COBRA VENTURE CORPORATION

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

FOR THE SIX MONTH PERIOD ENDED MAY 31, 2015

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, 2015.

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

	Notes	May 31, 2015	November 30, 2014
ASSETS			
Current assets			
Cash and cash equivalents		$ 4,031,642	$ 3,677,378
Receivables	3	53,149	1,529,923
Prepaid expenses		30,793	29,867
Total current assets		4,115,584	5,237,168
Non-current assets			
Investment	4	-	53,167
Property and equipment	5	1,646,081	1,285,911
Exploration and evaluation assets	6	417,184	115,149
Total non-current assets		2,063,265	1,454,227
Total assets		$ 6,178,849	$ 6,691,395
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	7	$ 47,459	$ 304,294
Non-current liabilities			
Decommissioning liabilities	9	130,407	121,277
Deferred income taxes	13	24,454	31,064
		154,861	152,341
Total liabilities		202,320	456,635
Equity			
Capital stock	10	3,579,953	3,579,953
Reserves	11	38,576	118,079
Retained earnings		2,358,000	2,536,728
Total equity		5,976,529	6,234,760
Total liabilities and equity		$ 6,178,849	$ 6,691,395

Approved on July 28, 2015 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)

		For the three months ended		For the six months ended	
	Notes	May 31, 2015	May 31, 2014	May 31, 2015	May 31, 2014
OIL AND GAS REVENUES					
Production revenue		$ 36,306	$ 49,806	$ 141,010	$ 114,695
DIRECT COSTS					
Production and operation costs		34,487	19,443	88,455	54,590
Depletion	5	5,444	148,748	18,235	166,909
Accretion	9	342	520	683	887
Total direct costs		(40,273)	(168,711)	(107,373)	(222,386)
Gross profit (loss)		(3,967)	(118,905)	33,637	(107,691)
EXPENSES					
Amortization	5	197	284	399	568
Consulting fees		23,070	9,000	38,820	19,773
Corporate services		-	-	-	1,200
Financing fees	8	-	-	-	15,000
Investor relations		970	-	1,970	-
Loan interest	8	-	10,586	-	18,986
Management fees	12	70,526	86,052	141,052	141,052
Media and website		709	934	1,384	1,384
Office and miscellaneous		11,479	4,680	23,653	8,715
Professional fees	12	57,159	53,085	76,533	71,634
Property investigation costs		-	2,947	-	5,347
Rent	12	5,707	7,984	14,290	17,684
Transfer agent and filing fees		3,819	5,230	5,980	6,547
Travel and promotion		21	-	1,180	-
Total expenses		(173,657)	(180,782)	(305,261)	(307,890)
Loss before other items		(177,624)	(299,687)	(271,624)	(415,581)
OTHER ITEMS					
Interest income		13,445	874	26,372	1,854
Loss on sale of investments		(9,922)	-	(19,589)	-
Loss before income taxes		(174,101)	(298,813)	(264,841)	(413,727)
INCOME TAXES					
Deferred tax recovery (expense)	13	4,219	(9,715)	6,610	(14,138)
Income tax recovery	13	-	36,562	-	62,567
Total income tax recovery		4,219	26,847	6,610	48,429
Loss for the period		$ (169,882)	$ (271,966)	$ (258,231)	$ (365,298)
Basic and fully diluted loss per common share		$ (0.01)	$ (0.02)	$ (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 INCOME (LOSS)
(Unaudited)
(Expressed in Canadian Dollars)

	Notes	For the three months ended May 31, 2015	For the three months ended May 31, 2014	For the six months ended May 31, 2015	For the six months ended May 31, 2014
Loss for the period		$ (169,882)	$ (271,966)	$ (258,231)	$ (365,298)
Other comprehensive loss					
Unrealized loss on available-for-sale investments, net of tax recovery of $Nil (2014 - $14,138)	4	-	(62,785)	-	(94,612)
Comprehensive loss		$ (169,882)	$ (334,751)	$ (258,231)	$ (459,910)

