COBRA VENTURE CORPORATION

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

FOR THE THREE MONTHS ENDED FEBRUARY 29, 2012

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 period ended February 29, 2012

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

	February 29, 2012	November 30, 2011 (Note 18)	December 1, 2010 (Note 18)
ASSETS			
Current assets			
Cash and cash equivalents	$ 7,046,573	$ 2,535,774	$ 2,914,709
Receivables (Note 4)	91,638	319,347	338,297
Prepaid expenses	36,619	37,302	27,037
Income taxes receivable	-	187,998	-
Total current assets	7,174,830	3,080,421	3,280,043
Non-current assets			
Investment (Note 5)	435,000	906,250	2,247,500
Property, plant and equipment (Note 6)	387,068	386,243	260,722
Exploration and evaluation assets (Note 7)	-	-	388,450
Total non-current assets	822,068	1,292,493	2,896,672
Total assets	$ 7,996,898	$ 4,372,914	$ 6,176,715
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities (Note 8)	$ 113,667	$ 310,828	$ 219,362
Income taxes payable	1,053,534	-	387,557
Total current liabilities	1,167,201	310,828	606,919
Non-current liabilities			
Decommissioning liabilities (Note 9)	46,575	46,286	45,159
Deferred income tax liability (Note 13)	96,407	174,208	387,706
Total non-current liabilities	142,982	220,494	432,865
Total liabilities	1,310,183	531,322	1,039,784
Shareholders' equity			
Capital stock (Note 10)	3,633,268	4,035,053	4,036,476
Reserves	345,722	345,722	356,996
Accumulated other comprehensive income	161,875	574,219	1,747,812
Retained earnings (deficit)	2,545,850	(1,113,402)	(1,004,353)
Total shareholders' equity	6,686,715	3,841,592	5,136,931
Total liabilities and shareholders' equity	$ 7,996,898	$ 4,372,914	$ 6,176,715

Nature, continuance of operations (Note 1)
Reconciliation of Canadian GAAP to IFRS (Note 18)
Subsequent event (Note 19)

Approved and authorized on behalf of the Board on May 25, 2012

"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 COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended February 29, 2012	Three Months Ended February 28, 2011
		(Note 18)
OIL AND GAS REVENUES		
Production revenue	$ 65,338	$ 31,209
Royalty revenue	90,335	417,790
	155,673	448,999
DIRECT COSTS		
Production and operation costs	12,472	9,004
Royalties	2,446	1,471
Depletion	18,612	39,798
Accretion expenses	289	282
	(33,819)	(50,555)
Gross profit	121,854	398,444
EXPENSES		
Amortization	506	239
Consulting fees	25,113	7,322
Corporate services	3,600	3,600
Management fees (Note 12)	67,000	67,000
Media and website	8,675	1,950
Office and miscellaneous	36,461	4,077
Professional fees	82,352	47,499
Property investigation costs	3,071	-
Rent	15,188	12,273
Stock-based compensation (Note 11)	-	7,924
Transfer agent and filing fees	14,298	11,253
Travel and promotion	4,229	-
	(260,493)	(163,137)
Income (loss) before other items	(138,639)	235,307
OTHER ITEMS		
Interest income	15,349	5,564
Gain on sale of property, plant and equipment	5,145,294	-
Total other items	5,160,643	5,564
Income before income taxes	5,022,004	240,871
Income tax		
Future income tax recovery	18,895	16,993
Income tax expense	(1,253,332)	(76,615)
Total income tax expense	(1,234,437)	(59,622)
Comprehensive income for the period	$ 3,787,567	$ 181,249
Basic and diluted income per common share	$ 0.21	$ 0.01

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)

	Three Months Ended February 29, 2012	Three Months Ended February 28, 2011
Weighted average number of common shares outstanding	17,162,627	17,474,081
Plus incremental shares from assumed conversions:		
Stock options	740,000	638,889
Less treasury stock to be cancelled	-	(70,000)
Dilutive potential common shares	740,000	568,889
Adjusted weighted average shares	17,902,627	18,042,970

COBRA VENTURE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME
(Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended February 29, 2012	Three Months Ended February 28, 2011
Income for the period before other comprehensive income	$ 3,787,567	$ 181,249
Other Comprehensive income (loss)		
Unrealized gain (loss) on available for sale investments, net of tax recovery $58,906 (2011 – net of tax $22,656)	(412,344)	158,594
Comprehensive income	$ 3,375,233	$ 339,843

The accumulated other comprehensive income is comprised of unrealized gain on available-for-sale investments, net of tax.

