# CURLEW LAKE RESOURCES INC.

## CONDENSED INTERIM FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED JULY 31, 2013

**(Expressed in Canadian Dollars)**

# AMENDED and RESTATED

## NOTICE TO READER

The annual financial statements of Curlew Lake Resources Inc. for the six months ended July 31, 2013 are being refiled to correct for the write-off of certain exploration and evaluation assets. See Notes 4 and 12.

There are no other changes to the financial statements and notes thereto. These revised financial statements replace and supersede the original financial statements previously filed on SEDAR on September 27, 2013.

## NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying amended and restated condensed unaudited interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these amended and restated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

VANCOUVER, BC
December 10, 2013

**CURLEW LAKE RESOURCES INC.** **Amended and Restated**

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars-unaudited)

| | Note | July 31, 2013 (Restated Notes 4 &12) | January 31, 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | $ 44,355 | $ 235,181 |
| GST receivable | | 9,797 | 21,275 |
| Prepaid expense | | 23,708 | - |
| | | 77,860 | 256,456 |
| **Other assets** | | | |
| Restricted cash | 3 | 57,190 | 52,641 |
| Exploration and evaluation assets | 4 | 10,080 | 10,080 |
| | | 67,270 | 62,721 |
| **TOTAL ASSETS** | | $ 145,130 | $ 319,177 |
| **LIABILITIES** | | | |
| Accounts payable and accrued liabilities | 5 & 9 | $ 67,511 | $ 80,493 |
| Reclamation obligation | 6 | 39,450 | 39,450 |
| **TOTAL LIABILITES** | | 106,961 | 119,943 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 7 | 15,850,083 | 15,849,869 |
| Contributed surplus | 7 | 666,865 | 666,865 |
| Deficit | | (16,478,779) | (16,317,500) |
| **TOTAL EQUITY** | | 38,169 | 199,234 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | $ 145,130 | $ 319,177 |

**Nature and continuance of operations (Note 1)**
**Contingencies (Note 10)**

**On behalf of the Board:**

*"Jurgen Wolf"* Director *"Michael Pound"* Director

See accompanying notes to the condensed interim financial statements

**CURLEW LAKE RESOURCES INC.** **Amended and Restated**

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian dollars-unaudited)

| | Note | Six months ended July 31, 2013 (Restated Notes 4 &12) | Six months ended July 31, 2012 | Three months ended July 31, 2013 (Restated Notes 4 &12) | Three months ended July 31, 2012 |
|---|---|---|---|---|---|
| **EXPENSES** | | | | | |
| Office facilities and administrative | | $ 69,000 | $ 28,984 | $ 38,011 | $ 24,000 |
| Professional fees and consulting | | 68,973 | 11,216 | 48,833 | 11,216 |
| Travel and promotion | | 4,799 | - | 3,648 | - |
| Transfer agent and filing fees | | 17,317 | 17,752 | 11,408 | 12,552 |
| **LOSS FROM OPERATIONS** | | (160,089) | (57,952) | (101,900) | (47,768) |
| **OTHER ITEM** | | | | | |
| Write-down of exploration and evaluation assets | 4 | (106) | (937,112) | - | (937,112) |
| **LOSS FROM CONTINUING OPERATIONS** | | (160,195) | (995,064) | (101,900) | (984,880) |
| Income from discontinued operation | 11 | (1,084) | 36,193 | (1,084) | 2,824 |
| **NET LOSS AND COMPREHENSIVE LOSS** | | $ (161,279) | $ (958,871) | $ (102,984) | $ (982,056) |
| Basic and diluted loss per share | | | | | |
| Discontinued operations | | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 |
| Continuing operations | | (0.01) | (0.10) | (0.01) | (0.10) |
| Weighted average number of common shares outstanding | | 18,546,952 | 9,946,952 | 18,546,952 | 9,946,952 |

