

COBRA VENTURE CORPORATION

**INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)**

SIX MONTHS ENDED MAY 31, 2010

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 financial statements for the six month period ended May 31, 2010.

COBRA VENTURE CORPORATION
BALANCE SHEETS
(Unaudited – Prepared by Management)

	May 31, 2010	November 30, 2009
ASSETS		
Current		
Cash and cash equivalents	\$ 1,794,628	\$ 1,027,611
Receivables	400,298	311,197
Prepaid expenses	<u>25,449</u>	<u>28,535</u>
	2,220,375	1,367,343
Investment (Note 4)	250,000	250,000
Equipment (Note 5)	3,723	2,922
Petroleum and natural gas interests (Note 6)	<u>1,053,776</u>	<u>1,261,191</u>
	<u>\$ 3,527,874</u>	<u>\$ 2,881,456</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 79,421	\$ 120,137
Income taxes payable	<u>170,642</u>	<u>29,779</u>
	250,063	149,916
Asset retirement obligation (Note 7)	22,274	18,476
Future income taxes	<u>250,600</u>	<u>300,500</u>
	<u>522,937</u>	<u>468,892</u>
Shareholders' equity		
Capital stock (Note 8)	3,616,027	3,616,027
Contributed surplus (Note 8)	352,934	307,704
Deficit	<u>(964,024)</u>	<u>(1,511,167)</u>
	<u>3,004,937</u>	<u>2,412,564</u>
	<u>\$ 3,527,874</u>	<u>\$ 2,881,456</u>
Nature and continuance of operations (Note 2)		
Subsequent event (Note 15)		

On behalf of the Board:

"Daniel B Evans"

Director

"Cyrus Driver"

Director

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

COBRA VENTURE CORPORATION
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) AND DEFICIT
(Unaudited – Prepared by Management)

	Three Month Period Ended May 31, 2010	Three Month Period Ended May 31, 2009	Six Month Period Ended May 31, 2010	Six Month Period Ended May 31, 2009
OIL AND GAS REVENUES				
Production revenue	\$ 3,971	\$ 21,227	\$ 19,012	\$ 35,629
Royalty revenue	<u>564,575</u>	<u>67,188</u>	<u>1,087,361</u>	<u>136,852</u>
	<u>568,546</u>	<u>88,415</u>	<u>1,106,373</u>	<u>172,481</u>
DIRECT COSTS				
Production and operation costs	4,416	10,449	8,231	10,657
Royalties	27	3,413	2,170	3,413
Depletion (cost recovery)	<u>(78,791)</u>	<u>49,400</u>	<u>13,571</u>	<u>75,000</u>
	<u>(74,348)</u>	<u>63,262</u>	<u>23,972</u>	<u>89,070</u>
Gross profit	<u>642,894</u>	<u>25,153</u>	<u>1,082,401</u>	<u>83,411</u>
EXPENSES				
Accretion expense	2,727	419	3,798	838
Amortization	320	313	539	626
Consulting fees	8,966	6,805	29,312	21,514
Corporate services	3,600	3,600	7,200	7,200
Management fees	103,000	65,000	143,000	103,000
Media and website	5,975	4,129	8,925	10,236
Office and miscellaneous	6,730	22,230	9,329	23,522
Professional fees	51,635	53,735	78,982	106,647
Rent	12,273	14,569	33,259	29,138
Stock-based compensation (Note 9)	22,615	36,536	45,230	58,815
Transfer agent and regulatory fees	3,930	332	9,672	7,274
Travel and promotion	<u>5,614</u>	<u>-</u>	<u>8,925</u>	<u>4,216</u>
	<u>(227,385)</u>	<u>(207,668)</u>	<u>(378,171)</u>	<u>(373,026)</u>
Income (loss) before other items	<u>415,509</u>	<u>(182,515)</u>	<u>704,230</u>	<u>(289,615)</u>
OTHER ITEMS				
Interest income	<u>1,589</u>	<u>957</u>	<u>2,477</u>	<u>12,886</u>
Income (loss) before income taxes	417,098	(181,558)	706,707	(276,729)
Future income tax recovery	27,600	-	49,900	-
Income tax expense	<u>(89,974)</u>	<u>(113)</u>	<u>(209,464)</u>	<u>(113)</u>
Net comprehensive income (loss) for the period	354,724	(181,671)	547,143	(276,842)
Deficit, beginning of period	<u>(1,318,748)</u>	<u>(1,610,357)</u>	<u>(1,511,167)</u>	<u>(1,515,186)</u>
Deficit, end of period	\$ (964,024)	\$ (1,792,028)	\$ (964,024)	\$ (1,792,028)
Basic and diluted income (loss) per share	\$ 0.02	\$ (0.01)	\$ 0.04	\$ (0.02)

