



**Management's Discussion and Analysis  
For the Three Months Ended  
November 30, 2014**

## 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 Unaudited Interim Condensed Consolidated Financial Statements for the three months ended November 30, 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."). 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 was deconsolidated from the Company's Unaudited Interim Condensed Consolidated Financial Statements as at the effective date.

Our Canadian public filings can be accessed and viewed via the System for Electronic Data Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://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](http://www.sedi.ca). 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](http://www.sec.gov).

The following Management's Discussion and Analysis of Eagleford should be read in conjunction with the Company's Unaudited Interim Condensed Consolidated Financial Statements for the three months ended November 30, 2014 and notes thereto.

The Company's Unaudited Interim Condensed Consolidated Financial Statements for the three months ended November 30, 2014 were prepared using the same accounting policies and methods as those described in our Consolidated Financial Statements for the year ended August 31, 2014. The Unaudited Interim Condensed Consolidated Financial Statements are prepared in compliance with International Accounting Standard 34, Interim Financial Reporting (IAS 34). Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with International Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB") have been omitted or condensed. The Unaudited Interim Condensed Consolidated Financial Statements should be read in conjunction with our Consolidated Financial Statements for the year ended August 31, 2014. All amounts herein are presented in Canadian dollars, unless otherwise noted.

This Management's Discussion and Analysis is dated January 27, 2015 and has been approved by the Board of Directors of the Company.

## FORWARD LOOKING STATEMENTS

*This Management's Discussion and Analysis contains certain forward-looking statements, including management's assessment of future plans and operations, and capital expenditures and the timing thereof, that involve substantial known and unknown risks and uncertainties, certain of which are beyond the Company's control. Such risks and uncertainties include, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources, the impact of general economic conditions in Canada, the United States and overseas, industry conditions, changes in laws and regulations (including the adoption of new environmental laws and regulations) and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that the Company will derive there from. Readers are cautioned that the foregoing list of factors is not exhaustive. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained*

in this Management Discussion and Analysis are made as at the date of this Management Discussion and Analysis and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

**Non-IFRS Measurements** – Certain measures in this Management's 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.

#### GLOSSARY OF ABBREVIATIONS

Bbl	barrel
Bbl/d	barrels per day
Boe	barrels of oil equivalent <sup>(1)</sup>
Boe/d	barrels of oil equivalent per day
Mcf	1,000 cubic feet of natural gas
Mcf/d	1,000 cubic feet of natural gas per day

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

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

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
Bbls	Cubic metres	0.159
Cubic metres	Bbls	6.292
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

#### OVERALL PERFORMANCE

Revenue, net of royalties for the three months ended November 30, 2014 decreased slightly to \$13,565 compared to \$13,603 for the same three month period in 2013. Net loss for the three months ended November 30, 2014 was \$676,605 compared to a net loss of \$112,159 for the three months ended November 30, 2013. The increase in net loss during 2014 was primarily related to an increase of \$254,934 to \$263,551 in loss on derivative liabilities compared to \$8,617 in 2013. The increase in loss on derivative liabilities during 2014, was primarily attributed to the conversion feature of the secured convertible note which terms meet the definition of an embedded derivative liability that requires fair value measurement at each reporting period. In addition, 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 derivative liability and the fair value movement during the period is recognized in the profit or loss. During 2014, the Company recorded an increase in stock based compensation of \$112,693 compared to \$Nil in 2013, and an increase in interest expense of \$76,490 to \$96,022 versus \$19,532 for the same three month period in 2013.

For the three months ended November 30, 2014, the Company recorded additions of \$173,104 to exploration and evaluation assets.

During the three months ended November 30, 2014 the Company received US\$121,000 and \$10,000 and issued 10% per annum, due on demand notes.

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.

## RISK AND UNCERTAINTIES

There have been no material changes during the three months ended November 30, 2014 to the risks and uncertainties as identified in the Management Discussion and Analysis for the year ended August 31, 2014.

