# CANADIAN IMPERIAL VENTURE CORP.

## CONDENSED INTERIM FINANCIAL STATEMENTS
**(Expressed in Canadian Dollars)**

## FOR THE THREE MONTH PERIOD ENDED FEBRUARY 28, 2014
**(Unaudited – Prepared by Management)**

## Notice of Non-review of Condensed Interim Financial Statements

The attached condensed interim financial statements for the three-month period ended February 28, 2014 have been prepared by and are the responsibility of the Company's management and have been approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed interim financial statements.

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

| | February 28, 2014 | November 30, 2013 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | $ 105,819 | $ 117,750 |
| Accounts receivable | 7,488 | 22,729 |
| Reclamation deposit (Note 4) | 56,834 | 56,673 |
| Prepaid expenses and deposits | 10,736 | 14,329 |
| Marketable securities (Note 3) | - | 40,000 |
| **Total current assets** | 180,877 | 251,481 |
| **Non-current assets** | | |
| Exploration and evaluation assets (Note 5) | 571,811 | 571,811 |
| Equipment (Note 6) | 4,592 | 4,932 |
| **Total non-current assets** | 576,403 | 576,743 |
| **Total assets** | $ 757,280 | $ 828,224 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current** | | |
| Trade payables and accrued liabilities | $ 124,419 | $ 77,058 |
| **Total liabilities** | 124,419 | 77,058 |
| **Shareholders' equity** | | |
| Share capital (Note 8) | 14,714,917 | 14,714,917 |
| Reserves (Note 8) | 2,661,740 | 2,661,740 |
| Deficit | (16,743,796) | (16,625,491) |
| **Total shareholders' equity** | 632,861 | 751,166 |
| **Total liabilities and shareholders' equity** | $ 757,280 | $ 828,224 |

**Nature of operations and going concern** (Note 1)
**Basis of presentation** (Note 2)
**Commitments** (Note 15)

Approved and authorized by the Board on April 29, 2014:

"Gerard Edwards" Director "Robert Smiley" Director

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

**CANADIAN IMPERIAL VENTURE CORP.**
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE THREE MONTH PERIOD ENDED

| | February 28 2014 | February 28 2013 |
|---|---|---|
| **EXPENSES** | | |
| Depreciation (Note 6) | $ 340 | $ 434 |
| Finance expense | 115 | 377 |
| Other operating expenses (Note 10) | 118,011 | 152,867 |
| | (118,466) | (153,678) |
| Realized gain on marketable securities | - | 45,060 |
| Finance and other income | 161 | 154 |
| **Loss and comprehensive loss for the period** | $ (118,305) | $ (108,464) |
| **Loss per common share, basic and diluted** | $ (0.002) | $ (0.002) |
| **Weighted average number of common shares outstanding, basic and diluted** | 62,596,238 | 51,958,836 |

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

**CANADIAN IMPERIAL VENTURE CORP.**
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE THREE MONTH PERIOD ENDED

| | February 28 2014 | February 28 2013 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss for the period | $ (118,305) | $ (108,464) |
| Items not affecting cash: | | |
| Depreciation | 340 | 434 |
| Gain on marketable securities | - | (45,060) |
| Changes in non-cash working capital items: | | |
| Decrease (increase) in accounts receivable | 15,241 | (13,738) |
| Decrease (increase) in prepaid expenses | 3,593 | 1,593 |
| Decrease in trade payables and accrued liabilities | 47,361 | 178,926 |
| Increase in reclamation deposits | (161) | (140) |
| Net cash used in operating activities | (51,931) | 13,551 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from sale of investments | 40,000 | 80,568 |
| Payment of reclamation provision | - | - |
| Equipment additions | - | - |
| E & E asset additions | - | (324,569) |
| Net cash provided by (used in) investing activities | 40,000 | (244,001) |
| **Change in cash for the period** | (11,931) | (230,450) |
| **Cash, beginning of period** | 117,750 | 317,498 |
| **Cash, end of period** | 105,819 | $ 87,048 |