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	For the six months ended May 31, 2015	May 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) for the period		$ (258,231)	$ (365,298)
Items not affecting cash:			
Accretion	9	683	887
Amortization	5	399	568
Depletion	5	18,235	166,909
Loan interest		-	18,986
Deferred tax expense (recovery)	13	(6,610)	14,138
Write-down of petroleum and natural gas interests	6	-	-
Interest income		(27,161)	(1,854)
Loss on sale of available-for-sale investments		19,589	-
Changes in non-cash working capital items:			
Decrease in receivables		22,653	6,776
Decrease (increase) in prepaid expenses		(926)	155,722
Decrease in accounts payable and accrued liabilities		(269,673)	(32,675)
Increase in income taxes receivable		-	(61,869)
Net cash flows used in operating activities		(501,042)	(97,710)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		14,455	1,053
Acquisition of property and equipment		(358,112)	(428,763)
Net proceeds on sale of marketable securities		33,578	-
Net proceeds on sale of assets		1,466,827	-
Exploration and evaluation expenditures		(301,442)	(14,140)
Net cash flows (used in) provided by investing activities		855,306	(441,850)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan		-	300,000
Net cash flows provided by investing activities		-	300,000
Change in cash and cash equivalents during the period		354,264	(239,560)
Cash and cash equivalents, beginning of period		3,677,378	466,659
Cash and cash equivalents, end of period		$ 4,031,642	$ 227,099
Cash and cash equivalents consist of:			
Cash		$ 56,642	$ 27,099
Cash equivalents		3,975,000	200,000
		$ 4,031,642	$ 227,099
Cash paid for interest		$ -	$ 8,400
Cash paid for income taxes		$ -	$ 5,133

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 loss	Retained earnings	Total equity
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, net of tax	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
Balance at November 30, 2014		15,903,748	$ 3,579,953	$ 118,079	$ -	$ 2,536,728	$ 6,234,760
Transfer of reserves to deficit on expiry of options		-	-	(79,503)	-	79,503	-
Loss for the period		-	-	-	-	(258,231)	(258,231)
Balance at May 31, 2015		15,903,748	$ 3,579,953	$ 38,576	$ -	$ 2,358,000	$ 5,976,529

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

1. NATURE OF OPERATIONS

Cobra Venture Corporation ("the Company") was incorporated under the Business Corporation Act (Alberta) on August 18, 1999 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 1900, 530 – 3rd Avenue SW, Calgary, AB T2P 0R3.

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.

	May 31, 2015	November 30, 2014
Working capital	$ 4,068,125	$ 4,932,874
Retained earnings	$ 2,358,000	$ 2,536,728

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, 2015, are not necessarily indicative of future results.

The accounting policies applied by the Company in these condensed interim financial statements 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, 2014 as filed on SEDAR at www.sedar.com.

The Board of Directors approved the financial statements for issue on July 28, 2015.

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) Assessment of any indicators of impairment of available – for sale investments;

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

v) 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.

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 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.

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) 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 the profit or loss as incurred.

All exploratory costs incurred subsequent to acquiring the right to explore for oil and natural gas 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 and 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 exploration and evaluation expense 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 and 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 method over the estimated useful lives of each part of an item of property, plant 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.

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. During the period ended May 31, 2015, stock options to purchase 825,000 (2014 – 1,875,000) 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) Flow-through common shares

The Company finances a portion of its exploration activities through financings in which flow-through common shares are issued. These shares transfer the tax deductibility of qualifying resource expenditures to investors. At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received (i.e. the "flow-through commitment") as follows:

- Capital stock
- Warrant reserve if applicable; and
- Flow-through share premium – recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature

Thereafter, as qualifying resource expenditures are incurred, these costs are capitalized to exploration and evaluation assets.