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)

	Three Months Ended February 29, 2012	Three Months Ended February 28, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the period	$ 3,787,567	$ 181,249
Items not affecting cash:		
Accretion	289	282
Amortization	506	239
Depletion	18,612	39,798
Stock-based compensation	-	7,924
Future income tax recovery	(18,895)	(16,993)
Gain on sale of property, plant and equipment	(5,145,294)	-
Changes in non-cash working capital items:		
Decrease in receivables	227,709	33,359
Decrease in prepaid expenses	683	668
Increase (decrease) in accounts payable and accrued liabilities	(187,638)	128
Increase (decrease) in income tax payable	1,241,532	(473,003)
Net cash flows used in operating activities	(74,929)	(226,349)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure on property, plant and equipment	(29,466)	(158,133)
Expenditure on exploration and evaluation assets	-	(179,826)
Sale of property, plant and equipment	4,615,194	-
Net cash flows provided by (used in) investing activities	4,585,728	(337,959)
CASH FLOWS FROM FINANCING ACTIVITIES		
Common shares issued for cash net of share issue costs	-	60,000
Common shares repurchased for cancellation	-	(17,884)
Net cash flows provided by financing activities	-	42,116
Change in cash during the period	4,510,799	(522,192)
Cash and cash equivalents, beginning of period	2,535,774	2,914,709
Cash and cash equivalents, end of period	$ 7,046,573	$ 2,392,517
Cash and cash equivalents consist of:		
Cash	$ 453,849	$ 638,426
Cash equivalents	6,592,724	1,754,091
	$ 7,046,573	$ 2,392,517
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ 11,800	$ 549,618

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					
	Number	Amount	Reserves	Accumulated Other Comprehensive Income	Deficit	Total
Balance at December 1, 2010	17,440,748	$ 4,036,476	$ 356,996	$ 1,747,812	$ (1,004,353)	$ 5,136,931
Stock options exercised	300,000	60,000	-	-	-	60,000
Ascribed value of options exercised	-	31,461	(31,461)	-	-	-
Share-based compensation	-	-	7,924	-	-	7,924
Flow-through renunciation	-	(75,000)	-	-	-	(75,000)
Unrealized gain on available for sale investments	-	-	-	158,594	-	158,594
Treasury Stock	(70,000)	(17,884)	-	-	-	(17,884)
Loss for the period	-	-	-	-	181,249	181,249
Balance at February 28, 2011	17,670,748	$ 4,035,053	$ 333,459	$ 1,906,406	$ (823,104)	$ 5,451,814
Balance at November 30, 2011	17,740,748	$ 4,035,053	$ 345,722	$ 574,219	$ (1,113,402)	$ 3,841,592
Shares returned to treasury and cancelled	(70,000)	1,892	-	-	(1,892)	-
Shares returned to treasury and cancelled from sale of royalty interests in Viewfield area.	(1,767,000)	(403,677)	-	-	(126,423)	(530,100)
Unrealized gain on available for sale investments	-	-	-	(412,344)	-	(412,344)
Income for the period	-	-	-	-	3,787,567	3,787,567
Balance at February 29, 2012	15,903,748	$ 3,633,268	$ 345,722	$ 161,875	$ 2,545,850	$ 6,686,715

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

1. NATURE, CONTINUANCE OF OPERATIONS

The Company was incorporated under the Business Corporation Act (Alberta) on August 18, 1999 and its principal business activity is the exploration and development of petroleum and natural gas interests. The Compay'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.

2. BASIS OF PREPARATION AND FIRST-TIME ADOPTION OF IFRS

Statement of compliance

These interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The Company's transition date to IFRS is December 1, 2010. The rules for first-time adoption of IFRS are set out in IFRS 1, "First-time adoption of International Financial Reporting Standards". In preparing the Company's first IFRS financial statements, these transition rules have been applied to the amounts previously reported in accordance with Canadian generally accepted accounting principles ("GAAP"). Historical results and balances have been restated under IFRS. These interim financial statements should be read in conjunction with the Company's 2011 GAAP annual financial statements, and in consideration of the disclosure regarding the transition from Canadian GAAP to IFRS included in Note 18. Certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS are not included in these interim financial statements nor in the Company's most current annual GAAP financial statements.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of receivables, recoverability of plant and equipment, valuation and depreciation of property, plant and equipment, oil and gas reserves, depletion, impairment of oil and gas properties, valuation of share-based payments, recognition of deferred income tax amounts and decommissioning liabilities.

Cash and equivalents

Cash and cash equivalents include cash on deposit and Canadian guaranteed investment certificates ("GIC's") that are both with a major Canadian banking institution. As at February 29, 2012, cash equivalents are cashable GIC's at an interest rate of prime less 1.8%, maturing between July 27, 2012 and January 28, 2013 (November 30, 2011 – cashable GIC's, at an interest rate of prime less 1.8%; December 1, 2010 - cashable GIC's, at an interest rate between prime less 1.75% and prime less 1.95%).

3. SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment and exploration and evaluation assets

(i) Recognition and measurement

a) Exploration and evaluation costs

Pre-license costs are recognized in the Statement of Comprehensive Income (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 a mineral resource 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, plant and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depreciation 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, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

(i) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Property, plant and equipment and exploration and evaluation assets (cont'd…)

All other expenditures are recognized in comprehensive income as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or area basis. The carrying amount of any replaced or sold component is derecognized in accordance with our policies. The costs of the day-to-day servicing of property, plant and equipment are recognized in the Statement of Comprehensive Income (Loss) as incurred.

(ii) Depletion and amortization

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.

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%

Deferred financing 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.

Deferred financing costs consist primarily of corporate finance fees, filing fees and legal fees.

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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Decommissioning obligations:

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Decommissioning liabilities (cont'd…)

Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the balance sheet date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision to the extent the provision was established.

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.

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:

- Warrant reserve – if warrants are being issued, based on the valuation derived using the Black-Scholes option-pricing model;
- Flow-through share premium – recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature; and
- Share capital – the residual balance.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Flow-through common shares (cont'd...)

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 income as the expenses are incurred.

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-base compensation is transferred to accumulated losses (deficit). The Company estimates a forfeiture rate and adjusts the corresponding expense each period based on an updated forfeiture estimate.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

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.

Share issue costs

Share issue costs are deferred and charged directly to share capital on completion of the related financing. If the financing is not completed share issue costs are charged to operations.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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. 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 using the liability method, providing 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 relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that do not affect either accounting or taxable loss, or 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 balance sheet 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.

Financial instruments

Financial assets

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

Fair value through profit or loss ("FVTPL") – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

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.

Held-to-maturity ("HTM") - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive loss.

Available-for-sale ("AFS") - Non-derivative financial assets not included the above categories 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 the statement of comprehensive loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss ("FVTPL") – This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Other financial liabilities ("OFL"): This category includes accounts payable, accrued liabilities, and decommissioning liabilities carried at amortized cost using the effective interest method.

Impairment

All financial assets except for those at FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

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

Future accounting changes

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

a) IFRS 9, "Financial Instruments":

   As of December 1, 2013, the Company will be required to adopt IFRS 9, "Financial Instruments", which is the result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The adoption of this standard should not have a material impact on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Future accounting changes (cont'd…)

b) Recent Pronouncements:

The following pronouncements and amendments are effective for annual periods beginning on or after January 1, 2013 unless otherwise stated. Adopting these standards is expected to have minimal or no impact on the financial statements.

IFRS 12 – Disclosure of Interest in Other Entities establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, and special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces additional disclosures addressing the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 – Fair Value Measurement is a comprehensive standard that defines fair value, requires disclosure about fair value measurement and provides a framework for measuring fair value when it is required or permitted within the IFRS standards.

IAS 1 – Presentation of Financial Statements amendment requires components of other comprehensive income (OCI) to be separately presented between those that may be reclassified to income and those that will not. The amendments are effective for annual periods beginning on or after July 1, 2012.

IAS 32 – Financial Instruments: Presentation amendment provides clarification on the application of offsetting rules. The amendments are effective for annual periods beginning on or after July 1, 2012.

The Company has not early adopted these new or revised standards and is currently assessing the impact that these standards will have on the financial statements.

4. RECEIVABLES

The Company's receivables are as follows:

	February 29, 2012	November 30, 2011	December 1, 2010
Trade receivable	$ 61,567	$ 291,949	$ 317,001
Government sales tax receivable	30,071	27,398	21,296
	$ 91,368	$ 319,347	$ 338,297

5. INVESTMENT

	February 29, 2012	November 30, 2011	December 1, 2010
Shares in Zodiac Exploration Corp.	$ 435,000	$ 906,250	$ 2,247,500

At November 30, 2009, the Company held 2,500,000 shares of a private company representing a 3.2% interest in that company, which is related by virtue of a common director. The shares were being carried at cost because, without an active market for shares of a private company, fair value could not be measured reliably.

During the year ended November 30, 2010, the above mentioned private company underwent an amalgamation with a wholly owned subsidiary of Peninsula Resources Ltd. and the 2,500,000 common shares held by the Company were exchanged for 3,625,000 common shares of Zodiac Exploration Corp. As of November 30, 2011, the Company has 3,625,000 shares.