See accompanying notes to the condensed interim financial statements

**CURLEW LAKE RESOURCES INC.** **Amended and Restated**

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
SIX MONTHS ENDED JULY 31, 2013 and 2012
(Expressed in Canadian dollars-unaudited)

| | Share capital | | | | |
|---|---|---|---|---|---|
| | Number of shares | Amount | Contributed Surplus | Deficit | Total |
| Balance at January 31, 2012 | 9,946,952 | $ 15,435,393 | $ 666,865 | $ (15,196,311) | $ 905,947 |
| Share issue costs | - | (711) | - | - | (711) |
| Comprehensive loss for the period | - | - | - | (958,871) | (958,871) |
| Balance at July 31, 2012 | 9,946,952 | 15,434,682 | 666,865 | (16,155,182) | (53,635) |
| Shares issued | 8,600,000 | 430,000 | - | - | 430,000 |
| Share issue costs | - | (14,813) | - | - | (14,813) |
| Comprehensive loss for the balance of the year | - | - | - | (162,318) | (162,318) |
| Balance at January 31, 2013 | 18,546,952 | 15,849,869 | 666,865 | (16,317,500) | 199,234 |
| Share issue costs | - | 214 | - | - | 214 |
| Comprehensive loss for the period(Restated Notes 4 & 12) | - | - | - | (161,279) | (161,279) |
| Balance at July 31, 2013 | 18,546,952 | $ 15,850,083 | $ 666,865 | $ (16,478,779) | $ 38,169 |

See accompanying notes to the condensed interim financial statements

**CURLEW LAKE RESOURCES INC.** **Amended and Restated**

CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars-unaudited)

| | Six months ended | | Three months ended | |
|---|---|---|---|---|
| | July 31, 2013 (Restated Note 4 &12) | July 31, 2012 | July 31, 2013 (Restated Note 4 &12) | July 31, 2012 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Loss for the period from continuing operations | $ (161,279) | $ (958,871) | $ (102,984) | $ (982,056) |
| Write down of exploration and evaluation assets | 106 | 937,112 | - | 937,112 |
| Net change in non-cash working capital accounts: | | | | |
| Decrease in receivables | - | 11,826 | - | - |
| Decrease (increase) in GST receivable | 11,478 | 36,940 | 15,993 | (5,474) |
| Increase in prepaid expense | (23,708) | - | (22,208) | - |
| Increase (decrease) in accounts payable and accrued liabilities | (12,982) | (10,743) | 29,898 | 36,662 |
| Net cash provided by (used in) operating activities | (186,385) | 16,264 | (79,301) | (13,756) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Share issue cost/ recovery | 214 | (711) | (176) | (711) |
| Net cash provided by (used in) financing activities | 214 | (711) | (176) | (711) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Expenditures on exploration and evaluation assets | (106) | (6,084) | - | (1,700) |
| Change in restricted cash | (4,549) | (26,308) | (4,250) | - |
| Net cash used in investing activities | (4,655) | (32,392) | (4,250) | (1,700) |
| Changes in cash during period | (190,826) | (16,839) | (83,727) | (16,167) |
| Cash, beginning of period | 235,181 | 19,301 | 128,082 | 18,629 |
| Cash, ending of period | $ 44,355 | $ 2,462 | $ 44,355 | $ 2,462 |

Supplemental disclosure of cash flow information

| | | | | |
|---|---|---|---|---|
| Interest paid | $ - | $ - | $ - | $ - |
| Income taxes paid | - | - | - | - |

See accompanying notes to the condensed interim financial statements

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Curlew Lake Resources Inc. (the "Company" or "Curlew") was incorporated January 15, 1987, under the Company Act of British Columbia. The Company is in the business of the acquisition, exploration and development of oil and gas properties and mineral properties in Western Canada. The Company's corporate office and principal place of business is Suite 303, 595 Howe Street, Vancouver, British Columbia, Canada.

These unaudited condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's ability to continue as a going concern is dependent on obtaining continued financial support, completing public equity financing or generating profitable production in the future. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

| | July 31, 2013 | January 31, 2013 |
|---|---|---|
| Deficit | $ (16,478,779) | $ (16,317,499) |
| Working capital (deficiency) | (29,101) | 136,513 |

These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The amended and restated financial statements were authorized for issuance on December 10, 2013 by the directors of the Company.

