MOUNT DAKOTA ENERGY CORP.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED

APRIL 30, 2014 AND 2013

(UNAUDITED)

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NOTICE TO READER

Management has prepared the condensed consolidated statements of the financial position of Mount Dakota Energy Corp. as at April 30, 2014 and 2013, and the condensed consolidated statements of comprehensive income, change in equity and cash flows for the three months period then ended. In accordance with National Instruments 51-102 released by the Canadian Securities Administrator, the Company discloses that they have not been audited or reviewed. Readers are cautioned that these statements may not be appropriate for their purposes.

Vancouver, B.C.
June 27, 2014

MOUNT DAKOTA ENERGY CORP.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT APRIL 30, 2014 AND JANUARY 31, 2014

(Expressed in Canadian Dollars)

	Note	**April 30, 2014 $**	**January 31, 2014 $**
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		29,666	978
Accounts receivable		5,719	9,339
GST recoverable		1,359	2,629
Prepaid expenses		6,831	1,022
		43,574	13,968
DEPOSITS		59,083	58,704
PROPERTY AND EQUIPMENT	4	137,408	145,407
EXPLORATION AND EVALUATION ASSETS	5	30,920	71,494
		270,985	289,573
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		206,585	306,888
Due to related parties	8	1,223,558	1,123,564
		1,430,144	1,430,452
DECOMMISSIONING PROVISIONS	6	84,843	84,643
		1,514,987	1,515,095
SHAREHOLDERS' DEFICIENCY			
SHARE CAPITAL	7	5,333,848	5,333,848
CONTRIBUTED SURPLUS		387,101	387,101
DEFICIT		(6,964,951)	(6,946,471)
		(1,244,002)	(1,225,522)
		270,985	289,573

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENT (Note 14)

Approved and authorized for issue on behalf of the Board on June 27, 2014:

"Gary Claytens" — Gary Claytens, Director

"John Kim" — John Kim, Director

MOUNT DAKOTA ENERGY CORP.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

FOR THE THREE MONTHS PERIOD ENDED APRIL 30, 2014 AND 2013

(Expressed in Canadian Dollars)

	Note	**THREE MONTHS ENDED APRIL 30, 2014 $**	**2013 $**
PETROLEUM AND NATURAL GAS REVENUES		30,928	23,954
DIRECT COSTS			
Production costs		18,352	27,262
GROSS OPERATING PROFIT (LOSS)		12,576	(3,309)
EXPENSES			
Accretion of decommissioning provisions	6	200	200
Depletion and depreciation	4	8,000	4,673
Interest and bank charges		486	196
Legal and accounting	8	7,988	3,900
Consulting		2,352	-
Office and miscellaneous		2,154	1,947
Rent	8	3,000	-
Transfer agent and filing fees		5,750	6,175
Travel		1,271	1,235
		31,201	18,326
(LOSS) BEFORE OTHER INCOME		(18,624)	(21,635)
OTHER INCOME			
Interest income		145	124
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		(18,479)	(21,511)
Net Loss Per Share – Basic and Diluted	$	(0.00)	(0.00)
Weighted Average Shares Outstanding		8,460,087	8,460,087

MOUNT DAKOTA ENERGY CORP.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS PERIOD ENDED APRIL 30, 2014 AND 2013

(Expressed in Canadian Dollars)

	Share Capital				
	Number of Shares	Amount	Contributed Surplus	Deficit	Total
		$	$	$	$
As at January 31, 2013	8,460,087	5,333,848	387,101	(6,817,948)	(1,096,999)
Comprehensive loss	–	–	–	(21,511)	(21,511)
As at April 30, 2013	8,460,087	5,333,848	387,101	(6,839,459)	(1,118,511)
As at January 31, 2014	8,460,087	5,333,848	387,101	(6,946,741)	(1,225,522)
Comprehensive loss	–	–	–	(18,479)	(18,479)
As at April 30, 2014	8,460,087	5,333,848	387,101	(6,964,951)	(1,244,002)

MOUNT DAKOTA ENERGY CORP.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS PERIOD ENDED APRIL 30, 2014 AND 2013

(Expressed in Canadian Dollars)

