CANADIAN IMPERIAL VENTURE CORP.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

NOVEMBER 30, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Canadian Imperial Venture Corp.

We have audited the accompanying financial statements of Canadian Imperial Venture Corp., which comprise the statements of financial position as at November 30, 2012, November 30, 2011 and December 1, 2010, and the statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the years ended November 30, 2012 and 2011, 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.

Auditors' 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 audit 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 auditors' 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.

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Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Canadian Imperial Venture Corp. as at November 30, 2012, November 30, 2011 and December 1, 2010, and its financial performance and its cash flows for the years ended November 30, 2012 and 2011, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Canadian Imperial Venture Corp.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

March 27, 2013

CANADIAN IMPERIAL VENTURE CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

	November 30, 2012	November 30, 2011 (Note 21)	December 1, 2010 (Note 21)
ASSETS			
Current			
Cash	$ 317,498	$ 144,789	$ 1,068,812
Accounts receivable	8,225	229,506	64,709
Reclamation deposit (Note 6)	56,128	55,568	54,987
Prepaid expenses and deposits	21,811	19,664	42,736
Marketable securities (Note 5)	738,414	2,975,618	-
Total current assets	1,142,076	3,425,145	1,231,244
Non-current assets			
Exploration and evaluation (Note 7)	211,633	-	533,058
Equipment (Note 8)	5,299	6,888	5,918
Total non-current assets	216,932	6,888	538,976
Total assets	$ 1,359,008	$ 3,432,033	$ 1,770,220
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade payables and accrued liabilities	$ 190,760	$ 341,120	$ 455,506
Other liabilities (Note 9)	3,195	5,537	5,537
Total liabilities	193,955	346,657	461,043
Shareholders' equity			
Capital stock (Note 10)	14,198,081	14,113,381	14,114,087
Reserves (Note 10)	2,661,740	2,652,331	2,086,585
Deficit	(15,694,768)	(13,680,336)	(14,891,495)
Total shareholders' equity	1,165,053	3,085,376	1,309,177
Total liabilities and shareholders' equity	$ 1,359,008	$ 3,432,033	$ 1,770,220

Nature of operations and basis of presentation (Note 1 & 2)
Commitments (Note 18)
Subsequent events (Note 22)

Approved and authorized by the Board on March 27, 2013:

____________________ Director ____________________ Director

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

CANADIAN IMPERIAL VENTURE CORP.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED NOVEMBER 30

	2012	2011 (Note 21)
EXPENSES		
Depreciation (Note 8)	$ 6,075	$ 5,939
Finance expense	748	5,018
Impairment (Note 7 and 8)	-	611,260
Other operating expenses (Note 12)	634,017	776,058
Share-based compensation (Note 11)	9,409	565,746
	(650,249)	(1,964,021)
Gain on sale of petroleum and natural gas properties (Note 7ii)	-	3,270,764
Realized loss on marketable securities	(343,803)	-
Unrealized loss on marketable securities (Note 5)	(1,020,954)	(108,088)
Interest and other income	574	12,504
Earnings (loss) and comprehensive income (loss) for the year	$ (2,014,432)	$ 1,211,159
Earnings (loss) per common share, basic and diluted	$ (0.04)	$ 0.02
Weighted average number of common shares outstanding: (Note 20)		
Basic	51,958,836	51,325,138
Diluted	51,958,836	53,136,563

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

CANADIAN IMPERIAL VENTURE CORP.
STATEMENT OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED NOVEMBER 30

	2012	2011
		(Note 21)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	$ (2,014,432)	$ 1,211,159
Items not affecting cash:		
Depreciation (Note 8)	6,075	5,939
Share-based compensation	9,409	565,746
Sale of oil and gas E & E assets	-	(3,270,764)
Loss on marketable securities	1,364,757	108,088
Impairment	-	611,260
Changes in non-cash working capital items:		
Decrease in accounts receivable	221,281	36,590
Decrease in prepaid expenses	(2,147)	(1,929)
Decrease in trade payables and accrued liabilities	(190,130)	(114,386)
Net cash used in operating activities	(605,187)	(848,297)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issuance costs	(5,300)	(705)
Net cash used in financing activities	(5,300)	(705)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in accounts receivable related to sale of oil and gas E & E asset	-	(200,000)
Proceeds from sale of investments	872,447	-
Equipment additions	(4,486)	(8,932)
Proceeds from the sale of oil and gas E & E assets	-	349,197
Payment of other liabilities	(2,342)	-
E & E asset additions	(81,863)	(214,705)
Change in reclamation deposits	(560)	(581)
Net cash provided by (used in) investing activities	783,196	(75,021)
Change in cash for the year	172,709	(924,023)
Cash and cash equivalents, beginning of year	144,789	1,068,812
Cash and cash equivalents, end of year	$ 317,498	$ 144,789