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

COBRA VENTURE CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

	Three Month Period Ended May 31, 2010	Three Month Period Ended May 31, 2009	Six Month Period Ended May 31, 2010	Six Month Period Ended May 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) for the period	\$ 354,724	\$ (181,671)	\$ 547,143	\$ (276,842)
Items not involving cash:				
Accretion	2,727	419	3,798	838
Amortization	320	313	539	626
Depletion	(78,791)	49,400	13,571	75,000
Stock-based compensation	22,615	36,536	45,230	58,815
Future income tax recovery	(27,600)	-	(49,900)	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	141,078	(22,235)	(89,101)	105,335
(Increase) decrease in prepaid expenses	734	(158)	3,086	691
Decrease in accounts payable and accrued liabilities	887	(64,265)	(39,466)	(87,001)
Increase in income tax payable (receivable)	<u>78,375</u>	<u>-</u>	<u>140,863</u>	<u>(44,820)</u>
Cash provided by (used in) operating activities	<u>495,069</u>	<u>(181,661)</u>	<u>575,763</u>	<u>(167,358)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Petroleum and natural gas expenditures (recovery)	186,378	(1,753)	192,594	(900,888)
Purchase of equipment	<u>(1,340)</u>	<u>-</u>	<u>(1,340)</u>	<u>-</u>
Cash provided by (used in) investing activities	<u>185,038</u>	<u>(1,753)</u>	<u>191,254</u>	<u>(900,888)</u>
Change in cash and cash equivalents	680,107	(183,414)	767,017	(1,068,246)
Cash and cash equivalents, beginning of period	<u>1,114,521</u>	<u>900,068</u>	<u>1,027,611</u>	<u>1,784,900</u>
Cash and cash equivalents, end of period	\$ <u>1,794,628</u>	\$ <u>716,654</u>	\$ <u>1,794,628</u>	\$ <u>716,654</u>
Cash and cash equivalents consists of:				
Cash	\$ 794,628	\$ 316,654	\$ 794,628	\$ 316,654
Cash equivalents	<u>1,000,000</u>	<u>400,000</u>	<u>1,000,000</u>	<u>400,000</u>
Cash paid for interest	\$ -	\$ -	\$ -	\$ -
Cash paid for income taxes	<u>13,038</u>	<u>113</u>	<u>13,038</u>	<u>113</u>

Supplemental disclosure with respect to cash flows (Note 11)

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

COBRA VENTURE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
MAY 31, 2010

1. BASIS OF PRESENTATION

The interim period financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements except as disclosed in Note 3. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the audited financial statements and the accompanying notes included in the Company's latest annual filing. In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

2. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the Business Corporation Act (Alberta) on August 18, 1998 and its principal business activity is the exploration and development of petroleum and natural gas interests.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future. These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the company be unable to continue business.

	May 31, 2010	November 30, 2009
Working capital	\$ 1,970,312	\$ 1,217,427
Deficit	(964,024)	(1,511,167)

3. SIGNIFICANT ACCOUNTING POLICIES

Change in accounting policies

Business combinations

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-Controlling Interests", which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Company's interim and annual financial statements for its fiscal year beginning on or after January 1, 2011. Early adoption of these Sections is permitted, although all three Sections must be adopted concurrently. Effective December 1, 2009 the Company early adopted these three sections and does not consider the impact on the financial statements to be significant.

COBRA VENTURE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
MAY 31, 2010

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Recent accounting pronouncements

International financial reporting standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of December 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4. INVESTMENT

	May 31, 2010	November 30, 2009
Shares in a private company (measured at cost)	\$ 250,000	\$ 250,000

The Company holds 2,500,000 common shares of a private company (November 30, 2009 – 2,500,000) representing a 3.2% (November 30, 2009 – 3.2%) interest in that company, which is related by virtue of a common director. The shares are being carried at cost because, without an active market for shares of a private company, fair value cannot be measured reliably.