	THREE MONTHS ENDED APRIL 30, 2014 $	THREE MONTHS ENDED APRIL 30, 2013 $
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	(18,479)	(21,511)
Less items not affecting cash:		
Accretion of decommissioning provisions	200	200
Depletion and depreciation	8,000	4,673
Farm-in Agreement (Note 5)	35,000	-
Gain on settlement of accounts payable	5,574	-
	30,295	18,638
Change in non-cash components of working capital:		
Accounts receivable	3,620	6,503
Prepaid expenses	(5,809)	5,981
Deposits	(379)	(124)
GST recoverable	1,270	11,264
Accounts payable and accrued liabilities	(100,303)	9,361
Repayment of related party advances	99,994	(16,898)
NET CASH USED IN OPERATING ACTIVITIES	28,688	(551)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28,688	(551)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	978	8,774
CASH AND CASH EQUIVALENTS – END OF PERIOD	29,666	8,223
SUPPLEMENTAL DISCLOSURES		
Interest paid	-	-

1. NATURE OF OPERATIONS AND GOING CONCERN

Mount Dakota Energy Corp. (the "Company") is incorporated under the laws of British Columbia and is primarily engaged in the acquisition and development of petroleum and natural gas properties and the production of petroleum and natural gas through participation agreements in Canada.

The head office, principal address and records office of the Company are located at Suite 1601 – 1166 Alberni Street, Vancouver, British Columbia, V6E 3Z3. The Company's registered address is at the same address.

For the three months period ended April 30, 2014, the Company reported a net loss of $18,479, positive cash flows from operating activities of $28,688, an accumulated deficit of $6,964,951 and a working capital deficiency of $1,386,569. These factors raise significant doubt about the Company's ability to continue as a going concern. The continuance of the Company's operations is dependent on obtaining and maintaining sufficient debt or equity financing in order to realize the recoverability of the Company's investments in petroleum and natural gas properties, which is dependent upon the existence of economically recoverable reserves and market prices for petroleum and natural gas.

These condensed consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company is currently dependent on loans from companies controlled by directors and its other creditors to maintain its operations. Management is of the opinion that sufficient working capital will be obtained from operations or external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

2. BASIS OF PREPARATION

[a] Statement of compliance

These condensed consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS) as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed consolidated financial statements of the Company have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34 Interim Financial Reporting.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on June 25, 2014.

[b] Basis of measurement

The condensed consolidated financial statements have been prepared on a historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

3. SIGNIFICANT ACCOUNTING POLICIES

[a] Basis of consolidation

These condensed consolidated financial statements include the accounts of the Company and its wholly-owned Canadian subsidiary, Simez Energy Resources Inc. ("Simez"). The Company acquired all of the outstanding common shares of Simez on May 11, 2007 for nominal consideration. All significant inter-company balances and transactions have been eliminated upon consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[b] Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts and cashable securities that on acquisition have a term to maturity of three months or less, or may be redeemed during this period. Cash and cash equivalents are highly liquid marketable securities and deposits, which are designated as fair value through profit or loss and are recorded at their fair values with changes recognized in net loss. Fair values are determined by reference to quoted market prices at the balance sheet date. The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

[c] Use of estimates and judgments

The preparation of these condensed consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Significant areas requiring the use of management estimates include the determination of the recovery of accounts receivable, amortization, depreciation, depletion and impairment of property and equipment and exploration and evaluation assets, petroleum and natural gas reserves, decommissioning provisions, deferred income tax assets and liabilities. Actual results could differ from these estimates.

Oil and Gas Accounting—Reserves Determination
The process of estimating reserves is complex. It requires significant estimates based on available geological, geophysical, engineering and economic data. To estimate the economically recoverable crude oil and natural gas reserves and related future net cash flows, the Company incorporates many factors and assumptions including the expected reservoir characteristics, future commodity prices and costs and assumed effects of regulation by governmental agencies. Reserves are used to calculate the depletion of the capitalized oil and gas costs and for impairment purposes as described in Note 3(d).

Property and Equipment
The Company evaluates its long- lived assets (petroleum and natural gas properties) for impairment if indicators exist. Cash flow estimates for the impairment assessments require assumptions and estimates about the following primary elements—future prices, future operating and development costs, remaining recoverable reserves and discount rates. In assessing the carrying values of the unproved properties, the Company makes assumptions about its future plans for those properties, the remaining terms of the leases and any other factors that may be indicators of potential impairment.

