UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

☐· · REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended August 31, 2014

OR

☐· · TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐· · SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report ____________________________

For the transition period from_________________to______________

Commission File Number: 0-53646

EAGLEFORD ENERGY CORP.
(Formerly: Eagleford Energy Inc.)
(Exact name of Registrant as specified in its charter)

Ontario, Canada
(Jurisdiction of incorporation or organization)

1 King Street West, Suite 1505
Toronto, Ontario, Canada, M5H 1A1
(Address of principal executive offices)

James Cassina, Telephone (416) 364-4039, Fax (416) 364-8244
1 King Street West, Suite 1505, Toronto, Ontario, Canada, M5H 1A1
(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to section 12(b) of the Act: **None**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **Common Stock, no par value**
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**
(Title of Class)

The number of outstanding shares of the issuer's common stock as of August 31, 2014 was 27,671,541 shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or a transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards by the International Accounting Standards Board ☒ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.
Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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GENERAL

In this Annual Report, references to "we", "us", "our", the "Company", and "Eagleford" mean Eagleford Energy Corp. (Formerly: Eagleford Energy Inc.), and its subsidiaries, unless the context requires otherwise.

We use the Canadian dollar as our reporting and presentation currency and our consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). All monetary references in this document are to Canadian dollars, unless otherwise indicated. All references in this document to "dollars" or "$" or "CDN$" mean Canadian dollars, unless otherwise indicated, and references to "US$" mean United States dollars.

Except as noted, the information set forth in this Annual Report is as of November 28, 2014 and all information included in this document should only be considered accurate as of such date. Our business, financial condition or results of operations may have changed since that date.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Much of the information included in this Annual Report is based upon estimates, projections or other "forward-looking statements". Such forward-looking statements include any projections or estimates made by us and our management in connection with our business operations. These statements relate to future events or our future financial performance. In some cases you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of those terms or other comparable terminology. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. Such estimates, projections or other forward-looking statements involve various risks and uncertainties and other factors, including the risks in the section titled "Risk Factors" below, which may cause our actual results, levels of activities, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. We caution the reader that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform those statements to actual results.

The statements contained in Item 4 – "Information on the Company", Item 5 – "Operating and Financial Review and Prospects" and Item 11 – "Quantitative and Qualitative Disclosures about Market Risk" are inherently subject to a variety of risks and uncertainties that could cause actual results, performance or achievements to differ significantly.

PART I

ITEM 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

A. DIRECTORS AND SENIOR MANAGEMENT

Not applicable. This Form 20-F is being filed as an Annual Report under the Exchange Act.

B. ADVISERS

Not applicable. This Form 20-F is being filed as an Annual Report under the Exchange Act.

C. AUDITORS

Not applicable. This Form 20-F is being filed as an Annual Report under the Exchange Act.

ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE

A. OFFER STATISTICS

Not applicable. This Form 20-F is being filed as an Annual Report under the Exchange Act.

B. METHOD AND EXPECTED TIMETABLE

Not applicable. This Form 20-F is being filed as an Annual Report under the Exchange Act.

ITEM 3 KEY INFORMATION

A. SELECTED FINANCIAL DATA

The following table presents selected financial data derived from our Audited Consolidated Financial Statements for the fiscal years ended August 31, 2014, 2013, 2012 and 2011. You should read this information in conjunction with our Audited Consolidated Financial Statements and related notes (*See Item 18: "Financial Statements"*), as well as (*Item 4: "Information on the Company" and Item 5: "Operating and Financial Review and Prospects"*) of this Annual Report.

Our consolidated financial statements have been prepared in accordance International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The selected consolidated statement of operations data set forth below for the years ended August 31, 2014, 2013, 2012 and 2011 and the selected consolidated statement of financial position information set forth below as of August 31, 2014, 2013, 2012 and 2011 is derived from our consolidated financial statements, which have been audited by Schwartz Levitsky Feldman LLP, Chartered Accountants, Toronto, Canada all of which are attached to and forming part of this Annual Report under Item 18 – Financial Statements.

EAGLEFORD ENERGY CORP.
Prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB")
(STATED IN CANADIAN DOLLARS)
Except share and per share data

CONSOLIDATED STATEMENT OF FINANCIAL POSITION INFORMATION

	YEARS ENDED AUGUST 31,			
	2014	**2013**	**2012**	**2011**
Cash	$ 103,215	$ 196,837	$ 330,003	$ 165,266
Total assets	$ 5,296,928	$ 6,918,196	$ 8,998,016	$ 9,575,976
Total liabilities	$ 8,016,363	$ 6,776,052	$ 6,047,663	$ 6,848,676
Total shareholders' equity (deficiency)	$ (2,719,435)	$ 142,144	$ 2,950,353	$ 2,727,300

CONSOLIDATED STATEMENT OF OPERATIONS INFORMATION

	YEARS ENDED AUGUST 31,			
	2014	2013	2012	2011
Revenue				
Natural gas sales, net of royalties	$ 65,024	$ 30,062	$ 39,218	$ 56,916
Expenses				
Operating costs	17,138	9,234	28,471	52,190
Depletion and accretion	2,449	13,283	20,509	23,912
General and administrative	403,120	583,577	705,591	502,474
Marketing and public relations	(14,250)	25,763	46,272	88,569
Impairment loss on property and equipment	-	168,954	50,774	48,249
Impairment loss on exploration and evaluation	1,315,276	2,690,568	-	-
Interest expense	284,038	76,763	88,789	68,199
Loss (gain) loss on derivative liabilities	2,735,476	128,041	46,655	(126,410)
Loss on settlement of debt	1,335,935	402,264	1,465,465	-
Loss (gain) on foreign exchange	101,427	197,640	36,283	(161,340)
Impairment loss on marketable securities	-	1	-	-
Stock based compensation	-	-	95,910	-
Stock based compensation-non employees	-	-	75,062	-
Compensation expense on re-pricing of units	-	-	188,625	-
Gain on disposal of marketable securities	-	-	-	(8,000)
	6,180,609	4,296,108	2,848,406	487,843
Net loss for the period	(6,115,585)	(4,266,046)	(2,809,188)	(430,927)
Foreign currency translation	(199,965)	314,120	(160)	(109,303)
Total Loss and Comprehensive loss	$ (6,315,550)	$ (3,951,926)	$ (2,809,348)	$ (540,230)
Loss per share, basic and diluted	$ (0.482)	$ (0.407)	$ (0.344)	$ 0.07)
Weighted average shares outstanding, basic and diluted *	12,675,329	10,477,429	8,8,176,973	6,385,445

*Reflects March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten stock consolidation

Exchange Rate Information
The exchange rate between the Canadian dollar and the U.S. dollar was CDN$1.00 per US$0.8574 (or US$1.00 per CDN$1.1426) as of November 28, 2014.

The average exchange rates for the periods indicated below (based on the daily noon buying rate for cable transfers in New York City certified for customs purposes by the Federal Reserve Bank of New York) are as follows:

	YEARS ENDED AUGUST 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Average exchange rate CDN$ per US$1.00	0.9214	0.9839	0.9925	0.9783	1.0640
Average exchange rate US$ per CDN$1.00	1.0786	1.0161	1.0075	1.0217	0.9360

The high and low exchange rates between the Canadian dollar and the U.S. dollar for each of the six months ended November 28, 2014 are as follows:

	Exchange rate CDN$ per US$1.00	
Month	**Low**	**High**
November 2014	1.1236	1.1426
October 2014	1.1150	1.1291
September 2014	1.0862	1.1207
August 2014	1.0852	1.0982
July 2014	1.0633	1.0908
June 2014	1.0676	1.0937

B. CAPITALIZATION AND INDEBTEDNESS

Not Applicable. This Form 20-F is being filed as an Annual Report under the Exchange Act.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not Applicable. This Form 20-F is being filed as an Annual Report under the Exchange Act.

D. RISK FACTORS

Our securities are highly speculative and subject to a number of risks. You should not consider an investment in our securities unless you are capable of sustaining an economic loss of the entire investment. In addition to the other information presented in this Annual Report, the following risk factors should be given special consideration when evaluating an investment in our securities.

General Risk Factors

We require additional capital which may not be available to us on acceptable terms, or at all. Both the exploration and development of oil and gas reserves can be capital-intensive businesses. We have accumulated significant losses and negative cash flows from operations in recent years which raises doubt as to the validity of the going concern assumption. As at August 31, 2014, we had a working capital deficiency of $3,489,237 and an accumulated deficit of $15,328,146. We do not have sufficient funds to meet our liabilities for the ensuing twelve months as they become due. In assessing whether the going concern assumption is appropriate, we take into account all available information about the future, which is at least, but not limited to, twelve months from August 31, 2014. Our ability to continue operations and fund our liabilities is dependent on our ability to secure additional financing and cash flow. We are pursuing such additional sources of financing and cash flow to fund our operations and obligations and while we have been successful in doing so in the past, there can be no assurance we will be able to do so in the future. We intend to satisfy any additional working capital requirements from cash flow and by raising capital through public or private sales of debt or equity securities, debt financing or short-term loans, or a combination of the foregoing. We have no current arrangements for obtaining additional capital, and may not be able to secure additional capital, or on terms which will not be objectionable to us or our shareholders. Under such circumstances, our failure or inability to obtain additional capital on acceptable terms or at all could have a material adverse effect on us.

We have a history of losses and a limited operating history as an oil and gas exploration and development company which makes it more difficult to evaluate our future prospects. To date, we have incurred significant losses. We have a limited operating history upon which any evaluation of us and our long-term prospects might be based. We are subject to the risks inherent in the oil and gas industry, as well as the more general risks inherent to the operation of an established business. We and our prospects must be considered in light of the risks, expenses and difficulties encountered by all companies engaged in the extremely volatile and competitive oil and gas markets. Any future success we might achieve will depend upon many factors, including factors, which may be beyond our control. These factors may include changes in technologies, price and product competition, developments and changes in the international oil and gas market, changes in our strategy, changes in expenses, fluctuations in foreign currency exchange rates, general economic conditions, and economic and regulatory conditions specific to the areas in which we compete. To address these risks, we must, among other things, comply with environmental regulations; expand our portfolio of proven oil and gas properties and negotiate additional working interests and prospect participations; and expand and replace depleting oil and gas reserves.

We have a pending litigation which could have a material effect on our financial condition or profitability. On or about September 30, 2014, Stratex Oil & Gas Holdings, Inc. ("Stratex") filed a petition against Zavala Inc. in the District Court of Zavala County, Texas seeking breach of contract and actual damages of US$152,293 (the "Purported Debt") for Zavala Inc's alleged non-payment of its proportionate share of minimum royalties due under the Matthews Lease. Zavala Inc. disputes the claim citing $300,000 paid by the Company to be credited against the minimum royalties which Stratex has failed to do. Zavala Inc. paid the $152,293 under protest and filed a Response and Cross Notice of Default against Stratex (Cause No. 14-09-13290-ZCV)

On or about October 27, 2014, the Company filed a statement of claim in the Ontario Superior Court of Justice against Alan Gaines, a former director of the Company for breach of fiduciary duty to the Company relating to Gaines role in the Company contracting with Stratex (Court File No.: 65-14-514935). The Company is seeking a declaration that Gaines breached his duty to the Company, an accounting and disgorgement of profits made by Gaines in breach of his duties or in the alternative, damages and/or restitution for breach of fiduciary duty, deceit, and unjust enrichment in an amount to be determined before trial and $1.0 million in punitive damages.

In February 2013, a vendor of Dyami Energy applied a lien on the Murphy #4 well and filed a claim in the District Court of Zavala County, Texas (Case No. 13-02-12941-ZCV) seeking payment of US$169,196 for services. Dyami Energy was disputing the amount on the basis of negligence by the vendor. On January 28, 2014 the vendor received a summary judgment against Dyami Energy in the amount of $169,196 plus interest at a rate of 18% per annum from September 17, 2012 until paid and legal fees of $21,178 plus interest at a rate of 5% per annum from the date of judgment until paid. During 2013 full amount of the provision had been recorded together with legal fees and interest. The provision, legal fees and interest were transferred to trade and other payables. In addition, in December 2011, a vendor of Dyami Energy filed a claim in the District Court of Harris County, (Case No. 2011-74035/Court: 113) seeking payment of US$62,800. Dyami Energy disputed the claim on the basis of excessive charges. In December 2013 an agreed final judgment in favor of the vendor was entered into court in the amount of $42,803 and post judgment interest at 5% per annum until paid in full. The provision was transferred to trade and other payables (See - *Item 8.A "Consolidated Financial Statements and Other Financial Information – Litigation"*).

We have significant shareholder loans payable and a secured convertible note payable which may make it difficult to service our debts, adversely affect our ability to obtain additional financing, engage in any business combinations or negatively affect our operations. At August 31, 2014 we had 10% per annum shareholder loans payable on demand in the amount of US$904,250 and a 10% per annum secured convertible promissory note payable in the amount of US$1,216,175. The note is due on the earliest to occur of: (a) August 31, 2015; (b) the closing of any subsequent financing or series of financings by the Company that results in gross proceeds of an aggregate amount equal to or greater than US$4,400,000, excluding conversion of any existing debt into equity; (c) the date of a sale by the Company of all of the shares in the capital stock of Zavala Inc. held by the Company from time to time; (d) the closing of a merger, reorganization, take-over or other business combination which results in a change of control of the Company or Zavala Inc.; or (e) an event of default (the "Note"). In the event that the Company closes any subsequent financing or series of financings that results in gross proceeds to the Company of an aggregate amount equal to or greater than US$2,000,000, excluding conversion of any existing debt into equity of the Company, the Company shall allocate US$0.50 of every US$1.00 exceeding the US$2,000,000 raised from such financing to repay the Note. The Note is secured by all of the assets of the Company and Zavala Inc. The Lender has the right but not the obligation, at any time to convert all or any portion of the unpaid principal and interest into Units of the Company. Each Unit is comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the Unit. The price of the Units be the lessor of a price equal to the 30-day volume weighted average price of the Company as of the date of conversion, less 20% (as adjusted for any stock splits, combinations or similar events) or eight US$0.08 per share The Company may, in its sole discretion, prepay any portion of the principal amount upon seven days' notice.

If in the future we are unable to service our debt obligations we may, among other things, need to refinance all or a portion of our debt at an increased borrowing cost, obtain additional financing, delay capital expenditures or sell material assets. If we are not able to re-finance our debt as necessary, obtain additional financing or sell assets on commercially terms or at all, we may not be able to satisfy our debt obligations. In the event that shareholder loans or the secured note become payable on demand we may not have sufficient funds to re-pay all of the debt.

We have significant debt which may make it more difficult for us to obtain future financing or engage in business combination transactions. We have significant debt obligations. The degree to which this indebtedness could have consequences on our future prospects includes the effect of such debts on our ability to obtain financing for working capital, capital expenditures or acquisitions. The portion of available cash flow that will need to be dedicated to repayment of indebtedness will reduce funds available for expansion. If we are unable to meet our debt obligations through cash flow from operations, we may be required to refinance or adopt alternative strategies to reduce or delay capital expenditures, or seek additional equity capital.

Our future operating results are subject to fluctuation based upon factors outside of our control. Our operating results may in the future fluctuate significantly depending upon a number of factors including industry conditions, oil and gas prices, rate of drilling success, rates of production from completed wells and the timing of capital expenditures. Such variability could have a material adverse effect on our business, financial condition and results of operations. In addition, any failure or delay in the realization of expected cash flows from operating activities could limit our future ability to participate in exploration or to participate in economically attractive oil and gas projects.

Our operating results will be affected by foreign exchange rates. Since energy commodity prices are primarily priced in US dollars, a portion of our revenue stream and a portion of our expenses are incurred in US dollars and they are affected by U.S./Canadian dollar exchange rates. We do not hedge this exposure. While to date this exposure has not been material, it may become so in the future.

Our inability to manage our expected growth could have a material adverse effect on our business operations and prospects. We may be subject to growth-related risks including capacity constraints and pressure on our internal systems and controls. The ability to manage growth effectively will require us to continue to implement and improve our operational and financial systems and to expend, train and manage our employee base. The inability to deal with this growth could have a material adverse impact on our business, operations and prospects.

To compete in our industry, we must attract and retain qualified personnel. Our ability to continue our business and to develop a competitive edge in the marketplace depends, in large part, on our ability to attract and retain qualified management and personnel. Competition for such personnel is intense, and we may not be able to attract and retain such personnel which may negatively impact our share price. We do not have key-man insurance on any of our employees, directors or senior officers and we do not have written employment agreements with any of our employees, directors or senior officers.

We must continue to institute procedures designed to avoid potential conflicts involving our officers and directors. Some of our directors and officers are or may serve on the board of directors of other companies from time to time. Pursuant to the provisions of the Business Corporations Act (*Ontario*), our directors and senior officers must disclose material interests in any contract or transaction (or proposed contract or transaction) material to us. To avoid the possibility of conflicts of interest which may arise out of their fiduciary responsibilities to each of the boards, all such directors have agreed to abstain from voting with respect to a conflict of interest between the applicable companies. In appropriate cases, we will establish a special committee of independent directors to review a matter in which several directors, or members of management, may have a conflict.

We rely on the expertise of certain persons and must insure that these relationships are developed and maintained. We are dependent on the advice and project management skills of various consultants and joint venture partners contracted by us from time to time. Our failure to develop and maintain relationships with qualified consultants and joint venture partners will have a material adverse effect on our business and operating results.

We must indemnify our officers and directors against certain actions. Our articles contain provisions that state, subject to applicable law, we must indemnify every director or officer, subject to the limitations of the Business Corporations Act (*Ontario*), against all losses or liabilities that our directors or officers may sustain or incur in the execution of their duties. Our articles further state that no director or officer will be liable for any loss, damage or misfortune that may happen to, or be incurred by us in the execution of his duties if he acted honestly and in good faith with a view to our best interests. Such limitations on liability may reduce the likelihood of litigation against our officers and directors and may discourage or deter our shareholders from suing our officers and directors based upon breaches of their duties to us, though such an action, if successful, might otherwise benefit us and our shareholders.

We do not currently maintain a permanent place of business within the United States. A majority of our directors and officers are nationals or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to enforce within the United States any judgments obtained against our company or our officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

The global financial crisis is expected to cause petroleum and natural gas prices to remain volatile for the near future. Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions may be continuing, contributing to a loss of confidence in the broader U.S. and global credit and financial markets and which could result in the collapse of, and government intervention in, major banks, financial institutions and insurers and create a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and will impact the performance of the global economy going forward. Petroleum and natural gas prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns.

Since our sole executive officer does not devote his full time to the performance of his Company duties, he may engage in other work activities to our detriment. James Cassina, our sole executive officer, devotes approximately 85% of his work time to the performance of his Company duties. Although he has an obligation to perform his duties in a manner consistent with our best interests and through his stock ownership in the Company, is incentivized to do so, may encounter conflicts regarding the availability and use of his work time. Although there are no such present conflicts, the development thereof could have a material adverse effect on us.

Risks Factors Relating to Our Common Stock

Our stockholders may have difficulty selling shares of our common stock as there is a limited public trading market for such stock. There is only a limited public market for our common stock, and no assurance can be given that a broad or active public trading market will develop in the future or, if developed, that it will be sustained. Our common stock trades on the Over-the-Counter Bulletin Board. In addition, our common stock has not been qualified under any applicable state blue-sky laws, and we are under no obligation to so qualify or register our common stock, or otherwise take action to improve the public market for such securities. Our common stock could have limited marketability due to the following factors, each of which could impair the timing, value and market for such securities: (i) lack of profits, (ii) need for additional capital, (ii) limited public market for such securities; (iii) the applicability of certain resale requirements under the Securities Act; and (iv) applicable blue sky laws and the other factors discussed in this Risk Factors section.

Possible volatility of stock price. The market price for our common stock may be volatile and is subject to significant fluctuations in response to a variety of factors, including the liquidity of the market for the common stock, variations in our quarterly operating results, regulatory or other changes in the oil and gas industry generally, announcements of business developments by us or our competitors, litigation, changes in operating costs and variations in general market conditions. Because we have a limited operating history, the market price for our common stock may be more volatile than that of a seasoned issuer. Changes in the market price of our securities may have no connection with our operating results. No predictions or projections can be made as to what the prevailing market price for our common stock will be at any time.

We do not anticipate paying dividends on our common stock. We presently plan to retain all available funds for use in our business, and therefore do not plan to pay any cash dividends with respect to our securities in the foreseeable future. Hence, investors in our common stock should not expect to receive any distribution of cash dividends with respect to such securities for the foreseeable future.

Our shareholders may experience dilution of their ownership interests because of our future issuance of additional shares of common stock. Our constating documents authorize the issuance of an unlimited number of shares of common stock, without par value. In the event that we are required to issue additional shares of common stock or securities exercisable for or convertible into additional shares of common stock, enter into private placements to raise financing through the sale of equity securities or acquire additional oil and gas property interests in the future from the issuance of shares of our common stock to acquire such interests, the interests of our existing shareholders will be diluted and existing shareholders may suffer dilution in their net book value per share depending on the price at which such securities are sold. If we do issue additional shares, it will cause a reduction in the proportionate ownership and voting power of all existing shareholders. As of the date of this Annual report we had outstanding the following common share purchase warrants: 7,378,560 warrants exercisable at $0.10 per share; 1,915,000 warrants exercisable at $0.50 per share; 641,240 warrants exercisable at US$5.00 per share; and 102,598 warrants exercisable at US$2.50. If any of these common share purchase warrants are exercised it would generate additional capital for us. As of the date of this Annual report we had the following share purchase options outstanding; 100,000 exercisable at $1.60 per share and 1,000,000 exercisable at $0.12 per share. (*See Item 5: "Operating and Financial Review and Prospects – Share Capital and Reserves and Derivative Liabilities"*).

Prospective investors in our Company are urged to seek independent investment advice. Independent legal, accounting or business advisors (i) have not been appointed by, and have not represented or held themselves out as representing the interests of prospective investors in connection with this Annual Report, and (ii) have not "expertized" or held themselves out as "expertizing" any portion of this Annual Report, nor is our legal counsel providing any opinion in connection with us, our business or the completeness or accuracy of this Annual Report. Neither we nor any of our respective officers, directors, employees or agents, including legal counsel, make any representation or expresses any opinion (i) with respect to the merits of an investment in our common stock, including without limitation the proposed value of our common stock; or (ii) that this Annual Report provides a complete or exhaustive description of us, our business or relevant risk factors which an investor may now or in the future deem pertinent in making his, her or its investment decision. Any prospective investor in our common stock is therefore urged to engage independent accountants, appraisers, attorneys and other advisors to (a) conduct such due diligence review as such investor may deem necessary and advisable, and (b) to provide such opinions with respect to the merits of an investment in our Company and applicable risk factors upon which such investor may deem necessary and advisable to rely. We will fully cooperate with any investor who desires to conduct such an independent analysis so long as we determine, in our sole discretion, that such cooperation is not unduly burdensome.

Applicable SEC rules governing the trading of "penny stocks" will limit the trading and liquidity of our common stock and may affect the trade price for our common stock. The Securities and Exchange Commission ("SEC") has adopted rules which generally define "penny stock" to be any equity security that has a market price (as defined) of less than US$5.00 per share or an exercise price of less than $5.00 per share, subject to certain exceptions. Our securities will be covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors". The term "accredited investor" refers generally to institutions with assets in excess of US$5,000,000 or individuals with a net worth in excess of US$1,000,000 or annual income exceeding US$200,000 or US$300,000 jointly with their spouse.

The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the shares that are subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We expect that the penny stock rules will discourage investor interest in and limit the marketability of our common shares.

In addition to the "penny stock" rules described above, The Financial Industry Regulatory Authority ("FINRA") has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, the FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements will make it more difficult for broker-dealers to recommend that their customers buy our common shares, which may limit your ability to buy and sell our shares and have an adverse effect on the market for our shares.

Risks Factors Relating to Our Business

Our future success is dependent upon our ability to locate, obtain and develop commercially viable oil and gas deposits. Our future success is dependent upon our ability to economically locate commercially viable oil and gas deposits. We may not be able to consistently identify viable prospects, and such prospects, if identified, may not be commercially exploitable. Our inability to consistently identify and exploit commercially viable hydrocarbon deposits would have a material and adverse effect on our business and financial position.

Exploratory drilling activities are subject to substantial risks. Our expected revenues and cash flows will be principally dependent upon the success of any drilling and production from prospects in which we participate. The success of such prospects will be determined by the economical location, development and production of commercial quantities of hydrocarbons. Exploratory drilling is subject to numerous risks, including the risk that no commercially productive oil and gas reservoirs will be encountered. The cost of drilling, completing and operating wells is often uncertain, and drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including unexpected formation and drilling conditions, pressure or other irregularities in formations, blowouts, equipment failures or accidents, as well as weather conditions, compliance with governmental requirements or shortages or delays in the delivery of equipment. Our inability to successfully locate and drill wells that will economically produce commercial quantities of oil and gas could have a material adverse effect on our business and, financial position.

Our drilling and exploration plans will be subject to factors beyond our control. A prospect is a property that has been identified based on available geological and geophysical information that indicates the potential for hydrocarbons. Whether we ultimately drill a property may depend on a number of factors including funding; the receipt of additional seismic data or reprocessing of existing data; material changes in oil or gas prices; the costs and availability of drilling equipment; the success or failure of wells drilled in similar formations or which would use the same production facilities; changes in estimates of costs to drill or complete wells; our ability to attract industry partners to acquire a portion of our working interest to reduce exposure to drilling and completion costs; decisions of our joint working interest owners; and restrictions under provincial or state regulators.

Our operating results are subject to oil and natural gas price volatility. Our profitability, cash flow and future growth will be affected by changes in prevailing oil and gas prices. Oil and gas prices have been subject to wide fluctuations in recent years in response to changes in the supply and demand for oil and natural gas, market uncertainty, competition, regulatory developments and other factors which are beyond our control. It is impossible to predict future oil and natural gas price movements with any certainty. We do not engage in hedging activities. As a result, we may be more adversely affected by fluctuations in oil and gas prices than other industry participants that do engage in such activities. An extended or substantial decline in oil and gas prices would have a material adverse effect on our access to capital, and our financial position and results of operations.

Unforeseen title defects may result in a loss of entitlement to production and reserves. Although we conduct title reviews in accordance with industry practice prior to any purchase of resource assets, such reviews do not guarantee that an unforeseen defect in the chain on title will not arise and defeat our title to the purchased assets. If such a defect were to occur, our entitlement to the production from such purchased assets could be jeopardized.

Estimates of reserves and predictions of future events are subject to uncertainties. Certain statements included in this Annual Report contain estimates of our oil and gas reserves and the discounted future net revenues from those reserves, as prepared by independent petroleum engineers or us. There are numerous uncertainties inherent in such estimates including many factors beyond our control. The estimates are based on a number of assumptions including constant oil and gas prices, and assumptions regarding future production, revenues, taxes, operating expenses, development expenditures and quantities of recoverable oil and gas reserves. Such estimates are inherently imprecise indications of future net revenues, and actual results might vary substantially from the estimates based on these assumptions. Any significant variance in these assumptions could materially affect the estimated quantity and value of reserves. In addition, our reserves might be subject to revisions based upon future production, results of future exploration and development, prevailing oil and gas prices and other factors. Moreover, estimates of the economically recoverable oil and gas reserves, classifications of such reserves and estimates of future net cash flows prepared by independent engineers at different times may vary substantially. Information about reserves constitutes forward-looking statements.

The success of our business is dependent upon our ability to replace reserves. Our future success depends upon our ability to find, develop and acquire oil and gas reserves that are economically recoverable. As a result we must locate, acquire and develop new oil and gas reserves to replace those, if any, being depleted by production. Without successful funding for acquisitions and exploration and development activities, our resources will decline. We may not be able to find and develop or acquire additional resources at an acceptable cost.

Most of our competitors have substantially greater financial, technical, sales, marketing and other resources than we do. We engage in the exploration for and production of oil and gas, industries which are highly competitive. We compete directly and indirectly with oil and gas companies in our exploration for and development of desirable oil and gas properties. Many companies and individuals are engaged in the business of acquiring interests in and developing oil and gas properties in the United States and Canada, and the industry is not dominated by any single competitor or a small number of competitors. Many of such competitors have substantially greater financial, technical, sales, marketing and other resources, as well as greater historical market acceptance than we do. We will compete with numerous industry participants for the acquisition of land and rights to prospects, and for the equipment and labor required to operate and develop such prospects. Competition could materially and adversely affect our business, operating results and financial condition. Such competitive disadvantages could adversely affect our ability to participate in projects with favorable rates of return.

Shortages of supplies and equipment could delay our operations and result in higher operating and capital costs. Our ability to conduct operations in a timely and cost effective manner is subject to the availability of natural gas and crude oil field supplies, rigs, equipment and service crews. Although none are expected currently, any shortage of certain types of supplies and equipment could result in delays in our operations as well as in higher operating and capital costs.

Our business is subject to interruption from severe weather. Presently, our operations are conducted principally in the central region of Alberta, Canada and in Southwest Texas. The weather in these areas and other areas in which we may operate in the future can be extreme and can cause interruption or delays in our drilling and construction operations.

We are dependent on third-party pipelines and would experience a material adverse effect on our operations were our access to such pipelines be curtailed or the rates charged for use thereof materially increased. Substantially all our sales of natural gas production are effected through deliveries to local third-party gathering systems to processing plants. In addition, we rely on access to inter-provincial pipelines for the sale and distribution of substantially all of our gas. As a result, a curtailment of our sale of natural gas by pipelines or by third-party gathering systems, an impairment of our ability to transport natural gas on inter-provincial pipelines or a material increase in the rates charged to us for the transportation of natural gas by reason of a change in government regulations or for any other reason, could have a material adverse effect upon us. In such event, we would have to obtain other transportation arrangements. We may not have economical transportation alternatives and it may not be feasible for us to construct pipelines. In the event such circumstances were to occur, our operating netbacks from the affected wells would be suspended until, and if, such circumstances could be resolved.

Our business is subject to operating hazards and uninsured risks. The oil and gas business involves a variety of operating risks, including fire, explosion, pipe failure, casing collapse, abnormally pressured formations, adverse weather conditions, governmental and political actions, premature reservoir declines, and environmental hazards such as oil spills, gas leaks and discharges of toxic gases. The occurrence of any of these events with respect to any property operated or owned (in whole or in part) by us could have a material adverse impact on us. Insurance coverage is not always economically feasible and is not obtained to cover all types of operational risks. The occurrence of a significant event that is not insured or insured fully could have a material adverse effect on our financial condition.

Our business is subject to restoration, safety and environmental risk. Our present operations are primarily in western Canada and southwest Texas and certain laws and regulations exist that require companies engaged in petroleum activities to obtain necessary safety and environmental permits to operate. Such legislation may restrict or delay us from conducting operations in certain geographical areas. Further, such laws and regulations may impose liabilities on us for remedial and clean-up costs, or for personal injuries related to safety and environmental damages, such liabilities collectively referred to as "decommissioning obligations". While our safety and environmental activities have been prudent in managing such risks, we may not always be successful in protecting us from the impact of all such risks.

The termination or expiration of any of our licenses and leases may have a material adverse effect on our results of operations. Our properties are held in the form of licenses and leases and working interests in licenses and leases. If we, or the holder of the license or lease, fail to meet the specific requirement of a license or lease, the license or lease may terminate or expire. We may not meet the obligations required to maintain each license or lease. The termination or expiration of our licenses or leases or the working interests relating to a license or lease may have a material adverse effect on our results of operations and business (See *Item 4.B: "Information on the Company – History and Development of the Company").*

Compliance with new or modified environmental laws or regulations could have a materially adverse impact on us. We are subject to various Canadian and US laws and regulations relating to the environment. We believe that we are currently in compliance with such laws and regulations. However, such laws and regulations may change in the future in a manner which will increase the burden and cost of compliance. In addition, we could incur significant liability under such laws for damages, clean-up costs and penalties in the event of certain discharges into the environment. In addition, environmental laws and regulations may impose liability on us for personal injuries, clean-up costs, environmental damage and property damage as well as administrative, civil and criminal penalties. We do not maintain insurance for the full potential liability that could be caused by such environmental damage. Accordingly, we may be subject to significant liability, or may be required to cease production in the event of the noted liabilities.

ITEM 4 INFORMATION ON THE COMPANY

We are amalgamated under the laws of the Province of Ontario. Our primary activities are investment in, exploration and development and production of oil and gas.

We hold a 0.5% non-convertible gross overriding royalty in a natural gas well located in the Haynes area in the Province of Alberta, Canada carried on the consolidated statement of financial position at Nil.

We hold a 5.1975% working interest held in trust through a joint venture partner in a natural gas unit located in the Botha area in the Province of Alberta, Canada carried on the consolidated statement of financial position at Nil.

Through Eagleford Energy, Zavala Inc., we hold a 50% working interest in the 2,629 acre Matthews Lease located in Zavala County, Texas and a 33.33% working interest before payout and 50% working interest after payout in the Matthews #1H well. (See *Item 4.B: "Information on the Company – History and Development of the Company").*

Our registered office and management office is located at 1 King Street West, Suite 1505, Toronto, Ontario, M5H 1A1, Telephone (416) 364-4039, Facsimile (416) 364-8244. Our books and financial records are located in the registered office and management office. Our Canadian public filings can be accessed and viewed via the System for Electronic Data Analysis and Retrieval ("SEDAR") at www.sedar.com. Readers can also access and view our Canadian public insider trading reports via the System for Electronic Disclosure by Insiders at www.sedi.ca. Our Registrar and Transfer Agent is Equity Financial Trust Company located at Suite 400, 200 University Avenue, Toronto, Ontario, M5H 4H1. Our U.S. public filings are available at the public reference room of the U.S. Securities and Exchange Commission ("SEC") located at 100 F Street, N.E., Room 1580, Washington, DC 20549 and at the website maintained by the SEC at www.sec.gov.

A. HISTORY AND DEVELOPMENT OF THE COMPANY

We were incorporated in Ontario, Canada on September 22, 1978, under the Business Corporations Act (*Ontario*), under the name Bonanza Red Lake Explorations Inc. ("Bonanza Red Lake"). By prospectus dated November 20, 1978 and a further amendment to the Prospectus dated January 10, 1979 we became a reporting issuer in the Province of Ontario and raised $250,000 to acquire interests in and to explore and develop certain mineral lands located near the Town of Red Lake, Ontario, Canada. In 1987, we optioned our mineral lands in Red Lake, Ontario to Pure Gold Resources Inc., who expended sufficient funds during 1988 and 1989 to earn an 85% interest in our eight patented mineral claims, and then discontinued its exploration program on the property. Bonanza Red Lake had subsequently written the carrying amount of these mineral claims down to $1.

On March 29, 2000, Bonanza Red Lake entered into a Share Exchange Agreement with 1406768 Ontario Inc. ("1406768 Ontario"). 1406768 Ontario is a company incorporated under the laws of the Province of Ontario by articles of incorporation dated effective March 13, 2000. The purpose of the transaction was to allow Bonanza Red Lake to acquire a company, 1406768 Ontario, which resulted in our owning part of an operating business. At an Annual and Special Meeting of shareholders held on May 10, 2000 we received shareholder approval for the acquisition of 1406768 Ontario; the consolidation of Bonanza Red Lake's issued and outstanding common shares on a one new common share for every three old common shares basis; a name change from Bonanza Red Lake to Eugenic Corp; a new stock option plan (the "Plan") authorizing 1,275,000 common shares to be set aside for issuance under the Plan; and authorizing the directors to determine or vary the number of directors of the Company from time to time which pursuant to our Articles provide for a minimum of three and a maximum of ten.

By Articles of Amendment dated August 15, 2000, Bonanza Red Lake consolidated its issued and outstanding common shares on a one new common share for every three old common shares basis and changed the name of the company to Eugenic Corp.

We completed the acquisition of 1406768 Ontario on October 12, 2000 and acquired all of the issued and outstanding shares of 1406768 Ontario for $290,000. The purchase price was satisfied by our issuance of 5,800,000 company units at $0.05 per unit. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share of ours at an exercise price of $0.25 per common share until October 12, 2003. As a result of this transaction, the original shareholders of 1406768 Ontario owned 90.7% of our issued shares. The acquisition resulted in a change in business and an introduction of new management for us. The acquisition was accounted for as a reverse take-over of us by 1406768 Ontario. Our net assets acquired at fair value as at October 12, 2000 resulted in a deficiency of assets over liabilities in the amount of $123,170 which was charged to share capital. All of the 5,800,000 outstanding warrants expired on October 12, 2003.

On February 5, 2009, we completed a non-brokered private placement of 2,600,000 units (each a "Unit") at a purchase price of $0.05 per Unit for gross proceeds of $130,000. Each Unit was comprised of one common share (each a "Unit Share") and one purchase warrant (each a "Warrant"). Each Warrant is exercisable until February 5, 2014 to purchase one additional share of our common stock (each a "Warrant Share") at a purchase price of $0.07 per share. 1407271 Ontario Inc. purchased 1,600,000 units. 1407271 Ontario Inc. is owned 100% by our former President, Ms. Sandra Hall. Ms. Hall is also the sole director and officer of 1407271.

On February 25, 2009, we completed a non-brokered private placement of 1,000,256 units (each a "Unit") at a purchase price of $0.05 per Unit for gross proceeds of approximately $50,013. Each Unit was comprised of one common share (each a "Unit Share") and one purchase warrant (each a "Warrant"). Each Warrant is exercisable until February 25, 2014 to purchase one additional share of our common stock (each a "Warrant Share") at a purchase price of $0.07 per share. Sandra Hall, our former president and former director, and Milton Klyman, a director, purchased 600,000 Units and 50,000 Units, respectively.

On February 27, 2009, we purchased all of the issued and outstanding shares issued in the capital stock of 1354166 Alberta Ltd. ("1354166 Alberta"), a company incorporated on October 3, 2007 in the Province of Alberta Canada (the "Transaction") under the Business Corporations Act (Alberta). In connection therewith, we issued to the shareholders of 1354166 an aggregate of 8,910,564 units (each a "Unit") at $0.05 per unit or an aggregate of $445,528 and following the closing repaid $118,000 of shareholders' loans in 1354166 by cash payment. . Each unit is comprised of one share of our common stock (each a "Share") and one purchase warrant (each a "Warrant"). Each Warrant is exercisable until February 27, 2014 to purchase one additional share of our common stock at a purchase price of $0.07 per share. 1354166 is a private company that has a 5.1975% working interest held in trust through a joint venture partner in a natural gas unit located in the Botha area of Alberta, Canada.

On February 27, 2009, we entered into an agreement with a non-related party, to convert debt in the amount of $62,500 through the issuance of a total of 1,250,000 units at an attributed value of $0.05 per unit (the "Debt Settlement"). Each Unit was comprised of one common share (each a “Unit Share”) and one purchase warrant (each a “Warrant”). Each Warrant is exercisable until February 27, 2014 to purchase one additional share of our common stock (each a “Warrant Share”) at a purchase price of $0.07 per share.

By Articles of Amendment dated November 12, 2009, 1406768 Ontario changed its name to Eagleford Energy Inc. By Articles of Amalgamation dated November 30, 2009 we amalgamated with Eagleford Energy Inc. and upon the amalgamation the amalgamated entity's name became Eagleford Energy Inc.

Effective June 10, 2010, we retained Gar Wood Securities, LLC (“Gar Wood”) to act as Investment Banker/Financial Advisor to the Company for a period of two years. Under the terms of the Gar Wood engagement, we agreed to pay a fee of 6% of the gross proceeds raised and issue 1,500,000 common share purchase warrants. On November 5, 2010 we terminated the agreement with Gar Wood dated June 10, 2010. As a result 36,430 warrants were cancelled out of the 333,333 warrants issued exercisable at $1.00 expiring December 10, 2011 and 18,215 warrants were cancelled out of the 166,667 warrants issued exercisable at $1.50 expiring June 10, 2012. On December 10, 2011 296,903 warrants exercisable at US $1.00 expired. During the year ended August 31, 2012 all of the remaining warrants expired unexercised.

During the fiscal year ended August 31, 2010, 1,100,000 of our common share purchase warrants were exercised at $0.07 expiring February 5, 2014 for proceeds of $77,000 and 1,000,000 of our common share purchase warrants were exercised at $0.07 expiring February 27, 2014 for proceeds of $70,000.

On August 31, 2010 we acquired a 10% working interest before payout and a 7.5% working interest after payout of production revenue of $15 million in the Matthews lease comprising approximately 2,629 gross acres of land in Zavala County, Texas (the “Lease Interest”). As consideration for the Lease Interest we paid on closing $212,780 (US$200,000), satisfied by US$25,000 in cash and $186,183 (US$175,000) satisfied by the issuance of a 5% secured promissory note.US$100,000 of principal together with accrued interest was due and payable on February 28, 2011(paid) and US$75,000 of principal together with accrued interest was due and payable on August 31, 2011 (paid). The note was secured by the Lease Interest.

On August 31, 2010, we acquired 100% of the issued and outstanding membership interests of Dyami Energy LLC, a Texas limited liability corporation for consideration of $4,218,812. (US$3,965,422) satisfied by (i) the issuance of 3,418,467 units of the Company. Each unit is comprised of one common share and one-half a purchase warrant. Each full warrant is exercisable into one additional common share at US$1.00 per share on or before August 31, 2014 (the “Units’) and (ii) the assumption of $1,021,344 (US$960,000) of Dyami Energy debt by way of a secured promissory note payable to Benchmark Enterprises LLC (“Benchmark”). The 6% per annum note was secured by Dyami’s interest in the Matthews and Murphy leases and was payable on December 31, 2011 or upon the Company closing a financing or series of financings in excess of US$4,500,000. Commencing January 1, 2012 the interest rate increased from 6% to 10% and the due date of the note was extended to August 31, 2013, or within 15 days of written demand to us, or upon us closing of a cash financing or series of cash financings closing after the date of this agreement in excess of US$2,500,000 (Two Million, Five Hundred Thousand USA dollars), (the “Funding Threshold”) in which case fifty cents of every one dollar exceeding the Funding Threshold will be allocated to the Note until paid in full or upon an Event of Default. On January 3, 2012 we issued 515,406 pre forward split common shares to shares Benchmark as full settlement of interest due at December 31, 2011 in the amount of $103,028.

Dyami Energy held a 75% working interest before payout and a 61.50% working interest after payout of production revenue of $12.5 million in the Matthews Lease comprising approximately 2,629 gross acres of land in Zavala County, Texas and a 100% working interest in a mineral lease comprising approximately 2,637 acres of land in Zavala County, Texas (the “Murphy Lease”) subject to a 10% carried interest on the drilling costs from surface to base of the Austin Chalk formation, and a 3% carried interest on the drilling costs from the top of the Eagle Ford shale formation to basement on the first well drilled into a serpentine plug and for the first well drilled into a second serpentine plug, if discovered (collectively the “Leases”) (See *Item 4.B: “Information on the Company – History and Development of the Company”).*

The Members of Dyami entered into lock up agreements on closing and placed 50% of the Units in escrow (1,709,234 common shares and 854,617 purchase warrants) until such time that we receive a National Instrument 51-101 compliant report from an independent engineering firm indicating at least 100,000 boe of proven reserves on either the Murphy Lease or any formation below the San Miguel on the Matthews Lease (the "Report"). The Report was not received by Dyami Energy within two years of the closing date of the acquisition andthe escrow units were to be returned to us for cancellation. On August 31, 2012 we cancelled the 50% of Units held in escrow as the conditions precedent had not been satisfied and the time allowed for performance expired.

In connection with the Dyami Energy acquisition, we entered into a one year employment agreement with Eric Johnson and reserved 850,000 common share purchase warrants, exercisable on an earn-out basis, for the purchase of 850,000 common shares of our stock at a price of US$1.00 per share during a period of five years from the date of issuance. On April 13, 2011 the employment agreement was terminated and no warrants were issued or issuable

During the fiscal year ended August 31, 2010 we spent $10,046 on exploration expenditures related to the Matthews Lease.

On March 31, 2011 we entered into a Farmout Agreement (the "Farmout") from surface to the base of the San Miguel formation (the "San Miguel") on the Matthews Lease located in Zavala County, Texas. Under the Farmout, the farmee may spend up to US$1,050,000 on exploration and development of the San Miguel to earn a maximum of 42.50% working interest (31.875% net revenue interest). Under the terms of the Farmout, the farmee may earn an initial 25% of the Company's working interest in the San Miguel by paying 100% of the costs to drill, complete, equip and perform an injection operation on a test well to a depth of approximately 3,500 feet (the "Initial Test Well"). After the performance of the Initial Test Well, the farmee may increase its working interest to 50% of the Company's working interest by spending the entire $1,050,000 on additional operations on the San Miguel in a good faith effort to produce hydrocarbons. We received US$647,536 from the farmee against costs of $711,395 related to the drilling, completion and injection operation of the Matthews/Dyami #3 well. As of the date of this Annual Report we have not assigned any interest to the farmee in the San Miguel formation.

During the fiscal year ended August 31, 2011 we drilled four wells and recorded additions of $3,262,782 to exploration and evaluation assets related to the Matthews and Murphy Leases.

During the year ended August 31, 2011, 500,000 of our common share purchase warrants were exercised at $0.07 expiring February 5, 2014 for proceeds of $35,000; 625,247 of our common share purchase warrants were exercised at $0.07 expiring February 27, 2014 for proceeds of $44,475; and 2,575,000 of our common share purchase warrants were exercised at $0.20 expiring April 14, 2011 for proceeds of $515,000.

During the year ended August 31, 2011 we received $2,878,736 and issued demand promissory notes bearing interest at 10% per annum. Interest is payable annually on the anniversary date of the notes.

During the year ended August 31, 2011 we paid a $110,000 loan payable.

As of the close of business on March 16, 2012, we completed a two-for-one forward stock split, pursuant to which one (1) newly-issued share of the Company's common stock was issued to each holder of a share of common stock.

During the year ended August 31, 2012 we completed a financing of 12,575,000 units in the capital of the Company for net proceeds of $2,086,718.

During the year ended August 31, 2012, we issued 17,150,000 units as full settlement of debt and shareholders' loans in the amount of $857,500 and issued 3,278,392 common shares as full settlement of interest due on a secured note and shareholders' loans in the amount of $369,885.

During the year ended August 31, 2012, we received cash of $321,845 and US$175,000 and issued demand promissory notes bearing interest at 10% per annum.

During the twelve months ended August 31, 2012, we paid US$480,000 of shareholders' loans.

For the twelve months ended August 31, 2012, we recorded additions of $1,559,763 to exploration and evaluation assets related to the leases in Zavala County, Texas.

During the year ended August 31, 2013 we completed a financing of 2,249,790 units in the capital of our Company for net proceeds of $405,650. Each unit is comprised of one common share and one-half of one common share purchase warrant with each full warrant entitling the holder to acquire one common share of ours at US$0.50 or a period of three years from the date of issue.

During the year ended August 31, 2013, we issued 23,662,569 common shares as full settlement of shareholder loans and interest due on shareholders' loans of $198,333 and $345,906 respectively.

For the twelve months ended August 31, 2013, we recorded additions of $404,818 to exploration and evaluation assets related to the leases in Zavala County, Texas and an impairment of $2,690,568 on the Murphy Lease.

Matthews Lease, Zavala County, Texas
During the year ended August 31, 2013, the Company, Dyami Energy and OGR Energy Corporation, the Lessees, were litigating a dispute with the Lessors of the Matthew's property. During the last quarter of fiscal year August 2013, the Company and the Lessors agreed to resolve the litigation and continue with the development of the Matthew's property. In order to comply with certain State legal requirements, it was deemed necessary by the Lessors counsel to continue with the development through a newly executed lease document and the Company formed, Zavala Inc. a new wholly owned subsidiary to execute the new lease. The new lease was signed effective September 1, 2013 and the first of two payments of US$150,000 were paid to the Lessors upon signing the new lease as required initial pre-payment of anticipated production royalties along with a continuing development obligation under the lease to complete the previously drilled Matthews #1H horizontal well or drill a new well on the Matthews property no later than March 30, 2014. On September 1, 2013, the Matthews lease was renewed by the Company through Zavala Inc. and based on the concept of faithful representation under IAS 8, the carrying value of the Matthew's lease by Dyami Energy was considered to be the value for Zavala Inc. as this arrangement is simply a reorganization in substance.

On December 3, 2013, (amended January 21, 2014) the Company entered into a Joint Development Agreement with Stratex Oil and Gas Holdings, Inc. ("Stratex") (the "Stratex JDA") to further develop the Matthews Lease. Under the terms of the Stratex JDA, Stratex will act as operator and upon Stratex delivering i) US$150,000 to the lessors of the Matthews Lease on behalf of Zavala Inc., ii) delivering US $150,000 to the Company; and iii) commencing a hydraulic fracture of the Matthews #1H not later than March 31, 2014. Stratex earned a 66.67% working interest before payout (50% working interest after payout) in the Matthews #1H well and a 50% working interest in the 2,629 acre Matthews Lease (see Note 17).

Through Zavala Inc., the Company holds a 50% working interest in the 2,629 acre Matthews Lease (33.33% working interest before payout and 50% working interest after payout in the Matthews #1H well). The Matthews Lease had a primary term extended to March 31, 2014 (the "Primary Term") while each lease year ends August 31. Prior to the expiration of the Primary Term, a hydraulic fracturing of the Matthews #1H well was completed and thereafter the lease is maintained through a guaranteed minimum royalty payment of $323.30 per acre and beginning in the second lease year and continuing thereafter for each succeeding lease year drill at least 2 wells per lease year. The royalties payable under the Matthews Lease are 25%.

On April 11, 2014, the Company entered into a further Joint Development Agreement ("JDA2") with Stratex and Quadrant Resources LLC, ("Quadrant") for the development of the San Miguel formation on the Matthews Lease. Pursuant to the terms of the JDA2, upon satisfaction of certain conditions including the Phase 1 Work Program and the cash consideration described below, Quadrant can earn an undivided 66.67% before payout and a 50% working interest after payout to the base of the San Miguel formation of the Matthews Lease by i) drilling 3 new wells and reworking 5 wells at its sole cost and expense by June 30, 2015 (the "Phase I Work Program"); ii) deliver US$100,000 to the Company upon execution of the JDA2 (paid); and iii) deliver US$65,000 to the Company on each of July 8, 2014 (paid); October 6, 2014, January 5, 2015 and April 6, 2015. At August 31, 2014 the Company recorded the payments received from Quadrant of US$165,000 (CDN $177,804) as deferred revenue on the Consolidated Statement of Financial Position until the conveyance of the earned interest at which time this amount will be reclassified and offset against exploration and evaluation assets.

Murphy Lease, Zavala County, Texas
Subsequent to September 1, 2013 and the continuing development of the Matthews lease, Dyami Energy continued its development efforts with the Murphy lease. A tentative joint venture agreement with Stratex was reached but did not materialize and efforts to develop the Murphy lease were not successful. The Company had solicited lenders and investors in an attempt to obtain debt/equity financings as a means to improve Dyami Energy's financial situation. Despite the Company's attempts, these efforts were unsuccessful and management determined that it could no longer fund the Murphy operations, hence the lease was considered impaired and an impairment loss was recorded by Dyami Energy during the third quarter (see Note 16 to the consolidated financial statements).

On March 6, 2014, the Company filed a Certificate of Termination of a Domestic Entity with the Secretary of State, Texas for our wholly-owned subsidiary Dyami Energy and effective April 3, 2014, Dyami Energy was dissolved. All prior obligations with respect to the Matthew's and Murhpy's lease on the books of Dyami Energy prior to its dissolution were recorded by the Company.

We filed Articles of Amendment effective August 25, 2014 consolidating the common shares of Eagleford Energy Inc., on the basis of one (1) common share for every ten (10) common shares and changed its name to Eagleford Energy Corp.

During the year ended August 30, 2014, we converted shareholders' loans and interest due in the aggregate amount of $1,180,570 through the issuance of a total of 14,757,120 units in the capital of our Company at a price of $0.08 per unit. Each unit is comprised of one (1) common share and one half of one (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of CDN$0.10 until August 30, 2017.

For the twelve months ended August 31, 2014, the Company recorded net additions of $113,578 in exploration and evaluation assets and a net impairment loss of $1,315,276 related to the Murphy Lease.

We intend to apply additional capital to further enhance our property interests. As part of our oil and gas development program, management of the Company anticipates further expenditures to expand its existing portfolio of proved reserves. Amounts expended on future exploration and development is dependent on the nature of future opportunities evaluated by us. These expenditures could be funded through cash held by the Company or through cash flow from operations. Any expenditure which exceeds available cash will be required to be funded by additional share capital or debt issued by us, or by other means. Our long-term profitability will depend upon our ability to successfully implement our business plan.

Our past primary source of liquidity and capital resources has been proceeds from the issuance of share capital, loans and advances and cash flow from our oil and gas operations.

Our registered office and principal place of business in Ontario is located at 1 King Street West, Suite 1505, Toronto, Ontario M5H 1A1. Our telephone number at that address is (416) 364-4039.

B. BUSINESS OVERVIEW

Directly and through our wholly owned subsidiaries 1354166 Alberta and Zavala Inc. we are primarily engaged in the development, acquisition and production of oil and gas interests located in Alberta, Canada and Texas, USA.

We have a 0.5% Non-Convertible Overriding Royalty ("NCOR") in a natural gas well located in Haynes, Alberta, Canada a 5.1975% working interest in a natural gas unit located in Alberta, Canada both of which are carried on our consolidated statement of financial position at Nil.

Through Eagleford Energy, Zavala Inc., we hold a 50% working interest in the 2,629 acre Matthews Lease located in Zavala County, Texas and a 33.33% working interest before payout and 50% working interest after payout in the Matthews #1H well. (See *Item 4.B: "Information on the Company – History and Development of the Company")*.

We have a 0.3% Net Smelter Return Royalty on 8 patented mining claims located in Red Lake, Ontario, Canada carried on our consolidated statement of financial position at Nil.

For the three fiscal years ending August 31, 2014, 2013 and 2012 the total revenue, net of royalties derived from the sale of our natural gas interests in Canada was as follows:

Year	Total Net Revenue
August 31, 2014	$ 65,024
August 31, 2013	$ 30,062
August 31, 2012	$ 39,218

We sell our natural gas production to integrated oil and gas companies and marketing agencies. Sales prices are generally set at market prices available in Canada or the United States.

The level of activity in the oil and gas industry in North America is influenced by seasonal weather patterns. Wet weather and spring thaw make the ground unstable. Government, municipalities and provincial transportation departments enforce road bans that may restrict the level of activity. Seasonal factors and unexpected weather patterns may lead to declines in production activity and increased consumer demand or changes in supply during certain months of the year may influence the commodity prices.

There is an existing and available market for the oil and gas produced from the properties. However, the prices obtained for production are subject to market fluctuations, which are affected by many factors, including supply and demand. Numerous factors beyond our control, which could affect pricing include:

- the level of consumer product demand;
- weather conditions;
- the foreign supply of oil and gas;
- the price of foreign imports;
- volatility in market prices for oil and natural gas;
- ability to raise financing;
- reliance on third party operators;
- ability to find or produce commercial quantities of oil and natural gas;
- liabilities inherent in oil and natural gas operations;
- dilution of interests in oil and natural gas properties;
- general business and economic conditions;
- the ability to attract and retain skilled staff;
- reliance on joint interest parties;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, among other things, financings, acquisitions of reserves, undeveloped lands and skilled personnel; and
- governmental regulation and environmental legislation (See*, Item 3.D Key Information - Risk Factors).*

We caution that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on our forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. We also caution readers not to place undue reliance on these forward-looking statements. Moreover, the forward-looking statements may not be suitable for establishing strategic priorities and objectives, future strategies or actions, financial objectives and projections other than those mentioned above.

We do not have a reliance on raw materials, as we operate in an extractive industry.

We do not have a reliance on any significant patents.

The oil and gas business is highly competitive in every phase. Many of our competitors have greater financial and technical resources, and have established multi-national operations, secured land rights and licenses, which we may not have. As a result, we may be prevented from participating in drilling and acquisition programs (See*, Item 3.D Key Information - Risk Factors).*

Governmental Regulation/Environmental Issues
Our oil and gas operations are subject to various United States and Canadian governmental regulations including those imposed by the Texas Railroad Commission and Alberta Energy Resources Conversation Board and Alberta Utilities Commission. Matters subject to regulation include discharge permits for drilling operations, drilling and abandonment bonds, reports concerning operations, the spacing of wells, and pooling of properties and taxation. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and gas wells below actual production capacity in order to conserve supplies of oil and gas. The production, handling, storage, transportation and disposal of oil and gas, by-products thereof, and other substances and materials produced or used in connection with oil and gas operations are also subject to regulation under federal, state, provincial and local laws and regulations relating primarily to the protection of human health and the environment. To date, expenditures related to complying with these laws, and for remediation of existing environmental contamination, have not been significant in relation to the results of operations of our company. The requirements imposed by such laws and regulations are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. These regulations may adversely affect our operations and cost of doing business. It is likely that these laws and regulations will become more stringent in the future (See, *Item 3.D Key Information - Risk Factors*).

C. ORGANIZATIONAL STRUCTURE

We have two wholly owned subsidiaries. 1354166 Alberta Ltd. is a company incorporated under the Business Corporations Act (*Alberta*) and Eagleford Energy, Zavala Inc. a Nevada company.

D. PROPERTY, PLANTS AND EQUIPMENT

Our executive offices consist of approximately 850 square feet of office space and are rented at $1,500 per month on a month to month basis. The address of our executive offices is 1 King Street West, Suite 1505, Toronto, Ontario Canada.

Canada

We hold directly a 0.5% NCOR in a natural gas well located in Haynes, Alberta, Canada.

We hold through our wholly owned subsidiary 1354166 Alberta a 5.1975% working interest in a natural gas unit located in Botha, Alberta, Canada.

We have a 0.3% Net Smelter Return Royalty on eight patented mining claims located in Red Lake, Ontario, Canada.

United States

Through Eagleford Energy, Zavala Inc., we hold a 50% working interest in the 2,629 acre Matthews Lease located in Zavala County, Texas and a 33.33% working interest before payout and 50% working interest after payout in the Matthews #1H well. (See *Item 4.B: "Information on the Company – History and Development of the Company").*

Our interest in the Matthews Lease is situated in Zavala County, Texas and is part of the Maverick Basin of Southwest Texas and downdip from the United States Geological Studies north boundary of the Smackover-Austin-Eagle Ford total petroleum system.

The table below is a glossary of terms and abbreviations that may be used in this Item.