### Contractual maturities:

The following table illustrates the contractual maturities of financial liabilities:

November 30, 2014	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and others payables	\$1,542,747	\$1,542,747	-	-	-
Shareholders' loans (1)	1,040,845	1,040,845	-	-	-
Loan Payable (1)	137,901	137,901	-	-	-
<b>Total</b>	<b>\$2,721,493</b>	<b>\$2,721,493</b>	<b>-</b>	<b>-</b>	<b>-</b>

  

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	-	-	-
<b>Total</b>	<b>\$2,465,609</b>	<b>\$2,465,609</b>	<b>-</b>	<b>-</b>	<b>-</b>

(1) Translated at current exchange rate.

### Capital Management

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity and flexibility to fund 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 November 30, 2014 and August 31, 2014 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 November 30, 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.

## RESULTS OF OPERATIONS

Historical Production	For the Three Months Ended	
	November 30,	
	2014	2013
Natural gas – mcf/d	52	54
<b>Historical Prices</b>		
Natural Gas - \$/mcf	\$4.19	\$3.04
Royalties costs - \$/mcf	\$1.32	\$0.27
Production costs - \$/mcf	\$0.67	\$0.40
Net back - \$/mcf	\$2.20	\$2.37
<b>Operations</b>		
Revenue, net of royalties	\$13,565	\$13,603
Net loss	\$(676,605)	\$(112,159)
Loss per share, basic and diluted	\$(0.024)	\$(0.009)

### Production Volume

For the three months ended November 30, 2014 average natural gas sales volumes were down slightly to 52 mcf/d compared to 54 mcf/d for the same period in 2013. Total production volume for the three months ended November 30, 2014 was 4,670 mcf compared to 4,904 mcf for the same three month period in 2013.

### Commodity Prices

For the three months ended November 30, 2014 average natural gas prices received per mcf increased by 37% to \$4.19 compared to \$3.04 for the three months ended November 30, 2013.

The increase in average natural gas prices received was attributed to higher commodity prices for natural gas for the three months ended November 30, 2014.

### Natural Gas Sales, Net of Royalties

	For the Three Months Ended	
	November 30,	
	2014	2013
Natural gas sales	\$19,260	\$14,907
Royalties	(5,695)	(1,304)
Revenue, net of royalties	\$13,565	\$13,603

Natural gas sales for the three months ended November 30, 2014 was up \$4,353 to \$19,260 compared to \$14,907 for the three months ended November 30, 2013.

The increase in sales for the three month period ended November 30, 2014 was attributed to higher commodity prices received for natural gas and higher production volume.

Royalties for the three months ended November 30, 2014 were \$5,695 versus \$1,034 for the comparable three month period in 2013.

As a result of the above, natural gas sales, net of royalties for the three months ended November 30, 2014 decreased slightly to \$13,565 compared to \$13,603 for the same three month period in 2013.

### Operating Costs

For three months ended November 30, 2014 operating costs were \$1,702 up to \$3,680 compared to operating costs of \$1,978 for the three months ended November 30, 2013.

The increase in operating costs for the three months ended November 30, 2014 was attributed to higher maintenance charges.

### Depletion and Accretion

Depletion and accretion for the three months ended November 30, 2014 decreased by \$615 to \$237 compared to \$852 for the three months ended November 30, 2013.

The decrease in depletion and accretion for the three months ended November 30, 2014 was primarily attributed to the partial disposition of the Matthews Lease, Texas.

**General and Administrative Expenses****For the Three Months Ended  
November 30,**

	<b>2014</b>	<b>2013</b>
Professional fees	\$20,710	\$28,457
Head office costs	25,500	25,500
Management fees	37,500	18,750
Transfer and registrar costs	1,787	1,674
Shareholders information	1,189	2,693
Office and general costs	1,602	930
Directors fees	300	-
<b>Total</b>	<b>\$88,588</b>	<b>\$78,004</b>

General and administrative expenses for the three months ended November 30, 2014 were \$10,584 higher at \$88,588 compared to \$78,004 for the three months ended November 30, 2013. The increase in expenses during 2014 was primarily attributed to an increase in management fees of \$18,750 to \$37,500 compared to \$18,750 for the same three month period in 2013. This increase was partially offset by lower professional fees of \$7,747 to \$20,710 versus \$28,457 for the comparable three month period ended November 30, 2013.