During the period ended February 29, 2012, the Company recorded an unrealized loss of $471,250 (2011 – gain of $181,250) to adjust the shares to market value, net of tax recovery $58,906 (2011 – net of tax $22,656) as other comprehensive income.

6. PROPERTY, PLANT AND EQUIPMENT

	Oil and Gas Properties	Computer Equipment	Total Property, Plant and Equipment
Cost			
Balance, December 1, 2010	$ 257,537	$ 14,976	$ 272,513
Recovery	(3,368)	-	(3,368)
Transfer from E & E assets	289,035	-	289,035
Balance, November 30, 2011	543,204	14,976	558,180
Additions	51,692	4,520	56,212
Disposition	(36,269)	-	(36,269)
Balance, February 29, 2012	$ 558,627	$ 19,496	$ 578,123
Accumulated depreciation			
Balance, December 1, 2010	$ -	$ 11,791	$ 11,791
Depreciation	159,191	955	160,146
Balance, November 30, 2011	159,191	12,746	171,937
Depreciation	18,612	506	19,118
Balance, February 29, 2012	$ 177,803	$ 13,252	$ 191,055
Carrying amounts			
As at December 1, 2010	$ 257,537	$ 3,185	$ 260,722
As at November 30, 2011	$ 384,013	$ 2,230	$ 386,243
As at February 29, 2012	$ 380,825	$ 6,244	$ 387,068

6. PROPERTY, PLANT AND EQUIPMENT (cont'd…)

Viewfield area, Saskatchewan

On October 10, 2002, the Company purchased petroleum and natural gas assets consisting of 90% net working interests in 2,880 freehold acres in the Viewfield region of southeast Saskatchewan ("Assets") from Charter Oil Corporation. The Company paid cash of $150,000, issued 400,000 common shares valued at $240,000 and issued 830,000 Participating Redeemable Series "A" Preferred Shares at an agreed value of $830,000, for total consideration of $1,220,000.

During the year ended November 30, 2011, the Company entered into a lease agreement with an independent large oil production company, on 160 acres of the Company's lands in the Viewfield area. The lease had a term of two years with a net gross overriding production royalty of 20% to the Company. The Company received a bonus sum of $200,000 in connection with the agreement.

During the period ended February 29, 2012, the Company sold all of its remaining freehold petroleum and natural gas royalty interests in the Viewfield area for an aggregate sale price of $5,250,000.

Proceeds consisted of:

i) $4,719,900 in cash; and
ii) 1,767,000 common shares of the Company at a deemed price of $0.30 for a fair value of $530,100 returned to treasury and cancelled (Note 10).

The Company recorded a gain of $5,145,294 in connection with the sale.

Pembina area, Alberta

On November 14, 2005, the Company entered into a Participation Agreement with an operating industry partner to participate in the drilling of an initial three exploration wells and earn a working interest in the Pembina area of Alberta. The Company had the right to earn a 27% net working interest by paying 45% of all costs associated with the drilling program and to earn a 40% net working interest in the prospect area comprised of seven sections or approximately 4,480 acres. Currently there are 4 sections of land under active mineral leases.

The Company issued 100,000 shares as a finder's fee valued at $15,000 during the year ended November 30, 2006.

The Company has earned a 27% net working interest in one natural gas well and a 6.67% net working interest in another and is receiving production revenue from both wells. The Company also has a 40% net working interest in additional areas within the Pembina property where an additional 10-12 drill targets have been identified and are being evaluated for future development.

On July 26, 2010, the Company amended the participation agreement dated February 21, 2006 for a reduction of the original 3% Gross Overriding Royalty ("GOR") to 2.5%.

During the period ended February 29, 2012, the Company received $1,218 (2011 - $5,306) in production revenue.

6. PROPERTY, PLANT AND EQUIPMENT (cont'd…)

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 has agreed to perform some remedial work in the well and prepare and tie-in the well to earn 50% of the Company's interest being a 40% working interest.

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

During the period ended February 29, 2012, the Company received $23,739 (2011 - $25,903) in production revenue.

Davey Lake area, Alberta

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

During the period ended February 29, 2012, the Company received $40,381 (2011 - $Nil) in production revenue.

7. EXPLORATION AND EVALUATION ASSETS

		Amount
Balance, December 1, 2010	$	388,450
Mineral leases		7,815
Geological fees		9,518
Drilling		455,380
Completion		61,010
Field work		2,243
Transfer to property, plant and equipment		(289,035)
Write-down of exploration and evaluation assets		(635,381)
Balance, November 30, 2011 and February 29, 2012	$	-

7. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Alderson area, Alberta

During the year ended November 30, 2007, the Company acquired a 50% net working interest in 320 acres of land in Central Alberta for $77,215. During the year ended November 30, 2011, the interest has been abandoned and the cost of the property was written-off.