Supplemental cash flow information (Note 13**)**

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

CANADIAN IMPERIAL VENTURE CORP.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Capital Stock					
	Number of common shares	Amount	Shares Issuable	Reserves	Deficit	Total
Balance at December 1, 2010	51,058,836	$ 13,844,087	$ 270,000	$ 2,086,585	$ (14,891,495)	$ 1,309,177
Net income for the year	-	-	-	-	1,211,159	1,211,159
Issued for exploration and evaluation asset (Note 7)	300,000	270,000	(270,000)	-	-	-
Share-based compensation	-	-	-	565,746	-	565,746
Share issuance costs	-	(706)	-	-	-	(706)
Balance at November 30, 2011	51,358,836	14,113,381	-	2,652,331	(13,680,336)	3,085,376
Loss for the year	-	-	-	-	(2,014,432)	(2,014,432)
Issued for exploration and evaluation asset (Note 7)	600,000	90,000	-	-	-	90,000
Share-based compensation	-	-	-	9,409	-	9,409
Share issuance costs	-	(5,300)	-	-	-	(5,300)
Balance, November 30, 2012	51,958,836	$ 14,198,081	$ -	$ 2,661,740	$ (15,694,768)	$ 1,165,053

First time adoption of International Financial Reporting Standards (Note 21)

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

1. NATURE OF OPERATIONS

Canadian Imperial Venture Corp.'s (the "Company") business activity is the exploration and evaluation of resource properties in Canada. The Company was incorporated under the Canada Business Corporations Act of British Columbia. The Company is listed on the TSX Venture Exchange, having the symbol CQV. The Company's head office is located at 189 Water Street, St. John's, NL.

The subsidiaries of the Company, USG Energy Corp. and ENEGI Inc., were amalgamated with the Company on November 29, 2011. These financial statements are presented as if the amalgamation had occurred at the beginning of the comparative period. There is no effect to the previously reported numbers.

Subsequent to year end, the Company completed a share consolidation. All common shares, warrants and stock options reported in these financial statements have been adjusted to reflect post-consolidation balances. See Note 22 for further discussion.

2. BASIS OF PRESENTATION

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").This is the first time that the Company has prepared its financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("CGAAP").

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 21.

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for certain financial assets classified as fair value through profit or loss. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The financial statements are presented in Canadian dollars, which is also the Company's functional currency, unless otherwise indicated.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2. BASIS OF PRESENTATION (cont'd…)

Going concern of operations

The Company has not generated revenue from operations. The Company incurred a net loss of $2,014,432 during the year-ended November 30, 2012 and, as of that date the Company's deficit was $15,694,768. However, management believes that the Company has sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting year. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. These conditions may cast significant doubt upon the Company's ability to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements and in preparing the opening IFRS Statement of Financial Position at December 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

a) Cash

Cash includes cash on hand and deposits held with financial institutions.

b) Exploration and evaluation expenditures

Pre-exploration costs

Pre-exploration costs are expensed in the year in which they are incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to E&E activities, including general administrative overhead costs, are expensed in the year in which they occur.

The Company may occasionally enter into option arrangements, whereby the Company will transfer part of a resource property interest, as consideration, for an agreement by the optionee to meet certain E&E expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the optionee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the E&E asset, with any excess cash accounted for as a gain on the statement of comprehensive income (loss).

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

b) Exploration and evaluation expenditures (cont'd…)

Exploration and evaluation expenditures (cont'd…)

When a project is determined to no longer have commercially viable prospects to the Company, E&E expenditures in respect of that project are considered to be impaired. As a result, those E&E expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive income (loss).

The Company assesses E&E assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

c) Reclamation deposits

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits. Reclamation deposits are classified as loans and receivables.

d) Equipment

Recognition and measurement

On initial recognition equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Subsequent costs

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment is recognized in profit or loss as incurred.

Major maintenance and repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

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

d) Equipment (cont'd…)

Gains and losses

Gains and losses on disposal of equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

Depreciation

Depreciation is recognized in profit or loss and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Office Furniture	20% declining balance
Computer Equipment	100% declining balance

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

e) Impairment of non-financial assets

At each reporting date the carrying amounts of the Company's long-lived assets, which are comprised of equipment and E&E assets, are reviewed to determine whether there is any indication that those assets are impaired. If any 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, which is the present value of future cash flows expected to be derived from the asset or its related cash generating unit. For purposes of impairment testing, assets are grouped at the lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The Company's cash generating unit relates to the E&E asset in Canada.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the associated assets are reduced to their recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized.

f) Financial instruments

<u>Financial assets</u>

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

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

f) Financial instruments (cont'd…)

<u>Financial assets</u> (cont'd…)

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company has designated its accounts receivable as loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch, the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy or the financial asset contains one or more embedded derivatives. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

The Company has classified its cash, reclamation deposit and marketable securities at fair value through profit or loss.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

The Company does not have any held-to-maturity financial assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. They are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented within equity in accumulated other comprehensive income. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

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

f) Financial instruments (cont'd…)

Financial assets (cont'd…)

Available-for-sale financial assets (cont'd…)

The Company does not have any available-for-sale financial assets.

Impairment on financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Non-derivative financial liabilities

The Company's non-derivative financial liabilities are classified as other financial liabilities and are comprised of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and accrued liabilities are unsecured and represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid.

g) Rehabilitation provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The present value of the future obligation is calculated by discounting the amount of the future expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the time value of money and risks specific to the liability. The nature of the rehabilitation activities include restoration, reclamation and re-vegetation of the affected exploration sites.

A rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized to the related asset. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

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

g) Rehabilitation provision (cont'd…)

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

h) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable 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 date of the statement of financial position.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

i) Capital stock

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, common share warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new common shares, common share warrants, or stock options are shown in equity as a deduction, net of tax, from the proceeds.

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

i) Capital stock (cont'd…)

Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow through shares whereby the premium paid for the flow through shares in excess of the market value of the shares without flow through features at the time of issue is credit to other liabilities and included income at the same time the qualifying expenditures are made.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

j) Income (loss) per common share

Basic income (loss) per common share is computed by dividing the net income (loss) applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted income (loss) per common share is computed by dividing the income (loss) applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

k) Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income (loss) over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income (loss) over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive income (loss) over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive income (loss). Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

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

k) Share-based payments (cont'd…)

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to capital stock, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

l) Standards, amendments and interpretations not yet effective

The following standards and interpretations have been issued but are not yet effective:

- IFRS 7 Financial Instruments: Disclosures

  IFRS 7 was amended to introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact of the amendment.

- IFRS 9 Financial Instruments

  IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard.

- IFRS 11 Joint Arrangements

  IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company is yet to assess the full impact of IFRS 11 and the standard is effective for annual periods beginning on or after January 1, 2013.

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

l) Standards, amendments and interpretations not yet effective (cont'd…)

- IFRS 12 Disclosures of Interests in Other Entities

  IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and the standard is effective for annual periods on or after January 1, 2013.

- IFRS 13 Fair Value Measurement

  IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13 and the standard is effective for annual periods beginning on or after January 1, 2013.

- Amendments to other standards

IFRS 10 *Consolidated Financial Statements*, and consequential revisions to IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (all effective January 1, 2013) provide revised guidance on the accounting treatment and associated disclosure requirements for joint arrangements and associates, and a revised definition of "control" for indentifying entities which are to be consolidated.

Amendments to IAS 32, *Financial Instruments: Presentation*, are effective for annual periods beginning on or after January 1, 2014. This provides for amendments relating to offsetting financial assets and liabilities.

The Company is in the process of evaluating the impact of the amendments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and judgments about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the financial statements are discussed below.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd…)

Critical judgments

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 2.

Key sources of estimation uncertainty

i) Rehabilitation provisions

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

ii) Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

iii) Title to exploration and evaluation assets

Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iv) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd…)

Key sources of estimation uncertainty (cont'd…)

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

v) Share-based payment transactions

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility, dividend yield, forfeiture rates and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 11.

5. MARKETABLE SECURITIES

Marketable securities consists of an investment in common shares of Shoal Point Energy Ltd. ("SPE"). The Company acquired, during the year ended November 30, 2011, as consideration for the sale of a petroleum and natural gas asset (Note 7), 20,000,000 units of SPE. Each unit is comprised of one common share and one-half of one common share purchase warrant (10,000,000 warrants in total). Each whole warrant is exercisable to acquire an additional common share of SPE at an exercise price of $0.40 per common share for a period of two years expiring October 25, 2013.

The Company designated this investment as held-for-trading on initial recognition. The Company initially valued the shares at $3,300,000 based on the $0.165 quoted common share price on the closing date of the transaction less a common share trading restriction (until February 24, 2012) discount of $460,000 for the 4 month common share escrow period for a net value of $2,840,000. The fair value of the warrants was initially estimated as $243,706. The fair value was determined using the Black Scholes option pricing model with the following assumptions:

	Common Share Trading Restriction Discount	Warrants
Volatility	62%	70%
Risk-free rate	1.0%	1.0%
Dividend yield	Nil	Nil
Expected life	4 months	2 years

(Expressed in Canadian Dollars)

5. MARKETABLE SECURITIES (cont'd…)

Due to its classification as a held-for-trading financial instrument, the investment is measured subsequent to initial recognition at fair value. At November 30, 2012, the common shares and warrants were re-measured as $731,250 and $7,164 (November 30, 2011 - $2,780,000 and $195,618) respectively, which resulted in a $1,020,954 (November 30, 2011 - $108,088) unrealized loss.

The warrants held at as a November 30, 2012 and 2011 were valued using the Black-Scholes option pricing model with the following assumptions.

	November 30, 2012	November 30, 2011
Volatility	89%	68%
Risk-free rate	1.2%	1.0%
Dividend yield	Nil	Nil
Expected life	11 months	23 months

6. RECLAMATION DEPOSITS

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on E&E assets in connection with the permits required for exploration activities by the Company.