**Interest Expense**

For the three months ended November 30, 2014 the Company incurred interest costs of \$96,022 versus interest costs of \$19,532 for the three months ended November 30, 2014.

The increase in interest costs during the three months ended November 30, 2014 was primarily attributed to decreases in borrowing costs capitalized, as a result of the impairment loss recorded on exploration and evaluation assets during fiscal 2014.

**Accretion of Convertible Secured Note**

For the three months ended November 30, 2014, the Company recorded accretion on the secured convertible note in the amount of \$43,947 compared to \$Nil in the three month period in 2013.

At, November 30, 2014, the Company had a secured convertible note payable with a face value of \$1,366,194 (August 31, 2014: \$1,322,347) (the "Note"). The Note will be accreted up to its face value over the life of Note based on an effective interest rate.

**Loss on Derivative Liabilities**

For the three months ended November 30, 2014, the Company recorded a total loss on derivative liabilities of \$263,551 compared to a loss of \$8,617 for the three months ended November 30, 2013 as follows:

**Derivative Warrant Liabilities**

For the three months ended November 30, 2014, the Company recorded a loss on derivative warrant liabilities of \$66,156 compared to a loss of \$8,617 for the three months ended November 30, 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 consolidated statement of operations.

**Derivative Unit Liabilities**

For the three months ended November 30, 2014, the Company recorded a loss on derivative unit liabilities of \$197,395 compared to \$Nil for the three months ended November 30, 2013.

At, November 30, 2014, the Company had a secured convertible note payable with a face value of \$1,366,194 (August 31, 2014: \$1,322,347) (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 that requires fair value measurement each period.

**Loss on Foreign Exchange**

For the three months ended November 30, 2014 the Company recorded a loss on foreign exchange of \$81,452 compared to a loss of \$16,779 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.

### Stock Based Compensation Expense

For the three months ended November 30, 2014 the Company recorded stock based compensation of \$84,520 compared to \$Nil for the same period in 2013.

On November 12, 2014, the Company granted options to purchase 750,000 common shares to directors of the Company. These options are exercisable at \$0.12 per share, vest immediately and expire on November 11, 2019. The Company recorded non-cash stock based compensation expense of \$84,520.

### Stock Based Compensation-Non Employees

For the three months ended November 30, 2014 the Company recorded stock based compensation of \$28,173 compared to \$Nil for the same period in 2013.

On November 12, 2014, the Company granted options to purchase 250,000 common shares to a consultant of the Company. These options are exercisable at \$0.12 per share, vest immediately and expire on November 11, 2019. The Company recorded non-cash stock based compensation expense of \$28,173.

### Net Loss

Net loss for the three months ended November 30, 2014 was \$676,605, compared to a net loss of \$112,159 for the three months ended November 30, 2013. The increase in net loss during 2014 was primarily related to an increase of \$254,934 to \$263,551 in loss on derivative liabilities compared to \$8,617 in 2013. The increase in loss on derivative liabilities during 2014, was primarily attributed to the conversion feature of the secured convertible note which terms meet the definition of an embedded derivative liability that requires fair value measurement at each reporting period. In addition, 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. In addition, the Company recorded an increase in stock based compensation of \$112,693 compared to \$Nil in 2013, an increase in loss on foreign exchange of \$64,673 to \$81,452 compared to \$16,779 in 2013 and an increase in interest expense of \$76,490 to \$96,022 versus \$19,532 for the same three month period in 2013.

### Foreign Currency Translation

For the three months ended November 30, 2014 the Company incurred a gain on foreign currency translation of \$213,686 versus a gain of \$10,120 for the same three month period in 2013.