### *Statement of compliance*

These unaudited condensed interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. These condensed interim financial statements do not contain all of the information required for full annual financial statements.

### *Basis of preparation*

These unaudited condensed interim financial statements have been prepared on an accrual basis except for cash flow information, and are based on historical costs, except for financial instruments classified as fair value through profit and loss and available for sale which are stated at their fair value. The financial statements are presented in Canadian dollars unless otherwise noted.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### *Significant accounting judgments, estimates and assumptions*

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the determination of the useful lives of property, plant and equipment, the recoverability of the carrying value of assets, fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

### *Loss per share*

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive.

Basic loss per common share is calculated using the weighted average number of shares outstanding during the period.

### *Share-based payments*

The Company has adopted a 10% rolling stock option plan whereby it can grant options to directors, officers, employees, and consultants of the Company. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the contributed surplus. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

***Financial instruments***

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at FVTPL when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. The Company has classified its cash as FVTPL.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's receivables and restricted cash are classified as loans and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has no assets classified as held to maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses. The Company has no available-for-sale financial assets.

Transaction cost associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

Other financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

The Company does not currently have any derivative financial assets and liabilities.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

***Income taxes***

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

***Exploration and evaluation expenditures***

Pre-exploration costs

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

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures (“E&E”) are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur. The costs are accumulated in cost centres by well, field or exploration area and not depreciated pending determination of technical feasibility and commercial viability.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral or oil and gas interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash or other consideration received from the agreement is credited against the costs previously capitalized to the exploration and evaluation assets given up by the Company, with any excess consideration accounted for as a gain on disposal.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

***Exploration and evaluation expenditures*** (continued)

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the profit and loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

The technical feasibility and commercial viability of extracting a mineral or oil and gas resource is considered to be determinable when proven and/or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proven and/or probable reserves have been discovered. Upon determination of proven and/or probable reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to property, plant and equipment or expensed to exploration and evaluation impairments.

Exploration and evaluation assets are classified as intangible assets.

***Impairment of non-financial assets***

At the end of each reporting period the carrying amounts of the assets are reviewed to determine whether there is any indication that those assets are impaired. Impairment is recognized when the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount. The recoverable amount is the greater of the asset or cash-generating unit's fair value less costs to sell and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. The impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized immediately in profit and loss.

***Reclamation obligations***

The Company recognizes the fair value of a legal or constructive liability for a reclamation obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. Changes in the liability for a rehabilitation obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the profit or loss. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

***Share capital***

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

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus. If the warrants expire unexercised, the value attributed to the warrants remains in contributed surplus.

Flow-through shares

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

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

***Revenue recognition***

Revenue from the sale of petroleum and natural gas is recorded when title passes to an external party and is based on volumes delivered to customers at contractual delivery points, and rates and collectability are reasonably assured.

The costs associated with the delivery, including operating and maintenance costs, transportation and production based royalty expenses, are recognized during the same period in which the related revenue is earned and recorded.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

***New accounting standards adopted***

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC during the prior year. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

- Amended standard IAS 1 Presentation of Financial Statements

These amendments require components of other comprehensive income (OCI) to be separately presented between those that may be reclassified to income and those that will not. These amendments are effective for annual periods beginning on or after July 1, 2012.

- IFRS 7 Financial Instruments: Disclosures - Offsetting of Financial Assets and Liabilities

These amendments are applicable for annual reporting periods beginning on or after January 1, 2013 and requires an entity to disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position.

- IFRS 10 Consolidated Financial Statements

This new standard replaces the part of IAS 27: 'Consolidated and Separated Financial Statements' and applies for the annual period beginning January 1, 2013. This new standard introduces a new definition of control that determines which entities are consolidated. This new definition of control may potentially lead to the consolidation of entities that were not previously consolidated resulting in additional assets and liabilities recorded in the financial statements.