7. EXPLORATION AND EVALUATION ASSETS

	Mineral			Petroleum and Natural Gas			Total
	Acquisition	E&E	Total	Acquisition	E&E	Total	
Balance at December 1, 2010	$ 375,000	$ -	$ 375,000	$ -	$ 158,058	$ 158,058	$ 533,058
Exploration costs	-	107,188	107,188	-	2,872,041	2,872,041	2,979,229
Dispositions	-	-	-	-	(2,903,050)	(2,903,050)	(2,903,050)
Write-off of unsuccessful exploration expenditures	(375,000)	(107,188)	(482,188)	-	(127,049)	(127,049)	(609,237)
Balance at November 30, 2011	-	-	-	-	-	-	-
Exploration costs	-	81,633	81,633	-	-	-	81,633
Option payment cash	40,000	-	40,000	-	-	-	40,000
Option payment shares	90,000	-	90,000	-	-	-	90,000
Balance at November 30, 2012	$ 130,000	$ 81,633	$ 211,633	$ -	$ -	$ -	$ 211,633

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

(i) Mineral exploration and evaluation assets

In September 2012 the Company executed an option agreement (the "Option Agreement") between the Company, Carina Energy Inc. ("Carina"), a private mining exploration company based in Toronto, Ontario and Ozias Theriault ("Theriault") whereby the Company was granted an option by Carina and Theriault to acquire a 55% interest in the Little Bear Lake gold property (the "Property") which is located in the Lac du Bonnet Mining Division in Manitoba.

Pursuant to the terms of the Option Agreement:

- The Company has issued to Carina 600,000 common shares on September 24, 2012 (the "Closing Date") and on the first anniversary of the Closing Date (September 24, 2013) the Company will deliver an additional 500,000 common shares to Carina.

- The Company is required to spend $600,000 of expenditures on the Property within two years of the Closing Date (September 24, 2014).

- The Company is responsible for cash payments to Theriault for the sum of $20,000 payable on execution of the Option Agreement (paid) and $10,000 per month commencing on October 1, 2012 until June 1, 2014 for aggregate payments totaling $200,000.

- The Company is required to make two advanced royalty payments of $50,000 each to Theriault. The payments are due on November 12, 2013 and November 12, 2014, respectively.

- The property is subject to a 2.5% net smelter royalty.

On October 1, 2010, the Company entered into an agreement with an arm's length party to earn a 40% interest in two mineral licenses in Western Newfoundland and incurred $482,188 of related costs, $270,000 of which related to shares issued in 2011.

Effective November 29, 2011, mineral license 16508M was cancelled. During the current year, the other three licenses were cancelled. At November 30, 2011 the Company reviewed the carrying value of its mineral exploration and evaluation assets and recorded an impairment provision of $482,188.

(ii) Petroleum and natural gas exploration and evaluation assets

Effective October 25, 2011 the Company sold substantially all of its petroleum and natural gas exploration and evaluation asset interests to SPE (Note 5). Consideration for the sale included 20,000,000 common shares and 10,000,000 common share purchase warrants of SPE and $500,000 cash of which $300,000 was received on the October 25, 2011 closing date, and the remaining $200,000 was received in the first quarter of 2012. All securities issued in this transaction were subject to a four month hold period, which ended February 24, 2012. Concurrent with the sale, all outstanding debt between SPE and the Company relating to certain drilling activities was extinguished on the transaction closing. A gain of $3,270,764 was recognized as a result of this transaction.

At November 30, 2011 the Company reviewed the carrying value of its remaining petroleum and natural gas exploration and evaluation assets and recorded, in impairment expense, a provision of $127,049.

(Expressed in Canadian Dollars)

8. EQUIPMENT

	Office Furniture	Computer Equipment	Total
Cost			
Balance at December 1, 2010	$ 7,741	$ 40,921	$ 48,662
Additions	-	8,932	8,932
Disposals	-	-	-
Balance at November 30, 2011	$ 7,741	$ 49,853	$ 57,594
Additions	2,795	1,691	4,486
Disposals	-	(40,921)	(40,921)
Balance at November 30, 2012	$ 10,536	$10,623	$ 21,159
Depreciation and impairment			
Balance at December 1, 2010	$ 4,713	$ 38,031	$ 42,744
Depreciation for the year	606	5,333	5,939
Disposals	-	-	-
Impairment loss	-	2,023	2,023
Balance at November 30, 2011	$ 5,319	$ 45,387	$ 50,706
Depreciation for the year	764	5,311	6,075
Disposals	-	(40,921)	(40,921)
Balance at November 30, 2012	$ 6,083	$ 9,777	$ 15,860
Carrying amounts			
At December 1, 2010	$ 3,028	$ 2,890	$ 5,918
At November 30, 2011	$ 2,422	$ 4,466	$ 6,888
At November 30, 2012	$ 4,453	$ 846	$ 5,299

9. REHABILITATION PROVISION

Balance at December 1, 2010	$	5,537
Liabilities incurred		48,125
Disposal on sale		(48,125)
Balance at November 30, 2011		5,537
Liabilities settled		(2,342)
Balance at November 30, 2012	$	3,195

9. REHABILITATION PROVISION (cont'd…)

Rehabilitation provision

The Company makes full provision for the future cost of site rehabilitation on a undiscounted basis due to its short term nature of its exploration and evaluation assets. The rehabilitation provision represents the fair value of rehabilitation costs relating to exploration and evaluation activities, which are expected to be incurred through 2013.