Decommissioning Provisions
In estimating the future decommissioning provisions, the Company makes assumptions about activities that occur many years into the future including the cost and timing of such activities. The ultimate financial impact is not clearly known as asset removal and remediation techniques and costs are constantly changing, as are legal, regulatory, environmental, political, safety and other such considerations. In arriving at amounts recorded, numerous assumptions and estimates are made on ultimate settlement amounts, inflation factors, discount rates, timing and expected changes in legal, regulatory, environmental, political and safety environments.

[d] Property and equipment

Property and equipment includes petroleum and natural gas development and production assets, including costs incurred in developing oil and natural gas reserves and maintaining or enhancing production from such reserves and directly attributable general and administrative costs. Property and equipment is measured at cost, less accumulated depletion and depreciation and accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[d] Property and equipment (continued)

Subsequent measurement

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 oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in earnings as incurred. Capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing on 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 at the time of replacement or sale. The costs of the day-to-day servicing of property and equipment are recognized in earnings as incurred.

Depletion and depreciation

The net carrying value of development or production assets is depleted on a field by field basis using the unit of production method by reference to the ratio of production in the year to the related proven 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.

Proved and probable reserves are estimated by independent reserve engineers in accordance with Canadian Securities Regulation National Instrument 51-101. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of gas to one barrel of oil. Changes in reserve estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations do not give rise to prior year adjustments and are dealt with on a prospective basis.

Equipment

Furniture and computer equipment are recorded at cost and depreciated using the straight–line method based on their estimated useful lives of 3 years, net of any estimated residual value. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

[e] Exploration and evaluation costs

Pre-license costs are recognized as an expense when incurred. Exploration and evaluation costs (“E&E”), including the costs of acquiring licenses, exploratory drilling and completion costs and directly attributable general and administrative costs are initially capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the asset acquired. These costs are accumulated in cost centers by field or exploration area pending determination of technical feasibility and commercial viability. Ongoing carrying costs including the costs of non-producing lease rentals are capitalized to exploration and evaluation assets.

The technical feasibility and commercial viability of extracting a resource is considered to be determinable when proved reserves are determined to exist. A review of each exploration license or area is carried out, at least annually, to ascertain whether proved reserves have been discovered. Upon determination of proved reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to property and equipment.

E&E assets are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amounts of reserve properties may exceed their recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of value in use (being the present value of expected future cash flows of the relevant cash-generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[f] Impairment

The carrying amounts of the Company's property and equipment are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the cash generating unit level ("CGU"), which is the smallest identifiable groups of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in arm's length transaction between knowledgeable and willing parties, less the costs of disposal. 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. 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 CGU's are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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.

[g] Provisions

(i) Legal matters

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.

(ii) Decommissioning liabilities

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. Decommissioning provisions are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position 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 are recorded against the related asset. Actual costs incurred upon settlement of the decommissioning provisions are charged against the provision to the extent the provision was established.

[h] Revenue recognition

Revenue from sales of petroleum and natural gas is recognized when title and risks and rewards of ownership pass to an external party, the amount of revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

[i] Functional currency and foreign currency translation

The presentation currency and functional currency of the Company is the Canadian dollar. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. The resulting exchange gains or losses are recognized in income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[j] Income taxes

The Company utilizes liability method of accounting for income taxes. Under the liability method, deferred income tax assets and liabilities are recognized to reflect the expected deferred tax consequences arising from temporary differences between the carrying values and the tax bases of the related assets and liabilities. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. Deferred income tax assets are recognized to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary difference can be utilized.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit
- goodwill
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

[k] Financial instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Financial instruments comprise cash and cash equivalents, accounts receivable, accounts payable, and due to related parties. At initial recognition management has classified financial assets and liabilities as follows:

(i) Financial assets

The Company has classified its cash and cash equivalents at FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in income.

The Company has classified its accounts receivable as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

(ii) Financial liabilities

The Company has classified its accounts payable, and due to related parties as other financial liabilities. Accounts payable and due to related parties are recognized at the amount required to be paid less, when material, a discount to reduce the payable to fair value. Loan payable is measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when it its contractual obligations are discharged, cancelled or expire.

[l] Share-based payments

The Corporation grants options to purchase common shares to directors, officers, employees, consultants and certain service providers under its stock option plan. Share-based payments are measured at the fair value of the instruments issued and amortized over the vesting periods. The amount recognized as a share-based payment expense during a reporting period is adjusted to reflect the number of awards expected to vest. The offset to this recorded cost is to contributed surplus.