GLOSSARY OF TERMS

Natural Gas	Mcf	1,000 cubic feet
	MMcf	1,000,000 cubic feet
	Mcf/d	1,000 cubic feet per day
Oil and Natural Gas Liquids	Bbl	Barrel
	Mbbls	1,000 barrels
	Blpd	Barrels of liquid per day
	Boe	Barrel of oil equivalent (1)
	Bpd	Barrels per day
	Boepd	Barrels of oil equivalent per day
	Bopd	Barrels of oil per day
	NGLs	Natural gas liquids

(1) Disclosure provided herein in respect of BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
Bbls	Cubic metres	0.159
Cubic metres	Bbls	6.289
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometers	1.609
Kilometers	Miles	0.621
Acres (Alberta)	Hectares	0.405
Hectares (Alberta)	Acres	2.471

Reserve Information: The process of evaluating reserves is inherently complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economics data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs changes. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions. These factors and assumptions include among others (i) historical production in the area compared with production rates from analogous producing areas; (ii) initial production rates, (iii) production decline rates, (iv) ultimate recovery of reserves; (v) success of future development activities; (vi) marketability of production, (vii) effects of government regulation; and (viii) other government levies imposed over the life of the reserves.

As circumstances change and additional data becomes available, reserves estimates also change. Estimates are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required for changes in well performance, prices, economic conditions and governmental restrictions. Revisions to reserve estimates can arise from changes in year–end prices, reservoir performance and geological conditions or production. These revisions can be either positive or negative (*" 3.D: "Key Information – Risk Factors"*).

Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

The qualitative certainty levels contained in the definitions in proved, probable and possible reserves are applicable to individual reserves entities, which refers to the lowest level at which reserves estimates are made, and to reported reserves, which refers to the highest level sum of individual entity estimates for which reserve estimates are made.

Reported total reserves estimated by deterministic or probabilistic methods, whether comprised of a single reserves entity or an aggregate estimate for multiple entities, should target the following levels of certainty under a specific set of economic conditions:

a. There is a 90% probability that at least the estimated proved reserves will be recovered.
b. There is a 50% probability that at least the sum of the estimated proved reserves plus probable reserves will be recovered.
c. There is a 10% probability that at least the sum of the estimated proved reserves plus probable reserves plus possible reserves will be recovered.

A quantitative measure of the probability associated with a reserves estimate is generated only when a probabilistic estimate is conducted. The majority of reserves estimates will be performed using deterministic methods that do not provide a quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in Section 5.5.3 of the COGE Handbook. Whether deterministic or probabilistic methods are used, evaluators are expressing their professional judgement as to what are reasonable estimates.

The crude oil and natural gas industry commonly applies a conversion factor to production and estimated proved reserve volumes of natural gas in order to determine an "all commodity equivalency" referred to as barrels of oil equivalent ("boe"). The conversion factor we have applied in this Report is the current convention used by many oil and gas companies, where six thousand cubic feet ("mcf") is equal to one barrel ("bbl"). A boe is based on an energy equivalency conversion method primarily applicable at the burner tip. It may not represent equivalency at the wellhead and may be misleading if used in isolation.

Internal Controls for Reserves Reporting: For the year ended August 31, 2014 and 2013 we had no recordable reserves or discernable future net revenue. For the year ended August 31, 2012 a significant component of our internal controls in our reserve estimation effort is our practice of using an independent third-party reserve engineering firm to prepare 100% of our year-end proved and probable reserves. The qualifications of this firm are discussed below under "Independence and Qualifications of Reserve Preparer." The Board of Directors of the Company has reviewed the reserves estimates and procedures prior to acceptance of the reports. The Board of Directors has sufficient technical training and experience to review and approve the reports.

Our director Mr. McNeil, chair of our petroleum and natural gas committee maintains oversight and compliance responsibility for the internal reserve estimate process and provides appropriate data to our independent third party reserve engineers to estimate our year-end reserves. Mr. McNeil is a self-employed oil and gas consultant and has been a geophysicist since 1972. Mr. McNeil is a member of the Association of Professional, Engineers, Geologists and Geophysicists of Alberta, Society of Exploration Geophysicists, Canadian Society of Exploration Geophysicists, American Association of Petroleum Geologists and the Canadian Society of Petroleum Geologists.

Independence and Qualifications of Reserve Preparer: For the year ended August 31, 2013 the Company recorded an impairment loss of its full carrying costs of $168,954 on its Botha, Alberta property as a result of no recordable reserves and no discernable future net revenue being assigned. During the year ended August 31, 2013, the producing wells in the Botha property were shut in and the operator did not intend on reactivating or remediating the wells. At August 31, 2013, our developed properties include a 5.1975% working interest in a natural gas unit located in the Botha area Northwest, Alberta near the town of Manning, Canada held through our wholly owned subsidiary 1354166 Alberta which is carried on the consolidated statement of financial position at nil. As we had no recordable reserves or discernable future net revenue at August 31, 2014 and 2013, we did not retain an independent reserves evaluator.

We engaged Sproule Associates Limited ("Sproule"), third-party reserve engineers, to prepare our reserve estimates as of the effective date August 31, 2012 completed on October 11, 2012, in accordance with reserves definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook (COGE), the Canadian Securities Administrators National Instrument 51-101 (NI 51-101) using Forecast Pricing Assumptions and, for the Securities and Exchange Commission, using Constant Pricing Assumptions. The technical person responsible for our reserve estimates at Sproule meets the requirements regarding qualifications, independence, objectivity and confidentiality set forth by The Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA). Sproule is an independent firm of petroleum engineers, geologists, geophysicists and petrophysicists; they do not own any interest in our properties and are not employed on a contingent fee basis.

Year-end reserves quantities for the years ended August 31, 2012 shown in the following Constant Prices and Cost tables were calculated using the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12 month period prior to the end of the reporting period.

Appropriate adjustments have been made to account for quality and transportation, to the constant natural gas prices, and to the constant natural gas by-products prices to reflect historical prices received for each area. It should not be assumed that the discounted net present value estimated by Sproule represents the fair market value of the reserves. Where the present value is based on constant price and cost assumptions, there is no assurance that such price and cost assumptions will be attained and variances could be material.

The table below sets out in CDN dollars the constant prices and the exchange rate used at August 31, 2014, 2013 and 2012. As of August 31, 2012 all of our reserves were located in Alberta, Canada.

August 31, 2014	Natural Gas Alberta AECO-C	N/A
	Exchange Rate:	N/A
August 31, 2013	Natural Gas Alberta AECO-C	N/A
	Exchange Rate:	N/A
August 31, 2012	Natural Gas Alberta AECO-C	$2.57/MMbtu
	Exchange Rate:	0.99 $US/$ CDN

Proved and Probable Reserve Quantity Estimates: The following table reflects estimates of our proved and probable developed reserves as at August 31, 2014, 2013 and 2012 stated in CDN dollars. All of our gas reserves were located in Canada. The following table represents our gross and net interest in reserves (after crown royalties, freehold royalties and overriding royalties and interests owned by others). Numbers may not add due to rounding.

Summary of Oil and Gas Reserves
Constant Prices and Costs
Remaining Reserves

	Natural Gas (non-associated & associated)	
Reserves Category	**Gross (MMcf)**	**Net (MMcf)**
August 31, 2014	-	-
Proved Developed Producing	-	-
Probable Developed Producing	-	-
Total Proved Plus Probable	-	-
August 31, 2013	-	-
Proved Developed Producing	-	-
Probable Developed Producing	-	-
Total Proved Plus Probable	-	-
August 31, 2012		
Proved Developed Producing	116	100
Probable Developed Producing	41	35
Total Proved Plus Probable	**157**	**135**

The following table represents the summary of our Net Revenue based on Constant Prices and costs before income taxes. Numbers may not add due to rounding.

Summary of Net Revenue
Constant Prices and Costs
(Undiscounted)

Reserves Category	**Revenue (M$)**	**Royalties (M$)**	**Operating Costs (M$)**	**Well Abandonment and Reclamation Costs (M$)**	**Net Revenue(M$)**
August 31, 2014	-	-	-	-	-
Proved Developed Producing	-	-	-	-	-
Probable Developed Producing	-	-	-	-	-
Total Proved Plus Probable	-	-	-	-	-
August 31, 2013	-	-	-	-	-
Proved Developed Producing	-	-	-	-	-
Probable Developed Producing	-	-	-	-	-
Total Proved Plus Probable	-	-	-	-	-
August 31, 2012					
Proved Developed Producing	263	33	224	3	3
Probable Developed Producing	92	12	79	-	2
Total Proved Plus Probable	**356**	**43**	**303**	**3**	**6**

The following table represents the summary of our net present value of Future Net Revenue based on Constant Prices and costs before income taxes and discounted as follows. Numbers may not add due to rounding.

Summary of Net Present Values of
Future Net Revenue
Constant Prices and Costs

Reserves Category	Net Present Values of Future Net Revenue Before Income Taxes Discounted at (%/Year) 0 (M$)	5 (M$)	10 (M$)	15 (M$)	20 (M$)
August 31, 2014	-	-	-	-	-
Proved Developed Producing	-	-	-	-	-
Probable Developed Producing	-	-	-	-	-
Total Proved Plus Probable	-	-	-	-	-
August 31, 2013	-	-	-	-	-
Proved Developed Producing	-	-	-	-	-
Probable Developed Producing	-	-	-	-	-
Total Proved Plus Probable	-	-	-	-	-
August 31, 2012					
Proved Developed Producing	3	4	4	3	3
Probable Developed Producing	2	2	2	1	1
Total Proved Plus Probable	**6**	**6**	**5**	**5**	**4**

Production Volume: The following table sets forth the net quantities of natural gas produced during the fiscal years ended August 31, 2014, 2013 and 2012.

August 31,	2014	2013	2012
Natural Gas (Mcf)	19,244	13,431	19,593

Historical Production: The following table sets out our net share of production, average sales prices, average royalties, production costs and average net back per unit of production for the fiscal years ended August 31, 2014, 2013 and 2012.

Historical Production	For the Years Ended August 31, 2014	August 31, 2013	August 31, 2012
Natural Gas – Mcf/d	53	37	54
Natural Gas Prices- $/Mcf	$ 4.34	$ 2.15	$ 2.24
Royalty Costs - $/Mcf	0.96	0.62	0.57
Production Costs - $/Mcf	0.89	0.62	0.55
Net Back - $/Mcf	$ 2.49	$ 0.89	$ 1.16

Producing and Non-Producing Wells: The following table sets out the number of gross and net producing oil and natural gas wells and the number of gross and net non-producing oil and natural gas wells that we have an interest in by location at August 31, 2014, 2013 and 201. A gross well is a well in which we own an interest. A net well represents the fractional interest we own in gross wells.

August 31	2014		2013		2012	
Alberta, Canada	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Natural Gas Wells-Producing	3.0	.05175	3.0	.05175	3.0	.05175
Natural Gas Wells-Non Producing	9.0	.05175	9.0	.05175	6.0	.31005
Texas, USA						
Oil Wells – Non Producing	3.0	.4444	7.0	.66666	7.0	.66666

The following table sets forth the developed and undeveloped acreage of the projects in which the Company holds an interest, on a gross and a net basis as of August 31, 2014, 2013 and 2012. The developed acreage is stated on the basis of spacing units designated by provincial authorities and typically on the basis of 160 acre spacing unit for oil production and 640 acre spacing unit for gas production in Alberta and on the basis of stated lease terms in conjunction with the Texas Rail Road Commission. Our developed acreage is located in Alberta, Canada. Our undeveloped acreage is located in Zavala County, Texas.

August 31,	2014		2013		2012	
	Gross	**Net**	**Gross**	**Net**	**Gross**	**Net**
Developed Acreage, Canada	8,320	432	8,320	432	8,320	432
Undeveloped Acreage, USA	2,629	1,314.5	5,266	4,793	5,266	4,793

Additional Information Concerning Abandonment and Reclamation Costs: We base our estimates for costs of abandonment and reclamation of surface leases and wells on previous experience with similar well site locations and terrain, estimates obtained from area operators and various regulatory abandonment guidelines and requirements.

We believe that our range of estimates for abandonment and reclamation costs are reasonable and applicable to our wells. Ultimately all wells in which the Company has an interest will require abandonment and reclamation.

The Company's abandonment and reclamation obligations result from its ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company has estimated the net present value of these obligations to be $47,543 at August 31, 2014 based on an undiscounted total future liability of $60,629. These payments are expected to be incurred between fiscal 2016 and 2031.

Capitalized Costs related to oil and gas activities: The following table summarizes the costs incurred in our oil and gas interests for acquisition, exploration, and development activities for the three years ended August 31, 2014, 2013 and 2012.

Property, Plant and Equipment	**2014**	**2013**	**2012**
Net book value at September 1	$ -	$ 175,000	$ 243,000
Depletion	-	(10,212)	(18,045)
Change in decommissioning obligation estimates	-	(4,166)	819
Impairment	-	(168,954)	(50,774)
Total Property, Plant and Equipment	**-**	**-**	**175,000**
Exploration and Evaluation Assets			
Net book value at September 1	$ 6,535,278	8,475,487	8,995,878
Additions, net	113,578	404,818	1,559,763
Change in decommissioning obligation estimates	7,225	(9,268)	6,546
Impairment of Murphy Lease	(1,675,749)	(2,690,568)	-
Foreign Exchange	82,686	354,809	(36,327)
Decommissioning obligations (disposal)	(26,426)	-	41,243
Units cancelled	-	-	(2,091,616)
Total Exploration and Evaluation Assets	**5,036,592**	**6,535,278**	**8,475,487**
Total Capitalized	**$ 5,036,592**	**$ 6,535,278**	**$ 8,650,487**

The Company's exploration and evaluation assets are located in Texas, USA. As at August 31, 2014 an impairment of $1,675,749 was recorded on the Murphy Lease ($1,315,276 net of foreign currency translation gain of $301,884 and write off of decommissioning obligations of $58,589) (August 31, 2013: $2,690,568). Included in the above additions for the year ended August 31, 2014, the Company capitalized borrowing costs interest of $Nil to exploration and evaluation assets (August 31, 2013: $240,092).

Matthews Lease, Zavala County, Texas
During the year ended August 31, 2013, the Company, Dyami Energy and OGR Energy Corporation, the Lessees, were litigating a dispute with the Lessors of the Matthew's property. During the last quarter of fiscal year August 2013, the Company and the Lessors agreed to resolve the litigation and continue with the development of the Matthew's property. In order to comply with certain State legal requirements, it was deemed necessary by the Lessors counsel to continue with the development through a newly executed lease document and the Company formed, Eagleford Zavala a new wholly owned subsidiary to execute the new lease. The new lease was signed effective September 1, 2013 and the first of two payments of US$150,000 were paid to the Lessors upon signing the new lease as required initial pre-payment of anticipated production royalties along with a continuing development obligation under the lease to complete the previously drilled Matthews #1-H horizontal well or drill a new well on the Matthews property no later than March 30, 2014. On September 1, 2013, the Matthews lease was renewed by the Company through Eagleford Zavala and based on the concept of faithful representation under IAS 8, the carrying value of the Matthew's lease by Dyami Energy was considered to be the value for Eagleford Zavala as this arrangement is simply a reorganization in substance.

On December 3, 2013, (amended January 21, 2014) the Company entered into a Joint Development Agreement with Stratex Oil and Gas Holdings, Inc. ("Stratex") (the "Stratex JDA") to further develop the Matthews Lease. Under the terms of the Stratex JDA, Stratex will act as operator and upon Stratex delivering i) US$150,000 to the lessors of the Matthews Lease on behalf of Zavala Inc., ii) delivering US $150,000 to the Company; and iii) commencing a hydraulic fracture of the Matthews #1H not later than March 31, 2014. Stratex earned a 66.67% working interest before payout (50% working interest after payout) in the Matthews #1H well and a 50% working interest in the 2,629 acre Matthews Lease (see Note 17 to the Consolidated Financial Statements).

Through Zavala Inc., the Company holds a 50% working interest in the 2,629 acre Matthews Lease (33.33% working interest before payout and 50% working interest after payout in the Matthews #1H well). The Matthews Lease had a primary term extended to March 31, 2014 (the "Primary Term") while each lease year ends August 31. Prior to the expiration of the Primary Term, a hydraulic fracturing of the Matthews #1H well was completed and thereafter the lease is maintained through a guaranteed minimum royalty payment of $323.30 per acre and beginning in the second lease year and continuing thereafter for each succeeding lease year drill at least 2 wells per lease year. The royalties payable under the Matthews Lease are 25%.

On April 11, 2014, the Company entered into a further Joint Development Agreement ("JDA2") with Stratex and Quadrant Resources LLC, ("Quadrant") for the development of the San Miguel formation on the Matthews Lease. Pursuant to the terms of the JDA2, upon satisfaction of certain conditions including the Phase 1 Work Program and the cash consideration described below, Quadrant can earn an undivided 66.67% before payout and a 50% working interest after payout to the base of the San Miguel formation of the Matthews Lease by i) drilling 3 new wells and reworking 5 wells at its sole cost and expense by June 30, 2015 (the "Phase I Work Program"); ii) deliver US$100,000 to the Company upon execution of the JDA2 (paid); and iii) deliver US$65,000 to the Company on each of July 8, 2014 (paid); October 6, 2014, January 5, 2015 and April 6, 2015. At August 31, 2014 the Company recorded the payments received from Quadrant of US$165,000 (CDN $177,804) as deferred revenue on the Consolidated Statement of Financial Position until the conveyance of the earned interest at which time this amount will be reclassified and offset against exploration and evaluation assets.

Murphy Lease, Zavala County, Texas
Subsequent to September 1, 2013 and the continuing development of the Matthews lease, Dyami Energy continued its development efforts with the Murphy lease. A tentative joint venture agreement with Stratex was reached but did not materialize and efforts to develop the Murphy lease were not successful. The Company had solicited lenders and investors in an attempt to obtain debt/equity financings as a means to improve Dyami Energy's financial situation. Despite the Company's attempts, these efforts were unsuccessful and management determined that it could no longer fund the Murphy operations, hence the lease was considered impaired and an impairment loss was recorded by Dyami Energy during the third quarter (see Note 16 to the Consolidated Financial Statements).

On March 6, 2014, the Company filed a Certificate of Termination of a Domestic Entity with the Secretary of State, Texas for its wholly-owned subsidiary Dyami Energy and effective April 3, 2014, Dyami Energy was dissolved. All prior obligations with respect to the Matthew's and Murhpy's lease on the books of Dyami Energy prior to its dissolution were recorded by the Company.

Present Activities, Results of Exploration and Drilling: During the fiscal year ended August 31, 2014, we drilled no exploratory wells on our lease located in Zavala County, Texas USA. The Company, through Stratex completed the Matthews #1H well and placed the well on production testing. Through Zavala Inc. we hold a 33.33% working interest before payout and 50% working interest after payout in the Matthews #1H well.

The following table sets forth the number of Eagleford's gross and net exploratory wells drilled in Texas, USA during the years ended August 31, 2014, 2013 and 2012. A gross well is a well in which the Company owns an interest. A net well represents the fractional interest the Company owns in gross wells

August 31,	**2014**		**2013**		**2012**	
Texas, USA	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Oil Wells – Non Producing	-	-	-	-	3.0	2.7

Governmental Regulation/Environmental Issues: Our oil and gas operations are subject to various Canadian and US governmental regulations. Matters subject to regulation include discharge permits for drilling operations, drilling and abandonment bonds, reports concerning operations, the spacing of wells, and pooling of properties and taxation. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and gas wells below actual production capacity in order to conserve supplies of oil and gas. The production, handling, storage, transportation and disposal of oil and gas, by-products thereof, and other substances and materials produced or used in connection with oil and gas operations are also subject to regulation under federal, state, provincial and local laws and regulations relating primarily to the protection of human health and the environment. To date, expenditures related to complying with these laws, and for remediation of existing environmental contamination, have not been significant in relation to the results of operations of our company. The requirements imposed by such laws and regulations are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations (See, Item 3.D Key Information - Risk Factors).

ITEM 4A UNRESOLVED STAFF COMMENTS

Not Applicable

ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with our "Selected Financial Data" under Item 3 above, our Audited Consolidated Financial Statements for the fiscal years ended August 31, 2014 and 2013 and notes thereto included under Item 18. We adopted IFRS in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") with a transition date of September 1, 2010.

***Non-IFRS Measurements –** Certain measures in this Discussion and Analysis do not have any standardized meaning as prescribed by IFRS including "Operating net back" are considered Non-IFRS measures. Therefore, these measures may not be comparable to similar measures presented by other issuers. These measures are common with the oil and gas industry and have been described and presented in this Management's Discussion and Analysis in order to provide shareholders and potential investors with additional information regarding the company's liquidity and its ability to generate funds to finance its operations. These terms are commonly used in the oil and gas industry and are therefore presented here to provide balances comparable to other oil and gas production companies.*

Certain statements made in this Item are forward-looking statements under the Reform Act. Forward- looking statements are based on current expectations that involve a numbers of risks and uncertainties, which could cause actual events or results to differ materially from those reflected herein. See, Item 3.D Key Information - Risk Factors for discussion of important factors, which could cause results to differ materially from the forward-looking statements below.

Overview

Eagleford Energy Corp. ("Eagleford" or the "Company") is amalgamated under the laws of the Province of Ontario. The Company's business focus consists of acquiring, exploring and developing oil and gas interests. The recoverability of the amount shown for these properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development, and future profitable production or proceeds from disposition of such property. The Company's oil and gas interests are located in Alberta, Canada and Zavala County, Texas. In addition the Company holds a 0.3% net smelter return royalty on 8 mining claim blocks located in Red Lake, Ontario which is carried on the consolidated balance sheets at $Nil. The Company filed Articles of Amendment effective August 25, 2014 consolidating its common shares on the basis of one (1) common share for every ten (10) common shares and changed its name to Eagleford Energy Corp. The address of the registered office is 1 King Street West, Suite 1505, Toronto, Ontario, M5H 1A1. Eagleford's common shares trade on the Over-the-Counter Bulletin Board (OTCQB) under the symbol EGFDF.

The Company's Consolidated Financial Statements for the year ended August 31, 2014 and 2013 include the accounts of Eagleford, the legal parent, together with its wholly-owned subsidiaries, 1354166 Alberta Ltd. an Alberta operating company ("1354166 Alberta") and Eagleford Energy, Zavala Inc. a Nevada company ("Zavala Inc.") effective August 29, 2013. All Intercompany balances and transactions have been eliminated on consolidation. On March 6, 2014, the Company filed a Certificate of Termination of a Domestic Entity with the Secretary of State, Texas for its wholly-owned subsidiary Dyami Energy and Dyami Energy was dissolved effective April 3, 2014. The Company's investment in Dyami Energy has been deconsolidated from the Company's Consolidated Financial Statements as at the effective date, and presented on the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Cash Flows as an impairment of the net assets and liabilities on dissolution of subsidiary (see Note 16 to the Consolidated Financial Statements).

Capital Management

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity and flexibility to funds its operations, growth and ongoing exploration and development commitments on its oil and gas interests. The Company is dependent on funding these activities through debt and equity financings and joint venture arrangements. Due to long lead cycles of the Company's exploration and development activities, the Company's capital requirements currently exceed its operational cash flow generated. As such the Company is dependent upon future financings in order to maintain its flexibility and liquidity and may from time to time be required to issue equity, issue debt, adjust capital spending or obtain additional farm-in arrangements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, availability of capital and the risk characteristics of any underlying assets in order to meet current and upcoming obligations. Current plans for the development commitments of the Company's Texas lease include seeking debt or equity financing or seeking additional farm-in arrangements.

The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management and favorable market conditions to sustain future development of the business. As at August 31, 2014 and August 31, 2013 and the Company considered its capital structure to comprise of shareholders equity and long-term debt.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's capital management plan during the period ended August 31, 2014. The Company is not subject to any externally imposed restrictions on its capital requirements.

The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management and favorable market conditions and opportunities to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FUTURE ACCOUNTING PRONOUNCEMENTS

Our consolidated financial statements for the years ended August 31, 2014 and 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") (*See Item 18– Financial Statements*). We adopted IFRS in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") with a transition date of September 1, 2010.

Going Concern

The consolidated financial statements (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business, as they come due for the foreseeable future. The Company is in the process of exploring and developing its oil and gas properties and has not yet realized profitable operations. The Company requires additional financing for its working capital and for the costs of exploration and development of its oil and gas properties.

Due to continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. The Company will continue to seek additional forms of debt or equity financing, or other means of funding its operations, however, there is no assurance that it will be successful in doing so or that funds will be available on terms acceptable to the Company or at all. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company.

The Company has accumulated significant losses and negative cash flows from operations in recent years which raise doubt as to the validity of the going concern assumption. The Company has a working capital deficiency of $3,489,237 (2013: $4,985,312) and an accumulated deficit of $15,328,146 (2013: $9,212,561). These material uncertainties may cast significant doubt upon the entity's ability to continue as a going concern. Accordingly, the consolidated financial statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the accompanying consolidated financial statements.

During the year, the Company entered into two separate Joint Development Agreements on the Matthews Lease and received cash of $340,811 and the payment of certain obligations under the Matthews Lease. The Company extinguished debt of $1,408,737 (2013: $544,239) through the issuance of share capital.

BASIS OF PREPARATION

Statement of Compliance
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements of the Company were approved by the Board of Directors on December 26, 2014.

Basis of Preparation
These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (the "IASB") which is incorporated in the Chartered Professional Accountants of Canada ("CPA Canada") Handbook-Accounting.

The accounting policies applied in these consolidated financial statements are based on IFRS effective for the period ended August 31, 2014, as issued and outstanding as of the date the Board of Directors approved the consolidated financial statements.

Principles of Consolidation
Subsidiaries are all entities controlled by the Company. Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

The consolidated financial statements include the accounts of Eagleford, the legal parent, together with its wholly-owned subsidiaries, 1354166 Alberta Ltd. a company operating in the province of Alberta, Canada ("1354166 Alberta"), Eagleford Energy, Zavala Inc. a Nevada company ("Zavala Inc.") effective August 29, 2013 and Dyami Energy Inc. ("Dyami") which was dissolved effective April 3, 2014 by filing a Certificate of Termination of a Domestic Entity with the Secretary of State, Texas (see Note 16 to the consolidated financial statements).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and have been applied consistently by the Company and its subsidiaries.

Revenue Recognition
Revenues from the production of oil and gas properties from 1354166 Alberta are recognized, on the basis of the Company's working interest in those properties, when the significant risks and rewards of ownership of the product is transferred to the buyer, which is usually when legal title passes to an external party. During the fiscal year ended August 31, 2012, the wells were shut in and the asset was considered impaired and the property was written off but the Company is still receiving its share of gas revenue from the operator. Revenue is measured net of royalties and other duties.

Foreign Currencies
The functional and presentation currency of the Company is the Canadian dollar. The functional currency of the Company's wholly-owned Alberta subsidiary, 1354166 Alberta is Canadian dollars and the functional currency of the Company's wholly-owned Nevada subsidiary, Zavala Inc. is United States dollars and the Company's former wholly-owned Texas subsidiary, Dyami Energy was United States dollars.

Items included in the consolidated financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statements of operations.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the year- end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in the foreign currency translation reserve under the equity section of the consolidated statement of financial position.

Loss per Share
The basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the dilution that would occur if outstanding stock options and share purchase warrants were exercised or converted into common shares using the treasury stock method and are calculated by dividing net loss applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

The inclusion of the Company's stock options and share purchase warrants in the computation of diluted loss per share would have an anti-dilutive effect on loss per share and are therefore excluded from the computation.

Financial Instruments
Classification and Measurement
Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit and loss", "loans and receivables", "available-for-sale", "held-to-maturity", or "other financial liability" as defined by IAS 39, "Financial Instruments: Recognition and Measurement".

Financial assets and financial liabilities at "fair value through profit or loss" are either classified as "held for trading" or "designated at fair value through profit or loss" and are measured at fair value with changes in fair value recognized in the statement of comprehensive income. Transaction costs are expensed when incurred. The Company has classified cash, marketable securities and derivative liabilities as "fair value through profit and loss".

Financial instruments classified as "loans and receivables", "held-to-maturity", or "financial liabilities" are measured at amortized cost using the effective interest method of amortization. "Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. "Held-to-maturity" financial assets are non-derivative investments that an entity has the positive intention and ability to hold to maturity.

"Other financial liabilities measured at amortized cost" are those financial liabilities that are not designated as "fair value through profit or loss" and that are not derivatives. The Company has classified trade and other receivables as "loans and receivables" and trade and other payables, secured note payable, provisions and shareholders' loans as "other financial liabilities".

Financial assets classified as "available-for-sale" are measured at fair value, with changes in fair value recognized in other comprehensive income. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company currently has no assets classified as "available for sale".

Derivative Financial Instruments
The Company's derivative instruments consist of derivative liabilities in relation to its i) share purchase warrants; and ii) its secured convertible note payable.

In prior years the Company had issued share purchase warrants in conjunction with offerings for the purchase of common shares of the Company. These share purchase warrants were issued with an exercise price in US dollars, rather than Canadian dollars (the presentation and functional currency of the Company). Such share purchase warrants are considered to be derivative instruments and the Company is required to re-measure the fair value of these at each reporting date. The fair value of these share purchase warrants are re-measured at each statement of financial position date using the Black-Scholes option pricing model. Adjustments to the fair value of the share purchase warrants at the financial position date are recorded to the statement of operations.

The Company's secured convertible note payable has a conversion feature which may convert any unpaid principal and accrued interest into conversion units. A conversion unit is comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the conversion unit. The price of the conversion unit is the lessor of a price equal to the 30-day rolling weighted average price of the Company as of the date of conversion, less 20% (as adjusted for any stock splits, combinations or similar events) or eight United States Cents (US$0.08) per share the "Conversion Unit"). The terms and features of the conversion meets the definition of an embedded derivative. Since both components of the Conversion Unit (the common share component and warrant component) contain a variable exercise/conversion price, the Conversion Unit meets the definition of a financial liability under IAS 32"Financial Instruments: Presentation". As a result, the Conversion Unit is a derivative liability that requires fair value measurement each period. The Company has selected the Binomial Lattice model to fair value the warrant component of the conversion unit and the Monte Carlo Simulations process for the common share component of the conversion unit (see Note 11).

Property and Equipment and Exploration and Evaluation Assets

Exploration and Evaluation Assets ("E&E")
Pre-acquisition expenditures on oil and gas assets are recognized as an expense in the consolidated statements of operations when incurred. In accordance with IFRS 6, exploration and evaluation costs are capitalized within intangible assets until the success or otherwise of the well or project has been established and subject to an impairment review. The costs of unsuccessful wells in an area are written off to the statement of operations.

Exploration and evaluation costs, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalized either as tangible or intangible E&E assets according to the nature of the assets acquired. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability.

When E&E assets are determined to be technically feasible and commercially viable, the accumulated costs are transferred to property and equipment. When E&E assets are determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to the statement of operations as exploration and evaluation expense.

E&E assets are assessed for impairment in any circumstances where sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets are allocated to cash-generating units ("CGUs").

Development and Production Costs
Items of property and equipment, which include petroleum and natural gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGUs for impairment testing.

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

Gains and losses on disposal of an item of property and equipment, including petroleum and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in profit or loss.

Subsequent Costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as exploration and evaluation assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized exploration and evaluation assets generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Joint Oil and Gas Activities
All of the Company's oil and gas activities are conducted jointly with others. The Company's accounts reflect only the Company's share of assets, liabilities, revenue and expenses in the joint operations. For interests in joint operations, the Company's share of the jointly controlled assets are classified according to the nature of the assets, the Company's share of any liabilities incurred jointly with the other parties, and the Company's share of any income and expenses incurred jointly with the partners are recognized in the consolidated financial statements. The adoption of IFRS 11 did not change the definition of a joint arrangement/joint control and proportionate share method previously adopted by the company.

Depletion and Depreciation
The net carrying value of development or production assets is depleted using the units-of-production method by reference to the ratio of production in the period to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually for developed properties.

Proved and probable reserves are estimated using independent reserve engineer reports for developed properties only and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- a reasonable assessment of the future economic benefit of such production;
- a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and
- evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Reserves may only be considered proved and probable if they are supported by either actual production or conclusive formation tests. The area of reservoir considered proved includes: (a) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, or both; and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of oil and natural gas controls the lower proved limit of the reservoir.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Impairment
Financial Assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. Remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

Non-financial Assets

The carrying amounts of the Company's non-financial assets, other than E&E assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. E&E assets are assessed for impairment when they are reclassified to property and equipment as petroleum and natural gas interests, and also if facts and circumstances suggest that their carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets 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" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

E&E assets are allocated to related CGUs when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to producing assets (petroleum and natural gas interests in property and equipment).

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of assets other than goodwill, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Decommissioning Obligations

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the period-end date. Subsequent to initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows and changes to discount rate are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

Borrowing Costs
Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. All other borrowing costs are recognized in profit or loss using the effective interest method. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Taxes
Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statements of operations except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current Income Tax
Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax
Deferred tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and asset and they relate to the income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and asset on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Share-Based Compensation
The Company has a share-based compensation plan that grants stock options to employees and non-employees. This plan is an equity settled plan. The Company uses the fair value method for accounting for share-based awards to employees and non-employees.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company’s estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service.

Warrants
When the Company issues units comprising common shares and warrants, the Company follows the relative fair value method of accounting for warrants attached to and issued with common shares of the Company. Under this method, the fair value of warrants issued is estimated using the Black-Scholes option price model. The fair value is then related to the total of the net proceeds received on issuance of the common shares and the fair value of the warrants issued therewith. The resultant relative fair value is allocated to warrants from the net proceeds and the balance of the net proceeds is allocated to the common shares issued.

Critical Accounting Estimates and Judgments
The timely preparation of the consolidated financial statements in accordance with IFRS requires that management make estimates and assumptions and use judgment regarding the measured amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Such estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

Valuation and Classification of Exploration and Evaluation Assets
The value of exploration and evaluation assets are dependent upon the discovery of economically recoverable reserves which in turn is dependent on future oil and natural gas prices, future capital expenditures and environmental and regulatory restrictions. The decision to transfer exploration and evaluation assets to property and equipment is based upon management's determination of an area's technical feasibility and commercial viability based on proved and/or probable reserve estimates.

Title to Oil and Gas Property Interests
Although the Company has taken steps to verify title to oil and gas properties 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.

Stock Based Compensation
The Company measures the cost of equity-settled transactions to the relative fair value of the equity instruments at the date at which they are issued. Estimating relative fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the instrument. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, discount rates and dividend yield.

Decommissioning Liabilities
Decommissioning liabilities consist of asset retirement obligations that are based, in part, on estimates of future costs to settle the obligation, in addition to estimates of the useful life of the underlying assets, the rate of inflation and the risk-free discount rate.

Fair Value of Financial Instruments
The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Assessment of Commercial Reserves
Management is required to assess the level of the Company's commercial reserves together with the future expenditures to access those reserves, which are utilized in determining the depletion charge for the period, assessing whether any impairment charge is required against developed or undeveloped properties, and the determination of the deferred tax liability. By their nature, these estimates of discovered proved and probable crude oil and natural gas reserves, including the estimates of future prices, costs, related future cash flows and the selection of a pre-tax risked discount rate relevant to the asset in question are subject to measurement uncertainty.

The Company employs an independent reserves evaluator who periodically assesses the Company's level of commercial reserves by reference to data sets including geological, geophysical and engineering data together with reports, presentation and financial information pertaining to the contractual and fiscal terms applicable to the Company's assets. Significant judgment is involved when determining whether there have been any significant changes in the Company's reserves.

Income taxes
Income taxes liability is estimated for the Company, including an assessment of temporary differences. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the financial statements. Management's judgment is required in the calculation of current and deferred taxes, as well as the likelihood of realization.

Provisions
Considerable judgment is used in measuring and recognizing provisions and the exposure to contingent liabilities. Judgment is necessary to determine the likelihood that a pending litigation or other claim will succeed, or a liability will arise and to quantify the possible range of the final settlement.

Significant changes in the assumptions, including those with respect to future business plan and cash flows, could materially change the recorded carrying amounts.

RECENT ACCOUNTING PRONOUNCEMENTS AND RECENT ADOPTED ACCOUNTING STANDARDS

Recent Issued Accounting Pronouncements
The following standards, amendments and interpretations, which may be relevant to the Company have been introduced or revised by the IASB:

(i) IFRIC 21 Levies. The Company intends to adopt IFRIC 21 in its consolidated financial statements for the annual period beginning September 1, 2014. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

(ii) On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014). In November 2009, the IASB issued the first version of IFRS 9, Financial Instruments (IFRS 9 (2009) and subsequently issued various amendments in October 2010, (IFRS 9 Financial Instruments (2010) and November 2013 (IFRS 9 Financial Instruments (2013). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company does not intend to adopt the new standard prior to its effective date and has not yet determined the impact of this new standard on the consolidated financial statements.

Recent Adopted Accounting Standards
The following standards, amendments and interpretations have been adopted by the Company as of September 1, 2013. There were no material impacts on the consolidated financial statements as a result of the adoption of these standards, amendments and interpretations: (i) IFRS 10 Consolidated Financial Statements; (ii) IFRS 11 Joint Arrangements; (iii) IFRS 12 Disclosures of Interests in Other Entities; (iv) IFRS 13 Fair Value Measurement; and (v) Amendments to IFRS 7 Financial Instrument Disclosures.

Segmented Information
The Company's reportable and geographical segments are Canada and the United States. The accounting policies used for the reportable segments are the same as the Company's accounting policies. For the purposes of monitoring segment performance and allocating resources between segments, the Company's executive officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments. The following tables show information regarding the Company's reportable segments.

For the year ended August 31, 2014	**Canada**		**United States**		**Total**	
Net revenue	$	65,024		-	$	65,024
Net loss	$	(4,683,624)	$	(1,431,961)	$	(6,115,585)

For the year ended August 31, 2013	Canada		United States		Total	
Net revenue	$	30,062		-	$	30,062
Net loss	$	(1,431,363)	$	(2,834,683)	$	(4,266,046)

For the year ended August 31, 2012	Canada		United States		Total	
Net revenue	$	39,218		-	$	39,218
Net loss	$	(2,585,129)	$	(224,059)	$	(2,809,188)

As at August 31, 2014	Canada		United States		Total	
Total Assets	$	179,888	$	5,117,040	$	5,296,928
Total Liabilities	$	6,991,287	$	1,025,076	$	8,016,363

As at August 31, 2013	Canada		United States		Total	
Total Assets	$	3,914,928	$	3,003,268	$	6,918,196
Total Liabilities	$	6,029,577	$	746,475	$	6,776,052

Other Information
Additional information relating to us may be obtained or viewed from the System for Electronic Data Analysis and Retrieval at www.sedar.com and our future United States Securities and Exchange Commission filings can be viewed through the Electronic Data Gathering Analysis and Retrieval System (EDGAR) at www.sec.gov.

SHARE CAPITAL AND RESERVES

The Company filed Articles of Amendment effective August 25, 2014 consolidating the common shares of Eagleford Energy Inc., on the basis of one (1) common share for every ten (10) common shares and changing its name to Eagleford Energy Corp. The stock consolidation has been applied retrospectively for all periods presented.

On March 16, 2012, the Company completed a two (2) for one (1) stock split, pursuant to which one (1) newly-issued share of the Company's common stock was issued to each holder of a share of common stock as of the close of business. The forward stock split has been applied retrospectively for all periods presented.

Share Capital

Authorized:
Unlimited number of common shares at no par value
Unlimited non-participating, non-dividend paying, voting redeemable preference shares

Issued:
The following table sets out the changes in common shares during the respective periods:

Common Shares	Number*		Amount
Balance August 31, 2012	9,671,281	$	5,906,633
Private Placement of units (Note 8 (b) (a))	224,979		197,214
Debt settlement (Note 8 (b) (b))	2,366,257		946,503
Balance August 31, 2013	12,262,517		7,050,350
Warrants exercised (Note 8 (b) (c))	651,904		306,405
Debt settlement (Note 8 (b) (e))	14,757,120		1,715,426
Balance August 31, 2014	**27,671,541**	**$**	**9,072,181**

* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten stock consolidation

Share Purchase Warrants

The following table sets out the changes in warrants during the respective periods:

Warrants	August 31, 2014 Number of Warrants*	Weighted Average Price*		August 31, 2013 Number of Warrants*	Weighted Average Price*	
Outstanding, beginning of period	4,020,095	$	0.40	4,020,095	$	0.04
Warrants exercised (Note 8 (c))	(651,904)	$	0.35			
Warrants expired (Note 8 (d))	(1,453,191)	$	0.35			
Warrants issued (Note 8 (e))	7,378,560	$	0.10			
Balance, end of period	**9,293,560**	**$**	**0.18**	**4,020,095**	**$**	**0.40**

* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten stock consolidation

(a) On September 25, 2012, the Company completed private placements for gross proceeds of $441,004 of equity capital from arm's length private placement funding through the issuance of 224,979 units at a price of US$2.00 per unit. Each unit was comprised of one common share and one-half a common share purchase warrant, with each whole warrant entitling the holder to acquire one common share of the Company at US$5.00 for a period of three years from the date of issuance. The amount allocated to derivative warrant liabilities based on fair value using the Black-Scholes option pricing model was $163,541 (retranslated as $176,087 at August 31, 2013). In connection with the private placement, the Company paid cash commissions and other expenses of $35,354 and issued an aggregate of 17,998 broker warrants. Each broker warrant entitles the holder to acquire one common share of the Company at an exercise price of US$2.50 for a period of three years from the date of issuance. The amount allocated to derivative liabilities based on fair value using the Black-Scholes option pricing model was $44,895 (retranslated as $48,340 at August 31, 2013) with a corresponding decrease in common shares (see Note 11).

(b) On June 1, 2013, the Company issued 2,366,257 common shares as full settlement of shareholders' loans in the amount of $198,333 and interest due on shareholders' loans in the amount of $345,906. The amount allocated to common shares based on fair value was $946,503 and $402,264 was recorded as a loss on settlement of debt in the consolidated statement of operations and comprehensive loss.

(c) Effective February 27, 2014, 651,904 common share purchase warrants were exercised at $0.35 expiring February 27, 2014 for settlement of cash advances of $228,167. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $78,238 (see Note 9).

(d) On February 5, 2014, 200,000 common share purchase warrants exercisable at $0.35 expired. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $24,000 with a corresponding increase to contributed surplus. On February 25, 2014, 80,052 common share purchase warrants exercisable at $0.35 expired. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $9,606 with a corresponding increase to contributed surplus. On February 27, 2014, 1,173,139 common share purchase warrants exercisable at $0.35 expired. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $140,793 with a corresponding increase to contributed surplus.

(e) Effective August 30, 2014, the Company converted shareholders' loans and interest due in the aggregate amount of $1,180,570 through the issuance of a total of 14,757,120 units in the capital of the Company at a price of $0.08 per unit. Each unit is comprised of one (1) common share and one half of one (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of CDN$0.10 until August 30, 2017.The fair value of the units ($2,516,505) was allocated to common shares $1,715,426 and warrants $801,079 based on their relative fair values and $1,335,935 was recorded as a loss on settlement of debt in the consolidated statement of operations and comprehensive loss. The warrant component was valued using a Binomial Lattice model whereas the fair value of the common share component was based on the current market value of the company's stock (see Note 10 and 11).

The following table summarizes the outstanding warrants as at August 31, 2014 and 2013 respectively:

Number of Warrants*	**Exercise Price***		**Expiry Date**	**Weighted Average Remaining Life (Years)**	**Warrant Value ($)**	
600,000	$	0.50	January 24, 2015	0.40	$	507,038
1,315,000	$	0.50	February 17, 2015	0.47		662,851
7,378,560	$	0.10	August 30, 2017	3.00		801,079
9,293,560	**$**	**0.50**		**2.47**	**$**	**1,970,968**

* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten stock consolidation

Number of Warrants*	**Exercise Price***		**Expiry Date**	**Weighted Average Remaining Life (Years)**	**Warrant Value ($)**	
200,000	$	0.40	February 5, 2014	0.43	$	24,000
80,052	$	0.40	February 25, 2014	0.49		9,606
1,825,043	$	0.40	February 27, 2014	0.49		219,031
600,000	$	0.50	January 24, 2015	1.40		507,038
1,115,000	$	0.50	February 17, 2015	1.47		595,310
200,000	$	0.50	February 17, 2015	1.47		67,541
4,020,095	$	0.40		**0.94**	**$**	**1,422,526**

* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten stock consolidation

Weighted Average Shares Outstanding

The following table summarizes the weighted average shares outstanding:

Weighted Average Shares Outstanding*	August 31, 2014	August 31, 2013
Weighted Average Shares Outstanding Basic and diluted	**12,675,329**	**10,477,429**

* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten stock consolidation

The effects of any potential dilutive instruments on loss per share are anti-dilutive and therefore have been excluded from the calculation of diluted loss per share.

Share Purchase Options

The Company has a stock option plan to provide incentives for directors, officers, employees and consultants of the Company. The maximum number of shares, which may be set aside for issuance under the stock option plan, is 20% of the issued and outstanding common shares of the Company on a rolling basis.

The following table is a summary of the status of the Company's stock options and changes during the period:

	Number of Options*	Weighted Average Exercise Price
Balance, August 31, 2012 and 2013	105,000	$ 1.64
Granted	-	-
Balance, August 31, 2014	**105,000**	**$ 1.64**

* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten stock consolidation

The following table is a summary of the Company's stock options outstanding and exercisable at August 31, 2014 and 2013 respectively:

Options Outstanding				Options Exercisable	
Exercise Price	Number of Options*	Weighted Average Exercise Price	Weighted Average Remaining Life (Years) (1)	Number of Options*	Weighted Average Exercise Price
$ 1.60	100,000	$ 1.60	2.50	1,00,000	$ 1.60
$ 2.50	5,000	$ 2.50	0.16	5,000	$ 2.50
	105,000	**$ 1.64**	**2.39**	**105,000**	**$ 1.64**

* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten stock consolidation
(1) In October 2012, the Optionee passed away and pursuant to the terms of the option agreement had a period of twelve (12) months after the date of such death before the expiry of the option (see Note 17).

Options Outstanding				Options Exercisable	
Exercise Price	Number of Options*	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Number of Options*	Weighted Average Exercise Price
$ 1.60	100,000	$ 1.60	3.50	1,00,000	$ 1.60
$ 2.50	5,000	$ 2.50	3.90	5,000	$ 2.50
	105,000	$ 1.64	3.52	105,000	$ 1.64

* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten stock consolidation

Contributed Surplus

Contributed surplus transactions for the respective periods are as follows:

		Amount
Balance, August 31, 2012 and 2013	$	506,200
Warrants expired		174,399
Derivative warrants expired		709,299
Balance, August 31, 2014	**$**	**1,389,898**

OVERALL PERFORMANCE

Revenue, net of royalties for the year ended August 31, 2014 was up $34,962 to $65,024 compared to $30,062 for the year ended August 31, 2013. The increase in net revenue during 2014 was primarily attributed to increases in natural gas production volume and prices received from the Company's Botha, Alberta property. Net loss for the year ended August 31, 2014, was $6,115,585 compared to a net loss of $4,266,046 for the year ended August 31, 2013. The increase in net loss during 2014 was primarily related to a loss on derivative liabilities of $2,735,476 compared to a loss of $128,041 during fiscal 2013. The increase in 2014, was attributed to the exchange of a secured note for a secured convertible note during fiscal 2014, which terms and features of the conversion meet the definition of an embedded derivative liability that requires fair value measurement at each reporting period. During the year ended August 31, 2014, the Company recorded an increase in loss on settlement of debt in the amount of $933,671 to $1,335,935 compared to a loss on settlement of debt in the amount of $$402,264 during fiscal 2013. During fiscal 2014, the Company converted shareholders' loans and interest due, in the aggregate amount of $1,180,570 through the issuance of a total of 14,757,120 units in the capital of the Company at a price of $0.08 per unit. The increases during fiscal 2014, were partially offset by a reduction in the impairment of exploration and evaluation assets in the amount of $1,375,292 to $1,315,276 compared to $2,690,568 in fiscal 2013.

During the year ended August 31, 2014, the Company issued 14,757,120 units in the capital of the Company as full settlement of related shareholder loans and interest due in the aggregate amount of $1,180,570.

For the twelve months ended August 31, 2014, the Company recorded net additions of $113,578 in exploration and evaluation assets.

On December 3, 2013, (amended January 21, 2014) the Company entered into a Joint Development Agreement with Stratex Oil and Gas Holdings, Inc. ("Stratex") (the "JDA") to develop the Matthews Lease. Under the terms of the Joint Development Agreement ("JDA"), Stratex will act as operator and upon Stratex delivering i) US$150,000 to the lessors of the Matthews Lease on behalf of Zavala Inc., ii) delivering US $150,000 to the Company; and iii) commencing a hydraulic fracture of the Matthews #1H not later than March 31, 2014. Stratex earned a 66.67% working interest before payout (50% working interest after payout) in the Matthews #1H well and a 50% working interest in the 2,629 acre Matthews Lease.

On April 11, 2014 the Company entered into a further Joint Development Agreement ("JDA2") with Stratex and Quadrant Resources LLC, ("Quadrant") for the development of the San Miguel formation on the Matthews Lease. Pursuant to the terms of the JDA2, upon satisfaction of certain conditions including the Phase 1 Work Program and the cash consideration described below, Quadrant can earn an undivided 66.667% before payout and a 50% working interest after payout to the base of the San Miguel formation of the Matthews Lease by i) drilling 3 new wells and reworking 5 existing wells at its sole cost and expense by June 30, 2015 (the "Phase I Work Program"); ii) paying US$100,000 to the Company upon execution of the JDA2 (paid); and iii) paying US$65,000 to the Company on each of July 8, 2014 (paid); October 6, 2014, January 5, 2015 and April 6, 2015. At August 31, 2014, the Company recorded the payments received from Quadrant of US$165,000 (CDN $177,804) as deferred revenue on the Consolidated Statement of Financial Position until the conveyance of the earned interest at which time such payments will be reclassified and offset against exploration and evaluation assets.

As part of the Company's oil and gas development program, management of the Company anticipates further development expenditures to define reserves and extract hydrocarbons. Amounts expended on future exploration and development is dependent on the nature of future opportunities evaluated by the Company and cash calls from joint venture participants. Any expenditure which exceeds available cash will be required to be funded by additional share capital or debt issued by the Company, or by other means. The Company's long-term profitability will depend upon its ability to successfully implement its business plan.

The Company's past primary source of liquidity and capital resources has been proceeds from the issuance of share capital, shareholders' loans and cash flow from oil and gas operations.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table reflects the summary of results for the years set out.

	For the Years Ended August 31		
	2014	2013	2012
Revenue, net of royalties	$ 65,024	$ 30,062	$ 39,218
Net loss	(6,115,585)	(4,266,046)	$ (2,809,188)
Loss per share, basic and diluted	$ (0.482)	$ (0.407)	$ (0.344)
Assets	$ 5,296,928	$ 6,918,196	$ 8,998,016
Long term liabilities	$ 4,266,790	$ 1,407,822	$ 1,881,078

August 31, 2014 - 2013

For the year ended August 31, 2014, revenue, net of royalties was up $34,962 to $65,024 compared to $30,062 for the year ended August 31, 2013. The increase in net revenue during 2014, was primarily attributed to increases in natural gas production volume and prices received from the Company's Botha, Alberta property. Net loss for the year ended August 31, 2014 was $6,115,585 compared to a net loss of $4,266,046 for the year ended August 31, 2013. The increase in net loss during 2014, was primarily related to a loss on derivative liabilities of $2,735,476 compared to a loss of $128,041 during fiscal 2013. This increase in 2014 was attributed to the exchange of a secured note for a secured convertible note during fiscal 2014 which terms and features of the conversion meet the definition of an embedded derivative liability that requires fair value measurement at each reporting period. During the year ended August 31, 2014, the Company recorded an increase in loss on settlement of debt in the amount of $933,671 to $1,335,935 compared to a loss on settlement of debt in the amount of $$402,264 during fiscal 2013. During fiscal 2014, the Company converted shareholders' loans and interest due, in the aggregate amount of $1,180,570 through the issuance of a total of 14,757,120 units in the capital of the Company at a price of $0.08 per unit. The increases during fiscal 2014, were partially offset by a reduction in the impairment of exploration and evaluation assets in the amount of $1,375,292 to $1,315,276 compared to $2,690,568 in fiscal 2013.

August 31, 2013 – 2012

For the year ended August 31, 2013, revenue, net of royalties was $30,062 compared to $39,218 for the same period in 2012. The decrease in net revenue was primarily attributed to declines in natural gas production volume and prices received from the Company's Botha, Alberta property. Net loss for the year ended August 31, 2013, was $4,266,046 compared to a net loss of $2,809,188 for the year ended August 31, 2012. The increase in net loss during 2013, was primarily related to an impairment of exploration and evaluation assets in the amount of $2,690,568 partially offset by a reduction in loss on settlement of debt in the amount of $1,063,201 to $402,264 compared to a loss on settlement of debt in the amount of $1,465,465 in 2012, a reduction in general and administrative costs of $122,014 to $583,577 compared to general and administrative costs of $705,591 during 2012, stock based compensation expense of $Nil compared to $170,972 in 2012. For the year ended August 31, 2013, assets decreased by $2,079,820 compared to assets of $8,998,016 for the year ended August 31, 2012. The decrease in assets for the year ended August 31, 2013, was primarily as result of an impairment in exploration and evaluation assets of $2,690,568 to $6,535,278 compared to $8,475,487 for the same period in 2012, an impairment of property and equipment of $168,954 in 2013 compared to $50,774 in 2012 and a decrease in cash during 2013 of $133,166 to $196,837 compared to cash of $330,003 in 2012. These decreases were offset by an increase in prepaid expenses and deposits of $158,295 compared to $Nil in 2012 and an increase of $10,261 in accounts receivable to $27,786 compared to $17,525 in 2012. Long term liabilities decreased in fiscal 2013 by $473,256 to $1,407,822 compared to $1,881,078 in 2012. These decreases are primarily a result of a reallocation of derivative warrant liabilities in the amount of $688,803 to current liabilities and a reallocation $178,553 of long term provisions to current liabilities.

RESULTS OF OPERATIONS

Historical Production		For the Years Ended August 31	
	2014	2013	2012
Natural gas – mcf/d	53	37	54
Historical Prices			
Natural Gas - $/mcf	$ 4.34	$ 2.15	$ 2.24
Royalties costs - $/mcf	$ 0.96	$ 0.62	$ 0.57
Production costs - $/mcf	$ 0.89	$ 0.62	$ .055
Net back - $/mcf	$ 2.49	$ 0.89	$ 1.16
Operations			
Revenue, net of royalties	$ 65,024	$ 30,062	$ 39,218
Net loss	$ (6,115,585)	$ (4,266,046)	$ (2,809,188)
Loss per share, basic and diluted	$ (0.482)	$ (0.407)	$ (0.344)

Production Volume
For the year ended August 31, 2014, average natural gas sales volumes increased by 16 mcf/d to 53 mcf/d compared to 37 mcf/d for the same period in 2013. Total production volume for the year ended August 31, 2014, was 19,244 mcf compared to 13,431 mcf for the twelve month period ended August 31, 2013.

For the year ended August 31, 2013, average natural gas sales volumes decreased by 17 mcf/d to 37 mcf/d compared to 54 mcf/d for the same period in 2012. Total production volume for the year ended August 31, 2013, was 13,431 mcf compared to 19,593 mcf for the twelve month period ended August 31, 2012.

Commodity Prices
For the year ended August 31, 2014, average natural gas prices received per mcf increased to $4.34 compared to $2.15 for the year ended August 31, 2013. The increase in average natural gas prices received was attributed to higher commodity prices received for natural gas.

For the year ended August 31, 2013, average natural gas prices received per mcf decreased by 4% to $2.15 compared to $2.24 for the year ended August 31, 2012. The decrease in average natural gas prices received was attributed to lower commodity prices for received natural gas.

Revenue, Net of Royalties	For the Years Ended August 31,		
	2014	2013	2012
Natural gas sales	$ 83,471	$ 38,620	$ 44,408
Royalties	(18,447)	(8,558)	(5,190)
Revenue, net of royalties	$ 65,024	$ 30,062	$ 39,218

Natural gas sales for the year ended August 31, 2014, was up $44,851 to $83,471 compared to $38,620 for the year ended August 31, 2013.The increase in sales for fiscal 2014 was attributed to higher production volume and increased commodity prices received for natural gas.

Natural gas sales for the year ended August 31, 2013, was down $5,788 to $38,620 compared to $44,408 for the year ended August 31, 2012. The decrease in sales for the twelve month period ended August 31, 2013, was attributed to lower commodity prices received for natural gas and lower production volume.

Royalties for the year ended August 31, 2014, were up $9,889 to $18,447 versus $8,558 for the same twelve month period in 2013 resulting from higher production volume in fiscal 2014.

Royalties for the year ended August 31, 2013, were up $3,368 to $8,558 versus $5,190 for the same twelve month period in 2012. The increase during fiscal 2013 was attributed to receipt of royalty credits in recorded in fiscal 2012.

Revenue, net of royalties for the year ended August 31, 2014, increased by $34,962 to $65,024 compared to $30,062 for the same twelve month period ended August 31, 2013.

Revenue, net of royalties for the year ended August 31, 2013, decreased by 23% to $30,062 compared to $39,218 for the same twelve month period in 2012.

Operating Costs
For year ended August 31, 2014, operating costs were $17,138 compared to operating costs of $9,234 for the year ended August 31, 2013. The increase in operating costs for the year ended August 31, 2014, was primarily a result of higher production volume and activity on the Company's Botha, Alberta wells.

For year ended August 31, 2013, operating costs were $9,234 down $19,237 compared to operating costs of $28,471 for the year ended August 31, 2012. The decrease in operating costs for the year ended August 31, 2013 was primarily a result of lower production volume and the shut in of the Company's Botha, Alberta wells in the 4th quarter.

Depletion and Accretion
Depletion and accretion for the year ended August 31, 2014, decreased by $10,834 to $2449 compared to $13,283 for the year ended August 31, 2013. The decrease in depletion and accretion for the year ended August 31, 2014, was primarily attributed to the previous fiscal year end impairment of the carrying costs of the Company's Botha, Alberta property.

Depletion and accretion for the year ended August 31, 2013, decreased by $7,226 to $13,283 compared to $20,509 for the year ended August 31, 2012. The decrease in depletion and accretion for the twelve months ended August 31, 2013, was primarily attributed to lower production volume and the shut in of the Company's Botha, Alberta wells in the 4th quarter.