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)

| | Share Capital | | | | |
|---|---|---|---|---|---|
| | Number of common shares | Amount | Reserves | Deficit | Total |
| Balance at November 30, 2012 | 51,958,838 | 14,198,081 | 2,661,740 | (15,694,768) | 1,165,053 |
| Loss for the period | - | - | - | (108,464) | (108,464) |
| Balance, February 28, 2013 | 51,958,838 | 14,198,081 | 2,661,740 | (15,803,232) | 1,056,589 |
| Balance at November 30, 2013 | 62,596,238 | $ 14,714,917 | $ 2,661,740 | $ (16,625,491) | $ 751,166 |
| Loss for the period | - | - | - | (118,305) | (118,305) |
| Balance, February 28, 2014 | 62,596,238 | $ 14,714,917 | $ 2,661,740 | $ (16,743,796) | $ 632,861 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

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 233 Duckworth Street, Suite 205, St. John's, NL.

On March 18, 2013, the Company completed a share consolidation on the basis of ten (10) old shares for one (1) new share as approved by the shareholders at the Annual and Special meeting held on December 14, 2012. All common shares, warrants and stock options reported in these financial statements have been adjusted to reflect post-consolidation balances.

**Going concern of operations**

The Company has not generated revenue from operations. The Company incurred a net loss of $118,305 during the period ended February 28, 2014 ($930,723 during the year-ended November 30, 2013) and, as of that date the Company's deficit was $16,743,796 (November 30, 2013 - $16,625,491). 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.

## 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

**Statement of compliance**

These condensed interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies followed in these condensed interim financial statements are the same as those applied in the Company's most recent annual financial statements for the year ended November 30, 2013.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of April 29, 2014, the date the Board of Directors approved the statements.

The condensed interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended November 30, 2013.

**Basis of measurement**

The condensed interim 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 condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The condensed interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of condensed interim 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 of the Company's most recent annual financial statements.

(Expressed in Canadian Dollars)

## 3. MARKETABLE SECURITIES

Marketable securities consisted 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, 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 |

Due to its classification as a held-for-trading financial instrument, the investment is measured subsequent to initial recognition at fair value. As of February 28, 2014, the Company sold all remaining common shares (2013 – 2,000,000) and the common shares were re-measured as $nil (November 30, 2013 - $40,000), which resulted in a $nil (November 30, 2013 - $90,000) unrealized loss on marketable securities.

The 10,000,000 warrants held expired unexercised during the year ended November 30, 2013. The warrants held as at November 30, 2012 were valued using the Black-Scholes option pricing model with the following assumptions:

| | November 30, 2013 | November 30, 2012 |
|---|---|---|
| Volatility | N/A | 89% |
| Risk-free rate | N/A | 1.2% |
| Dividend yield | N/A | Nil |
| Expected life | N/A | 11 months |

## 4. 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.

(Expressed in Canadian Dollars)

## 5. EXPLORATION AND EVALUATION ASSETS

| | Mineral Exploration and Evaluation | | |
|---|---|---|---|
| | Acquisition | E&E | Total |
| Balance at November 30, 2012 | 130,000 | 81,633 | 211,633 |
| Exploration costs | - | 287,678 | 287,678 |
| Option payment cash | 60,000 | - | 60,000 |
| Option payment shares | 12,500 | - | 12,500 |
| Balance at November 30, 2013 and February 28, 2014 | $ 202,500 | $ 369,311 | $ 571,811 |

### 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 August 16, 2013, the Company announced that it had entered into an Amendment Agreement to the Option Agreement dated August 16, 2012. The Amendment Agreement grants the Company an extension to the payment requirements for its acquisition of its 55% interest in the Property.

As consideration for the amendments made to the Option Agreement and upon approval from the TSX Venture Exchange, the Company made the following:

- a cash payment of $20,000 to Theriault; and
- the issuance of 500,000 common shares in the capital of the Company to Theriault.