These gains and losses are related to translation differences between Zavala Inc.'s and Dyami Energy'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.

### Comprehensive Loss

Comprehensive loss for the three months ended November 30, 2014 was \$462,919 compared to a comprehensive loss of \$102,039 for the three months ended November 30, 2013.

### Loss per Share, Basic and Diluted

Basic and diluted loss per share for the three months ended November 30, 2014 was \$0.024 compared to basic and diluted loss per share of \$0.009 for the same three month period in 2013.

### SUMMARY OF QUARTERLY RESULTS

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

For the quarter ending	2014	2014	2014	2014
	November 30	August 31	May 31	February 29
Revenue, net of royalties	\$13,565	\$19,551	\$22,116	\$9,754
Loss for the period	\$(676,605)	\$(4,332,092)	\$(1,269,732)	\$(401,602)
Loss per share, basic and diluted	\$(0.024)	\$(0.327)	\$(0.098)	\$(0.030)

Revenue, net of royalties for the four quarters fluctuated as a result of changes in production volume and commodity prices. During the quarter ended November 30, 2014, the Company recorded a loss on derivative liabilities of \$263,551 and stock based compensation expense of \$112,693. 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 14,757,102 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 liabilities during the respective periods.

<b>For the quarter ending</b>	<b>2013</b>		<b>2013</b>	
	<b>November 30</b>	<b>August 31</b>	<b>May 31</b>	<b>February 29</b>
Revenue, net of royalties	\$ 13,603	\$ 171	\$ 10,206	\$ 9,787
Loss for the period	\$ (112,159)	\$ (3,557,922)	\$ (116,520)	\$ (374,673)
Loss per share, basic and diluted	\$ (0.009)	\$ (0.034)	\$ (0.001)	\$ (0.004)

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, 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 liabilities during the respective periods.

### **CAPITAL EXPENDITURES**

For the three months ended November 30, 2014, the Company recorded net additions to exploration and evaluation assets of \$173,104 on its Lease located in Zavala County, Texas (year ended August 31, 2014: \$113,578).

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 three months ended November 30, 2014, the Company received US\$121,000 and \$10,000 and issued 10% per annum notes due on demand. During the year ended August 31, 2014, the Company issued 14,757,102 common shares as full settlement of shareholders' loans and interest in the aggregate amount of \$1,180,570).

### **LIQUIDITY AND CAPITAL RESOURCES**

Cash as of November 30, 2014 was \$10,117 (August 31, 2014: \$103,215). 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 three months ended November 30, 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 November 30, 2014 was \$8,465,993 (August 31, 2014: \$3,489,237).

Our current assets of \$88,368 as at November 30, 2014, (\$260,336 as of August 31, 2014) include the following items: cash \$10,117 (\$103,215 as of August 31, 2014) and trade and other receivables \$78,251 (\$157,121 as of August 31, 2014).

Our current liabilities of \$8,554,361 as of November 30, 2014 (\$3,749,573 as of August 31, 2014) include the following items: trade and other payables \$1,542,747 (\$1,483,775 as of August 31, 2014); shareholders' loans \$1,040,845 (\$981,834 as of August 31, 2014); loan payable of \$137,901 (\$Nil as of August 31, 2014); secured convertible note of \$43,947 (\$Nil as of August 31, 2014); derivative liabilities of \$5,588,958 (\$1,094,392 as of August 31, 2014); deferred revenue of \$188,546 (\$177,804 as of August 31, 2014); and provisions of \$11,417 (\$11,768 as of August 31, 2014).

At November 30, 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 to expand our existing portfolio of proved reserves. Amounts expended on future exploration and development is dependent on the nature of future opportunities evaluated by us. 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.

