017	\$ 0.24	225,000	-	-	-	225,000	225,000
May 11, 2021	\$ 0.105	1,365,000	-	-	-	1,365,000	1,365,000
Total		1,590,000	-	-	-	1,590,000	1,590,000
Weighted average exercise price		\$ 0.12	\$ -	\$ -	\$ -	\$ 0.12	\$ 0.12
Weighted average remaining contractual life						3.64 years	

A continuity of share purchase options for the year ended November 30, 2016 is as follows:

Expiry Date	Exercise Price	November 30, 2015	Granted	Expired/ cancelled	Exercised	November 30, 2016	Exercisable
May 25, 2017	\$ 0.24	225,000	-	-	-	225,000	225,000
May 11, 2021	\$ 0.105	-	1,365,000	-	-	1,365,000	1,365,000
Total		225,000	1,365,000	-	-	1,590,000	1,590,000
Weighted average exercise price		\$ 0.24	\$ 0.105	\$ -	\$ -	\$ 0.12	\$ 0.12
Weighted average remaining contractual life						3.89 years	

Share-based payments

During the year ended November 30, 2016, the Company granted 1,365,000 (2015 - Nil) stock options with an estimated weighted average fair value of \$0.07 (2015 - \$Nil) calculated using the Black-Scholes option pricing model. The fair value of stock options vested during the year and recognized as share-based payments expense was \$103,604 (2015 - \$Nil).

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10. RESERVES (continued)

Option pricing models require the use of estimates and assumptions including the expected volatility. Changes in underlying assumptions can materially affect the fair value estimates. The following weighted average assumptions were used for the Black-Scholes valuation of options granted during the year:

	2016
Share price	\$0.105
Risk-free interest rate	0.68%
Expected life of options	5 years
Annualized volatility based on historical volatility	96.22%
Dividend rate	0.00%
Forfeiture rate	0.00%
Fair value per option	\$0.07
Exercise price	\$0.105

* Annualized volatility was determined by reference to historic volatility of the Company.

11. RELATED PARTY TRANSACTIONS

Amounts paid or accrued to related parties are as follows:

Paid or accrued to:	Nature of transactions	For the period ended February 28, 2017	For the period ended February 29, 2016
A limited partnership of which a Director is a partner	Rent	\$ 6,070	\$ 5,768
A firm of which a Director is a partner	Professional fees	-	9,300
		<u>\$ 6,070</u>	<u>\$ 15,068</u>

Key management compensation is as follows:

Paid or accrued to:	Nature of transactions	For the period ended February 28, 2017	For the period ended February 29, 2016
Directors and Officers	Management ⁱ⁾	\$ 15,526	\$ 15,526
A company controlled by a Director and Officer	Management	<u>55,000</u>	<u>55,000</u>
		<u>\$ 70,526</u>	<u>\$ 70,526</u>

i) There were no post-employment benefits, termination benefits, or other long-term employment benefits paid to key management in either the period ended February 28, 2017 or 2016.

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.

During the year ended November 30, 2016, the Company completed the sale of LH property to Magnum, which have certain directors in common. (Refer to Note 6 for further details).

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11. RELATED PARTY TRANSACTIONS (continued)

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

	February 28, 2017	November 30, 2016
A firm of which a Director is a partner	\$ 10,000	\$ 10,000

Included in receivables was an amount due from a company with common directors \$28,505 (November 30, 2016 - \$28,505).

12. INCOME TAXES

A reconciliation of income taxes for the year ended November 30, 2016, at statutory rates with reported taxes is as follows:

	November 30, 2016
Loss before income taxes	\$ (376,105)
Combined federal and provincial tax rate	26%
Income tax expense (recovery) at statutory rates	\$ (97,787)
Permanent differences	(38,281)
Change in unrecognized deductible temporary differences	158,071
Total income tax expense (recovery)	\$ 22,003
Current income tax expense (recovery)	\$ 22,003
Deferred tax expense (recovery)	\$ -

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

	November 30, 2016
Deferred tax assets (liabilities):	
Decommissioning liabilities	\$ 35,611
Share issuance costs, cumulative eligible cost, non-capital loss, capital losses and other	41,551
Property and equipment and exploration and evaluation assets	354,619
	431,781
Unrecognized deferred tax assets	(431,781)
Net deferred tax liabilities	\$ -

Subject to certain restrictions, the Company has resource expenditures of approximately \$2,259,000 available to reduce taxable income in future years available to apply against future taxable income. Future tax benefits which may arise as a result of the net capital losses and resource deductions have not been recognized in these financial statements. The Company has non-capital losses of approximately \$154,000 which expires in 2036.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash transactions for the Company during the period ended February 28, 2017.

During the year ended November 30, 2016, significant non-cash transactions for the Company included:

- i) \$1,240 of provisions of decommissioning liabilities in property and equipment; and
- ii) 17,120,000 Magnum shares received for the disposition of LH Property and distribution of Magnum shares at a value of \$770,400 as return on capital.

14. 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 and accounts payable and accrued liabilities approximate their carrying values.

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.

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 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.

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, 2017, the Company had a cash and cash equivalents balance of \$2,585,389 (November 30, 2016 - \$2,611,012) to settle current liabilities of \$63,605 (November 30, 2016 - \$59,877). All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

14. FINANCIAL INSTRUMENTS AND RISK (continued)

Financial risk factors (continued)

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 a term deposit of \$2,550,000 (November 30, 2016 - \$2,560,000) at an interest rate of 0.65% (November 30, 2016- 0.65%). Since the term deposit 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.

15. SEGMENTED INFORMATION

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

16. 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 income (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, 2017.