10. SHARE CAPITAL AND RESERVES

a) Common shares

The Company is authorized to issue an unlimited number of common shares, issuable in series.

i. Acquisition of working interest in mineral license

On August 16, 2012, the Company entered into an agreement with an arm's length company to earn a 55% interest in Little Bear Property (Note 7). On September 24, 2012, the securities regulator approved the share issuance. The Company issued the 600,000 common shares with a fair value on the issue date of $90,000.

On October 1, 2010, the Company entered into an agreement with an arm's length company to earn a 40% interest in two mineral licenses (Note 7). On November 29, 2010, the securities regulator approved the share issuance; however the shares were not issued until 2011. The Company issued the 300,000 common shares with a fair value on the issue date of $270,000.

ii. Warrant extension

Effective August 14, 2012, the application to amend the following warrants was accepted by the TSX Venture Exchange:

- 1,050,000 Warrants shall be amended to expire October 13, 2013;
- 1,150,000 Warrants shall be amended to expire October 29, 2013; and
- 800,000 Warrants shall be amended to expire November 12, 2013.

On July 5, 2011, the Company announced that it proposed to extend the term of certain common share purchase warrants, which were issued in 2009, for an additional 12 months, as follows:

- 1,400,000 Warrants shall be amended to expire July 30, 2012;
- 575,000 Warrants shall be amended to expire August 23, 2012; and
- 125,000 Warrants shall be amended to expire September 7, 2012.

Effective July 8, 2011, the application to amend the warrants was accepted by the TSX Venture Exchange.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (cont'd…)

b) Preferred shares

The Company is authorized to issue an unlimited number of preference shares, issuable in series. No preferred shares have been issued since the Company's inception.

c) Reserves

The Reserves recorded in equity on the Company's statement of financial position include amounts recorded for share-based compensation. When the stock options are exercised, the amount previously recorded into Reserves are reclassified into Capital Stock.

d) Share purchase warrants

The following is a summary of changes in warrants:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 1, 2010	**5,350,000**	**$ 1.00**
Expired warrants	(250,000)	1.00
Balance November 30, 2011	**5,100,000**	**1.00**
Expired warrants	(2,100,000)	1.00
Balance as at November 30, 2012	**3,000,000**	**$ 1.00**

As at November 30, 2012, the Company had outstanding warrants as follows:

Number of Warrants	Exercise Price	Expiry	Weighted Average Remaining Contractual Life in Years
1,050,000	$ 1.00	October 13, 2013	0.87
1,150,000	$ 1.00	October 29, 2013	0.91
800,000	$ 1.00	November 12, 2013	0.95
3,000,000	$ 1.00		0.91

11. SHARE-BASED PAYMENTS

a) Option plan details

The Company has an rolling Stock Option Plan ("the Plan") under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company.

Options granted must expire no later than a maximum of five years from the date of the grant while the Company's common shares are listed in Tier 2 of the TSX Venture Exchange ("TSX.V"). At such time as the Company's common shares are listed in Tier 1 of the TSX.V or the Toronto Stock Exchange ("TSX"), options granted must expire not later than a maximum of 10 years from the date of grant.

(Expressed in Canadian Dollars)

11. SHARE-BASED PAYMENTS (cont'd…)

a) Option plan details

Terms of the Plan are as follows:

i. The number of common shares which may be issued pursuant to options previously granted and those granted under the Plan is a maximum of 10% of the issued and outstanding common shares at the time of the grant.

ii. The number of shares which may be awarded to any one individual may not exceed 5% of the issued shares at the date of grant and the total number of options awarded to any consultant shall not exceed 2% of the issued and outstanding common shares at the time of the grant.

iii. The total number of options awarded to all persons employed by the Company who perform investor relations activities shall not exceed 2% of the issued and outstanding shares of the Company in any twelve month period.

iv. Under TSX.V policy all such rolling stock option plans which set the number of common shares issuable under the plan at a maximum of 10% of the issued and outstanding common shares must be approved and ratified by shareholders on an annual basis.

The Plan does not require vesting provisions for options issued except in limited circumstances.

The following is a summary of changes in options from December 1, 2010 to November 30, 2012:

	Number of Options	Weighted Average Exercise Price
Balance at December 1, 2010	$ 4,316,375	$ 1.10
Granted	1,800,000	1.00
Expired	(598,875)	(1.50)
Cancelled	(420,000)	(1.00)
	5,097,500	1.00
Balance at November 30, 2011		
Expired	(847,500)	(1.00)
Cancelled	(770,000)	(1.00)
Balance at November 30, 2012	$ 3,480,000	$ 1.00

(Expressed in Canadian Dollars)

11. SHARE-BASED PAYMENTS (cont'd…)

a) Option plan details (cont'd…)

At November 30, 2012, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Weighted Average Exercise Price	Expiry Date	Weighted Average Remaining Life (years)
900,000	900,000	$ 1.00	March 3, 2013(i)	0.25
500,000	500,000	$ 1.00	March 31, 2013	0.33
780,000	780,000	$ 1.00	December 14, 2014	2.04
910,000	910,000	$ 1.00	May 2, 2016	3.42
390,000	390,000	$ 1.00	June 17, 2016	3.55
3,480,000	3,480 ,000	$ 1.00		1.89

(i) Subsequent to November 30, 2012, 900,000 options expired unexercised.

b) Fair value of stock options issued during the year

There were no stock options granted during the year ended November 30, 2012. The weighted average fair value of options granted during the year ended November 30, 2011 was $0.03 per stock option.

