COBRA VENTURE CORPORATION

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

FOR THE NINE MONTHS ENDED AUGUST 31, 2013

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 period ended August 31, 2013.

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

	Notes	August 31, 2013	November 30, 2012 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		$ 833,515	$ 2,681,566
Receivables	3	35,335	51,511
Prepaid expenses		72,890	37,567
Income taxes receivable		149,684	-
Total current assets		1,091,424	2,770,644
Non-current assets			
Investment	4	435,000	308,125
Property and equipment	5	4,197,125	4,204,457
Exploration and evaluation assets	6	250,860	-
Total non-current assets		4,882,985	4,512,582
Total assets		$ 5,974,409	$ 7,283,226
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	7	$ 78,151	$ 117,929
Income taxes payable		-	1,072,719
Total current liabilities		78,151	1,190,648
Non-current liabilities			
Decommissioning liabilities	8	51,093	37,234
Deferred tax liability	12	51,626	36,166
Total non-current liabilities		102,719	73,400
Total liabilities		180,870	1,264,048
Equity			
Capital stock	9	3,579,953	3,579,953
Reserves	10	251,353	373,679
Accumulated other comprehensive income		161,240	50,859
Retained earnings		1,800,993	2,014,687
Total equity		5,793,539	6,019,178
Total liabilities and equity		$ 5,974,409	$ 7,283,226

Approved on October 30, 2013 on behalf of the Board:

"Daniel B. Evans" Director
Daniel B. Evans

"Cyrus Driver" Director
Cyrus Driver

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

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

	Notes	Three Months Ended August 31, 2013	Three Months Ended August 31, 2012	Nine Months Ended August 31, 2013	Nine Months Ended August 31, 2012
OIL AND GAS REVENUES					
Production revenue		$ 23,164	$ 47,651	$ 62,910	$ 174,700
DIRECT COSTS					
Production and operation costs		7,193	17,516	30,983	56,921
Royalties		-	1,393	-	8,612
Depletion	5	5,303	4,974	8,991	31,499
Accretion	8	251	289	751	867
		(12,747)	(24,172)	(40,725)	(97,899)
Gross profit		10,417	23,479	22,185	76,801
EXPENSES					
Amortization	5	409	168	1,218	1,180
Consulting fees		(44,856)	25,087	5,816	54,895
Corporate services		3,600	3,600	10,800	10,800
Management fees	11	70,000	67,000	210,000	201,000
Media and website		5,649	5,675	15,549	22,334
Office and miscellaneous		(1,183)	11,684	67,967	53,373
Professional fees	11	56,208	69,292	139,996	223,948
Property investigation costs		2,335	-	2,335	3,071
Rent	11	13,131	12,640	32,179	40,726
Share-based payments	10	1,531	8,866	9,188	19,455
Transfer agent and filing fees		3,443	2,951	12,931	24,620
Travel and promotion		-	3,299	-	8,989
		(110,267)	(210,262)	(507,979)	(664,391)
Loss before other item		(99,850)	(186,783)	(485,794)	(587,590)
OTHER ITEM					
Interest income		1,264	21,265	10,266	59,774
Loss before income taxes from continuing operations		(98,586)	(165,518)	(475,528)	(527,816)
INCOME TAXES					
Deferred tax recovery	12	1,618	99,258	1,034	19,889
Income tax recovery (expense)	12	25,009	(60,095)	129,286	189,864
Total income tax recovery		26,627	39,163	130,320	209,753
Loss after income taxes from continuing operations		(71,959)	(126,355)	(345,208)	(318,063)
Income after income taxes from discontinued operations	14	-	-	-	3,890,071
Income (loss) for the period		$ (71,959)	$ (126,355)	$ (345,208)	$ 3,572,008
Basic and fully diluted income (loss) per common share from:					
Continuing operations		$ (0.00)	$ (0.01)	$ (0.02)	$ (0.02)
Discontinued operations		$ -	$ -	$ -	$ 0.24
Weighted average number of common shares outstanding		15,903,748	15,833,748	15,903,748	16,250,323

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	Three Months Ended August 31, 2013	Three Months Ended August 31, 2012	Nine Months Ended August 31, 2013	Nine Months Ended August 31, 2012
Income (loss) for the period		$ (71,959)	$ (126,335)	$ (345,208)	$ 3,572,008
Other comprehensive income (loss)					
Unrealized gain (loss) on available-for-sale investments net of tax expense of $16,494 (2012 – recovery of $90,625)	4	110,381	(63,437)	110,381	(634,375)
Comprehensive income (loss)		$ 38,422	$ (189,792)	$ (234,827)	$ 2,937,633