## PROVISIONS

	Decommissioning Provisions (Note a)	Other Provisions (Note b)	Total Provisions
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	(58,589)	-	(58,589)
Foreign exchange	4,630	(9,357)	(4,727)
Balance, August 31, 2014	47,543	-	47,543
Accretion expense	237	-	237
Change in estimate	413	-	413
Disposals	(352)	-	(352)
Foreign exchange	1,882	-	1,882
<b>Balance, November 30, 2014</b>	<b>\$49,723</b>	<b>\$ -</b>	<b>\$49,723</b>

### 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 \$49,723 (\$11,417 current and \$38,306 long term) at November 30, 2014 (August 31, 2014: \$11,768 current and \$35,775 long term) based on an undiscounted total future liability of \$62,717 (August 31, 2014: \$60,629). These payments are expected to be incurred between 2015 and 2031. The discount factor, being the risk free rate related to the liability is 2.48% (August 31, 2014: 2.57%).

### b) Other Provisions

On January 28, 2014 a vendor of Dyami Energy 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 and interest at a rate of 5% per annum from the date of judgment until paid (District Court of Zavala County, Texas Case No. 13-02-12941-ZCV). During 2013, full amount of the provision had been recorded together with legal fees and interest and transferred to trade and other payables

## SECURED NOTE PAYABLE AND SHAREHOLDER 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 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% and 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 lesser 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
Promissory note (old debt instrument)	\$ 1,322,247
Derivative liability (conversion unit)	(4,000,100)
Loss on exchange of debt instruments	2,677,753
	<u>\$ -</u>

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. For the three months ended November 30, 2014, the Company recorded accretion on the note in the amount of \$43,947. The carrying value of the note as at November 30, 2014 is \$1,366,194. For the three months ended November 30, 2014, the Company recorded interest on the Note of \$34,648 (see Note 11 to the Unaudited Interim Condensed Consolidated Financial Statements).

### 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 14,757,102 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%

### 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 Company recorded loss on derivative warrant liabilities of \$66,156 during the three months ended November 30, 2014 (November 30, 2013: \$8,617)

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, 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
Change in fair value estimates	-	66,156	-
<b>As at November 30, 2014</b>	<b>743,838</b>	<b>1,391,463</b>	<b>4.66</b>

\* Reflects the August 25, 2014 one-for-ten consolidation

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 November 30, 2014 and August 31, 2014 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)	0.37	383,717
30,000	2.50	April 13, 2015(1)	0.37	104,384
91,250	5.00	July 20, 2015(1)	0.64	140,091
14,600	2.50	July 20, 2015(1)	0.64	37,708
250,000	5.00	August 7, 2015(1)	0.68	384,232
40,000	2.50	August 7, 2015(1)	0.68	98,889
112,490	5.00	September 25, 2015(1)	0.82	190,222
17,998	2.50	September 25, 2015(1)	0.82	52,220
<b>743,838</b>			<b>0.61</b>	<b>1,391,463</b>

\* Reflects the August 25, 2014 one-for-ten consolidation

(1) Current

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
<b>743,838</b>			<b>0.70</b>	<b>1,325,307</b>

\* Reflects the August 25, 2014 one-for-ten consolidation

(1) Current

### Derivative Unit Liabilities

The following tables summarize the components of the Company's derivative unit liabilities and linked common shares as at November 30, 2014 and August 31, 2014:

	November 30, 2014		August 31, 2014	
	Indexed Shares	Fair Values	Indexed Shares	Fair Values
The financings giving rise to derivative unit liabilities:				
Conversion unit (1 common share and 1 common share purchase warrant)	15,581,201	\$(4,197,495)	15,202,188	\$(4,000,100)

The following table summarizes the effects on our gain (loss) associated with changes in the fair values of our derivative units liabilities for the three months ended November 30, 2014:

	Three Months Ended November 30, 2014
The financings giving rise to derivative unit liabilities:	
Conversion unit (1 common share and 1 common share purchase warrant)	\$ 197,395

At August 31, 2014 the Company issued a Secured Convertible Note with a face value \$1,322,347 (US\$1,216,175) which gave rise to a derivative financial instrument. 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 (see Note 10 to the Unaudited Interim Condensed Consolidated Financial Statements).