	2012	2011
Dividend yield	-	0%
Expected volatility	-	106%
Risk-free interest rate	-	1.75%
Weighted average expected life (years)	-	3.25

c) Expenses arising from share-based payment transactions

Total expense arising from share-based payment transactions recognized during the year ended November 30, 2012 as part of share-based compensation expense was $9,409 (year-ended November 30, 2011: $565,746).

12. NATURE OF EXPENSES

	November 30, 2012	**November 30, 2011**
Other expenses include:		
Office and shareholder information	$ 95,845	$ 98,401
Professional and filing fees	112,584	238,103
Promotion and travel	96,337	109,675
Service contracts and wages	329,251	329,879
	$ 634,017	**$ 776,058**

(Expressed in Canadian Dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION

The following table summarizes the significant non-cash items and additional cash flow disclosures for the years ended:

	November 30, 2012 $	**November 30, 2011 $**
Cash received during the year for interest	560	581
Cash paid during the year for income taxes	-	-
Shares issued for E & E assets	90,000	-
Prepaid expenses capitalized to E & E assets	-	25,000
E & E assets included in trade payables and accrued liabilities	39,770	-
Value of shares and warrants received from sale of oil and gas E & E assets	-	3,083,706
Non-cash additions to oil and gas E & E assets	-	2,740,911

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments and risk management

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors reviews quarterly reports from the Company's Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

General objectives, policies and processes (cont'd…)

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

i. Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company consider this risk to be immaterial.

ii. Equity price risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets.

The Company is exposed to this risk through its equity holdings. The held for trading investment in the common shares of SPE is monitored by Management with decisions on sale taken at the Board level. A 10% decrease/increase in the fair value of Shoal Point would result in a $73,800 decrease/increase in net loss for the year.

iii. Commodity price risk:

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas and minerals are impacted by world economic events that dictate the levels of supply and demand as well as foreign exchange rates. As the Company has not yet developed commercial oil and gas and mineral interests, it is not exposed to commodity price risk at this time.

iv. Foreign currency risk:

The Company operates predominately in Canada and is not exposed to any significant foreign currency risk.

b) Credit risk

Credit risk is the risk that a customer or counterparty will fail to perform an obligation or fail to pay amounts due causing a financial loss. The majority of the Company's current period accounts receivable as at November 30, 2012 relates to amounts due from Canada Revenue Agency and hence credit risk is mitigated. The Company's reclamation deposit is also subject to credit risk. The Company maintains its cash balance with three major national financial institutions. The investment held by the Company is in one company who operates in the oil and gas industry. The Company is exposed to the risks of this investee and the industry in which it operates.

The maximum credit risk at the year end is represented by the recognized carrying amounts. Past due amounts included in accounts receivable at year end was $1,083 (2011 - $16,942).

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

General objectives, policies and processes (cont'd…)

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

To facilitate its expenditure program, the Company may enter into E & E option agreements with third parties and/or raise funds through private equity placements or public offerings.

The Company is subject to liquidity risk given its accumulated deficit. If the Company is unable to obtain adequate additional financing by raising funds through private placements, through option agreement farm-outs or to recover its investment, the Company will be required to curtail operations, exploration and development activities. As at November 30, 2012 and 2011, the Company's financial liabilities were comprised of accounts payable and accrued liabilities which have either contractual or expected maturities of less than one year.

Determination of fair value

The carrying amounts of accounts receivable and trade payables and accrued liabilities approximate fair value due to their short-term nature. The Company's other financial instruments, cash, reclamation deposit and marketable securities are measured using the fair value hierarchy.

Fair value hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable marker data (unobservable inputs).

The fair value of cash, reclamation deposits and marketable securities (common shares) are measured using level 1 inputs. The fair value of the marketable securities (warrants) are measured using level 2 inputs.

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to maintain sufficient capital base in order to meet its short-term obligations and at the same time preserve investor's confidence required to sustain future development and production of the business. The Company considers its common shares, warrants and stock options as capital.

(Expressed in Canadian Dollars)

15. CAPITAL MANAGEMENT (cont'd…)

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash.

Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met. There were no changes in the Company's approach to capital management during the year ended November 30, 2012. The Company is not subject to externally imposed capital requirements.

16. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	Year ended November 30, 2012	2011
Share-based compensation	$ -	$ 397,377
Short-term benefits*	204,000	174,000
	$ 204,000	$ 571,377

*includes base salaries pursuant to contractual employment, or consultancy arrangements. These have been recorded in service contracts and wages

Included in trade payables and accrued liabilities are Consulting fees payable of $16,401 (November 30, 2011 – $77,684) to directors for services performed during the year. The amounts are unsecured, non-interest bearing and are expected to be repaid under normal terms of trade.

17. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration and development of E & E assets in North America. All assets are located within Canada.

18. COMMITMENTS

Under a rental agreement with a third party, the Company is committed to office lease payments of $20,250 in fiscal 2013.