- IFRS 11 Joint Arrangements

This new standard replaces IAS 31: 'Interest in Joint Ventures' and applies for annual periods beginning on or after January 1, 2013. This new standard introduces new rules which classify joint arrangements as either a joint operation or joint venture. Under the new standard, proportionate consolidation is not allowed and all joint ventures must be equity accounted. All joint arrangements held by the Company will need to be reassessed to determine whether the joint operation or joint venture classification is appropriate, and the potential impacts of a change on the presentation of the Financial Statements.

- 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, and applies for the annual period beginning January 1, 2013. 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

***New accounting standards adopted*** (continued)

- IFRS 13 Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards, and applies for the annual period beginning January 1, 2013. 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.

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

In IFRIC 20, the IFRS Interpretations Committee sets out principles for the recognition of production stripping costs in the statement of financial position, and applies for the annual period beginning January 1, 2013. The interpretation recognizes that some production stripping in surface mining activity will benefit production in future periods and sets out criteria for capitalizing such costs.

***New accounting standards not yet adopted***

- IFRS 9 Financial Instruments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after January 1, 2015. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortized cost or fair value. To be classified and measured at amortized cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognized in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any ‘recycling’ of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39, with one exception, being that the portion of a change of fair value relating to the entity’s own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch.

- Amendments to other standards

In addition, there have been other amendments to existing standards, including IAS 27 Separate Financial Statements, IAS 28 Investments in Associates and Joint Ventures and IAS 32 Financial Instruments: Presentation. 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. IAS 32 amendment provides clarification on the application of offsetting rules. IAS 27 and IAS 28 are applicable to annual reporting periods beginning on or after January 1, 2013. IAS 32 is applicable to annual reporting periods beginning on or after January 1, 2014.

The Company does not expect that the new and amended standards will have significant impact on its financial statements.

## 3. RESTRICTED CASH

The Company has cash on deposit with the Energy Resources Conservation Board ("ERCB") under the ERCB's Liability Management programs to cover potential liabilities relating to its wells. The required security deposit with the ERCB is determined based on a monthly licensee management rating assessment. The security deposit represents the difference between deemed liabilities and deemed assets of the Company's interest in petroleum and natural gas properties in Alberta.

## 4. EXPLORATION AND EVALUATION ASSETS

| | July 31, 2013 | January 31, 2013 |
|---|---|---|
| Oil and Gas properties | $ - | $ - |
| Mineral properties | 10,080 | 10,080 |
| Total | $ 10,080 | $ 10,080 |

### OIL AND GAS PROPERTIES

| | Chin Coulee Oil Project | Leduc Oil Project | Fairydell Oil Project | Total |
|---|---|---|---|---|
| Balance, January 31, 2012 | $ 112,488 | $ 69,781 | $ 749,682 | $ 931,951 |
| Additions | - | - | 48,358 | 48,358 |
| Write-down | (112,488) | (69,781) | (798,040) | (980,309) |
| Balance, January 31, 2013 | - | - | - | - |
| Additions | - | - | 106 | 106 |
| Write-down | - | - | (106) | (106) |
| Balance, July 31, 2013 | $ - | $ - | $ - | $ - |

### MINERAL PROPERTIES

| | Typhoon Claims | Peace River Claims | Total |
|---|---|---|---|
| Balance, January 31, 2012 | $ 1,680 | $ 4,334 | $ 6,014 |
| Additions | 8,400 | 923 | 9,323 |
| Write-down | - | (5,257) | (5,257) |
| Balance, January 31, 2013 and July 31, 2013 | $ 10,080 | $ - | $ 10,080 |

### OIL AND GAS PROPERTIES

**Fairydell Oil Project, Alberta, Canada (unproven)**

The Company had acquired freehold and Alberta Crown Petroleum and Natural Gas rights in the Fairydell-Bon Accord area of central Alberta. The Company had a 75% interest in the project subject to a 2.5% GORR in nine and three-quarter sections (6,240 acres). In the last fiscal year, the Company impaired the property by $798,040, bringing the value down to $Nil. In this fiscal period, the Company commenced plugging the two wells on the property.