General and Administrative Expenses	**For the Years Ended August 31,**		
	2014	**2013**	**2012**
Professional fees	$ 157,106	$ 251,165	$ 352,315
Head office costs	44,925	48,850	55,500
Management fees	75,000	75,000	75,000
Transfer and registrar costs	18,218	7,591	29,172
Shareholders information	35,689	33,017	39,708
Office and general costs	3,338	5,179	16,385
Advisory fees	—	65,724	46,192
Directors fees	3,100	3,200	4,100
Salaries and wages	-	-	-
Reserve report fees	-	10,059	5,655
Consulting fees and expenses	65,744	83,792	81,564
Total	$ 403,120	$ 583,577	$ 705,591

General and administrative expenses for the year ended August 31, 2014, were $180,457 lower to $403,120 compared to $583,577 for the year ended August 31, 2013. The decrease in expenses during fiscal 2014 was primarily attributed to a decrease in professional fees of $94,059 to $157,106 compared to 251,165 for the year ended August 31, 2013. The professional fee decreases were primarily related to a reduction in litigation costs related to the Matthews Lease, Texas as a result of the settlement of claims in 2013. During the year ended August 31, 2014, advisory fees decreased by $65,724 to $Nil compared to $65,724 for the same twelve month period in 2013 as a result of the expiry of an investment banking agreement. For the year ended August 31, 2014, consulting fees were reduced by $18,048 to $65,744 compared to $83,792 during fiscal 2013. In addition, during fiscal 2014 the Company recorded an increase in transfer and registrar costs of $10,627 to $18,218 compared to $7,591 for the year ended August 31, 2013. During fiscal 2014, the Company completed a 1-for-10 stock consolidation which resulted in higher transfer and registrar costs. During fiscal 2014, the Company recorded a decrease in reserve report fees of $10,059 to $Nil compared to $10,059 in fiscal 2013 as a result of no recordable reserves and no discernable future net revenue being assigned to the Company's Botha Alberta Property by an independent reserves evaluator.

General and administrative expenses for the year ended August 31, 2013 were $122,014 lower to $583,577 compared to $705,591 for the year ended August 31, 2012. The decrease in expenses during fiscal 2013 was primarily attributed to a decrease in professional fees of $101,150 to $251,165 compared to $352,315 in 2012. In addition, during fiscal 2013 the Company recorded a decrease in transfer and registrar costs of $21,581 to $7,591 compared to $29,172 for the year ended August 31, 2012. During fiscal 2012 the Company completed a forward stock split which resulted in higher costs incurred during the year ended August 31, 2012. During the year ended August 31, 2013 advisory fees increased by $19,532 to $65,724 compared to $46,192 for the same twelve month period in 2012.

Interest Expense

For the year ended August 31, 2014, the Company recorded interest costs of $284,038 versus interest costs of $76,783 for the year ended August 31, 2013. The increase in interest costs during the year ended August 31, 2014 was primarily attributed to decreases in borrowing costs capitalized as a result of the impairment loss recorded on exploration and evaluation assets.

For the year ended August 31, 2013, the Company recorded interest costs of $76,783 versus interest costs of $88,789 for the year ended August 31, 2011. The decrease in interest costs during the year ended August 31, 2013 was attributed to decreases in shareholders' loans.

Loss on Derivative Liabilities

Derivative Warrant Liabilities

For the year ended August 31, 2014, the Company recorded an unrealized loss on derivative warrant liabilities of $57,725 compared to an unrealized loss of $128,041 for the year ended August 31, 2013.

For the year ended August 31, 2013, the Company recorded an unrealized loss on derivative warrant liabilities of $128,041 compared to an unrealized loss of $46,655 for the year ended August 31, 2012.

The Company has warrants issued with an exercise price in US dollars which is different to the functional currency of the Company (Canadian Dollars) and accordingly the warrants are treated as a derivative financial liability and the fair value movement during the period is recognized in the statement of operations.

Derivative Unit Liabilities

During the year ended August 31, 2014, the Company recorded a loss on derivative unit liabilities of $2,677,751 compared to $Nil for the year ended August 31, 2013.

At August 31, 2014, the Company exchanged a secured note payable with a carrying value of $1,322,347 (US$1,216,175) for a secured convertible promissory note payable with a face value of $1,322,347 (US$1,216,175) (the "Note"). The Note has a conversion option at any time to convert any unpaid principal and accrued interest into conversion units. A conversion unit is comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the conversion unit (the "Conversion Unit"). Since both components of the Conversion Unit (the common share component and warrant component) contain a variable exercise/conversion price, the Conversion Unit meets the definition of a financial liability under IAS 32"Financial Instruments: Presentation". As a result, the Conversion Unit is a derivative liability that requires fair value measurement each period.

Loss on Foreign Exchange

For the year ended August 31, 2014, the Company recorded a loss on foreign exchange of $101,427 versus a loss on foreign exchange of $197,640 for year ended August 31, 2013.

For the year ended August 31, 2013, the Company recorded a loss on foreign exchange of $197,640 versus a loss on foreign exchange of $36,283 for year ended August 31, 2012.

These foreign exchange gains and losses are attributed to the translation of monetary assets and liabilities not denominated in the functional currency of the Company.

Marketing and Public Relations

For the year ended August 31, 2014, the Company recorded a recovery of marketing and public relations expense of $14,250 compared to marketing and public relations costs of $25,763 for the year ended August 31, 2013.

For the year ended August 31, 2013, the Company incurred marketing and public relations costs of $25,763 versus $46,272 for the year ended August 31, 2012.

Loss on Settlement of Debt

For the year ended August 31, 2014, the Company recorded a loss on settlement of debt in the amount of $1,335,935 compared to $402,264 for the same twelve month period in 2013. During fiscal 2014, the Company issued 14,757,120 units as full settlement of shareholders' loans and interest in the aggregate amount of $1,180,570. The fair value of the units ($2,516,505) was allocated to common shares $1,715,426 and warrants $801,079 based on their relative fair values and $1,335,935 was recorded as loss on settlement of debt.

For the year ended August 31, 2013, the Company recorded a loss on settlement of debt in the amount of $402,264 compared to $1,465,465 for the same twelve month period in 2012. During fiscal 2013, the Company issued 2,366,257 units as full settlement of shareholders' loans in the amount of $198,333 and interest due on shareholders' loans in the amount of $345,906. The amount allocated to common shares based on fair value was $946,503 and $402,264 was recorded as a loss on settlement of debt.

Impairment Loss on Exploration and Evaluation Assets

As at and for the year ended August 31, 2014, the Company recorded a net impairment loss of $1,315,276 compared to an impairment loss of $2,690,568 on its Murphy Lease, Zavala County, Texas. In fiscal 2014 the impairment was recognized upon the dissolution of Dyami Energy.

As at and for the year ended August 31, 2013, the Company recorded an impairment of $2,690,568 on its Murphy Lease, Zavala County, Texas based on the amount for which management believes the assets could be sold or farmed out in an arms' length transaction, less estimated costs to sell compared to $Nil in the prior period in 2012.

During the year ended August 31, 2013, the Company, Dyami Energy and OGR Energy Corporation, the Lessees, were litigating a dispute with the Lessors of the Matthew's property. During the last quarter of fiscal year August 2013, the Company and the Lessors agreed to resolve the litigation and continue with the development of the Matthew's property. In order to comply with certain State legal requirements, it was deemed necessary by the Lessors counsel to continue with the development through a newly executed lease document and the Company formed, Zavala Inc. a new wholly owned subsidiary to execute the new lease. The new lease was signed effective September 1, 2013 and the first of two payments of US$150,000 were paid to the Lessors upon signing the new lease as required initial pre-payment of anticipated production royalties along with a continuing development obligation under the lease to complete the previously drilled Matthews #1H horizontal well or drill a new well on the Matthews property no later than March 30, 2014. On September 1, 2013, the Matthews lease was renewed by the Company through Zavala Inc. and based on the concept of faithful representation under IAS 8, the carrying value of the Matthew's lease by Dyami Energy was considered to be the value for Zavala Inc. as this arrangement is simply a reorganization in substance.

Subsequent to September 1, 2013 and the continuing development of the Matthews lease, Dyami Energy continued its development efforts with the Murphy lease. A tentative joint venture agreement with Stratex was reached but did not materialize and efforts to develop the Murphy lease were not successful. The Company had solicited lenders and investors in an attempt to obtain debt/equity financings as a means to improve Dyami Energy's financial situation. Despite the Company's attempts, these efforts were unsuccessful and management determined that it could no longer fund the Murphy operations, hence the lease was considered impaired and an impairment loss was recorded by Dyami Energy during the third quarter. On March 6, 2014, the Company filed a Certificate of Termination of a Domestic Entity with the Secretary of State, Texas for its wholly-owned subsidiary Dyami Energy and effective April 3, 2014, Dyami Energy was dissolved. All prior obligations with respect to the Matthew's and Murhpy's lease on the books of Dyami Energy prior to its dissolution were recorded by the Company.

The Company's investment in Dyami Energy has been deconsolidated from the Company's Consolidated Financial Statements as at the effective date, and presented on the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Cash Flow as an impairment of the net assets and liabilities on dissolution of subsidiary.

The following table presents the effect of the dissolution of Dyami Energy on the consolidated financial statements of the Company at April 3, 2014:

		April 3, 2014
Exploration and evaluation assets – Murphy Lease	$	(1,675,749)
Provisions		58,589
Foreign currency translation reserve		301,884
Net assets and liabilities	**$**	**(1,315,276)**

Impairment Loss on Property and Equipment
For the year ended August 31, 2014 the Company recorded an impairment loss of $Nil compared to an impairment loss of $168,954 during fiscal 2013. The impairment recorded in 2013 was a result of no recordable reserves and no discernable future net revenue being assigned to the Company's Botha Alberta Property by an independent reserves evaluator

Impairment Loss on Marketable Securities
For the year ended August 31, 2013, the fair value of the securities was written down to $Nil (August 31, 2012 fair value - $1).

Net Loss
Net loss for the year ended August 31, 2014, was $6,115,585 compared to a net loss of $4,266,046 for the year ended August 31, 2013. The increase in net loss during 2014 was primarily related to a loss on derivative liabilities of $2,735,476 compared to a loss of $128,041 during fiscal 2013. This increase in 2014 was attributed to the exchange of a secured note for a secured convertible note during fiscal 2014 which terms and features of the conversion meet the definition of an embedded derivative liability that requires fair value measurement at each reporting period. During the year ended August 31, 2014, the Company recorded an increase in loss on settlement of debt in the amount of $933,671 to $1,335,935 compared to a loss on settlement of debt in the amount of $402,264 during fiscal 2013. During fiscal 2014 the Company converted shareholders' loans and interest due, in the aggregate amount of $1,180,570 through the issuance of a total of 14,757,120 units in the capital of the Company at a price of $0.08 per unit. The increases during fiscal 2014, were partially offset by a reduction in the impairment of exploration and evaluation assets in the amount of $1,375,292 to $1,315,276 compared to $2,690,568 in fiscal 2013.

Net loss for the year ended August 31, 2013, was $4,266,046 compared to a net loss of $2,809,188 for the year ended August 31, 2012. The increase in net loss was primarily related to an impairment of exploration and evaluation assets in the amount of $2,690,568 compared to $Nil in 2012 and an impairment of property and equipment of $168,954 compared to $50,774 in 2012. These increases were partially offset by a reduction in loss on settlement of debt in the amount of $1,063,201 to $402,264 compared to a loss on settlement of debt in the amount of $1,465,465 in 2012, a reduction in general and administrative costs of $122,014 to $583,577 compared to general and administrative costs of $705,591 during 2012 and a reduction stock based compensation expense of $Nil compared to $170,972 in 2012.

Foreign Currency Translation
For the year ended August 31, 2014, the Company recorded a loss on translation of foreign subsidiary of $199,965 versus a gain of $314,120 for the year ended August 31, 2013.

For the year ended August 31, 2013, the Company recorded a gain on translation of foreign subsidiary of $314,120 versus a loss of $160 for the year ended August 31, 2012.

These losses are related to translation differences between Dyami Energy's and Zavala Inc's US dollar functional currency converted into Canadian dollars at the period end exchange rates, and the results operations converted at average rates of exchange for the period.

Net Loss and Comprehensive Loss
Total loss and comprehensive loss for the year ended August 31, 2014, was $6,315,550 compared to a comprehensive loss of $3,951,926 for the year ended August 31, 2013.

Total loss and comprehensive loss for the year ended August 31, 2013, was $3,951,926 compared to a comprehensive loss of $2,809,348 for the year ended August 31, 2012.

Loss per Share, Basic and Diluted
Basic and diluted net loss per share for the year ended August 31, 2014, was $0.482 compared to a basic and diluted net loss per share of $0.407 for the same period in 2013.

Basic and diluted net loss per share for the year ended August 31, 2013, was $0.407 compared to a basic and diluted net loss per share of $0.344 for the same period in 2012.

SUMMARY OF QUARTERLY RESULTS

The following tables reflect the summary of quarterly results for the periods set out.

For the quarter ending	2014 August 31	2014 May 31	2014 February 29	2013 November 30
Revenue, net of royalties	$ 19,551	$ 22,116	$ 9,754	$ 13,603
Net income (loss) for the period	$ (4,332,092)	$ (1,269,732)	$ (401,602)	$ (112,159)
Loss per share, basic and diluted	$ (0.327)	$ (0.098)	$ (0.030)	$ (0.010)

Fiscal 2014
Revenue, net of royalties for the four quarters fluctuated as a result of changes in production volume and commodity prices. During the quarter ended August 31, 2014, the company recorded a loss on derivative liabilities of $2,676,655 and loss on settlement of debt in the amount of $1,335,935 upon the settlement of shareholders loans and interest due, in the aggregate amount of $1,180,570 through the issuance of a total of 14,757,120 units in the capital of the Company at a price of $0.08 per unit. During the quarter ended May 31, 2014, the Company recorded a net impairment loss on exploration and evaluation assets in the amount of $1,315,276. During the three months ended February 2014, the Company recorded a loss on foreign exchange of $146,645. Other changes in net loss during the quarters were primarily related to increases in general and administrative costs, gain or loss on foreign exchange and the fair value movement of derivative warrant liabilities during the respective periods.

For the quarter ending	2013 August 31	2013 May 31	2013 February 29	2012 November 30
Revenue, net of royalties	$ 171	$ 10,206	$ 9,787	$ 9,898
Net loss for the period	$ (3,557,922)	$ (116,520)	$ (374,673)	$ (216,931)
Loss per share, basic and diluted	$ (0.340)	$ (0.010)	$ (0.04)	$ (0.02)

Fiscal 2013
Revenue, net of royalties for the four quarters fluctuated as a result of changes in production volume and commodity prices. In addition during fiscal 2013 the remaining wells in the Company's Botha, Alberta property were shut in. During the quarter ended August 31, 2013, the Company recorded an impairment of exploration and evaluation assets in the amount of $2,690,568, an impairment of property and equipment of $168,954 and a loss on settlement of debt in the amount of $402,264. During the three months ended February 2013 the Company recorded a loss on foreign exchange of $111,369. Other changes in net loss during the quarters were primarily related to increases in general and administrative costs, gain or loss on foreign exchange and the fair value movement of derivative warrant liabilities during the respective periods.

FOURTH QUARTER RESULTS

Historical Production	For the Three Months Ended August 31	
	2013	2013
Natural gas – mcf/d	62	-
Historical Prices		
Natural Gas - $/mcf	$ 4.30	$ -
Royalties costs - $/mcf	$ 0.82	$ -
Production costs - $/mcf	$ 1.22	$ -
Net back - $/mcf	$ 2.26	$ -
Operations		
Revenue, net of royalties	$ 19,551	$ 171
Net loss	$ (4,332,092)	$ (3,557,922)
Loss per share, basic and diluted	$ (0.327)	$ (0.34)

Production Volume
For the three months ended August 31, 2014 average natural gas sales volumes was 62 mcf/d compared to Nil mcf/d for the same period in 2013. Total production volume for the three months ended August 31, 2014 was 5,622 mcf compared to Nil mcf for the same twelve month period in 2013. During the three months ended August 31, 2013, the Company's wells in the Botha Property, Alberta were shut in.

Commodity Prices
For the three months ended August 31, 2014 average natural gas prices received per mcf was $4.30 compared to $Nil for the three months ended August 31, 2013. During the three months ended August 31, 2013, the Company's wells in the Botha Property, Alberta were shut in.

Revenue, Net of Royalties	**For the Three Months Ended August 31,**	
	2014	**2013**
Natural gas sales	$ 24,174	$ 1,395
Royalties	(4,623)	(1,224)
Revenue, net of royalties	$ 19,551	$ 171

Natural gas sales for the three months ended August 31, 2014, was up $18,156 to $19,551 compared to $1,395 for the three months ended August 31, 2013. The increase in sales for the three month period ended August 31, 2014 was attributed to the Company's Botha, Alberta wells producing versus being shut in for the same three month period in 2013.

Royalties for the three months ended August 31, 2014, were $4,623 versus $1,224 for the comparable three month period in 2013. The increase in royalties for the three months ended August 31, 2014 was primarily attributed to higher production volume.

As a result of the above, revenue, net of royalties for the three months ended August 31, 2014, increased to $19,551 compared to $171 for the same three month period in 2013.

Operating Costs
For three months ended August 31, 2014, the Company incurred operating costs of $6,843 versus operating costs of in the amount of $1,473 for the same three month period ended August 31, 2013. Increased operating costs for the three months ended August 31, 2014 was primarily a result of higher production volume from the Company's Botha, Alberta wells.

Depletion and Accretion
Depletion and accretion for the three months ended August 31, 2014, decreased by $657 to $333 compared to $990 for the three months ended August 31, 2014. The decrease in depletion and accretion for the three months ended August 31, 2014 was primarily attributed to a reduction in the carrying value of the Company's Botha, Alberta property to $Nil.

General and Administrative Expenses	**For the Three Months Ended August 31**	
	2014	**2013**
Professional fees	$ 94,588	$ 80,208
Head office costs	11,250	11,250
Management fees	18,750	18,750
Transfer and registrar costs	12,402	2,629
Shareholders information	2,857	933
Office and general costs	2,147	523
Directors fees	600	700
Consulting fees and expenses	16,146	43,211
Reserve report fees	-	5,500
Total	$ 158,740	$ 163,704

General and administrative expenses for the three months ended August 31, 2014, were down by $4,964 to $158,740 compared to $163,704 for the year ended August 31, 2013. The decrease in general and administrative expenses during 2014 was primarily attributed to a decrease in consulting fees and expenses of $27,065 to $16,146 compared to $43,211 and a decrease of $5,500 in reserve report fees to $Nil compared to $5,500 during 2013. The decreases during the 2014 quarter were partially offset by higher professional fees in of $14,380 to $94,588 compared to $80,208 and higher transfer agent fees of $9,773 to $12,402 compared to $2,629 for the same three month period in 2013.

Interest Expense
For the three months ended August 31, 2014 the Company incurred interest of $171,323 versus interest costs of $15,412 for the three months ended August 31, 2013. The increase in interest for the quarter in 2014 was attributed a decrease in borrowing costs capitalized as a result of the dissolution of Dyami Energy.

Loss on Derivative Liabilities
Derivative Warrant Liabilities
For the three months ended August 31, 2014, the Company recorded an unrealized gain on derivative warrant liabilities of $1,098 compared to an unrealized loss of $38,375 for the three months ended August 31, 2013.

The Company has warrants issued with an exercise price in US dollars which is different to the functional currency of the Company (Canadian Dollars) and accordingly the warrants are treated as a derivative financial liability and the fair value movement during the period is recognized in the statement of operations.

Derivative Unit Liabilities
During the three months ended August 31, 2014 the Company recorded a loss on derivative unit liabilities of $2,677,753 compared to $Nil for the three months ended August 31, 2013.

At August 31, 2014, the Company exchanged a secured note payable with a carrying value of $1,322,347 (US$1,216,175) for a secured convertible promissory note payable with a face value of $1,322,347 (US$1,216,175) (the “Note”). The Note has a conversion option at any time to convert any unpaid principal and accrued interest into conversion units. A conversion unit is comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the conversion unit (the “Conversion Unit”)..Since both components of the Conversion Unit (the common share component and warrant component) contain a variable exercise/conversion price, the Conversion Unit meets the definition of a financial liability under IAS 32“Financial Instruments: Presentation”. As a result, the Conversion Unit is a derivative liability that requires fair value measurement each period.

Loss on Foreign Exchange
For the three months ended August 31, 2014, the Company recorded a loss on foreign exchange of $1,813 versus a loss on foreign exchange of $197,643 for the same three month period in 2013.

These foreign exchange gains and losses are attributed to the translation of monetary assets and liabilities not denominated in the functional currency of the Company.

Marketing and Public Relations
For the three months ended August 31, 2014, the Company incurred marketing and public relations costs of $Nil compared to $13,085 in the comparable three month period in 2013.

Loss on Settlement of Debt
For the three months ended August 31, 2014, the Company recorded a loss on settlement of debt in the amount of $1,335,935 compared to $402,264 for the same three month period in 2013.

During the quarter in fiscal 2014, the Company issued 14,757,120 units as full settlement of shareholders’ loans and interest in the aggregate amount of $1,180,570. The fair value of the units ($2,516,505) was allocated to common shares $1,715,426 and warrants $801,079 based on their relative fair values and $1,335,935 was recorded as loss on settlement of debt.

During the quarter in fiscal 2013, the Company issued 2,366,257 common shares as full settlement of shareholders' loans in the amount of $198,333 and interest due on shareholders' loans in the amount of $345,906. The amount allocated to common shares based on fair value was $946,503 and $402,264 was recorded as a loss on settlement of debt.

Impairment Loss on Exploration and Evaluation Assets
For the three month ended August 31, 2014, the Company record an impairment of $Nil on its exploration and evaluation assets compared to $2,690,568 during the three month period ended August 31, 2013.

During the three month period ended August 31, 2013 the Company record an impairment of $2,690,568 on its Murphy Lease, Zavala County, Texas based on the amount for which management believes the assets could be sold or farmed out in an arms' length transaction, less estimated costs to sell compared to $Nil in the prior period in 2012.

Impairment Loss on Property and Equipment
For the three months ended August 31, 2014, the Company recorded an impairment loss on property and equipment of $Nil compared to $168,954 for the three months ended August 31, 2013 as result of no recordable reserves and no discernable future net revenue being assigned to the Company's Botha Alberta Property by an independent reserves evaluator.

Write down of Marketable Securities
At August 31, 2014, the Company had no marketable securities. For the three months ended August 31, 2013, the fair value of the securities were written down to $Nil.

Impairment loss on dissolution of subsidiary
For the three months ended August 31, 2014, the Company recorded an impairment gain on dissolution of subsidiary in the amount of $8,892.

Net Loss
Net loss for the three months ended August 31, 2014, increased by $774,170 to $4,332,092 compared to a net loss of $3,557,922 for the three ended August 31, 2013. The increase in net loss during 2014, was primarily related to a loss on derivative liabilities of $2,676,665 compared to a loss of $38,375 for the three months ended August 31, 2013, a loss on settlement of debt of $1,335,935 compared to a loss on settlement of debt of $402,264 during the three months ended August 31, 2013. The increases in loss during 2014, were partially offset by a decrease in the impairment of exploration and evaluation assets in the amount of $2,690,568 to $Nil versus $2,690,568 in the 2013 three month period, and a decrease in impairment of property and equipment of $168,954 to $Nil compared to $168,954 for the three month period ended August 31, 2013. In addition, during the three month ended August 31, 2014, the Company recorded a decrease in foreign exchange of $61,449 to $1,813 compared to $63,262 for the comparable three month period in 2013.

Foreign Currency Translation
For the three months ended August 31, 2014, the Company recorded a loss on translation of foreign subsidiaries of $96,275 versus a gain of $98,027 for the same period in 2013.

These losses are related to translation differences between Dyami Energy's and Eagleford Zavala's US dollar functional currency converted into Canadian dollars at the period end exchange rates, and the results operations converted at average rates of exchange for the period.

Loss and Comprehensive Loss
Comprehensive loss for the three months ended August 31, 2014 was $4,428,367 compared to a comprehensive loss of $3,459,895 for the three months August 31, 2013.

Loss per Share, Basic and Diluted
Basic and diluted net loss per share for the three months ended August 31, 2014 was $0.327 compared to basic and diluted net loss per share of $$0.340 for the same period in 2013.

CAPITAL EXPENDITURES

For the year ended August 31, 2014, the Company recorded net additions to exploration and evaluation assets of $113,578 on its Leases located in Zavala County, Texas (August 31, 2013: $404,818).

The Company expects that its capital expenditures will increase in future reporting periods as the Company incurs costs to explore and develop its oil and gas properties.

FINANCING ACTIVITIES

During the year ended August 31, 2014, the Company issued 14,757,120 common shares as full settlement of shareholders' loans and interest in the aggregate amount of $1,180,570.

B. LIQUIDITY AND CAPITAL RESOURCES

Cash as of August 31, 2014 was $103,215 compared to cash of $196,837 at August 31, 2013. During the year ended August 31, 2014, the Company entered into Joint Development Agreements on the Matthews Lease and received cash of $340,811 and the payment of certain obligations under the Matthews Lease.

For the year ended August 31, 2014, the primary use of funds was related to exploration and evaluation asset expenditures incurred on the Company's Matthews lease located in Zavala County, Texas and administrative expenses. The Company's working capital deficiency at August 31, 2014 was $3,489,237 compared to a working capital deficiency of $4,985,312 at August 31, 2013.

Our current assets of $260,336 as at August 31, 2014, ($382,918 as of August 31, 2013) include the following items: cash $103,215 ($196,837 as of August 31, 2013); trade and other receivables $112,285 ($27,786 as of August 31, 2013); and prepaid expenses and deposits of $44,836 ($158,295 as of August 31, 2013).

Our current liabilities of $3,749,573 as of August 31, 2013 ($5,368,230 as of August 31, 2013) include the following items: trade and other payables $1,483,775 ($1,379,581 as of August 31, 2013); shareholders' loans $981,834 ($2,108,205 as of August 31, 2013); secured note payable of $Nil ($1,013,088 as of August 31, 2013); derivative liabilities of $1,094,392 ($688,803 as of August 31, 2013); deferred revenue of $177,804 ($Nil as of August 31, 2013); and provisions of $11,768 ($178,553 as of August 31, 2013).

At August 31, 2014, the Company had outstanding the following common share purchase warrants: 7,378,560 warrants exercisable at $0.10 per share; 1,915,000 warrants exercisable at $0.50 per share; 641,240 warrants exercisable at US$5.00 per share; and 102,598 warrants exercisable at US$2.50. If any of these common share purchase warrants are exercised it would generate additional capital for us.

Management of the Company recognizes that cash flow from operations is not sufficient to develop its oil and gas operations or meet its working capital requirements. The Company has liquidity risk which necessitates the Company to obtain debt financing, enter into joint venture arrangements, or raise equity. There is no assurance the Company will be able to obtain the necessary financing in a timely manner.

The Company's past primary source of liquidity and capital resources has been proceeds from the issuance of share capital, shareholders' loans and cash flow from oil and gas operations.

If the Company issued additional common shares from treasury it would cause the current shareholders of the Company dilution.

Outlook and Capital Requirements
A part of our oil and gas development program, we anticipate further expenditures may be required to define reserves and extract hydrocarbons. Amounts expended on future exploration and development is dependent on the nature of future opportunities evaluated by us and cash calls from joint venture participants. Any expenditure which exceeds available cash will be required to be funded by additional share capital or debt issued by us, or by other means. Our long-term profitability will depend upon our ability to successfully implement our business plan.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

We do not engage in research and development activities.

D. TREND INFORMATION

Seasonality

Our oil and gas operations is not a seasonal business, but increased consumer demand or changes in supply in certain months of the year can influence the price of produced hydrocarbons, depending on the circumstances. Production from our oil and gas properties is the primary determinant for the volume of sales during the year.

There are a number of trends that have been developing in the oil and gas industry during the past several years that appear to be shaping the near future of the business.

The first trend is the volatility of commodity prices. Natural gas is a commodity influenced by factors within North America. A tight supply demand balance for natural gas causes significant elasticity in pricing, whereas higher than average storage levels tend to depress natural gas pricing. Drilling activity, weather, fuel switching and demand for electrical generation are all factors that affect the supply-demand balance. Recently, liquefied natural gas shipments to North America have also resulted in natural gas supply and natural gas pricing being based more on factors other than supply and demand in North America. Changes to any of these or other factors create price volatility.

Crude oil is influenced by the world economy, Organization of the Petroleum Exporting Countries' ("OPEC") ability to adjust supply to world demand and weather. Political events also trigger large fluctuations in price levels. The current global financial crisis has reduced liquidity in financial markets thereby restricting access to financing and has caused significant volatility to commodity prices. Petroleum prices are expected to remain volatile for at least the near term as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns.

The impact on the oil and gas industry from commodity price volatility is significant. During periods of high prices, producers generate sufficient cash flows to conduct active exploration programs without external capital. Increased commodity prices frequently translate into very busy periods for service suppliers triggering premium costs for their services. Purchasing land and properties similarly increase in price during these periods. During low commodity price periods, acquisition costs drop, as do internally generated funds to spend on exploration and development activities. With decreased demand, the prices charged by the various service suppliers also decline.

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore effected by the Canadian/U.S. dollar exchange rate, which will fluctuate over time. Material increases in the value of the Canadian dollar may negatively impact production revenues from Canadian producers. Such increases may also negatively impact the future value of such entities' reserves as determined by independent evaluators. In recent years, the Canadian dollar has increased materially in value against the United States dollar although the Canadian dollar has recently decreased from such levels.

A second trend within the Canadian oil and gas industry is the "renewal" of private and small junior oil and gas companies starting up business. These companies often have experienced management teams from previous industry organizations that have disappeared as a part of the ongoing industry consolidation. Many are able to raise capital and recruit well qualified personnel. To the extent that this trend continues, we will have to compete with these companies and others to attract qualified personnel.

A third trend currently affecting the oil and gas industry is the impact on capital markets caused by investor uncertainty in the global economy. Market events and conditions in recent years including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions have caused significant volatility to commodity prices. These conditions caused a loss of confidence in the global credit and financial markets. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and may impact the performance of the global economy going forward. The recovery from the recession has been slow in various jurisdictions including in Europe and the United States and has been impacted by various ongoing factors including sovereign debt levels and high levels of unemployment which continue to impact commodity prices and result in high volatility in the stock market.

E. OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes of financial condition, revenues, or expenses, results of operations, liquidity, capital expenditures or capital resources, which individually or in the aggregate are material to our investors.

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table illustrates the contractual maturities of financial liabilities:

	Payments Due by Period				
August 31, 2014	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and others payables	$ 1,483,775	$ 1,483,775	-	-	-
Shareholders' loans (1)	981,834	981,834	-	-	-
Total	$ 2,465,609	$ 2,465,609	-	-	-

SECURED NOTE PAYABLE AND SHAREHOLDERS' LOANS

Secured Note Payable

At August 31, 2014, the Company exchanged a secured note payable to Benchmark with a carrying value of $1,322,347 (US$1,216,175) for a secured convertible promissory note payable to Benchmark with a face value of $1,322,347 (US$1,216,175) (the "Note"). The Note has an interest rate of 10%. The Note is due on the earliest to occur of: (a) August 31, 2015; (b) the closing of any subsequent financing or series of financings by the Company that results in gross proceeds of an aggregate amount equal to or greater than US$4,400,000, excluding conversion of any existing debt into equity; (c) the date of a sale by the Company of all of the shares in the capital stock of Zavala Inc. held by the Company from time to time; (d) the closing of a merger, reorganization, take-over or other business combination which results in a change of control of the Company or Zavala Inc.; or (e) an event of default.

In the event that the Company closes any subsequent financing or series of financings that results in gross proceeds to the Company of an aggregate amount equal to or greater than US$2,000,000, excluding conversion of any existing debt into equity of the Company, the Company shall allocate US$0.50 of every US$1.00 exceeding the US$2,000,000 raised from such financing to repay the Note. The Note is secured by all of the assets of the Company and Zavala Inc. The Company may, in its sole discretion, prepay any portion of the principal amount upon seven days' notice. Benchmark has the option at any time while the Note is outstanding to convert any unpaid principal and accrued interest into conversion units. A conversion unit is comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the conversion unit. The price of the conversion unit is the lessor of a price equal to the 30-day VWAP of the Company as of the date of conversion, less 20% (as adjusted for any stock splits, combinations or similar events) or eight United States Cents (US$0.08) per share the "Conversion Unit").

Accounting Considerations

The Company has accounted for this transaction as an exchange of debt instruments. Under IAS 39 "Financial Instruments: Recognition and Measurement"., an exchange between an existing borrower and lender of debt instruments with substantially different terms or substantial modification of the terms of an existing financial liability of part thereof is accounted for as an extinguishment. Since the new debt instrument has a conversion option, the terms are considered substantially different and therefore gives rise to extinguishment accounting. Further, the Company analyzed the conversion unit under IAS 39 and determined that it meets the definition of an embedded derivative. Since both components of the Conversion Unit (the common share component and warrant component) contain a variable exercise/conversion price, the Conversion Unit meets the definition of a financial liability under IAS 32 "Financial Instruments: Presentation". As a result, the Conversion Unit is a derivative liability that requires fair value measurement each period.

Based on the previous conclusions, the Company allocated the old note first to the derivative component at its fair value with the residual allocated to the host debt contract, as follows:

	Allocation CDN$
Secured promissory note (old debt instrument)	$ 1,322,347
Derivative liability (Conversion Unit)	(4,000,100)
Loss on exchange of debt instruments	2,677,753
	$ -

The Note will be accreted up to its face value of $1,322,347 (US$1,216,175) over the life of Note based on an effective interest rate (see Note 11).

Shareholder Loans
Effective August 30, 2014, the Company converted shareholders' loans and interest due in the aggregate amount of $1,180,570 through the issuance of a total of 14,757,120 units in the capital of the Company at a price of $0.08 per unit. Each unit is comprised of one (1) common share and one half of one (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of CDN$0.10 until August 30, 2017. The fair value of the units ($2,516,505) was allocated to common shares $1,715,426 and warrants $801,079 based on their relative fair values and $1,335,935 was recorded as loss on settlement of debt. The original terms of the debt did not include settlement by the issuance of equity instruments.

Accounting Considerations

The Company has accounted for this transaction as an extinguishment of debt instruments for equity instruments under the guidance of IFRIC Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments". IFRIC 19 addresses the accounting of when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It states that if a debtor issues equity instruments to a creditor to extinguish all or part of a financial liability, those equity instruments are 'consideration paid' in accordance with IAS 39.41. Accordingly, the debtor should derecognise the financial liability fully or partly. IFRIC 19 further states that the debtor recognises in profit or loss the difference between the carrying amount of the financial liability (or part) extinguished and the fair value of the equity instruments issued. As result, the Company recorded a loss on extinguishment in the amount of $1,335,935 in profit and loss which is the difference of the fair value of the equity instruments ($2,516,505) and the carrying value of the debt instruments ($1,180,570).

The warrant component was valued using a Binomial Lattice model whereas the fair value of the common share component was based on the current market value of the company's stock. The fair value of the conversion unit ($2,516,505) was allocated to the common stock component ($1,715,426) and warrant component ($801,079) based on their relative fair values. Significant assumptions utilized in the Binomial Lattice process are as follows for the warrant component of the conversion unit as of August 30, 2014:

	August 30, 2014
Market value on valuation date	$ 0.16
Contractual exercise rate	$ 0.092
Term (years)	5.00 Years
Expected market volatility	196.97%
Risk free rate using zero coupon US Treasury Security rate	0.94%

PROVISIONS

	Decommissioning Provisions (Note a)	**Other Provisions (Note b)**	**Total Provisions**
Balance, August 31, 2012	$ 114,755	$ 125,917	$ 240,672
Accretion expense	3,071	-	3,071
Change in estimate	(5,104)	-	(5,104)
Additions	-	169,196	169,196
Reductions	-	(125,917)	(125,917)
Foreign exchange	7,020	9,357	16,377
Balance, August 31, 2013	119,742	178,553	298,295
Accretion expense	961	-	961
Change in estimate	7,225	-	7,225
Disposals	(26,426)	-	(26,426)
Reductions	-	(169,196)	(169,196)
De-consolidation of Dyami Energy	(58,589)		(58,589)
Foreign exchange	4,630	(9,357)	(4,727)
Balance, August 31, 2014	**$ 47,543**	**$ -**	**$ 47,543**

a) Decommissioning Obligations

The Company's decommissioning obligations result from its ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of decommissioning obligations to be $47,543 ($11,768 current and $35,775 long term) at August 31, 2014 (August 31, 2013: $119,742) based on an undiscounted total future liability of $60,629 (August 31, 2013: $166,578). These payments are expected to be incurred between 2016 and 2031. The discount factor, being the risk free rate related to the liability is 2.57% (August 31, 2013: 3.09%). The above amount has been classified as long term.

b) Other Provisions

In February 2013, a vendor of Dyami Energy applied a lien on the Murphy #4 well and filed a claim in the District Court of Zavala County, Texas (Case No. 13-02-12941-ZCV) seeking payment of US$169,196 for services. Dyami Energy was disputing the amount on the basis of negligence by the vendor. On January 28, 2014 the vendor received a summary judgment against Dyami Energy in the amount of $169,196 plus interest at a rate of 18% per annum from September 17, 2012 until paid and legal fees of $21,178 plus interest at a rate of 5% per annum from the date of judgment until paid. The full amount of the provision had been recorded together with legal fees and interest. The provision, legal fees and interest were transferred to trade and other payables (see Note 16 to the Consolidated Financial Statements).

In May 2012 a vendor of Dyami Energy filed a claim in the District Court of Harris County, Texas seeking payment of US$64,866. Dyami Energy was disputing the amount charged due to faulty equipment. The full amount of the provision which was accrued in the prior year 2012 was reversed in 2013 as the vendor is no longer in good standing as a Texas corporation and the vendor's attorney filed in the District Court of Harris County, Texas a motion to withdraw as counsel (see Note 16 to the Consolidated Financial Statements).

In December 2011, a vendor of Dyami Energy filed a claim in the District Court of Harris County, Texas (Case No. 2011-74035/Court: 113) seeking payment of US$62,800. Dyami Energy disputed the claim on the basis of excessive charges. In December 2013 an agreed final judgment in favour of the vendor was entered into court in the amount of $42,803 and post judgment interest at 5% per annum until paid in full. The provision was transferred to trade and other payables (see Note 16 to the Consolidated Financial Statements).

DERIVATIVE LIABILITIES

Derivative Warrant Liabilities

The Company has warrants issued with an exercise price in US dollars which are different from the functional currency of the Company (Canadian Dollars) and accordingly the warrants are treated as a financial liability and the fair value movement during the period is recognized in the profit or loss.

The following table set out the changes in derivative warrant liabilities during the respective periods.

	Number of Warrants*	Fair Value Assigned $	Average Exercise Price US $
As at August 31, 2012	784,273	1,640,406	4.70
Warrants issued	112,490	163,541	5.00
Broker warrants issued	17,998	44,895	2.50
Change in fair value estimates	-	128,041	-
As at August 31, 2013	914,761	1,976,883	4.06
Warrants expired	(170,923)	(709,299)	5.00
Change in fair value estimates	-	57,723	-
As at August 31, 2014	**743,838**	**1,325,307**	**4.06**

* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten consolidation

On September 25, 2012 the Company issued 112,490 common share purchase warrants exercisable at US$5.00 and 17,998 common share purchase broker warrants exercisable at US$2.50 expiring September 25, 2015. The fair value measured using the Black-Scholes option pricing model was $163,541 and $45,895, respectively.

On August 31, 2014 170,923 warrants exercisable at US$5.00 expired and the fair value measured using the Black-Scholes option pricing model of $709,299 was recorded as an increase to contributed surplus.

The following tables set out the number of derivative warrant liabilities outstanding at August 31, 2014 and 2013 respectively:

Number of Warrants*	Exercise Price US ($)*	Expiry Date	Weighted Average Remaining Life (Years)	Fair Value CDN ($)
187,500	5.00	April 13, 2015 (1)	0.62	365,474
30,000	2.50	April 13, 2015(1)	0.62	99,420
91,250	5.00	July 20, 2015(1)	0.88	133,431
14,600	2.50	July 20, 2015(1)	0.88	35,915
250,000	5.00	August 7, 2015(1)	0.93	365,964
40,000	2.50	August 7, 2015(1)	0.93	94,188
112,490	5.00	September 25, 2015	1.07	181,178
17,998	2.50	September 25, 2015	1.07	49,737
743,838			**0.70**	**1,325,307**

(1) Current
* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten consolidation

Number of Warrants*	Exercise Price US ($)*	Expiry Date	Weighted Average Remaining Life (Years)	Fair Value CDN ($)
170,923	5.00	August 31, 2014(1)	1.00	688,803
187,500	5.00	April 13, 2015	1.62	355,208
30,000	2.50	April 13, 2015	1.62	96,629
91,250	5.00	July 20, 2015	1.88	129,683
14,600	2.50	July 20, 2015	1.88	34,906
250,000	5.00	August 7, 2015	1.93	355,685
40,000	2.50	August 7, 2015	1.93	91,542
112,490	5.00	September 25, 2015	2.07	176,087
17,998	2.50	September 25, 2015	2.07	48,340
914,761			**1.70**	**1,976,883**

(1) Current
* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten consolidation

The fair value of the warrants issued during the year ended August 31, 2013, were estimated using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes Assumptions used	**2013**
Risk-free interest rate	1.5%
Expected volatility	217%
Expected life (years)	3.00 Years
Dividend yield	-

Derivative Unit Liabilities

The following tables summarize the components of the Company's derivative liabilities reflected in US Dollars and linked common shares as at August 31, 2014:

The financings giving rise to derivative financial instruments	August 31, 2014 Indexed Shares	August 31, 2014 Fair Values $CDN
Conversion unit (1 common share and 1 common share purchase warrant)	15,202,188	$ (4,000,100)

The Company's face value $1,322,347 (US$1,216,175) Secured Convertible Promissory Note issued on August 31, 2014 gave rise to a derivative financial instrument. As more fully discussed in Note 10 the Company issued a face value $1,322,347 (US$1,216,175) Secured Convertible Promissory Note on August 31, 2014 (the "Note"). The Note embodied certain terms and conditions that were not clearly and closely related to the host debt agreement in terms of economic risks and characteristics. Additionally these features met the definition of a financial liability under IAS 32 "Financial Instruments: Presentation". These terms and features consist of the conversion unit which is comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the conversion unit.

Current accounting principles that are provided in IAS 32 and IAS 39 require derivative financial instruments to be classified in liabilities and carried at fair value with changes recorded in profit and loss. The Company has selected the Monte Carlo Simulations valuation technique to fair value the common share component of the conversion unit because it believes that this technique is reflective of all significant assumption types, and ranges of assumption inputs, that market participants would likely consider in transactions involving common share components. Such assumptions include, among other inputs, interest risk assumptions, credit risk assumptions and redemption behaviors in addition to traditional inputs for option models such as market trading volatility and risk free rates.

The Company has selected the Binomial Lattice model to fair value the warrant component of the conversion unit because it believes this technique is reflective of all significant assumption types market participants would likely consider in transactions involving warrants.

Significant inputs and results arising from the Monte Carlo Simulations process are as follows for the common share component contained in the conversion unit:

	August 31, 2014
Underlying price on valuation date*	$ 0.3090
Contractual conversion rate	$ 0.08
Contractual term to maturity	1.00 Years
Implied expected term to maturity	0.613 Years
Market volatility:	
Range of volatilities	78.41% - 269.09%
Equivalent volatility	181.25%
Contractual interest rate	10.0%
Equivalent market risk adjusted interest rate	10.00%
Equivalent credit risk adjusted yield	3.45%

*The underlying price of the common share component of the conversion unit is the sum of the market price on the valuation date and the fair value of the warrant component derived from the binomial lattice model.

Significant assumptions utilized in the Binomial Lattice process are as follows for the warrant component of the conversion unit as of August 31, 2014:

	August 31, 2014
Market value on valuation date	$ 0.16
Contractual exercise rate	$ 0.092
Term (years)	5.00 Years
Expected market volatility	179.21%
Risk free rate using zero coupon US Treasury Security rate	1.63%

G. SAFE HARBOR

Certain statements in Sections 5.E and 5.F of this Annual Report may constitute "forward looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plans", "expects", "estimates", "budgets", "intends", "anticipates", "believes", "projects", "indicates", "targets", "objective", "could", "may", or other similar words. The forward-looking statements are subject to known and unknown risks and uncertainties and other factors that may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Readers should not place undue reliance on any forward-looking statement and should recognize that the statements are predictions of future results, which may not occur as anticipated.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth the names of all of our directors and executive officers as of the date of the filing of this Annual Report, with each position and office held by them in our Company, and the period of their service as a director or as an officer.

Name	Age	Position with the Company	Date First Elected as Director
James Cassina	58	President, Chief Executive Officer, Chief Financial Officer and Director	February 9, 2010
Milton Klyman	89	Director	November 15, 1996
Colin McNeil	68	Director	June 18, 2010

All of our directors' serve until our next Annual General Meeting or until a successor is duly elected, unless the office is vacated in accordance with our Articles or Bylaws. Subject to the terms of their employment agreements, if any, executive officers are appointed by the Board of Directors to serve until the earlier of their resignation or removal, with or without cause by the directors. James Cassina, our sole executive officer, devotes approximately 85% of his work time to his duties as an officer and director.

There are no family relationships between any of our directors or executive officers. There are no arrangements or understandings between any two or more directors or executive officers.

Mr. Cassina has been an officer since June 18, 2010 a director of ours since February 9, 2010. Mr. Cassina is the President of Eagleford Energy, Zavala Inc. our Nevada subsidiary. As Chairman of Assure Energy, Inc. ("Assure") (OTCBB: ASUR), an oil and gas exploration and production company, Mr. Cassina led Assure's merger in September 2005 with Geocan Energy Inc. (TSX: GCA) ("Geocan"), an oil and gas company which then grew to daily production of over 3,700 barrels of oil or gas equivalents. Mr. Cassina thereafter served as a Director of Geocan and later Chairperson of its Board appointed Special Advisory Committee formed to seek strategic alternatives to enhance shareholder value. Subsequently Geocan merged with Arsenal Energy Inc. in October 2008. .

Mr. Milton Klyman has been a director of ours since November 15, 1996. Mr. Klyman was also our Treasurer from December 31, 2003 to December 28, 2007. From February 27, 2009 to present, Mr. Klyman has been a director of 1354166 Alberta Ltd., our Alberta subsidiary. Mr. Klyman is a self-employed financial consultant and has been a Chartered Accountant since 1952. Mr. Klyman is a Life Member of the Canadian Institute of Chartered Accountants. Mr. Klyman serves as a director on the board of Western Troy Capital Resources Inc.

Mr. Colin McNeil has been a director of ours since June 18, 2010. Mr. McNeil is a self-employed oil and gas consultant and has been a geophysicist since 1972. Mr. McNeil has managed exploration programs and structured technical assessments for companies in the Middle East, Africa, Asia, Central and South America, the Arctic, and Canada. Mr. McNeil is a member of the Association of Professional, Engineers, Geologists and Geophysicists of Alberta, Society of Exploration Geophysicists, Canadian Society of Exploration Geophysicists, American Association of Petroleum Geologists and the Canadian Society of Petroleum Geologists.

B. COMPENSATION

Executive Compensation

The following table presents a summary of all annual and long-term compensation paid or accrued by us including our subsidiaries, for services rendered to us by our executive officers and directors in any capacity for the year ended August 31, 2014.

Summary Compensation Table (CDN$)

Name and Principal Position	Year	Salary[(1)] ($)	Option Based Awards[(2)] ($)	All Other Compensation[(3)] ($)	Total Compensation ($)
James Cassina, Chief Executive Officer, President and Director [(4)]	2014	$ 75,000	-	$ 1,000	$ 76,000
Milton Klyman, Director	2014	-	-	$ 1,000	$ 1,000
Colin McNeil, Director	2014	-	-	$ 1,000	$ 1,000

(1) Management fees.
(2) These amounts represent the value of stock options granted. The fair value of the option grated is estimated on the date of grant using the Black Scholes option pricing model taking into account the following assumptions: (i) risk free interest rate (%); (ii) expected life (years); (iii) expected volatility (%). This is consistent with the accounting values used in the Company's consolidated financial statements. The dollar amount in the column represents the total value ascribed to the stock options.
(3) Accrued on account of directors fees at a rate of $100 per meeting.

Outstanding Option-Based Awards
The following table sets forth the outstanding option-based awards for the Company held by executive officers and directors at August 31, 2014.

	Option-based Awards (CDN$)			
Name	Number of Securities underlying unexercised options (#) (1)	Option exercise price	Option expiration date	Value of in-the-money options (2) (3)
James Cassina, Chief Executive Officer, President and Director	20,000	$ 1.60	February 28, 2017	$ -
Milton Klyman, Director	20,000	$ 1.60	February 28, 2017	$ -
Colin McNeil, Director	20,000	$ 1.60	February 28, 2017	$ -

(1) On March 1, 2012, the Company granted options to purchase 60,000 common shares to directors. These options are exercisable at $1.60per share, vest immediately and expire on February 28, 2017.
(2) Calculated using the closing price of the Company's common shares of the OTCQB on August 29, 2014 of US$0.21 and subtracting the exercise price of in-the-money stock options.
(3) Converted to Canadian dollars using the Bank of Canada noon exchange rate on August 29, 2014.

Compensation Discussion and Analysis

Objective of the Compensation Program

The objectives of the Company's compensation program are to attract, hold and inspire performance of its named executive officers ("NEOs") of a quality and nature that will enhance the sustainable profitability and growth of the Company. The Company views it as an important objective of the Company's compensation program to ensure staff retention.

The Compensation Review Process

To determine compensation payable, the compensation committee of the Company (the "**Compensation Committee**") determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the NEOs of the Company while taking into account the financial and other resources of the Company.

The Company's Compensation Committee is comprised of Milton Klyman (Chair) and Colin McNeil. The Compensation Committee is comprised entirely of independent directors. Compensation is determined in the context of our strategic plan, our growth, shareholder returns and other achievements and considered in the context of position descriptions, goals and the performance of each NEO. With respect to directors' compensation, the Compensation Committee reviews the level and form of compensation received by the directors, members of each committee, the board chair and the chair of each board committee, considering the duties and responsibilities of each director, his or her past service and continuing duties in service to us. The compensation of directors, the CEO and executive officers of competitors are considered, to the extent publicly available, in determining compensation and the Compensation Committee has the power to engage a compensation consultant or advisor to assist in determining appropriate compensation.

Elements of Executive Compensation

The Company's NEO compensation program is based on the objectives of: (a) recruiting and retaining the executives critical to the success of the Company; (b) providing fair and competitive compensation; (c) balancing the interests of management and shareholders of the Company; and (d) rewarding performance, on the basis of both individual and corporate performance.

For the financial year ended August 31, 2014, the Company's NEO compensation program consisted of the following elements:

(a) a management fee (the "**Short-Term Incentive**").

(b) a long-term equity compensation consisting of stock options granted under the Company's stock incentive plan (**"Long-Term Incentive"**).

The specific rationale and design of each of these elements are outlined in detail below.

Short-Term Incentive

Salaries form an essential element of the Company's compensation mix as they are the first base measure to compare and remain competitive relative to peer groups. Base salaries are fixed and therefore not subject to uncertainty and are used as the base to determine other elements of compensation and benefits. The base salary provides an immediate cash incentive for the Named Executive Officers. The Compensation Committee and the Board review salaries at least annually.

Base salary/management fees of the Named Executive Officers is set by the Compensation Committee on the basis of the applicable officer's responsibilities, experience and past performance. In determining the base salary to be paid to a particular Named Executive Officer, the Compensation Committee considers the particular responsibilities related to the position, the experience level of the officer, and his or her past performance at the Company and the current financial position of the Company.

Long-Term Incentive

The granting of stock options is a variable component of compensation intended to reward the Company's Named Executive Officers for their success in achieving sustained, long-term profitability and increases in stock value. Stock options ensure that the Named Executive Officers are motivated to achieve long-term growth of the Company and continuing increases in shareholder value. In terms of relative emphasis, the Company places more importance on stock options.

The Company provides long-term incentive compensation through its stock option plan. The Compensation Committee recommends the granting of stock options from time to time based on its assessment of the appropriateness of doing so in light of the long-term strategic objectives of the Company, its current stage of development, the need to retain or attract particular key personnel, the number of stock options already outstanding and overall market conditions. The Compensation Committee views the granting of stock options as a means of promoting the success of the Company and higher returns to its shareholders. The Board grants stock options after reviewing recommendations made by the Compensation Committee.

Stock Option Plan

The Company's Amended Stock Option Plan (the "Plan") was adopted by the board of directors on January 20, 2012 and approved by a majority of our shareholders voting at the Annual and Special Meeting held on February 24, 2012. The Plan was adopted in order that we may be able to provide incentives for directors, officers, employees, consultants and other persons (an "Eligible Individual") to participate in our growth and development by providing us with the opportunity through share options to acquire an ownership interest in us. Directors and officers currently are not remunerated for their services except as stated in "Executive Compensation" above.

The maximum number of common shares which may be set aside for issue under the Plan is an amount not to exceed 20% of the total shares issued and outstanding of the Company as of the date of each Option grant provided that the board has the right, from time to time, to increase such number subject to the approval of our shareholders and any relevant stock exchange or other regulatory authority. Any common shares subject to an option, which are not exercised, will be available for subsequent grant under the Plan. The option price of any common shares is to be determined by the Board in its sole discretion.

Options granted under the Plan may be exercised during a period no exceeding five years, subject to earlier termination upon the optionee ceasing to be an Eligible Individual, or, in accordance with the terms of the grant of the option. The options are non-transferable and non-assignable except between an Eligible Individual and a related corporation controlled by such Eligible Individual upon the consent of the board of directors. The Plan contains provisions for adjustment in the number of shares issuable there under in the event of subdivision, consolidation, reclassification, reorganization or change in the number of common shares, a merger or other relevant change in the Company's capitalization. The board of directors may from time to time amend or revise the terms of the Plan or may terminate the Plan at any time. The Company does not have any other long-term incentive plans, including any supplemental executive retirement plans.

Overview of How the Compensation Program Fits with Compensation Goals

The compensation package is designed to meet the goal of attracting, holding and motivating key talent in a highly competitive oil and gas exploration environment through salary and providing an opportunity to participate in the Company's growth through stock options. Through the grant of stock options, if the price of the Company shares increases over time, both the Named Executive Officer and shareholders will benefit.

Incentive Plan Awards

At August 31, 2014 the Company has outstanding 60,000 stock options exercisable at $$1.60until February 28, 2017 to Named Executive Officers and directors.

Pension Plan Benefits

The Company does not currently provide pension plan benefits to its Named Executive Officers.

Termination and Change of Control Benefits

The Company does not currently have executive employment agreements in place with any of its Named Executive Officers.

The Company has no compensatory plan, contract or arrangement where a named executive officer or director is entitled to receive compensation in the event of resignation, retirement, termination, change of control or a change in responsibilities following a change in control.

Director Compensation

Each director of the Company is entitled to receive the sum of $100 for each meeting of the directors, meeting of a committee of the directors or meeting of the shareholders attended. During the fiscal year ended August 31, 2014 no amount was paid by the Company with respect to such fees.

Retirement Policy for Directors
The Company does not have a retirement policy for its directors.

Directors' and Officers' Liability Insurance
The Company does not maintain directors' and officers' liability insurance.

C. BOARD PRACTICES

Board of Directors
The mandate of our board of directors, prescribed by the Business Corporations Act (Ontario), is to manage or supervise the management of our business and affairs and to act with a view to our best interests. In doing so, the board oversees the management of our affairs directly and through its committees.

The term of Mr. Klyman as a director began on August 10, 2000. Mr. Cassina was appointed as a director on February 9, 2010, and Mr. McNeil who was appointed on June 18, 2010. Our directors' serve until our next Annual General Meeting or until a successor is duly elected, unless the office is vacated in accordance with our Articles or Bylaws. Our sole executive officer was appointed by our Board of Directors to serve until the earlier of his resignation or removal, with or without cause by the directors. There was no compensation paid by us to our directors during the fiscal year ended August 31, 2014 for their services in their capacity as directors or any compensation paid to committee members.

As of the date of this Annual Report our board of directors consists of three directors, two of which are "independent directors" in that they are "independent from management and free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the directors ability to act with a view to our best interests, other than interests and relationships arising from shareholding". The independent directors are Milton Klyman and Colin McNeil. It is our practice to attempt to maintain a diversity of professional and personal experience among our directors.

The independent directors of the Company do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. The Company holds meetings as required, at which the opinions of the independent directors are sought and duly acted upon for all material matters relating to the Company.

Directorships
The following directors of ours are directors of other Canadian or United States reporting issuers as follows:

Milton Klyman — Western Troy Capital Resources Inc.

Board and Committee Meetings
The board of directors has met at least once annually or otherwise as circumstances warrant to review our business operations, corporate governance and financial results. The table below reflects the attendance of each director of ours at each Board and committee meeting of the Board during the fiscal year ended August 31, 2014.

Name	Board of Directors Meetings	Audit Committee Meetings	Compensation Committee Meetings	Petroleum and Natural Gas Committee Meetings	Disclosure Committee Meetings
Milton Klyman	4	4	1	1	Nil
James Cassina	4	4	1	1	Nil
Colin McNeil	4	4	1	1	Nil
Alan D. Gaines(1)	1	Nil	Nil	Nil	Nil

(1) Alan Gaines resigned as a director of the Company on February 26, 2014.

Board Mandate

The Board assumes responsibility for stewardship of the Company, including overseeing all of the operation of the business, supervising management and setting milestones for the Company. The Board reviews the statements of responsibilities for the Company including, but not limited to, the code of ethics and expectations for business conduct.

The Board approves all significant decisions that affect the Company and its subsidiaries and sets specific milestones towards which management directs their efforts.

The Board ensures, at least annually, that there are long-term goals and a strategic planning process in place for the Company and participates with management directly or through its committees in developing and approving the mission of the business of the Company and the strategic plan by which it proposes to achieve its goals, which strategic plan takes into account, among other things, the opportunities and risks of the Company's business. The strategic planning process is carried out at each Board meeting where there are regularly reviewed specific milestones for the Company.

The strategic planning process incorporates identifying the main risks to the Company's objectives and ensuring that mitigation plans are in place to manage and minimize these risks. The Board also takes responsibility for identifying the principal risks of the Company's business and for ensuring these risks are effectively monitored and mitigated to the extent practicable. The Board appoints senior management.

The Company adheres to regulatory requirements with respect to the timeliness and content of its disclosure. The Board approves all of the Company's major communications, including annual and quarterly reports and press releases. The Chief Executive Officer authorizes the issuance of news releases. The Chief Executive Officer is generally the only individual authorized to communicate with analysts, the news media and investors about information concerning the Company.

The Board and the audit committee of the Company (the **"Audit Committee"**) examines the effectiveness of the Company's internal control processes and information systems.

The Board as a whole, given its small size, is involved in developing the Company's approach to corporate governance. The number of scheduled board meetings varies with circumstances. In addition, special meetings are called as necessary. The Chief Executive Officer establishes the agenda at each Board meeting and submits a draft to each director for their review and recommendation for items for inclusion on the agenda. Each director has the ability to raise subjects that are not on the agenda at any board meeting. Meeting agendas and other materials to be reviewed and/or discussed for action by the Board are distributed to directors in time for review prior to each meeting. Board members have full and free access to senior management and employees of the Company.