Iosegun area, Alberta

During the year ended November 30, 2007, the Company acquired a 20% net working interest in 160 acres of land in Central Alberta for $15,543. During the year ended November 30, 2011, the interest has been abandoned and the cost of the property was written-off.

Morinville area, Alberta

During the year ended November 30, 2008, the Company acquired a 40% net working interest in a 5 year crown lease for $73,675 and annual rental fees. The lease is for one section of land in Central Alberta. During the year ended November 30, 2011, the interest has been abandoned and the cost of the property was written-off.

Inga area, N.E. British Columbia

During the year ended November 30, 2006, the Company acquired a 5 year crown lease of one section of land in Northeastern British Columbia for annual rental fees. The Company's net working interest is 75%.

On July 26, 2010, the Company amended the participation agreement dated February 21, 2006 for a reduction of the original 3% Gross Overriding Royalty ("GOR") to 2.5%.

During the year ended November 30, 2010, the interest has been abandoned and the cost of the property was written-off.

Cabri area, Saskatchewan

During the year ended November 30, 2011 the Company entered into an agreement for a 50% interest in a well located in the Cabri area. During the year ended November 30, 2011, the interest has been abandoned and the cost of the property was written-off.

8. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	February 29, 2012	November 30, 2011	December 1, 2010
Trade payables	$ 66,169	$ 79,828	$ 36,162
Accrued liabilities	47,500	231,000	183,200
Total	$ 113,669	$ 310,828	$ 219,362

9. DECOMMISSIONING LIABILITIES

		2012
Balance, December 1, 2010	$	45,159
Accretion expense		1,127
Balance, November 30, 2011		46,286
Accretion expense		289
Balance, February 29, 2012	$	46,575

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 $47,492. The estimated cash flow has been discounted using a credit-adjusted risk free rate of 2.69%. The estimated settlement ranges to a maximum of thirteen years.

10. SHARE CAPITAL AND RESERVES

Authorized:

Unlimited number of common voting shares
Unlimited number of preferred shares, issuable in series

During the period ended February 29, 2012, the Company:

i) Cancelled 70,000 common shares of the Company for $17,884.

ii) received and cancelled 1,767,000 common shares of the Company for a fair value of $530,100 from the sale its remaining freehold petroleum and natural gas royalty interest in the Viewfield area (Note 6).

During the period ended February 28, 2011, the Company:

i) issued 300,000 common shares from the exercise of stock options for gross proceeds of $60,000.

ii) repurchased 70,000 common shares for cancellation for $17,884.

iii) renounced $300,000 in exploration expenditures to flow-through share investors and recorded the tax effect as a $75,000 reduction in share capital and increase in future tax liability.

11. STOCK OPTIONS AND WARRANTS

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% 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.

11. STOCK OPTIONS AND WARRANTS (cont'd…)

As at February 29, 2012, the following incentive stock options are outstanding:

	Number of Shares		Exercise Price	Expiry Date
Options	500,000	*	0.34	December 18, 2012
	1,050,000		0.16	April 3, 2014
	600,000		0.175	May 27, 2015

* not included in the calculation of potential dilutive common shares as of February 29, 2012 as their inclusion is anti-dilutive.

Stock option transactions are as follows:

	Number of Options		Weighted Average Exercise Price
Balance, November 30, 2010	2,455,000		0.21
Options cancelled	(5,000)		(0.27)
Options exercised	(300,000)		(0.20)
Balance, November 30, 2011, and February 29, 2012	2,150,000		0.21
Vested and exercisable	2,150,000	$	0.21

Stock-based compensation

During the period ended February 29, 2012, the Company recorded $Nil (2011 - $7,924) as stock-based compensation expense for options vested during the period.

12. RELATED PARTY TRANSACTIONS

Amounts paid or accrued to related parties are as follows:

Paid to:	Nature of transactions	February 29, 2012	February 28, 2011
the Chief Executive Officer	Management	$ 55,000	$ 55,000
the Chief Executive Officer	Rent	15,188	12,273
Directors	Director fees	12,000	12,000
a firm of which a Director is a partner	Accounting	42,295	39,950
a firm of which the Corporate Secretary is a partner	Legal	25,567	3,904
Management and Directors	Stock-based compensation (i)	-	5,943
		$ 150,050	$ 129,070

(i) Stock-based compensation is the fair value of options granted and vested to key management personnel.

The transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties.