The fair value of employee stock options is measured using the Black Scholes Option Pricing Model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on short term government bonds). A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest.

[m] Comprehensive loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive loss, components of other comprehensive income, and cumulative translation adjustments are presented in the Condensed Consolidated Statements of Comprehensive Loss and the Condensed Consolidated Statements of Changes in Equity.

[n] Basic and diluted loss per share

The Company uses the treasury stock method in computing loss per share. Under this method, basic loss per share is computed by dividing losses available to common shareholders by the weighted average number of common shares outstanding during the period. For the period ended April 30, 2014 and 2013, the existence of stock options causes the calculation of fully diluted loss per share to be anti-dilutive. Accordingly, fully diluted loss per share is equal to basic loss per share.

[o] Recent accounting pronouncements

The mandatory adoption of the following new and revised accounting standards and interpretations on February 1, 2013 had no significant impact on the Company's condensed consolidated financial statements for the years presented:

IFRS 10 *Consolidated Financial Statements* - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

IFRS 11 *Joint Arrangements* - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[o] Recent accounting pronouncements (continued)

IFRS 12 *Disclosure of Interests in Other Entities* - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 *Fair Value Measurement* - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards - In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Amendments to IAS 1 *Presentation of Financial Statements* - The IASB has amended IAS 1 to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be reclassified into profit or loss in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

[p] Accounting standards issued but not yet effective

New accounting standards effective February 1, 2014:

IAS 36 – Impairment of Assets
In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a cash-generating until ("CGU") for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when an asset's or a CGU's recoverable amount is based on fair value less costs of disposal.

IFRIC 21 – Levies
In May 2013, the IASB issued IFRIC 21, Levies ("IFRIC 21"), an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

IAS 36 and IFRIC 21 will be adopted by the Company for its fiscal year beginning February 1, 2014. The extent of impact of adoption of these standards and interpretations on the financial statements has not been determined.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

[p] Accounting Standards Issued but not Yet Effective (continued)

(Expressed in Canadian Dollars)

New accounting standards effective for the Company on February 1, 2015:

IFRS 9 Financial Instruments - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely. In December 2011, the IASB extended the mandatory effective date for IFRS 9 to on or after January 1, 2015 with early adoption permitted. As a result, there were amendments to IAS 32 Financial Instruments – Presentation to clarify the offsetting between financial assets and liabilities, which are mandatory effective on or after January 1, 2014

4. PROPERTY AND EQUIPMENT

		Petroleum and natural gas properties		Furniture and computer equipment		Total
Cost:						
Balance, January 31, 2013	$	232,709	$	10,372	$	243,081
Additions		-		-		-
Disposals		(1,853)		-		(1,853)
Balance, January 31, 2014	$	230,856	$	10,372	$	241,228
Additions		-		-		-
Disposals		-		-		-
Balance, April 30, 2014	$	230,856	$	10,372	$	241,228
Accumulated depletion, depreciation and amortization:						
Balance, January 31, 2013	$	(53,443)	$	(10,372)	$	(63,815)
Depletion, depreciation and amortization		(32,005)		-		(32,005)
Disposals		-		-		-
Balance, January 31, 2014	$	(85,448)	$	(10,372)	$	(95,820)
Depletion, depreciation and amortization		(8,000)		-		(8,000)
Disposals		-		-		-
Balance, April 30, 2014	$	(93,448)	$	(10,372)	$	(103,820)
Net book value:						
As at January 31, 2013	$	179,266	$	-	$	179,266
As at January 31, 2014	$	145,407	$	-	$	145,407
As at April 30, 2014	$	137,408	$	-	$	137,408

5. EXPLORATION AND EVALUATION ASSETS

(Expressed in Canadian Dollars)

		April 30, 2014		**January, 31, 2014**
Balance, beginning of the period	$	71,494	$	35,109
Impairment		-		-
Gain from Farm-in Agreement		(35,000)		36,385
Gain on settlement of accounts payable		(5,574)		36,385
Balance, end of the period	$	30,920	$	71,494

As at April 30, 2014, exploration and evaluation assets include the Alsike II petroleum and natural gas project.
During the year ended January 31, 2011, the Company entered into a Farm-In Agreement, whereas the farmee farmed in a 10% working interest in the Alsike II well in consideration of $70,000 of expenditures by the farmee towards further well development.
On April 18, 2014, the Company and farmee entered into a further Farm-In Agreement, whereas the farmee farmed in an additional 15% working interest in the Alsike II well in consideration of additional $35,000 of expenditures by the farmee towards well development.