Position Descriptions

The Board has not developed written position descriptions for the Chairman of the Board or the Chief Executive Officer. The Board is currently of the view that the respective corporate governance roles of the Board and management, as represented by the Chief Executive Officer, are clear and that the limits to management's responsibility and authority are well-defined.

Each of the Audit Committee, Compensation Committee, Disclosure Committee and a Petroleum and Natural Gas Committee has a chair and a mandate.

Orientation and Continuing Education

We have developed an orientation program for new directors including a director’s manual ("Director’s Manual") which contains information regarding the roles and responsibilities of the board, each board committee, the board chair, the chair of each board committee and our president. The Director’s Manual contains information regarding its organizational structure, governance policies including the Board Mandate and each Board committee charter, and our code of business conduct and ethics. The Director’s Manual is updated as our business, governance documents and policies change. We update and inform the board regarding corporate developments and changes in legal, regulatory and industry requirements affecting us.

Ethical Business Conduct
We have adopted a written code of business conduct and ethics (the "**Code**") for our directors, officers and employees. The board encourages following the Code by making it widely available. It is distributed to directors in the Director's Manual and to officers, employees and consultants at the commencement of their employment or consultancy. The Code reminds those engaged in service to us that they are required to report perceived or actual violations of the law, violations of our policies, dangers to health, safety and the environment, risks to our property, and accounting or auditing irregularities to the chair of the Audit Committee who is an independent director of ours. In addition, to requiring directors, officers and employees to abide by the Code, we encourage consultants, service providers and all parties who engage in business with us to contact the chair of the Audit Committee regarding any perceived and all actual breaches by our directors, officers and employees of the Code. The chair of our Audit Committee is responsible for investigating complaints, presenting complaints to the applicable board committee or the board as a whole, and developing a plan for promptly and fairly resolving complaints. Upon conclusion of the investigation and resolution of a complaint, the chair of our Audit Committee will advise the complainant of the corrective action measures that have been taken or advise the complainant that the complaint has not been substantiated. The Code prohibits retaliation by us, our directors and management, against complainants who raise concerns in good faith and requires us to maintain the confidentiality of complainants to the greatest extent practical. Complainants may also submit their concerns anonymously in writing. In addition to the Code, we have an Audit Committee Charter and a Policy of Procedures for Disclosure Concerning Financial/Accounting Irregularities.

Since the beginning of our most recently completed financial year, no material change reports have been filed that pertain to any conduct of a director or executive officer that constitutes a departure from the Code. The board encourages and promotes a culture of ethical business conduct by appointing directors who demonstrate integrity and high ethical standards in their business dealings and personal affairs. Directors are required to abide by the Code and expected to make responsible and ethical decisions in discharging their duties, thereby setting an example of the standard to which management and employees should adhere. The board is required by the Board Mandate to satisfy our CEO and other executive officers are acting with integrity and fostering a culture of integrity throughout the Company. The board is responsible for reviewing departures from the Code, reviewing and either providing or denying waivers from the Code, and disclosing any waivers that are granted in accordance with applicable law. In addition, the board is responsible for responding to potential conflict of interest situations, particularly with respect to considering existing or proposed transactions and agreements in respect of which directors or executive officers advise they have a material interest. The Board Mandate requires that directors and executive officers disclose any interest and the extent, no matter how small, of their interest in any transaction or agreement with us, and that directors excuse themselves from both board deliberations and voting in respect of transactions in which they have an interest. By taking these steps the board strives to ensure that directors exercise independent judgment, unclouded by the relationships of the directors and executive officers to each other and us, in considering transactions and agreements in respect of which directors and executive officers have an interest.

Nomination of Directors
The Board has not appointed a nominating committee and does not believe that such a committee is warranted at the present time. The entire Board determines new nominees to the Board, although a formal process has not been adopted. The nominees are generally the result of recruitment efforts by the Board members, including both formal and informal discussions among Board members and officers. The Board generally looks for the nominee to have direct experience in the oil and gas business and significant public company experience. The nominee must not have a significant conflicting public company association.

Compensation
The Board determines director and executive officer compensation by recommendation of the Compensation Committee. The Company's Compensation Committee reviews the amounts and effectiveness of compensation. Each of the members of the Compensation Committee are independent. The Board reviews the adequacy and form of compensation and compares it to other companies of similar size and stage of development. There is no minimum share ownership requirement of directors.

The Compensation Committee generally convenes at least once annually to review director and officer compensation and status of stock options. The Compensation Committee also responds to requests from management and the Board to review recommendations of management for new senior employees and their compensation. The Compensation Committee has the power to approve and/or amend these recommendations.

The Company has felt no need to retain any compensation consultants or advisors at any time since the beginning of the Company's most recently completed financial year.

Committees of the Board
Our board of directors discharges its responsibilities directly and through committees of the board of directors, currently consisting of the Audit Committee, a compensation committee (the "**Compensation Committee**"), a disclosure committee (the "**Disclosure Committee**") and a petroleum and natural gas committee (the "**Petroleum and Natural Gas Committee**").

Each of the Audit Committee, Disclosure Committee and the Petroleum and Natural Gas Committee consists of a majority of independent directors, while the Compensation Committee consists of independent directors. Each Committee has a specific mandate and responsibilities, as reflected in the charters for each committee.

Audit Committee
The mandate of the Audit Committee is formalized in a written charter. The members of the Audit Committee are James Cassina, Milton Klyman (Chair) and Colin McNeil. Based on his professional certification and experience, the board has determined that Milton Klyman is an Audit Committee Financial Expert and that James Cassina and Colin McNeil are financially literate. The Audit Committee's primary duties and responsibilities are to serve as an independent and objective party to monitor our financial reporting process and control systems, review and appraise the audit activities of our independent auditors, financial and senior management, and the lines of communication among the independent auditors, financial and senior management, and the board of directors for financial reporting and control matters including investigating fraud, illegal acts or conflicts of interest.

Compensation Committee
The mandate of the Compensation Committee is formalized in a written charter. The members of the Compensation Committee are Colin McNeil and Milton Klyman (Chair). The Compensation Committee is comprised entirely of independent directors. Compensation is determined in the context of our strategic plan, our growth, shareholder returns and other achievements and considered in the context of position descriptions, goals and the performance of each individual director and officer. With respect to directors' compensation, the Compensation Committee reviews the level and form of compensation received by the directors, members of each committee, the board chair and the chair of each board committee, considering the duties and responsibilities of each director, his or her past service and continuing duties in service to us. The compensation of directors, the CEO, CFO and executive officers of competitors are considered, to the extent publicly available, in determining compensation and the Compensation Committee has the power to engage a compensation consultant or advisor to assist in determining appropriate compensation.

Disclosure Committee
The mandate of the Disclosure Committee is formalized in a written charter. The members of the Disclosure Committee are Milton Klyman, Colin McNeil and James Cassina (Chair). The Committee's duties and responsibilities include, but are not limited to, review and revise our controls and other procedures ("Disclosure and Controls Procedures") to ensure that (i) information required by us to be disclosed to the applicable regulatory authorities and other written information that we will disclose to the public is reported accurately and on a timely basis, and (ii) such information is accumulated and communicated to management, as appropriate to allow timely decisions regarding required disclosure; assist in documenting and monitoring the integrity and evaluating the effectiveness of the Disclosure and Control Procedures; the identification and disclosure of material information about us, the accuracy completeness and timeliness of our financial reports and all communications with the investing public are timely, factual and accurate and are conducted in accordance with applicable legal and regulatory requirements.

Petroleum and Natural Gas Committee
The members of the Petroleum and Natural Gas Committee are Milton Klyman, James Cassina and Colin McNeil (Chair). The Petroleum and Natural Gas Committee has the responsibility of meeting with the independent engineering firms commissioned to conduct the reserves evaluation on our oil and natural gas assets and to discuss the results of such evaluation with each of the independent engineers and management. Specifically, the Petroleum and Natural Gas Committee's responsibilities include, but are not limited to, a review of management's recommendations for the appointment of independent engineers, review of the independent engineering reports and considering the principal assumptions upon which such reports are based, appraisal of the expertise of the independent engineering firms retained to evaluate our reserves, review of the scope and methodology of the independent engineers' evaluations, reviewing any problems experienced by the independent engineers in preparing the reserve evaluation, including any restrictions imposed by management or significant issues on which there was a disagreement with management and a review of reserve additions and revisions which occur from one report to the next.

Assessments
The board assesses, on an annual basis, the contributions of the board as a whole, the Audit Committee and each of the individual directors, in order to determine whether each is functioning effectively. The board monitors the adequacy of information given to directors, communication between the board and management and the strategic direction and processes of the board and committees. The Audit Committee will annually review the Audit Committee Charter and recommend, if any, revisions to the board as necessary.

Relevant Education and Experience of Audit Committee Members
Milton Klyman is the Chairman of the Audit Committee. He is a self-employed financial consultant and has been a Chartered Accountant since 1952. Milton Klyman is a Life Member of the Institute of Chartered Accountants of Ontario, a Life member of the Canadian Institute of Mining Metallurgy and Petroleum and a Fellow of the Institute of Chartered Secretaries and Administrators.

James Cassina is a consultant in business development, mergers and acquisitions and corporate finance. James Cassina has served as a director and held various executive positions with public companies.

Colin McNeil is an independent consulting geophysicist and has managed exploration programs and structured technical assessments for companies in the Middle East, Africa, Asia, Central and South America, the Arctic, and Canada Colin McNeil has served as a director and held various positions with public and private companies.

Audit Committee Charter

- Our Audit Committee Charter (the "Charter") has been adopted by our board of directors. The Audit Committee of the board (the "Committee") will review and reassess this charter annually and recommend any proposed changes to the board for approval. The Audit Committee's primary duties and responsibilities are to:

- Oversee (i) the integrity of our financial statements; (ii) our compliance with legal and regulatory requirements; and (iii) the independent auditors' qualifications and independence.

- Serve as an independent and objective party to monitor our financial reporting processes and internal control systems.

- Review and appraise the audit activities of our independent auditors and the internal auditing functions.

- Provide open lines of communication among the independent auditors, financial and senior management, and the board for financial reporting and control matters.

Role and Independence: Organization
The Committee assists the board on fulfilling its responsibility for oversight of the quality and integrity of our accounting, auditing, internal control and financial reporting practices. It may also have such other duties as may from time to time be assigned to it by the board.

The Audit Committee is to be comprised of at least three directors. The majority of the Committee members must be independent from management and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

All members shall, to the satisfaction of the board, be financially literate (i.e. will have the ability to read and understand a balance sheet, an income statement, a cash flow statement and the notes attached thereto), and at least one member shall have accounting or related financial management expertise to qualify as "financially sophisticated". A person will qualify as "financially sophisticated" if an individual who possesses the following attributes:

- an understanding of financial statements and generally accepted accounting principles;

- an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

- experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our financial statements, or experience actively supervising one or more persons engaged in such activities;

- an understanding of internal controls and procedures for financial reporting; and

- an understanding of audit committee functions.

Colin McNeil and Milton Klyman are "independent" as defined by the Securities and Exchange Commission, and the Board has determined that Milton Klyman is an "audit committee financial expert" as defined in Item 401(h) of Regulation S-K promulgated by the Securities and Exchange Commission.

The Committee members will be elected annually at the first meeting of the Board following the annual meeting of shareholders. Each member of the Committee serves during the pleasure of the Board and, in any event, only so long as he or she is a director.

One member of the Committee shall be appointed as chair. The chair shall be responsible for leadership of the Committee, including scheduling and presiding over meetings and making regular reports to the Board. The chair will also maintain regular liaison with the CEO, CFO, and the lead independent audit partner.

Responsibilities and Powers
Although the Committee may wish to consider other duties from time to time, the general recurring activities of the Committee in carrying out its oversight role are described below.

- Annual review and revision of the Charter as necessary with the approval of the board.

- Review and obtain from the independent auditors a formal written statement delineating all relationships between the auditor and us, consistent with Independence Standards Board Standard 1.

- Recommending to the board the independent auditors to be retained (or nominated for shareholder approval) to audit our financial statements. Such auditors are ultimately accountable to the board and the Committee, as representatives of the shareholders.

- Evaluating, together with the board and management, the performance of the independent auditors and, where appropriate, replacing such auditors.

- Obtaining annually from the independent auditors a formal written statement describing all relationships between the auditors and us. The Committee shall actively engage in a dialogue with the independent auditors with respect to any relationship that may impact the objectivity and the independence of the auditors and shall take, or recommend that the board take, appropriate actions to oversee and satisfy itself as to the auditors' independence.

- Ensuring that the independent auditors are prohibited from providing the following non-audit services and determining which other non-audit services the independent auditors are prohibited from providing:

    - Bookkeeping or other services related to our accounting records or consolidated financial statements;
    - Financial information systems design and implementation;
    - Appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
    - Actuarial services;
    - Internal audit outsourcing services;
    - Management functions or human resources;
    - Broker or dealer, investment advisor or investment banking services;
    - Legal services and expert services unrelated to the audit; and
    - Any other services which the Public Company Accounting Oversight Board determines to be impermissible.

- Approving any permissible non-audit engagements of the independent auditors.
- Meeting with our auditors and management to review the scope of the proposed audit for the current year, and the audit procedures to be used, and to approve audit fees.

- Reviewing the audited consolidated financial statements and discussing them with management and the independent auditors. Consideration of the quality our accounting principles as applied in its financial reporting. Based on such review, the Committee shall make its recommendation to the Board as to the inclusion of our audited consolidated financial statement in our Annual Report to Shareholders.

- Discussing with management and the independent auditors the quality and adequacy of and compliance with our internal controls.

- Establishing procedures: (i) for receiving, handling and retaining of complaints received by us regarding accounting, internal controls, or auditing matters, and (ii) for employees to submit confidential anonymous concerns regarding questionable accounting or auditing matters.

- Review and discuss all related party transactions involving us.

- Engaging independent counsel and other advisors if the Committee determines that such advisors are necessary to assist the Committee in carrying out its duties.

- Publicly disclose the receipt of warning about any violations of corporate governance rules.

Authority
The Committee will have the authority to retain special legal, accounting or other experts for advice, consultation or special investigation. The Committee may request any officer or employee of ours, our outside legal counsel, or the independent auditor to attend a meeting of the Committee, or to meet with any member of, or consultants to, the Committee. The Committee will have full access to our books, records and facilities.

Meetings
The Committee shall meet at least yearly, or more frequently as the Committee considers necessary. Opportunities should be afforded periodically to the external auditor and to senior management to meet separately with the independent members of the Committee. Meetings may be with representatives of the independent auditors, and appropriate members of management, all either individually or collectively as may be required by the Chairman of the Committee.

The independent auditors will have direct access to the Committee at their own initiative.

The Chairman of the Committee will report periodically the Committee's findings and recommendations to the board of directors.

D. EMPLOYEES

As of August 31, 2014 and the date of the filing of this Annual Report we did not have any employees other than our sole executive officer.

E. SHARE OWNERSHIP

Our common shares are owned by Canadian residents, United States residents and residents of other countries. The only class of our securities, which is outstanding as of the date of the filing of this Annual Report, is common stock. All holders of our common stock have the same voting rights with respect to their ownership of our common stock.

The following table sets forth as of November 28, 2014, certain information with respect to the amount and nature of beneficial ownership of the common stock held by (i) each person known to our management to be the beneficial owner of more than 5% of our outstanding shares of common stock; (ii) each person who is a director or an executive officer of ours; and (iii) all directors and executive officers of ours, as a group. Shares of our common stock subject to options, warrants, or convertible securities currently exercisable or convertible or exercisable or convertible within 60 days of the date of filing of this Annual Report are deemed outstanding for computing the share ownership and percentage of the person holding such options, warrants, or convertible securities but are not deemed outstanding for computing the percentage of any other person.

Name and Owner	Identity	Amount and Nature of Beneficial Ownership of Common Stock [1]	Note	Percentage
Milton Klyman	Director	280,000	(2)	1.00%
Colin McNeil	Director	270,000	(3)	0.97%
James Cassina	Officer/Director and Principal Shareholder	4,592,220	(4)	15.97%
Core Energy Enterprise Inc. [5]	Principal Shareholder	407,321	(6)	1.47%
All officers and directors as a group (4 persons)		5,142,220	(2) (3) (4) (5)(6)	17.55%

(1) Unless otherwise indicated, the persons named have sole ownership, voting and investment power with respect to their stock, subject to applicable laws relative to rights of spouses. Percentage ownership is based on 27,671,541 shares of common stock outstanding as of the date of filing of this Annual Report.

(2) Includes 10,000 outstanding shares and 270,000 shares underlying 270,000 presently exercisable stock options.

(3) Includes 270,000 shares underlying 270,000 presently exercisable stock options.

(4) Includes 407,321 outstanding shares owned by Core Energy Enterprises Inc. Also includes 3,100,549 outstanding shares and 814,350 shares underlying 814,350 presently exercisable warrants and 270,000 shares underlying 270,000 presently exercisable stock options owned directly by James Cassina.

(5) James Cassina has voting and investment power with respect to the shares owned by Core Energy Enterprises Inc.

(6) Includes 407,321 outstanding shares.

As of the date of the filing of this Annual Report, to the knowledge of our management, there are no arrangements which, could at a subsequent date result in a change in control of us. As of such date, and except as disclosed herein, our management has no knowledge that we are owned or controlled directly or indirectly by another company or any foreign government.

ITEM 7 MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

There are 27,671,541 issued and outstanding shares of our common stock as of November 28, 2014. As of November 28, 2014, to the best of our knowledge, no persons hold directly or indirectly or exercise control or direction over, shares of our common stock carrying 5% or more of the voting rights attached to all issued and outstanding shares of the common stock except as stated under Item 6.E above or set out in the table below. The shares of our common stock, owned by our major shareholders have identical voting rights as those owned by our other shareholders.

Name	Amount and Nature of Beneficial Ownership of Common Stock	Note	Percentage
James Cassina	4,592,220	(1)	15.97%
Core Energy Enterprise Inc. [2]	407,321	(3)	1.47%
CDS & Co	1,810,538		6.54%
CEDE & Co	2,150,110		7.77%
Eternal Viceroy Limited	2,544,844	(4)	8.92%
Fieldston Traders Limited	2,731,096	(5)	9.51%
Galaxy Dragon Limited	2,295,926	(6)	8.07%
Lion City Capital Inc.	2,742,021	(7)	9.59%
Madera Inc.	2,730,187	(8)	9.57%
Terama Company Limited	2,215,087	(9)	7.80%
Tonbridge Financial Corp.	2,677,331	(10)	9.39%

(1) Includes 407,321 outstanding shares owned by Core Energy Enterprises Inc. Also includes 3,100,549 outstanding shares and 814,350 shares underlying 814,350 presently exercisable warrants and 270,000 shares underlying 270,000 presently exercisable stock options owned directly by James Cassina.

(2) James Cassina has voting and investment power with respect to the shares owned by Core Energy Enterprises Inc.

(3) Includes 407,321 outstanding shares.

(4) Includes 1,696,563 outstanding shares and 848,281 shares underlying 848,281 presently exercisable warrants.

(5) Includes 1,687,397 outstanding shares and 1,043,699 shares underlying 1,043,699 presently exercisable warrants.

(6) Includes 1,532,519 outstanding shares and 763,407 shares underlying 763,407 presently exercisable warrants.

(7) Includes 1,828,014 outstanding shares and 914,007 shares underlying 914,007 presently exercisable warrants.

(8) Includes 1,860,803 outstanding shares and 869,384 shares underlying 869,384 presently exercisable warrants.

(9) Includes 1,490,018 outstanding shares and 725,069 shares underlying 725,069 presently exercisable warrants.

(10) Includes 1,843,309 outstanding shares and 834,022 shares underlying 834,022 presently exercisable warrants.

The following table discloses the geographic distribution of the majority of the holders of record of our common stock as of date of November 28, 2014.

Country	Number of Shareholders	Number of Shares	Percentage of Shareholders	Percentage of Shares
Canada	1079	8,537,441	93.66%	30.85%
USA	44	3,783,016	3.82%	13.67%
All Other	29	15,351,084	2.52%	55.48%
Total	1,152	27,671,541	100.00%	100.00%

We are not directly or indirectly owned or controlled by another corporation, by any foreign government or by any other natural or legal person. There are no arrangements known to us, the operation of which may at a subsequent date result in a change in the control of us.

B. RELATED PARTY TRANSACTIONS

The following transactions with individuals related to the Company arose in the normal course of business have been accounted for at the exchange amount being the amount agreed to by the related parties, which approximates the arm's length equivalent value.

Compensation of Key Management Personnel
The remuneration of directors and other members of key management personnel during the years ended were as follows:

	August 31, 2014	August 31, 2013	August 31, 2012
Short term employee benefits (1)	$ 75,000	$ 75,000	$ 75,000
Directors stock based compensation (2)	-	-	95,910
	$ 75,000	$ 75,000	$ 170,910

The following balances owing to the President of the Company are included in trade and other payables and are unsecured, non-interest bearing and due on demand:

	August 31, 2014	August 31, 2013
Short term employee benefits (1)	$ 281,250	$ 206,250
Expenses paid on behalf of the Company	-	1,747
	$ 281,250	$ 207,997

(1) The Company accrues management fees for the President of the Company at a rate of $6,250 per month.
(2) On March 1, 2012, the Company granted 60,000 share purchase options to directors with an exercise price of $1.60 per share expiring on February 28, 2017.

At August 31, 2014, the amount of directors' fees included in trade and other payables was $19,200 (August 31, 2013: $16,100).

At August 31, 2014, the Company had a promissory note payable to the President of $Nil (August 31, 2013: $28,845 and US$300,000). For the year ended August 31, 2014, the Company recorded interest of $24,162 (August 31, 2013: $35,324). At August 31, 2014, included in trade and other payables is interest of $91,727 (August 31, 2013: $65,826). The notes were due on demand and bear interest at 10% per annum. Interest was payable annually on the anniversary date of the notes. Effective February 27, 2014, 651,904 common share purchase warrants were exercised by the President at $0.35 expiring February 27, 2014 for settlement of cash advances of $228,167 (see Note 8 (b) (c)). On August 30, 2014, the Company issued 1,628,700 units at $0.08 per unit as full settlement of a promissory note payable of US$120,000 (see Note 8 (b) (e) and Note 10 to the Consolidated Financial Statements). At August 31, 2014, the Company had a note payable to Core Energy Enterprises Inc. ("Core") of US$249,250. The President is a major shareholder, officer and a director of Core.

At August 31, 2014, the Company had a secured convertible promissory note of $1,322,347 (US$1,216,175), 10% per annum secured promissory note payable to Benchmark Enterprises LLC ("Benchmark") (2013: US$960,000). Benchmark is a shareholder of the Company. For the year ended August 31, 2014, the Company recorded interest of $104,237 (August 31, 2013: $101,309). At August 31, 2014 included in trade and other payables is interest of $Nil (August 31, 2013: $169,033) (see Note 10 and Note 11 to the Consolidated Financial Statements).

At August 31, 2014, the Company had shareholders' loans payable of US$655,000. (August 31, 2013: US$1,433,500 and $250,000). For the year ended August 31, 2014, the Company recorded interest of $180,349 (August 31, 2013: $183,490). At August 31, 2014, included in trade and other payables, is interest of $269 August 31, 2013: $47,037). The notes are payable on demand and bear interest at 10% per annum. Interest is payable annually on the anniversary date of the notes. On August 30, 2014, the Company issued 13,128,420 units at $0.08 per unit as full settlement of promissory notes payable of US$529,250, $250,000 and interest payable of $225,614 (see Note 8 (b) (e)). During the year ended August 31, 2013, the Company issued 2,366,257 common shares as full settlement of shareholders' loans in the amount of $198,333 and interest due on shareholders' loans in the amount of $345,906 (see Note 8 (b) (b) and Note 10 to the Consolidated Financial Statements).

Inter-Company Balances

As at August 31, 2014, the inter-company balance due from our wholly owned subsidiary 1354166 Alberta was $39,000. As at August 31, 2014, the inter-company balance due from our wholly owned subsidiary Zavala Inc. was $4,774,597. As of November 28, 2014, the inter-company balance due from 1354166 Alberta was $14,000 and the inter-company balance due from Zavala Inc. was $4,784,939.

C. INTERESTS OF EXPERTS AND COUNSEL

Not Applicable. This Form 20-F is being filed as an Annual Report under the Exchange Act.

ITEM 8 FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

The Company's Audited Consolidated Financial Statements for the fiscal years ended August 31, 2014 and 2013 and the notes thereto required as part of this Annual Report are filed under Item 18 of this Annual Report.

Litigation
Except as discussed below there are no pending legal proceedings to which we or our subsidiaries are a party or of which any of our property is the subject. There are no legal proceedings to which any of the directors, officers or affiliates or any associate of any such directors, officers or affiliates of either our company or our subsidiary is a party or has a material interest adverse to us except for the following:

On or about September 30, 2014, Stratex filed a petition against Zavala Inc. in the District Court of Zavala County, Texas seeking breach of contract and actual damages of US$152,293 (the “Purported Debt”) for Zavala Inc’s alleged non-payment of its proportionate share of minimum royalties due under the Matthews Lease. Zavala Inc. disputes the claim citing $300,000 paid by the Company to be credited against the minimum royalties which Stratex has failed to do. Zavala Inc. paid the $152,293 under protest and filed a Response and Cross Notice of Default against Stratex (Cause No. 14-09-13290-ZCV)

On or about October 27, 2014, the Company filed a statement of claim in the Ontario Superior Court of Justice against Alan Gaines, a former director of the Company for breach of fiduciary duty to the Company relating to Gaines role in the Company contracting with Stratex (Court File No.: 65-14-514935). The Company is seeking a declaration that Gaines breached his duty to the Company, an accounting and disgorgement of profits made by Gaines in breach of his duties or in the alternative, damages and/or restitution for breach of fiduciary duty, deceit, and unjust enrichment in an amount to be determined before trial and $1.0 million in punitive damages.

Other Litigation
In February 2013, a vendor of Dyami Energy applied a lien on the Murphy #4 well and filed a claim in the District Court of Zavala County, Texas (Case No. 13-02-12941-ZCV) seeking payment of US$169,196 for services. Dyami Energy was disputing the amount on the basis of negligence by the vendor. On January 28, 2014 the vendor received a summary judgment against Dyami Energy in the amount of $169,196 plus interest at a rate of 18% per annum from September 17, 2012 until paid and legal fees of $21,178 plus interest at a rate of 5% per annum from the date of judgment until paid. The full amount of the provision had been recorded together with legal fees and interest. The provision, legal fees and interest were transferred to trade and other payables (see Note 16 to the Consolidated Financial Statements).

In May 2012 a vendor of Dyami Energy filed a claim in the District Court of Harris County, Texas seeking payment of US$64,866. Dyami Energy was disputing the amount charged due to faulty equipment. The full amount of the provision which was accrued in the prior year 2012 was reversed in 2013 as the vendor is no longer in good standing as a Texas corporation and the vendor’s attorney filed in the District Court of Harris County, Texas a motion to withdraw as counsel (see Note 16 to the Consolidated Financial Statements).

In December 2011, a vendor of Dyami Energy filed a claim in the District Court of Harris County, (Case No. 2011-74035/Court: 113) seeking payment of US$62,800. Dyami Energy disputed the claim on the basis of excessive charges. In December 2013 an agreed final judgment in favor of the vendor was entered into court in the amount of $42,803 and post judgment interest at 5% per annum until paid in full.

Dividends
We have not paid any dividends on our common stock during the past five years. We do not intend to pay dividends on shares of common stock in the foreseeable future as we anticipate that our cash resources will be used to finance growth.

B. SIGNIFICANT CHANGES

There have been no significant changes that have occurred since the date of our annual financial statements included with this Annual Report except as disclosed in the Annual Report.

ITEM 9 THE OFFER AND LISTING

Common Shares
Our authorized capital consists of an unlimited number of common shares without par value, of which 27,671,541 were issued and outstanding as of November 28, 2014. All shares are initially issued in registered form. There are no restrictions on the transferability of our common shares imposed by our constating documents. Holders of our common shares are entitled to one vote for each common share held of record on all matters to be acted upon by our shareholders. Holders of common shares are entitled to receive such dividends as may be declared from time to time by our board of directors, in their discretion. In addition we are authorized to issue an unlimited number of preferred shares, with such rights, preferences and privileges as may be determined from time to time by our board of directors. There were no preferred shares outstanding at November 28, 2014.

Our common shares entitle their holders to: (i) vote at all meetings of our shareholders except meetings at which only holders of specified classes of shares are entitled to vote, having one vote per common share, (ii) receive dividends at the discretion of our board of directors; and (iii) receive our remaining property on liquidation, dissolution or winding up.

A. OFFER AND LISTING DETAILS

Our common stock became eligible for trading on October 22, 2009 on the Over the Counter Bulletin Board ("OTCBB") under the symbol ("EGNKF"). Following the amalgamation on November 30, 2009 with our wholly owned subsidiary 1406768 Ontario, we changed our name to Eagleford Energy Inc. and commenced trading under the symbol ("EFRDF"). Prior to our common stock being listed on the OTCBB, our common stock had not publicly traded since 1990. We completed a 2-for-1 forward stock split, pursuant to which one (1) newly-issued share of the Company's common stock was issued to each holder of a share of common stock as of the close of business on March 16, 2012 and on August 31, 2014 we completed a 1-for-10 stock consolidation and following commenced trading under the symbol ("EGFDF").

The following table set forth the reported high and low bid prices for shares of our common stock on the OTCQB in US dollars for the periods indicated.

	Period (1)	High (3)	Low(3)
Fiscal Year August 31, 2014	Year Ended August 31, 2014	$ 1.00	$ 0.20
Fiscal Year August 31, 2013	Year Ended August 31, 2013	$ 4.00	$ 0.10
Fiscal Year August 31, 2012	Year Ended August 31, 2012	$ 5.10	$ 1.00
Fiscal Year August 31, 2011	Year Ended August 31, 2011	$ 10.20	$ 3.50
Fiscal Year August 31, 2010	Year Ended August 31, 2010	$ 6.50	$ 0.30
Fiscal Year 2015 by Quarter	First Quarter ended 11/30/2014	$ 0.15	$ 0.10
Fiscal Year 2014 by Quarter	First Quarter ended 11/30/2013	$ 0.70	$ 0.20
	Second Quarter Ended 02/29/2014	$ 0.90	$ 0.20
	Third Quarter Ended 05/31/2014	$ 0.80	$ 0.30
	Fourth Quarter Ended 08/31/2014	$ 4.50	$ 0.30
Fiscal Year 2013 by Quarter	First Quarter ended 11/30/2012	$ 4.00	$ 1.30
	Second Quarter Ended 02/29/2013	$ 2.00	$ 0.07
	Third Quarter Ended 05/31/2013	$ 1.50	$ 0.10
	Fourth Quarter Ended 08/31/2013	$ 0.60	$ 0.20
Calendar Year 2014 by Month	June	$ 0.60	$ 0.40
	July	$ 0.50	$ 0.30
	August	$ 0.50	$ 0.20
	September	$ 1.20	$ 0.30
	October	$ 0.70	$ 0.30
	November	$ 0.40	$ 0.20

Notes

(1) Our stock commenced trading on the OTCBB on October 22, 2009.

(2) The closing price on the OTCQB for our common stock on November 28, 2014 was $0.11.

(3) Adjusted for the 2-for-1 forward stock split on March 16, 2012 and the 1-for-10 stock consolidation on August 25, 2014.

There is currently only a limited public market for the common stock in the United States. There can be no assurance that a more active market will develop in the future.

B. PLAN OF DISTRIBUTION

Not Applicable. This Form 20-F is being filed as an Annual Report under the Exchange Act.

C. MARKETS

See Item 9.A.

D. SELLING SHAREHOLDERS

Not Applicable. This Form 20-F is being filed as an Annual Report under the Exchange Act.

E. DILUTION

Not Applicable. This Form 20-F is being filed as an Annual Report under the Exchange Act.

F. EXPENSES OF THE ISSUE

Not Applicable. This Form 20-F is being filed as an Annual Report under the Exchange Act.

ITEM 10 ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not Applicable. This Form 20-F is being filed as an Annual Report under the Exchange Act.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Certificate of Incorporation
We were incorporated under the Business Corporations Act (Ontario) on September 22, 1978 under the name Bonanza Red Lake Explorations Inc. The corporation number as assigned by Ontario is 396323.

Articles of Amendment dated January 14, 1985
By Articles of Amendment dated January 14, 1985, our Articles were amended as follows:

1. The minimum number of directors of the Company shall be 3 and the maximum number of directors of the Company shall be 10.

2. (a) Delete the existing objects clauses and provide that there are no restrictions on the business we may carry on or on the powers that we may exercise;

   (b) Delete the term "head office" where it appears in the articles and substitute therefor the term "registered office";

   (c) Delete the existing special provisions contained in the articles and substitute therefor the following:

The following special provisions shall be applicable to the Company:

Subject to the provisions of the Business Corporations Act, as amended or re-enacted from time to time, the directors may, without authorization of the shareholders:

(i) borrow money on the credit of the Company;

(ii) issue, re-issue, sell or pledge debt obligations of the Company;

(iii) give a guarantee on behalf of the Company to secure performance of an obligation of any person;

(iv) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Company owned or subsequently acquired, to secure any obligation of the Company; and

(v) by resolution, delegate any or all such powers to a director, a committee of directors or an officer of the Company.

3. (a) Provide that the Company is authorized to issue an unlimited number of shares;

(b) Provide that the Company is authorized to issue an unlimited number of preference shares.

Articles of Amendment dated August 16, 2000
By Articles of Amendment dated August 16, 2000 our articles were amended to consolidate our issued and outstanding common shares on the basis on one common share for every three issued and outstanding common shares in our capital, and change our name from Bonanza Red Lake Explorations Inc. to Eugenic Corp.

Our Articles of Amendment state that there are no restrictions on the business that may carry on, but do not contain a stated purpose or objective.

Articles of Amalgamation dated November 30, 2009
By Articles of Amalgamation dated November 30, 2009 we amalgamated with our wholly owned subsidiary Eagleford Energy Inc., (formerly: 1406768 Ontario Inc.) and changed the entity's name to Eagleford Energy Inc.

Our Articles of Amalgamation state that there are no restrictions on the business that may carry on or on the powers the Company may exercise.

We are authorized to issue an unlimited number of common shares and an unlimited number of preference shares of which Nil were outstanding as of the date of this Annual Report (the "Preference Shares").

A description of the rights, preferences and privileges relating to the Company's Preference Shares is as follows:

(a) Our Preference Shares have a par value of one-tenth of one cent (1/10) and are redeemable, voting, non-participating shares.

(b) No dividends at any time shall be declared, set aside or paid on our Preference Shares.

(c) In the event of a liquidation, dissolution or winding of the Company or other distribution of assets or property of the Company among shareholders for the purpose of winding up its affairs, the holders of the Preference Shares shall be entitled to received from the assets and property of the Company a sum equivalent to the aggregate par value of the Preference Shares held by them respectively before any amount shall be paid or any property or assets of the Company distributed to holders of any common shares or shares of any other class ranking junior to the Preference Shares. After payment to the holders of the Preference Shares of the amount so payable to them as above provided, they shall not be entitled to share in any further distribution of the assets or property of the Company.

(d) The Company may not redeem the Preference Shares prior to the expiration of five years from the respective dates of issuance thereof, without the prior consent of the holders of the Preference Shares to be redeemed. The Company shall redeem all of the then outstanding Preference Shares five years from the respective dates of issue

(e) The Company may at any time or times purchase for cancellation all or any part of the Preference Shares outstanding from time to time from the holders thereof, at a price not exceeding the par value thereof, with the consent of the holders thereof.

(f) The holders of the Preference Shares shall be entitled to receive notice of and attend all meetings of shareholders of the Company and shall have one (1) vote for each Preference Share held at all meetings of the shareholders of the Company.

Other Provisions
The following special provisions shall be applicable to the Company:

Subject to the provisions of the Business Corporations Act, as amended or re-enacted from time to time, the directors may, without authorization of the shareholders:

(i) borrow money on the credit of the Company;

(ii) issue, re-issue, sell or pledge debt obligations of the Company;

(iii) give a guarantee on behalf of the Company to secure performance of an obligation of any person;

(iv) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Company owned or subsequently acquired, to secure any obligation of the Company; and

(v) by resolution, delegate any or all such powers to a director, a committee of directors or an officer of the Company.

Articles of Amendment dated effective March 16, 2012
By Articles of Amendment dated effective March 16, 2012 our articles were amended to

a) To change each issued and outstanding common share in the capital of the Corporation into two (2) common share of the Corporation (the "Stock Split") effective as of the close of business on March 16, 2012; and

b) To provide that no fractional shares shall be issued as a result of the Stock Split, and if any fractional share would otherwise result from the Stock Split, such fractional share shall be rounded up to the nearest whole share and distributed to the holder of the fractional interest as his or her interest appears

Bylaws
At the Annual and Special Meeting of Shareholders held on February 24, 2012, shareholders approved a resolution to repeal and replace the Company's By-Law No. 1 and Special By-Law No. 1 (the "**Old By-Laws**") with a new By-Law No. 1 (the "**New By-Laws**") in order to reflect the current circumstances and practices of the Company and certain amendments to the *Business Corporations Act* (Ontario) (the "**OBCA**"), which came into force on August 1, 2007.

No director of ours is permitted to vote on any resolution to approve a material contract or transaction in which such director has a material interest (Bylaws, Article 3.17).

Neither our Articles nor our Bylaws limit the directors' power, in the absence of an independent quorum, to vote compensation to themselves or any members of their body. The Bylaws provide that directors shall receive remuneration as the board of directors shall determine from time to time (Bylaws, Article 3.19).

Under our Articles and Bylaws, our board of directors may, without the authorization of our shareholders, (i) borrow money upon our credit; (ii) issue, reissue, sell or pledge debt obligations of ours; whether secured or unsecured (iii) give a guarantee on behalf of us to secure performance of obligations; and (iv) charge, mortgage, hypothecate, pledge or otherwise create a security interest in all currently owned or subsequently acquired real or personal, movable or immovable, tangible or intangible, property of ours to secure obligations(Bylaws, Article 13.1).

The annual meeting of shareholders shall be held at such time in each year as the board, the Chairman of the Board (if any), The Chief Executive Officer, or the President may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing an auditor and for the transaction of such other business as may properly be brought before the meeting (Bylaws, Article 9.1).

The board, the Chairman of the Board (if any) or the President shall have power to call a special meeting of shareholders at any time (Bylaws, Article 9.2).

Shareholders of record must be given notice of any meeting not less than 21 days or more than 50 days before the date of the meeting or as otherwise prescribed by applicable laws. Notice of a meeting of shareholders called for any purpose other than consideration of the financial statements and auditors' report, election of directors and reappointment of the incumbent auditor shall state or be accompanied by a statement of the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and the text of any special resolution or by-law to be submitted to the meeting (Bylaws, Article 9.4). Our board of directors is permitted to fix a record date for any meeting of the shareholders that is between 30 and 60 days prior to such meeting or as otherwise prescribed by applicable laws. (Bylaws, Article 9.6). The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and the auditor of the Company and others who, although not entitled to vote are entitled or required under any provision of the Act or the articles or the by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting (Bylaws, Article 9.9).

Neither our Articles nor our Bylaws discuss limitations on the rights to own securities or exercise voting rights thereon, and there is no provision of our Articles or Bylaws that would delay, defer or prevent a change in control of us, or that would operate only with respect to a merger, acquisition, or corporate restructuring involving us or any of its subsidiaries. Our Bylaws do not contain a provision indicating an ownership threshold above which shareholder ownership must be disclosed.

Articles of Amendment dated effective August 25, 2014
By Articles of Amendment dated effective August 25, 2014 our articles were amended to

a) To change every ten (10) issued and outstanding common share in the capital of the Corporation into one (1) common share of the Corporation (the "Stock Consolidation") effective as of the close of business on August 25, 2014; and

b) To provide that no fractional shares shall be issued as a result of the Stock Consolidation and if any fractional share would otherwise result from the Stock Split, such fractional share shall be rounded up to the nearest whole share and distributed to the holder of the fractional interest as his or her interest appears.

Other Provisions
Neither our Articles nor our Bylaws discuss the retirement or non-retirement of directors under an age limit requirement or the number of shares required for director qualification.

Neither our Articles nor our Bylaws require that a director hold a share in the capital of the Company as qualification for his/her office.

Neither our Articles nor our Bylaws contain sinking fund provisions, provisions allowing us to make further capital calls with respect to any shareholder of ours, or provisions which discriminate against any holders of securities as a result of such shareholder owning a substantial number of shares.

C. MATERIAL CONTRACTS

During the two year period preceding the filing date of this Annual Report, we entered into no material contracts other than contracts entered into in the ordinary course except for the following:

During the year ended August 31, 2013, we entered into an agreement with the lessors of the Matthews Property, OGR Energy Corporation ("OGR Energy") and Texas Onshore Energy, Inc. ("Texas Onshore") together holding a 15% working interest in the Matthews Property with back in rights to earn an additional 15% working interest after production achieved $15.0 million of revenue. A new lease was signed with the Company's subsidiary, Zavala Inc. (the "Lessee") effective September 1, 2013 (the "New Matthews Lease"). Upon the Company satisfying certain pre-royalty payments to the Lessors and fracturing of the Matthews 1-H well, OGR Corporation and Texas Offshore assigned their working interests to Zavala Inc.

The New Matthews Lease had a primary term extendable to March 31, 2014 (the "Primary Term") while each lease year ends August 31. Prior to the expiration of the Primary Term, a hydraulic fracturing of the Matthews #1H well was completed and thereafter the lease is maintained through a guaranteed minimum royalty payment of $323.30 per acre held for the first 5 lease years and beginning in the second lease year and continuing thereafter for each succeeding lease year drill or have drilled at least 2 wells per lease year. The royalties payable under the Matthews Lease are 25%.

On September 10, 2013 we terminated the agreements with PrinceRidge. As of the date of filing this report the Company has not paid any success fees to PrinceRidge.

On December 3, 2013, (amended January 21, 2014) the Company entered into a Joint Development Agreement with Stratex Oil and Gas Holdings, Inc. ("Stratex") (the "Stratex JDA") to further develop the Matthews Lease. Under the terms of the Stratex JDA, Stratex will act as operator and upon Stratex delivering i) US$150,000 to the lessors of the Matthews Lease on behalf of Zavala Inc., ii) delivering US $150,000 to the Company; and iii) commencing a hydraulic fracture of the Matthews #1H not later than March 31, 2014. Stratex earned a 66.67% working interest before payout (50% working interest after payout) in the Matthews #1H well and a 50% working interest in the 2,629 acre Matthews Lease.

On April 11, 2014, the Company entered into a further Joint Development Agreement ("JDA2") with Stratex and Quadrant Resources LLC, ("Quadrant") for the development of the San Miguel formation on the Matthews Lease. Pursuant to the terms of the JDA2, upon satisfaction of certain conditions including the Phase 1 Work Program and the cash consideration described below, Quadrant can earn an undivided 66.67% before payout and a 50% working interest after payout to the base of the San Miguel formation of the Matthews Lease by i) drilling 3 new wells and reworking 5 wells at its sole cost and expense by June 30, 2015 (the "Phase I Work Program"); ii) deliver US$100,000 to the Company upon execution of the JDA2 (paid); and iii) deliver US$65,000 to the Company on each of July 8, 2014 (paid); October 6, 2014, January 5, 2015 and April 6, 2015. At August 31, 2014 the Company recorded the payments received from Quadrant of US$165,000 (CDN $177,804) as deferred revenue on the Consolidated Statement of Financial Position until the conveyance of the earned interest at which time this amount will be reclassified and offset against exploration and evaluation assets.

On August 31, 2014 we entered into a had a 10% per annum secured convertible promissory note payable in the amount of US$1,216,175, a General Security Agreement and Release. The secured convertible promissory note is due on the earliest to occur of: (a) August 31, 2015; (b) the closing of any subsequent financing or series of financings by the Company that results in gross proceeds of an aggregate amount equal to or greater than US$4,400,000, excluding conversion of any existing debt into equity; (c) the date of a sale by the Company of all of the shares in the capital stock of Zavala Inc. held by the Company from time to time; (d) the closing of a merger, reorganization, take-over or other business combination which results in a change of control of the Company or Zavala Inc.; or (e) an event of default (the "Note"). In the event that the Company closes any subsequent financing or series of financings that results in gross proceeds to the Company of an aggregate amount equal to or greater than US$2,000,000, excluding conversion of any existing debt into equity of the Company, the Company shall allocate US$0.50 of every US$1.00 exceeding the US$2,000,000 raised from such financing to repay the Note. The Note is secured by all of the assets of the Company and Zavala Inc. The Lender has the right but not the obligation, at any time to convert all or any portion of the unpaid principal and interest into Units of the Company. Each Unit is comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the Unit. The price of the Units be the lessor of a price equal to the 30-day volume weighted average price of the Company as of the date of conversion, less 20% (as adjusted for any stock splits, combinations or similar events) or eight US$0.08 per share.

D. EXCHANGE CONTROLS

There are no governmental laws, decrees or regulations in Canada that restrict the export or import of capital, or affect the remittance of dividends, interest or other payments to a non-resident holder of our common stock, other than withholding tax requirements (See "Taxation" below).

Except as provided in the Investment Canada Act, there are no limitations imposed under the laws of Canada, the Province of Ontario, or by our constituent documents on the right of a non-resident to hold or vote our common stock.

The Investment Canada Act (the "ICA"), which became effective on June 30, 1985, regulates the acquisition by non-Canadians of control of a Canadian business enterprise. In effect, the ICA requires review by Investment Canada, the agency which administers the ICA, and approval by the Canadian government, in the case of an acquisition of control of a Canadian business by a non-Canadian where: (i) in the case of a direct acquisition (for example, through a share purchase or asset purchase), the assets of the business are CDN $5 million or more in value; or (ii) in the case of an indirect acquisition (for example, the acquisition of the foreign parent of the Canadian business) where the Canadian business has assets of CDN $5 million or more in value or if the Canadian business represents more than 50% of the assets of the original group and the Canadian business has assets of CDN $5 million or more in value. Review and approval are also required for the acquisition or establishment of a new business in areas concerning "Canada's cultural heritage or national identity" such as book publishing, film production and distribution, television and radio production and distribution of music, and the oil and natural gas industry, regardless of the size of the investment.

As applied to an investment in us, three methods of acquiring control of a Canadian business would be regulated by the ICA: (i) the acquisition of all or substantially all of the assets used in carrying on the Canadian business; (ii) the acquisition, directly or indirectly, of voting shares of a Canadian corporation carrying on the Canadian business; or (iii) the acquisition of voting shares of an entity which controls, directly or indirectly, another entity carrying on a Canadian business. An acquisition of a majority of the voting interests of an entity, including a corporation, is deemed to be an acquisition of control under the ICA. An acquisition of less than one-third of the voting shares of a corporation is deemed not to be an acquisition of control. An acquisition of less than a majority, but one-third or more, of the voting shares of a corporation is presumed to be an acquisition of control unless it can be established that on the acquisition the corporation is not, in fact, controlled by the acquirer through the ownership of voting shares. For partnerships, trusts, joint ventures or other unincorporated entities, an acquisition of less than a majority of the voting interests is deemed not to be an acquisition of control.

In 1988, the ICA was amended, pursuant to the Free Trade Agreement dated January 2, 1988 between Canada and the United States, to relax the restrictions of the ICA. As a result of these amendments, except where the Canadian business is in the cultural, oil and gas, uranium, financial services or transportation sectors, the threshold for direct acquisition of control by US investors and other foreign investors acquiring control of a Canadian business from US investors has been raised from CDN $5 million to CDN $150 million of gross assets, and indirect acquisitions are not reviewable.

In addition to the foregoing, the ICA requires that all other acquisitions of control of Canadian businesses by non-Canadians are subject to formal notification to the Canadian government. These provisions require a foreign investor to give notice in the required form, which notices are for information, as opposed to review, purposes.

E. TAXATION

Certain Canadian Federal Income Tax Consequences

The following discussion describes the principal Canadian federal income tax consequences applicable to a holder of our common shares which are traded on the OTCQB, who, at all material times, is a resident of the United States for purposes of the Canada-United States Income Tax Convention (the "Treaty") entitled to the full benefit of the Treaty and is not a resident, or deemed to be a resident, of Canada, deals at arm's length and is not affiliated with the Company, did not acquire our common shares by virtue of employment, is not a financial institution, specified financial institution, registered non-resident insurer, authorized foreign bank, partnership or a trust as defined in the Income Tax Act (Canada) (the "ITA"), holds our common shares as capital property and as beneficial owner, and does not use or hold, is not deemed to use or hold, his or her common shares in connection with carrying on a business in Canada and, did not, does not and will not have a fixed base or permanent establishment in Canada within the meaning of the Treaty (a "non-resident holder").

This description is based upon the current provisions of the ITA, the regulations thereunder (the "Regulations"), management's understanding of the current publicly announced administration and assessing policies of Canada Revenue Agency, and all specific proposals (the "Tax Proposals") to amend the ITA and Regulations announced by the Minister of Finance (Canada) prior to the date hereof. This description is not exhaustive of all possible Canadian federal income tax consequences and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account any income tax laws or considerations of any province or territory of Canada or foreign tax considerations which may differ significantly from those discussed below.

The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any holder of common shares of the Company, and no opinion or representation with respect to the Canadian Federal Income Tax consequences to any such holder or prospective holder is made. Accordingly, holders and prospective holders of common shares are urged to consult with their own tax advisors about the federal, provincial and foreign tax consequences of purchasing, owning and disposing of common shares.

Dividends

Dividends paid on our common shares to a non-resident holder will be subject to a 25% withholding tax pursuant to the provision of the ITA. The Treaty provides that the normal 25% withholding tax rate is generally reduced to 15% on dividends paid on shares of a corporation resident in Canada (such as the Company) to beneficial owners who are residents of the United States. However, if the beneficial owner is a resident of the United States and is a corporation which owns at least 10% of the voting stock of the Company, the withholding tax rate on dividends is reduced to 5%.

Capital Gains
A non-resident of Canada is subject to tax under the ITA in respect of a capital gain realized upon the disposition of a share of a corporation if the shares are considered to be "taxable Canadian property" of the holder within the meaning of the ITA and no relief is afforded under an applicable tax treaty. For purposes of the ITA, a common share of the Company will be taxable Canadian property to a non-resident holder if more than 50% of the fair market value of the common share during the 60 month period immediately preceding the disposition of the common share, was derived directly or indirectly from real or immovable property situated in Canada, Canadian resource properties or any options or interests in such properties.

In the case of a non-resident holder to whom shares of our common stock represent taxable Canadian property and who is a resident in the United States and not a former resident of Canada, no Canadian taxes will be payable on a capital gain realized on such shares by reason of the Treaty unless the value of such shares is derived principally from real property situated in Canada within the meaning of the Treaty at the time of the disposition.

Certain United States Federal Income Tax Consequences
The following is a general discussion of certain possible United States Federal income tax consequences, under current law, generally applicable to a US Holder (as defined below) of our common shares. This discussion does not address all potentially relevant Federal income tax matters and does not address consequences peculiar to persons subject to special provisions of Federal income tax law, such as those described below as excluded from the definition of a US Holder. In addition, this discussion does not cover any state, local or foreign tax consequences (See “Certain Canadian Federal Income Tax Consequences” above).

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations, published Internal Revenue Service (“IRS”) rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. In addition, this discussion does not consider the potential effects, both adverse and beneficial, of recently proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time. The following discussion is for general information only and it is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of common shares, and no opinion or representation with respect to the United States Federal income tax consequences to any such holder or prospective holder is made. Accordingly, holders and prospective holders of common shares are urged to consult their own tax advisors about the Federal, state, local, and foreign tax consequences of purchasing, owning and disposing of common shares.

U.S. Holders
As used herein, a “U.S. Holder” means a holder of common shares who is a citizen or individual resident (as defined under United States tax laws) of the United States; a corporation created or organized in or under the laws of the United States or of any political subdivision thereof; an estate the income of which is taxable in the United States irrespective of source; or a trust if (a) a court within the United States is able to exercise primary supervision over the trust’s administration and one or more United States persons have the authority to control all of its substantial decisions or (b) the trust was in existence on August 20, 1996 and has properly elected to continue to be treated as a United States person. This summary does not address the United States tax consequences to, and U.S. Holder does not include, persons subject to specific provisions of federal income tax law, including but not limited to tax-exempt organizations, qualified retirement plans, individual retirement accounts and other tax-deferred accounts, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals, persons or entities that have a “functional currency” other than the U.S. dollar, persons who hold common shares as part of a straddle, hedging or a conversion transaction, and persons who acquire their common shares as compensation for services. This discussion is limited to U.S. Holders who own common shares as capital assets and who hold the common shares directly (e.g., not through an intermediary entity such as a corporation, partnership, limited liability company, or trust). This discussion does not address the consequences to a person or entity of the ownership, exercise or disposition of any options, warrants or other rights to acquire common shares.

Distributions on Our Common Shares

Subject to the discussion below regarding passive foreign investment companies ("PFICs"), the gross amount of any distribution (including non-cash property) by us (including any Canadian taxes withheld therefrom) with respect to common shares generally should be included in the gross income of a U.S. Holder as foreign source dividend income to the extent such distribution is paid out of current or accumulated earnings and profits of ours, as determined under United States Federal income tax principles. Distributions received by non-corporate U.S. Holders may be subject to United States Federal income tax at lower rates than other types of ordinary income (generally 15%) in taxable years beginning on or before December 31, 2010 if certain conditions are met. These conditions include the Company not being classified as a PFIC, it being a "qualified foreign corporation," the U.S. Holder's satisfaction of a holding period requirement, and the U.S. Holder not treating the distribution as "investment income" for purposes of the investment interest deduction rules. To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, the distribution first will be treated as a tax-free return of capital to the extent of the U.S. Holder's adjusted tax basis in our common shares and to the extent that such distribution exceeds the Holder's adjusted tax basis in our common shares, will be taxed as capital gain. In the case of U.S. Holders that are corporations, such dividends generally will not be eligible for the dividends received deduction.

If a U.S. Holder receives a dividend in Canadian dollars, the amount of the dividend for United States federal income tax purposes will be the U.S. dollar value of the dividend (determined at the spot rate on the date of such payment) regardless of whether the payment is later converted into U.S. dollars. In such case, the U.S. Holder may recognize additional ordinary income or loss as a result of currency fluctuations between the date on which the dividend is paid and the date the dividend amount is converted into U.S. dollars.

Disposition of Common Shares

Subject to the discussion below regarding PFIC's, gain or loss, if any, realized by a U.S. Holder on the sale or other disposition of our common shares (including, without limitation, a complete redemption of our common shares) generally will be subject to United States Federal income taxation as capital gain or loss in an amount equal to the difference between the U.S. Holder's adjusted tax basis in our common shares and the amount realized on the disposition. Net capital gain (i.e., capital gain in excess of capital loss) recognized by a non-corporate U.S. Holder (including an individual) upon a sale or other disposition of our common shares that have been held for more than one year will generally be subject to a maximum United States federal income tax rate of 15% subject to the PFIC rules below. Deductions for capital losses are subject to certain limitations. If the U.S. Holder receives Canadian dollars on the sale or disposition, it will have a tax basis in such dollars equal to the U.S. dollar value. Generally, any gain or loss realized on a subsequent disposition of the Canadian dollars will be U.S. source ordinary income or loss.

U.S. "Anti-Deferral" Rules

Passive Foreign Investment Company ("PFIC") Regime. If we, or a non-U.S. entity directly or indirectly owned by us ("Related Entity"), has 75% or more of its gross income as "passive" income, or if the average value during a taxable year of ours or the Related Entity's "passive assets" (generally, assets that generate passive income) is 50% or more of the average value of all assets held by us or the Related Entity, then the United States PFIC rules may apply to U.S. Holders. If we or a Related Entity is classified as a PFIC, a U.S. Holder will be subject to increased tax liability in respect of gain recognized on the sale of his, her or its common shares or upon the receipt of certain distributions, unless such person makes a "qualified electing fund" election to be taxed currently on its *pro rata* portion of our income and gain, whether or not such income or gain is distributed in the form of dividends or otherwise, and we provide certain annual statements which include the information necessary to determine inclusions and assure compliance with the PFIC rules. As another alternative to the foregoing rules, a U.S. Holder may make a mark-to-market election to include in income each year as ordinary income an amount equal to the increase in value of its common shares for that year or to claim a deduction for any decrease in value (but only to the extent of previous mark-to-market gains). We or a related entity can give no assurance as to its status as a PFIC for the current or any future year. U.S. Holders should consult their own tax advisors with respect to the PFIC issue and its applicability to their particular tax situation.

Controlled Foreign Corporation Regime ("CFC"). If a U.S. Holder (or person defined as a U.S. persons under Section 7701(aX301 of the Code) owns 10% or more of the total combined voting power of all classes of our stock (, a "U. S. Shareholder") and U.S. Shareholders own more than 50% of the vote or value of our Company, we would be a "controlled foreign corporation". This classification would result in many complex consequences, including the required inclusion into income by such U. S. Shareholders of their pro rata shares of "Subpart F income" of our Company (as defined by the Code) and our earnings invested in "US property" (as defined by the Code). In addition, under Section 1248 of the Code, gain from the sale or exchange of our common shares by a US person who is or was a U. S. Shareholder at any time during the five year period before the sale or exchange may be treated as ordinary income to the extent of earnings and profits of ours attributable to the stock sold or exchanged. It is not clear the CFC regime would apply to the U.S. Holders of our common shares, and is outside the scope of this discussion.

Foreign Tax Credit
A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to us may be entitled to either a deduction or a tax credit for such foreign tax paid or withheld, at the option of the U.S. Holder. Generally, it will be more advantageous to claim a credit because a credit reduces United States federal income tax on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and generally applies to all foreign taxes paid by (or withheld from) the U.S. Holder during that year.

There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder's United States income tax liability that the U.S. Holder's foreign source income bears to its worldwide taxable income. This limitation is designed to prevent foreign tax credits from offsetting United States source income. In determining this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process.

In addition, this limitation is calculated separately with respect to specific "baskets" of income such as passive income, high withholding tax interest, financial services income, shipping income, and certain other classifications of income. Foreign taxes assigned to a particular class of income generally cannot offset United States tax on income assigned to another class. Under the American Jobs Creation Act of 2004 (the "Act"), this basket limitation will be modified significantly after 2006.

Unused foreign tax credits can generally be carried back one year and carried forward ten years. U.S. Holders should consult their own tax advisors concerning the ability to utilize foreign tax credits, especially in light of the changes made by the Act.