5. EQUIPMENT

	May 31, 2010			November 30, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer hardware	\$ 14,976	\$ 11,253	\$ 3,723	\$ 13,636	\$ 10,714	\$ 2,922

COBRA VENTURE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
MAY 31, 2010

6. PETROLEUM AND NATURAL GAS INTERESTS

Petroleum and natural gas interests consist of the following:

	May 31, 2010	November 30, 2009
Proven petroleum and natural gas properties subject to depletion, opening balance	\$ 452,663	\$ 911,926
Cost recovery and sale of leased land	<u>(356,915)</u>	<u>(459,263)</u>
Proven petroleum and natural gas properties subject to depletion, ending balance	95,748	452,663
Unproven petroleum and natural gas properties not subject to depletion	<u>1,155,436</u>	<u>992,365</u>
	1,251,184	1,445,028
Accumulated depletion	<u>(197,408)</u>	<u>(183,837)</u>
	<u>\$ 1,053,776</u>	<u>\$ 1,261,191</u>

The Company's reserves are estimated and assessed by a qualified, independent petroleum engineer. At May 31, 2010, petroleum and natural gas properties included \$1,155,436 (2009 - \$992,365) relating to unproved properties which have been excluded from the depletion calculation. No general and administrative costs were capitalized during the six month period (2009 - \$Nil). The Company applied the ceiling test to its capitalized assets at May 31, 2010 and determined that no write-down of capitalized costs was required.

Viewfield area, Saskatchewan

On October 10, 2002, the Company completed an agreement for the purchase of petroleum and natural gas assets ("Assets") from Charter Oil Corporation ("Charter"). The petroleum and natural gas assets consisted of an approximate 90% net working interest in 2,880 freehold acres in the Viewfield region of southeast Saskatchewan. In consideration of the acquisition of the Assets from Charter, the Company paid cash consideration 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.

The Company entered into several leases on portions of the Company's freehold acreage in the Viewfield area, Saskatchewan. These leases have terms varying from six months to two years. The Company is currently receiving fee simple royalty and rental revenue from 3 wells drilled in 2004.

On May 27, 2005, the Company entered into a sale agreement, for the sale of non-producing acres situated in the Province of Saskatchewan for a total purchase price of \$1.45 million. The transaction closed June 6, 2005, and the Company received the funds on July 15, 2005. The sale of the freehold properties represented approximately 39 percent of the Company's non-producing Saskatchewan landholdings.

During the year ended November 30, 2007, the Company entered into a multi-well farmout with a privately owned, Calgary based oil exploration company Acero Energy Inc. ("Acero"). The Company has an average 75% working interest in all of the combined lands in the farmout, and has negotiated a gross overriding royalty of 16% with no deductions on all production achieved on the subject lands.

6. PETROLEUM AND NATURAL GAS INTERESTS (cont'd...)

Viewfield area, Saskatchewan (cont'd...)

During the year ended November 30, 2008, the Company sold 480 acres of 640 acres in the Province of Saskatchewan for a total purchase price of \$790,000, resulting in a gain of \$330,737.

During the year ended November 30, 2009, the Company completed drilling two horizontal wells and has retained a 20% overriding royalty interest in these wells.

During the six months ended May 31, 2010, the Company completed drilling four horizontal wells and has retained a 20% overriding royalty interest in these wells. Additional horizontal wells are possible and would be completed under the terms of the same agreement.

During the six months ended May 31, 2010, the Company received \$1,087,361 (2009 - \$136,852) in royalty revenue.

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.

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% working interest in two natural gas wells 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.

During the six months ended May 31, 2010, the Company received \$19,012 (2009 - \$35,629) in production revenue.

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.

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.

The Company acquired an 80% working interest in an oil well located in the Willesden Green area which is subject to applicable royalties. The Company has entered into a multi-well farm in 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 equip and tie-in the well to earn 50% of the Company's interest being a 40% working interest.

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.

COBRA VENTURE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
MAY 31, 2010

6. PETROLEUM AND NATURAL GAS INTERESTS (cont'd...)

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.

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%.

7. ASSET RETIREMENT OBLIGATION

	May 31, 2010	November 30, 2009
Balance, beginning of period	\$ 18,476	\$ 16,800
Accretion	<u>3,798</u>	<u>1,676</u>
Balance, end of period	<u>\$ 22,274</u>	<u>\$ 18,476</u>

The total future asset retirement obligations were 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 \$90,000. The estimated cash flow has been discounted using a credit-adjusted risk free rate of 10%. The estimated settlement ranges to a maximum of fifteen years.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Authorized:

Unlimited number of common voting shares

Unlimited number of preferred shares, issuable in series

Issued:

	May 31, 2010			November 30, 2009		
	Shares	Amounts	Contributed Surplus	Shares	Amounts	Contributed Surplus
Balance, beginning of period	14,940,750	\$ 3,616,027	\$ 307,704	14,94,750	\$ 3,616,027	\$ 201,619
Stock-based compensation	<u>-</u>	<u>-</u>	<u>45,230</u>	<u>-</u>	<u>-</u>	<u>106,085</u>
Balance, end of period	<u>14,940,750</u>	<u>\$3,616,027</u>	<u>\$ 352,934</u>	<u>14,940,750</u>	<u>\$3,616,027</u>	<u>\$ 307,704</u>

COBRA VENTURE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
MAY 31, 2010

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

There was no share issuances during the six month period ended May 31, 2010 and for year ended November 30, 2009.

