

CURLEW LAKE RESOURCES INC.

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JANUARY 31, 2014 and 2013**

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Curlew Lake Resources Inc.

We have audited the accompanying financial statements of Curlew Lake Resources Inc., which comprise the statement of financial position as at January 31, 2014, and the statement of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Curlew Lake Resources Inc. as at January 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Curlew Lake Resources Inc.'s ability to continue as a going concern.

Other Matters

The financial statements of Curlew Lake Resources Inc. for the year ended January 31, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on May 22, 2013, except note 5 and 13 dated December 10, 2013.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Accountants

May 20, 2014

CURLEW LAKE RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
AS AT JANUARY 31
(Expressed in Canadian dollars)

	Note	2014	2013
ASSETS			
Current assets			
Cash		\$ 2,909	\$ 235,181
GST receivable		5,424	21,275
		8,333	256,456
Other assets			
Restricted cash	3	57,479	52,641
Exploration and evaluation assets	4	2,068	10,080
		59,547	62,721
TOTAL ASSETS		\$ 67,880	\$ 319,177
LIABILITIES			
Accounts payable and accrued liabilities	5 & 9	\$ 205,624	\$ 80,493
Reclamation obligation	6	70,300	39,450
TOTAL LIABILITES		275,924	119,943
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	7	15,850,083	15,849,869
Reserves	7	666,865	666,865
Deficit		(16,724,992)	(16,317,500)
TOTAL EQUITY (DEFICIENCY)		(208,044)	199,234
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		\$ 67,880	\$ 319,177

Nature of operations and going concern (Note 1)
Contingencies (Note 10)

On behalf of the Board:

"Jurgen Wolf" Director

"Huitt Tracey" Director

CURLEW LAKE RESOURCES INC.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED JANUARY 31
(Expressed in Canadian dollars)

	Note	2014	2013
EXPENSES			
Management fees		\$ 8,500	\$ 5,000
Office facilities and administrative		143,630	96,321
Professional fees and consulting		84,216	38,573
Shareholder communications		2,459	2,092
Transfer agent and filing fees		19,729	26,762
Travel and promotion		7,754	3,614
		<u>(266,288)</u>	<u>(172,362)</u>
Reclamation costs	6	(133,192)	-
Write-down of exploration and evaluation assets	4	(8,012)	(985,566)
LOSS FROM CONTINUING OPERATIONS		(407,492)	(1,157,928)
Income from discontinued operation	13	-	36,739
LOSS AND COMPREHENSIVE LOSS		<u>\$ (407,492)</u>	<u>\$ (1,121,189)</u>
Basic and diluted loss per share			
Discontinued operations		\$ (0.00)	\$ (0.00)
Continuing operations		(0.02)	(0.10)
Weighted average number of common shares outstanding		18,546,952	11,568,264

See accompanying notes to the financial statements

CURLEW LAKE RESOURCES INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian dollars)

	Share capital		Reserves	Deficit	Total
	Number of shares	Amount			
Balance at January 31, 2012	9,946,952	\$ 15,435,393	\$ 666,865	\$ (15,196,311)	\$ 905,947
Share issued	8,600,000	430,000	-	-	430,000
Share issue costs	-	(15,524)	-	-	(15,524)
Comprehensive loss for the year	-	-	-	(1,121,189)	(1,121,189)
Balance at January 31, 2013	18,546,952	15,849,869	666,865	(16,317,500)	199,234
Share issue costs recovery	-	214	-	-	214
Comprehensive loss for the year	-	-	-	(407,492)	(407,492)
Balance at January 31, 2014	18,546,952	\$ 15,850,083	\$ 666,865	\$ (16,724,992)	\$ (208,044)