Backup Withholding
Payment of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting requirement and to backup withholding unless the US Holder (i) is a corporation or other exempt recipient or (ii) in the case of backup withholding, provides a correct taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred

The amount of any backup withholding from a payment to a US Holder will be allowed as a credit against the US Federal income tax liability of the US Holder and may entitle the US Holder to a refund, provided that the required information is furnished to the IRS.

F. DIVIDENDS AND PAYING AGENTS

Not Applicable. This Form 20-F is being filed as an Annual Report filed under the Exchange Act.

G. STATEMENT BY EXPERTS

Not Applicable. This Form 20-F is being filed as an Annual Report filed under the Exchange Act.

H. DOCUMENTS ON DISPLAY

The documents and exhibits referred to in this Annual Report are available for inspection at the registered and management office at 1 King Street West, Suite 1505, Toronto, Ontario M5H 1A1 during normal business hours.

I. SUBSIDIARY INFORMATION

Not Applicable. This Form 20-F is being filed as an Annual Report filed under the Exchange Act.

ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company is exposed in varying degrees of risks arising from its financial instruments. The Company has entered into certain financial derivative contracts. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, and thus has not applied hedge accounting. As a result, all financial derivative contracts are classified as fair value through "fair value through profit or loss" and are recorded on the statement of financial position at fair value.

The Board approves and monitors the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations and limited exposure to credit and market risks while ensuring greater returns on any surplus funds.

The Company has classified its financial instruments as follows:

Financial Instrument	Category	Measurement method
Cash	Fair value through profit or loss	Fair value
Marketable securities	Fair value through profit or loss	Fair value
Derivative liabilities	Fair value through profit or loss	Fair value
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Provisions	Other financial liabilities	Amortized cost
Secured note payable and shareholders' loans	Other financial liabilities	Amortized cost

The types of risk exposure and the ways in which such exposures are managed are as follows:

Credit Risk

Credit risk is primarily related to the Company's receivables from joint venture partners and the risk of financial loss if a partner or counterparty to a financial instrument fails to meet its contractual obligations. Receivables from joint venture partners are normally collected within one to three months of the joint venture bill being issued to the partner. The Company historically has not experienced any collection issues with its joint venture partners to date. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to expenditure. The Company establishes an allowance for doubtful accounts as determined by management based on their assessed collectability; therefore, the carrying amount of trade and other receivables generally represents the maximum credit exposure. The Company believes that its counterparties currently have the financial capacity to settle outstanding obligations in the normal course of business.

Concentration risks exist in cash because significant balances are maintained with one financial institution. The risk is mitigated because the financial institution is an international bank.

The Company's maximum exposure to credit risk is as follows:

	August 31, 2014	August 31, 2013
Cash	$ 103,215	$ 196,837
Trade and other receivables	157,121	27,786
Prepaid expenses and deposits		158,295
Balance	$ 260,336	$ 382,918

Liquidity Risk

The Company monitors its liquidity position regularly to assess whether it has the funds necessary to fulfill planned exploration commitments on its oil and gas properties or that viable options are available to fund such commitments from new equity issuances or alternative sources such as farm-out agreements. However, as an exploration company at an early stage of development and without significant internally generated cash flow, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that actual exploration expenditures may exceed those planned. The current uncertainty in global markets could have an impact on the Company's future ability to access capital on terms that are acceptable to the Company. The Company has so far been able to raise the required financing to meet its obligations however, there can be no assurance that it will continue to do so in the future. The following table illustrates the contractual maturities of financial liabilities:

	Payments Due by Period				
August 31, 2014	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and others payables	$ 1,483,775	$ 1,483,775	-	-	-
Shareholders' loans (1)	981,834	981,834	-	-	-
Total	$ 2,465,609	$ 2,465,609	-	-	-

	Payments Due by Period				
August 31, 2013	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and others payables	$ 1,379,581	$ 1,379,581	-	-	-
Secured note payable (1)	1,013,088	1,013,088	-	-	-
Shareholders' loans (1)	2,108,205	2,108,205	-	-	-
Total	$ 4,500,874	$ 4,500,874	-	-	-

(1) Translated at current exchange rate.

Market Risk

Market risk represents the risk of loss that may impact the Company's financial position, results of operations, or cash flows due to adverse changes in financial market prices, including interest rate risk, foreign currency exchange rate risk, commodity price risk, and other relevant market or price risks. The Company does not use derivative financial instruments or derivative commodity instruments to mitigate this risk.

The oil and gas industry is exposed to a variety of risks including the uncertainty of finding and recovering economic reserves, the performance of hydrocarbon reservoirs, securing markets for production, commodity prices, interest rate fluctuations, potential damage to or malfunction of equipment and changes to income tax, royalty, environmental or other such factors.

Market events and conditions in recent years including oil and gas supply and demand, disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions have caused significant volatility to commodity prices. These conditions contributed to a loss of confidence in the broader U.S. and global credit and financial markets. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions contributed to the broader credit markets to further deteriorate and stock markets to decline. These factors have negatively impacted company valuations and may impact the performance of the global economy going forward. Although economic conditions improved, the recovery has been slow in various sectors including in Europe and the United States and has been impacted by various ongoing factors including sovereign debt levels and high levels of unemployment which continue to impact commodity prices and to result in volatility in the stock market.

The Company mitigates these risks by:

- utilizing competent, professional consultants as support to management,
- reviewing available petrophyisical analysis of prospects,
- focusing on a limited number of core properties.

(i) Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by world economic events that affect the levels of supply and demand.

The Company believes that movement in commodity prices that are reasonably possible over the next twelve month period may have a significant impact on the Company as all its oil properties are still in a development stage.

Commodity Price Sensitivity

The following table summarizes the sensitivity of the fair value of the Company's risk management position for the year ended August 31, 2014 and 2013 to fluctuations in natural gas prices, with all other variables held constant. When assessing the potential impact of these price changes, the Company utilized a 10 percent volatility as a reasonable measure of illustration. Fluctuations in natural gas prices potentially could have resulted in unrealized gains (losses) impacting net income as follows:

	2014		2013	
	Increase 10%	Decrease 10%	Increase 10%	Decrease 10%
Net revenue	$ 72,451	$ 57,597	$ 32,946	$ 27,178
Net loss	$ (6,108,158)	$ (6,123,012)	$ (4,263,162)	$ (4,268,930)

(ii) Currency Risk

The Company is exposed to the fluctuations in foreign exchange rates. The prices received by the Company for the production of natural gas and natural gas liquids are primarily determined in reference to United States dollars but are settled with the Company in Canadian dollars. The Company's cash flow for commodity sales will therefore be impacted by fluctuations in foreign exchange rates.

The Company operates in Canada and a portion of its expenses are incurred in U.S. dollars. A significant change in the currency exchange rates between the Canadian dollar relative to US dollar could have an effect on the Company's financial instruments. The Company does not hedge its foreign currency exposure.

The following assets and liabilities are denominated in US dollars at August 31, 2014 and 2013:

	August 31, 2014	**August 31, 2013**
Cash	$ 73,099	$ 150,901
Trade and other receivables	74,091	14,349
Exploration and evaluation assets	4,638,600	2,681,541
Prepaid expenses and deposits	27,478	150,000
Trade and other payables	(882,877)	(821,787)
Provisions	(32,948)	(265,117)
Derivative liabilities	(4,899,511)	(1,873,290)
Shareholders' loans	(904,250)	(1,733,500)
Secured note payable	-	(960,000)
Deferred revenue	(165,000)	-
Net assets denominated in US$	$ (2,071,318)	$ (2,656,903)
Net asset CDN dollar equivalent at period end [1]	$ (2,249,038)	$ (2,803,830)

(1) Translated at the exchange rate in effect at August 31, 2014 $1.0858 (August 31, 2013 $1.0553)

The following table shows the estimated sensitivity of the Company's total comprehensive loss for the periods set out from a change in the U.S dollar exchange rate in which the Company has exposure with all other variables held constant.

	August 31, 2014		**August 31, 2013**	
	Increase	Decrease	Increase	Decrease
Percentage change in US Dollar	In total comprehensive loss from a change in % in the US Exchange Rate ($)		In total comprehensive loss from a change in % in the US Exchange Rate ($)	
2%	(48,840)	48,840	(59,178)	59,178
4%	(97,680)	97,680	(118,355)	118,355
6%	(146,250)	146,250	(177,533)	177,533
8%	(195,360)	195,360	(236,711)	236,711
10%	(244,201)	244,201	(295,888)	295,888

(iii) Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The majority of the Company's debt is short-term in nature with fixed rates. Based on management's knowledge and experience of the financial markets, the Company believes that the movements in interest rates that are reasonably possible over the next twelve month period will not have a significant impact on the Company.

(iv) Fair Value of Financial Instruments

The Company's financial instruments included on the consolidated statement of financial position as at August 31, 2014 and 2013 are comprised of cash, derivative liabilities, trade and other receivables, trade and other payables, secured note payable, shareholders' loans and provisions.

The Company classifies the fair value of financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

• Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

• Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

• Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

	August 31, 2014		**August 31, 2013**	
Financial Instrument Classification	Carrying Value $	Fair Value $	Carrying Value $	Fair Value $
Fair value through profit or loss:				
Cash	103,215	103,215	196,837	196,837
Derivative liabilities	5,325,407	5,325,407	1,976,883	1,976,883
Loans and receivables:				
Trade and other receivables	157,121	157,121	27,786	27,786
Other financial liabilities:				
Trade and other payables	1,483,775	1,483,775	1,379,581	1,379,581
Secured note payable	-	-	1,013,088	1,013,088
Shareholders' loans	981,834	981,834	2,108,205	2,108,205
Provisions	47,543	47,543	298,295	298,295

Cash and derivative liabilities are stated at fair value (Level 1 measurement). The carrying value of trade and other receivables, trade and other payables, secured note payable, shareholders' loans and provisions approximate their fair value due to the short-term maturity of these financial instruments (Level 3 measurement).

ITEM 12 DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. DEBT SECURITIES

Not applicable.

B. WARRANTS AND RIGHTS

Not applicable.

C. OTHER SECURITIES

Not Applicable.

D. AMERICAN DEPOSITORY SHARES

Not Applicable.

PART II

ITEM 13 DEFAULTS, DIVIDENDS ARREARAGES AND DELINQUENCIES

Not Applicable.

ITEM 14 MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15 CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our senior management, including our chief executive officer and chief financial officer, James Cassina, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this annual report (the “Evaluation Date”). Based on this evaluation, our chief executive officer and chief financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to us, required to be disclosed in our Securities and Exchange Commission (“SEC”) reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; (ii) provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Management assessed the effectiveness of our internal control over financial reporting as of August 31, 2014 based on the framework established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that assessment, management concluded that, as of August 31, 2014, our internal control over financial reporting was effective based on the criteria established in Internal Control—Integrated Framework.

Limitations on Effectiveness of Controls and Procedures

Our management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Our control systems are designed to provide such reasonable assurance of achieving their objectives. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the quarter ended August 31, 2014 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 16 [RESERVED]

A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Mr. Milton Klyman is an "audit committee financial expert", as defined in Item 16A of Form 20-F and is independent. Milton Klyman is the Chairman of the Audit Committee. He is a self-employed financial consultant and has been a Chartered Professional Accountant since 1952. Milton Klyman is a Life Member of the Institute of Chartered Professional Accountants of Ontario, a Life member of the Canadian Institute of Mining Metallurgy and Petroleum and a Fellow of the Institute of Chartered Secretaries and Administrators.

B. CODE OF ETHICS

We have adopted a written code of business conduct and ethics (the "Code") for our directors, officers and employees. The board encourages following the Code by making it widely available. It is distributed to directors in the Director's Manual and to officers, employees and consultants at the commencement of their employment or consultancy. The Code reminds those engaged in service to us that they are required to report perceived or actual violations of the law, violations of our policies, dangers to health, safety and the environment, risks to our property, and accounting or auditing irregularities to the chair of the Audit Committee who is an independent director of ours. In addition, to requiring directors, officers and employees to abide by the Code, we encourage consultants, service providers and all parties who engage in business with us to contact the chair of the Audit Committee regarding any perceived and all actual breaches by our directors, officers and employees of the Code. The chair of our Audit Committee is responsible for investigating complaints, presenting complaints to the applicable board committee or the board as a whole, and developing a plan for promptly and fairly resolving complaints. Upon conclusion of the investigation and resolution of a complaint, the chair of our Audit Committee will advise the complainant of the corrective action measures that have been taken or advise the complainant that the complaint has not been substantiated. The Code prohibits retaliation by us, our directors and management, against complainants who raise concerns in good faith and requires us to maintain the confidentiality of complainants to the greatest extent practical. Complainants may also submit their concerns anonymously in writing. In addition to the Code, we have an Audit Committee Charter and a Policy of Procedures for Disclosure Concerning Financial/Accounting Irregularities.

Since the beginning of our most recently completed financial year, no material change reports have been filed that pertain to any conduct of a director or executive officer that constitutes a departure from the Code. The board encourages and promotes a culture of ethical business conduct by appointing directors who demonstrate integrity and high ethical standards in their business dealings and personal affairs. Directors are required to abide by the Code and expected to make responsible and ethical decisions in discharging their duties, thereby setting an example of the standard to which management and employees should adhere. The board is required by the Board Mandate to satisfy our CEO and other executive officers are acting with integrity and fostering a culture of integrity throughout the Company. The board is responsible for reviewing departures from the Code, reviewing and either providing or denying waivers from the Code, and disclosing any waivers that are granted in accordance with applicable law. In addition, the board is responsible for responding to potential conflict of interest situations, particularly with respect to considering existing or proposed transactions and agreements in respect of which directors or executive officers advise they have a material interest. The Board Mandate requires that directors and executive officers disclose any interest and the extent, no matter how small, of their interest in any transaction or agreement with us, and that directors excuse themselves from both board deliberations and voting in respect of transactions in which they have an interest. By taking these steps the board strives to ensure that directors exercise independent judgment, unclouded by the relationships of the directors and executive officers to each other and us, in considering transactions and agreements in respect of which directors and executive officers have an interest. Our Code applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions of the Company. There have been no waivers of our Code granted to our principal executive officer, principal financial officer, principal accounting officer or controller, or similar persons during the period covered by this Annual Report.

Upon written request to us at our registered and management office, attention: the President, we will provide by mail, to any person without charge a copy of our Code of Ethics.

C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

It is the policy of the Audit Committee that all audit and non-audit services are pre-approved prior to engagement. Before the initiation of each audit, the principal accountant submits a budget of the expected range of expenditures to complete their audit engagement (including Audit Fees, Audit-Related Fees and Tax Fees) to the Audit Committee for approval. In the event that the principal accountant exceeds these parameters, the individual auditor is expected to communicate to management the reasons for the variances, so that such variances can be ratified by the Audit Committee. As a result, 100% of expenditures within the scope of the noted budget are approved by the Audit Committee.

During fiscal 2014 and 2013 there were no hours performed by any person other than the primary accountant's fulltime permanent employees.

Since the commencement of the Company's most recently completed financial year, no recommendations were made by the Audit Committee to nominate or compensate an external auditor.

External Auditor Service Fees (By Category)

The aggregate fees billed or accrued for professional fees rendered by Schwartz Levitsky Feldman llp, Chartered Accountants for the years ended August 31, 2014 and August 31, 2013 are as follows:

Nature of Services	Fees Paid to Auditor for Year-ended August 31, 2014	Fees Paid to Auditor for Year-ended August 31, 2013
Audit Fees[1]	$ 55,000	$ 55,000
Audit-Related Fees[2]	Nil	Nil
Tax Fees[3]	5,000	5,000
All Other Fees(4)	Nil	Nil
TOTALS	**$ 60,000**	**$ 60,000**

Notes:

1. "**Audit Fees**" include fees necessary to perform the annual audit and any quarterly reviews of the Company's financial statements management discussion and analysis. This includes fees for the review of tax provisions and for accounting consultations on matters reflected in the financial statements. This also includes audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

2. "**Audit-Related Fees**" include fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and that are not included in "Audit Fees".

3. "**Tax Fees**" include fees for all professional services rendered by the Company's auditors for tax compliance, tax advice and tax planning.

4. "**All Other Fees**" include all fees for products and services provided by the Company's auditors not included in "Audit Fees", "Audit-Related Fees" and "Tax Fees".

D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not Applicable.

E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not Applicable.

G. CORPORATE GOVERNANCE

Not Applicable.

H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17 FINANCIAL STATEMENTS

Not applicable.

ITEM 18 FINANCIAL STATEMENTS

The following attached Consolidated Financial Statements are included in this Annual Report on Form 20-F beginning with page F-1:

1. Audited Consolidated Financial Statements of Eagleford Energy Corp. for the years ended August 31, 2014 and 2013, comprised of the following:

(a) Independent Auditor's Report of Registered Public Accounting Firm, Schwartz Levitsky Feldman LLP, Chartered Accountants for the years ended August 31, 2014 and 2013;

(b) Consolidated Statements of Financial Position as at August 31, 2014 and 2013;

(c) Consolidated Statements of Operations and Comprehensive Loss for the years ended August 31, 2014, 2013 and 2012;

(d) Consolidated Statements of Shareholders' Equity (Deficiency) for the years ended August 31, 2014, 2013 and 2012;

(e) Consolidated Statements of Cash Flows for the years ended August 31, 2014, 2013 and 2012;

(f) Notes to the Consolidated Financial Statements.

ITEM 19 EXHIBITS

The following exhibits are included in the Annual Report on Form 20-F:

Exhibit #	Description
1.1	Certificate of Incorporation of Bonanza Red Lake Explorations Inc. (presently known as Eagleford Energy Inc.) dated September 22, 1978 (1)
1.2	Articles of Amendment dated January 14, 1985 (1)
1.3	Articles of Amendment dated August 16, 2000 (1)
1.4	Bylaw No 1 of Bonanza Red Lake Explorations Inc. (presently known as Eagleford Energy Inc.) (1)
1.5	Special By-Law No 1 – Respecting the borrowing of money and the issue of securities of Bonanza Red Lake Explorations Inc. (presently known as Eagleford Energy Inc.) (1)
1.6	Articles of Amalgamation dated November 30, 2009 (3)
4.1	2000 Stock Option Plan (1)
4.2	Code of Business Conduct and Ethics (1)
4.3	Audit Committee Charter (1)

4.4	Petroleum and Natural Gas Committee Charter (1)
4.5	Compensation Committee Charter (1)
4.6	Purchase and Sale Agreement dated February 5, 2008 among Eugenic Corp., 1354166 Alberta Ltd., and the Vendors of 1354166 Alberta Ltd. (1)
4.7	Amended Audit Committee Charter (3)
4.8	Amended Stock Option Plan (4)
4.9	Asset Purchase Agreement between Eagleford Energy Inc., and Source Re-Work Program Inc., dated May 12, 2010 (6)
4.10	Addendum dated June 10, 2010 to the Asset Purchase Agreement between Eagleford Energy Inc. and Source Re-Work Program Inc., dated May 12, 2010 (6)
4.11	Addendum 2 dated June 30, 2010 to the Asset Purchase Agreement between Eagleford Energy Inc. and Source Re-Work Program Inc., dated May 12, 2010 (6)
4.12	Acquisition Agreement among Eagleford Energy Inc., Dyami Energy LLC and the Members of Dyami Energy LLC dated August 10, 2010 (5)
4.13	Financial Advisory Services Agreement between Eagleford Energy Inc. and GarWood Securities, LLC dated June 10, 2010 (6)
4.14	Amended Stock Option Plan, February 24, 2011 (7)
4.15	Amendment dated December 31, 2011 to 6% Secured Promissory Note between Eagleford Energy Inc. and Benchmark Enterprises LLC (8)
4.16	Consent of Sproule Associates Limited dated February 16, 2012 (9)
4.17	Evaluation of P&NG Reserves of Eagleford Energy Inc., at August 31, 2011 (11)
4.18	Amended Stock Option Plan, February 24, 2012 (8)
4.19	By-Law No. 1, February 24, 2012 (8)
4.20	Articles of Amendment, effective March 16, 2012 (10)
4.21	2nd Amendment dated June 30, 2012 to 6% Secured Promissory Note between Eagleford Energy Inc. and Benchmark Enterprises LLC (12)
4.22	Evaluation of P&NG Reserves of Eagleford Energy Inc., at August 31, 2012 (12)
4.23	Consent of Sproule Associates Limited dated (12)
4.24	Placement Agency Agreement dated March 12, 2012 between Eagleford Energy Inc. and Gottbetter Capital Markets, LLC(12)
4.25	Amendment dated April 13, 2012 to Placement Agency Agreement dated March 12, 2012 between Eagleford Energy Inc. and Gottbetter Capital Markets, LLC (12)
4.26	Amendment No. 2 dated July 17, 2012 to Placement Agency Agreement dated March 12, 2012 between Eagleford Energy Inc. and Gottbetter Capital Markets, LLC (12)
4.27	Amendment No. 3 dated August 14, 2012 to Placement Agency Agreement dated March 12, 2012 between Eagleford Energy Inc. and Gottbetter Capital Markets, LLC (12)
4.28	Amendment No. 4 dated August 31, 2012 to Placement Agency Agreement dated March 12, 2012 between Eagleford Energy Inc. and Gottbetter Capital Markets, LLC (12)
4.29	3rd Amendment dated November 23, 2012 to Secured Promissory Note between Eagleford Energy Inc. and Benchmark Enterprises LLC (12)
4.30	4th Amendment dated March 1, 2013 to Secured Promissory Note between Eagleford Energy Inc. and Benchmark Enterprises LLC (13)
4.31	Eagleford Energy, Zavala Inc., Certificate of Incorporation dated August 29, 2013 (13)
4.32	Rule 14 Agreement among The Matthews Family Mineral Account, LP, Delta Star Holdings, LLC, Dyami Energy, LLC, Eagleford Energy, Inc.,OGR Energy Corporation, OGR 2000 Ltd., and Texas Onshore Energy, Inc. (13)
4.33	Termination of Financial Advisory Agreement between Eagleford Energy Inc. and The PrinceRidge Group LLC dated September 5, 2013 (13)
4.34	Joint Development Agreement dated December 3, 2013 between Eagleford Energy Inc., Eagleford Energy, Zavala Inc., and Stratex Oil and Gas Holdings, Inc. (13)
4.35	Articles of Amendment, effective August 25, 2014 (14)
4.36	Amendment dated January 21, 2014 to the Joint Development Agreement between Eagleford Energy Inc., Eagleford Energy, Zavala Inc., and Stratex Oil and Gas Holdings, Inc. (15)
4.37	Joint Development Agreement dated April 11, 2014 by and among Quadrant Resources LLC Eagleford Energy, Zavala Inc., and Stratex Oil and Gas Holdings, Inc.(15)
4.38	Secured Convertible Promissory Note, General Security Agreement and Release dated August 31, 2014 between Eagleford Energy Inc. and Benchmark Enterprises LLC (15)

8.1	Subsidiaries of Eagleford Energy Inc. (15)
12.1/12.2	Section 302 Certification of Chief Executive and Financial Officer (15)
13.1/13.2	Section 906 Certification of Chief Executive and Financial Officer (15)

Reference #	**Incorporated by Reference**
(1)	Previously filed on April 29, 2009 by Registrant as part of Registration Statement on Form 20-F (SEC File No. 0-53646)
(2)	Previously Filed by Registrant as part of Amendment #2 to Registration Statement on Form 20F/A on July 14, 2009
(3)	Previously Filed by Registrant on Form 6 K on December 1, 2009
(4)	Previously filed by Registrant on Form 20F/A on March 12, 2010
(5)	Previously filed by Registrant on Form 6-K on September 16, 2010
(6)	Previously Filed by Registrant on Form 20F on February 11, 2011
(7)	Previously filed by Registrant on Form 6-K on January 27, 2011
(8)	Previously filed by Registrant on Form 6-K on February 1, 2012
(9)	Previously filed by Registrant on Form 20F on February 16, 2012
(10)	Previously filed by Registrant on Form 6-K on March 9, 2012
(11)	Previously filed by Registrant on Form 20F/A on April 26, 2012
(12)	Previously filed by Registrant on Form 20F on December 31, 2012
(13)	Previously filed by Registrant on Form 20F on December 24, 2013
(14)	Previously filed by Registrant on Form 6-K on August 20, 2014
(15)	Filed as an Exhibit hereto

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

EAGLEFORD ENERGY CORP.

By: /s/ James Cassina
Name: James Cassina
Title: President, Chief Executive Officer and Chief Financial Officer

Date: December 31, 2014

INDEX TO FINANCIAL STATEMENTS

Audited Consolidated Financial Statements of Eagleford Energy Corp. for the years ended August 31, 2014, and 2013 , comprised of the following:

(a)	Independent Auditor's Report of Registered Public Accounting Firm, Schwartz Levitsky Feldman LLP, Chartered Accountants for the years ended August 31, 2014 and 2013;	F-2
(b)	Consolidated Statements of Financial Position for the years ended August 31, 2014 and 2013;	F-4
(c)	Consolidated Statements of Operations and Comprehensive Loss for the years ended August 31, 2014, 2013 and 2012;	F-5
(d)	Consolidated Statements of Shareholders' Equity (Deficiency) for the years ended August 31, 2014, 2013 and 2012;	F-6
(e)	Consolidated Statements of Cash Flows for the years ended August 31, 2014, 2013 and 2012;	F-7
(f)	Notes to the Consolidated Financial Statements.	F8-F37

Schwartz Levitsky Feldman llp
CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO • MONTREAL

INDEPENDENT AUDITOR'S REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Eagleford Energy Corp.
(Formerly Eagleford Energy Inc.)

We have audited the accompanying consolidated financial statements of Eagleford Energy Corp. (formerly: Eagleford Energy Inc.) (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2014 and 2013, the consolidated statements of operations and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years ended August 31, 2014, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the Standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. 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 consolidated financial statements.

2300 Yonge Street, Suite 1500, Box 2434
Toronto, Ontario M4P 1E4
Tel: 416 785 5353
Fax: 416 785 5663

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Eagleford Energy Corp. (formerly: Eagleford Energy Inc.) as at August 31, 2014 and 2013, and its financial performance and its cash flows for the years ended August 31, 2014, 2013 and 2012 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a net loss of $6,115,585 during the year ended August 31, 2014 and, as of that date its current liabilities exceeded its current assets by $3,489,237. These conditions, along with other matters as set forth in Note 1, raise substantial doubt about the Company's ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ “Schwartz Levitsky Feldman, llp”

Toronto, Ontario, Canada
December 29, 2014

Chartered Accountants
Licensed Public Accountants

EAGLEFORD ENERGY CORP
(Formerly: Eagleford Energy Inc.)

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	August 31, 2014	August 31, 2013
Assets		
Current assets		
Cash	$ 103,215	$ 196,837
Trade and other receivables	157,121	27,786
Prepaid expenses and deposits	-	158,295
Total current assets	260,336	382,918
Non-current assets		
Exploration and evaluation assets (Note 6)	5,036,592	6,535,278
Total non-current assets	5,036,592	6,535,278
Total Assets	**$ 5,296,928**	$ 6,918,196
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities		
Trade and other payables	$ 1,483,775	$ 1,379,581
Secured note payable (Note 10)	-	1,013,088
Shareholders' loans (Note 9 and 10)	981,834	2,108,205
Derivative liabilities (Note 11)	1,094,392	688,803
Deferred revenue (Note 6)	177,804	-
Provisions (Note 7(a))	11,768	178,553
Total current liabilities	3,749,573	5,368,230
Non-current liabilities		
Derivative liabilities (Note 11)	4,231,015	1,288,080
Provisions (Note 7(a))	35,775	119,742
Total non-current liabilities	4,266,790	1,407,822
Total Liabilities	8,016,363	6,776,052
Shareholders' equity (deficiency)		
Share capital (Note 8 (a))	9,072,181	7,050,350
Share purchase warrants (Note 8 (b))	1,970,968	1,422,526
Share purchase options (Note 8 (d))	170,972	170,972
Contributed surplus (Note 8 (e))	1,389,898	506,200
Foreign currency translation reserve	4,692	204,657
Accumulated deficit	(15,328,146)	(9,212,561)
Total shareholders' equity (deficiency)	(2,719,435)	142,144
Total Liabilities and Shareholders' Equity (Deficiency)	**$ 5,296,928**	$ 6,918,196

Going Concern (Note 1)
Related Party Transactions and Balances (Note 9)
Commitments and Contingencies (Note 15)
Dissolution of Subsidiary (Note 16)
Subsequent Events (Note 17)

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

Approved by the Board of Directors

/s/ *"James Cassina"*
James Cassina, Director

/s/ *"Milton Klyman"*
Milton Klyman, Director

EAGLEFORD ENERGY CORP

(Formerly: Eagleford Energy Inc.)

Consolidated Statements of Operations and Comprehensive Loss
For the years ended August 31,
(Expressed in Canadian Dollars)

	2014	2013	2012
Revenue			
Natural gas sales, net of royalties	$ 65,024	$ 30,062	$ 39,218
Expenses			
Operating costs	17,138	9,234	28,471
Depletion and accretion	2,449	13,283	20,509
General and administrative	403,120	583,577	705,591
Interest expense	284,038	76,783	88,789
Loss on derivative liabilities (Note 11)	2,735,476	128,041	46,655
Loss on foreign exchange	101,427	197,640	36,283
Marketing and public relations	(14,250)	25,763	46,272
Loss on settlement of debt (Note 8 (b) (e))	1,335,935	402,264	1,465,465
Impairment loss on exploration and evaluation assets, net (Note 6 and 16)	1,315,276	2,690,568	-
Impairment loss on property and equipment	-	168,954	50,774
Impairment loss on marketable securities	-	1	-
Stock based compensation - non employees	-	-	75,062
Stock based compensation	-	-	95,910
Compensation expense on re-pricing of units	-	-	188,625
	6,180,609	4,296,108	2,848,406
Net loss	**(6,115,585)**	(4,266,046)	(2,809,188)
Other comprehensive income (loss)			
Foreign currency translation	(199,965)	314,120	(160)
Total other comprehensive income (loss)	**(199,965)**	314,120	(160)
Net loss and comprehensive loss	**$ (6,315,550)**	$ (3,951,926)	$ (2,809,348)
Loss per shares, basic and diluted	**$ (0.482)**	$ (0.407)	$ (0.344)
Weighted average shares outstanding, basic and diluted (Note 8 (c))*	**12,675,329**	10,477,429	8,176,973

* Reflects the March 16, 2012 two-for-one stock split (Note 8 (a))
* Reflects the August 25, 2014 one-for-ten stock consolidation (Note 8 (a))

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

EAGLEFORD ENERGY CORP

(Formerly: Eagleford Energy Inc.)

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the years ended August 31, 2014, 2013 and 2012
(Expressed in Canadian Dollars)

	SHARE CAPITAL Number of Shares*	SHARE CAPITAL Amount $	SHARE PURCHASE WARRANTS $	SHARE PURCHASE OPTIONS $	CONTRI-BUTED SURPLUS $	FOREIGN CURRENCY TRANS-LATION RESERVE $	ACCU-MULATED DEFICIT $	TOTAL SHARE-HOLDERS' DEFICIENCY $
Balance, August 31, 2011	6,712,788	4,635,556	252,637	-	85,737	(109,303)	(2,137,327)	2,727,300
Issuance of shares as debt settlement	310,701	395,589	-	-	-	-	-	395,589
Issuance of units as debt settlement	1,715,000	1,150,367	1,102,348	-	-	-	-	2,252,715
Private placement of units	200,000	32,459	67,541	-	-	-	-	100,000
Private placement of units	300,000	342,786	-	-	-	-	-	342,786
Compensation expense on re-pricing units	75,000	-	-	-	118,507	-	-	118,507
Private placement of units	682,500	702,528						702,528
Warrants expired	-	-	-	-	318,552	-	-	318,552
Issuance of shares as debt settlement	17,139	44,547	-	-	-	-	-	44,547
Imputed interest	-	-	-	-	2,334	-	-	2,334
Stock based compensation	-	-		170,972	-	-	-	170,972
Units cancelled	(341,847)	(1,397,199)	-	-	(18,930)	-	-	(1,416,129)
Foreign currency translation	-	-	-	-	-	(160)	-	(160)
Net loss for the year	-	-	-	-	-	-	(2,809,188)	(2,809,188)
Balance, August 31, 2012	9,671,281	5,906,633	1,422,526	170,972	506,200	(109,463)	(4,946,515)	2,950,353
Private placement of units	224,979	197,214	-	-	-	-	-	197,214
Issuance of shares as debt settlement	2,366,257	946,503	-	-	-	-	-	946,503
Foreign currency translation	-	-	-	-	-	314,120	-	314,120
Net loss for the year	-	-	-	-	-	-	(4,266,046)	(4,266,046)
Balance, August 31, 2013	12,262,517	7,050,350	1,422,526	170,972	506,200	204,657	(9,212,561)	142,144
Warrants exercised	651,904	306,405	(78,238)	-	-	-	-	228,167
Warrants expired	-	-	(174,399)	-	174,399	-	-	-
Derivative warrants expired	-	-	-	-	709,299	-	-	709,299
Issuance of units as debt settlement	14,757,120	1,715,426	801,079	-	-	-	-	2,516,505
Foreign currency translation	-	-	-	-	-	(199,965)	-	(199,965)
Net loss for the year	-	-	-	-	-	-	(6,115,585)	(6,115,585)
Balance, August 31, 2014	**27,671,541**	**9,072,181**	**1,970,968**	**170,972**	**1,389,898**	**4,692**	**(15,328,146)**	**(2,719,435)**

* Reflects the March 16, 2012 two-for-one stock split (Note 8 (a))
* Reflects the August 25, 2014 one-for-ten stock consolidation (Note 8 (a))

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

EAGLEFORD ENERGY CORP
(Formerly: Eagleford Energy Inc.)

Consolidated Statements of Cash Flows
For the years ended August 31,
(Expressed in Canadian Dollars)

	2014	2013	2012
Cash provided by (used in)			
Operating activities			
Net loss	$ (6,115,585)	$ (4,266,046)	$ (2,809,188)
Items not involving cash:			
Depletion and accretion	2,449	13,283	20,509
Loss on derivative liabilities (Note 11)	2,735,476	128,041	46,655
Loss on settlement of debt (Note 8(b)(e) and Note 10)	1,335,935	402,264	1,465,465
Decommissioning obligation expenditure	(706)	-	-
Impairment loss on exploration and evaluation assets, net (Note 6 and 16)	1,315,276	2,690,568	-
Impairment loss on property and equipment	-	168,954	50,774
Impairment loss on marketable securities	-	1	-
Shares and warrants issue for services	-	-	44,285
Stock based compensation	-	-	170,972
Compensation expense on re-pricing of units	-	-	188,625
Imputed interest	-	-	2,334
Net changes in non-cash working capital (Note 13)	538,244	569,428	436,943
Net cash used in operating activities	(188,911)	(293,507)	(382,626)
Investing activities			
Additions to exploration and evaluations assets, net	(113,578)	(404,818)	(1,559,763)
Net cash used in investing activities	(113,578)	(404,818)	(1,559,763)
Financing activities			
Secured note payable, net	83,629	66,240	(65,796)
Shareholders' loans, net	52,378	126,763	50,042
Private placement of units, net of share issue costs	-	405,650	2,086,718
Net cash provided by financing activities	146,009	598,653	2,070,964
Increase (decrease) in cash for the year	(156,480)	(99,672)	128,575
Effect of exchange rate changes on cash	62,858	(33,494)	36,162
Cash, beginning of year	196,837	330,003	165,266
Cash, end of year	**$ 103,215**	$ 196,837	$ 330,003

Supplemental Cash Flow Information and Non-cash Transactions (Note 13)

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

1. Nature of Business and Going Concern

Eagleford Energy Corp. ("Eagleford" or the "Company") was amalgamated under the Business Corporations Act (*Ontario)* on November 30, 2009. The principal activities of the Company consist of exploration, development and production of petroleum and natural gas properties. In addition, the Company holds a 0.3% net smelter return royalty on 8 mining claim blocks located in Red Lake, Ontario which is carried on the consolidated statement of financial position at nil.

The company's registered office is 1 King Street West, Suite 1505, Toronto, Ontario, M5H 1A1.

The Company's common shares trade on the Over-the-Counter Bulletin Board (OTCQB) under the symbol EGFDF.

These consolidated financial statements (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business, as they come due for the foreseeable future. The Company is in the process of exploring and developing its oil and gas properties and has not yet realized profitable operations. The Company requires additional financing for its working capital and for the costs of exploration and development of its oil and gas properties.

Due to continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. The Company will continue to seek additional forms of debt or equity financing, or other means of funding its operations, however, there is no assurance that it will be successful in doing so or that funds will be available on terms acceptable to the Company or at all. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company.

The Company has accumulated significant losses and negative cash flows from operations in recent years which raise doubt as to the validity of the going concern assumption. The Company has a working capital deficiency of $3,489,237 (2013: $4,985,312) and an accumulated deficit of $15,328,146 (2013: $9,212,561). These material uncertainties may cast significant doubt upon the entity's ability to continue as a going concern. Accordingly, the consolidated financial statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the accompanying consolidated financial statements.

During the year, the Company entered into two separate Joint Development Agreements on the Matthews Lease and received cash of $340,811 and the payment of certain obligations under the Matthews Lease. The Company extinguished debt of $1,408,737 (2013: $544,239) through the issuance of share capital.

2. Basis of Preparation

Statement of Compliance
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements of the Company were approved by the Board of Directors on December 26, 2014.

Basis of Preparation
These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (the "IASB") which is incorporated in the Chartered Professional Accountants of Canada ("CPA Canada") Handbook-Accounting.

2. Basis of Preparation (cont'd)

The accounting policies applied in these consolidated financial statements are based on IFRS effective for the period ended August 31, 2014, as issued and outstanding as of the date the Board of Directors approved the consolidated financial statements.

Principles of Consolidation
Subsidiaries are all entities controlled by the Company. Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

The consolidated financial statements include the accounts of Eagleford, the legal parent, together with its wholly-owned subsidiaries, 1354166 Alberta Ltd. a company operating in the province of Alberta, Canada ("1354166 Alberta"), Eagleford Energy, Zavala Inc. a Nevada company ("Zavala Inc.") effective August 29, 2013 and Dyami Energy Inc. ("Dyami") which was dissolved effective April 3, 2014 by filing a Certificate of Termination of a Domestic Entity with the Secretary of State, Texas (see Note 16).

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and have been applied consistently by the Company and its subsidiaries.

Revenue Recognition
Revenues from the production of oil and gas properties from 1354166 Alberta are recognized, on the basis of the Company's working interest in those properties, when the significant risks and rewards of ownership of the product is transferred to the buyer, which is usually when legal title passes to an external party. During the fiscal year ended August 31, 2012, the wells were shut in and the asset was considered impaired and the property was written off but the Company is still receiving its share of gas revenue from the operator. Revenue is measured net of royalties and other duties.

Foreign Currencies
The functional and presentation currency of the Company is the Canadian dollar. The functional currency of the Company's wholly-owned Alberta subsidiary, 1354166 Alberta is Canadian dollars and the functional currency of the Company's wholly-owned Nevada subsidiary, Zavala Inc. is United States dollars and the Company's former wholly-owned Texas subsidiary, Dyami Energy was United States dollars.

Items included in the consolidated financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statements of operations.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the year- end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in the foreign currency translation reserve under the equity section of the consolidated statement of financial position.

3. Summary of Significant Accounting Policies (cont'd)

Loss per Share
The basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the dilution that would occur if outstanding stock options and share purchase warrants were exercised or converted into common shares using the treasury stock method and are calculated by dividing net loss applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

The inclusion of the Company's stock options and share purchase warrants in the computation of diluted loss per share would have an anti-dilutive effect on loss per share and are therefore excluded from the computation.

Financial Instruments
Classification and Measurement
Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit and loss", "loans and receivables", "available-for-sale", "held-to-maturity", or "other financial liability" as defined by IAS 39, "Financial Instruments: Recognition and Measurement".

Financial assets and financial liabilities at "fair value through profit or loss" are either classified as "held for trading" or "designated at fair value through profit or loss" and are measured at fair value with changes in fair value recognized in the statement of comprehensive income. Transaction costs are expensed when incurred. The Company has classified cash, marketable securities and derivative liabilities as "fair value through profit and loss".

Financial instruments classified as "loans and receivables", "held-to-maturity", or "financial liabilities" are measured at amortized cost using the effective interest method of amortization. "Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. "Held-to-maturity" financial assets are non-derivative investments that an entity has the positive intention and ability to hold to maturity.

"Other financial liabilities measured at amortized cost" are those financial liabilities that are not designated as "fair value through profit or loss" and that are not derivatives. The Company has classified trade and other receivables as "loans and receivables" and trade and other payables, secured note payable, provisions and shareholders' loans as "other financial liabilities".

Financial assets classified as "available-for-sale" are measured at fair value, with changes in fair value recognized in other comprehensive income. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company currently has no assets classified as "available for sale".

Derivative Financial Instruments
The Company's derivative instruments consist of derivative liabilities in relation to its i) share purchase warrants; and ii) its secured convertible note payable.

In prior years the Company had issued share purchase warrants in conjunction with offerings for the purchase of common shares of the Company. These share purchase warrants were issued with an exercise price in US dollars, rather than Canadian dollars (the presentation and functional currency of the Company). Such share purchase warrants are considered to be derivative instruments and the Company is required to re-measure the fair value of these at each reporting date. The fair value of these share purchase warrants are re-measured at each statement of financial position date using the Black-Scholes option pricing model. Adjustments to the fair value of the share purchase warrants at the financial position date are recorded to the statement of operations.

3. Summary of Significant Accounting Policies (cont'd)

The Company's secured convertible note payable has a conversion feature which may convert any unpaid principal and accrued interest into conversion units. A conversion unit is comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the conversion unit. The price of the conversion unit is the lessor of a price equal to the 30-day rolling weighted average price of the Company as of the date of conversion, less 20% (as adjusted for any stock splits, combinations or similar events) or eight United States Cents (US$0.08) per share the "Conversion Unit"). The terms and features of the conversion meets the definition of an embedded derivative. Since both components of the Conversion Unit (the common share component and warrant component) contain a variable exercise/conversion price, the Conversion Unit meets the definition of a financial liability under IAS 32"Financial Instruments: Presentation". As a result, the Conversion Unit is a derivative liability that requires fair value measurement each period. The Company has selected the Binomial Lattice model to fair value the warrant component of the conversion unit and the Monte Carlo Simulations process for the common share component of the conversion unit (see Note 11).

Property and Equipment and Exploration and Evaluation Assets

Exploration and Evaluation Assets ("E&E")
Pre-acquisition expenditures on oil and gas assets are recognized as an expense in the consolidated statements of operations when incurred. In accordance with IFRS 6, exploration and evaluation costs are capitalized within intangible assets until the success or otherwise of the well or project has been established and subject to an impairment review. The costs of unsuccessful wells in an area are written off to the statement of operations.

Exploration and evaluation costs, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalized either as tangible or intangible E&E assets according to the nature of the assets acquired. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability.

When E&E assets are determined to be technically feasible and commercially viable, the accumulated costs are transferred to property and equipment. When E&E assets are determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to the statement of operations as exploration and evaluation expense.

E&E assets are assessed for impairment in any circumstances where sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets are allocated to cash-generating units ("CGUs").

Development and Production Costs
Items of property and equipment, which include petroleum and natural gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGUs for impairment testing.

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

Gains and losses on disposal of an item of property and equipment, including petroleum and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in profit or loss.

3. Summary of Significant Accounting Policies (cont'd)

Subsequent Costs
Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as exploration and evaluation assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized exploration and evaluation assets generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Joint Oil and Gas Activities
All of the Company's oil and gas activities are conducted jointly with others. The Company's accounts reflect only the Company's share of assets, liabilities, revenue and expenses in the joint operations. For interests in joint operations, the Company's share of the jointly controlled assets are classified according to the nature of the assets, the Company's share of any liabilities incurred jointly with the other parties, and the Company's share of any income and expenses incurred jointly with the partners are recognized in the consolidated financial statements. The adoption of IFRS 11 did not change the definition of a joint arrangement/joint control and proportionate share method previously adopted by the company.

Depletion and Depreciation
The net carrying value of development or production assets is depleted using the units-of-production method by reference to the ratio of production in the period to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually for developed properties.

Proved and probable reserves are estimated using independent reserve engineer reports for developed properties only and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- a reasonable assessment of the future economic benefit of such production;
- a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and
- evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Reserves may only be considered proved and probable if they are supported by either actual production or conclusive formation tests. The area of reservoir considered proved includes: (a) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, or both; and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of oil and natural gas controls the lower proved limit of the reservoir.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

3. Summary of Significant Accounting Policies (cont'd)

Impairment

Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. Remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

Non-financial Assets

The carrying amounts of the Company's non-financial assets, other than E&E assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. E&E assets are assessed for impairment when they are reclassified to property and equipment as petroleum and natural gas interests, and also if facts and circumstances suggest that their carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets 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" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

E&E assets are allocated to related CGUs when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to producing assets (petroleum and natural gas interests in property and equipment).

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of assets other than goodwill, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

3. Summary of Significant Accounting Policies (cont'd)

Provisions
A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Decommissioning Obligations
The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the period-end date. Subsequent to initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows and changes to discount rate are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

Borrowing Costs
Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. All other borrowing costs are recognized in profit or loss using the effective interest method. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Taxes
Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statements of operations except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current Income Tax
Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax
Deferred tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and asset and they relate to the income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and asset on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

3. Summary of Significant Accounting Policies (cont'd)

Share-Based Compensation
The Company has a share-based compensation plan that grants stock options to employees and non-employees. This plan is an equity settled plan. The Company uses the fair value method for accounting for share-based awards to employees and non-employees.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service.

Warrants
When the Company issues units comprising common shares and warrants, the Company follows the relative fair value method of accounting for warrants attached to and issued with common shares of the Company. Under this method, the fair value of warrants issued is estimated using the Black-Scholes option price model. The fair value is then related to the total of the net proceeds received on issuance of the common shares and the fair value of the warrants issued therewith. The resultant relative fair value is allocated to warrants from the net proceeds and the balance of the net proceeds is allocated to the common shares issued.

Critical Accounting Estimates and Judgments
The timely preparation of the consolidated financial statements in accordance with IFRS requires that management make estimates and assumptions and use judgment regarding the measured amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Such estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

Valuation and Classification of Exploration and Evaluation Assets
The value of exploration and evaluation assets are dependent upon the discovery of economically recoverable reserves which in turn is dependent on future oil and natural gas prices, future capital expenditures and environmental and regulatory restrictions. The decision to transfer exploration and evaluation assets to property and equipment is based upon management's determination of an area's technical feasibility and commercial viability based on proved and/or probable reserve estimates.

Title to Oil and Gas Property Interests
Although the Company has taken steps to verify title to oil and gas properties 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.

3. Summary of Significant Accounting Policies (cont'd)

Stock Based Compensation
The Company measures the cost of equity-settled transactions to the relative fair value of the equity instruments at the date at which they are issued. Estimating relative fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the instrument. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, discount rates and dividend yield.

Decommissioning Liabilities
Decommissioning liabilities consist of asset retirement obligations that are based, in part, on estimates of future costs to settle the obligation, in addition to estimates of the useful life of the underlying assets, the rate of inflation and the risk-free discount rate.

Fair Value of Financial Instruments
The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Assessment of Commercial Reserves
Management is required to assess the level of the Company's commercial reserves together with the future expenditures to access those reserves, which are utilized in determining the depletion charge for the period, assessing whether any impairment charge is required against developed or undeveloped properties, and the determination of the deferred tax liability. By their nature, these estimates of discovered proved and probable crude oil and natural gas reserves, including the estimates of future prices, costs, related future cash flows and the selection of a pre-tax risked discount rate relevant to the asset in question are subject to measurement uncertainty.

The Company employs an independent reserves evaluator who periodically assesses the Company's level of commercial reserves by reference to data sets including geological, geophysical and engineering data together with reports, presentation and financial information pertaining to the contractual and fiscal terms applicable to the Company's assets. Significant judgment is involved when determining whether there have been any significant changes in the Company's reserves.

Income taxes
Income taxes liability is estimated for the Company, including an assessment of temporary differences. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the financial statements. Management's judgment is required in the calculation of current and deferred taxes, as well as the likelihood of realization.

Provisions
Considerable judgment is used in measuring and recognizing provisions and the exposure to contingent liabilities. Judgment is necessary to determine the likelihood that a pending litigation or other claim will succeed, or a liability will arise and to quantify the possible range of the final settlement.

Significant changes in the assumptions, including those with respect to future business plan and cash flows, could materially change the recorded carrying amounts.

4. Recent Accounting Pronouncements and Recent Adopted Accounting Standards

Recent Issued Accounting Pronouncements
The following standards, amendments and interpretations, which may be relevant to the Company have been introduced or revised by the IASB:

(i) IFRIC 21 Levies. The Company intends to adopt IFRIC 21 in its consolidated financial statements for the annual period beginning September 1, 2014. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

(ii) On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014). In November 2009, the IASB issued the first version of IFRS 9, Financial Instruments (IFRS 9 (2009) and subsequently issued various amendments in October 2010, (IFRS 9 Financial Instruments (2010) and November 2013 (IFRS 9 Financial Instruments (2013). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company does not intend to adopt the new standard prior to its effective date and has not yet determined the impact of this new standard on the consolidated financial statements.

Recent Adopted Accounting Standards
The following standards, amendments and interpretations have been adopted by the Company as of September 1, 2013. There were no material impacts on the consolidated financial statements as a result of the adoption of these standards, amendments and interpretations: (i) IFRS 10 Consolidated Financial Statements; (ii) IFRS 11 Joint Arrangements; (iii) IFRS 12 Disclosures of Interests in Other Entities; (iv) IFRS 13 Fair Value Measurement; and (v) Amendments to IFRS 7 Financial Instrument Disclosures.

5. Segmented Information

The Company's reportable and geographical segments are Canada and the United States. The accounting policies used for the reportable segments are the same as the Company's accounting policies. For the purposes of monitoring segment performance and allocating resources between segments, the Company's executive officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments. The following tables show information regarding the Company's reportable segments.

For the year ended August 31, 2014	**Canada**	**United States**	**Total**
Net revenue	$ 65,024	-	$ 65,024
Net loss	$ (4,683,624)	$ (1,431,961)	$ (6,115,585)

For the year ended August 31, 2013	Canada	United States	Total
Net revenue	$ 30,062	-	$ 30,062
Net loss	$ (1,431,363)	$ (2,834,683)	$ (4,266,046)

For the year ended August 31, 2012	Canada	United States	Total
Net revenue	$ 39,218	-	$ 39,218
Net loss	$ (2,585,129)	$ (224,059)	$ (2,809,188)

As at August 31, 2014	**Canada**	**United States**	**Total**
Total Assets	$ 179,888	$ 5,117,040	$ 5,296,928
Total Liabilities	$ 6,991,287	$ 1,025,076	$ 8,016,363

As at August 31, 2013	Canada	United States	Total
Total Assets	$ 3,914,928	$ 3,003,268	$ 6,918,196
Total Liabilities	$ 6,029,577	$ 746,475	$ 6,776,052

6. Exploration and Evaluation Assets

Cost		
Balance August 31, 2012	$	8,475,487
Additions		404,818
Change in decommissioning obligation estimates		(9,268)
Impairment of Murphy Lease		(2,690,568)
Foreign exchange		354,809
Balance August 31, 2013	$	6,535,278
Additions, net		113,578
Change in decommissioning obligation estimates		7,225
Disposal of decommissioning obligations, Matthews Lease JDA		(26,426)
Impairment of Murphy Lease		(1,675,749)
Foreign exchange		82,686
Balance August 31, 2014	**$**	**5,036,592**

The Company's exploration and evaluation assets are located in Texas, USA. As at August 31, 2014 an impairment of $1,675,749 was recorded on the Murphy Lease ($1,315,276 net of foreign currency translation gain of $301,884 and write off of decommissioning obligations of $58,589) (August 31, 2013: $2,690,568). Included in the above additions for the year ended August 31, 2014, the Company capitalized borrowing costs interest of $Nil to exploration and evaluation assets (August 31, 2013: $240,092).

Matthews Lease, Zavala County, Texas
During the year ended August 31, 2013, the Company, Dyami Energy and OGR Energy Corporation, the Lessees, were litigating a dispute with the Lessors of the Matthew's property. During the last quarter of fiscal year August 2013, the Company and the Lessors agreed to resolve the litigation and continue with the development of the Matthew's property. In order to comply with certain State legal requirements, it was deemed necessary by the Lessors counsel to continue with the development through a newly executed lease document and the Company formed, Zavala Inc. a new wholly owned subsidiary to execute the new lease. The new lease was signed effective September 1, 2013 and the first of two payments of US$150,000 were paid to the Lessors upon signing the new lease as required initial pre-payment of anticipated production royalties along with a continuing development obligation under the lease to complete the previously drilled Matthews #1H horizontal well or drill a new well on the Matthews property no later than March 30, 2014. On September 1, 2013, the Matthews lease was renewed by the Company through Zavala Inc. and based on the concept of faithful representation under IAS 8, the carrying value of the Matthew's lease by Dyami Energy was considered to be the value for Zavala Inc. as this arrangement is simply a reorganization in substance.

On December 3, 2013, (amended January 21, 2014) the Company entered into a Joint Development Agreement with Stratex Oil and Gas Holdings, Inc. ("Stratex") (the "Stratex JDA") to further develop the Matthews Lease. Under the terms of the Stratex JDA, Stratex will act as operator and upon Stratex delivering i) US$150,000 to the lessors of the Matthews Lease on behalf of Zavala Inc., ii) delivering US $150,000 to the Company; and iii) commencing a hydraulic fracture of the Matthews #1H not later than March 31, 2014 Stratex earned a 66.67% working interest before payout (50% working interest after payout) in the Matthews #1H well and a 50% working interest in the 2,629 acre Matthews Lease (see Note 17).

Through Zavala Inc., the Company holds a 50% working interest in the 2,629 acre Matthews Lease (33.33% working interest before payout and 50% working interest after payout in the Matthews #1H well). The Matthews Lease had a primary term extended to March 31, 2014 (the "Primary Term") while each lease year ends August 31. Prior to the expiration of the Primary Term, a hydraulic fracturing of the Matthews #1H well was completed and thereafter the lease is maintained through a guaranteed minimum royalty payment of $323.30 per acre and beginning in the second lease year and continuing thereafter for each succeeding lease year drill at least 2 wells per lease year. The royalties payable under the Matthews Lease are 25%.

6. Exploration and Evaluation Assets (cont'd)

On April 11, 2014, the Company entered into a further Joint Development Agreement ("JDA2") with Stratex and Quadrant Resources LLC, ("Quadrant") for the development of the San Miguel formation on the Matthews Lease. Pursuant to the terms of the JDA2, upon satisfaction of certain conditions including the Phase 1 Work Program and the cash consideration described below, Quadrant can earn an undivided 66.67% before payout and a 50% working interest after payout to the base of the San Miguel formation of the Matthews Lease by i) drilling 3 new wells and reworking 5 wells at its sole cost and expense by June 30, 2015 (the "Phase I Work Program"); ii) deliver US$100,000 to the Company upon execution of the JDA2 (paid); and iii) deliver US$65,000 to the Company on each of July 8, 2014 (paid); October 6, 2014, January 5, 2015 and April 6, 2015. At August 31, 2014 the Company recorded the payments received from Quadrant of US$165,000 (CDN $177,804) as deferred revenue on the Consolidated Statement of Financial Position until the conveyance of the earned interest at which time this amount will be reclassified and offset against exploration and evaluation assets.

Murphy Lease, Zavala County, Texas
Subsequent to September 1, 2013 and the continuing development of the Matthews lease, Dyami Energy continued its development efforts with the Murphy lease. A tentative joint venture agreement with Stratex was reached but did not materialize and efforts to develop the Murphy lease were not successful. The Company had solicited lenders and investors in an attempt to obtain debt/equity financings as a means to improve Dyami Energy's financial situation. Despite the Company's attempts, these efforts were unsuccessful and management determined that it could no longer fund the Murphy operations, hence the lease was considered impaired and an impairment loss was recorded by Dyami Energy during the third quarter (see Note 16).

On March 6, 2014, the Company filed a Certificate of Termination of a Domestic Entity with the Secretary of State, Texas for its wholly-owned subsidiary Dyami Energy and effective April 3, 2014, Dyami Energy was dissolved. All prior obligations with respect to the Matthew's and Murhpy's lease on the books of Dyami Energy prior to its dissolution were recorded by the Company.

7. Provisions

	Decommissioning Obligations (Note a)	Other Provisions (Note b)	Total Provisions
Balance, August 31, 2012	$ 114,755	$ 125,917	$ 240,672
Accretion expense	3,071	-	3,071
Change in estimate	(5,104)	-	(5,104)
Additions	-	169,196	169,196
Reductions	-	(125,917)	(125,917)
Foreign exchange	7,020	9,357	16,377
Balance, August 31, 2013	119,742	178,553	298,295
Accretion expense	961	-	961
Change in estimate	7,225	-	7,225
Disposals	(26,426)	-	(26,426)
Reductions	-	(169,196)	(169,196)
Dissolution of subsidiary (see Note 16)	(58,589)		(58,589)
Foreign exchange	4,630	(9,357)	(4,727)
Balance, August 31, 2014	**$ 47,543**	**$ -**	**$ 47,543**

7 Provisions (cont'd)

a) Decommissioning Obligations

The Company's decommissioning obligations result from its ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of decommissioning obligations to be $47,543 ($11,768 current and $35,775 long term) at August 31, 2014 (August 31, 2013: $119,742 long term) based on an undiscounted total future liability of $60,629 (August 31, 2013: $166,578). These payments are expected to be incurred between 2015 and 2031. The discount factor, being the risk free rate related to the liability is 2.57% (August 31, 2013: 3.09%).

b) Other Provisions

In February 2013, a vendor of Dyami Energy applied a lien on the Murphy #4 well and filed a claim in the District Court of Zavala County, Texas (Case No. 13-02-12941-ZCV) seeking payment of US$169,196 for services. Dyami Energy was disputing the amount on the basis of negligence by the vendor. On January 28, 2014 the vendor received a summary judgment against Dyami Energy in the amount of $169,196 plus interest at a rate of 18% per annum from September 17, 2012 until paid and legal fees of $21,178 plus interest at a rate of 5% per annum from the date of judgment until paid. During 2013 full amount of the provision had been recorded together with legal fees and interest. The provision, legal fees and interest were transferred to trade and other payables (see Note 16).

In May 2012 a vendor of Dyami Energy filed a claim in the District Court of Harris County, Texas seeking payment of US$64,866. Dyami Energy was disputing the amount charged due to faulty equipment. The full amount of the provision which was accrued in the prior year 2012 was reversed in 2013 as the vendor is no longer in good standing as a Texas corporation and the vendor's attorney filed in the District Court of Harris County, Texas a motion to withdraw as counsel (see Note 16).