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 Binomial Lattice 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 as at November 30, 2014 and August 31, 2014:

	November 30, 2014	August 31, 2014
Underlying price on valuation date*	\$0.3071	\$0.3090
Contractual conversion rate	\$0.08	\$0.08
Contractual term to maturity	0.75 Years	1.00 Years
Implied expected term to maturity	0.596 Years	0.613 Years
Market volatility:		
Range of volatilities	202.14% - 434.73%	78.41% - 269.09%
Equivalent volatility	309.33%	181.25%
Contractual interest rate	10.0%	10.0%
Equivalent market risk adjusted interest rate	10.00%	10.00%
Equivalent credit risk adjusted yield	3.85%	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 at November 30, 2014 and August 31, 2014:

	November 30, 2014	August 31, 2014
Market value on valuation date	\$0.16	\$0.16
Contractual exercise rate	\$0.092	\$0.092
Term (years)	4.75 Years	5.00 Years
Expected market volatility	171.78%	179.21%
Risk free rate using zero coupon US Treasury Security rate	1.49%	1.63%

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## 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.

<b>For the period ended November 30, 2014</b>	<b>Canada</b>	<b>United States</b>	<b>Total</b>
Net revenue	\$13,565	-	\$13,565
Net loss	\$676,329	276	\$676,605
<b>For the period ended November 30, 2013</b>	<b>Canada</b>	<b>United States</b>	<b>Total</b>
Net revenue	\$13,603	-	\$13,603
Net loss	\$83,377	28,782	\$112,159
<b>As at November 30, 2014</b>	<b>Canada</b>	<b>United States</b>	<b>Total</b>
Total Assets	\$68,352	5,454,654	\$5,523,006
Total Liabilities	\$8,360,275	232,392	\$8,592,667
<b>As at August 31, 2014</b>	<b>Canada</b>	<b>United States</b>	<b>Total</b>
Total Assets	\$179,888	5,117,040	\$5,296,928
Total Liabilities	\$6,991,287	1,025,076	\$8,016,363

## SEASONALITY AND TREND INFORMATION

The Company's 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 the Company's oil and gas properties is the primary determinant for the volume of sales during the year.

The level of activity in the oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and gas properties are located in areas that are inaccessible except during the winter months because of swampy terrain and other areas are inaccessible during certain months of year due to deer hunting season. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding declines in the demand for the goods and services of the Company.

The impact on the oil and gas industry from commodity price volatility is significant. 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. During periods of high prices, producers conduct active exploration programs. 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.

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 or decreases in the value of the Canadian dollar may impact production revenues from Canadian producers. Such increases or decreases may also impact the future value of such entities' reserves as determined by independent evaluators.

## 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 three month periods ended were as follows:

	<b>November 30, 2014</b>	<b>November 30, 2013</b>
Short term employee benefits (1)	\$37,500	\$18,750
Stock based compensation expense (2)	84,520	-
	<u>\$122,020</u>	<u>\$18,750</u>

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:

	<b>November 30, 2014</b>	<b>August 31, 2014</b>
Short term employee benefits (1)	\$318,750	\$281,250
	<u>\$318,750</u>	<u>\$281,250</u>

- (1) The Company accrues management fees for the President of the Company at a rate of \$12,500 per month commencing September 1, 2014.
- (2) On November 12, 2014, the Company granted options to purchase 750,000 common shares to directors of the Company. These options are exercisable at \$0.12 per share, vest immediately and expire on November 11, 2019 (see Note 8 (d) to the Unaudited Interim Condensed Consolidated Financial Statements).

At November 30, 2014, the amount of directors' fees included in trade and other payables was \$19,500 (August 31, 2014: \$19,200).