As of April 30, 2014, the Company has no amounts payable to farmee.

6. DECOMMISSIONING PROVISIONS

The following table presents the reconciliation of the opening and closing aggregate carrying amount of the decommissioning provisions associated with the Company's petroleum and natural gas properties:

		April 30, 2014		**January 31, 2014**
Balance, beginning of the period	$	84,643	$	39,204
Accretion expense		200		800
Revision in estimates		-		44,639
Balance, end of the period	$	84,843	$	84,643

7. SHARE CAPITAL

(a) Authorized Share Capital

Unlimited	Common shares without par value
100,000,000	Class A preference shares with a par value of $10 per share
100,000,000	Class B preference shares with a par value of $50 per share

(b) Issued and Outstanding Share Capital

Disclosures relating to common shares issued and outstanding are provided in the Condensed Consolidated Statements of Changes in Equity. As at April 30, 2014, no Class A or B preference shares have been issued.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

(c) Stock Options

The Company has a stock option plan (the "Plan") whereby it may grant stock options to its directors, officers, employees and consultants. The number of stock options available under the Plan shall not exceed 20% of the issued and outstanding common shares of the Company. The exercise price of each stock option granted generally equals the market price on the date of the grant. Stock options generally vest over an eighteen-month period from the date of grant and carry a maximum term of five years as determined by the Company's board of directors.

The Company did not grant any options during the period ended April 30, 2014 and 2013.

The following table summarizes the continuity of the Company's stock options outstanding:

	Number of Shares	Weighted Average Exercise Price
Outstanding, January 31, 2013 and 2012	846,000	$0.15
Expired	(796,000)	$0.15
Outstanding, April 30, 2014 and January 31, 2014	50,000	$0.10

The following table summarizes stock options outstanding as at April 30, 2014:

Options Outstanding				Options Exercisable	
Exercise Price	Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.10	50,000	0.50	$0.10	50,000	$0.10

Stock options outstanding as at April 30, 2014 will expire October 20, 2014.

8. RELATED PARTY TRANSACTIONS AND BALANCES

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel and companies related to them were recorded as follows:

(a) Accounting expense totalling $3,900 (2013 - $3,900) provided by a company controlled by a director of the Company, of which $8,190 (2013 - $Nil) are outstanding and recorded in balances of accounts due to related parties as at April 30, 2014.

(b) Rent totalling $3,000 (2013 - $Nil) for office premises provided by a company controller by a director of the Company.

(c) On March 31, 2014 the Company has signed a loan agreement with one of its directors to borrow an aggregate of $100,000 at the rate of 15% per annum for the term of one year.

The above transactions have been in the normal course of operations and are recorded at their exchange amounts, which is the consideration agreed upon by the related parties. Amounts due to related parties of $1,223,558 (2013 - $1,123,564) are payable to directors and companies controlled by directors of the Company and are non-interest bearing, unsecured and due on demand.

(Expressed in Canadian Dollars)

9. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

		2014		**2013**
Canadian statutory income tax rate		25.00%		25.00%
Expected income tax recovery	$	32,131	$	23,999
Non-deductible expenses and others		36,448		914
Change in unrecognized deferred income tax assets		(68,579)		(24,913)
Income tax recovery	$	-	$	-

Significant components of the Company's deferred income tax assets are as follows:

		2014		**2013**
Non-capital losses carried forward	$	336,050	$	289,449
Capital losses carried forward		34,437		34,437
Resource pools		315,433		304,815
Equipment		19,755		19,755
Alberta royalty tax deductions		61,772		61,772
Other		21,160		9,801
		788,607		720,029
Unrecognized deferred income tax assets		(788,607)		(720,029)
Net deferred income tax assets	$	-	$	-

The Company has non-capital losses for income tax purposes of $1,344,000 which may be carried forward and offset against deferred taxable income. The non-capital losses expire as follows:

Year	Amount
2027	$ 65,000
2028	143,000
2029	82,000
2030	417,000
2031	341,000
2032	112,000
2033	96,000
2034	88,000
	$1,344,000

In assessing the realizability of deferred income tax assets, management considers whether it is probable that some portion of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities and projected future taxable income in making this assessment. The amount of deferred income tax assets considered realizable could change materially in the near term based on future taxable income during the carry forward period.