In December 2011, a vendor of Dyami Energy filed a claim in the District Court of Harris County, Texas (Case No. 2011-74035/Court: 113) seeking payment of US$62,800. Dyami Energy disputed the claim on the basis of excessive charges. In December 2013 an agreed final judgment in favour of the vendor was entered into court in the amount of $42,803 and post judgment interest at 5% per annum until paid in full. The provision was transferred to trade and other payables (see Note 16).

8. Share Capital and Reserves

The Company filed Articles of Amendment effective August 25, 2014 consolidating the common shares of Eagleford Energy Inc., on the basis of one (1) common share for every ten (10) common shares and changing its name to Eagleford Energy Corp. The stock consolidation has been applied retrospectively for all periods presented.

On March 16, 2012, the Company completed a two (2) for one (1) stock split, pursuant to which one (1) newly-issued share of the Company's common stock was issued to each holder of a share of common stock as of the close of business. The forward stock split has been applied retrospectively for all periods presented.

8 (a) Share Capital

Authorized:
Unlimited number of common shares at no par value
Unlimited non-participating, non-dividend paying, voting redeemable preference shares

Issued:
The following table sets out the changes in common shares during the respective periods:

Common Shares	Number*	Amount
Balance August 31, 2012	9,671,281	$ 5,906,633
Private Placement of units (Note 8 (b) (a))	224,979	197,214
Debt settlement (Note 8 (b) (b))	2,366,257	946,503
Balance August 31, 2013	12,262,517	7,050,350
Warrants exercised (Note 8 (b) (c))	651,904	306,405
Debt settlement (Note 8 (b) (e))	14,757,120	1,715,426
Balance August 31, 2014	**27,671,541**	**$ 9,072,181**

* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten stock consolidation

8 (b) Share Purchase Warrants

The following table sets out the changes in warrants during the respective periods:

	August 31, 2014		August 31, 2013	
Warrants	**Number of Warrants***	**Weighted Average Price***	**Number of Warrants***	**Weighted Average Price***
Outstanding, beginning of period	4,020,095	$ 0.40	4,020,095	$ 0.04
Warrants exercised (Note 8 (c))	(651,904)	$ 0.35		
Warrants expired (Note 8 (d))	(1,453,191)	$ 0.35		
Warrants issued (Note 8 (e))	7,378,560	$ 0.10		
Balance, end of period	**9,293,560**	**$ 0.18**	**4,020,095**	**$ 0.40**

* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten stock consolidation

(a) On September 25, 2012, the Company completed private placements for gross proceeds of $441,004 of equity capital from arm's length private placement funding through the issuance of 224,979 units at a price of US$2.00 per unit. Each unit was comprised of one common share and one-half a common share purchase warrant, with each whole warrant entitling the holder to acquire one common share of the Company at US$5.00 for a period of three years from the date of issuance. The amount allocated to derivative warrant liabilities based on fair value using the Black-Scholes option pricing model was $163,541 (retranslated as $176,087 at August 31, 2013). In connection with the private placement, the Company paid cash commissions and other expenses of $35,354 and issued an aggregate of 17,998 broker warrants. Each broker warrant entitles the holder to acquire one common share of the Company at an exercise price of US$2.50 for a period of three years from the date of issuance. The amount allocated to derivative liabilities based on fair value using the Black-Scholes option pricing model was $44,895 (retranslated as $48,340 at August 31, 2013) with a corresponding decrease in common shares (see Note 11).

(b) On June 1, 2013, the Company issued 2,366,257 common shares as full settlement of shareholders' loans in the amount of $198,333 and interest due on shareholders' loans in the amount of $345,906. The amount allocated to common shares based on fair value was $946,503 and $402,264 was recorded as a loss on settlement of debt in the consolidated statement of operations and comprehensive loss.

(c) Effective February 27, 2014, 651,904 common share purchase warrants were exercised at $0.35 expiring February 27, 2014 for settlement of cash advances of $228,167. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $78,238 (see Note 9).

8 (b) Share Purchase Warrants (cont'd)

(d) On February 5, 2014, 200,000 common share purchase warrants exercisable at $0.35 expired. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $24,000 with a corresponding increase to contributed surplus. On February 25, 2014, 80,052 common share purchase warrants exercisable at $0.35 expired. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $9,606 with a corresponding increase to contributed surplus. On February 27, 2014, 1,173,139 common share purchase warrants exercisable at $0.35 expired. The amount allocated to warrants based on relative fair value using the Black-Scholes option pricing model was $140,793 with a corresponding increase to contributed surplus.

(e) Effective August 30, 2014, the Company converted shareholders' loans and interest due in the aggregate amount of $1,180,570 through the issuance of a total of 14,757,120 units in the capital of the Company at a price of $0.08 per unit. Each unit is comprised of one (1) common share and one half of one (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of CDN$0.10 until August 30, 2017.The fair value of the units ($2,516,505) was allocated to common shares $1,715,426 and warrants $801,079 based on their relative fair values and $1,335,935 was recorded as a loss on settlement of debt in the consolidated statement of operations and comprehensive loss. The warrant component was valued using a Binomial Lattice model whereas the fair value of the common share component was based on the current market value of the company's stock (see Note 10 and 11).

The following table summarizes the outstanding warrants as at August 31, 2014 and 2013 respectively:

Number of Warrants*		Exercise Price*	Expiry Date	Weighted Average Remaining Life (Years)		Warrant Value ($)
600,000	$	0.50	January 24, 2015	0.40	$	507,038
1,315,000	$	0.50	February 17, 2015	0.47		662,851
7,378,560	$	0.10	August 30, 2017	3.00		801,079
9,293,560	**$**	**0.50**		**2.47**	**$**	**1,970,968**

* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten stock consolidation

Number of Warrants*		Exercise Price*	Expiry Date	Weighted Average Remaining Life (Years)		Warrant Value ($)
200,000	$	0.40	February 5, 2014	0.43	$	24,000
80,052	$	0.40	February 25, 2014	0.49		9,606
1,825,043	$	0.40	February 27, 2014	0.49		219,031
600,000	$	0.50	January 24, 2015	1.40		507,038
1,115,000	$	0.50	February 17, 2015	1.47		595,310
200,000	$	0.50	February 17, 2015	1.47		67,541
4,020,095	$	0.40		**0.94**	**$**	**1,422,526**

* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten stock consolidation

8 (c) Weighted Average Shares Outstanding

The following table summarizes the weighted average shares outstanding:

Weighted Average Shares Outstanding*	August 31, 2014	August 31, 2013
Weighted Average Shares Outstanding Basic and diluted	12,675,329	10,477,429

* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten stock consolidation

The effects of any potential dilutive instruments on loss per share are anti-dilutive and therefore have been excluded from the calculation of diluted loss per share.

8 (d) Share Purchase Options

The Company has a stock option plan to provide incentives for directors, officers, employees and consultants of the Company. The maximum number of shares, which may be set aside for issuance under the stock option plan, is 20% of the issued and outstanding common shares of the Company on a rolling basis.

The following table is a summary of the status of the Company's stock options and changes during the period:

	Number of Options*	Weighted Average Exercise Price
Balance, August 31, 2012 and 2013	105,000	$ 1.64
Granted	-	-
Balance, August 31, 2014	**105,000**	**$ 1.64**

* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten stock consolidation

The following table is a summary of the Company's stock options outstanding and exercisable at August 31, 2014 and 2013 respectively:

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Options*	Weighted Average Exercise Price	Weighted Average Remaining Life (Years) (1)	Number of Options*	Weighted Average Exercise Price
$ 1.60	100,000	$ 1.60	2.50	1,00,000	$ 1.60
$ 2.50	5,000	$ 2.50	0.16	5,000	$ 2.50
	105,000	**$ 1.64**	**2.39**	**105,000**	**$ 1.64**

* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten stock consolidation
(1) In October 2012, the Optionee passed away and pursuant to the terms of the option agreement had a period of twelve (12) months after the date of such death before the expiry of the option (see Note 17).

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Options*	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Number of Options*	Weighted Average Exercise Price
$ 1.60	100,000	$ 1.60	3.50	1,00,000	$ 1.60
$ 2.50	5,000	$ 2.50	3.90	5,000	$ 2.50
	105,000	$ 1.64	3.52	105,000	$ 1.64

* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten stock consolidation

8 (e) Contributed Surplus

Contributed surplus transactions for the respective periods are as follows:

	Amount
Balance, August 31, 2012 and 2013	$ 506,200
Warrants expired	174,399
Derivative warrants expired	709,299
Balance, August 31, 2014	**$ 1,389,898**

9. Related Party Transactions and Balances

The following transactions with individuals related to the Company arose in the normal course of business have been accounted for at the exchange amount being the amount agreed to by the related parties, which approximates the arm's length equivalent value.

Compensation of Key Management Personnel
The remuneration of directors and other members of key management personnel during the years ended were as follows:

	August 31, 2014	August 31, 2013	August 31, 2012
Short term employee benefits (1)	$ 75,000	$ 75,000	$ 75,000
Directors stock based compensation (2)	-	-	95,910
	$ 75,000	$ 75,000	$ 170,910

The following balances owing to the President of the Company are included in trade and other payables and are unsecured, non-interest bearing and due on demand:

	August 31, 2014	August 31, 2013
Short term employee benefits (1)	$ 281,250	$ 206,250
Expenses paid on behalf of the Company	-	1,747
	$ 281,250	$ 207,997

(1) The Company accrues management fees for the President of the Company at a rate of $6,250 per month.
(2) On March 1, 2012, the Company granted 60,000 share purchase options to directors with an exercise price of $1.60 per share expiring on February 28, 2017.

At August 31, 2014 the amount of directors' fees included in trade and other payables was $19,200 (August 31, 2013: $16,100).

At August 31, 2014 the Company had a promissory note payable to the President of the Company of $Nil (August 31, 2013: $28,845 and US$300,000). For the year ended August 31, 2014, the Company recorded interest on the promissory note of $24,162 (August 31, 2013: $35,324). At August 31, 2014, included in trade and other payables is interest of $91,727 (August 31, 2013: $65,826). The notes were due on demand and bear interest at 10% per annum. Interest was payable annually on the anniversary date of the notes. Effective February 27, 2014, 651,904 common share purchase warrants expiring February 27, 2014,were exercised by the President of the Company at $0.35, for settlement of cash advances of $228,167 (see Note 8 (b) (c)). On August 30, 2014 the Company issued 1,628,700 units at $0.08 per unit as full settlement of a promissory note payable to the President of US$120,000 (see Note 8 (b) (e) and Note 10). At August 31, 2014, the Company had a note payable to Core Energy Enterprises Inc. ("Core") of US$249,250. The President of the Company is a major shareholder, officer and a director of Core.

At August 31, 2014 the Company had a $1,322,347 (US$1,216,175), 10% per annum secured convertible promissory note payable to Benchmark Enterprises LLC ("Benchmark") (2013: US$960,000). Benchmark is a shareholder of the Company. For the year ended August 31, 2014, the Company recorded interest on the secured promissory note of $104,237 (August 31, 2013: $101,309). At August 31, 2014 included in trade and other payables is interest of $Nil (August 31, 2013: $169,033) (see Note 10 and Note 11).

9 Related Party Transactions and Balances (cont'd)

At August 31, 2014, the Company had shareholders' loans payable of US$655,000. (August 31, 2013: US$1,433,500 and $250,000). For the year ended August 31, 2014 the Company recorded interest of $180,349 (August 31, 2013: $183,490) on the shareholders' loans payable. At August 31, 2014, included in trade and other payables, is interest of $269 August 31, 2013: $47,037). The notes are payable on demand and bear interest at 10% per annum. Interest is payable annually on the anniversary date of the notes. On August 30, 2014, the Company issued 13,128,420 units at $0.08 per unit as full settlement of promissory notes payable of US$529,250, $250,000 and interest payable of $225,614 (see Note 8 (b) (e)). During the year ended August 31, 2013, the Company issued 2,366,257 common shares as full settlement of shareholders' loans in the amount of $198,333 and interest due on shareholders' loans in the amount of $345,906 (see Note 8 (b) (e) and Note 10).

10 Secured Note Payable and Shareholders' Loans

Secured Note Payable

At August 31, 2014, the Company exchanged a secured note payable to Benchmark with a carrying value of $1,322,347 (US$1,216,175) for a secured convertible promissory note payable to Benchmark with a face value of $1,322,347 (US$1,216,175) (the "Note"). The Note has an interest rate of 10%. The Note is due on the earliest to occur of: (a) August 31, 2015; (b) the closing of any subsequent financing or series of financings by the Company that results in gross proceeds of an aggregate amount equal to or greater than US$4,400,000, excluding conversion of any existing debt into equity; (c) the date of a sale by the Company of all of the shares in the capital stock of Zavala Inc. held by the Company from time to time; (d) the closing of a merger, reorganization, take-over or other business combination which results in a change of control of the Company or Zavala Inc.; or (e) an event of default.

In the event that the Company closes any subsequent financing or series of financings that results in gross proceeds to the Company of an aggregate amount equal to or greater than US$2,000,000, excluding conversion of any existing debt into equity of the Company, the Company shall allocate US$0.50 of every US$1.00 exceeding the US$2,000,000 raised from such financing to repay the Note. The Note is secured by all of the assets of the Company and Zavala Inc. The Company may, in its sole discretion, prepay any portion of the principal amount upon seven days' notice. Benchmark has the option at any time while the Note is outstanding to convert any unpaid principal and accrued interest into conversion units. A conversion unit is comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the conversion unit. The price of the conversion unit is the lessor of a price equal to the 30-day VWAP of the Company as of the date of conversion, less 20% (as adjusted for any stock splits, combinations or similar events) or eight United States Cents (US$0.08) per share the "Conversion Unit").

Accounting Considerations

The Company has accounted for this transaction as an exchange of debt instruments. Under IAS 39 "Financial Instruments: Recognition and Measurement"., an exchange between an existing borrower and lender of debt instruments with substantially different terms or substantial modification of the terms of an existing financial liability of part thereof is accounted for as an extinguishment. Since the new debt instrument has a conversion option, the terms are considered substantially different and therefore gives rise to extinguishment accounting. Further, the Company analyzed the conversion unit under IAS 39 and determined that it meets the definition of an embedded derivative. Since both components of the Conversion Unit (the common share component and warrant component) contain a variable exercise/conversion price, the Conversion Unit meets the definition of a financial liability under IAS 32 "Financial Instruments: Presentation". As a result, the Conversion Unit is a derivative liability that requires fair value measurement each period.

10 Secured Note Payable and Shareholders' Loans (cont'd)

Based on the previous conclusions, the Company allocated the old note first to the derivative component at its fair value with the residual allocated to the host debt contract, as follows:

	Allocation CDN$
Secured promissory note (old debt instrument)	$ 1,322,347
Derivative liability (Conversion Unit)	(4,000,100)
Loss on exchange of debt instruments	2,677,753
	$ -

The Note will be accreted up to its face value of $1,322,347 (US$1,216,175) over the life of Note based on an effective interest rate (see Note 11).

Shareholder Loans

Effective August 30, 2014, the Company converted shareholders' loans and interest due in the aggregate amount of $1,180,570 through the issuance of a total of 14,757,120 units in the capital of the Company at a price of $0.08 per unit. Each unit is comprised of one (1) common share and one half of one (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one (1) common share at an exercise price of CDN$0.10 until August 30, 2017. The fair value of the units ($2,516,505) was allocated to common shares $1,715,426 and warrants $801,079 based on their relative fair values and $1,335,935 was recorded as loss on settlement of debt. The original terms of the debt did not include settlement by the issuance of equity instruments.

Accounting Considerations

The Company has accounted for this transaction as an extinguishment of debt instruments for equity instruments under the guidance of IFRIC Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments". IFRIC 19 addresses the accounting of when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It states that if a debtor issues equity instruments to a creditor to extinguish all or part of a financial liability, those equity instruments are 'consideration paid' in accordance with IAS 39.41. Accordingly, the debtor should derecognise the financial liability fully or partly. IFRIC 19 further states that the debtor recognises in profit or loss the difference between the carrying amount of the financial liability (or part) extinguished and the fair value of the equity instruments issued. As result, the Company recorded a loss on extinguishment in the amount of $1,335,935 in profit and loss which is the difference of the fair value of the equity instruments ($2,516,505) and the carrying value of the debt instruments ($1,180,570).

The warrant component was valued using a Binomial Lattice model whereas the fair value of the common share component was based on the current market value of the company's stock. The fair value of the conversion unit ($2,516,505) was allocated to the common stock component ($1,715,426) and warrant component ($801,079) based on their relative fair values. Significant assumptions utilized in the Binomial Lattice process are as follows for the warrant component of the conversion unit as of August 30, 2014:

	August 30, 2014
Market value on valuation date	$ 0.16
Contractual exercise rate	$ 0.092
Term (years)	5.00 Years
Expected market volatility	196.97%
Risk free rate using zero coupon US Treasury Security rate	0.94%

11. Derivative Liabilities

Derivative Warrant Liabilities

The Company has warrants issued with an exercise price in US dollars which are different from the functional currency of the Company (Canadian Dollars) and accordingly the warrants are treated as a financial liability and the fair value movement during the period is recognized in the profit or loss.

The following table set out the changes in derivative warrant liabilities during the respective periods.

	Number of Warrants*	Fair Value Assigned $	Average Exercise Price US $
As at August 31, 2012	784,273	1,640,406	4.70
Warrants issued	112,490	163,541	5.00
Broker warrants issued	17,998	44,895	2.50
Change in fair value estimates	-	128,041	-
As at August 31, 2013	914,761	1,976,883	4.06
Warrants expired	(170,923)	(709,299)	5.00
Change in fair value estimates	-	57,723	-
As at August 31, 2014	**743,838**	**1,325,307**	**4.06**

* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten consolidation

On September 25, 2012 the Company issued 112,490 common share purchase warrants exercisable at US$5.00 and 17,998 common share purchase broker warrants exercisable at US$2.50 expiring September 25, 2015. The fair value measured using the Black-Scholes option pricing model was $163,541 and $45,895, respectively.

On August 31, 2014 170,923 warrants exercisable at US$5.00 expired and the fair value measured using the Black-Scholes option pricing model of $709,299 was recorded as an increase to contributed surplus.

The following tables set out the number of derivative warrant liabilities outstanding at August 31, 2014 and 2013 respectively:

Number of Warrants*	Exercise Price US ($)*	Expiry Date	Weighted Average Remaining Life (Years)	Fair Value CDN ($)
187,500	5.00	April 13, 2015 (1)	0.62	365,474
30,000	2.50	April 13, 2015(1)	0.62	99,420
91,250	5.00	July 20, 2015(1)	0.88	133,431
14,600	2.50	July 20, 2015(1)	0.88	35,915
250,000	5.00	August 7, 2015(1)	0.93	365,964
40,000	2.50	August 7, 2015(1)	0.93	94,188
112,490	5.00	September 25, 2015	1.07	181,178
17,998	2.50	September 25, 2015	1.07	49,737
743,838			**0.70**	**1,325,307**

(1) Current

* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten consolidation

11 Derivative Liabilities (cont'd)

Number of Warrants*	Exercise Price US ($)*	Expiry Date	Weighted Average Remaining Life (Years)	Fair Value CDN ($)
170,923	5.00	August 31, 2014(1)	1.00	688,803
187,500	5.00	April 13, 2015	1.62	355,208
30,000	2.50	April 13, 2015	1.62	96,629
91,250	5.00	July 20, 2015	1.88	129,683
14,600	2.50	July 20, 2015	1.88	34,906
250,000	5.00	August 7, 2015	1.93	355,685
40,000	2.50	August 7, 2015	1.93	91,542
112,490	5.00	September 25, 2015	2.07	176,087
17,998	2.50	September 25, 2015	2.07	48,340
914,761			**1.70**	**1,976,883**

(1) Current
* Reflects the March 16, 2012 two-for-one stock split and the August 25, 2014 one-for-ten consolidation

The fair value of the warrants issued during the year ended August 31, 2013, were estimated using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes Assumptions used	**2013**
Risk-free interest rate	1.5%
Expected volatility	217%
Expected life (years)	3.00 Years
Dividend yield	-

Derivative Unit Liabilities
The following tables summarize the components of the Company's derivative liabilities reflected in US Dollars and linked common shares as at August 31, 2014:

	August 31, 2014	
The financings giving rise to derivative financial instruments	Indexed Shares	Fair Values $CDN
Conversion unit (1 common share and 1 common share purchase warrant)	15,202,188	$ (4,000,100)

The Company's face value $1,322,347 (US$1,216,175) Secured Convertible Promissory Note issued on August 31, 2014 gave rise to a derivative financial instrument. As more fully discussed in Note 10 the Company issued a face value $1,322,347 (US$1,216,175) Secured Convertible Promissory Note on August 31, 2014 (the "Note"). The Note embodied certain terms and conditions that were not clearly and closely related to the host debt agreement in terms of economic risks and characteristics. Additionally these features met the definition of a financial liability under IAS 32 "Financial Instruments: Presentation". These terms and features consist of the conversion unit which is comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Company at a price equal to a 15% premium to the price of the common share acquired under the conversion unit.

Current accounting principles that are provided in IAS 32 and IAS 39 require derivative financial instruments to be classified in liabilities and carried at fair value with changes recorded in profit and loss. The Company has selected the Monte Carlo Simulations valuation technique to fair value the common share component of the conversion unit because it believes that this technique is reflective of all significant assumption types, and ranges of assumption inputs, that market participants would likely consider in transactions involving common share components. Such assumptions include, among other inputs, interest risk assumptions, credit risk assumptions and redemption behaviors in addition to traditional inputs for option models such as market trading volatility and risk free rates.

11 Derivative Liabilities (cont'd)

The Company has selected the Binomial Lattice model to fair value the warrant component of the conversion unit because it believes this technique is reflective of all significant assumption types market participants would likely consider in transactions involving warrants.

Significant inputs and results arising from the Monte Carlo Simulations process are as follows for the common share component contained in the conversion unit:

	August 31, 2014
Underlying price on valuation date*	$0.3090
Contractual conversion rate	$0.08
Contractual term to maturity	1.00 Years
Implied expected term to maturity	0.613 Years
Market volatility:	
Range of volatilities	78.41% - 269.09%
Equivalent volatility	181.25%
Contractual interest rate	10.0%
Equivalent market risk adjusted interest rate	10.00%
Equivalent credit risk adjusted yield	3.45%

*The underlying price of the common share component of the conversion unit is the sum of the market price on the valuation date and the fair value of the warrant component derived from the binomial lattice model.

Significant assumptions utilized in the Binomial Lattice process are as follows for the warrant component of the conversion unit as of August 31, 2014:

	August 31, 2014
Market value on valuation date	$ 0.16
Contractual exercise rate	$ 0.092
Term (years)	5.00 Years
Expected market volatility	179.21%
Risk free rate using zero coupon US Treasury Security rate	1.63%

12 Financial Instruments and Concentration of Risks

The Company has classified its financial instruments as follows:

Financial Instrument	Category	Measurement method
Cash	Fair value through profit or loss	Fair value
Marketable securities	Fair value through profit or loss	Fair value
Derivative liabilities	Fair value through profit or loss	Fair value
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Provisions	Other financial liabilities	Amortized cost
Secured note payable and shareholders' loans	Other financial liabilities	Amortized cost

The types of risk exposure and the ways in which such exposures are managed are as follows:

12 Financial Instruments and Concentration of Risks (cont'd)

Credit Risk
Credit risk is primarily related to the Company's receivables from joint venture partners and the risk of financial loss if a partner or counterparty to a financial instrument fails to meet its contractual obligations. Receivables from joint venture partners are normally collected within one to three months of the joint venture bill being issued to the partner. The Company historically has not experienced any collection issues with its joint venture partners to date. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to expenditure. The Company establishes an allowance for doubtful accounts as determined by management based on their assessed collectability; therefore, the carrying amount of trade and other receivables generally represents the maximum credit exposure. The Company believes that its counterparties currently have the financial capacity to settle outstanding obligations in the normal course of business.

Concentration risks exist in cash because significant balances are maintained with one financial institution. The risk is mitigated because the financial institution is an international bank.

The Company's maximum exposure to credit risk is as follows:

	August 31, 2014	August 31, 2013
Cash	$ 103,215	$ 196,837
Trade and other receivables	157,121	27,786
Prepaid expenses and deposits	-	158,295
Balance	$ 260,336	$ 382,918

Liquidity Risk
The Company monitors its liquidity position regularly to assess whether it has the funds necessary to fulfill planned exploration commitments on its oil and gas properties or that viable options are available to fund such commitments from new equity issuances or alternative sources such as farm-out agreements. However, as an exploration company at an early stage of development and without significant internally generated cash flow, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that actual exploration expenditures may exceed those planned. The current uncertainty in global markets could have an impact on the Company's future ability to access capital on terms that are acceptable to the Company. The Company has so far been able to raise the required financing to meet its obligations however, there can be no assurance that it will continue to do so in the future.

The following table illustrates the contractual maturities of financial liabilities:

August 31, 2014	**Payments Due by Period**				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and others payables	$ 1,483,775	$ 1,483,775	-	-	-
Shareholders' loans (1)	981,834	981,834	-	-	-
Total	$ 2,465,609	$ 2,465,609	-	-	-

August 31, 2013	**Payments Due by Period**				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and others payables	$ 1,379,581	$ 1,379,581	-	-	-
Secured note payable (1)	1,013,088	1,013,088	-	-	-
Shareholders' loans (1)	2,108,205	2,108,205	-	-	-
Total	$ 4,500,874	$ 4,500,874	-	-	-

(1) Translated at current exchange rate.

12 Financial Instruments and Concentration of Risks (cont'd)

Market Risk

Market risk represents the risk of loss that may impact the Company's financial position, results of operations, or cash flows due to adverse changes in financial market prices, including interest rate risk, foreign currency exchange rate risk, commodity price risk, and other relevant market or price risks. The Company does not use derivative financial instruments or derivative commodity instruments to mitigate this risk.

The oil and gas industry is exposed to a variety of risks including the uncertainty of finding and recovering economic reserves, the performance of hydrocarbon reservoirs, securing markets for production, commodity prices, interest rate fluctuations, potential damage to or malfunction of equipment and changes to income tax, royalty, environmental or other such factors.

Market events and conditions in recent years including oil and gas supply and demand, disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions have caused significant volatility to commodity prices. These conditions contributed to a loss of confidence in the broader U.S. and global credit and financial markets. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions contributed to the broader credit markets to further deteriorate and stock markets to decline. These factors have negatively impacted company valuations and may impact the performance of the global economy going forward. Although economic conditions improved, the recovery has been slow in various sectors including in Europe and the United States and has been impacted by various ongoing factors including sovereign debt levels and high levels of unemployment which continue to impact commodity prices and to result in volatility in the stock market.

The Company mitigates these risks by:

- utilizing competent, professional consultants as support to management,
- reviewing available petrophyisical analysis of prospects,
- focusing on a limited number of core properties.

(i) Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by world economic events that affect the levels of supply and demand.

The Company believes that movement in commodity prices that are reasonably possible over the next twelve month period may have a significant impact on the Company as all its oil properties are still in a development stage.

Commodity Price Sensitivity

The following table summarizes the sensitivity of the fair value of the Company's risk management position for the year ended August 31, 2014 and 2013 to fluctuations in natural gas prices, with all other variables held constant. When assessing the potential impact of these price changes, the Company believes that 10 percent volatility is a reasonable measure. Fluctuations in natural gas prices potentially could have resulted in unrealized gains (losses) impacting net income as follows:

	2014		2013	
	Increase 10%	Decrease 10%	Increase 10%	Decrease 10%
Net revenue	$ 72,451	$ 57,597	$ 32,946	$ 27,178
Net loss	$ (6,108,158)	$ (6,123,012)	$ (4,263,162)	$ (4,268,930)

12 Financial Instruments and Concentration of Risks (cont'd)

(ii) Currency Risk
The Company is exposed to the fluctuations in foreign exchange rates. The prices received by the Company for the production of natural gas and natural gas liquids are primarily determined in reference to United States dollars but are settled with the Company in Canadian dollars. The Company's cash flow for commodity sales will therefore be impacted by fluctuations in foreign exchange rates.

The Company operates in Canada and a portion of its expenses are incurred in U.S. dollars. A significant change in the currency exchange rates between the Canadian dollar relative to US dollar could have an effect on the Company's financial instruments. The Company does not hedge its foreign currency exposure.

The following assets and liabilities are denominated in US dollars at August 31, 2014 and 2013:

	August 31, 2014	August 31, 2013
Cash	$ 73,099	$ 150,901
Trade and other receivables	74,091	14,349
Exploration and evaluation assets	4,638,600	2,681,541
Prepaid expenses and deposits	27,478	150,000
Trade and other payables	(882,877)	(821,787)
Provisions	(32,948)	(265,117)
Derivative liabilities	(4,899,511)	(1,873,290)
Shareholders' loans	(904,250)	(1,733,500)
Secured note payable	-	(960,000)
Deferred revenue	(165,000)	-
Net assets denominated in US$	$ (2,071,318)	$ (2,656,903)
Net asset CDN dollar equivalent at period end (1)	$ (2,249,038)	$ (2,803,830)

(1) Translated at the exchange rate in effect at August 31, 2014 $1.0858 (August 31, 2013 $1.0553)

The following table shows the estimated sensitivity of the Company's total comprehensive loss for the periods set out from a change in the U.S dollar exchange rate in which the Company has exposure with all other variables held constant.

	August 31, 2014		August 31, 2013	
	Increase	Decrease	Increase	Decrease
Percentage change in US Dollar	In total comprehensive loss from a change in % in the US Exchange Rate ($)		In total comprehensive loss from a change in % in the US Exchange Rate ($)	
2%	(48,840)	48,840	(59,178)	59,178
4%	(97,680)	97,680	(118,355)	118,355
6%	(146,520)	146,520	(177,533)	177,533
8%	(195,360)	195,360	(236,711)	236,711
10%	(244,201)	244,201	(295,888)	295,888

(iii) Interest Rate Risk
Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The majority of the Company's debt is short-term in nature with fixed rates. Based on management's knowledge and experience of the financial markets, the Company believes that the movements in interest rates that are reasonably possible over the next twelve month period will not have a significant impact on the Company.

12 Financial Instruments and Concentration of Risks (cont'd)

(iv) Fair Value of Financial Instruments

The Company's financial instruments included on the consolidated statement of financial position as at August 31, 2014 and 2013 are comprised of cash, derivative liabilities, trade and other receivables, trade and other payables, secured note payable, shareholders' loans and provisions.

The Company classifies the fair value of financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

• Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

• Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

• Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

	August 31, 2014		August 31, 2013	
Financial Instrument Classification	Carrying Value $	Fair Value $	Carrying Value $	Fair Value $
Fair value through profit or loss:				
Cash	103,215	103,215	196,837	196,837
Derivative liabilities	5,325,407	5,325,407	1,976,883	1,976,883
Loans and receivables:				
Trade and other receivables	157,121	157,121	27,786	27,786
Other financial liabilities:				
Trade and other payables	1,483,775	1,483,775	1,379,581	1,379,581
Secured note payable	-	-	1,013,088	1,013,088
Shareholders' loans	981,834	981,834	2,108,205	2,108,205
Provisions (short and long term)	47,543	47,543	298,295	298,295

Cash and derivative liabilities are stated at fair value (Level 1 measurement). The carrying value of trade and other receivables, trade and other payables, secured note payable, shareholders' loans and provisions approximate their fair value due to the short-term maturity of these financial instruments (Level 3 measurement).

Capital Management

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity and flexibility to funds its operations, growth and ongoing exploration and development commitments on its oil and gas interests. The Company is dependent on funding these activities through debt and equity financings and joint venture arrangements. Due to long lead cycles of the Company's exploration and development activities, the Company's capital requirements currently exceed its operational cash flow generated. As such the Company is dependent upon future financings in order to maintain its flexibility and liquidity and may from time to time be required to issue equity, issue debt, adjust capital spending or obtain additional farm-in arrangements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, availability of capital and the risk characteristics of any underlying assets in order to meet current and upcoming obligations. Current plans for the development commitments of the Company's Texas lease include seeking debt or equity financing or seeking additional farm-in arrangements.

12 Financial Instruments and Concentration of Risks (cont'd)

The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management and favourable market conditions to sustain future development of the business. As at August 31, 2014 and August 31, 2013 and the Company considered its capital structure to comprise of shareholders equity and long-term debt.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's capital management plan during the period ended August 31, 2014. The Company is not subject to any externally imposed restrictions on its capital requirements.

The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management and favorable market conditions and opportunities to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

13. Supplemental cash flow information and Non-Cash Transactions

The following table summarizes the non-cash transactions for the years set out:

Non-cash transactions	**August 31, 2014**	**August 31, 2013**	**August 31, 2012**
Warrants expired	(78,238)	-	-
Derivative warrants expired	(709,299)	-	-
Warrants exercised for settlement of cash advances	228,167	-	-
Disposal of decommissioning obligation	26,426	-	-
Royalties paid under Matthews JDA	(167,715)	-	-
Units issued to settle debt	1,180,570	-	2,252,715
Shares issued for interest on secured note and shareholders' loans	-	$ 601,576	$ 440,136
Broker warrants issued	-	44,895	212,001
Shares issued to settle debt	-	344,927	-
Warrants expired	-	-	(318,552)
Units cancelled	-	-	(2,091,616)
Prepaid portion of shares for services	-	-	(44,285)
Issuance of units as compensation	-	-	44,285
Compensation expense on re-pricing of units	-		188,625

The following table summarizes the changes in non-cash working capital for the years set out:

Changes in non-cash working capital	**August 31, 2014**	**August 31, 2013**	**August 31, 2012**
Trade and other receivables	$ (129,335)	$ (10,261)	$ 110,021
Trade and other payables	331,481	339,622	262,149
Prepaid expenses and deposits	158,295	(158,295)	-
Deferred revenue	177,804	-	-
Provisions	-	398,362	64,773
Net change	$ 538,244	$ 569,428	$ 436,943

14. Income Taxes

The Company has unused capital losses in the amount of approximately $195,852 (2013: $195,852) which may be carried forward indefinitely to offset future capital gains, and unused non capital losses in the amount of approximately $3,335,413 (2013: $3,055,152) available to reduce income in future years expiring as follows:

2014	$ 46,501
2015	47,434
2026	55,415
2027	42,337
2028	49,166
2029	268,782
2030	286,991
2031	648,310
2032	780,686
2033	829,530
2034	280,261
	$ 3,335,413

A reconciliation between income taxes provided at actual rates and at the basic rate ranging from 26.50% to 34% (2013: 26.50%% to 34%) for federal and provincial taxes is as follows:

	2014	2013
Net Loss	$ 6,115,585	$ 4,266,046
Taxes at statutory rates	(1,620,630)	(1,130,502)
Non-taxable items and others	1,412,019	888,466
Change in unrecognized deferred tax asset	208,611	242,036
	$ -	$ -

The significant components of the Company's unrecognized deferred income tax asset are summarized as follows:

	2014	2013
Operating loss carry forwards	$ 1,019,911	$ 808,519
Share issue costs	19,112	29,616
Marketable securities	777	777
Capital losses carry forwards	28,070	28,070
Oil and gas interests	76,713	69,042
Cumulative eligible capital	1,237	1,186
Unrecognized deferred tax asset	$ 1,145,821	$ 937,210

15. Commitments and Contingencies

The Company has certain commitments on its Lease located in Zavala County, Texas, USA (see Note 6).

16. Dissolution of Dyami Energy LLC

During the year ended August 31, 2013, the Company, Dyami Energy and OGR Energy Corporation, the Lessees, were litigating a dispute with the Lessors of the Matthew's property. During the last quarter of fiscal year August 2013, the Company and the Lessors agreed to resolve the litigation and continue with the development of the Matthew's property. In order to comply with certain State legal requirements, it was deemed necessary by the Lessors counsel to continue with the development through a newly executed lease document and the Company formed, Zavala Inc. a new wholly owned subsidiary to execute the new lease. The new lease was signed effective September 1, 2013 and the first of two payments of US$150,000 were paid to the Lessors upon signing the new lease as required initial pre-payment of anticipated production royalties along with a continuing development obligation under the lease to complete the previously drilled Matthews #1H horizontal well or drill a new well on the Matthews property no later than March 30, 2014. On September 1, 2013, the Matthews lease was renewed by the Company through Zavala Inc. and based on the concept of faithful representation under IAS 8, the carrying value of the Matthew's lease by Dyami Energy was considered to be the value for Zavala Inc. as this arrangement is simply a reorganization in substance.

Subsequent to September 1, 2013 and the continuing development of the Matthews lease, Dyami Energy continued its development efforts with the Murphy lease. A tentative joint venture agreement with Stratex was reached but did not materialize and efforts to develop the Murphy lease were not successful. The Company had solicited lenders and investors in an attempt to obtain debt/equity financings as a means to improve Dyami Energy's financial situation. Despite the Company's attempts, these efforts were unsuccessful and management determined that it could no longer fund the Murphy operations, hence the lease was considered impaired and an impairment loss was recorded by Dyami Energy during the third quarter. On March 6, 2014, the Company filed a Certificate of Termination of a Domestic Entity with the Secretary of State, Texas for its wholly-owned subsidiary Dyami Energy and effective April 3, 2014, Dyami Energy was dissolved. All prior obligations with respect to the Matthew's and Murhpy's lease on the books of Dyami Energy prior to its dissolution were recorded by the Company.

The Company's investment in Dyami Energy has been deconsolidated from the Company's Consolidated Financial Statements as at the effective date, and presented on the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Cash Flow as an impairment of the net assets and liabilities on dissolution of subsidiary.

The following table presents the effect of the dissolution of Dyami Energy on the consolidated financial statements of the Company at April 3, 2014:

	April 3, 2014
Exploration and evaluation assets – Murphy Lease	$ (1,675,749)
Provisions	58,589
Foreign currency translation reserve	301,884
Net assets and liabilities	**$ (1,315,276)**

17 Subsequent Events

On or about September 30, 2014, Stratex filed a petition against Zavala Inc. in the District Court of Zavala County, Texas seeking breach of contract and actual damages of US$152,293 (the "Purported Debt") for Zavala Inc's alleged non-payment of its proportionate share of minimum royalties due under the Matthews Lease. Zavala Inc. disputes the claim citing $300,000 paid by the Company to be credited against the minimum royalties which Stratex has failed to do. Zavala Inc. paid the $152,293 under protest and filed a Response and Cross Notice of Default against Stratex (Cause No. 14-09-13290-ZCV).

On or about October 27, 2014, the Company filed a statement of claim in the Ontario Superior Court of Justice against Alan Gaines, a former director of the Company for breach of fiduciary duty to the Company relating to Gaines role in the Company contracting with Stratex (Court File No.: 65-14-514935). The Company is seeking a declaration that Gaines breached his duty to the Company, an accounting and disgorgement of profits made by Gaines in breach of his duties or in the alternative, damages and/or restitution for breach of fiduciary duty, deceit, and unjust enrichment in an amount to be determined before trial and $1.0 million in punitive damages.

17 Subsequent Events (cont'd)

On October 29, 2014, 5,000 share purchase options expired and $11,112 was recorded as a decrease in share purchase options and a corresponding increase in contributed surplus.

On October 30, 2014 the President of the Company loaned the Company $10,000. The loan is payable on demand and bears interest at 10% per annum.

On November 4, 2014 1288131 Alberta Ltd., loaned the Company US$121,000. Colin McNeil a director of the Company is also an officer, director and shareholder of 1288131 Alberta Ltd. The loan is payable on demand and bears interest at 10% per annum.

On November 12, 2014 the Company granted immediately vesting share purchase options to acquire 1,000,000 common shares at an exercise price of $0.12 per share for a period of 5 years to directors and a consultant and recorded stock based compensation expense and share purchase options with a fair value of $112,693.

INDEX TO EXHIBITS

Exhibit #	Description
1.1	Certificate of Incorporation of Bonanza Red Lake Explorations Inc. (presently known as Eagleford Energy Inc.) dated September 22, 1978 (1)
1.2	Articles of Amendment dated January 14, 1985 (1)
1.3	Articles of Amendment dated August 16, 2000 (1)
1.4	Bylaw No 1 of Bonanza Red Lake Explorations Inc. (presently known as Eagleford Energy Inc.) (1)
1.5	Special By-Law No 1 – Respecting the borrowing of money and the issue of securities of Bonanza Red Lake Explorations Inc. (presently known as Eagleford Energy Inc.) (1)
1.6	Articles of Amalgamation dated November 30, 2009 (3)
4.1	2000 Stock Option Plan (1)
4.2	Code of Business Conduct and Ethics (1)
4.3	Audit Committee Charter (1)
4.4	Petroleum and Natural Gas Committee Charter (1)
4.5	Compensation Committee Charter (1)
4.6	Purchase and Sale Agreement dated February 5, 2008 among Eugenic Corp., 1354166 Alberta Ltd., and the Vendors of 1354166 Alberta Ltd. (1)
4.7	Amended Audit Committee Charter (3)
4.8	Amended Stock Option Plan (4)
4.9	Asset Purchase Agreement between Eagleford Energy Inc., and Source Re-Work Program Inc., dated May 12, 2010 (6)
4.10	Addendum dated June 10, 2010 to the Asset Purchase Agreement between Eagleford Energy Inc. and Source Re-Work Program Inc., dated May 12, 2010 (6)
4.11	Addendum 2 dated June 30, 2010 to the Asset Purchase Agreement between Eagleford Energy Inc. and Source Re-Work Program Inc., dated May 12, 2010 (6)
4.12	Acquisition Agreement among Eagleford Energy Inc., Dyami Energy LLC and the Members of Dyami Energy LLC dated August 10, 2010 (5)
4.13	Financial Advisory Services Agreement between Eagleford Energy Inc. and GarWood Securities, LLC dated June 10, 2010 (6)
4.14	Amended Stock Option Plan, February 24, 2011 (7)
4.15	Amendment dated December 31, 2011 to Secured Promissory Note between Eagleford Energy Inc. and Benchmark Enterprises LLC (8)
4.16	Consent of Sproule Associates Limited dated February 16, 2012 (9)
4.17	Evaluation of P&NG Reserves of Eagleford Energy Inc., at August 31, 2011 (11)
4.18	Amended Stock Option Plan, February 24, 2012 (8)
4.19	By-Law No. 1, February 24, 2012 (8)
4.20	Articles of Amendment, effective March 16, 2012 (10)
4.21	2nd Amendment dated June 30, 2012 to Secured Promissory Note between Eagleford Energy Inc. and Benchmark Enterprises LLC (12)
4.22	Evaluation of P&NG Reserves of Eagleford Energy Inc., at August 31, 2012 (12)
4.23	Consent of Sproule Associates Limited dated (12)
4.24	Financial Advisory Agreement between Eagleford Energy Inc. and The PrinceRidge Group LLC dated June 1, 2012 (12)
4.25	Amendment dated April 13, 2012 to Placement Agency Agreement dated March 12, 2012 between Eagleford Energy Inc. and Gottbetter Capital Markets, LLC (12)
4.26	Amendment No. 2 dated July 17, 2012 to Placement Agency Agreement dated March 12, 2012 between Eagleford Energy Inc. and Gottbetter Capital Markets, LLC (12)
4.27	Amendment No. 3 dated August 14, 2012 to Placement Agency Agreement dated March 12, 2012 between Eagleford Energy Inc. and Gottbetter Capital Markets, LLC (12)
4.28	Amendment No. 4 dated August 31, 2012 to Placement Agency Agreement dated March 12, 2012 between Eagleford Energy Inc. and Gottbetter Capital Markets, LLC (12)
4.29	3rd Amendment dated November 23, 2012 to Secured Promissory Note between Eagleford Energy Inc. and Benchmark Enterprises LLC (12)
4.30	4th Amendment dated March 1, 2013 to Secured Promissory Note between Eagleford Energy Inc. and Benchmark Enterprises LLC (13)

4.31	Eagleford Energy, Zavala Inc., Certificate of Incorporation dated August 29, 2013 (13)
4.32	Rule 14 Agreement among The Matthews Family Mineral Account, LP, Delta Star Holdings, LLC, Dyami Energy, LLC, Eagleford Energy Inc.,OGR Energy Corporation, OGR 2000 Ltd., and Texas Onshore Energy, Inc. (13)
4.33	Termination of Financial Advisory Agreement between Eagleford Energy Inc. and The PrinceRidge Group LLC dated September 5, 2013 (13)
4.34	Joint Development Agreement dated December 3, 2013 between Eagleford Energy Inc., Eagleford Energy, Zavala Inc., and Stratex Oil and Gas Holdings, Inc. (13)
4.35	Articles of Amendment, effective August 25, 2014 (14)
4.36	Amendment dated January 21, 2014 to the Joint Development Agreement between Eagleford Energy Inc., Eagleford Energy, Zavala Inc., and Stratex Oil and Gas Holdings, Inc.(15)
4.37	Joint Development Agreement dated April 11, 2014 by and among Quadrant Resources LLC Eagleford Energy, Zavala Inc., and Stratex Oil and Gas Holdings, Inc.(15)
4.38	Secured Convertible Promissory Note, General Security Agreement and Release dated August 31, 2014 between Eagleford Energy Inc. and Benchmark Enterprises LLC (15)
8.1	Subsidiaries of Eagleford Energy Inc. (15)
12.1/12.2	Section 302 Certification of Chief Executive and Financial Officer (15)
13.1/13.2	Section 906 Certification of Chief Executive and Financial Officer (15)

Reference #	**Incorporated by Reference**
(1)	Previously filed on April 29, 2009 by Registrant as part of Registration Statement on Form 20-F (SEC File No. 0-53646)
(2)	Previously Filed by Registrant as part of Amendment #2 to Registration Statement on Form 20F/A on July 14, 2009
(3)	Previously Filed by Registrant on Form 6 K on December 1, 2009
(4)	Previously filed by Registrant on Form 20F/A on March 12, 2010
(5)	Previously filed by Registrant on Form 6-K on September 16, 2010
(6)	Previously Filed by Registrant on Form 20F on February 11, 2011
(7)	Previously filed by Registrant on Form 6-K on January 27, 2011
(8)	Previously filed by Registrant on Form 6-K on February 1, 2012
(9)	Previously filed by Registrant on Form 20F on February 16, 2012
(10)	Previously filed by Registrant on Form 6-K on March 9, 2012
(11)	Previously filed by Registrant on Form 20F/A on April 26, 2012
(12)	Previously filed by Registrant on Form 20F on December 31, 2012
(13)	Previously filed by Registrant on Form 20F on December 24, 2013
(14)	Previously filed by Registrant on Form 6-K on August 20, 2014
(15)	Filed as an Exhibit hereto

FIRST AMENDMENT TO JOINT DEVELOPMENT AGREEMENT

THIS FIRST AMENDMENT TO JOINT DEVELOPMENT AGREEMENT (hereinafter, the "First Amendment") is made as of the 21st day of January, 2014, by and between EAGLEFORD ENERGY INC., an Ontario, Canada corporation ("Eagleford"), its wholly-owned subsidiary, EAGLEFORD ENERGY, ZAVALA INC., a Nevada corporation ("Zavala") and STRATEX OIL AND GAS HOLDINGS, INC., a Colorado corporation (hereinafter, the "Stratex").

WHEREAS, Eagleford, Zavala and Stratex are parties to a Joint Development Agreement dated as of December 3, 2013 (the "Development Agreement"), pursuant to which the parties undertook to develop the Matthews Lease described therein (unless otherwise indicated, capitalized terms used herein shall have the meaning ascribed to them in the Development Agreement); and

WHEREAS, Eagleford, Zavala and Stratex desire to amend the Development Agreement in several respects.

NOW THEREFORE, for and in consideration of the mutual promises contained in the Development Agreement, the benefits to be derived by each party thereunder and hereunder, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendments. Upon the execution hereof, the Development Agreement is amended as follows:

(a) Section 2 of the Development Agreement is hereby deleted in its entirety and the following shall be substituted therefor:

"2. Performance of Initial Operation. As soon as practicable, but in no event later than March 31, 2014, Stratex shall complete or cause to be completed, either (i) the hydraulic fracturing of the Matthews #1H well (the "1H Completion") or (ii) the spudding of a new well with a targeted depth in a formation capable of producing hydrocarbons (the "Spudding"). Either the timely commencement of the 1H Completion or the Spudding shall hereinafter be referred to as the "Initial Operation". In the case of the 1H Completion, Stratex shall be responsible for all costs associated with the 1H Completion from this date forward including, but not limited to, any payments required to be made to the lessors pursuant to Paragraphs 2.B(2), 2.C and 2.D of the Matthews Lease. In exchange for this commitment, Stratex is hereby granted an undivided working interest with respect to the Matthews #1H well equal to (i) two-thirds (66.67%) of 8/8ths of all the oil, gas and other minerals which may be produced and sold therefrom until Payout (as hereinafter defined) and (ii) one-half (50%) of 8/8ths of all the oil, gas and other minerals which may be produced and sold therefrom after Payout. Solely for purposes of this Section 2, Payout shall mean the point in time when Stratex shall have recouped from the proceeds of oil and gas production from such Matthews #1H Well, after deducting (a) severance, production, windfall profit and other taxes payable on such share of production, and (b) lessor's royalties, overriding royalties (including any overriding royalty interests) and like burdens which the Matthews Lease is burdened as of the date hereof, an amount equal to the aggregate of all costs incurred by Stratex in performing the 1H Completion."

(b) Section 3 of the Development Agreement is hereby deleted in its entirety and the following shall be substituted therefor:

"3. Grant of Working Interest and Exclusive Development Rights. Following payment by Stratex of all consideration set forth in Section 4 below, Stratex shall have earned and be entitled to receive, an assignment of an undivided working interest in the Development Acreage equal to fifty percent (50%) of 8/8ths of all the oil, gas and other minerals which may be produced and sold from the lands comprised therein. Immediately following the payment of all such consideration (time being of the essence), Zavala shall execute and deliver to Stratex, an assignment of working interest in the form attached hereto as Exhibit A, which shall be in recordable form for filing in Zavala County.

2. Ratification. The parties hereto do hereby ADOPT, RATIFY and CONFIRM the Development Agreement and all of its terms and provisions, as amended hereby, and declare the Development Agreement, as so amended to be in full force and effect.

3. Counterparts. This First Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment on the day and year first above written.

EAGLEFORD ENERGY INC.

By: /s/ J. C. Cassina
Name: J. C. Cassina
Title: President

EAGLEFORD ENERGY ZAVALA INC.

By: /s/ J. C. Cassina
Name: J. C. Cassina
Title: President

STRATEX OIL & GAS HOLDINGS, INC.

By: /s/ Stephen P. Funk
Name: Stephen P. Funk
Title: Chief Executive Officer

JOINT DEVELOPMENT AGREEMENT

THIS JOINT DEVELOPMENT AGREEMENT ("Agreement") is dated as of April 11, 2014 (the "Execution Date"), by and among Quadrant Resources LLC, a Florida limited liability company ("Participant"), Eagleford Energy, Zavala Inc., a Nevada corporation ("EEZ"), and Stratex Oil & Gas Holdings, Inc., a Colorado corporation ("Stratex"). Each of Participant, EEZ, and Stratex may be referred to herein, individually, as a "Party" and, collectively, as the "Parties".

RECITALS

WHEREAS, EEZ and Stratex are the owners of the Matthews Lease (as defined herein), covering approximately 2,629.42 acres of land in Zavala County, Texas;

WHEREAS, Participant desires to acquire from EEZ and Stratex assignments of certain interests in the Matthews Lease in consideration of its performance of the Hydrocarbon drilling and reworking operations on the Matthews Lease described herein as the Phase I Work Program; and

WHEREAS, Participant is willing to select, define, and fully describe each of the components of the Phase I Work Program and is willing to bear and pay one hundred percent (100%) of all costs and expenses incurred in the performance of, but does not wish to serve as operator with respect to, the Phase I Work Program;

WHEREAS, Stratex is the operator of record of the Matthews Lease and is willing to serve as operator, on behalf and at the direction of Participant, with respect to the Phase I Work Program, and Stratex and EEZ are willing to convey to Participant such interests in the Matthews Lease upon the Completion of the Phase I Work Program, subject to and in accordance with the terms of this Agreement.

NOW, THEREFORE, for and in consideration of the mutual promises contained herein, the benefits to be derived by each Party hereunder, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I
DEFINITIONS AND INTERPRETATION

1.1 Defined Terms. In addition to the terms defined in the introductory paragraph and the Recitals of this Agreement, for purposes hereof, the capitalized expressions and terms set forth in Schedule 1.1 shall have the meanings set forth therein, unless expressly indicated otherwise. Other terms may be defined elsewhere in this Agreement and shall, for purposes hereof, have the meanings so specified, unless expressly indicated otherwise.

1.2 References. The words "hereby," "herein," "hereinabove," "hereinafter," "hereinbelow," "hereof," "hereto," "hereunder," and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular article, section, or provision of this Agreement. References in this Agreement to articles, sections, exhibits, or schedules are to such articles, sections, exhibits, or schedules of this Agreement unless otherwise specified.

1.3 Articles and Sections. This Agreement, for convenience only, has been divided into articles and sections. The rights and other legal relations of the Parties shall be determined from this Agreement as an entirety and without regard to the aforesaid division into articles and sections and without regard to headings prefixed to such articles and sections.

1.4 Number and Gender. Whenever the context requires, reference herein made to a single number shall be understood to include the plural; and likewise, the plural shall be understood to include the singular. Words denoting sex shall be construed to include the masculine, feminine, and neuter, when such construction is appropriate; and the words "include", "includes", and "including" shall mean, in each case, "include, without limitation", "includes, without limitation", and "including, without limitation." Specific enumeration shall not exclude the general but shall be construed as cumulative. Definitions of terms defined in the singular or plural shall be equally applicable to the plural or singular, as applicable, unless otherwise indicated.

ARTICLE II
CASH CONSIDERATION

As part of the consideration to be provided by Participant pursuant to this Agreement, Participant agrees to pay to EEZ, in cash in currency of the United States, the sum of THREE HUNDRED SIXTY THOUSAND AND NO/100 DOLLARS (U.S. $360,000.00) (the “Cash Consideration”). The Cash Consideration shall be payable by Participant to EEZ as follows: (a) $100,000.00, concurrently with the execution of this Agreement; (b) $65,000.00, on July 8, 2014; (c) $65,000.00, on October 6, 2014; (d) $65,000.00, on January 5, 2015; and (e) $65,000.00, on April 6, 2015; provided, however, that if Participant becomes entitled to receive the Conveyance under Section 5.2, Participant shall pay to EEZ, prior to the execution and delivery of the Conveyance, all installments of the Cash Consideration then outstanding. All payments shall be made by bank wire transfer of immediately available funds to an account designated by EEZ to Participant. Stratex shall not participate in the Cash Consideration.

ARTICLE III
PHASE I WORK PROGRAM

3.1 Matters Related to Title.

(a) Stratex and EEZ represent and warrant, jointly and severally, to Participant that Stratex and EEZ have Defensible Title to an undivided eighty-five percent (85%) Working Interest and not less than an undivided sixty-three and seventy-five one hundredths percent (63.750%) Net Revenue Interest in the Matthews Lease, insofar only as the Matthews Lease covers and includes the Surface-San Miguel Interval. Stratex and EEZ also represent and warrant, jointly and severally, to Participant that Stratex and EEZ are contractually entitled, under the terms of the Full Settlement, Release, and Indemnity Agreement, to receive a reconveyance of an undivided fifteen percent (15%) Working Interest in the Matthews Lease (the “Reconveyance Interest”). For purposes of this Agreement, the Matthews Lease, with respect to all of the lands covered thereby, but INSOFAR ONLY AS the Matthews Lease covers and includes the Surface-San Miguel Interval underlying such lands, shall be referred to as the “Development Area”. The representation and warranty contained in this Section 3.1(a) shall terminate on the effective date of the Conveyance.

(b) Prior to the Execution Date, Stratex and EEZ have provided to Participant copies of (i) the Original Title Opinion dated July 24, 2010, prepared by Winstead for Dyami Energy LLC and Gottbetter Partners, LLP, covering title to 1,380 acres of land out of the 2,629.42 acres covered by the Matthews Lease described therein, as of July 1, 2010, at 5:00 p.m., and (ii) the Title Report dated April 30, 2010, prepared by Winstead for Dyami Energy LLC and Gottbetter Partners, LLP, covering certain matters specified therein relating the title to such 2,629.42 acres of land. Stratex, in coordination with Participant, shall be responsible for causing to be conducted all additional title examinations, and obtaining all additional title opinions, required, in the reasonable judgment of Stratex, in connection with the Phase I Program. Stratex and EEZ shall bear and pay all costs and expenses incurred in connection with all such additional title examination and title opinions in accordance with arrangements between Stratex and EEZ separate from this Agreement.

(c) The right of Stratex and EEZ to execute and deliver the Conveyance to Participant is expressly conditioned upon the acquisition by Stratex and EEZ of the consent to the Conveyance of the lessors under the Matthews Lease. Participant agrees to provide to Stratex and EEZ reasonable cooperation and assistance in obtaining such consent. If Participant becomes entitled to receive the Conveyance under Section 5.2, Stratex and EEZ shall nonetheless have no obligation to execute and deliver the Conveyance to Participant unless and until the required consent thereto is obtained from the lessors under the Matthews Lease. Notwithstanding the absence of such consent, Participant shall remain entitled contractually to all of its rights and interests, and contractually responsible for the performance and discharge of its obligations and Liabilities, under this Agreement and the Operating Agreement.

(d) The Parties acknowledge that: (i) pursuant to Paragraph 3.J of the Matthews Lease, the lessee thereunder is obligated to pay to the lessors, from time to time as provided therein during the term of the Matthews Lease, a "Minimum Royalty Payment" (as defined in the Matthews Lease) of up to $850,000.00 annually (the "Minimum Royalty Amount"); (ii) prior to the execution of this Agreement, Stratex and EEZ have paid to the lessors under the Matthews Lease other amounts owed under the Matthews Lease equal to, in the aggregate, $390,000.00; and (iii) pursuant to Paragraph 3.J(2) of the Matthews Lease, such amounts paid by Stratex and EEZ shall be credited against the Minimum Royalty Amounts due or to become due under the terms of the Matthews Lease. Stratex, as Operator, shall be responsible for remitting such Minimum Royalty Payments to the lessors under the Matthews Lease in a timely manner. Within five (5) Business Days after its receipt of notice from Stratex requesting payment, Participant shall reimburse Stratex and EEZ for thirty-three and one third percent (33.3333%) of the amounts of all Minimum Royalty Payments, including the Minimum Royalty Payment of $153,333.00 paid on April 10, 2014, that become due under the Matthews Lease on and after April 10, 2014, until Participant becomes entitled to receive the Conveyance under Section 5.2. All Minimum Royalty Payments that become due under the Matthews Lease after Participant becomes entitled to receive the Conveyance under Section 5.2 shall be borne and paid by the Parties in the proportions of fifty percent (50%) by Participant and twenty-five percent (25%) by each of Stratex and EEZ. All other Lease Maintenance Payments that may become due under the Matthews Lease (x) prior to Participant becoming entitled to receive the Conveyance under Section 5.2, shall be borne fifty percent (50%) by each of Stratex and EEZ and (y) after Participant thus becomes entitled to the Conveyance, shall be borne fifty percent (50%) by Participant and twenty-five percent (25%) by each of Stratex and EEZ.