See accompanying notes to the financial statements

CURLEW LAKE RESOURCES INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31
(Expressed in Canadian dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year from continuing operations	\$ (407,492)	\$ (1,157,928)
Write down of exploration and evaluation assets	8,012	985,566
Net change in non-cash working capital accounts:		
Decrease in receivables	-	11,826
Decrease in GST receivable	15,851	22,623
Increase (decrease) in accounts payable and accrued liabilities	155,981	(23,470)
Net cash used in operating activities-continuing operations	(227,648)	(161,383)
Net cash provided by (used in) operating activities-discontinued operation	-	6,739
Net cash used in operating activities	(227,648)	(154,644)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share subscription	-	430,000
Share issue cost (recovery)	214	(15,524)
Net cash provided by financing activities	214	414,476
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	-	(21,311)
Change in restricted cash	(4,838)	(52,641)
Net cash used in investing activities-continuing operations	(4,838)	(73,952)
Net cash provided by investing activities-discontinued operation	-	30,000
Net cash used in investing activities	(4,838)	(43,952)
Changes in cash during year	(232,272)	215,880
Cash, beginning of year	235,181	19,301
Cash, end of year	\$ 2,909	\$ 235,181

Supplemental disclosure of cash flow information

Interest paid	\$ -	\$ -
Income taxes paid	-	-
Accrued reclamation costs	30,850	-
Exploration and evaluation costs included in accounts payable and accrued liabilities	30,400	30,400

See accompanying notes to the financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

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 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. The Company has a working capital deficiency and will require additional funding.

These material uncertainties may cast significant doubt as to the Company's ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial statements were authorized for issuance on May 20, 2014 by the directors of the Company.

Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

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

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 recoverability of the carrying value of exploration and evaluation assets, rehabilitation obligation, fair value measurements for long term liabilities and other equity-based payments, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

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

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessment of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probably mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

Rehabilitation obligation - The Company has recorded an estimated value of a rehabilitation obligation that is expected to be paid at a future date, determined by estimates of amounts to be paid in future years. Such estimates are revised based on market conditions.

Deferred income taxes - Judgement is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. The Company has not recorded any deferred tax assets for the years presented.

Loss per share

The Company computes earnings (loss) per share assuming that proceeds received from in-the-money stock options and share purchase warrants are used to repurchase common shares at the prevailing market rate.

Basic loss per share figures are calculated using the weighted average number of shares outstanding during the respective years. Diluted loss per share is computed by dividing net loss by the weighted average shares outstanding adjusted for additional shares from the assumed exercise of stock options, restricted share units, or warrants, if dilutive. The number of additional shares is calculated by assuming the outstanding dilutive stock options are exercised and that the assumed proceeds are used to acquire common shares at the average market price during the year. Diluted loss per share figures for the years presented are equal to those of basic loss per share for the years since the effects of stock options and warrants are anti-dilutive.

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 reserves. 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 incremental increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

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

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.

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 restricted cash is 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.

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

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.

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 recorded based 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

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

Exploration and evaluation expenditures (continued)

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.

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 profit or 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.

E&E 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 or 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 recognized within accretion expense. The amount will be recognized as an increase in the liability and an accretion expense in 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 reserves. If the warrants expire unexercised, the value attributed to the warrants remains in reserves.

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 included in profit or loss 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 the significant risks and rewards of ownership and title passes to an external party which 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. The Company has determined there is a minimal impact from the following standards on the Company financial statements:

- 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

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not yet early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

- IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value. This standard has a tentative effective date of January 1, 2018.

- 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.

3. RESTRICTED CASH

The Company has cash on deposit with the Alberta Energy Regulator (“AER”) (previously known as Energy Resources Conservation Board (“ERCB”)) under the AER’s Liability Management programs to cover potential liabilities relating to its wells. The required security deposit with the AER is determined based on a monthly licensee management rating assessment.

4. EXPLORATION AND EVALUATION ASSETS

	January 31, 2014	January 31, 2013
Total exploration and evaluation assets	\$ 2,068	\$ 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 and 2014	\$ -	\$ -	\$ -	\$ -

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	\$ 10,080	\$ -	\$ 10,080
Write-down	(8,012)	-	(8,012)
Balance, January 31, 2014	\$ 2,068	\$ -	\$ 2,068

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% gross overriding royalty (“GORR”) in nine and three-quarter sections. During the year ended January 31, 2013, the Company impaired the property by \$798,040, bringing the value down to \$Nil. During fiscal 2014, the Company incurred costs to plug 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 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. During the year ended January 31, 2013, 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 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. During the year ended January 31, 2013, 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 certain mineral claims in the Clear Creek District of the Yukon. The 100% working interest on certain claims is subject to a 4% net smelter return royalty ("NSR"), of which 1% may be purchased by the Company at any time in the future for \$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 claims is subject to a 2% NSR, 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 on all Yukon properties. During fiscal 2014, the Company impaired the property by \$8,012 writing down the value to \$ 2,068, as it focuses its efforts on a specific region of the claims.