The amounts due to related parties are as follows:

	Notes	February 29, 2012	November 30, 2011	December 1, 2010
A firm of which a Director is a partner	*	56,382	43,576	38,904
A firm of which the Corporate Secretary is a partner	*	5,785	14,036	-
Management and Directors	*	-	176,502	117,000
		$ 62,167	$ 234,114	$ 155,904

* Included in accounts payable

13. INCOME TAXES

A reconciliation of income taxes for the period ended February 29, 2012, at statutory rates with reported taxes is as follows:

		February 29, 2012		February 28, 2011
Income (loss) before income taxes	$	5,022,004	$	(31,618)
Combined federal and provincial tax rate		25.00%		27.50%
Income tax expense (recovery) at statutory rates	$	1,255,501	$	(8,693)
Effect of tax rate change		-		(11,359)
Non-deductible items		(2,170)		11,914
Amounts recognized for tax		(18,894)		29,628
Total income tax expense provision	$	1,234,437	$	21,490

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

		February 29, 2011		November 30, 2011
Deferred income tax liabilities:				
Investments	$	(23,125)	$	(82,031)
Share issuance costs and cumulative eligible cost		1,599		2,112
Property, plant and equipment		(74,880)		(94,288)
Net deferred tax liabilities	$	(96,407)	$	(174,208)

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the period ended February 29, 2012, the Company had included:

i) a premium of $128,315 to deficit on cancellation of shares (2011 - $Nil).

During the period ended February 28, 2011, the Company had included:

i) $33,626 of exploration and evaluation expenditures in accounts payable and accrued liabilities.

ii) $31,461 fair value transferred from contributed surplus to share capital upon exercise of 300,000 stock options

iii) $75,000 reduction in share capital due to renunciation of flow-through shares.

15. 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 carrying value of receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

	February 29, 2012			November 30, 2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 7,046,573	$ -	$ -	$ 2,535,774	$ -	$ -
Investment	$ 435,000	$ -	$ -	$ 906,250	$ -	$ -

	December 1, 2010		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 2,914,709	$	$
Investment	$ 2,247,500	$	$

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 a counterparty’s inability to fulfill its payment obligations. The Company’s credit risk is primarily attributable to accounts receivable and cash and cash equivalents. Management believes that the credit risk concentration with respect to accounts receivable is not significant and cash and cash equivalents is remote as it maintains accounts with highly-rated financial institutions.

15. FINANCIAL INSTRUMENTS AND RISK (cont'd....)

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 29, 2012, the Company had a cash and cash equivalents balance of $7,046,573 (November 30, 2011 - $2,535,774; December 1, 2010 - $2,914,709) to settle current liabilities of $1,167,201 (November 30, 2011 - $310,828; December 1, 2010 - $606,919). All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

Market risk

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

(a) Interest rate risk

The Company has cash balances and cashable GIC's of $2,000,000 (November 30, 2011 - $2,000,000; December 1, 2010 - $1,750,000) at an interest rate of prime less 1.8% (November 30, 2011 - at an interest rate of prime less 1.8%; December 1, 2010 – at an interest rate between prime less 1.75% and prime less 1.95%). Since the GIC's are cashable anytime, the Company believes it is not exposed to significant interest rate risk.

(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 is exposed 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. The Company closely monitors commodity prices of petroleum and natural gas, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company's price risk is primarily attributable to investments. Management believes that the price risk concentration with respect to investments is high, and that a 10% change in investments would result in an increase/decrease of $43,500 in other comprehensive income before taxes.

16. SEGMENTED INFORMATION

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

17. 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 share capital, contributed surplus, accumulated other comprehensive income and deficit).

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.

The Company's overall strategy remains unchanged from 2011.

18. RECONCILIATION OF CANADIAN GAAP TO IFRS

As stated in Note 2, these condensed interim financial statements are for the period covered by the Company's first annual financial statements prepared in accordance with IFRS. The
The accounting policies in Note 3 have been applied as follows:

- in preparing the condensed interim financial statements for the period ended February 29, 2012;
- the comparative information for the period ended February 28, 2011;
- the statement of financial position as at November 30, 2011; and
- in preparing the opening IFRS statement of financial position on the Transition Date, December 1, 2010.

In preparing the opening IFRS statement of financial position, comparative information for the period ended February 28, 2011 and year ended November 30, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP ("Canadian GAAP").