3.2 Scope of Phase I Work Program. During the Phase I Period, Stratex, as Operator, shall conduct, or cause to be conducted, the following operations on the Development Area on behalf and at the direction of Participant (collectively, the "Phase I Work Program"):

(a) Stratex, on behalf and at the direction of Participant, shall drill, or cause to be drilled, three (3) Hydrocarbon wells (each, a "Drilled Phase I Well"), either horizontally or vertically, in Participant's discretion in consultation with Stratex, at legal locations on the Development Area selected by Participant in consultation with Stratex, to a total vertical depth (and, if applicable, a horizontal displacement) sufficient to test the San Miguel Formation. Stratex, on behalf and at the direction of Participant, shall thereupon log, core, and test each Drilled Phase I Well and perform either Well Completion Operations and Equipping Operations therein or, subject to the terms of Section 3.5, Abandonment Operations therein, all as provided herein.

(b) Stratex, on behalf and at the direction of Participant, shall also conduct, or cause to be conducted, Reworking Operations in the Dyami/Matthews No. 3V Well and four (4) other temporarily abandoned or plugged and abandoned Hydrocarbon wells located on the Development Area selected by Participant in consultation with Stratex (each, a "Reworked Phase I Well"), with the objective of obtaining, re-establishing, or enhancing Hydrocarbon production from the San Miguel Formation through such Reworked Phase I Well. If such Reworking Operations successfully achieve, re-establish, or enhance Hydrocarbon production from a Reworked Phase I Well, Stratex, on behalf and at the direction of Participant, shall take such steps as would a reasonably prudent operator to cause such Reworked Phase I Well to commence Hydrocarbon production, including the performance of Well Completion Operations and Equipping Operations therein to the extent necessary. If such Reworking Operations fail to obtain or re-establish Hydrocarbon production from such Reworked Phase I Well, then subject to the terms of Section 3.5, Stratex, on behalf and at the direction of Participant, shall perform Abandonment Operations in such Reworked Phase I Well.

(c) Each Drilled Phase I Well and Reworked Phase I Well may be referred to herein, individually, as a "Phase I Well" and, collectively, the "Phase I Wells".

(d) During the Phase I Period, the Parties may, by the agreement of all Parties, elect to modify the number of Drilled Phase I Wells and Reworked Phase I Wells comprising the Phase I Work Program, depending upon the performance of each Phase I Well.

3.3 Undertakings of Stratex and Participant.

(a) Stratex will cause all Phase I Operations presented to it by Participant pursuant to Section 3.3(d) to be prosecuted with diligence and in a workmanlike manner consistent with the practices of a reasonably prudent operator and in compliance with all applicable Laws and the terms of the Matthews Lease, this Agreement, the Operating Agreement (to the extent not inconsistent or in conflict with the terms of this Agreement), and the Surface Use Agreement; provided, however, that in no event shall Stratex have any Liability to any other Party in its capacity as Operator hereunder for Liabilities sustained or incurred that arise out of or result from Stratex's conduct of operations on the Development Area during the Phase I Work Program, except for Liabilities sustained or incurred as the result of or arising out of the gross negligence, intentional torts, or willful misconduct of Stratex.

(b) Stratex shall conduct the operations included in the Phase I Work Program as an independent contractor and under the management, direction, and control of Stratex in accordance with the terms hereof, except to the extent otherwise provided herein. Participant shall provide general direction only with respect to the definition, description, and planning of each Phase I Operation but shall not have the right at any time to provide direct supervision, management, or control of Stratex's individual servants or employees in the performance of the individual components of such Phase I Operations. The specific manner, means, and method of performing all Phase I Operations shall be under the control of Stratex. Neither Stratex nor anyone employed by Stratex shall be deemed to be an employee, agent, attorney-in-fact, servant, or representative of Participant. Stratex's agreement to serve as Operator on behalf and at the direction of Participant during the Phase I Work Program shall terminate when Stratex Completes its performance of the Phase I Operations required hereunder to be performed in the eighth (8th), and last, Phase I Well as part of the Phase I Work Program.

(c) Stratex and EEZ shall supply to Participant currently-owned reservoir, geological, well logging, and production data to assist in the determination of the location and details for the Phase I Work Program.

(d) Prior to commencing each Phase I Operation, Participant shall provide to Stratex and EEZ (i) a written notice identifying (A) the Phase I Operation to be performed, (B) the Phase I Well to be drilled, re-entered, or reworked, and (C) in the case of a Drilled Phase I Well, (1) whether the proposed Drilled Phase I Well will be a vertical or horizontal well, (2) the surface location of such Drilled Phase I Well, and (3) the anticipated total vertical depth (which shall, in all events, penetrate the San Miguel Formation) and (if applicable) horizontal displacement of such Drilled Phase I Well and the location of the terminus of the horizontal wellbore, and (ii) an AFE setting forth the estimated costs and expenses to be incurred (based on a 100% Working Interest) in connection with the proposed Phase I Operation. If the proposed Phase I Operation is a Drilling Operation, such AFE shall include the estimated costs for the Drilling Operation as well as the Well Completion Operations and Equipping Operations that may be conducted in or with respect to such Drilled Phase I Well.

(e) (i) Participant, in consultation with Stratex and EEZ, shall assess and determine the surface and, if applicable, bottom hole locations of each Drilled Phase I Well; and (ii) Stratex shall: (A) make, or cause to be made, a survey of each such location; (B) cause each surface location to be staked; (C) prepare the surface location of each Phase I Well and the access thereto for the Phase I Operation to be conducted; and (D) shall settle surface damages, if any, occasioned by these operations (which shall be paid by Participant); all in accordance with the applicable terms of the Matthews Lease and the Surface Use Agreement.

(f) Stratex shall obtain, with the cooperation and assistance of Participant and EEZ, all drilling and other permits from the RRC and other Governmental Authorities having jurisdiction required in connection with the relevant Phase I Operation.

(g) Stratex shall furnish, or cause to be furnished, an appropriate drilling, completion, workover, or other rig and all equipment, employee staff, contract labor, mud and chemicals, surface casing, protection casing if necessary, cement, water, other materials, and fuel required for the Phase I Operation; shall move the applicable rig on and off location; and shall perform such other services as may be required to perform such Phase I Operation.

(h) Stratex shall furnish, or shall cause to be furnished, such on-site geological and engineering supervision as it deems necessary or appropriate.

(i) During each Phase I Operation, Stratex, in consultation with Participant, shall conduct, or cause to be conducted, such coring and testing as would a reasonably prudent operator. Upon reaching the San Miguel Formation in each Drilled Phase I Well, Stratex shall run, or cause to be run, from the base of the surface casing of such well to its total depth and full horizontal displacement, such electrical induction logs, density logs, or other logs as Stratex deems necessary to test the San Miguel Formation as encountered in such Drilled Phase I Well for the presence of Hydrocarbons.

(j) Stratex agrees that Participant, EEZ, and their respective representatives shall, at all times, have access at their own risk to the location of each Phase I Well to witness all operations therein and to inspect the logs and other records kept with respect to such Phase I Well. Stratex shall use reasonable commercial efforts to provide Participant and EEZ with at least forty-eight (48) hours written notice concerning the anticipated time that any logging, coring, testing, Well Completion Operations, or Abandonment Operations will take place on each Phase I Well to allow Participant, EEZ, and/or its representatives sufficient time to be present at the wellsite to witness the same.

(k) During and, if appropriate, after the performance of each Phase I Operation hereunder, Stratex shall furnish to Participant and EEZ copies of each of the following:

(i) daily drilling reports or workover progress reports, sent by facsimile or electronic mail;

(ii) drillstem tests, analyses, and other tests, sent by facsimile or electronic mail immediately when available;

(iii) mud logs and related reports, if run, sent by facsimile or electronic mail daily;

(iv) sidewall or conventional core analyses or evaluation results, sent by facsimile or electronic mail when available;

(v) electrical induction logs and surveys, density logs, and/or other open logs run, together with evaluation results, sent electronically when available;

(vi) production tests, fluid analyses, pressure tests, and other well tests, sent by facsimile or electronic mail when available;

(vii) completion reports, plugging reports, and other reports to the RRC and other Governmental Authorities having jurisdiction, sent by facsimile or electronic mail when available;

(viii) all permits received from the RRC or any other Governmental Authority; and

(ix) all data generated by and received by Stratex from the production monitoring system installed by Stratex at each successful Phase I Well.

(l) Stratex, in consultation with EEZ and Participant, shall make arrangements for the gathering, treatment, processing, transportation, and marketing of Hydrocarbons produced from the Phase I Wells once production is established.

3.4 Pre-Completion Additional Operations. Prior to Participant's final decision whether to direct Stratex to perform Well Completion Operations in a Drilled Phase I Well, Participant shall be entitled to direct Stratex to perform one or more Pre-Completion Additional Operations in the relevant Drilled Phase I Well if Participant determines, in its reasonable judgment exercised in a manner consistent with the standard of the reasonably prudent operator and in consultation with Stratex, that the performance of such Pre-Completion Additional Operation may reasonably be expected to enhance the likelihood that such Drilled Phase I Well will be Completed as a well capable of producing Hydrocarbons. If Participant elects to direct Stratex to conduct one (1) or more Pre-Completion Additional Operations in a Drilled Phase I Well, Participant shall provide to Stratex and EEZ written notice of such fact, together with an AFE covering the estimated costs for the relevant Pre-Completion Additional Operation.

3.5 Completion Decision; Plugging and Abandonment.

(a) When Stratex has Completed the performance of Drilling Operations in a Drilled Phase I Well, Stratex shall provide written notice of such fact to Participant and EEZ, together with its recommendation concerning whether Well Completion Operations or Abandonment Operations should be performed in such Drilled Phase I Well. Participant shall have twenty-four (24) hours (exclusive of Saturdays, Sundays, and legal holidays) after its receipt of Stratex's notice within which to advise Stratex whether Participant concurs with Stratex's recommendation. The failure of Participant to respond to such notice within such twenty-four hour period shall constitute Participant's agreement with Stratex's recommendation. If Participant desires to perform Well Completion Operations in a Drilled Phase I Well, Stratex shall perform such Well Completion Operations and the related Equipping Operations in such Drilled Phase I Well utilizing proven completion techniques and in accordance with the terms of this Agreement, the Matthews Lease, the Surface Use Agreement, and applicable Law. If Participant proposes not to attempt to perform Well Completion Operations in a Drilled Phase I Well, the provisions of Section 3.5(c) shall apply.

(b) Consistent with Section 3.5(a), when Stratex has Completed the performance of Reworking Operations in a Reworked Phase I Well, Stratex shall provide written notice of such fact to Participant and EEZ, including a statement whether such Recompletion Operations have successfully established, re-established, or enhanced Hydrocarbon production from the relevant Reworked Phase I Well and Stratex's recommendation concerning any additional operations to be performed in such Reworked Phase I Well (including the performance of Abandonment Operations or any necessary Well Completion Operations and Equipping Operations). Participant shall have twenty-four (24) hours (exclusive of Saturdays, Sundays, and legal holidays) after its receipt of Stratex's notice to advise Stratex whether Participant concurs with Stratex's recommendation. The failure of Participant to respond to such notice within such twenty-four hour period shall constitute Participant's agreement with Stratex's recommendation. If Stratex recommends operations other than the performance of Abandonment Operations, and Participant concurs with Stratex's recommendation, Stratex shall perform such recommended operations, including any recommended Well Completion Operations and related Equipping Operations, utilizing proven completion techniques and in accordance with the terms of this Agreement, the Matthews Lease, the Surface Use Agreement, and applicable Law. If Participant desires to perform Abandonment Operations in such Reworked Phase I Well, however, the provisions of Section 3.5(c) shall apply.

(c) If, in response to Stratex's notice under Section 3.5(a) or Section 3.5(b), Participant directs Stratex to conduct Abandonment Operations in the relevant Phase I Well, then regardless of the recommendation made by Stratex, no such Abandonment Operations shall be performed without the consent of both Stratex and EEZ. Each of Stratex and EEZ shall have forty-eight hours (exclusive of Saturdays, Sundays, and legal holidays) after its receipt of Participant's response to Stratex's notice under Section 3.5(a) or Section 3.5(b) within which to provide notice to Participant concerning whether such Party consents to the proposed Abandonment Operation. The failure of either Stratex or EEZ to respond to Participant's responsive notice within such forty-eight hour period shall constitute the consent of the non-responding Party to the proposed Abandonment Operation. If both Stratex and EEZ consent to Participant's proposed Abandonment Operation, Stratex shall perform such Abandonment Operation in the relevant Phase I Well in accordance with the terms of this Agreement, the Matthews Lease, the Surface Use Agreement, and applicable Law. If either Stratex or EEZ does not consent to Participant's proposed Abandonment Operation, the Party not granting its consent (the "Non-Abandoning Party") shall, at its sole cost, risk, Liability, and expense, take over and conduct such further operations in the relevant Phase I Well as the Non-Abandoning Party deems appropriate, subject to and in accordance with the terms of the Operating Agreement. If the relevant Phase I Well is taken over by a Non-Abandoning Party pursuant to this Section 3.5(c), Participant shall relinquish to the Non-Abandoning Party, by assignment and bill of sale without warranty of title, all of Participant's rights, titles, and interests under this Agreement in and to such Phase I Well and all Hydrocarbons that may be produced therefrom, as well as all of Participant's rights, titles, and interests in and to the well bore of such Phase I Well and all surface and subsurface equipment, personal property, fixtures, and facilities installed or constructed in connection therewith. Upon such assignment, Participant shall have no further obligation, responsibility, or Liability with respect to subsequent operations by the Non-Abandoning Party(ies) in such Phase I Well; provided, however, that Participant shall not be relieved of its obligations hereunder with respect to the payment of any of the costs and expenses described in Section 3.6(a) incurred prior to the takeover of such Phase I Well by the Non-Abandoning Party. If both Stratex and EEZ are Non-Abandoning Parties, all costs, risks, Liabilities, and expenses of further operations in the relevant Phase I Well shall be borne and paid, and all rights, titles, and interests in and with respect to such Phase I Well relinquished by Participant to the Non-Abandoning Party under this Section 3.5(c) shall be owned, in each case in the proportions of fifty percent (50%) by each of Stratex and EEZ. Participant's relinquishment of its rights and interests in a Phase I Well under this Section 3.5(c) shall not reduce or otherwise adjust Participant's rights hereunder with respect to any other Phase I Well.

(d) If Abandonment Operations are performed in a Phase I Well drilled to a total vertical depth within the San Miguel Formation hereunder, Participant shall be deemed to have performed and discharged in full its obligations (other than its payment obligations) under this Agreement (including, without limitation, for purposes of Section 5.2) with respect to the Phase I Operations required for such Phase I Well hereunder.

3.6 Responsibility for Costs – Phase I Work Program.

(a) As between Participant, on the one hand, and Stratex and EEZ, on the other hand, subject to the terms of Section 3.5(c), Participant shall bear and pay one hundred percent (100%) of all costs and expenses incurred by Stratex in connection with the Phase I Wells during the Phase I Period, including the following items of cost: (a) Drilling Costs; (b) Pre-Completion Additional Operation Costs; (c) Completion Costs; (d) Equipping Costs; (e) Reworking Costs; and (f) Abandonment Costs. Participant shall also bear and pay one hundred percent (100%) of all Operating Expenses incurred in connection with the Phase I Wells until the occurrence of Payout.

(b) Stratex and Participant shall cooperate to assure that all contractors, subcontractors, service providers, and vendors are aware that Participant is the responsible Person for the payment of all costs and expenses described in Section 3.6(a) and shall jointly direct all such contractors, subcontractors, service providers, and vendors to address to, and to deliver directly to, Participant all invoices reflecting charges for labor, materials, and services incurred by Stratex in connection with the performance of the Phase I Operations. Participant shall pay all such invoices promptly when due (and shall cause all of its subcontractors to pay promptly when due all similar charges incurred by them) and shall not permit any Liens to be filed (or, if filed, shall take prompt action to have the same removed) by any Person against the Matthews Lease or any Phase I Well location, Phase I Well, equipment, or appurtenances related thereto.

(c) As assurance of Participant's undertakings under this Section 3.6, concurrently with the execution of this Agreement, Participant has deposited with Stratex the sum of $50,000.00 for use by Stratex to pay any costs and expenses for which Participant is obligated under this Agreement and which Participant fails to pay before such costs and expenses become past due according to their terms. Upon Participant's satisfaction in full of its obligations under Section 3.6(e), Stratex shall refund the unexpended portion of such amount to Participant.

(d) If, for any reason (including Stratex's failure to Complete, by the June 30, 2015, the performance of all Phase I Operations required hereunder to be performed during the Phase I Work Program), Participant has not received, by June 30, 2015, invoices from the relevant contractors, subcontractors, service providers, or other vendors covering all costs and expenses incurred or to be incurred in connection with the Phase I Operations required to be performed hereunder during the Phase I Work Program, Participant agrees to pay to Stratex, no later than five (5) days after its receipt of Stratex's invoice, the estimated amounts of such unbilled costs and expenses based on the AFE(s) prepared by Participant with respect to the relevant Phase I Operations (including any Phase I Operations in progress but not Completed, and any Phase I Operations not yet commenced, as of June 30, 2015).

(e) If (i) by June 30, 2015, Participant has paid all invoices received by Participant prior to such date covering the costs and expenses described in Section 3.6(a) incurred in connection with the Phase I Work Program required to be performed hereunder, and (ii) Participant thereafter pays, in a timely manner, the full amount of any estimated, unbilled costs and expenses invoiced by Stratex to Participant in accordance with Section 3.6(d) and any amounts owed by Participant under Article II, Participant shall be deemed to have performed and discharged in full its obligations under this Agreement regarding the payment of costs and expenses incurred in connection with the Phase I Work Program for purposes of becoming entitled to receive the Conveyance under Section 5.2; provided, however, that nothing contained in this Section 3.6(e) shall relieve Participant of its obligation to bear and pay one hundred percent (100%) of the actual costs and expenses described in Section 3.6(a) incurred in connection with the Phase I Work Program, regardless of when Participant receives invoices for such actual costs and expenses.

3.7 Failure to Perform. If (a) prior to June 30, 2015, Participant fails to provide to Stratex proposals and AFEs for the Phase I Operations to be conducted hereunder in all Phase I Wells required hereunder, or (b) Participant fails to satisfy in full and in a timely manner its payment obligations under Section 3.6(e), Stratex and EEZ shall become entitled to terminate this Agreement in accordance with Article VII. Upon such a termination, Participant shall (a) not become entitled to receive the Conveyance pursuant to Section 5.2, (b) not be entitled to any reimbursement from EEZ with respect to the portion of the Cash Consideration paid by Participant prior to the expiration of the Phase I Period, and (c) assign to Stratex and EEZ, by assignment and bill of sale without warranty of title, all of Participant's rights, titles, and interests under this Assignment in and to all Phase I Wells, as well as all of Participant's rights, titles, and interests in and to the well bores of all Phase I Wells and all surface and subsurface equipment, personal property, fixtures, and facilities constructed or installed in connection therewith, in each case without reimbursement from Stratex and EEZ for any of the costs and expenses previously paid by Participant in connection with the Phase I Work Program, or any compensation for any of such well bores, personal property, fixtures, equipment, or facilities. No such termination shall relieve Participant of any unfulfilled obligation or Liability of Participant hereunder that accrued prior to such termination (including all obligations of Participant to pay to EEZ the full amount of the Cash Consideration under Article II and all other obligations of Participant to make payment under Section 3.6). All such obligations and Liabilities shall survive such termination.

3.8 Force Majeure. If any Party is rendered unable, wholly or in part, by reason of force majeure to carry out its obligations under this Agreement, other than the obligation to make money payments, such Party shall give to all other Parties prompt written notice of the force majeure with reasonably full particulars concerning the force majeure. Thereupon, the obligations of the Party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected Party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable, but neither this Agreement nor the Operating Agreement shall be terminated by reason of the suspension of operations due to the occurrence of force majeure. The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the Party involved, contrary to its wishes, and the manner in which all such difficulties shall be handled shall be entirely within the discretion of the Party concerned. The term "force majeure," as here employed, shall mean any act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockage, public riot, lightning, fire, storm, flood, explosion, governmental laws, rules, regulations, orders, action, delay, restraint or inaction, unavailability of equipment, or any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the Party claiming suspension.

ARTICLE IV
OPERATING AGREEMENT

4.1 Execution. Concurrently with the execution of this Agreement, Participant, Stratex, and EEZ have executed an Operating Agreement identical in form and substance to the form of Operating Agreement attached hereto and made a part hereof as Exhibit C (the "Operating Agreement") that names Stratex as "Operator" and Participant and EEZ as "Non-Operators" and establishes the Development Area as the "Contract Area" for purposes thereof.

4.2 Operations.

(a) The Operating Agreement shall be effective as of the Execution Date. During the Phase I Period, all Phase I Operations shall be governed by the terms of this Agreement, except to the extent that this Agreement does not specifically address an issue relating to the Phase I Operations, in which case the applicable terms of the Operating Agreement shall govern. Without limiting the foregoing, during the Phase I Period, no Party shall be entitled to propose, under the Operating Agreement, the drilling of a new well on the Development Area or the performance of any other operation in any Phase I Well or any other existing Hydrocarbon well located on the Development Area, it being the intention of the Parties that, during the Phase I Period, the Phase I Operations shall be the only Hydrocarbon operations to be conducted by the Parties in and on the Development Area. Nothing contained in this Agreement, however, shall prohibit or restrict in any way the right of Stratex and EEZ to conduct operations on the Matthews Lease in subsurface intervals below the base of the Surface-San Miguel Interval.

(b) If Participant becomes entitled to receive the Conveyance under Section 5.2, then all Hydrocarbon operations conducted in and on the Development Area on and after the effective date of the Conveyance (including all operations subsequently proposed with respect to the Phase I Wells and all operations relating to new wells to be located on the Development Area, including the proposal to drill and the election whether to participate in the drilling of the new well) shall be governed by the terms of the Operating Agreement, except to the extent such terms differ from, conflict with, or are otherwise inconsistent with the terms of this Agreement, in which case the terms of this Agreement shall govern. If Participant does not become entitled to receive the Conveyance under Section 5.2, however, the Operating Agreement shall thereupon terminate without further action by the Parties.

4.3 Designation of Participant as Successor Operator. If Participant becomes entitled to receive the Conveyance under Section 5.2, Participant shall be entitled, upon thirty (30) days' prior written notice to Stratex and EEZ, to take over the operation of the Development Area from Stratex and to become the Operator thereof subject to the terms of the Operating Agreement, but without having to comply with the procedures for Operator removal and the selection of a successor Operator set forth in Article V.B thereof. Any such assumption by Participant of the role of Operator of the Development Area under the Operating Agreement shall be effective as of the first day of the month following the month in which the thirty-day period after Participant's notice under this Section 4.3 expires.

ARTICLE V
INTERESTS EARNED; ASSIGNMENT

5.1 Dyami/Matthews No. 3V Well. Immediately prior to the execution and delivery to Participant of the Conveyance pursuant to Section 5.2, Stratex shall convey and assign to EEZ, by recordable instrument of conveyance in a form mutually acceptable to Stratex and EEZ made effective as of the date of execution of such conveyance, all of Stratex's rights, titles, and interests in and to the Matthews Lease, INSOFAR ONLY AS the Matthews Lease covers and includes the wellbore for the Dyami/Matthews No. 3V Well, all surface and subsurface equipment, personal property, fixtures, and facilities installed therein or thereon or appurtenant thereto, and all Hydrocarbon production therefrom. Such conveyance shall contain a special warranty of title and shall expressly be made subject to the terms of the Full Settlement, Release and Indemnity Agreement, the Amended Eagleford-Stratex JDA, this Agreement, and the Operating Agreement. Such conveyance shall also provide that EEZ shall assume and agree to pay, perform, and discharge all Liabilities arising out of or relating to the interests in the Dyami/Matthews No. 3V Well thus assigned by Stratex to EEZ effective as of the date of execution of such conveyance.

5.2 Conveyance. If (a) prior to June 30, 2015, Participant provides to Stratex and EEZ proposals and AFEs for the Phase I Operations to be conducted in all of the Phase I Wells required hereunder, and (b) Participant pays to Stratex and/or other Persons, in full and in a timely manner, all amounts that Participant is obligated to pay Stratex and/or such other Persons under the terms of Section 3.6(e), Stratex and EEZ (or, in the case of the Dyami/Matthews No. 3V Well, EEZ) shall execute and deliver to Participant, subject to the terms of Section 5.3, an Assignment, Bill of Sale, and Conveyance substantially in the form attached hereto as Exhibit B (the "Conveyance") that conveys to Participant an undivided fifty percent (50%) Working Interest in and to the Development Area. The Conveyance shall also convey to Participant an undivided fifty percent (50%) of the rights, titles, and interests of Stratex and EEZ in and to all of the Phase I Wells, all other Hydrocarbon wells located on the Development Area that produce from the Surface-San Miguel Interval, all surface and subsurface equipment, personal property, fixtures, and facilities installed therein or thereon or appurtenant thereto, and all Hydrocarbon production therefrom. The Conveyance shall be made effective as of the date on which both of the conditions stated in the first sentence of this Section 5.2 are fulfilled by Participant. The Conveyance shall be made subject to Lease Burdens no greater than twenty-five percent (25%) (based on a 100% Working Interest), with the result that the Net Revenue Interest attributable to the undivided fifty percent (50%) Working Interest assigned to Participant pursuant to the Conveyance shall be not less than thirty-seven and five tenths percent (37.500%). If EEZ has not received its conveyance of the Reconveyance Interest prior to the execution and delivery to Participant of the Conveyance, the continued existence of the Reconveyance Interest as a separately held Working Interest in the Matthews Lease shall have no effect on the interest in the Development Area conveyed to Participant pursuant to the Conveyance.

5.3 Excluded Assets. There is hereby excluded from the rights and interests in the Matthews Lease that Participant is entitled to earn hereunder, and Stratex and EEZ except and reserve to themselves, all of the rights, titles, and interests of Stratex and EEZ in and to the Matthews Lease, INSOFAR ONLY AS the Matthews Lease covers and includes (a) the wellbore of the Dyami/Matthews No. 2 H Well and (b) all subsurface intervals below the base of the Surface-San Miguel Interval, all Hydrocarbon wells completed in such subsurface intervals below the base of the Surface-San Miguel Interval (including the Dyami/Matthews No. 1 H Well), all Hydrocarbons produced therefrom, and all surface and subsurface equipment, personal property, fixtures, and facilities constructed or installed therein or thereon or appurtenant thereto.

5.4 Allocation of Costs – Post-Phase I Work Program. Notwithstanding, but assuming, the execution and delivery by Stratex and EEZ to Participant of the Conveyance, and notwithstanding any provision of the Operating Agreement to the contrary:

(a) All costs and expenses incurred in connection with Hydrocarbon operations conducted by the Parties in and on each of the six (6) Phase I Wells (including Operating Expenses incurred in connection with each such Phase I Well) after the Completion of the Phase I Operations required hereunder in each such Phase I Well shall be borne and paid by the Parties as follows:

(i) With respect to the Dyami/Matthews No. 3V Well:

(A) prior to the occurrence of Payout hereunder:

Party	Cost Percentage
Participant	100%
EEZ	- 0 -
Stratex	- 0 -

(B) after the occurrence of Payout hereunder:

Party	Cost Percentage
Participant	50.000%
EEZ	50.000%
Stratex	- 0 -

(ii) With respect to each other Phase I Well:

(A) prior to the occurrence of Payout hereunder:

Party	Cost Percentage
Participant	100%
Stratex	- 0 -
EEZ	- 0 –

(B) after the occurrence of Payout hereunder:

Party	Cost Percentage
Participant	50.000%
Stratex	25.000%
EEZ	25.000%

(b) All costs and expenses incurred in connection

with all operations conducted in Hydrocarbon wells (other than the Phase I Wells) located on the Development Area after the Execution Date shall be borne and paid as follows

(i) prior to the effective date of the Conveyance::

Party	Cost Percentage
Participant	- 0 -
Stratex	50.000%
EEZ	50.000%

(ii) after the effective date of the Conveyance:

Party	Cost Percentage
Participant	50.000%
Stratex	25.000%
EEZ	25.000%

5.5 Allocation of Revenues. Notwithstanding, but assuming, the execution and delivery by Stratex and EEZ to Participant of the Conveyance, and notwithstanding any contrary provision of the Operating Agreement, all proceeds from the sale of Hydrocarbons produced from the Development Area after the Execution Date (net of Lease Burdens and applicable Production Taxes) shall be allocated among the Parties as follows:

(a) With respect to the Dyami/Matthews No. 3V Well:

(i) prior to the occurrence of Payout hereunder:

Party	Revenue Percentage
Participant	66.667%
EEZ	33.333%
Stratex	- 0 -

(ii) after the occurrence of Payout hereunder:

Party	Revenue Percentage
Participant	50.000%
EEZ	50.000%
Stratex	- 0 -

(b) With respect to all other Phase I Wells:

(i) prior to the occurrence of Payout hereunder:

Party	Revenue Percentage
Participant	66.667%
Stratex	16.666%
EEZ	16.667%

(ii) after the occurrence of Payout hereunder:

Party	Revenue Percentage
Participant	50.000%
Stratex	25.000%
EEZ	25.000%

(c) With respect to all current and future wells located in and on the Development Area, other than the Phase I Wells:

(i) prior to the effective date of the Conveyance:

Party	Revenue Percentage
Participant	- 0 -
Stratex	50.000%
EEZ	50.000%

(ii) after the effective date of the Conveyance:

Party	Revenue Percentage
Participant	50.000%
Stratex	25.000%
EEZ	25.000%

5.6 Terms of Conveyance. The Conveyance shall contain a special warranty of title and be made free and clear of all Liens (including the Lien identified in clause (c) of the definition of Permitted Encumbrances), but shall otherwise be made subject to the existence of the Permitted Encumbrances. The Conveyance also shall expressly be made subject to the terms of the Full Settlement, Release, and Indemnity Agreement, the Amended Eagleford-Stratex JDA, this Agreement, and the Operating Agreement. The Conveyance shall also provide for the assumption by Participant, and the agreement of Participant to pay, perform, and discharge, all Liabilities arising out of or relating to the interest in the Development Area conveyed to Participant pursuant thereto, effective as of the effective date of the Conveyance.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of Participant. Participant represents and warrants to Stratex and EEZ as follows

(a) Organization; Good Standing. Participant is a limited liability company duly formed, validly existing, and in good standing under the Laws of the State of Florida. Participant has all requisite power and authority to own and operate its properties and to carry on its business as now conducted.

(b) Due Authorization; Enforceability. Participant has full capacity, power, and authority to enter into and perform this Agreement, the documents executed in connection herewith, and the transactions contemplated herein and therein. The execution, delivery, and performance by Participant of this Agreement and the documents executed in connection herewith have been duly and validly authorized and approved by all necessary limited liability company action on the part of Participant, and this Agreement and the documents executed in connection herewith are, or upon their execution and delivery will be, the valid and binding obligations of Participant and enforceable against Participant in accordance with their respective terms, subject to the effects of bankruptcy, insolvency, reorganization, moratorium, and similar Laws, as well as to principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) Non-Contravention. The execution, delivery, and performance by Participant of this Agreement and the documents executed in connection herewith and the performance of the transactions contemplated herein and therein will not (a) conflict with or result in a breach of any provisions of the organizational or governing documents of Participant, (b) result in the creation of a Lien against any of Participant's assets, (c) result in a material breach of or material default under, or give rise to any right of termination, revocation, cancellation, or acceleration under, any of the terms of any lease, contract, credit agreement, note, bond, mortgage, indenture, license, or other agreement, document, or instrument to which Participant is a party or by which Participant or any of its assets may be bound; or (d) violate any order, writ, injunction, judgment, decree, or Law applicable to Participant or its assets.

(d) Litigation. There is no legal, administrative, or arbitration proceeding pending, and to the knowledge of Participant, no Claim has been threatened, in either case against Participant or its assets that reasonably may be expected adversely to affect in any material respect the ability of Participant to consummate the transactions contemplated in this Agreement or perform its obligations hereunder.

(e) Consents and Approvals. Except for approvals by Governmental Authorities customarily obtained after the Execution Date, no authorization, consent, approval, exemption, franchise, permit, or license of, or filing with, any Governmental Authority or any other Person is required to authorize, or is otherwise required in connection with, the valid execution and delivery by Participant of this Agreement, or the documents executed in connection herewith, or the performance by Participant of its obligations hereunder and thereunder.

(f) No Brokers. Participant has not engaged any financial advisor, broker, agent, or finder, or incurred any Liability, contingent or otherwise, in favor of any other such Person relating to the transactions contemplated by this Agreement for which Stratex or EEZ will have any responsibility.

(g) No Bankruptcy. There are no bankruptcy, insolvency, reorganization, or arrangement proceedings pending, being contemplated by, or, to the knowledge of Participant, threatened against Participant, or any Affiliate that controls Participant.

6.2 Representations and Warranties of Stratex. Stratex represents and warrants to Participant and EEZ as follows:

(a) Organization. Stratex is a corporation duly organized, validly existing, and in good standing under the Laws of the State of Colorado, and is qualified to do business as a foreign corporation and is in good standing under the Laws of the State of Texas. Stratex has all requisite power and authority to own and operate its interest in the Matthews Lease and to carry on its business as now conducted.

(b) Due Authorization; Enforceability. Stratex has full capacity, power, and authority to enter into and perform this Agreement, the documents executed in connection herewith, and the transactions contemplated herein and therein. The execution, delivery, and performance by Stratex of this Agreement and the documents executed in connection herewith have been duly and validly authorized and approved by all necessary corporate action on the part of Stratex, and this Agreement and the documents executed in connection herewith are, or upon their execution and delivery will be, the valid and binding obligations of Stratex and enforceable against Stratex in accordance with their respective terms, subject to the effects of bankruptcy, insolvency, reorganization, moratorium, and similar Laws, as well as to principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) Non-Contravention. The execution, delivery, and performance by Stratex of this Agreement and the documents executed in connection herewith and the performance of the transactions contemplated herein and therein will not (a) conflict with or result in a breach of any provisions of the organizational or governing documents of Stratex, (b) result in the creation of a Lien against any of Stratex's interests in the Matthews Lease, (c) subject to acquiring the consent of the lessors to the execution and delivery of the Conveyance required under the terms of the Matthews Lease, result in a material breach of or material default under, or give rise to any right of termination, revocation, cancellation, or acceleration under, any of the terms of the Matthews Lease or any other lease, contract, credit agreement, note, bond, mortgage, indenture, license, or other agreement, document, or instrument to which Stratex is a party or by which Stratex or any of its assets may be bound; or (d) violate any order, writ, injunction, judgment, decree, or Law applicable to Stratex or its assets.

(d) Litigation. There is no legal, administrative, or arbitration proceeding pending and, to Stratex's knowledge, no Claim has been threatened, in either case against Stratex that reasonably may be expected (i) to challenge the title of Stratex to its interests in the Matthews Lease, (ii) adversely to affect in any material respect the ability of Stratex to own, develop, and operate the Matthews Lease, or (iii) adversely to affect in any material respect the ability of Stratex to consummate the transactions contemplated in this Agreement.

(e) Consents and Approvals. Except for the consent to the execution and delivery of the Conveyance required to be obtained from the lessors under the terms of the Matthews Lease, and except for approvals by Governmental Authorities customarily obtained after the Execution Date, no authorization, consent, approval, exemption, franchise, permit, or license of, or filing with, any Governmental Authority or any other Person is required to authorize, or is otherwise required in connection with, the valid execution and delivery by Stratex of this Agreement and the documents executed in connection herewith or the performance by Stratex of his obligations hereunder and thereunder.

(f) No Brokers. Stratex has not engaged any financial advisor, broker, agent, or finder, or incurred any Liability, contingent or otherwise, in favor of any other such Person relating to the transactions contemplated by this Agreement for which Participant or EEZ will have any responsibility.

(g) No Bankruptcy. There are no bankruptcy, insolvency, reorganization, or arrangement proceedings pending, being contemplated by, or, to Stratex's knowledge, threatened against Stratex or any Affiliate that controls Stratex.

6.3 Representations and Warranties of EEZ. EEZ represents and warrants to Participant and Stratex as follows:

(a) Organization. EEZ is a corporation duly organized, validly existing, and in good standing under the Laws of the State of Nevada. EEZ has all requisite power and authority to own and operate its interests in the Matthews Lease and to carry on its business as now conducted.

(b) Due Authorization; Enforceability. EEZ has full capacity, power, and authority to enter into and perform this Agreement, the documents executed in connection herewith, and the transactions contemplated herein and therein. The execution, delivery, and performance by EEZ of this Agreement and the documents executed in connection herewith have been duly and validly authorized and approved by all necessary corporate action on the part of EEZ, and this Agreement and the documents executed in connection herewith are, or upon their execution and delivery will be, the valid and binding obligations of EEZ and enforceable against EEZ in accordance with their respective terms, subject to the effects of bankruptcy, insolvency, reorganization, moratorium, and similar Laws, as well as to principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) Non-Contravention. The execution, delivery, and performance by EEZ of this Agreement and the documents executed in connection herewith and the performance of the transactions contemplated herein and therein will not (a) conflict with or result in a breach of any provisions of the organizational or governing documents of EEZ, (b) result in the creation of a Lien against any of EEZ's interests in the Matthews Lease, (c) subject to acquiring the consent of the lessors to the execution and delivery of the Conveyance required under the terms of the Matthews Lease, result in a material breach of or material default under, or give rise to any right of termination, revocation, cancellation, or acceleration under, any of the terms of the Matthews Lease or any other lease, contract, credit agreement, note, bond, mortgage, indenture, license, or other agreement, document, or instrument to which EEZ is a party or by which EEZ or any of its assets may be bound; or (d) violate any order, writ, injunction, judgment, decree, or Law applicable to EEZ or its assets.

(d) Litigation. There is no legal, administrative, or arbitration proceeding pending and, to EEZ's knowledge, no Claim has been threatened, in either case against EEZ that reasonably may be expected (i) to challenge the title of EEZ to its interests in the Matthews Lease, (ii) adversely to affect in any material respect the ability of EEZ to own, develop, and operate the Matthews Lease, or (iii) adversely to affect in any material respect the ability of EEZ to consummate the transactions contemplated in this Agreement.

(e) Consents and Approvals. Except for the consent to the execution and delivery of the Conveyance required to be obtained from the lessors under the terms of the Matthews Lease, and except for approvals by Governmental Authorities customarily obtained after the Execution Date, no authorization, consent, approval, exemption, franchise, permit, or license of, or filing with, any Governmental Authority or any other Person is required to authorize, or is otherwise required in connection with, the valid execution and delivery by EEZ of this Agreement and the documents executed in connection herewith or the performance by EEZ of his obligations hereunder and thereunder.

(f) No Brokers. EEZ has not engaged any financial advisor, broker, agent, or finder, or incurred any Liability, contingent or otherwise, in favor of any other such Person relating to the transactions contemplated by this Agreement for which Participant or Stratex will have any responsibility.

(g) No Bankruptcy. There are no bankruptcy, insolvency, reorganization, or arrangement proceedings pending, being contemplated by, or, to EEZ's knowledge, threatened against EEZ or any Affiliate that controls EEZ.

ARTICLE VII
TERM, TERMINATION

7.1 Term; Termination. This Agreement shall be binding upon and effective between the Parties as of the Execution Date. Unless earlier terminated as provided herein, this Agreement shall remain in full force and effect until the expiration of the Phase I Period.

7.2 Consequences of Termination. If Participant becomes entitled to receive the Conveyance under Section 5.2, then upon the termination of this Agreement pursuant to Section 7.1, the provisions of Section 4.2(b), Section 5.4, Section 5.5, this Article VII, Section 9.1, Section 9.2, Section 9.4, Section 9.8, and Section 9.14 shall survive such termination and remain in effect according to their respective terms. If Participant does not become entitled to receive the Conveyance under Section 5.2, then upon the termination of this Agreement under Section 7.1, only the provisions of this Article VII, Section 9.2, Section 9.8, and Section 9.14 shall survive such termination and remain in effect according to their respective terms. The termination of this Agreement shall, in no event, affect the continued validity and effectiveness of the Operating Agreement, and subject to the terms of Section 4.2, the Operating Agreement shall survive the termination hereof and remain in effect for so long as provided in Article XIII thereof. No termination of this Agreement shall relieve any Party of any unfulfilled Liability or obligation of such Party that had accrued prior to such termination (including any obligation to make payment) or the consequences of any breach or default of any warranty or covenant contained in this Agreement. All such obligations and Liabilities shall survive such termination.

ARTICLE VIII
RELATIONSHIP OF PARTIES; TAXATION

8.1 No Joint Venture. It is not the purpose of this Agreement to create, and this Agreement shall not be construed as creating, a joint venture, partnership, or other relation whereby any Party shall be liable for the acts, either of omission or commission, of any other Party. Furthermore, the respective rights and obligations of the Parties hereto shall, in all respects, be several and not joint, and shall be governed by the express provisions hereof.

8.2 Tax Partnership. Notwithstanding any other provision of this Agreement to the contrary, the Parties agree that their relationship for purposes of U.S. federal and state income taxation shall be governed by the provisions of the "Agreement Concerning Election to be Taxed Pursuant to Subchapter K (Tax Partnership)" attached as Exhibit G to the Operating Agreement (the "Tax Partnership Agreement"). In the event of a conflict between the terms of the Tax Partnership Agreement and the terms of this Agreement, the terms of the Tax Partnership Agreement shall govern and control.

ARTICLE IX
MISCELLANEOUS

9.1 Survival. All representations, warranties, covenants, and agreements of the Parties under this Agreement shall (a) survive the delivery of the Conveyance pursuant to Section 5.2, (b) not be merged with or into the Conveyance, and (c) remain in force and effect until the termination of this Agreement pursuant to Section 7.1 (unless earlier terminated elsewhere in this Agreement), subject to the terms of Section 7.2. Such survival does not obligate any Party to make any further or continuing representation or warranty after the Execution Date.

9.2 Notices. All notices, consents, approvals, requests, demands, and other communications required or permitted to be given hereunder or in connection with the transactions contemplated hereby shall be in writing and shall be deemed to have been duly given if (a) delivered personally with receipt acknowledged in writing by the receiving Party, (b) sent by bonded overnight courier, (c) mailed either registered or certified U.S. mail, with return receipt requested, (d) sent by facsimile, or (e) sent by electronic mail, to the indicated individuals at the following addresses:

If to Participant:

Quadrant Resources LLC
295 Madison Avenue, Floor 22
New York, New York 10017
Attention: David S. Khan
Telephone: (305) 298-0709
Email: dskhan1969@yahoo.com

If to Stratex:

Stratex Oil & Gas Holdings, Inc.
30 Echo Lake Road
Watertown, Connecticut 06795
Attention: Mr. Steven Funk
Telephone: (860) 604-1472
Email: sfunk@stratexoil.com

If to EEZ:

Eagleford Energy, Zavala Inc.
1 King Street West, Suite 1505
Toronto, Ontario, Canada M5H 1A1
Attention: Mr. James Cassina
Telephone: (416) 364-4039
Facsimile: (416) 364-8244
Email: cassina@bellnet.ca

With a copy to:

Buchanan Ingersoll & Rooney PC
1290 Avenue of the Americas, 30th Floor
New York, New York 10104
Attention: Mr. Matthew S. Cohen
Telephone: (212) 440-4478
Facsimile: (212) 440-4401
Email: matt.cohen@bipc.com

All notices given in accordance with the provisions of this Section 9.2 shall be deemed to have been received by the Party to whom such notices are directed on the date on which delivered whether personally or by registered or certified U.S. mail, bonded overnight courier, facsimile, or electronic mail, unless delivery or transmission is made after 5:00 p.m., in which case delivery shall be deemed to have been made on the next Business Day. Each Party may change the address to which such communications are to be directed by giving written notice to the other Parties in the manner provided in this Section 9.2.

9.3 Assignment. Subject to the succeeding provisions of this Section 9.3, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the Parties. Notwithstanding the foregoing:

(a) During the Phase I Period, Participant shall not sell, assign, or otherwise transfer all or any portion of its rights and interests, or delegate any of its obligations and Liabilities, under this Agreement without the prior written consent of the other Parties, which consent may be withheld by Stratex or EEZ in its sole discretion. Any such sale, assignment, or other transfer made without the consent of Stratex and EEZ shall be null and void.

(b) Neither Stratex, EEZ, nor, after the expiration of the Phase I Period, Participant may assign all or any portion of its rights and interests, or delegate any of its obligations and Liabilities, under this Agreement without the consent of the other Parties, which consent will not be unreasonably withheld, conditioned, or delayed; provided, however, that the requirement for consent to assignment contained in this Section 9.3(b) shall not apply to: (i) the transfer or assignment by a Party of its rights and interests in, or the delegation by a Party of its obligations and Liabilities under, this Agreement to an Affiliate; or (ii) the granting by a Party of a deed of trust, mortgage, security agreement, collateral assignment, pledge, or other security instrument covering its rights and interests under this Agreement or its interests in the Matthews Lease as security for indebtedness of such Party. In addition, if a Party sells or conveys all or a portion of its interests in the Development Area, such Party shall assign to the transferee, in whole or in part to the extent of the interests in the Development Area to be transferred, its rights and interests under this Agreement. Such a transfer shall not be subject to the requirement for consent to assignment contained in this Section 9.3(b) if the transferee expressly agrees to be bound by the terms hereof and to assume, perform, and discharge, to the extent of the interests in this Agreement thus assigned, the obligations and Liabilities of the transferring Party hereunder.

(c) No permitted assignment will relieve any Party of any of its obligations under this Agreement. Upon the assumption by a permitted transferee of the obligations and Liabilities of the transferring Party under this Agreement, the transferee shall become primarily liable with respect to all of such assumed obligations that accrue after the effective date of the permitted transfer. If, however, the permitted transferee fails to perform any of the obligations thus assumed, the transferring Party shall remain liable for the performance thereof.

(d) The terms of this Agreement shall constitute covenants running with the land with respect to the Development Area.

9.4 Confidentiality. Each Party agrees to keep the terms of this Agreement confidential and not to disclose the terms hereof to any third Person without the prior written consent of the other Parties; provided, however, that each Party shall have the right to disclose the terms of this Agreement to: (a) an Affiliate of such Party (or the shareholders, members, or partners of such Party or its Affiliate); (b) attorneys, accountants, engineers, financial advisors, and other consultants engaged by such Party where disclosure of such information is essential to such attorney’s, accountant’s, engineer’s, financial advisor’s, or consultant’s work for such Party; (c) prospective or actual contractors engaged by such Party where disclosure of such information is essential to such contractor’s or consultant’s work for such Party; (d) a bona fide prospective transferee of such Party’s interest in the Matthews Lease; (e) a bona fide prospective investor in such Party; and (f) a bank or other financial institution to the extent necessary to arrange for financing. The restrictions set forth in this Section 9.4, do not apply to any disclosures required under compulsion of judicial process or by Law or Governmental Authority to which a Party is subject; provided, however, that if disclosure is sought through judicial process or by a Governmental Authority, the Party from whom disclosure is sought shall promptly notify the other Parties to provide the other Parties the opportunity to participate in such proceedings and, if they so choose, to contest such disclosure at such other Parties’ sole expense. This Section 9.4 shall survive the termination of this Agreement for a period of one (1) year.

9.5 Further Assurances. The Parties agree to execute such additional documents, instruments, and agreements as may be necessary to effectuate the intents and purposes of this Agreement.

9.6 Exhibits. All exhibits and schedules referred to in this Agreement are hereby incorporated into this Agreement by reference and constitute a part of this Agreement for all purposes. Each Party and its counsel has received a complete set of exhibits and schedules prior to and as of the Execution Date.

9.7 Entire Agreement; Amendment. This Agreement, together with the Operating Agreement and the Conveyance, constitute the entire agreement and understanding between the Parties and supersede any and all other written or oral agreements or undertakings between the Parties concerning the subject matter hereof. This Agreement may not be changed or amended in any way, except with the mutual consent of all Parties, expressed in a written document executed by all Parties.

9.8 Choice of Law. THIS AGREEMENT SHALL BE GOVERNED BY, CONSTRUED AND INTERPRETED UNDER, AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO CONFLICTS OF LAWS PRINCIPLES THAT MIGHT REFER THE CONSTRUCTION, INTERPRETATION, OR ENFORCEMENT HEREOF TO THE LAWS OF ANOTHER JURISDICTION.

9.9 Fees; Recordation. Each Party shall be responsible for paying the fees and expenses of its attorneys, accountants, and the other advisors, and all other costs and expenses that it incurs, in connection with the negotiation, documentation, and consummation of the transactions contemplated in this Agreement. All required documentary, filing, and recording fees and expenses incurred in connection with the filing and recording of the Conveyance shall be borne by Participant.

9.10 Waiver; Rights Cumulative. Any of the terms, covenants, representations, warranties, or conditions hereof may be waived only by a written instrument executed by or on behalf of the Party waiving compliance. No oral statement or course of dealing on the part of any Party, or its respective officers, employees, agents, or representatives, or any failure by any Party to exercise any of its rights under this Agreement, shall operate as a waiver thereof or affect in any way the right of such Party at a later time to enforce the performance of such provision. No waiver by any Party of any condition, or any breach of any term, covenant, representation, or warranty contained in this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or of any breach of any other term, covenant, representation, or warranty. The rights of each Party under this Agreement shall be cumulative, and the exercise or partial exercise of any such right shall not preclude the exercise of any other right.

9.11 Severability. If any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any adverse manner to any Party. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the Parties shall negotiate in good faith for a reasonable time to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

9.12 No Third Party Beneficiaries. This Agreement is not intended to confer upon any Person not a Party hereto any rights or remedies hereunder, and no Person other than the Parties is entitled to rely on any representation, covenant, or agreement contained herein.

9.13 Proration of Taxes. Each Party shall assume responsibility for, and shall bear and pay, all federal income taxes, state income taxes, franchise taxes, margin taxes, and other similar taxes (including any applicable interest or penalties) incurred by or imposed upon such Party with respect to or as a result of the transactions described in this Agreement, except that Participant shall assume responsibility for, and shall bear and pay, all Transfer Taxes incurred or imposed with respect to the Conveyance. Each Party shall be responsible for, and shall bear and pay, all Production Taxes and all Property-Related Taxes assessed against each Party's interests in the Development Area, including all Phase I Wells, and all Hydrocarbons produced therefrom.

9.14 LIMITATION ON DAMAGES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, A PARTY'S DAMAGES RESULTING FROM A BREACH OR VIOLATION OF ANY COVENANT, CONDITION, OR PROVISION CONTAINED IN THIS AGREEMENT BY ANOTHER PARTY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES, AND EXCEPT AS PROVIDED HEREINAFTER, NO PARTY SHALL BE ENTITLED TO RECOVER FROM ANY OTHER PARTY ANY OTHER DAMAGES FOR SUCH BREACH OR VIOLATION, INCLUDING INDIRECT, SPECIAL, CONSEQUENTIAL, INCIDENTAL, OR PUNITIVE DAMAGES, LOST PROFITS, OR BUSINESS INTERRUPTION DAMAGES, UNLESS THE PARTY SEEKING REIMBURSEMENT FOR SUCH DAMAGES IS LEGALLY REQUIRED TO PAY SAME TO A THIRD PERSON.

9.15 Counterparts. This Agreement may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all of such counterparts shall constitute for all purposes one agreement. At the Parties' election, this Agreement may be executed by the Parties in different locations and shall become binding upon all Parties upon the exchange by the Parties of executed signature pages by facsimile or electronic mail.

[Signature pages follow.]

IN WITNESS WHEREOF, Participant has executed this Agreement on the Execution Date.

QUADRANT RESOURCES LLC

By: /s/ Richard Roth
Richard Roth
Manager

Signature Page to Joint Development Agreement

IN WITNESS WHEREOF, EEZ has executed this Agreement on the Execution Date.

EAGLEFORD ENERGY, ZAVALA INC.

By: /s/ James Cassina
James Cassina
President

Signature Page to Joint Development Agreement

IN WITNESS WHEREOF, Stratex has executed this Agreement on the Execution Date.

STRATEX OIL & GAS HOLDINGS, INC.

By: /s/ Stephen P. Funk
Stephen P. Funk
President

EXHIBITS AND SCHEDULES

Schedule 1.1	–	Definitions
EXHIBIT A	–	Description of Matthews Lease
EXHIBIT B	–	Form of Conveyance
EXHIBIT C	–	Form of Operating Agreement

Signature Page to Joint Development Agreement

Schedule 1.1.
Defined terms

The following terms and expression will have the meanings set forth hereinafter:

"Abandonment Costs" means all costs and expenses incurred in connection with the performance of Abandonment Operations in a Phase I Well.

"Abandonment Operations" means, with respect to each Phase I Well, the temporary or permanent plugging and abandonment of a Drilled Phase I Well as a dry hole or upon the unsuccessful Completion of Reworking Operations in a Reworked Phase I Well and, in each case, the restoration of the surface of the drillsite premises in accordance with the terms of the Matthews Lease and applicable Laws.

"Affiliate" means, with respect to a Party, any Person that directly or indirectly controls, is controlled by, or is under common control with, the relevant Party. For purposes of this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, contract, voting trust, membership in management or in the group appointing or electing management, or otherwise through formal or informal arrangements or business relationships.

"AFE" means authority for expenditure.

"Amended Eagleford-Stratex JDA" means the Joint Development Agreement dated December 3, 2013 (as amended by First Amendment to Joint Development Agreement dated as of January 24, 2014), between Eagleford Energy, Inc., Eagleford Energy, Zavala Inc., and Stratex Oil & Gas Holdings, Inc.

"Cash Consideration" is defined in Article II.

"Claims" means any and all claims, demands, Liens, notices of non-compliance or violation, notices of liability or potential liability, investigations, actions (whether judicial, administrative, or arbitrational), causes of action, suits, and controversies.

"Complete", when used with respect to a Phase I Operation, means the point in time: (a) in the case of a Drilling Operation, when Participant releases the drilling rig used to drill the relevant Drilled Phase I Well; (b) in the case of a Well Completion Operation, when Participant releases the frack and wireline crews from the location of the relevant Phase I Well after the performance of hydraulic fracturing or other formation stimulation operations therein; (c) in the case of Equipping Operations, when such Phase I Well is physically ready to commence the production of Hydrocarbons into storage facilities or a gathering pipeline for sale; (d) in the case of Reworking Operations, when Participant releases the workover rig used in the performance of such Reworking Operations from the location of the relevant Reworked Phase I Well; and (e) in the case of an Abandonment Operation, when Participant releases the drilling rig, workover rig, completion rig, or other rig on location at the relevant Phase I Well after the plugging and abandonment thereof.

"Conveyance" is defined in Section 5.2.

"Defensible Title" means, with respect to the Development Area, record title free and clear of Liens and other encumbrances other than Permitted Encumbrances and that is otherwise free from reasonable doubt as to matters of law and fact, such that a prudent operator of oil and gas properties, advised of the facts and their legal significance, would willingly accept such title.

"Development Area" is defined in Section 3.1(a).

"Drilled Phase I Well" is defined in Section 3.2(a).

"Drilling Costs" means all costs and expenses (including all costs and expenses associated with the procurement of an appropriate drilling or other rig and the necessary labor, equipment, materials, mud and chemicals, casing, cement, water, and fuel) incurred by Participant in connection with the performance of Drilling Operations in a Drilled Phase I Well hereunder.

"Drilling Operations" means the drilling of a Drilled Phase I Well to its total vertical depth and, if applicable, full horizontal displacement and the performance of all necessary testing, logging, and coring therein prior to a decision concerning whether to perform Well Completion Operations or Abandonment Operations therein.

“Dyami/Matthews No. 1 H Well” means the Dyami/Matthews No. 1 H Well, API No. 42-507-32759, located in Survey 8, Precilla Graham Survey, Abstract No. 753, Zavala County, Texas.

“Dyami/Matthews No. 2 H Well” means the Dyami/Matthews No. 2 H Well, API No. 42-507-32833, located in Survey 8, Precilla Graham Survey, Abstract No. 753, Zavala County, Texas.

“Dyami/Matthews No. 3V Well” means the Dyami/Matthews No. 3V Well, API No. 42-507-32784, located in Survey 8, Precilla Graham Survey, Abstract No. 753, Zavala County, Texas.

“Equipping Costs” means all costs and expenses incurred in connection with the performance of Equipping Operations in any Phase I Well.

“Equipping Operations” means the installation of all surface and subsurface production equipment and facilities, pipelines, flowlines, and other facilities (including a production monitoring system) necessary to connect a Phase I Well to storage facilities or a gathering pipeline at or near such Phase I Well, so that such Phase I Well is physically ready to commence the production of Hydrocarbons into such storage facilities or gathering pipeline.

“Final Settlement, Release and Indemnity Agreement” means the Final Settlement, Release and Indemnity Agreement dated effective September 1, 2013, between Matthews Family Mineral Account, LP, Delta Star Holdings, LLC, Dyami Energy, LLC, OGR Energy Corporation, OGR 2000, Ltd., Eagleford Energy, Inc., and Texas Onshore Energy, Inc., including the Rule 11 dated April 28, 2013 Agreement in Cause No. 12-04-12751-ZCV; Matthews Family Mineral Account, LP v. Dyami Energy, LLC, et al., 365th Judicial District Court, Zavala County, Texas, attached to such Final Settlement, Release and Indemnity Agreement as Exhibit A.

“Governmental Authority” means any governmental or quasi-governmental federal, state, provincial, county, city, or other political subdivision of the United States, any foreign country, or any department, bureau, agency, commission, court, or other statutory or regulatory body or instrumentality thereof.

“Hydrocarbons” means all crude oil, natural gas, condensate, and other liquid or gaseous hydrocarbons, the right to explore for which, or an interest in which, is granted pursuant to the Matthews Lease.

“Laws” means all constitutions, treaties, laws, statutes, ordinances, rules, regulations, orders, and decrees of the United States, any foreign country, and any local, state, provincial, or federal political subdivision or agency thereof, as well as all judgments, decrees, orders, and decisions of courts having the effect of law in each such jurisdiction.

“Lease Burdens” means all lessors’ royalties, overriding royalties, production payments, net profits interests, and similar contractual burdens upon, payable out of, or measured by Hydrocarbon production from a Phase I Well.