At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax expense/liability accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares. For this adjustment, the Company considers the tax benefits (of qualifying resource expenditures already incurred) to have been effectively transferred, if it has formally renounced those expenditures at any time (before or after the end of the reporting period). Additionally, the Company reverses the liability for the flow-through share premium to other income as the expenses are incurred.

k) Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as a reserve.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) 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.

m) 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.

n) 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 the 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 the profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods and services received in the profit or loss, unless they are related to the issuance of shares. Amount 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Share-based payments (continued)

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 share capital, 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 employee 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.

o) 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. Deferred income tax assets and liabilities are presented as non-current.

p) Financial instruments

<u>Financial assets</u>

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 direct 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 not included the above category are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity.

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 equity 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Financial instruments (continued)

<u>Financial liabilities</u>

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.

q) New and amended accounting pronouncements

New and amended standards adopted by the Company during the period:

The following new and amended standards adopted by the Company did not result in a significant impact on the Company's financial statements:

1) Amendments to IAS 32, Financial Instruments: Presentation, provide clarification on the application of offsetting rules.

2) Amendments to IAS 36, Impairment of Assets, clarify the recoverable amount disclosures for non-financial assets, including additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount was based on fair value less costs of disposal.

3) Amendments to IFRS 10, Consolidated Financial Statements, IFRS 12, Disclosures of Interests in Other Entities and IAS 27, Separate Financial Statements. The amendments provide for the definition of an investment entity and sets out an exception to consolidating particular subsidiaries of an investment entity. The amendments also deal with the disclosures required and preparation of separate financial statements of an investment entity.

New accounting pronouncements

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.

(Expressed in Canadian Dollars)

3. RECEIVABLES

The Company's receivables are as follows:

	May 31, 2015	November 30, 2014
Trade receivables	$ 3,830	$ 39,652
Interest receivable	41,219	17,259
Sale proceeds receivable (note 15)	-	1,466,827
GST receivable	8,100	6,185
	$ 53,149	$ 1,529,923

4. INVESTMENT

	May 31, 2015	November 30, 2014
Shares in Mobius Resources Inc. (formerly Zodiac Exploration Corp.)	$ -	$ 53,167

As of May 31, 2015, the Company had Nil shares of Mobius Resources Inc. (November 30, 2014 – 241,666), classified as an available-for-sale investment.

During the six month period ended May 31, 2015, the Company sold all the shares of Mobius Resources Inc. for net proceeds of $33,578 (2014 – $Nil). The Company recorded a realized loss of $19,589 (2014 – $Nil) with the sale.

During the year ended November 30, 2014, the Company determined the investment was impaired due to significant decline in the fair value below its cost as a result of the market conditions. Accordingly, previously recognized unrealized loss of $170,955, net of tax $25,878 was reallocated from accumulated other comprehensive loss to profit or loss.

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT

	Oil and Gas Properties	Computer Equipment	Land	Total Property and Equipment
Cost				
Balance, November 30, 2013	$ 663,162	$ 19,496	$ 760,542	$ 1,443,200
Additions	1,022,368	-	5,709	1,028,077
Provision of decommissioning liabilities (Note 9)	61,904	-	-	61,904
Reclassified as assets held for sale (Note 15)	-	-	(766,251)	(766,251)
Balance, November 30, 2014	1,747,434	19,496	-	1,766,930
Additions	370,950	-	-	370,949
Provisions of decommissioning liabilities (Note 9)	7,854	-	-	7,854
Balance, May 31, 2015	$ 2,126,238	$ 19,496	$ -	$ 2,145,733
Accumulated amortization and depletion				
Balance, November 30, 2013	$ 299,311	$ 15,714	$ -	$ 315,025
Amortization and depletion	164,858	1,136	-	165,994
Balance, November 30, 2014	464,169	16,850	-	481,019
Amortization and depletion	18,235	399	-	12,993
Balance, May 31, 2015	$ 482,404	$ 17,249	$ -	$ 494,012
Carrying amounts				
As at November 30, 2014	$ 1,283,265	$ 2,646	$ -	$ 1,285,911
As at May 31, 2015	$ 1,643,834	$ 2,247	$ -	$ 1,646,081

5. PROPERTY AND EQUIPMENT (continued)

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, 2015, the Company recorded $38,848 (2014 - $38,939) 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, 2015, the Company recorded $5,090 (2014 - $22,257) 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) 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 14.65% interest in the Gull Lake project area.