## 4. EXPLORATION AND EVALUATION ASSETS (continued)

**Chin Coulee Oil Project, Alberta, Canada (unproven)**

The Company had acquired 2 sections (1,280 acres) of Alberta Crown Petroleum and Natural Gas Leases in the Chin Coulee area of Southern Alberta. The Company had a 75% interest in the lands subject to a 2.5% GORR. In the prior year, the Company impaired the property by $112,488, reducing its value to $Nil.

**Leduc Oil Project, Alberta, Canada (unproven)**

The Company had acquired 2 sections (1,280 acres) of freehold Petroleum and Natural Gas rights in the prolific Leduc area of central Alberta. The Company had a 75% interest in the lands subject to a 2.5% GORR. In the prior year, the Company impaired the property by $69,781, reducing its value to $Nil.

**MINERAL PROPERTIES**

**Typhoon Claims, Clear Creek District, Yukon Territories**

The Company holds a 100% interest in 117 mineral claims in the Clear Creek District of the Yukon. The 100% working interest on 98 claims is subject to a 4% Net Smelter Royalty, of which 1% may be purchased by the Company at any time in the future $600,000, in cash or shares and an additional 2% which may be purchased at any time for $1,000,000 in cash. The 100% working interest on the remaining 19 claims is subject to a 2% NSR Royalty, which may be purchased at any time by Curlew Lake for $1,000,000 for each 1% to the Vendor, Xennex Development Corporation. The Company announced in 2006 an agreement with a private investor whereby the Company received additional funds to drill the Yukon property. The private investor received a 2% NSR Royalty on all Yukon properties.

**Peace River Claims, Clear Hills District, Alberta**

The Company held a 50% interest in Metallic & Industrial Minerals rights on 37 Townships, an area of approximately 850,000 acres (351,675 hectares), of land on the Peace River Arch geological formation in north western Alberta. The lands were intended to be operated as a joint venture, with Curlew and 2 private partners, and with Curlew the initial operator of the exploration project. The lands lie north and west of the Clear Hills area and cover a structure known as Halverson Ridge and surrounding areas. During the prior year, a dispute arose with a joint venture participant (see note 10) and the Company impaired the property by $5,257 writing down the value to $Nil.

## 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | | July 31, 2013 | | January 31, 2013 |
|---|---|---|---|---|
| Accounts payable | $ | 60,972 | $ | 73,969 |
| Amounts due to related parties (Note 9) | | 6,539 | | 6,524 |
| | $ | 67,511 | $ | 80,493 |

## 6. RECLAMATION OBLIGATION

The Company has recorded a decommissioning provision in connection with estimated reclamation costs on the Company's Fairydell Oil Project sites. The obligation is recognized based on the estimated future reclamation costs. The Company had two wells in Alberta which have been determined uneconomic and are in the process of being plugged.

## 7. SHARE CAPITAL

Authorized: unlimited number of common shares with no par value

The Company obtained shareholder approval at its Annual General Meeting held on June 22, 2012 to implement a consolidation of the Company's share capital on a ten old shares for one new share basis. The Company had 99,469,526 shares outstanding, which were reduced to 9,946,952 post-consolidated common shares. There was no name change with this consolidation. The consolidation received regulatory approval on July 6, 2012 and became effective on July 9, 2012.

On November 23, 2012, the Company closed a private placement and issued 8,600,000 units at $0.05 per unit for gross proceeds of $430,000. Each unit consisting of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one additional common share at $0.10 per share on or before November 22, 2014.

The Company also paid a total of $15,524 as share issuance costs in connection with the financing, with a refund/adjustment of $214 received back in the current period.