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	Nine Months Ended August 31, 2013	Nine Months Ended August 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period from continuing operations		$ (345,208)	$ (318,063)
Items not affecting cash:			
Accretion	8	751	867
Amortization	5	1,218	1,180
Depletion	5	8,991	31,499
Share-based payments	10	9,188	19,455
Deferred tax recovery		(1,034)	(19,889)
Interest income		(10,266)	(59,774)
Changes in non-cash working capital items:			
Decrease in receivables		5,616	267,018
Increase in prepaid expenses		(35,323)	(940)
Decrease in accounts payable and accrued liabilities		(39,778)	(210,327)
Increase in income taxes receivable		(149,684)	-
Decrease in income taxes payable		(1,072,719)	(78,508)
Net cash flows used in operating activities – continuing operations		(1,628,248)	(367,482)
Net cash flows provided by operating activities – discontinued operations		-	90,306
Net cash flows used in operating activities		(1,628,248)	(277,176)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		20,826	46,863
Acquisition of property and equipment		(2,877)	(4,068,006)
Exploration and evaluation expenditures		(237,752)	-
Net cash flows used in investing activities – continuing operations		(219,803)	(4,021,143)
Net cash flows provided by investing activities – discontinued operations		-	4,637,267
Net cash flows provided by (used in) investing activities		(219,803)	616,124
Change in cash and cash equivalents during the period		(1,848,051)	338,948
Cash and cash equivalents, beginning of period		2,681,566	2,535,774
Cash and cash equivalents, end of period		$ 833,515	$ 2,874,722
Cash and cash equivalents consist of:			
Cash		$ 467,961	$ 2,707,084
Cash equivalents		365,554	167,638
		$ 833,515	$ 2,874,722
Cash paid for interest		$ -	$ -
Cash paid for income taxes		$ 1,123,284	$ 65,356

Supplemental disclosure with respect to cash flows (Note 13)

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	Treasury stock	Reserves	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Total equity
Balance at November 30, 2011		17,740,748	$ 4,127,937	$ (17,884)	$ 345,722	$ 574,219	$(1,251,391)	$ 3,778,603
Cancellation of 70,000 treasury shares	9	(70,000)	(17,884)	17,884	-	-	-	-
Repurchase and cancellation of 1,767,000 treasury shares	9	(1,767,000)	(530,100)	-	-	-	-	(530,100)
Share-based payments	10	-	-	-	19,455	-	-	19,455
Unrealized loss on available-for-sale investments	4	-	-	-	-	(634,375)	-	(634,375)
Income for the period		-	-	-	-	-	3,572,008	3,572,008
Balance at August 31, 2012		15,903,748	$ 3,579,953	$ -	$ 365,177	$ (60,156)	$ 2,320,617	$ 6,205,591
Balance at November 30, 2012		15,903,748	$ 3,579,953	$ -	$ 373,679	$ 50,859	$ 2,014,687	$ 6,019,178
Stock options expired	10	-	-	-	(131,514)	-	131,514	-
Share-based payments	10	-	-	-	9,188	-	-	9,188
Unrealized gain on available-for-sale investments	4	-	-	-	-	110,381	-	110,381
Loss for the period		-	-	-	-	-	(345,208)	(345,208)
Balance at August 31, 2013		15,903,748	$ 3,579,953	$ -	$ 251,353	$ 161,240	$ 1,800,993	$ 5,793,539

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

(Expressed in Canadian Dollars)

1. NATURE, CONTINUANCE OF OPERATIONS

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

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

	August 31, 2013	November 30, 2012
Working capital	$ 1,013,273	$ 1,579,996
Retained earnings	1,800,993	2,014,687

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 August 31, 2013, are not necessarily indicative of future results.

The accounting policies applied by the Company in these condensed interim financial statements other than as noted in Note 2 (d) are the same as those applied by the Company in its most recent annual financial statements as at and for the year ended November 30, 2012 as filed on SEDAR at www.sedar.com.

b) Basis of presentation

The condensed interim financial statements have been prepared on historical cost basis, except for certain financial instruments which are stated at their fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd….)

c) Significant accounting judgments and critical accounting estimates

The preparation of these condensed interim financial statements in conformity with IFRS requires estimates and assumptions that affect the amounts reported in these condensed interim 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 condensed interim financial statements include, but are not limited to, the following:

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

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

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

Critical accounting estimates

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

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

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

Impairment indicators and calculation of impairment – At each reporting date, the Company assesses whether or not there are circumstances that indicate a possibility that the carrying values of exploration and evaluation assets and property, plant 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, plant and equipment are tested for impairment by comparing the carrying values to their recoverable amounts. The recoverable amounts of cash generating units are determined based on the higher of value-in-use calculations and fair value less costs to sell. These calculations require the use of estimates and assumptions, that are subject to change as new information becomes available including information on future commodity prices, expected production volumes, quantities of reserves, discount rates, future development costs and operating costs.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd….)

c) Significant accounting judgments and critical accounting estimates (cont'd…)

Critical accounting estimates (cont'd)

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 condensed interim 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 condensed interim 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.

d) New accounting pronouncements

The Company has not yet applied the following new or revised standards that have been issued but are not yet effective at August 31, 2013.

i) Effective for annual periods beginning on or after January 1, 2013

- New standard IFRS 10, *Consolidated Financial Statements*
- New standard IFRS 11, *Joint Arrangements*
- New standard IFRS 12, *Disclosure of Interests in Other Entities*
- New standard IFRS 13, *Fair Value Measurement*
- Reissued IAS 27, *Separate Financial Statements*
- Reissued IAS 28, *Investments in Associates and Joint Ventures*

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

- Amended IAS 32, Financial Instruments: *Presentation*

iii) Effective for annual periods beginning on or after January 1, 2015

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

The Company plans to adopt these standards as soon as they become effective for the Company's reporting period and is currently assessing the impact that these standards will have on the Company's condensed interim financial statements.

Expressed in Canadian Dollars)

3. RECEIVABLES

The Company's receivables are as follows:

	August 31, 2013	November 30, 2012
Trade receivables	$ 15,663	$ 20,010
Interest receivable	2,188	12,748
HST receivable	17,484	18,753
	$ 35,335	$ 51,511

4. INVESTMENT

	August 31, 2013	November 30, 2012
Shares in Zodiac Exploration Corp.	$ 435,000	$ 308,125

As of August 31, 2013, the Company has 3,625,000 (November 30, 2012 – 3,625,000) shares of Zodiac Exploration Corp., classified as an available-for-sale investment.

During the period ended August 31, 2013, the Company recorded an unrealized gain of $110,381 (2012 – loss of $634,375) to adjust the shares to market value, net of tax expense $16,494 (2012 – recovery $90,625) as other comprehensive income or loss.

5. PROPERTY AND EQUIPMENT

	Oil and Gas Properties	Computer Equipment	Land	Total Property and Equipment
Cost				
Balance, November 30, 2011	$ 396,667	$ 14,976	$ -	$ 411,643
Additions	53,999	4,520	4,021,876	4,080,395
Disposition	(70,183)	-	-	(70,183)
Balance, November 30, 2012	380,483	19,496	4,021,876	4,421,855
Additions	2,877	-	-	2,877
Balance, August 31, 2013	$ 383,360	$ 19,496	$ 4,021,876	$ 4,424,732
Accumulated amortization and depletion				
Balance, November 30, 2011	$ 120,560	$ 12,746	$ -	$ 133,306
Amortization and depletion	82,745	1,347	-	84,092
Balance, November 30, 2012	203,305	14,093	-	217,398
Amortization and depletion	8,991	1,218	-	10,209
Balance, August 31, 2013	$ 212,296	$ 15,311	$ -	$ 227,607
Carrying amounts				
As at November 30, 2012	$ 177,178	$ 5,403	$ 4,021,876	$ 4,204,457
As at August 31, 2013	$ 171,064	$ 4,185	$ 4,021,876	$ 4,197,125

5. PROPERTY AND EQUIPMENT (cont'd…)

Land

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

Oil and gas properties

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:

1) 27% net working interest by paying 45% of all costs associated with the drilling program; and

2) 40% net working interest in the prospect area comprised of seven sections or approximately 4,480 acres.

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%.

As at November 30, 2012, the Company entered into a Quitclaim, Surrender and Assignment of Interest Agreement with West Isle Energy Inc. according to which the Company agreed to dispose of all of its rights, interests and obligations in the Pembina area and make a one-time payment of $7,955 (paid), and consequently, recorded a write-down of petroleum and natural gas interests of $23,706 net of recovery of decommissioning liabilities for $10,208 (Note 8).

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.

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT (cont'd…)

Oil and gas properties (cont'd…)

Willesden Green area, Alberta (cont'd...)

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 August 31, 2013, the Company received $16,254 (2012 - $78,065) 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 August 31, 2013, the Company received $46,656 (2012 - $94,218) in production revenue.