Under a management agreement with a company controlled by a director of the Company, the Company is committed to the monthly payment of management fees of $12,000 per month until February 2014.

(Expressed in Canadian Dollars)

19. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2012	2011
Net income (loss) for the year	$ (2,014,432)	$ 1,211,159
Expected income tax (recovery)	$ (587,000)	$ 371,000
Non-deductible expenditures and non-taxable revenues	202,000	165,000
Impact of future income tax rates applied versus current statutory rate	2,000	(29,000)
Impact of amalgamation	(833,000)	833,000
Share issue costs	(2,000)	-
Utilization of non-capital losses	-	(794,000)
Change in unrecognized temporary difference and other	$ 1,218,000	$ (546,000)
Total income tax expense (recovery)	**$ -**	**$ -**
Current income tax	**$ -**	**$ -**
Deferred tax recovery	**$ -**	**$ -**

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada.

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	2012	Expiry Date Range	2011	Expiry Date Range
Temporary Differences				
Share issue costs	$ 19,000	2033 - 2036	$ 24,000	2032 - 2035
Allowable Capital losses	$ 840,000	No expiry date	$ 554,000	No expiry date
Non-Capital losses	$ 6,329,000	2015 - 2032	$ 5,684,000	2012 - 2031
Property and equipment	$ 11,000	No expiry date	$ 10,000	No expiry date
Exploration and evaluation assets	$18,174,000	No expiry date	$ 18,166,000	No expiry date
Marketable securities	$ 1,118,000	No expiry date	$ 324,000	No expiry date

Tax attributes are subject to review, and potential adjustment, by tax authorities.

(Expressed in Canadian Dollars)

20. EARNINGS (LOSS) PER SHARE

Weighted Average Number of Common Shares	November 30, 2012	November 30, 2011
Basic weighted average number of shares	**51,958,836**	51,325,138
Effect of options issued	**-**	1,811,425
Diluted weighted average number of shares outstanding	**51,958,836**	53,136,563

21. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's financial statements for the year-ending November 30, 2012 are the first annual financial statements prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"), requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was December 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be November 30, 2012. Therefore, the financial statements for the year-ended November 30, 2012, the comparative information presented in these financial statements for the year-ended November 30, 2011 and the opening IFRS statement of financial position at December 1, 2010 are prepared in accordance with IFRS standards effective at the reporting date. However, IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters. Prior to transition to IFRS, the Company prepared its financial statements in accordance with CGAAP.

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with CGAAP.

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

OPTIONAL EXEMPTIONS

Business combinations

The Company elected not to retrospectively apply IFRS 3 Business Combinations to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.

Share-based payment transactions

The Company has elected not to retrospectively apply IFRS 2 Share-based Payments to equity instruments that were granted after November 7, 2002 and had not yet vested before the Transition Date.

MANDATORY EXCEPTIONS

Estimates

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

(Expressed in Canadian Dollars)

21. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd…)

RECONCILIATIONS OF PRE-CHANGEOVER CANADIAN GAAP EQUITY AND COMPREHENSIVE INCOME TO IFRS

IFRS 1 requires an entity to reconcile the statement of financial position, equity, comprehensive income and cash flows for prior periods. The changes made to the statements of financial position and statements of comprehensive income as shown below have resulted in reclassifications of various amounts on the statements of cash flows, however as there have been no material adjustments to the net cash flows, no reconciliation of the statement of cash flows has been prepared.

RECONCILIATION OF STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 1, 2010 – TRANSITION DATE

	Sub note	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Cash		$ 1,068,812	$ -	$ 1,068,812
Accounts receivable		64,709	-	64,709
Reclamation deposit		54,987	-	54,987
Prepaid expenses and deposits		42,736	-	42,736
Total current assets		**1,231,244**	**-**	**1,231,244**
Non-current assets				
Exploration and evaluation – oil and gas		158,058	-	158,058
Exploration and evaluation – mineral properties		375,000	-	375,000
Equipment		5,918	-	5,918
Total assets		**$ 1,770,220**	**$ -**	**$ 1,770,220**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Trade payables and accrued liabilities		$ 455,506	$ -	$ 455,506
Other liabilities		5,537	-	5,537
Total current liabilities		**461,043**	**-**	**461,043**
Shareholders' equity				
Capital stock	(ii)(iii)	13,791,024	323,063	14,114,087
Reserves	(iii)	2,334,260	(247,675)	2,086,585
Deficit	(ii)	(14,816,107)	(75,388)	(14,891,495)
Total shareholders' equity		**1,309,177**	**-**	**$1,309,177**
Total liabilities and shareholders' equity		**$ 1,770,220**	**$ -**	**$ 1,770,220**

(Expressed in Canadian Dollars)

21. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd…)