At November 30, 2014 the Company had a promissory note payable to the President of the Company of \$10,000 (August 31, 2014: \$Nil). For the period ended November 30, 2014, the Company recorded interest on the promissory note of \$88 (November 30, 2013: \$8,647). At November 30, 2014, included in trade and other payables is interest payable of \$96,042 (August 31, 2014: \$91,727). The note is due on demand and bear interest at 10% per annum. Interest is 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 (a) to the Unaudited Interim Condensed Consolidated Financial Statements). 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 (a) (c) and Note 10 to the Unaudited Interim Condensed Consolidated Financial Statements). At November 30, 2014, the Company had a note payable to Core Energy Enterprises Inc. ("Core") of US\$249,250 (August 31, 2014: US\$249,250). For the period ended November 30, 2014, the Company recorded interest on the promissory note of \$7,084 (November 30, 2013: \$Nil). At November 30, 2014, included in trade and other payables, is interest of \$7,084 (August 31, 2014: \$Nil). The President of the Company is a major shareholder, officer and a director of Core.

At November 30, 2014, the Company had shareholders' loans payable of US\$655,000. (August 31, 2014: US \$655,000). For the period ended November 30, 2014, the Company recorded interest of \$18,616 (November 30, 2013: \$44,113) on the shareholders' loans payable. At November 30, 2014, included in trade and other payables, is interest of \$18,821 (August 31, 2014: \$269). 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 (c) to the Unaudited Interim Condensed Consolidated Financial Statements).

On November 4, 2014, 1288131 Alberta Ltd., loaned the Company US\$121,000 (CDN \$137,901). During the period ended November 30, 2014 the Company recorded interest on the loan payable of \$1,020. 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 (see Note 17 to the Unaudited Interim Condensed Consolidated Financial Statements).

At November 30, 2014 the Company has a 10% per annum, secured convertible note payable to Benchmark Enterprises LLC ("Benchmark") with a face value of \$1,366,194 (August 31, 2014: \$1,322,347) (the "Note"). Benchmark is a shareholder of the Company. For the three months ended November 30, 2014, the Company recorded interest on the Note of \$34,648 (November 30, 2013: \$25,368). At November 30, 2014 included in trade and other payables is interest of \$34,648 (August 31, 2014: \$Nil) (see Note 10 and Note 11 to the Unaudited Interim Condensed Consolidated Financial Statements).

## **SIGNIFICANT ACCOUNTING POLICIES**

The Unaudited Interim Condensed Consolidated Financial Statements were prepared using the same accounting policies and methods as those described in our consolidated financial statements for the year ended August 31, 2014.

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Company's management made assumptions, estimates and judgments in the preparation of the Unaudited Condensed Interim Consolidated Financial Statements. Actual results may differ from those estimates, and those differences may be material. There has been no material changes in the three months ended November 30, 2014 to the critical accounting estimates and judgments

## **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) 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.

(ii) In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The Company intends to adopt IFRS 15 effective September 1, 2017.

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements.

### Recent Adopted Accounting Standards

The following standards, amendments and interpretations have been adopted by the Company as of September 1, 2014. There were no material impacts on the consolidated financial statements as a result of the adoption of these standards, amendments and interpretations: (i) IFRIC 21 Levies.

### 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.

#### 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:

<b>Common Shares</b>	<b>Number*</b>	<b>Amount</b>
Balance August 31, 2013	12,262,517	7,050,350
Warrants exercised (Note (a))	651,904	306,405
Debt settlement (Note (c))	14,757,120	1,715,426
<b>Balance August 31, 2014 and November 30, 2014</b>	<b>27,671,541</b>	<b>\$9,072,181</b>

\* Reflects 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:

<b>Warrants</b>	<b>November 30, 2014</b>		<b>August 31, 2014</b>	
	<b>Number of Warrants*</b>	<b>Weighted Average Price*</b>	<b>Number of Warrants*</b>	<b>Weighted Average Price*</b>
Outstanding, beginning of period	9,293,560	\$0.18	4,020,095	\$0.40
Warrants exercised (Note (a))	-		(651,904)	\$0.35
Warrants expired (Note (b))	-		(1,453,191)	\$0.35
Warrants issued (Note (c))	-		7,378,560	\$0.10
<b>Balance, end of period</b>	<b>9,293,560</b>	<b>\$0.18</b>	<b>9,293,560</b>	<b>\$0.18</b>

\* Reflects the August 25, 2014 one-for-ten stock consolidation

(a) 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 to the Unaudited Interim Condensed Consolidated Financial Statements).