An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

18. RECONCILIATION OF CANADIAN GAAP TO IFRS (cont'd…)

Reconciliation between Canadian GAAP and IFRS statements of financial position:

		As at December 1, 2010			As at February 28, 2011			As at November 30, 2011		
		Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS										
Current assets										
Cash and cash equivalents		$ 2,914,709	$ -	$ 2,914,709	$ 2,392,517	$ -	$ 2,392,517	$ 2,535,774	$ -	$ 2,535,774
Receivables		338,297	-	338,297	304,938	-	304,938	319,347	-	319,347
Prepaid and expense advances		27,037	-	27,037	26,369	-	26,369	37,302	-	37,302
Income tax receivable		-	-	-	85,446	-	85,446	187,998	-	187,998
Total current assets		3,280,043	-	3,280,043	2,809,270	-	2,809,270	3,080,421	-	3,080,421
Non-current assets										
Investment		2,247,500	-	2,247,500	2,428,750	-	2,428,750	906,250	-	906,250
Property, plant and equipment		3,185	257,537	260,722	2,946	284,811	287,757	2,230	384,013	386,243
Exploration and evaluation assets	(8iv)	623,804	(235,354)	388,450	920,659	(235,354)	685,305	436,362	(436,362)	-
Total non-current assets		2,874,489	22,183	2,896,672	3,352,355	49,457	3,401,812	1,344,842	(52,349)	1,292,493
TOTAL ASSETS		$ 6,154,532	$ 22,183	$ 6,176,715	$ 6,161,625	$ 49,457	$ 6,211,082	$ 4,425,263	$ (52,349)	$ 4,372,914
LIABILITIES AND SHAREHOLDERS' EQUITY										
Current liabilities										
Accounts payable and accrued liabilities		$ 219,362	$ -	$ 219,362	$ 245,458	$ -	$ 245,458	$ 310,828	$ -	$ 310,828
Income taxes payable		387,557	-	387,557	-	-	-	-	-	-
Total current liabilities		606,919	-	606,919	245,458	-	245,458	310,828	-	310,828
Non-current liabilities										
Decommissioning liabilities	(8v)	26,495	18,664	45,159	27,157	18,284	45,441	24,986	21,300	46,286
Deferred income taxes liability		387,706	-	387,706	468,369	-	468,369	174,208	-	174,208
Total non-current liabilities		414,201	18,664	432,865	495,526	18,284	513,810	199,194	21,300	220,494
Total liabilities		1,021,120	18,664	1,039,784	740,984	18,284	759,268	510,022	21,300	531,322
Shareholders' equity										
Share capital	(8iii)	4,026,292	10,184	4,036,476	4,024,869	10,184	4,035,053	4,024,869	10,184	4,035,053
Reserves	(8iii)	381,997	(24,981)	356,996	360,698	(27,239)	333,459	391,930	(46,208)	345,722
Accumulated other comprehensive income		1,747,812	-	1,747,812	1,906,406	-	1,906,406	574,219	-	574,219
Deficit	(8iii)	(1,022,609)	18,316	(1,004,353)	(871,332)	48,228	(823,104)	(1,075,777)	(37,625)	(1,113,402)
Total shareholders' equity		5,133,412	3,519	5,136,931	5,420,641	31,173	5,451,814	3,915,241	(73,649)	3,841,592
Total liabilities and shareholders' equity		$ 6,154,532	$ 22,183	$ 6,176,715	$ 6,161,625	$ 49,457	$ 6,211,082	$ 4,425,263	$ (52,349)	$ 4,372,914

18. RECONCILIATION OF CANADIAN GAAP TO IFRS (cont'd…)

		Three months ended February 28, 2011			Year ended November 30, 2011		
		Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
OIL AND GAS REVENUES							
Production revenue		$ 31,209	$ -	$ 31,209	$ 249,648	$ -	$ 249,648
Royalty revenue		417,790	-	417,790	1,270,546	-	1,270,546
		448,999	-	448,999	1,520,194	-	1,520,194
DIRECT COSTS							
Production and operation costs		9,004	-	9,004	73,660	-	73,660
Royalties		1,471	-	1,471	19,306	-	19,306
Depletion	(8vi)	67,072	(27,274)	39,798	224,849	(65,658)	159,191
Accretion expense	(8v)	662	(380)	282	2,650	(1,523)	1,127
		(78,209)	27,654	(50,555)	(320,465)	67,181	(253,284)
Gross profit		370,790	27,654	398,444	1,199,729	67,181	1,266,910
EXPENSES							
Amortization		239	-	239	955	-	955
Consulting fees		7,322	-	7,322	82,128	-	82,128
Corporate services		3,600	-	3,600	14,408	-	14,400
Management fees		67,000	-	67,000	443,000	-	443,000
Media and website		1,950	-	1,950	23,700	-	23,700
Office and miscellaneous		4,077	-	4,077	33,170	-	33,170
Professional fees		47,499	-	47,499	244,514	-	244,514
Rent		-	-	-	2,925	-	2,925
Property investigation costs		12,273	-	12,273	49,092	-	49,092
Stock-based compensation	(8ii)	10,182	(2,258)	7,924	41,414	(19,493)	21,921
Transfer agent and filing fees		11,253	-	11,253	16,016	-	16,016
Travel and related costs		-	-	-	9,069	-	9,069
		(165,395)	2,258	(163,137)	(960,383)	19,493	(940,890)
Income before other items		205,395	29,912	235,307	239,346	86,674	326,020
OTHER ITEMS							
Interest and other income		5,564	-	5,564	18,973	-	18,973
Lease income		-	-	-	201,096	-	201,096
Write-off of exploration and evaluation assets		-	-	-	(491,033)	(144,349)	(635,382)
Total other items		5,564	-	5,564	(270,964)	(144,349)	(415,313)
Income before income taxes		210,959	-	240,871	(31,698)	(57,675)	(89,293)
Income tax recovery (expense)							
Future income tax recovery		16,993	-	16,993	120,841	-	120,841
Income tax expense		(76,615)	-	(76,615)	(142,331)	-	(142,331)
Total income tax expense		(59,622)	-	(59,622)	(21,490)	-	(21,490)
Income (loss) and comprehensive loss for the period		$ 151,337	$ 29,912	$ 181,249	$ (53,108)	$ (57,675)	$ (110,783)