During the period ended May 31, 2015, the Company recorded $97,072 (2014 - $53,499) in production revenue.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

	Hayter area, Alberta	LH Property, British Columbia	Total
Balance, November 30, 2013	$ 96,942	$ -	$ 96,942
Drilling and completion	13,956	-	13,956
Provisions of decommissioning liabilities (Note 9)	4,251	-	4,251
Balance, November 30, 2014	115,149	-	115,149
Property acquisition costs	-	300,000	300,000
Drilling and completion	2,716	-	2,716
Provisions of decommissioning liabilities (Note 9)	(681)	-	(681)
Balance, May 31, 2015	$ 117,184	$ 300,000	$ 417,184

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%.

LH Property, British Columbia

The Company entered into a purchase agreement dated for reference February 24, 2015, with International Bethlehem Mining Corp. and Magnum Goldcorp Inc., 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 International Bethlehem. 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 is required to use $200,000 of this payment to complete certain expenditures on the properties in accordance with the Magnum option agreement and is required to use reasonable commercial efforts to fulfill its obligations under the Magnum option agreement such that the option becomes exercised. Upon exercise by Magnum of the option in accordance with the Magnum option agreement, the Company will acquire 25.5 per cent of the legal and beneficial interest in and to the properties.

(Expressed in Canadian Dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	May 31, 2015	November 30, 2014
Trade payables	$ 17,364	$ 215,327
Due to related parties (Note 12)	5,000	56,967
Accrued liabilities	25,095	32,000
Total	$ 47,459	$ 304,294

8. LOANS PAYABLE

	Loan principal	Loan Interest and financing fee	Total
Balance, November 30, 2013	$ -	$ -	$ -
Additions	300,000	23,589	323,589
Repaid	(300,000)	(23,589)	(323,589)
Balance, November 30, 2014 and May 31, 2015	$ -	$ -	$ -

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. During the year ended November 30, 2014, these loans together with all accrued interest were fully repaid.

9. DECOMMISSIONING LIABILITIES

Balance, November 30, 2013	$ 53,347
Addition (Note 5 and 6)	41,277
Change in estimates (Note 5 and 6)	24,878
Accretion	1,775
Balance, November 30, 2014	121,277
Change in estimates (Note 5 and 6)	8,447
Accretion	683
Balance, May 31, 2015	$ 130,407

(Expressed in Canadian Dollars)

9. DECOMMISSIONING LIABILITIES (continued)

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 $161,680 (November 30, 2014 - $171,625). The estimated cash flow has been adjusted using an inflation rate of 1.10% and discounted using risk free rates of 1.62% and 2.20% (November 30, 2014 – 1.85% and 2.41%). 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, with no par value.

During the period ended May 31, 2015 and 2014, the Company did not have any share activities.

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, 2015 is as follows:

Expiry Date	Exercise Price	November 30, 2014	Granted	Expired/ cancelled	Exercised	May 31, 2015	Exercisable
May 27, 2015	$ 0.17	600,000	-	(600,000)	-	-	-
May 25, 2017	0.24	225,000	-	-	-	225,000	225,000
Total		825,000	-	(600,000)	-	225,000	225,000
Weighted average exercise price		$ 0.19	-	$ 0.17	-	$ 0.24	$ 0.24
Weighted average remaining contractual life						1.99 years	

(Expressed in Canadian Dollars)

11. RESERVES (continued)

A continuity of share purchase options for the year ended November 30, 2014 is as follows:

Expiry Date	Exercise Price	November 30, 2013	Granted	Expired/ cancelled	Exercised	November 30, 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						1.03 years	

Share-based payments

During the six month period ended May 31, 2015, the Company recorded share-based payments of $Nil (2014 - $Nil) for fair value of stock options vested during the year. The Company did not grant any stock options during the periods ended May 31, 2015 or 2014.

