COBRA VENTURE CORPORATION

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

NOVEMBER 30, 2013

Crowe MacKay LLP
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Independent Auditor's Report

To the Shareholders of
Cobra Venture Corporation

We have audited the accompanying financial statements of Cobra Venture Corporation, which comprise the statements of financial position as at November 30, 2013 and November 30, 2012, and the statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Cobra Venture Corporation as at November 30, 2013 and November 30, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt about the ability of Cobra Venture Corporation to continue as a going concern.

"Crowe MacKay LLP"

Chartered Accountants
Vancouver, British Columbia
March 24, 2014

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

	Notes	November 30, 2013	November 30, 2012
ASSETS			
Current assets			
Cash and cash equivalents		$ 466,659	$ 2,681,566
Receivables	3	53,532	51,511
Prepaid expenses		186,183	37,567
Income taxes receivable		200,336	-
Total current assets		906,710	2,770,644
Non-current assets			
Investment	4	217,500	308,125
Property and equipment	5	1,128,175	4,204,457
Exploration and evaluation assets	6	96,942	-
Assets held for sale	15	3,321,551	-
Total non-current assets		4,764,168	4,512,582
Total assets		$ 5,670,878	$ 7,283,226
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	7	$ 200,844	$ 117,929
Income taxes payable		-	1,072,719
Total current liabilities		200,844	1,190,648
Non-current liabilities			
Decommissioning liabilities	8	53,347	37,234
Deferred income tax liability	12	-	36,166
Total non-current liabilities		53,347	73,400
Total liabilities		254,191	1,264,048
Equity			
Capital stock	9	3,579,953	3,579,953
Reserves	10	252,784	373,679
Accumulated other comprehensive income (loss)		(27,985)	50,859
Retained earnings		1,611,935	2,014,687
Total equity		5,416,687	6,019,178
Total liabilities and equity		$ 5,670,878	$ 7,283,226

Nature, continuance of operations and going concern (Note 1)
Subsequent event (Note 19)

Approved on March 24, 2014 on behalf of the Board:

"Daniel B. Evans"	Director	*"Cyrus Driver"*	Director
Daniel B. Evans		Cyrus Driver	

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

COBRA VENTURE CORPORATION
STATEMENTS OF INCOME (LOSS)
(Expressed in Canadian Dollars)

	Notes	For the year ended November 30, 2013	November 30, 2012
OIL AND GAS REVENUES			
Production revenue		$ 124,967	$ 208,974
DIRECT COSTS			
Production and operation costs		35,893	76,361
Royalties		-	9,551
Depletion	5	96,006	82,745
Accretion	8	1,002	1,156
Total direct costs		(132,901)	(169,813)
Gross profit (loss)		(7,934)	39,161
EXPENSES			
Amortization	5	1,621	1,347
Consulting fees		62,338	85,039
Corporate services		14,400	14,400
Management fees	11	280,000	274,000
Media and website		21,074	27,509
Office and miscellaneous		27,873	67,363
Professional fees	11	196,110	291,302
Property investigation costs		3,535	3,430
Property taxes		43,161	8,916
Rent	11	54,101	53,366
Share-based payments	10, 11	10,619	27,957
Transfer agent and filing fees		13,291	25,571
Travel and promotion		7,258	14,548
Total expenses		(735,381)	(894,748)
Loss before other items		(743,315)	(855,587)
OTHER ITEMS			
Interest income		11,439	59,124
Write-down of petroleum and natural gas interests	6	(6,083)	(23,706)
Total other items		5,356	35,418
Loss before income taxes from continuing operations		(737,959)	(820,169)
INCOME TAXES			
Deferred tax recovery	12	24,385	18,360
Income tax recovery	12	179,308	186,890
Total income tax recovery		203,693	205,250
Loss after income taxes from continuing operations		(534,266)	(614,919)
Income after income taxes from discontinued operations	14	-	3,880,997
Income (loss) for the year		$ (534,266)	$ 3,266,078
Basic and fully diluted income (loss) per common share from:			
Continuing operations		$ (0.03)	$ (0.04)
Discontinued operations		$ -	$ 0.24
Weighted average number of common shares outstanding		15,903,748	16,742,573

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

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

	Notes	For the year ended November 30, 2013	For the year ended November 30, 2012
Income (loss) for the year		$ (534,266)	$ 3,266,078
Other comprehensive loss			
Unrealized loss on available-for-sale investments, net of tax recovery of $11,781 (2012 – $74,765)	4	(78,844)	(523,360)
Comprehensive income (loss)		$ (613,110)	$ 2,742,718