6. EXPLORATION AND EVALUATION ASSETS

	Hayter area, Alberta	Gull Lake, Saskatchewan	Total
Balance, November 30, 2011 and 2012	$ -	$ -	$ -
Drilling and completion	24,594	193,600	218,194
Geological and other consulting	19,558	-	19,558
Provisions of decommissioning liabilities (Note 8)	9,103	4,005	13,108
Balance, August 31, 2013	$ 53,255	$ 197,605	$ 250,860

Hayter area, Alberta

During the period ended August 31, 2013, the Company entered into a Participation Agreement whereby the Company is granted the right to participate in a governing Joint Operating Agreement ("JOA") to earn a working interest in two wells ("Existing Wells") located in the Hayter area of Alberta. The Company had the right to earn 25.3333% working interest (after payout) and 33.3333% working interest (before payout) upon paying 33.3333% cost to abandon and recomplete the Existing Wells ("payout"). The Company also agreed to:

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

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

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

Any new wells drilled under the JOA shall be shared on the after payout interest of the Company for 25.3333%. Should the Existing Wells not be perforated in a zone shallower than the Dina formation on or before January 30, 2014, the Company may have the $17,500 payment refunded (in full with no interest) within 10 business days after January 30, 2014, and in such event and upon the Company been fully reimbursed, the Participation Agreement is terminated.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Gull Lake, Saskatchewan

During the period ended August 31, 2013, the Company entered into a Participation Agreement whereby the Company (and two other arm's length companies) is granted the right to equally participate to drill and complete up to 4 initial test wells (each "Test Well") located in Gull Lake, Saskatchewan. Under the agreement, the Company had to pay 29.33% of the drilling costs of each Test Well to earn a net working interest of 14.665% in each well. Based on all 4 Test Wells being drilled, the Company's net earned position would be equal to 14.665% of 1640 acres.

As at August 31, 2013, the Company had started drilling the first Test Well.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

		August 31, 2013		November 30, 2012
Trade payables	$	9,051	$	21,494
Due to related parties (Note 11)		47,108		60,435
Accrued liabilities		21,000		36,000
Total	$	77,159	$	117,929

8. DECOMMISSIONING LIABILITIES

		Amounts
Balance, November 30, 2011	$	46,286
Accretion		1,156
Property disposition (Note 5)		(10,208)
Balance, November 30, 2012		37,234
Addition (Note 6)		13,108
Accretion		751
Balance, August 31, 2013	$	51,093

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 $82,354. The estimated cash flow has been discounted using a risk free rate of 2.61% and 3.07% (November 30, 2012 – 2.69%). The estimated settlement ranges from ten years to a maximum of twenty years.

(Expressed in Canadian Dollars)

9. CAPITAL STOCK

Authorized:

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

During the period ended August 31, 2013, the Company did not have any share activities.

During the period ended August 31, 2012, the Company:

i) cancelled 70,000 common shares of the Company held in treasury 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 of its remaining freehold petroleum and natural gas royalty interest in the Viewfield area (Note 14).

10. RESERVES

Stock options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 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 August 31, 2013 is as follows:

Expiry Date	Exercise Price	November 30, 2012	Granted	Expired/ cancelled	Exercised	August 31, 2013	Exercisable
December 18, 2012	0.34	500,000	-	(500,000)	-	-	-
April 3, 2014	0.16	1,050,000	-	-	-	1,050,000	1,050,000
May 27, 2015	0.17	600,000	-	-	-	600,000	600,000
May 25, 2017	0.24	225,000	-	-	-	225,000	168,750
Total		2,375,000	-	(500,000)	-	1,875,000	1,818,750
Weighted average exercise price		0.21	-	0.34	-	0.17	0.17
Weighted average remaining contractual life						1.59 years	

(Expressed in Canadian Dollars)

10. RESERVES (cont'd…)

Share-based payments

During the period ended August 31, 2013, the Company granted Nil (2012 - 225,000) stock options with a fair value calculated using the Black-Scholes option pricing model of $Nil (2012 - $38,576). The fair value of stock options previously granted and vested during the period ended August 31, 2013 and recognized as share-based payments expense was $9,188 (2012 - $19,455).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period ended:

	August 31, 2013	August 31, 2012
Risk-free interest rate	-	1.31%
Expected life of options	-	4.25 years
Annualized volatility	-	102%
Dividend rate	-	0%
Forfeiture rate	-	0%
Stock price at date of grant	-	0.24

11. RELATED PARTY TRANSACTIONS

Amounts paid or accrued to related parties are as follows:

Paid to:	Nature of transactions	Nine Months Ended August 31, 2013	Nine Months Ended August 31, 2012
a limited partnership of which a Director is a partner	Rent	$ 32,179	$ 40,726
a firm of which a Director is a partner	Accounting	94,125	107,020
a firm of which the Corporate Secretary is a partner	Legal	14,277	96,377
		$ 140,581	$ 244,123

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS (cont'd)

Key management compensations are as follows:

Paid to:	Nature of transactions		Nine Months Ended August 31, 2013		Nine Months Ended August 31, 2012
Salaries and benefits[(i)]	Management	$	45,000	$	36,000
A company owned by a Director and Officer	Management		165,000		165,000
Share-based payments[(ii)]			9,188		19,455
		$	219,188	$	220,455

(i) There were no post-employment benefits, termination benefits, or other long-term employment benefits paid to key management in either 2013 or 2012.