(Expressed in Canadian Dollars)

## 5. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Subject to the terms and conditions set out in the Option Agreement and Amendment Agreement, Theriault and Carina grant to the Company, the sole and exclusive right and option (the "Option") to acquire an undivided 55% right, title and interest in the Property by the Company making the following payments and share issuances:

- On the first day of each month commencing October 1, 2012, pay to Theriault $10,000 per month until March 1, 2013 for a total payment of $60,000 (paid);
- on the first day of each month, commencing on July 1, 2015, pay to Theriault $10,000 per month until August 1, 2016 for additional payments totalling $140,000;
- on September 24, 2015, issue to Carina 500,000 common shares in the capital of the Company to Carina;
- prior to September 24, 2016, make expenditures of $600,000 conducting exploration of the Property (qualifying expenditures made to-date - $466,565); and
- on or before November 12, 2016, pay to Theriault $50,000 and on or before November 12, 2017, pay to Theriault $50,000, in payment of the first two advance royalty payments to Theriault under the Amendment Agreement (said payments to be shared by Carina and the Company according to their respective interests in the Property).

## 6. EQUIPMENT

| | Office Furniture | Computer Software | Computer Equipment | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at November 30, 2012 | $ 10,536 | $ - | $ 10,623 | $ 21,159 |
| Additions | 1,000 | 939 | - | 1,939 |
| Disposals | - | - | - | - |
| Balance at November 30, 2013 | $ 11,536 | $ 939 | $10,623 | $ 23,098 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| Balance at February 28, 2014 | $ 11,536 | $ 939 | $10,623 | $ 23,098 |
| **Depreciation and impairment** | | | | |
| Balance at November 30, 2012 | $ 6,083 | $ - | $ 9,777 | $ 15,860 |
| Depreciation for the year | 991 | 469 | 846 | 2,306 |
| Disposals | - | - | - | - |
| Balance at November 30, 2013 | $ 7,074 | $ 469 | $ 10,623 | $ 18,166 |
| Depreciation for the period | 223 | 117 | - | 340 |
| Disposals | - | - | - | - |
| Balance at February 28, 2014 | $ 7,297 | $ 586 | $ 10,623 | $ 18,506 |
| **Carrying amounts** | | | | |
| At November 30, 2013 | $ 4,462 | $ 470 | $ - | $ 4,932 |
| At February 28, 2014 | $ 4,239 | $ 353 | $ - | $ 4,592 |

(Expressed in Canadian Dollars)

## 7. REHABILITATION PROVISION

| | | |
|---|---|---|
| Balance at November 30, 2012 | $ | 3,195 |
| Liabilities settled | | (3,195) |
| Balance at November 30, 2013 and February 28, 2014 | $ | - |

**Rehabilitation provision**

The Company makes full provision for the future cost of site rehabilitation on an undiscounted basis due to its short term nature of its exploration and evaluation assets. The rehabilitation provision represented the fair value of rehabilitation costs relating to exploration and evaluation activities.

## 8. SHARE CAPITAL AND RESERVES

**a) Common shares**

The Company is authorized to issue an unlimited number of common shares without par value, issuable in series.

**i. Private Placement**

On April 22, 2013, the Company completed a non-brokered private placement previously announced on March 22, 2013. Upon closing, a total of 10,137,400 units ("Units") were sold for $0.05 each for a total of $506,870. The Company incurred cash share issuance costs of $2,534. Each Unit consists of one common share in the capital of the Company and one non-transferable share purchase warrant ("Warrant"). One whole Warrant entitles the holder to buy an additional share in the capital of the Company for a period of two years at a price of $0.10 per share. All common shares sold in the private placement and any shares acquired upon exercise of the Warrants were subject to a four-month hold period which expired on August 23, 2013.

Directors of the Company purchased 4,190,000 Units.

**ii. Share consolidation**

On March 18, 2013, the Company completed a 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.

**iii. 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 600,000 common shares with a fair value on the issue date of $90,000. On August 16, 2013, the Company announced that it had entered into an Amendment Agreement and the Company issued 500,000 common shares with a fair value on the issue date of $12,500 (Note 7).

**iv. 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.

(Expressed in Canadian Dollars)

## 8. 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 shareholders' 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 share capital.