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, 2015	Six month period ended May 31, 2014
A limited partnership of which a Director is a partner	Rent	$ 18,254	$ 17,684
A firm of which a Director is a partner	Accounting	36,350	31,095
A firm of which the Corporate Secretary is a partner	Legal	200	22,910
A company controlled by a Director and Officer	Financing fees and interest	-	11,329
Spouse of a Director and Officer	Financing fees and interest	-	5,664
Directors	Financing fees and interest	-	16,993
		$ 54,804	$ 105,675

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS (continued)

Key management compensation is as follows:

Paid or accrued to:	Nature of transactions		Six month period ended May 31, 2015		Six month period ended May 31, 2014
Directors and Officers	Salaries and benefits [i]	$	31,052	$	30,000
A company controlled by a Director and Officer	Management		110,000		110,000
		$	141,052	$	140,000

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 May 31, 2015 or 2014.

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, 2015		November 30, 2014
A firm of which a Director is a partner	$	5,000	$	24,805
Directors and Officers		-		31,009
A firm of which the Corporate Secretary is a partner		-		1,153
	$	5,000	$	56,967

(Expressed in Canadian Dollars)

13. INCOME TAXES

A reconciliation of income taxes for the period ended May 31, 2015 and 2014, at statutory rates with reported taxes is as follows:

		May 31, 2015		May 31, 2014
Income (loss) before income taxes	$	(260,059)	$	(401,570)
Combined federal and provincial tax rate		26%		25.92%
Income tax expense (recovery) at statutory rates	$	67,615	$	(104,074)
Effect of tax rate change		-		798
Non-deductible expenses		2,547		-
Change in unrecognized deductible temporary differences		(76,772)		54,847
Total income tax expense (recovery)	$	(6,610)	$	(48,429)
Current income tax expense (recovery)	$	-	$	(62,567)
Deferred tax expense (recovery)	$	(6,610)	$	14,138

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

		May 31, 2015		November 30, 2014
Deferred tax assets (liabilities):				
Investments	$	-	$	25,588
Decommissioning liabilities		33,906		31,532
Share issuance costs, cumulative eligible cost and capital losses		28,652		1,037
Property and equipment and exploration and evaluation assets		(87,012)		(89,221)
		(24,454)		(31,064)
Unrecognized deferred tax assets		-		-
Net deferred tax liabilities	$	(24,454)	$	(31,064)

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the period ended May 31, 2015, significant non-cash transactions for the Company included:

i) $593 of provisions of decommissioning liabilities in exploration and evaluation assets,
ii) $7,854 of provisions of decommissioning liabilities in property and equipment, and
iii) $198,014 of property and equipment additions in accounts payable and accrued liabilities.

During the period ended May 31, 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.

15. ASSETS HELD FOR SALE

In March 2014, the Company entered into an agreement and sold 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.

In August 2014, the Company entered into an agreement (the "Offer to Purchase") to sell 2.94 acres of the land located in the Municipal District of Rocky View No. 44, in the Province of Alberta (the "Lands"), to an arm's length private Alberta corporation. The Company reclassified $766,251 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. During the year ended November 30, 2014, the Company completed the sale for an aggregate purchase price of $1,470,000.

The Company incurred selling costs of $123,854. As a result, the Company recognized a gain on sale of the land in the amount of $1,623,844.

During the six months ended May 31, 2015, the Company received from trust the balance of the funds outstanding at November 30, 2014 of $1,466,827 from the sale of the assets held for sale (Note 3).

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 and 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 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 May 31, 2015, the Company had a cash and cash equivalents balance of $4,031,642 (November 30, 2014 - $3,677,378) to settle current liabilities of $47,459 (November 30, 2014 - $304,294). All of the Company's financial liabilities, with the exception of income taxes payable, 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 $Nil (November 30, 2014 - $150,000) at interest rates of N/A (November 30, 2014 - prime less 1.85%), cashable GIC of $475,000 (November 30, 2014 - $Nil) at interest rates of prime less 1.8% (November 30, 2014 - N/A) and a term deposit of $3,500,000 (November 30, 2014 - $3,500,000) at an interest rate of 1.35% (November 30, 2014 - 1.35%). Since the GIC and 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.

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 income 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 six month period ended May 31, 2015.