(Expressed in Canadian Dollars)

10. CAPITAL MANAGEMENT

The Company defines capital as all components of shareholders' equity and amounts due to related parties. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can ultimately provide returns for shareholders and benefits for other stakeholders. The board of directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company does not pay dividends and is not subject to any externally imposed capital requirements.

11. SEGMENTED INFORMATION

The Company operates in one industry segment, namely acquisition and development of petroleum and natural gas properties and the production of petroleum and natural gas through participation agreements in Alberta, Canada.

12. FINANCIAL INSTRUMENTS AND RISK

Financial Instruments

As at April 30, 2014, the Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, and due to related parties.

The Company classifies its cash and cash equivalents as fair value through profit or loss, its accounts receivable as loans and receivables and its accounts payable and due to related parties as other financial liabilities. The fair values of these financial instruments approximate their carrying values because of their current nature.

	April 30, 2014	January 31, 2014
Fair value through profit or loss	29,666	978
Loans and receivables	5,719	9,339
Other financial liabilities	1,430,144	1,430,453

IFRS 7 *Financial Instruments – Disclosures*, establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 7 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND RISK (continued)

The Company's financial assets and liabilities measured at fair value on a recurring basis as of April 30, 2014 are as follows:

	Balance at April 30, 2014 $	Quoted Prices in Active Markets for Identical Assets (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $
Financial Assets:				
Cash and cash equivalents	29,666	29,666	–	–

The Company thoroughly examines the various financial instrument risks to which it is exposed, and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by management. There have not been any significant changes from the previous year as to how these risks are reviewed and monitored by management. The types of financial instrument risk exposures and the objectives and policies for managing these risks exposures is described below.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents and accounts receivable. To minimize the credit risk related to cash and cash equivalents, the Company places these instruments with high credit quality financial institutions. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts. As at April 30, 2014, cash and cash equivalents do not exceed the amounts covered by federal deposit insurance. The Company continuously monitors accounts receivable to minimize risk. As at April 30, 2014, the Company's maximum risk exposure to credit risk is the carrying value of cash and cash equivalents and accounts receivable of $5,719.

Liquidity Risk

The Company manages liquidity risk by maintaining adequate cash and credit facilities with financial institutions and other parties. The Company continuously monitors and reviews both actual and forecasted cash flows.

As at April 30, 2014, the Company had a working capital deficiency of $1,386,569 (see Note 1).

Contractual undiscounted cash flow requirements for financial liabilities as at April 30, 2014 are as follows:

	Less Than 1 Month $	1 – 3 Months $	4 months to Less Than 1 Year $	Years 2 – 4 $	Total $
Accounts payable and accrued Liabilities	206,585	–	–	–	206,585
Due to related parties	1,223,558	–	–	–	1,223,558
Surface lease agreements	–	–	28,000	-	28,000
	1,430,144	–	28,000	-	1,458,144

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND RISK (continued)

Foreign Exchange Risk

The Company's functional currency is the Canadian dollar. The Company is not exposed to significant currency risk.

Interest Rate Risk

The Company is not exposed to significant interest rate price risk or cash flow on its financial instruments.

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of its commodities. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.

13. MAJOR CUSTOMERS AND ECONOMIC DEPENDENCE

During the period ended April 30, 2014, sales to one customer accounted for 100% of the Company's total petroleum and natural gas revenues with a total amount of $30,928 (2013 - $23,954). As at April 30, 2014, the Company does not consider itself to be economically dependent on these customers as transactions with these parties can be easily replaced by transactions with other parties on similar terms and conditions.

14. COMMITMENT

On February 1, 2010 and March 6, 2010, the Company entered into surface lease agreements with a third party whereby the Company will pay annual consideration of $4,000 for the Alsike I property and annual consideration of $8,000 for the Alsike II property respectively for a total of five years. Total consideration paid at the end of five years will be $60,000. As at April 30, 2014, the Company has made total payments of $32,000 with $28,000 outstanding to be paid during fiscal year 2015.

2015	$ 28,000
	$ 28,000