### d) Share purchase warrants

The following is a summary of changes in warrants:

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| **Balance at November 30, 2012** | **3,000,000** | **$ 1.00** |
| Issued | 10,137,400 | 0.10 |
| Expired warrants | (3,000,000) | 1.00 |
| **Balance as at November 30, 2013 and February 28, 2014** | **10,137,400** | **$ 0.10** |

As at February 28, 2014, the Company had outstanding warrants as follows:

| Number of Warrants | Exercise Price | Expiry | Weighted Average Remaining Contractual Life in Years |
|---|---|---|---|
| 10,137,400 | $0.10 | April 22, 2015 | 1.39 |
| 10,137,400 | $ 0.10 | | 1.39 |

## 9. SHARE-BASED PAYMENTS

### a) Option plan details

The Company has a 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)

**9. SHARE-BASED PAYMENTS** (cont'd…)

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 stock options from November 30, 2012 to February 28, 2014:

| | | Number of Options | | Weighted Average Exercise Price |
|---|---|---|---|---|
| Balance at November 30, 2012 | $ | 3,480,000 | $ | 1.00 |
| Expired | | (1,400,000) | | (1.00) |
| Cancelled | | (350,000) | | (1.00) |
| **Balance at November 30, 2013 and February 28, 2014** | $ | 1,730,000 | $ | 1.00 |

At February 28, 2014, the following stock options were outstanding and exercisable:

| Outstanding | Exercisable | | Weighted Average Exercise Price | Expiry Date | Weighted Average Remaining Life (years) |
|---|---|---|---|---|---|
| 780,000 | 780,000 | $ | 1.00 | December 14, 2014 | 1.04 |
| 810,000 | 810,000 | $ | 1.00 | May 2, 2016 | 2.42 |
| 140,000 | 140,000 | $ | 1.00 | June 17, 2016 | 2.55 |
| 1,730,000 | 1,730 ,000 | $ | 1.00 | | 1.81 |

**b) Fair value of stock options issued during the period**

There were no stock options granted during the period ended February 28, 2014 and year ended November 30, 2013.

**c) Expenses arising from share-based payment transactions**

There were no share-based payment transactions during the period ended February 28, 2014 and year ended November 30, 2013.

(Expressed in Canadian Dollars)

## 10. NATURE OF EXPENSES

| | **Period ended February 28, 2014** | **Period ended February 28, 2013** |
|---|---|---|
| Other operating expenses include: | | |
| Office and shareholder information | $ 17,077 | $17,220 |
| Professional and filing fees | 21,863 | 29,923 |
| Promotion and travel | 23,822 | 28,298 |
| Service contracts and wages | 55,249 | 77,426 |
| | **$118,011** | **$ 152,867** |

## 11. 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.

### 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.

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

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 considers 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. Since all shares were sold during the period equity risk is low.

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 accounts receivable as at February 28, 2014 relates to amounts due from Canada Revenue Agency and hence credit risk is mitigated. The Company's reclamation deposit and cash are also subject to credit risk. The Company maintains these balances with two major national financial institutions. The investment held by the Company was 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 period end is represented by the recognized carrying amounts. Past due amounts included in accounts receivable at period end was $4,269 (November 30, 2013 - $18,046).

## 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (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 February 28, 2014 and February 28, 2013, 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 reclamation deposit, accounts receivable and trade payables and accrued liabilities approximate fair value due to their short-term nature. The Company's other financial instruments, cash 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.

(Expressed in Canadian Dollars)

## 12. 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.

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 period ended February 28, 2014. The Company is not subject to externally imposed capital requirements.

## 13. 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:

| | Period ended February 28, 2014 | 2013 |
|---|---|---|
| Directors fees | $ - | $ 2,000 |
| Short-term benefits* | 51,434 | 49,868 |
| | $ 51,434 | $ 51,868 |

*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 $52,350 (February 28, 2013 – $18,128) to directors for services performed during the period. The amounts are unsecured, non-interest bearing and are expected to be repaid under normal terms of trade.

## 14. 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.

## 15. COMMITMENTS

Under an office rental agreement with a third party, the Company is committed to monthly office lease payments of $1,057 until July 2014.

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.