Peace River Claims, Clear Hills District, Alberta

The Company held a 50% interest in Metallic & Industrial Minerals rights on certain Townships near 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. During the year ended January 31, 2013, 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

	January 31, 2014	January 31, 2013
Accounts payable	\$ 195,708	\$ 73,969
Amounts due to related parties (Note 9)	9,916	6,524
	\$ 205,624	\$ 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 costs have been incurred to plug these wells. Reclamation and remediation work is still required to bring the site back to its natural state.

7. SHARE CAPITAL

Authorized: unlimited number of common shares with no par value

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 consisted 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 of \$214 received in fiscal 2014.

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 January 31, 2014	8,600,000	\$ 0.10

The following warrants to acquire common shares were outstanding at January 31, 2014:

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. Vesting is determined by the Board of Directors.

7. SHARE CAPITAL (continued)

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 January 31, 2014	-	\$ -

There are no stock options outstanding and exercisable at January 31, 2014.

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 and accordingly, 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 is exposed to liquidity risk.

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, reserves 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.

8. FINANCIAL RISK MANAGEMENT (continued)

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, 2014 and 2013. The Company is not subject to externally-imposed capital requirements, with the exception of unrestricted cash posted as a deposit (Note 3).

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 January 31, 2014 and January 31, 2013:

	As at January 31, 2014		
	Level 1	Level 2	Level 3
Cash	\$ 2,909	\$ -	\$ -

	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:

	January 31, 2014	January 31, 2013
Company controlled by the current CEO of the Company	\$ 238	\$ 346
Company controlled by the current CFO of the Company	3,500	-
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
	\$ 9,916	\$ 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 year, the Company paid or accrued \$nil (\$2013- \$5,000) to the CEO and \$5,000 to the past and \$3,500 to the current CFO (2013- \$Nil), both of whom are considered to be key management personnel.

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 fiscal 2013 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 to accrued liabilities in the year in which such amounts can be reliably determined.

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2014	2013
Loss before income taxes	\$ (407,491)	\$ (1,121,188)
Expected tax recovery	(105,000)	(280 000)
Change in statutory, foreign tax, foreign exchange rates and other	(58,000)	-
Permanent difference	1,000	-
Change in unrecognized deductible temporary differences	162,000	280,000
Income tax expense (recovery)	\$ -	\$ -
Current income tax	\$ -	\$ -
Deferred tax recovery	\$ -	\$ -

The Canadian Income tax rate declined/increased during the year due to changes in the law that reduced/increased corporate income tax rates in Canada/ British Columbia.

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2014	2013
Deferred Tax Assets (liabilities)		
Exploration and evaluation assets	\$ 1,214,000	\$ 1,175,000
Share issue cost	2,000	3,000
Marketable securities	3,000	3,000
Asset retirement obligation	18,000	-
Allowable capital losses	70,000	68,000
Non-capital losses available for future period	325,000	220,000
	1,632,000	1,469,000
Less: Unrecognized deferred tax assets	(1,632,000)	(1,469,000)
Net deferred tax assets	\$ -	\$ -

11. INCOME TAXES (continued)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	2014	Expiry Date Range
Temporary Differences		
Exploration and evaluation assets	\$ 4,668,000	No expiry date
Share issue costs	9,000	2034-2037
Marketable securities	20,000	No expiry date
Asset retirement obligation	70,000	No expiry date
Allowable capital losses	270,000	No expiry date
Non-capital losses available for future period	1,251,000	2014-2033

Tax attributes are subject to review, and potential adjustment, by tax authorities.

12. SEGMENTED INFORMATION

The Company operates in one segment being the resource sector in Canada.

13. DISCONTINUED OPERATION

During the year ended January 31, 2013, 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 the discontinued operation comprise the following:

	January 31, 2014	January 31, 2013
Revenue	\$ -	\$ 6,739
Cost of Production	-	-
Income before other item	-	6,739
Gain on sale of property	-	30,000
Income (loss) from discontinued operation	\$ -	\$ 36,739