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

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

	Notes	For the year ended November 30, 2013	November 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss after income taxes for the year from continuing operations		$ (534,266)	$ (614,919)
Items not affecting cash:			
Accretion	8	1,002	1,156
Amortization	5	1,621	1,347
Depletion	5	96,006	82,745
Share-based payments	10	10,619	27,957
Deferred tax recovery	12	(24,385)	(18,360)
Write-down of petroleum and natural gas interests	6	6,083	23,706
Interest income		(11,439)	(59,124)
Changes in non-cash working capital items:			
Decrease (increase) in receivables		(11,646)	276,496
Increase in prepaid expenses		(148,616)	(265)
Increase (decrease) in accounts payable and accrued liabilities		82,915	(183,376)
Increase in income taxes receivable		(200,336)	-
Decrease in income taxes payable		(1,072,719)	(107,310)
Net cash flows used in operating activities – continuing operations		(1,805,161)	(569,947)
Net cash flows provided by operating activities – discontinued operations		-	100,676
Net cash flows used in operating activities		(1,805,161)	(469,271)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		21,064	50,464
Acquisition of property and equipment		(342,971)	(4,108,938)
Exploration and evaluation expenditures		(87,839)	-
Net cash flows used in investing activities – continuing operations		(409,746)	(4,058,474)
Net cash flows provided by investing activities – discontinued operations		-	4,673,537
Net cash flows provided by (used in) investing activities		(409,746)	615,063
Change in cash and cash equivalents during the year		(2,214,907)	145,792
Cash and cash equivalents, beginning of year		2,681,566	2,535,774
Cash and cash equivalents, end of year		$ 466,659	$ 2,681,566
Cash and cash equivalents consist of:			
Cash		$ 166,659	$ (29,053)
Cash equivalents		300,000	2,710,619
		$ 466,659	$ 2,681,566
Cash paid for interest		$ -	$ -
Cash paid for income taxes		$ 1,123,914	$ 97,132

Supplemental disclosure with respect to cash flows (Note 13)

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

COBRA VENTURE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
(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	-	-	-	27,957	-	-	27,957
Unrealized loss on available-for-sale investments	4	-	-	-	-	(523,360)	-	(523,360)
Income for the year		-	-	-	-	-	3,266,078	3,266,078
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	-	-	-	10,619	-	-	10,619
Unrealized loss on available-for-sale investments	4	-	-	-	-	(78,844)	-	(78,844)
Loss for the year		-	-	-	-	-	(534,266)	(534,266)
Balance at November 30, 2013		15,903,748	$ 3,579,953	$ -	$ 252,784	$ (27,985)	$ 1,611,935	$ 5,416,687

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

1. NATURE, CONTINUANCE OF OPERATIONS AND GOING CONCERN

Cobra Venture Corporation ("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 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.

	November 30, 2013	November 30, 2012
Working capital	$ 705,866	$ 1,579,996
Retained earnings	$ 1,611,935	$ 2,014,687

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretation Committee ("IFRIC"). These financial statements have been prepared on the basis of IFRS standards that are effective for the Company's reporting year ended November 30, 2013.

b) Basis of presentation

The financial statements have been prepared on historical cost basis, except for certain financial instruments which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

c) Significant accounting judgments and critical accounting estimates

The preparation of these financial statements in conformity with IFRS requires estimates and assumptions that affect the amounts reported in these financial statements.

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

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

Significant accounting judgments

Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

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

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

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

iv) Determination of assets classified as held for sale (refer to Note 15)

Critical accounting estimates

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

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

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

Impairment indicators and calculation of impairment – At each reporting date, the Company assesses whether or not there are circumstances that indicate a possibility that the carrying values of exploration and evaluation assets and property and equipment are not recoverable, or impaired. Such circumstances include incidents of physical damage, deterioration of commodity prices, changes in the regulatory environment, or a reduction in estimates of proved and probable reserves.

When management judges that circumstances indicate potential impairment, property and equipment are tested for impairment by comparing the carrying values to their recoverable amounts. The recoverable amounts of cash generating units are determined based on the higher of value-in-use calculations and fair value less costs to sell. These calculations require the use of estimates and assumptions, that are subject to change as new information becomes available including information on future commodity prices, expected production volumes, quantities of reserves, discount rates, future development costs and operating costs.

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 financial statements of future periods may be material.