(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:

		August 31, 2013		November 30, 2012
A firm of which a Director is a partner	$	28,775	$	49,560
A firm of which the Corporate Secretary is a partner		-		244
A company owned by a Director and Officer		18,333		10,631
	$	47,108	$	60,435

(Expressed in Canadian Dollars)

12. INCOME TAXES

A reconciliation of income taxes for the period ended August 31, 2013, at statutory rates with reported taxes is as follows:

		August 31, 2013		August 31, 2012
Loss before income taxes from continuing operations	$	(475,528)	$	(527,816)
Combined federal and provincial tax rate		26.00%		25.00%
Income tax recovery at statutory rates	$	(123,637)	$	(131,954)
Effect of tax rate change		(1,816)		-
Non-deductible items		3,358		(4,689)
Tax amounts not recognized		(8,225)		(73,110)
Total income tax recovery	$	(130,320)	$	(209,753)
Current income tax recovery	$	(129,286)	$	(189,864)
Deferred tax recovery	$	(1,034)	$	(19,889)

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

		August 31, 2013		November 30, 2012
Deferred tax assets (liabilities):				
Investments	$	(24,050)	$	(7,266)
Decommissioning liabilities		9,876		9,309
Share issuance costs and cumulative eligible cost		925		1,244
Property and equipment		(38,377)		(39,453)
Net deferred tax liabilities	$	(51,626)	$	(36,166)

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the period ended August 31, 2013, the Company included:

i) $131,514 fair value of 500,000 expired stock options in deficit (Note 10); and

ii) $13,108 of provisions of decommissioning liabilities in exploration and evaluation assets.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd)

During the period ended August 31, 2012, the Company included:

i) $2,821 of exploration and evaluation expenditures in accounts payable and accrued liabilities;

ii) $17,884 reduction in equity for cancellation of treasury stock; and

iii) $530,100 fair value of shares received from the sale of the Company's remaining freehold petroleum and natural gas royalty interest in the Viewfield area (Note 14).

14. DISCONTINUED OPERATIONS

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 year ended November 30, 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 with a fair price of $0.30 for a total value of $530,100 returned to treasury and cancelled (Note 9).

The Company recorded a gain of $5,148,348 after closing adjustments of $46,362 in connection with the sale.

The Company has accounted for the financial results associated with the assets as discontinued operation in these condensed interim financial statements and has reclassified the related accounts for the comparative period. Income and cash flows for the operation are reported separately in the condensed interim financial statements in accordance with IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*. There were no assets and liabilities for the discontinued operation as at the reporting date.

(Expressed in Canadian Dollars)

14. DISCONTINUED OPERATIONS (cont'd)

Results of discontinued operations comprise the following:

	Nine Months Ended August 31, 2013	Nine Months Ended August 31, 2012
Revenues	$ -	$ 90,335
Direct costs	-	(29)
Income before other item	-	90,306
Gain on sale of property and equipment	-	5,167,368
Income before income taxes	-	5,257,674
Income tax expense	-	(1,367,603)
Income after taxes from discontinued operations	$ -	$ 3,890,071

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

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.

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 August 31, 2013, the Company had a cash and cash equivalents balance of $833,515 (November 30, 2012 - $2,681,566) to settle current liabilities of $78,151 (November 30, 2012 - $1,190,648). 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 $300,000 (November 30, 2012 - $1,750,000) at interest rates of prime less 1.75% (November 30, 2012 - at an interest rate of prime less 1.80% and prime less 2.05%). Since the GIC's are cashable anytime, the Company believes it is not exposed to significant interest rate risk.

a) *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.

b) *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.

16. SEGMENTED INFORMATION

The Company operates in one business segment, being the exploration and development of oil and 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. capital stock, treasury stock, reserves, accumulated other comprehensive income or loss and retained earnings or deficit).

17. CAPITAL MANAGEMENT (cont'd)

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

There were no changes in the Company's approach to capital management during the period ended August 31, 2013.