18. RECONCILIATION OF CANADIAN GAAP TO IFRS (cont'd…)

The guidance for the first time adoption of IFRS are set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for the first time adopters of IFRS. The Company has elected to take the following IFRS 1 optional exemptions:

i) Business combinations

IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its Transition Date and such business combinations have not been restated.

ii) Share-based payments

IFRS 2, Share-based Payments, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to take the exemption available under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by the Transition Date.

As a result, the Company decreased stock based compensation expense by $2,258 for the period ended February 28, 2011 and decreased stock based compensation expense by $19,493 for the year ended November 30, 2011.

iii) Reclassification of share-based reserve

The Company reclassified from equity reserves lapse of brokers/agents warrants that were not exercised of $10,184 for December 1, 2010, February 28, 2011 and November 30, 2011 to share capital and lapse of stock options that were not exercised in the amount of $14,797, $14,797 and $16,531 for December 1, 2010, February 28, 2011 and November 30, 2011 respectively to deficit.

iv) Oil and gas entities

The Company elected an IFRS 1 exemption whereby the Canadian GAAP full cost pool was measured upon transition to IFRS as follows:

a) Exploration and evaluation assets were reclassified from full cost pool to exploration and evaluation assets at the amount it was recorded under Canadian GAAP; and

b) The remaining full cost pool was allocated to the respective CGU's and components in property, plant and equipment pro rata using reserve values.

As a result, the Company reclassified $235,354 of exploration and evaluation assets to property plant and equipment as of transition date.

18. RECONCILIATION OF CANADIAN GAAP TO IFRS (cont'd…)

v) Decommissioning liabilities

Disclosed as asset retirement obligations under Canadian GAAP, calculated using a risk-free discount rate under IFRS resulted in an increase of $18,664 to decommissioning liabilities at transition date.

vi) Depletion and depreciation expense

Under IFRS the Company has chosen to calculate depletion expense based on proved plus probable reserves as compared with proved reserves under previous Canadian GAAP. This has resulted in a decrease of depletion provision with an offsetting increase to property, plant and equipment of $65,658.

Additionally, in accordance with IFRS 1, an entity's estimates under IFRS at the date of IFRS must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of December 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

There were no significant differences between IFRS and GAAP in connection with the Company's statements of cash flows for the period ended February 28, 2011 and the year ended November 30, 2011.

19. SUBSEQUENT EVENTS

Subsequent to the period ended February, 29, 2012, the Company,

a) entered into an assignment and assumption agreement (the "Assignment Agreement") with a corporation controlled by an insider of the Corporation (the "Assignor"), whereby the Assignor has agreed to assign to the Corporation all of its right and interest in an offer to purchase and interim agreement (the "Offer to Purchase") between the Assignor, as purchaser, and a third party who is arm's length party to the Corporation (the "Vendor"), as vendor. The Offer to Purchase is in respect of the acquisition of certain lands and premises located in the Municipal District of Rocky View No. 44, in the Province of Alberta, consisting of approximately 15.78 acres, excepting thereout all mines and minerals (the "Lands") for an aggregate purchase price of $3,975,000 (the "Purchase Price").

   Pursuant to the Assignment Agreement, the Company has paid an aggregate of $375,000 which is non-refundable. Closing is anticipated to occur on or about June 30, 2012 at which time the remaining $3,600,000 of the Purchase Price is due. Closing is subject to receipt of all necessary regulatory approvals, including the approval of the TSX Venture Exchange.