Income taxes - The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements.

Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives.

Share-based payments – The fair value of share-based payments is determined using a Black-Scholes Option pricing model. Such option pricing models require the input of subjective assumptions including the expected price volatility, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant.

Assets held for sale – The measurement of assets held for sale is based on the lower of the carrying amount and fair value less costs to sell, with impairments recognized in profit or loss in the period measured. Determination of fair value and costs to sell requires estimation including the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, and the incremental costs directly attributable to the disposal of the assets, excluding finance costs and income tax expense.

d) Cash and cash equivalents

Cash and cash equivalents include cash on deposit and with maturities on the date of purchase of 90 days or less.

e) Property and equipment and exploration and evaluation assets

i) Recognition and measurement

a) Exploration and evaluation costs

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

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

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

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

e) **Property and equipment and exploration and evaluation assets** (cont'd…)

i) Recognition and measurement (cont'd…)

a) Exploration and evaluation costs (cont'd…)

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

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

b) Development and production costs

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

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

ii) Subsequent costs

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

iii) Amortization and depletion

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

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%

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

f) Share issuance costs

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

g) Impairment of tangible and intangible assets

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

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

h) Decommissioning liabilities

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

i) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

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

j) Flow-through common shares

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

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

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

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

k) Valuation of equity units issued in private placements

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

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

l) Royalties, lease and fee simple revenue

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

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

m) Assets held for sale

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

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

n) Share-based payments

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

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share-based compensation is transferred to retained earnings. 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.

o) Income taxes

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

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred income tax assets and liabilities are presented as non-current.

p) Financial instruments

<u>Financial assets</u>

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

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

Available-for-sale ("AFS") - Non-derivative financial assets not included the above category are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity.

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

p) Financial instruments (cont'd...)

Financial assets (cont'd…)

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

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

Financial liabilities

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

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

q) New accounting pronouncements

Certain new and revised accounting standards have been published that are not mandatory for the November 30, 2013 reporting period. These standards have not been adopted and are yet to be assessed by the Company unless otherwise stated:

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

- Amended IFRS 7, *Financial Instruments: Disclosures – Offsetting of Financial Assets and Liabilities*
- 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*

All of the above standards are expected to have minimal or no impact on the Company's financial statements.

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

- Amended IAS 32, *Financial Instruments: Presentation*
- Amended IAS 36, *Impairment of Assets*

iii) No effective date

- 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.

(Expressed in Canadian Dollars)

3. RECEIVABLES

The Company's receivables are as follows:

	November 30, 2013	November 30, 2012
Trade receivables	$ 36,357	$ 20,010
Interest receivable	3,123	12,748
HST/GST receivable	14,052	18,753
	$ 53,532	$ 51,511

4. INVESTMENT

	November 30, 2013	November 30, 2012
Shares in Zodiac Exploration Corp.	$ 217,500	$ 308,125

As of November 30, 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 year ended November 30, 2013, the Company recorded an unrealized loss of $78,844 (2012 – $523,360) to adjust the shares to market value, net of tax recovery of $11,781 (2012 – $74,765) as other comprehensive 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	2,878	-	60,217	63,095
Transfer from exploration and evaluation assets (Note 6)	279,801	-	-	279,801
Reclassified as assets held for sale (Note 15)	-	-	(3,321,551)	(3,321,551)
Balance, November 30, 2013	$ 663,162	$ 19,496	$ 760,542	$ 1,443,200
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	96,006	1,621		97,627
Balance, November 30, 2013	$ 299,311	$ 15,714	$ -	$ 315,025
Carrying amounts				
As at November 30, 2012	$ 177,178	$ 5,403	$ 4,021,876	$ 4,204,457
As at November 30, 2013	$ 363,851	$ 3,782	$ 760,542	$ 1,128,175

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.

Subsequent to the year ended November 30, 2013, the Company entered into an agreement to sell approximately 12.84 acres of the land and consequently reclassified $3,321,551 as assets held for sale (Note 15). The Company intended to retain ownership to approximately 2.94 acres of the land.

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 year ended November 30, 2013, the Company repaid $Nil (2012 - $9,551) in royalty revenue and received $21,606 (2012 - $89,939) in production revenue.

Davey Lake area, Alberta

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

During the year ended November 30, 2013, the Company received $59,054 (2012 - $116,674) in production revenue.

Gull Lake, Saskatchewan

During the year ended November 30, 2013, the Company entered into a Participation Agreement whereby the Company (and two other arm's length companies) 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.