9. 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.

As at May 31, 2010, the following incentive stock options are outstanding:

	Number of Shares	Exercise Price	Expiry Date
Options	500,000	0.15	October 25, 2010
	300,000	0.20	December 9, 2010
	5,000	0.27	June 19, 2012
	500,000	0.34	December 18, 2012
	1,050,000	0.16	April 3, 2014

Stock option transactions are as follows:

	Number of Options	Weighted Average Exercise Price
Balance outstanding, November 30, 2008	1,405,000	\$ 0.23
Options granted	1,050,000	0.16
Options expired	<u>(100,000)</u>	0.23
Balance, November 30, 2009 and May 31, 2010	2,355,000	\$ 0.20
Vested and exercisable	2,092,500	\$ 0.21

Stock-based compensation

During the six month period ended May 31, 2010, the Company granted Nil (2009 – 500,000) stock options, which were valued at \$Nil (2009 - \$131,515) using the Black-Scholes option pricing model. A total amount of \$45,230 (2009 - \$58,815) was recognized as expense during the six month period ended May 31, 2010 for the vested portion of these options.

COBRA VENTURE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
MAY 31, 2010

9. STOCK OPTIONS AND WARRANTS (cont'd...)

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

	Six Month Period Ended May 31, 2010	Six Month Period Ended May 31, 2009
Risk-free interest rate	-	1.88 %
Expected life of options	-	5 years
Annualized volatility	-	112.68 %
Dividend rate	-	0 %

Warrants

The following is a summary of warrant transactions during the period:

	Number of Shares	Weighted Average Exercise Price
Outstanding at November 30, 2008	1,000,000	\$ 0.35
Expired	<u>(1,000,000)</u>	0.35
Outstanding November 30, 2009 and May 31, 2010	-	\$ -

10. RELATED PARTY TRANSACTIONS

The fair value of the amounts due to or from related parties is not determinable as they have no fixed terms of repayment, do not bear interest and are unsecured.

During the six month period ended May 31, 2010, the Company paid or accrued:

- i) \$33,259 (2009 - \$29,138) in rent to a company in which a director and officer hold an interest.
- ii) \$122,000 (2009 - \$97,000) in management fees to a company owned by a director and officer of the Company.
- iii) \$21,000 (2009 - \$6,000) in directors fees, disclosed as management fees, to directors and officers of the Company.
- iv) \$Nil (2009 - \$7,200) in administrative fees disclosed as corporate services to a company owned by a director of the Company.
- v) \$1,835 (2009 - \$5,657) in professional fees to a firm in which an officer of the Company is a partner.

COBRA VENTURE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
MAY 31, 2010

10. RELATED PARTY TRANSACTIONS (Cont'd....)

vi) \$40,625 (2009 - \$68,855) in professional fees to a firm in which a director of the Company is a partner.

Included in accounts payable is \$40,713 (November 30, 2009 - \$44,300) due to a firm in which a director of the Company is a partner and \$2,301 (November 30, 2009 - \$2,000) due to directors and officers.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

For the six month period ended May 31, 2010, the Company had \$7,400 (November 30, 2009 - \$6,150) of petroleum and natural gas expenditures included in accounts payable and accrued liabilities.

12. FINANCIAL INSTRUMENTS AND RISK

Fair value

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:

Assets	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 1,794,628	\$ -	\$ -

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 cash and cash equivalents. Management believes that the credit risk concentration with respect to cash and cash equivalents is remote as it maintains accounts with highly-rated financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at May 31, 2010, the Company had a cash and cash equivalents balance of \$1,794,628 (November 30, 2009 - \$1,027,611) to settle current liabilities of \$250,063 (November 30, 2009 - \$149,916). All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

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

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 (May 31, 2010 - \$1,000,000) at prime less 1.75%. 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 has determined that a 1% change in interest rates, foreign exchange notes, or commodity prices would not have a significant impact on the financial statements.

13. SEGMENTED INFORMATION

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

14. 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 and retained earnings).

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

COBRA VENTURE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
MAY 31, 2010

15. SUBSEQUENT EVENT

Subsequent to the six month period ended May 31, 2010, the Company completed a non-brokered private placement up to 1,999,998 common shares in the capital of the Company issued on a “flow-through basis” (the “FT Shares”) at a price of \$0.15 per FT Share, for gross proceeds of \$300,000.