“Lease Maintenance Payments” means any delay rental, shut-in well payment, or other payment (exclusive of the minimum royalties payable to the lessors under the Matthews Lease) necessary under the terms of the Matthews Lease to maintain the Matthews Lease in full force and effect in the absence of production from, or operations on, the lands covered thereby (but not including payment of royalties).

“Liabilities” means any and all losses, judgments, damages, liabilities, injuries, costs, expenses, interest, penalties, taxes, fines, obligations, and deficiencies of any kind whatsoever, under any theory of liability or responsibility, whether known or unknown, and whether fixed, liquidated, or contingent.

“Liens” means any mortgage, deed of trust, pledge, security interest, lien, or charge of any kind (including any agreement to grant any of the foregoing), any conditional sale or title retention agreement, any lease in the nature thereof, or the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction.

“Matthews Lease” is defined and described on Exhibit A.

“Minimum Royalty Amount” is defined in Section 3.1(d).

“Minimum Royalty Payment” is defined in Section 3.1(d).

“Net Revenue Interest” means, with respect to the Development Area, the interest in and to all Hydrocarbons produced and saved from or attributable to the Development Area, after giving effect to all Lease Burdens, carried interests, reversionary interests, and other similar interests constituting burdens upon, measured by, or payable out of Hydrocarbons produced and saved from or attributable to the Development Area.

“Operating Agreement” is defined in Section 4.1.

"Operating Expenses" means all costs and expenses incurred in connection with the operation of each Phase I Well after the Completion of the applicable Phase I Operation(s) in such Phase I Well and the production and marketing of Hydrocarbons therefrom, including: (a) all costs of complying with applicable Laws; (b) all costs of lifting and producing Hydrocarbons from each Phase I Well, including all costs of labor, fuel, repairs, hauling, materials, supplies, utility charges, and other costs incident thereto; (c) all costs of gathering, compressing, dehydrating, separating, treating, processing, transporting, and marketing Hydrocarbons produced from each Phase I Well, including the cost of constructing and installing pipelines and other facilities necessary in connection therewith; (d) all costs of operating Participant's production monitoring system at each Phase I Well; (e) the expenses of litigation, collections, Liens, judgments, liquidated liabilities, and Claims incurred incident to the operation and maintenance of each Phase I Well; (f) insurance premiums for insurance carried with respect to each Phase I Well, together with all expenditures pertaining to the settlement of any and all Claims, Liabilities, and other expenses, including legal services, relating to each Phase I Well or operations thereon; and (g) all other costs and expenses incurred in connection with the operation and maintenance of each Phase I Well and the production and marketing of Hydrocarbons therefrom that are not specifically identified elsewhere in this Agreement. Operating Expenses shall not include Drilling Costs, Pre-Completion Additional Operation Costs, Reworking Costs, Well Completion Costs, Equipping Costs, or Abandonment Costs.

"Payout" means the point in time when Participant has recovered out of the share of the proceeds from the sale of Hydrocarbons produced from all Phase I Wells that is allocated to Participant under Section 5.5 (after deducting therefrom all Lease Burdens and Production Taxes actually paid by Participant with respect to such Hydrocarbon production) an amount equal to the sum of all (a) Drilling Costs, Pre-Completion Additional Operation Costs, Completion Costs, Equipping Costs, Reworking Costs, and Abandonment Costs incurred by Stratex in connection with all Phase I Wells, plus (b) all Operating Expenses incurred by Stratex in connection with the Phase I Wells prior to the recoupment by Participant of the items of cost described in the preceding clause (a) of this definition.

"Permitted Encumbrances" means:

(a) preferential rights to purchase, required non-governmental, third Person consents to assignment (including the required consent of the lessors under the Matthews Lease), and similar rights, (i) the operation of which are not triggered by the transactions contemplated in this Agreement, or (ii) if thus triggered, with respect to which, prior to the Execution Date or the effective date of the Conveyance, (A) waivers or consents are obtained from the appropriate Persons, or (B) the appropriate time period for asserting such rights has expired without an exercise of such right;

(b) the terms of the Matthews Lease, the Amended Eagleford-Stratex JDA, the Final Settlement, Release, and Indemnity Agreement, and the Surface Use Agreement;

(c) the Liens created by the Deed of Trust, Security Agreement, Financing Statement and Assignment of Production dated as of February 11, 2014, from Stratex Oil & Gas Holdings, Inc., as Mortgagor, to Michael P. Pearson, Trustee for the benefit of H. Lee Hornbeck, as Agent, as Mortgagee, recorded in Volume 355, Page 17, Instrument No. 088531, Official Public Records, Zavala County, Texas;

(d) Liens created or to be created by a general security agreement from Eagleford Energy Inc. and Eagleford Energy, Zavala Inc. in favor of Benchmark Enterprises LLC.

(e) Liens for taxes or assessments not yet delinquent or, if delinquent, those taxes or assessments that are being contested in good faith by proceedings diligently conducted in the ordinary course of business;

(f) all rights to consent by, required notices to, filings with, or other actions by Governmental Authorities required in connection with the Conveyance, regardless of whether the operation of such consents is triggered by the transactions contemplated herein, if the same are customarily obtained, given, or made subsequent to the execution and delivery of the Conveyance;

(g) all easements, rights-of-way, and other rights to use the surface affecting or pertaining to the Matthews Lease, but that are not to be assigned pursuant to the Conveyance, and do not interfere materially with the ownership, operation, value, or use of the Development Area;

(h) Lease Burdens, carried interests, reversionary interests, rights to recoupment, unitization, pooling, proration, and spacing designations, orders, and agreements, and similar burdens, if the net cumulative effect thereof does not operate to cause Stratex and EEZ to receive less than the Net Revenue Interest shown for the Development Area in Exhibit A, or to pay a share greater than the Working Interest shown on Exhibit A of the costs and expenses of operations in respect of the Development Area without a proportionate increase in the Net Revenue Interest;

(i) any lessor's, operator's, or other inchoate or undetermined Lien or charge, whether statutory or contractual, constituting or securing the performance of obligations or the payment, as they accrue, of costs and expenses which were or will be incurred in the ordinary course of business and incidental to the maintenance, development, production, or operation of the Matthews Lease, to the extent the same secure amounts not yet due and payable or that are being contested in good faith by proceedings diligently conducted in the ordinary course of business; and

(j) defects or irregularities in title, Liens, or other encumbrances, in either case that do not prevent Stratex and EEZ from having Defensible Title to their interest in the Development Area.

"Person" means any individual, corporation, limited liability company, partnership, trust, unincorporated organization, Governmental Authority, or any other form of entity.

"Phase I Operation" means each Hydrocarbon operation required to be conducted on the Development Area as part of the Phase I Work Program, which operations consist of (a) all Drilling Operations, Pre-Completion Additional Operations, Well Completion Operations, and Equipping Operations, or Abandonment Operations, to be conducted in each Drilled Phase I Well, and (b) all Reworking Operations and, as applicable, Well Completion Operations, Equipping Operations, and Abandonment Operations to be conducted in each Reworked Phase I Well.

"Phase I Period" means the period of time commencing with the Execution Date and ending on the earlier of (a) June 30, 2015, or (b) the date on which Stratex Completes the required Phase I Operations in the last Phase I Well required hereunder.

"Phase I Well" is defined in Section 3.2(c).

"Phase I Work Program" is defined in Section 3.2.

"Pre-Completion Additional Operations" means, with respect to a Drilled Phase I Well, any deepening, sidetracking, plugging back, or other operation performed in such Drilled Phase I Well prior to the Completion thereof.

"Pre-Completion Additional Operation Costs" means, with respect to a Drilled Phase I Well, all costs and expenses incurred in connection with the performance of Pre-Completion Additional Operations in such Drilled Phase I Well.

"Production Taxes" means any and all severance, production, gathering, Btu or gas, transportation, gross receipts, utility, excise, and other similar taxes (other than income taxes) relating to the production, gathering, or transportation of Hydrocarbons, or increases therein, and any interest or penalties thereon.

"Property-Related Taxes" means any and all ad valorem, property, generation, conversion, privilege, consumption, lease, transaction, and other taxes, franchise fees, governmental charges or fees, licenses, fees, permits, and assessments, or increases therein, and any interest or penalties thereon, other than Production Taxes, Transfer Taxes, and taxes based on or measured by net income or net worth.

"Reconveyance Interest" is defined in Section 3.1(a).

"Reworked Phase I Well" is defined in Section 3.2(b).

"Reworking Costs" means all costs and expenses incurred by Participant in the performance of Reworking Operations in a Reworked Phase I Well hereunder.

"Reworking Operation" means an operation conducted in the wellbore of an existing Hydrocarbon well (including a temporarily abandoned or plugged and abandoned well) designated as provided herein as a Reworked Phase I Well in order to obtain Hydrocarbon production when there has been none, reestablish production that has ceased or declined, or increase existing production, in each case, from a subsurface interval within the Surface-San Miguel Interval. Such operations may include, without limitation: (a) the re-entry of a Hydrocarbon well to conduct deepening, sidetracking, plugging back, and/or recompletion operations (as defined in the Operating Agreement) therein; (b) the repair or replacement of damaged casing, tubing, or other downhole equipment; (c) cleaning sand or silt out of the wellbore; (d) the acidization, ASP flooding, or other chemical or mechanical treatment of the relevant subsurface interval; (e) the installation of equipment for the removal or reduction of excessive brine, water, or condensate from the wellbore; (f) hydraulic fracturing and other recognized and non-experimental formation stimulation operations; (g) the application of other, appropriate and non-experimental enhanced production stimulation technology selected by Participant, in consultation with Stratex; (h) the installation of pumping units or compression; (i) the reperforation of the wellbore in the relevant subsurface interval; and (j) the performance of associated logging and testing. Drilling Operations do not constitute Reworking Operations for purposes of this Agreement.

"RRC" means the Railroad Commission of Texas, or any successor Governmental Authority.

"San Miguel Formation" means the stratigraphic equivalent of the San Miguel Formation, found at the subsurface interval from a measured depth of 2,655 feet to its base at a measured depth of 3,004 feet (subsea depth of -1,940 feet to -2,289 feet) in Weatherford's Array Density/Neutron Gamma Ray Log dated April 2, 2011, for the Dyami/Matthews No. 3V Well.

"Surface-San Miguel Interval" means the subsurface interval underlying the Matthews Lease from the surface of the earth to the base of the San Miguel Formation.

"Surface Use Agreement" means the Surface Use Agreement dated as of _______________, 2013, between Carroll Dean Fischer and Eagleford Energy Inc.

"Transfer Taxes" means any sales, use, stock, stamp, document, filing, recording, registration, and similar tax or charge, including any interest or penalties thereon.

"Well Completion Costs" means all costs and expenses incurred in connection with the performance of Well Completion Operations in a Drilled Phase I Well.

"Well Completion Operations" means all operations necessary to complete a Phase I Well as a well capable of producing Hydrocarbons from the Surface-San Miguel Interval as penetrated by such Phase I Well, including (in each case, to the extent determined necessary or advisable by Participant, in consultation with Stratex, or as otherwise specified in any applicable AFE): (a) the installation of casing, tubing, packers, and related equipment; (b) the cementing of such Phase I Well and the provision of cementing services; (c) the installation of the Christmas tree; (d) the perforation of the wellbore; (e) the performance of acidization, ASP flooding, or other chemical or mechanical treatment of the objective subsurface interval; (f) the performance of all necessary hydraulic fracturing and other formation stimulation operations therein; (g) the application of other, appropriate and non-experimental enhanced production stimulation technology selected by Participant, in consultation with Stratex; and (h) the provision of related geological engineering services

"Working Interest" means, with respect to the Development Area, the interest that represents the ownership of the oil and gas leasehold estate created by the Matthews Lease and that is burdened with the obligation to bear and pay costs of operations on or in respect of the Development Area.

EXhibit a

Attached to and made a part of
Joint Development Agreement between
Quadrant Resources LLC, Eagleford Energy, Zavala Inc.,
and Stratex Oil & Gas Holdings, Inc.

DESCRIPTION OF MATTHEWS LEASE

The “Matthews Lease” is defined and described as the Oil and Gas Lease dated effective September 1, 2013, by and between Matthews Family Mineral Account, LP, and Delta Star Holdings, LLC, as lessors, and Eagleford Energy, Zavala Inc., as lessee, a memorandum of which is recorded in Volume 352, Page 503, Instrument No. 088152, Official Public Records, Zavala County, Texas, covering approximately 2,629.42 acres of land, more or less, described more particularly as follows:

2629.42 acre tract of land, lying in Zavala County, Texas, being out of and a part of the Precilla Graham Survey No. 8, Abstract No. 753 and the Thomas C, Rife Survey No. 7, Abstract No. 769 and Survey No. 21 of the Maverick Slough Pasture Subdivision and being out of and a part of that same certain. 3617.07 acre parent tract of land described in conveyance to Fisher Construction Co. Inc. and recorded in Volume 235, Pages 476 et seq. of the Deed Records of Zavala Co. Texas, said 2629.42 acre tract being more particularly described by metes and bounds as follows: (The courses, distances and areas shown herein and cited on the corresponding plat conform to the Texas Coordinate System, North American Datum 1927, Texas South Central Zone)

BEGINNING at a ¾" steel stake for the southeast corner of said 3617.07 acre parent tract and being the southeast corner of the herein described tract, from which a ¾" steel stake for the northeast corner of said 3617.07 acre parent tract, at a point on the southeast right-of-way line of U. S. Highway No. 57 bears N 02° 20' 06" at a distance of 21,790.40 feet;

THENCE: With the boundary line of the herein described tract and generally with occupied fence for the following four (4) calls:

1.) S 89° 13' 59" W, at 4322.16 feet pass 3-way fence corner with fence to the left, at 5747.65 feet pass ¾" steel stake under fence, at 8183.21 feet pass ¾" steel stake under fence continuing for a total distance of 8652.24 feet to a ¾" steel stake for the southeast corner of said 3617.07 acre parent tract and being the southwest corner of the herein described tract;

2.) N 01° 07' 05" W, for a distance of 6379.47 feet to a ¼" steel, stake for the lower northwest corner of the herein described tract;

3.) N 56° 57' 01" E, for a distance of 3436.38 feet to a point on the westerly occupied fence of the herein described tract;

4.) N 01° 02' 07" W, for a distance of 4303.26 feet to a point on fence at the ostensible lower northwest corner of the Thomas C. Rife, Survey No. 7, Abstract No. 769:

THENCE: With the northerly line of said Survey No. 7, Abstract No. 769 and being the northerly line of the herein described tract for the following three (3) calls:

1.) N 88° 57' 53" E, for a distance of 1480.00 feet to a point for the ostensible reentrant corner of said Survey No. 7, Abstract No. 769 and being a reentrant corner of the herein described tract;

2.) N 00° 59' 04", for a distance of 2940.00 feet to the ostensible upper northwest corner of said Survey No. 7, Abstract No. 769 and being a middle northwest corner of the herein described tract;

3.) 3) S 88° 34' 31" E, for a distance of 4700.04 feet to a point for the reentrant corner of the herein described tract;

THENCE: N 02° 20' 18" E, with the upper westerly line of the herein described tract for a distance of 6486.60 feel to a concrete Highway Department Monument for the upper northwest corner of this tract, at a point on the southeast right-of-way line of U. S. Highway No. 57 and being the beginning of a curve to the left, whose radius is 3894.72 feet;

THENCE: Northeasterly with said curve deflecting continuously and uniformly to the left, for an arc distance of 368.16 feet (chord = N 86° 59' 55" E, 368.03 feet), and continuing on arc to a ¾" steel stake, near 3-way fence corner for the northeast corner of said 3617.07 acre parent tract and being the northeast corner of the herein described tract;

THENCE: S 02° 20' 06" W, with the easterly line of this tract, with the ostensible westerly line of the Pedro Jose de Aguirre, Eleven League Land Grant, Abstract No 2 and generally with occupied fence, at 2935.85 feet pass 1" iron Pipe at 3-way fence corner with fence northeasterly, at 6498.31 feet pass the ostensible northeast corner of said Survey No. 7, Abstract No. 769, at 14,370.96 feet pass 1 ¼" iron pipe at 3-way fence corner with fence northeasterly, at 14,935.25 feet pass the ostensible northeast corner of said Survey No. 8, Abstract No. 753, at 18,631.15 feet cross apparent buried gas pipeline, continuing for a total distance of 21,790.40 feet to the Place of Beginning and containing 2629.42 acres of land, more or less.

INTERESTS OF STRATEX AND EEZ IN THE DEVELOPMENT AREA:

	Working Interest	Net Revenue Interest
Stratex	50.000%	37.500%
EEZ	50.000%	37.500%

Exhibit B

Attached to and made a part of
Joint Development Agreement between
Quadrant Resources LLC, Eagleford Energy, Zavala Inc.,
and Stratex Oil & Gas Holdings, Inc.

FORM OF CONVEYANCE

See attached pages.

EXhibit C

Attached to and made a part of
Joint Development Agreement between
Quadrant Resources LLC, Eagleford Energy, Zavala Inc.,
and Stratex Oil & Gas Holdings, Inc.

DESCRIPTION OF OPERATING AGREEMENT

See attached pages.

SECURED LOAN PROMISSORY NOTE

US$1,216,175.35 August 31, 2014

WHEREAS on August 31, 2010, Eagleford Energy Corp., (formerly known as Eagleford Energy Inc.), an Ontario corporation, (the "**Borrower**") issued a 6% secured promissory note (the "**Original Note**") due December 31, 2011 (the "**Original Maturity Date**") in the principal amount of nine hundred and sixty thousand United States dollars (US$960,000.00) to Benchmark Enterprises LLC, a Nevis limited liability company (the "**Lender**");

AND WHEREAS on December 31, 2011, the Borrower and the Lender amended the terms of the Original Note to extend the Original Maturity Date by six months to June 30, 2012 and to provide for the continued accrual of interest on the outstanding principal amount of the Original Note during such extension at the new rate of 10% per annum, such that interest is accrued at 6% during the period from August 31, 2010 through and including December 31, 2011 and at 10% during the period from January 1, 2012 through June 30, 2012, and as such may be accelerated under the terms of the Original Note;

AND WHEREAS on June 30, 2012, the Borrower and the Lender again amended the terms of the Original Note to extend the Original Maturity Date by a further four months to November 30, 2012 and to provide for the continued accrual of interest on the outstanding principal amount of the Original Note during such extension at the amended rate of 10% per annum, such that interest is accrued at 6% during the period from August 31, 2010 through and including December 31, 2011 and at 10% during the period from January 1, 2012 through November 30, 2012, and as such may be accelerated under the terms of the Original Note;

AND WHEREAS on November 23, 2012, the Borrower and the Lender again amended the terms of the Original Note to extend the Original Maturity Date to March 1, 2013 and to provide for the continued accrual of interest on the outstanding principal amount of the Original Note during such extension at the amended rate of 10% per annum, such that interest is accrued at 6% during the period from August 31, 2010 through and including December 31, 2011 and at 10% during the period from January 1, 2012 through March 1, 2013, and as such may be accelerated under the terms of the Original Note;

AND WHEREAS on March 1, 2013, the Borrower and the Lender again amended the terms of the Original Note to extend the Original Maturity Date to August 31, 2013 and to provide for the continued accrual of interest on the outstanding principal amount of the Original Note during such extension at the amended rate of 10% per annum, such that interest is accrued at 6% during the period from August 31, 2010 through and including December 31, 2011 and at 10% during the period from January 1, 2012 through August 31, 2013, and as such may be accelerated under the terms of the Original Note;

AND WHEREAS the Borrower is presently indebted to the Lender in the aggregate amount of **US$1,216,175.35** (the "**Loan**") pursuant to the terms of the Original Note, as amended;

AND WHEREAS in consideration of the Borrower's agreement not to immediately demand on the current date hereof repayment of the Loan, the Lender and the Borrower have agreed that (a) the Original Note shall be cancelled; (b) this Secured Loan Promissory Note shall be given to further evidence the debt owed by the Debtor to the Borrower; and (c) that the Debtor will grant, and will cause its wholly-owned subsidiary, Eagleford Energy, Zavala Inc. to grant, further security for the repayment of the Loan all of their present and future personal and real property;

FOR VALUE RECEIVED, the Borrower, **EAGLEFORD ENERGY INC.**, hereby promises to pay to the order of the Lender, **BENCHMARK ENTERPRISES LLC**, the sum of One Million, Two Hundred and Sixteen Thousand One Hundred Seventy Five Dollars and Thirty-Five Cents (US$1,216,175.35), in lawful money of the United States of America and in immediately available funds, subject to the terms and conditions set forth below.

1. The outstanding principal balance of this Secured Loan Promissory Note (hereinafter, the "**Note**") shall be due and payable on the earliest to occur of: (a) August 31, 2015; (b) the closing of any subsequent financing or series of financings by the Borrower that results in gross proceeds to the Borrower of an aggregate amount equal to or greater than Four Million, Four Hundred Thousand United States Dollars (US$4,400,000), excluding conversion of any existing debt into equity of the Borrower; (c) the date of a sale by Borrower of all of the shares in the capital stock of Eagleford Energy, Zavala Inc. held by the Borrower from time to time; (d) the closing of a merger, reorganization, take-over or other business combination which results in a change of control of the Borrower or Eagleford Energy, Zavala Inc.; or (e) an Event of Default (as defined below) (the earliest such date, the "**Repayment Date**").

2. The Borrower promises to pay interest on the unpaid principal amount of this Note from time to time, at a rate per annum equal to ten percent (10%), calculated and compounded annually and payable on the Repayment Date.

3. The Borrower may elect to prepay all or part of the principal amount hereunder upon seven (7) days' notice, provided that the Borrower shall also pay all interest accruing to the prepayment date on such prepaid amount.

4. In the event that the Borrower closes any subsequent financing or series of financings that results in gross proceeds to the Borrower of an aggregate amount equal to or greater than Two Million United States Dollars (US$2,000,000), excluding conversion of any existing debt into equity of the Borrower, the Borrower shall allocate Fifty United States Cents (US$0.50) of every One United States Dollar (US$1.00) exceeding the Two Million United States Dollars (US$2,000,000) raised from such financing to repay this Note.

5. (a) The Lender shall have the right but not the obligation, at any time and from time to time, to convert all or any portion of the unpaid principal of and accrued interest on this Note into Units (each, a "**Conversion Unit**") of the common stock of the Borrower (the "**Common Stock**"), each Conversion Unit comprised of one (1) common share and one (1) common share purchase warrant entitling the holder to acquire a common share of the Borrower at a price equal to a 15% premium to the price of the common share acquired under the Conversion Unit. The price of the Conversion Unit will be the lessor of a price equal to the 30-day VWAP of Borrower as of the date of conversion, less 20% (as adjusted for any stock splits, combinations or similar events) (the "**Conversion Price**") or eight United States Cents (US$0.08) per share. No fraction of shares or scrip representing fractions of shares will be issued on conversion. Upon any conversion of the entire outstanding principal of and interest on this Note, the number of shares issuable shall be rounded to the nearest whole share, and any partial conversions of this Note may only be made for integral numbers of shares. To convert this Note, the Lender shall deliver written notice thereof (the "**Conversion Notice**") to the Borrower at its address as set forth in the Eagleford Security Agreement (as defined below). The date upon which the conversion shall be effective shall be deemed to be the date set forth in the Conversion Notice. The Borrower's calculation of the applicable Conversion Price shall be conclusive, absent manifest error.

(b) "**VWAP**" means, for any date, the price determined by the first of the following clauses that applies: (a) if Borrower is then listed or quoted on a Trading Market, the daily volume weighted average price of Borrower for such date (or the nearest preceding date) on the Trading Market on which Borrower is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if the OTC Bulletin Board is not a Trading Market, the volume weighted average price of Borrower for such date (or the nearest preceding date) on the OTC Bulletin Board, (c) if Borrower is not then listed or quoted for trading on the OTC Bulletin Board and if prices for Borrower are then reported in the "Pink Sheets" published by Pink OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of Borrower so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Lender and reasonably acceptable to the Borrower, the fees and expenses of which shall be paid by the Borrower. "**Trading Market**" means any of the following markets or exchanges on which Borrower is listed or quoted for trading on the date in question: the NYSE AMEX, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange or the OTC Bulletin Board (or any successors to any of the foregoing).

(c) The Borrower shall reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of conversion of this Note, that number of shares of Common Stock into which the Note is convertible based upon the then applicable Conversion Price.

6. The obligations of the Borrower to the Lender under this Note shall be secured by a general security agreement given by the Borrower and its wholly owned subsidiary Eagleford Energy, Zavala Inc. to the Lender, dated as of the date hereof (the "**Eagleford Security Agreement**"). In addition to the rights and remedies given it by this Note and the Eagleford Security Agreement, the Lender shall have all those rights and remedies allowed by applicable laws. The rights and remedies of the Lender are cumulative and recourse to one or more right or remedy shall not constitute a waiver of the others. The Borrower shall be liable for all commercially reasonable costs, expenses and attorneys' fees incurred by the Lender in connection with the collection of the indebtedness evidenced by the Note.

7. The Borrower shall be in default under this Note (an "**Event of Default**") upon the occurrence of any one of the following events:

a. the Borrower failing to pay when due any amount owing by it hereunder to the Lender;

b. the Borrower committing an act of bankruptcy or becoming an insolvent person (as such terms are defined by the *Bankruptcy and Insolvency Act* (Canada)), a bankruptcy application for a bankruptcy order being filed by or against the Borrower, a bankruptcy order being made against the Borrower, any proceedings with respect to the Borrower being commenced under the *Companies' Creditors Arrangement Act* (Canada), or proceedings for a composition with or proposal to any of its creditors or for the winding up, liquidation or other dissolution of the Borrower being instituted by or against the Borrower under any federal or provincial law.

c. a receiver or other custodian (interim or permanent) of the assets of the Borrower, or any part thereof, being appointed by private instrument or by court order;

d. the Borrower ceasing to carry on the Borrower 's business or making or agreeing to make any sale in bulk of the Borrower 's assets; or

e. any execution, sequestration, extent or other process of any court becoming enforceable against the Borrower or its assets or any part thereof, or distress or analogous process being made against its assets or any part thereof.

8. All notices, requests, demands, and other communications with respect hereto shall be in writing and shall be delivered by hand, sent prepaid by a nationally-recognized overnight courier service or sent by the mail service of the United States or Canada, certified, postage prepaid, return receipt requested, at the addresses designated in the Eagleford Security Agreement or such other address as the parties may designate to each other in writing.

9. This Note or any provision hereof may be waived, changed, modified or discharged only by agreement in writing signed by the Borrower and the Lender. The Borrower may not assign or transfer its obligation hereunder without the prior written consent of the Lender. The Lender may assign or transfer this Note or its rights hereunder without the prior written consent of the Borrower.

10. This Note and all of its provisions shall be binding upon and shall enure to the benefit of the parties hereto and their respective heirs, executors, legal personal representatives, successors and assigns.

11. If any provision of this Note shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision of this Note, but this Note shall be construed as if this Note had never contained the invalid or unenforceable provision.

12. This Note shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without giving effect to any choice of law provision or rule.

IN WITNESS WHEREOF, the undersigned Borrower has caused the due execution of this Secured Loan Promissory Note as of the day and year first herein above written.

EAGLEFORD ENERGY CORP.

By: /s/ James Cassina
Name: James Cassina
Title: President

GENERAL SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "**Agreement**") is made and entered into as of the 31st day of August, 2014, by and between **Eagleford Energy Corp.**, an Ontario corporation ("**Eagleford**"), **Eagleford Energy, Zavala Inc.**, a **Nevada corporation** ("**EEZ**" and collectively with Eagleford, the "**Grantor**"), and **Benchmark Enterprises LLC**, a Nevis limited liability company (the "**Lender**").

WHEREAS Eagleford has issued a secured promissory note to the Lender dated as of the date hereof in respect of a principal amount of **US$1,216,175.35** (as the same may be amended, modified, supplemented, extended, renewed, revised, restated or replaced from time to time, the "**Note**");

AND WHEREAS, pursuant to the Note, Eagleford has agreed to grant, and has agreed to cause EEZ to grant, a security interest in and to the Collateral (as defined in this Agreement) to the Lender on the terms and conditions set forth in this Agreement;

NOW THEREFORE in consideration of the foregoing premises and the sum of Ten Dollars ($10.00) in lawful money of Canada now paid by the Lender to the Borrower and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged) and intending to be legally bound, the parties covenant and agree as follows:

1. Definitions. In addition to the words and terms defined elsewhere in this Agreement, the capitalized words and terms used in this Agreement shall have the following meanings:

"Accounts" shall have the meaning given to that term in the Code and the PPSA, as applicable, and shall include without limitation all rights of the Grantor, whenever acquired, to payment for goods sold or leased or for services rendered, whether or not earned by performance.

"Chattel Paper" shall have the meaning given to that term in the Code and the PPSA, as applicable, and shall include without limitation all writings owned by the Grantor, whenever acquired, which evidence both a monetary obligation and a security interest in or a lease of specific goods.

"Code" shall mean the Uniform Commercial Code as in effect on the date of this Agreement and as amended from time to time, of the state or states having jurisdiction with respect to all or any portion of the Collateral from time to time.

"Collateral" shall mean (i) all of the present and after-acquired personal property of the Grantor, including, without limitation, all tangible and intangible assets of the Borrower and all Accounts, Chattel Paper, Deposit Accounts, Documents, Equipment, Fixtures, General Intangibles, Instruments, Intellectual Property, Inventory, Investment Property, Mineral Rights and Leases and (ii) Proceeds of each of them.

"Deposit Accounts" shall have the meaning given to that term in the Code and shall include a demand, time, savings, passbook or similar account maintained with a bank, savings bank, savings and loan association, credit union, trust company or other organization that is engaged in the business of banking.

"Documents" shall have the meaning given to that term in the Code and shall include without limitation all warehouse receipts (as defined by the Code) and other documents of title (as defined by the Code) owned by the Grantor, whenever acquired.

"Equipment" shall have the meaning given to that term in the Code and the PPSA, as applicable, and shall include without limitation all goods owned by the Grantor, whenever acquired and wherever located, used or brought for use primarily in the business or for the benefit of the Grantor and not included in Inventory of the Grantor, together with all attachments, accessories and parts used or intended to be used with any of those goods or Fixtures, whether now or in the future installed therein or thereon or affixed thereto, as well as all substitutes and replacements thereof in whole or in part.

"Event of Default" shall mean (i) any of the Events of Default described in the Note or (ii) any default by the Grantor in the performance of its obligations under this Agreement.

"Fixtures" shall have the meaning given to that term in the Code, and shall include without limitation leasehold improvements.

"General Intangibles" shall have the meaning given to that term in the Code and shall include, without limitation, all leases under which the Grantor now or in the future leases and or obtains a right to occupy or use real or personal property, or both, all of the other contract rights of the Grantor, whenever acquired, and customer lists, choses in action, claims (including claims for indemnification), books, records, patents, copyrights, trademarks, blueprints, drawings, designs and plans, trade secrets, methods, processes, contracts, licenses, license agreements, formulae, tax and any other types of refunds, returned and unearned insurance premiums, rights and claims under insurance policies, and computer information, software, records and data, and oil, gas, or other minerals before extraction now owned or acquired after the date of this Agreement by the Grantor.

"Instruments" shall have the meaning given to that term in the Code and the PPSA, as applicable, and shall include, without limitation, all negotiable instruments (as defined in the Code), all certificated securities (as defined in the Code) and all other writings which evidence a right to the payment of money now or after the date of this Agreement owned by the Grantor.

"Inventory" shall have the meaning given to that term in the Code and the PPSA, as applicable, and shall include without limitation all goods owned by the Grantor, whenever acquired and wherever located, held for sale or lease or furnished or to be furnished under contracts of service, and all raw materials, work in process and materials owned by the Grantor and used or consumed in the Grantor's business, whenever acquired and wherever located.

"Investment Property" shall have the meaning set forth in the Code and the PPSA, as applicable.

"Loan Documents" shall mean collectively, this Agreement, the Note and all other agreements, documents and instruments executed and delivered in connection therewith, as each may be amended, supplemented or modified from time to time.

"Permitted Liens" shall mean (i) all existing liens on the assets of the Grantor which have been disclosed to the Lender by the Grantor on Schedule II attached hereto, and (ii) all purchase money security interests hereinafter incurred by the Grantor in the ordinary course of business.

"PPSA" shall mean the ***Personal Property Security Act*** ("**PPSA**") as in effect on the date of this Agreement and as amended from time to time, of each province or territory of Canada having jurisdiction with respect to all or any portion of the Collateral from time to time, as applicable.

"Proceeds" shall have the meaning given to that term in the Code and the PPSA, as applicable, and shall include, without limitation, whatever is received when Collateral or Proceeds are sold, exchanged, collected or otherwise disposed of, whether cash or non-cash, and includes without limitation proceeds of insurance payable by reason of loss of or damage to Collateral.

Capitalized terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Code and the PPSA, as applicable.

2. Security Interest.

(a) As security for the full and timely payment of the Note in accordance with the terms thereof and the performance of the obligations of the Grantor under the Note and the other Loan Documents, the Grantor agrees that the Lender shall have, and the Grantor hereby grants and conveys to and creates in favour of the Lender, a security interest in and to the Collateral, whether now owned or existing or hereafter acquired or arising and regardless of where located. The security interest granted to the Lender in this Agreement shall be a first priority security interest, prior and superior to the rights of all third parties existing on or arising after the date of this Agreement, subject to the Permitted Liens.

(b) All of the Equipment, Inventory and Goods owned by the Grantor are located in the provinces or states set out on Schedule I attached hereto (except to the extent any such Equipment, Inventory or Goods is in transit or located at the Grantor's job site in the ordinary course of business). Except as disclosed on Schedule I, none of the Collateral is in the possession of any bailee, warehousemen, processor or consignee. Schedule I discloses the name of each entity comprising the Grantor as of the date hereof as they appear in official filings in the state or province, as applicable, of their incorporation, formation or organization, the form of each entity comprising the Grantor (including corporation, partnership, limited partnership or limited liability company), the organizational identification number issued by the state or province of incorporation, formation or organization of each entity comprising the Grantor (or a statement that no such number has been issued), the chief place of business of each entity comprising the Grantor, the chief executive officer of each entity comprising the Grantor and the address of the office where each entity comprising the Grantor keeps its books and records.

3. Provisions Applicable to the Collateral. The parties agree that the following provisions shall be applicable to the Collateral:

(a) The Grantor covenants and agrees that at all times during the term of this Agreement it shall keep accurate and complete books and records concerning the Collateral that is now owned or acquired hereafter by the Grantor.

(b) The Lender or its representatives shall have the right, upon reasonable prior written notice to the Grantor and during the regular business hours of the Grantor, to examine and inspect the Collateral and to review the books and records of the Grantor concerning the Collateral that is now owned or acquired after the date of this Agreement by the Grantor and to copy the same and make excerpts therefrom provided that any information obtained by the Lender during such inspection or review shall be kept confidential and shall not be used for any reason other than for purposes of protecting the Lender's rights under this Agreement and further provided that from and after the occurrence of an Event of Default, the rights of inspection and entry shall be subject to the requirements of the Code or the PPSA, as applicable.

(c) The Grantor shall at all times during the term of this Agreement keep the Equipment, Inventory and Fixtures that are now owned by the Grantor in the provinces or states set forth on Schedule I or, upon written notice to the Lender, at such other locations for which the Lender has filed financing statements, and in no other provinces or states without prior written notice to the Lender, except that the Grantor shall have the right until one or more Events of Default shall occur to sell, move or otherwise dispose of Inventory and other Collateral in the ordinary course of business.

(d) The Grantor shall provide immediate written notification to the Lender of any change of location of its principal executive offices

(e) Without the prior written consent of the Lender, the Grantor shall not sell, lease or otherwise dispose of any Equipment or Fixtures, except in the ordinary course of its business.

(f) Promptly upon request of the Lender from time to time, the Grantor shall furnish the Lender with such information and documents regarding the Collateral and the Grantor's financial condition, business, assets or liabilities, at such times and in such form and detail as the Lender may reasonably request.

(g) During the term of this Agreement, the Grantor shall deliver to the Lender, upon its reasonable, written request from time to time, without limitation,

(i) all invoices and customer statements rendered to account debtors, documents, contracts, chattel paper, instruments and other writings pertaining to the Grantor's contracts or the performance of the Grantor's contracts,

(ii) evidence of the Grantor's accounts and statements showing the aging, identification, reconciliation and collection thereof, and

(iii) reports as to the Grantor's inventory and sales, shipment, damage or loss thereof, all of the foregoing to be certified by authorized officers or other employees of the Grantor, and Grantor shall take all necessary action during the term of this Agreement to perfect any and all security interests in favour of the Grantor and to assign to Lender all such security interests in favour of the Grantor.

(h) Notwithstanding the security interest in the Collateral granted to and created in favour of the Lender under this Agreement, the Grantor shall have the right, except during the continuance of one or more Events of Default, at its own cost and expense, to collect the Accounts and the Chattel Paper and to enforce its contract rights.

(i) After the occurrence of an Event of Default and during the continuance thereof, the Lender shall have the right, in its sole discretion, to give notice of the Lender's security interest to account debtors obligated to the Grantor and to take over and direct collection of the Accounts and the Chattel Paper, to notify such account debtors to make payment directly to the Lender and to enforce payment of the Accounts and the Chattel Paper and to enforce the Grantor's contract rights. It is understood and agreed by the Grantor that the Lender shall have no liability whatsoever under this subsection (i) except for its own gross negligence or willful misconduct.

(k) The Grantor shall not change its name, entity status, federal taxpayer identification number, or provincial organizational or registration number, or the province or state under which it is organized without immediately informing the Lender.

(l) The Grantor shall not close any of its Deposit Accounts or open any new or additional Deposit Accounts without giving the Lender written notice thereof.

(m) The Grantor shall cooperate with the Lender, at the Grantor's expense, in perfecting Lender's security interest in any of the Collateral.

(n) The Lender may file any necessary financing statements and other documents the Lender deems necessary in order to perfect the Lender's security interest without the Grantor's signature. The Grantor grants to the Lender a power of attorney for the sole purpose of executing any documents on behalf of the Grantor which the Lender deems necessary to perfect the Lender's security interest. Such power, coupled with an interest, is irrevocable.

4. Actions with Respect to Accounts. The Grantor irrevocably makes, constitutes and appoints the Lender its true and lawful attorney-in-fact with power to sign its name and to take any of the following actions after the occurrence and prior to the cure of an Event of Default, at any time without notice to the Grantor and at the Grantor's expense:

(a) Verify the validity and amount of, or any other matter relating to, the Collateral by mail, telephone, telegraph or otherwise;

(b) Notify all account debtors that the Accounts have been assigned to the Lender and that the Lender has a security interest in the Accounts;

(c) Direct all account debtors to make payment of all Accounts directly to the Lender;

(d) Take control in any reasonable manner of any cash or non-cash items of payment or proceeds of Accounts;

(e) Take control in any manner of any rejected, returned, stopped in transit or repossessed goods relating to Accounts;

(f) Enforce payment of and collect any Accounts, by legal proceedings or otherwise, and for such purpose the Lender may:

(1) Demand payment of any Accounts or direct any account debtors to make payment of Accounts directly to the Lender;

(2) Receive and collect all monies due or to become due to the Grantor pursuant to the Accounts;

(3) Exercise all of the Grantor's rights and remedies with respect to the collection of Accounts;

(4) Settle, adjust, compromise, extend, renew, discharge or release Accounts in a commercially reasonable manner;

(5) Sell or assign Accounts on such reasonable terms, for such reasonable amounts and at such reasonable times as the Lender reasonably deems advisable;

(6) Prepare, file and sign the Grantor's name or names on any Proof of Claim or similar documents in any proceeding filed under federal or state bankruptcy, insolvency, reorganization or other similar law as to any account debtor;

(7) Prepare, file and sign the Grantor's name or names on any notice of lien, claim of mechanic's lien, assignment or satisfaction of lien or mechanic's lien or similar document in connection with the Collateral; and

(8) Take all other actions that the Lender reasonably deems to be necessary or desirable to protect the Grantor's interest in the Accounts; and

(g) Negotiate and endorse any Document in favour of the Lender or its designees, covering Inventory which constitutes Collateral, and any related documents for the purpose of carrying out the provisions of this Agreement and taking any action and executing in the name of Grantor any instrument which the Lender may reasonably deem necessary or advisable to accomplish the purpose hereof. Without limiting the generality of the foregoing, the Lender shall have the right and power to receive, endorse and collect cheques and other orders for the payment of money made payable to the Grantor representing any payment or reimbursement made under, pursuant to or with respect to, the Collateral or any part thereof and to give full discharge to the same.

The Grantor does hereby ratify and approve all acts of said attorney and agrees that said attorney shall not be liable for any acts of commission or omission, nor for any error of judgment or mistake of fact or law, except for said attorney's own gross negligence or willful misconduct. This power, being coupled with an interest, is irrevocable until the Note is paid in full (at which time this power shall terminate in full) and the Grantor has performed all of its obligations under this Agreement and the other Loan Documents. The Grantor further agrees to use its reasonable efforts to assist the Lender in the collection and enforcement of the Accounts and will not hinder, delay or impede the Lender in any manner in its collection and enforcement of the Accounts.

5. Preservation and Protection of Security Interest. The Grantor represents and warrants that it has, except as otherwise disclosed, and covenants and agrees that at all times during the term of this Agreement, it will exercise all commercially reasonable efforts to have, good and marketable title to the Collateral now owned by it free and clear of all mortgages, pledges, liens, security interests, charges or other encumbrances, except for the Permitted Liens and those junior in right of payment and enforcement to that of the Lender or in favour of the Lender, and shall defend the Collateral against the claims and demands of all persons, firms and entities whomsoever. Assuming Lender has taken all required action to perfect a security interest in the Collateral as provided by the Code or the PPSA, as applicable, the Grantor represents and warrants that as of the date of this Agreement the Lender has, and that all times in the future the Lender will have, a first priority perfected security interest in the Collateral, prior and superior to the rights of all third parties in the Collateral existing on the date of this Agreement or arising after the date of this Agreement, subject to the Permitted Liens. Except as permitted by this Agreement, the Grantor covenants and agrees that it shall not, without the prior written consent of the Lender, which consent shall not be unreasonably withheld (i) borrow against the Collateral or any portion of the Collateral from any other person, firm or entity, except for borrowings which are subordinate to the rights of the Lender, (ii) grant or create or permit to attach or exist any mortgage, pledge, lien, charge or other encumbrance, or security interest on, of or in any of the Collateral or any portion of the Collateral except those in favour of the Lender or the Permitted Liens, (iii) permit any levy or attachment to be made against the Collateral or any portion of the Collateral, except those subject to the Permitted Liens, or (iv) permit any financing statements to be on file with respect to any of the Collateral, except financing statements in favour of the Lender or those with respect to the Permitted Liens. The Grantor shall faithfully preserve and protect the Lender's security interest in the Collateral and shall, at its own reasonable cost and expense, cause, or assist the Lender to cause that security interest to be perfected and continue perfected so long as the Note or any portion of the Note is outstanding, unpaid or executory. For purposes of the perfection of the Lender's security interest in the Collateral in accordance with the requirements of this Agreement, the Grantor shall from time to time at the request of the Lender file or record, or cause to be filed or recorded, such instruments, documents and notices, including assignments, financing statements and continuation statements, as the Lender may reasonably deem necessary or advisable from time to time in order to perfect and continue perfected such security interest. The Grantor shall do all such other acts and things and shall execute and deliver all such other instruments and documents, including further security agreements, pledges, endorsements, assignments and notices, as the Lender in its discretion may reasonably deem necessary or advisable from time to time in order to perfect and preserve the priority of such security interest as a first lien security interest in the Collateral prior to the rights of all third persons, firms and entities, subject to the Permitted Liens and except as may be otherwise provided in this Agreement. The Grantor agrees that a carbon, photographic or other reproduction of this Agreement or a financing statement is sufficient as a financing statement and may be filed instead of the original.

6. Maintenance and Repair. The Grantor shall maintain the Equipment, Inventory and Fixtures, and every portion thereof, in good condition, repair and working order, reasonable wear and tear alone excepted, and shall pay and discharge all taxes, levies and other impositions assessed or levied thereon as well as the cost of repairs to or maintenance of the same. If the Grantor fails to do so, the Lender may (but shall not be obligated to) pay the cost of such repairs or maintenance and such taxes, levies or impositions for the account of the Grantor and add the amount of such payments to the Note.

7. Preservation of Rights Against Third Parties; Preservation of Collateral in the Lender's Possession. Until such time as the Lender exercise its right to effect direct collection of the Accounts and the Chattel Paper and to effect the enforcement of the Grantor's contract rights, the Grantor assumes full responsibility for taking any and all commercially reasonable steps to preserve rights in respect of the Accounts and the Chattel Paper and its contracts against prior parties. The Lender shall be deemed to have exercised reasonable care in the custody and preservation of such of the Collateral as may come into its possession from time to time if the Lender takes such action for that purpose as the Grantor shall request in writing, provided that such requested action shall not, in the judgment of the Lender, impair the Lender's security interest in the Collateral or its right in, or the value of, the Collateral, and provided further that the Lender receives such written request in sufficient time to permit the Lender to take the requested action.

8. Events of Default and Remedies.

(a) If any one or more of the Events of Default shall occur or shall exist, the Lender may then or at any time thereafter, so long as such Event of Default shall continue, foreclose the lien or security interest in the Collateral in any way permitted by law, or upon fifteen (15) days prior written notice to the Grantor, sell any or all Collateral at private sale at any time or place in one or more sales, at such price or prices and upon such terms, either for cash or on credit, as the Lender, in its sole discretion, may elect, or sell any or all Collateral at public auction, either for cash or on credit, as the Lender, in its sole discretion, may elect, and at any such sale, the Lender may bid for and become the purchaser of any or all such Collateral. Pending any such action the Lender may liquidate the Collateral.

(b) If any one or more of the Events of Default shall occur or shall exist, the Lender may then, or at any time thereafter, so long as such default shall continue, grant extensions to, or adjust claims of, or make compromises or settlements with, debtors, guarantors or any other parties with respect to Collateral or any securities, guarantees or insurance applying thereon, without notice to or the consent of the Grantor, without affecting the Grantor's liability under this Agreement or the Note. The Grantor waives notice of acceptance, of nonpayment, protest or notice of protest of any Accounts or Chattel Paper, any of its contract rights or Collateral and any other notices to which the Grantor may be entitled.

(c) If any one or more of the Events of Default shall occur or shall exist and be continuing, then in any such event, the Lender shall have such additional rights and remedies in respect of the Collateral or any portion thereof as are provided by the Code or the PPSA, as applicable, and such other rights and remedies in respect thereof which it may have at law or in equity or under this Agreement, including without limitation the right to enter any premises where Equipment, Inventory and/or Fixtures are located and take possession and control thereof without demand or notice.

(d) The Lender shall apply the Proceeds of any sale or liquidation of the Collateral, and any Proceeds received by the Lender from insurance, first to the payment of the reasonable costs and expenses incurred by the Lender in connection with such sale or collection, including without limitation reasonable attorneys' fees and legal expenses, second to the payment of the Note, whether on account of principal or interest or otherwise as the Lender, in its sole discretion, may elect, and then to pay the balance, if any, to the Grantor or as otherwise required by law. If such Proceeds are insufficient to pay the amounts required by law, the Grantor shall be liable for any deficiency.

(e) Upon the occurrence of any Event of Default, the Grantor shall promptly upon written demand by the Lender assemble the Equipment, Inventory and Fixtures and make them available to the Lender at a place or places to be designated by the Lender. The rights of the Lender under this paragraph to have the Equipment, Inventory and Fixtures assembled and made available to it is of the essence of this Agreement and the Lender may, at its election, enforce such right by an action in equity for injunctive relief or specific performance, without the requirement of a bond.

9. Defeasance. Notwithstanding anything to the contrary contained in this Agreement, upon payment and performance in full of the Note, this Agreement shall terminate and be of no further force and effect and the Lender shall thereupon terminate its security interest in the Collateral. Until such time, however, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns, provided that, without the prior written consent of the Lender, the Grantor may not assign this Agreement or any of its rights under this Agreement or delegate any of its duties or obligations under this Agreement and any such attempted assignment or delegation shall be null and void. This Agreement is not intended and shall not be construed to obligate the Lender to take any action whatsoever with respect to the Collateral or to incur expenses or perform or discharge any obligation, duty or disability of the Grantor.

10. Miscellaneous.

(a) The provisions of this Agreement are intended to be severable. If any provision of this Agreement shall for any reason be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability of such provision in any other jurisdiction or any other provision of this Agreement in any jurisdiction.

(b) No failure or delay on the part of the Lender in exercising any right, remedy, power or privilege under this Agreement, the Note or any of the other Loan Documents shall operate as a waiver thereof or of any other right, remedy, power or privilege of the Lender under this Agreement, the Note or any of the other Loan Documents; nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other right, remedy, power or privilege or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges of the Lender under this Agreement, the Note and the other Loan Documents are cumulative and not exclusive of any rights or remedies which they may otherwise have.

(c) Unless otherwise provided herein, all demands, notices, consents, service of process, requests and other communications hereunder shall be in writing and shall be delivered in person or by overnight courier service, or mailed by certified mail, return receipt requested, addressed:

If to Grantor:

Eagleford Energy Corp.
1 King Street West, Suite 1505
Toronto, Ontario, Canada, M5H 1A1
Attn: James Cassina, President
Facsimile: (416) 364-8244

with a copy to:

Crone Kline Rinde, LLP
488 Madison Avenue, 12th Floor
New York, NY 10022
Attn: Scott E. Rapfogel, Esq.
Facsimile: (212) 400-6901

If to Lender:

Benchmark Enterprises LLC
2nd Floor, Chancery Court,
East Mall Drive
P O Box F-42678
Freeport, Bahamas
Attn: Karin Sanchez
Email: masco@coralwave.com

with a copy to:

Sui & Company
The Exchange Tower, P O Box 427,
130 King Street West, Suite 1800,
Toronto, Canada, M5X 1E3
Attn: Erwin Sui,
Facsimile: (416) 360-3761

Any such notice shall be effective when delivered, if delivered by hand delivery, overnight courier service, or registered mail.

(d) The section headings contained in this Agreement are for reference purposes only and shall not control or affect its construction or interpretation in any respect.

(e) This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without giving effect to any choice of law provision or rule.

(g) This Agreement may be executed in several counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument. All of such counterparts shall be read as though one, and they shall have the same force and effect as though all the signers had signed a single page.

[***SIGNATURE PAGE FOLLOWS]***

IN WITNESS WHEREOF, and intending to be legally bound, the parties have executed and delivered this Agreement as of the day and year first herein above written.

GRANTOR:

EAGLEFORD ENERGY CORP.

By: /s/ James Cassina
Name: James Cassina
Title: President

EAGLEFORD ENERGY, ZAVALA INC.

By: /s/ James Cassina
Name: James Cassina
Title: President

LENDER:

BENCHMARK ENTERPRISES LLC

By: /s/ Karin Sanchez
Name: Karin Sanchez
Title: Authorized Signatory

[SIGNATURE PAGE TO EAGLEFORD SECURITY AGREEMENT]

Schedule I

1. State(s) or Province(s) in which Collateral is located:

Eagleford - Ontario, Canada
EEZ - **Texas, USA**

2. Grantor Information:

Eagleford

Eagleford Energy Corp.
an Ontario corporation
Corporate ID No.: 1810244

Executive Offices Address:
1 King Street West, Suite 1505
Toronto, Ontario, Canada, M5H 1A1

President: James Cassina

EEZ

Eagleford Energy, Zavala Inc.
a Nevada corporation
Entity number: E0424952013-4

Executive Offices Address:
1 King Street West, Suite 1505
Toronto, Ontario, Canada, M5H 1A1

President: James Cassina

<u>Schedule II</u>

<u>Permitted Liens</u>

[●]

RELEASE

THIS RELEASE dated effective August 31, 2014.

BETWEEN

EAGLEFORD ENERGY CORP., a corporation existing under the laws of the Province of Ontario (the "**Borrower**")

- and -

BENCHMARK ENTERPRISES LLC, a Nevis limited liability company (the "**Lender**")

WHEREAS on August 31, 2010, the Borrower issued a 6% secured promissory note (the "**Original Note**") due December 31, 2011 (the "**Original Maturity Date**") in the principal amount of nine hundred and sixty thousand United States dollars (US$ 960,000.00) to the Lender;

AND WHEREAS on December 31, 2011, the Borrower and the Lender amended the terms of the Original Note to extend the Original Maturity Date by six months to June 30, 2012 and to provide for the continued accrual of interest on the outstanding principal amount of the Original Note during such extension at the new rate of 10% per annum, such that interest is accrued at 6% during the period from August 31, 2010 through and including December 31, 2011 and at 10% during the period from January 1, 2012 through June 30, 2012, and as such may be accelerated under the terms of the Original Note;

AND WHEREAS on June 30, 2012, the Borrower and the Lender again amended the terms of the Original Note to extend the Original Maturity Date by a further four months to November 30, 2012 and to provide for the continued accrual of interest on the outstanding principal amount of the Original Note during such extension at the amended rate of 10% per annum, such that interest is accrued at 6% during the period from August 31, 2010 through and including December 31, 2011 and at 10% during the period from January 1, 2012 through November 30, 2012, and as such may be accelerated under the terms of the Original Note;

AND WHEREAS on November 23, 2012, the Borrower and the Lender again amended the terms of the Original Note to extend the Original Maturity Date to March 1, 2013 and to provide for the continued accrual of interest on the outstanding principal amount of the Original Note during such extension at the amended rate of 10% per annum, such that interest is accrued at 6% during the period from August 31, 2010 through and including December 31, 2011 and at 10% during the period from January 1, 2012 through March 1, 2013, and as such may be accelerated under the terms of the Original Note;

AND WHEREAS on March 1, 2013, the Borrower and the Lender again amended the terms of the Original Note to extend the Original Maturity Date to August 31, 2013 and to provide for the continued accrual of interest on the outstanding principal amount of the Original Note during such extension at the amended rate of 10% per annum, such that interest is accrued at 6% during the period from August 31, 2010 through and including December 31, 2011 and at 10% during the period from January 1, 2012 through August 31, 2013, and as such may be accelerated under the terms of the Original Note;

AND WHEREAS the Borrower is presently indebted to the Lender in the amount of **US$1,216,175.35** (the "**Loan**") pursuant to the terms of the Original Note, as amended;

AND WHEREAS in consideration of the Borrower's agreement not to immediately demand on the current date hereof repayment of the Loan, the Lender and the Borrower have agreed that (a) the Original Note shall be cancelled; (b) the Borrower shall issue a Secured Loan Promissory Note to further evidence the debt owed by the Debtor to the Borrower; and (c) that the Debtor will grant, and will cause its wholly-owned subsidiary, Eagleford Energy, Zavala Inc. to grant, further security for the repayment of the Loan all of their present and future personal and real property;

NOW THEREFORE in consideration of the issuance by the Borrower to the Lender of a Secured Loan Promissory Note evidencing the Loan dated the date hereof, the mutual covenants and promises hereinafter contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each of the Borrower and the Lender), the parties hereby agree as follows:

1. **Termination of the Original Note.** The Borrower and the Lender acknowledge and agree that effective as of the date hereof the Original Note is hereby terminated and discontinued and is of no further force and effect, and the parties shall be free and clear of all present and future liabilities or obligations to each other pursuant to the Original Note.

2. **Mutual Release.** In exchange for the obligations and mutual releases set out herein, and except for the obligations set forth in this Release, each of the parties hereto, on behalf of itself, its parents, subsidiaries, affiliates, assigns, successors and predecessors, and their current and former officers, directors, shareholders, employees, agents and investors (each a "**Releasing Party**"), hereby knowingly and voluntarily forever waives and releases any and all charges, complaints, claims, liabilities, obligations, promises, agreements, contracts, controversies, damages, actions, causes of action, rights in action, choses in action, remedies, disputes, accounts, penalties, counterclaims, suits, rights, demands, costs, losses, debts and expenses of any kind or nature whatsoever, including rights to attorneys' fees, punitive, incidental, indirect, special or consequential damages and equitable relief, at any time up to and including the date of this Release, at law, equity or otherwise, whether known or unknown, suspected or unsuspected, fixed or contingent, joint or several, direct or indirect, foreseen or unforeseen, hidden or concealed, asserted or unasserted against the other party hereto, its parents, subsidiaries, affiliates, assigns, successors and predecessors, and their current and former officers, directors, shareholders, employees, agents and investors (collectively, the "**Released Parties**") arising out of or relating to the Original Note including but not limited to any disputes thereunder.

3. **Independent Legal Advice.** Each party hereto understands and acknowledges that it has been advised that it may consult, and hereby acknowledges that it has in fact consulted, with legal counsel of its own choosing concerning this Release prior to executing it.

4. **No Release of Other Claims.** This Release does not waive or release any rights or claims that any party may have (i) which does not arise out of or relate to the Original Note; or (ii) for a breach of the provisions of this Release.

5. **Waiver.** This Release or any provision hereof may be waived, changed, modified or discharged only by agreement in writing signed by the Borrower and the Lender.

6. **Enurement.** This Release and all of its provisions shall be binding upon and shall enure to the benefit of the parties hereto and their respective heirs, executors, legal personal representatives, successors and assigns.

7. **Severability.** If any provision of this Release shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision of this Release, but this Release shall be construed as if this Release had never contained the invalid or unenforceable provision.

8. **Governing Law.** This Release shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without giving effect to any choice of law provision or rule.

9. **Counterparts.** This Release may be executed in several counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument. All of such counterparts shall be read as though one, and they shall have the same force and effect as though all the signers had signed a single page.

IN WITNESS WHEREOF, the parties hereto have executed this Release as of the day and year first herein above written.

BENCHMARK ENTERPRISES LLC

By: /s/ Karin Sanchez
Name: Karin Sanchez
Title: Authorized Signatory

EAGLEFORD ENERGY CORP.

By: /s/ James Cassina
Name: James Cassina
Title: President

EXHIBIT 8.1

SUBSIDIARIES OF EAGLEFORD ENERGY INC.

1354166 Alberta Ltd., an Alberta corporation

Eagleford Energy, Zavala Inc. a Nevada company

EXHIBIT 12.1 / 12.2

CERTIFICATIONS

I, James Cassina, certify that:

1. I have reviewed this annual report on Form 20-F of Eagleford Energy Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: December 31, 2014

By: /s/ James Cassina
James Cassina
President, Chief Executive Office and
Chief Financial Officer

EXHIBIT 13.1 / 13.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Eagleford Energy Inc. (the “Company”) on Form 20-F for the year ended August 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James Cassina, Chief Executive and Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that;

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ James Cassina

Name: James Cassina
Title:
Date: President, Chief Executive Office
and Chief Financial Officer