During the year ended November 30, 2013, the Company began drilling the first Test Well and received $44,307 (2012 - $Nil) in production revenue.

6. EXPLORATION AND EVALUATION ASSETS

	Hayter area, Alberta	Gull Lake, Saskatchewan	Total
Balance, November 30, 2011 and November 30, 2012	$ -	$ -	$ -
Drilling and completion	68,119	279,876	347,995
Geological and other consulting	19,720	-	19,720
Provisions of decommissioning liabilities (Note 8)	9,103	6,008	15,111
Transfer to property and equipment (Note 5)	-	(279,801)	(279,801)
Write-down of exploration and evaluation assets	-	(6,083)	(6,083)
Balance, November 30, 2013	$ 96,942	$ -	$ 96,942

Hayter area, Alberta

During the year ended November 30, 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:

(Expressed in Canadian Dollars)

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

Hayter area, Alberta (cont'd...)

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%.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	November 30, 2013	November 30, 2012
Trade payables	$ 96,550	$ 21,494
Due to related parties (Note 11)	68,794	60,435
Accrued liabilities	35,500	36,000
Total	$ 200,844	$ 117,929

8. DECOMMISSIONING LIABILITIES

Balance, November 30, 2011	$ 46,286
Accretion	1,156
Property disposition (Note 5)	(10,208)
Balance, November 30, 2012	37,234
Addition (Note 6)	15,111
Accretion	1,002
Balance, November 30, 2013	$ 53,347

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 $86,020 (2012 – $58,355). 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, with no par value.
Unlimited number of preferred shares, issuable in series.

During the year ended November 30, 2013, the Company did not have any share activities.

During the year ended November 30, 2012, the Company:

i) cancelled 70,000 common shares of the Company held in treasury for $17,884; and

ii) received and cancelled 1,767,000 common shares of the Company with 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 year ended November 30, 2013 is as follows:

Expiry Date	Exercise Price	November 30, 2012	Granted	Expired/ cancelled	Exercised	November 30, 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	225,000
Total		2,375,000	-	(500,000)	-	1,875,000	1,875,000
Weighted average exercise price		$ 0.21	$ -	$ 0.34	$ -	$ 0.17	$ 0.17
Weighted average remaining contractual life						1.08 years	

(Expressed in Canadian Dollars)

10. RESERVES (cont'd…)

Stock options (cont'd...)

A continuity of share purchase options for the year ended November 30, 2012 is as follows:

Expiry Date	Exercise Price	November 30, 2011	Granted	Expired/ cancelled	Exercised	November 30, 2012	Exercisable
December 18, 2012	$ 0.34	500,000	-	-	-	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	112,500
Total		2,150,000	225,000	-	-	2,375,000	2,262,500
Weighted average exercise price		$ 0.21	$ 0.24	-	-	$ 0.21	$ 0.21
Weighted average remaining contractual life						1.66 years	

Share-based payments

During the year ended November 30, 2013, the Company granted $Nil (2012 - 225,000) stock options with an estimated weighted average fair value of $Nil (2012 - $0.17) calculated using the Black-Scholes option pricing model. The fair value of stock options vested during the year and recognized as share-based payments expense was $10,619 (2012 - $27,957).

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

	November 30, 2013	November 30, 2012
Risk-free interest rate	-	1.31%
Expected life of options	-	4.25 years
Annualized volatility	-	102%
Dividend rate	-	0.00%
Forfeiture rate	-	0.00%
Stock price at date of grant	$ -	$ 0.24

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS

Amounts paid or accrued to related parties are as follows:

Paid to:	Nature of transactions		For the Year Ended November 30, 2013		For the Year Ended November 30, 2012
a limited partnership of which a Director is a partner	Rent	$	53,363	$	53,366
a firm of which a Director is a partner	Accounting		143,200		152,270
a firm of which the Corporate Secretary is a partner (iii)	Legal		14,566		147,696
		$	211,129	$	353,332

Key management compensations are as follows:

Paid to:	Nature of transactions		For the Year Ended November 30, 2013		For the Year Ended November 30, 2012
Salaries and benefits(i)	Management	$	60,000	$	54,000
A company owned by a Director and Officer	Management		220,000		220,000
Share-based payments(ii)			10,619		27,957
		$	290,619	$	301,957

(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.

(iii) During the year ended November 30, 2013, $Nil (2012 - $1,949) was included in property, plant and equipment and $Nil (2012 - $54,640) in cost of sale of property, plant and equipment.