### Warrants

Warrant transactions for the respective periods and the number of warrants outstanding are summarized as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| Balance, January 31, 2012 | 2,770,000 | $ 1.00 |
| Warrants expired | (2,770,000) | (1.00) |
| Warrants issued | 8,600,000 | 0.10 |
| Balance, January 31, 2013 and July 31, 2013 | 8,600,000 | $ 0.10 |

The following warrants to acquire common shares were outstanding at July 31, 2013:

| Number of Shares | Exercise Price | Expiry Date |
|---|---|---|
| 8,600,000 | $ 0.10 | November 22, 2014 |

### Stock options

The Company follows the policies of the TSX Venture Exchange ("TSX-V") under which it is authorized to grant options to executive officers and directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years.

Stock option transactions for the respective periods and the number of share options outstanding are summarized as follows:

| | Number Of Options | Weighted Average Exercise Price |
|---|---|---|
| Balance, January 31, 2012 | 300,000 | $ 1.00 |
| Options cancelled | (300,000) | (1.00) |
| Balance, January 31, 2013 and July 31, 2013 | - | $ - |

There are no stock options outstanding and exercisable at July 31, 2013.

## 8. FINANCIAL RISK MANAGEMENT

The Company is exposed to minimal financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company's cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by a bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company intends to settle its accounts payable and accrued liabilities with its working capital.

***Interest rate risk***

The Company is not currently exposed to significant interest rate risk.

***Capital Management***

The Company includes cash and equity, comprising of issued common shares, contributed surplus and deficit, in the definition of capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation assets. 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 to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed.

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 approach to capital management during the year ended January 31, 2013 or the period ended July 31, 2013. The Company is not subject to externally-imposed capital requirements, with the exception of unrestricted cash post as deposit with ERCB.

## 8. FINANCIAL RISK MANAGEMENT (continued)

***Fair value***

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at July 31, 2013 and January 31, 2013:

| | As at July 31, 2013 | | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** |
| Cash | $ 44,355 | $ - | $ - |

| | As at January 31, 2013 | | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** |
| Cash | $ 235,181 | $ - | $ - |

## 9. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities:

| | **July 31, 2013** | **January 31, 2013** |
|---|---|---|
| Company controlled by the current CEO of the Company | $ 361 | $ 346 |
| Company controlled by a former CEO of the Company | 3,328 | 3,328 |
| Company controlled by a former CFO of the Company | 2,850 | 2,850 |
| | $ 6,539 | $ 6,524 |

These transactions were in the normal course of operations and were measured at the exchange amount which represented the amount of consideration established and agreed to by the related parties.

During the current period, the Company paid $5,000 (2012- $nil) to a company controlled by a former director and CFO.

## 10. CONTINGENCIES

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. Management is of the opinion that disposition of any current matter will not have a material adverse impact on the Company's financial position, results of operations or the ability to carry on any of its business activities.

During the prior year disputes arose with joint venture participants who claimed the Company was in breach of agreements to explore certain properties in Alberta. The Company disputes these claims and believes them to be without merit. At the report date, it is indeterminable what the outcome of these disputes will be. Future costs and liability arising from these matters, if any, will be recorded in the period in which such amounts can be reliably determined.

## 11. DISCONTINUED OPERATION

During the last fiscal year, the Company sold its interest in the Fosterton oil project located in Saskatchewan for proceeds of $30,000. The property was previously written off during the fiscal year ended January 31, 2009 due to the economic climate and the uncertainty surrounding future cash flow from the property.

Results of discontinued operation comprise the following:

| | | **July 31, 2013** | | **July 31, 2012** |
|---|---|---|---|---|
| Revenue | $ | - | $ | 6,193 |
| Cost of Production | | 1,084 | | - |
| Income before other item | | (1,084) | | 6,193 |
| Gain on sale of property | | - | | 30,000 |
| Income (loss) from discontinued operation | $ | (1,084) | $ | 36,193 |

## 12. RESTATEMENT

Subsequent to the issue of the Company's financial statements for the six months period ended July 31, 2013, management determined that the Fairydell Oil Project leases were cancelled on June 17, 2012. Therefore, the financial statements previously issued have been replaced in order to amend the financial statements to reflect the write-off of this project at that time.