(b) 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.

(c) 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 14,757,102 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 to the Unaudited Interim Condensed Consolidated Financial Statements).

The following table summarizes the outstanding warrants as at November 30, 2014 and August 31, 2014 respectively:

Number of Warrants*	Exercise Price*	Expiry Date	Weighted Average Remaining Life (Years)	Warrant Value (\$)
600,000	\$0.50	January 24, 2015	0.15	\$507,038
1,315,000	\$0.50	February 17, 2015	0.22	662,851
7,378,560	\$0.10	August 30, 2017	2.75	801,079
<b>9,293,560</b>	<b>\$0.50</b>		<b>2.22</b>	<b>\$1,970,968</b>

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
<b>9,293,560</b>	<b>\$0.50</b>		<b>2.47</b>	<b>\$1,970,968</b>

\* Reflects 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*	November 30, 2014	November 30, 2013
Weighted Average Shares Outstanding Basic and diluted	<b>27,671,541</b>	<b>12,262,517</b>

\* Reflects 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 and Stock Based Compensation

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, 2014 and 2013	105,000	\$1.64
Granted	1,000,000	0.12
Expired	(5,000)	1.64
<b>Balance, November 30, 2014</b>	<b>1,100,000</b>	<b>\$0.25</b>

\* Reflects 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 November 30, 2014 and August 31, 2014 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	\$0.15	2.25	100,000	\$0.15
\$ 0.12	1,000,000	\$0.11	4.95	1,000,000	\$0.11
	<b>1,100,000</b>	<b>\$0.25</b>	<b>4.71</b>	<b>1,100,000</b>	<b>\$0.25</b>



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
	<b>105,000</b>	<b>\$1.64</b>	<b>2.39</b>	<b>105,000</b>	<b>\$1.64</b>

\* Reflects 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.

### Stock Based Compensation

On November 12, 2014, the Company granted options to purchase 750,000 common shares to directors of the Company. These options are exercisable at \$0.12 per share, vest immediately and expire on November 11, 2019. The Company recorded non-cash stock based compensation expense of \$84,520.

### Stock Based Compensation – Non Employees

On November 12, 2014, the Company granted options to purchase 250,000 common shares to a consultant of the Company. These options are exercisable at \$0.12 per share, vest immediately and expire on November 11, 2019. The Company recorded non-cash stock based compensation expense of \$28,173.

The fair value of the stock options granted were estimated on the date of the grant using the Black Scholes option pricing model with the following weighted average assumptions used:

Weighted average fair value per option	\$0.12
Weighted average risk free interest rate	1.54%
Forfeiture rate	0%
Weighted average expected volatility	287.49%
Expected life (years)	5
Dividend yield	Nil

### Contributed Surplus

Contributed surplus transactions for the respective periods are as follows:

	<b>Amount</b>
Balance, August 31, 2013	\$506,200
Warrants expired	174,399
Derivative warrants expired	709,299
Balance, August 31, 2014	\$1,389,898
Stock options expired	11,112
<b>Balance, November 30, 2014</b>	<b>\$1,401,010</b>

### LITIGATION

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.

### SUBSEQUENT EVENTS

Subsequent to November 30, 2014, the Company received US\$43,221 under the April 11, 2014, JDA 2 for the payment of certain obligations (see Note 6 to the Unaudited Interim Condensed Consolidated Financial Statements).

Subsequent to November 30, 2014, 1288131 Alberta Ltd., loaned the Company \$37,000. Colin McNeil, a director of the Company is also an officer, director and shareholder of 1288131 Alberta Ltd. The loan is due on demand and bears interest at 10% per annum.