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:

		November 30, 2013		November 30, 2012
A firm of which a Director is a partner	$	49,544	$	49,560
A firm of which the Corporate Secretary is a partner		-		244
A company owned by a Director and Officer		19,250		10,631
	$	68,794	$	60,435

(Expressed in Canadian Dollars)

12. INCOME TAXES

A reconciliation of income taxes for the year ended November 30, 2013, at statutory rates with reported taxes is as follows:

		For the year ended November 30, 2013		For the year ended November 30, 2012
Loss before income taxes from continuing operations	$	(737,959)	$	(820,169)
Combined federal and provincial tax rate		25.67%		26.06%
Income tax recovery at statutory rates	$	(189,434)	$	(213,757)
Effect of tax rate change		2,823		(780)
Non-deductible items		3,682		7,727
Tax amounts (not) recognized		(20,764)		1,560
Total income tax recovery	$	(203,693)	$	(205,250)
Current income tax recovery	$	(179,308)	$	(186,890)
Deferred tax recovery	$	(24,385)	$	(18,360)

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

		November 30, 2013		November 30, 2012
Deferred tax assets (liabilities):				
Investments	$	4,225	$	(7,266)
Decommissioning liabilities		13,870		9,309
Share issuance costs and cumulative eligible cost		925		1,244
Property and equipment		(15,628)		(39,453)
		3,392		(36,166)
Unrecognized deferred tax assets		(3,392)		-
Net deferred tax assets (liabilities)	$	-	$	(36,166)

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended November 30, 2013, the Company included:

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

ii) $9,103 of provisions of decommissioning liabilities in exploration and evaluation assets; and

iii) $6,008 of provisions of decommissioning liabilities in property and equipment.

During the year ended November 30, 2012, the Company included:

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

ii) $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 financial statements and has reclassified the related accounts for the comparative period. Income and cash flows for the operation are reported separately in the 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 November 30, 2012.

(Expressed in Canadian Dollars)

14. DISCONTINUED OPERATIONS (cont'd...)

Results of discontinued operations comprise the following:

	For the year ended	
	November 30, 2013	November 30, 2012
Revenues	$ -	$ 100,705
Direct costs	-	(29)
Income before other item	-	100,676
Gain on sale of property and equipment	-	5,148,348
Income before income taxes	-	5,249,024
Income tax expense	-	(1,368,027)
Income after taxes from discontinued operations	$ -	$ 3,880,997

15. ASSETS HELD FOR SALE

On February 25, 2014, the Company entered into an agreement to sell 12.84 acres of land located in the Municipal District of Rocky View No. 44, in the province of Alberta, to an arm's length private Alberta corporation for an aggregate purchase price of $4,365,600. Closing of the sale is subject to certain conditions including receipt of all necessary regulatory approvals, satisfactory due diligence inspection by the purchaser and the purchaser obtaining suitable mortgage financing to complete the transactions on or before sixty days from February 25, 2014. Subsequent to November 30, 2013, the Company received $50,000 refundable deposit in trust, which would be applied to the purchase price upon closing of the transaction. The Company expected the sale to close within fiscal year 2014.

As at November 30, 2013, the 12.84 acres of land for sale met the criteria to be classified as assets held for sale as according to IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*. As a result, the Company reclassified $3,321,551 from property and equipment (Note 5) to assets held for sale and presented the amount separately under non-current assets in the statements of financial position.

Assets held for sale are as follows:

	November 30, 2013	November 30, 2012
Land (Note 5)	$ 3,321,551	$ -

16. FINANCIAL INSTRUMENTS AND RISK

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's cash and cash equivalents, receivables, 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.

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 November 30, 2013, the Company had a cash and cash equivalents balance of $466,659 (November 30, 2012 - $2,681,566) to settle current liabilities of $200,844 (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 - 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.

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.

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

Financial risk factors (cont'd…)

c) *Price risk*

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

17. SEGMENTED INFORMATION

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

18. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern. In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (ie. capital stock, reserves, accumulated other comprehensive income and retained earnings).

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

There were no changes in the Company's approach to capital management during the year ended November 30, 2013.

19. SUBSEQUENT EVENT

Subsequent to November 30, 2013, the Company entered into loan agreements and received an aggregate of $300,000 loans proceeds. The loans are for a term of one year with interest of 14% per annum. In connection to the loans, the Company paid $15,000 as a loan facility fee to cover all costs and expenses incurred by the lenders.