RECONCILIATION OF STATEMENT OF FINANCIAL POSITION AS AT NOVEMBER 30, 2011

	Sub note	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Cash		$ 144,789	$ -	$ 144,789
Accounts receivable		229,506	-	229,506
Reclamation deposit		55,568	-	55,568
Prepaid expenses and deposits		19,664	-	19,664
Held for trading investment		2,975,618	-	2,975,618
Total current assets		**3,425,145**	**-**	**3,425,145**
Non-current assets				
Exploration and evaluation - oil and gas		-	-	-
Exploration and evaluation – mineral properties		-	-	-
Equipment		6,888	-	6,888
Total non-current assets		**6,888**	**-**	**6,888**
Total assets		**$ 3,432,033**	**$ -**	**$ 3,432,033**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Trade and other payables and accrued liabilities		$ 341,120	$ -	$ 341,120
Other liabilities		5,537	-	5,537
Total current liabilities		**346,657**	**-**	**346,657**
Shareholders' equity				
Capital stock	(ii)(iii)	13,758,271	355,110	14,113,381
Reserves	(i)(iii)	2,927,612	(275,281)	2,652,331
Deficit	(i)(ii)	(13,600,507)	(79,829)	(13,680,336)
Total shareholders' equity		**3,085,376**	**-**	**3,085,376**
Total liabilities and shareholders' equity		**$ 3,432,033**	**$ -**	**$ 3,432,033**

(Expressed in Canadian Dollars)

21. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd…)

RECONCILIATION OF THE STATEMENT5 OF COMPREHENSIVE INCOME FOR THE YEAR-ENDED NOVEMBER 30, 2011

	Sub note	Canadian GAAP	Effect of transition to IFRS	IFRS
EXPENSES				
Depreciation		$ 5,939	$ -	$ 5,939
Share based compensation expense	(i)	561,305	4,441	565,746
Finance expense		5,018	-	5,018
Impairment		611,260	-	611,260
Other expenses		776,058	-	776,058
Total expenses		$ 1,959,580	$ 4,441	$ 1,964,021
OTHER ITEMS				
Interest and other income		$ 12,504	$ -	$ 12,504
Unrealized loss on marketable securities		(108,088)	-	(108,088)
Gain on sale of petroleum and natural gas exploration and evaluation assets		3,270,764	-	3,270,764
		$ 3,175,180	-	$ 3,175,180
Net income and comprehensive income for the year		$ 1,215,600	$ (4,441)	$ 1,211,159
Earnings per common share, basic and diluted		$ 0.02	$ Nil	$ 0.02

21. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd…)

EXPLANATIONS FOR THE ADJUSTMENTS ARE AS FOLLOWS:

i) Share-based payments

IFRS 2 is effective for the Company as at December 1, 2010 and is applicable to:

- New grants of stock-based payments subsequent to December 1, 2010;
- Equity-settled stock-based compensation awards granted subsequent to November 7, 2002 and that vest after December 1, 2010; and
- Awards that are modified on or after December 1, 2010, even if the original grant of the award was not accounted for in accordance with IFRS 2.

CGAAP allows the Company to calculate the fair value of the stock-based compensation on all awards granted and recognizes the expense from the date of grant over the vesting period using the graded vesting methodology. The Company determines the fair value of stock options granted using the Black-Scholes option pricing model.

IFRS 2 requires each tranche in an award with graded vesting features to be treated as a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

For the year ended November 30, 2011, this change resulted in an additional $4,441 being charged to Share-Based Compensation with a corresponding increase in Reserves and Deficit as at November 30, 2011. There were no changes as at December 1, 2010 due to this change in accounting policy.

ii) Flow-through shares

Under CGAAP, the entire proceeds from the issuance of flow-through shares were recognized in equity less the tax effects of renunciation. Under IFRS, on issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes other income.

As a result, for issuances of flow-through shares for which expenditures have been incurred, share capital increased by $75,388 at the date of transition (November 30, 2011 - $nil) and retained earnings decreased by $75,388 (November 30, 2011 - $nil).

iii) Warrants

Under CGAAP, the Company applied the relative fair value method to allocate proceeds received in connection with financing transactions to any share purchase warrants granted to investors. When the warrants expire, the value originally allocated to the warrants was re-classified into Reserves from Capital Stock.

Under IFRS, the Company has changed its accounting policy for the treatment of unit offerings to the residual value method, whereby any proceeds exceeding the fair value of the common shares at the time of issuance are allocated to the share purchase warrants.

21. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd…)

iii) Warrants (cont'd…)

Under the residual value method, the Company determined that there was no value allocated to previously granted warrants and thus the amounts re-classified to Reserves on the expiry of the warrants was reversed.

At the date of transition, this change resulted in a re-allocation of $247,675 to Capital Stock from Reserves, representing the fair value of the warrants under CGAAP granted to the investors who participated in the November 2009 and 2010 non flow-through private placements. During the year ended November 30, 2011, this change in accounting policy resulted in re-allocation of $279,722 to Capital Stock from Reserves, representing the $247,675 adjustment at the transition date and an additional $32,047 related to warrants in fiscal 2011.

22. SUBSEQUENT EVENTS

Subsequent to year-end, the Company has completed its share consolidation, on the basis of ten (10) old shares for one (1) new share (the "Consolidation"), as was approved by shareholders at the Annual and Special meeting held on December 14, 2012. All common share, warrant and stock option balances reported in these financial statements have been adjusted to reflect post share-consolidation balances.