VINERGY RESOURCES LTD.

Consolidated Interim Financial Statements

For the Quarter Ended
November 30, 2012

(Expressed in Canadian dollars)

(unaudited)

VINERGY RESOURCES LTD.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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 unaudited consolidated interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these consolidated interim 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 auditors.

January 15, 2013

VINERGY RESOURCES LTD.
Consolidated interim statements of financial position
(Expressed in Canadian dollars)

	November 30, 2012 $ (unaudited)	February 29, 2012 $
Assets		
Current assets		
Cash	5,957	23,481
Amounts receivable	1	832
Prepaid expenses	–	–
Total current assets	5,958	24,313
Non-current assets		
Advances to operator	26,261	33,516
Total assets	32,219	57,829
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	47,601	36,088
Due to related parties (Note 3)	272,886	245,920
Current portion of decommissioning obligations (Note 5)	39,579	34,416
Total current liabilities	360,066	316,424
Non-current liabilities		
Convertible debt (Note 4)	155,350	134,298
Total liabilities	515,416	450,722
Shareholders' deficit		
Share capital	585,821	585,821
Equity component of convertible debt	176,251	176,251
Deficit	(1,245,269)	(1,154,965)
Total equity	(483,197)	(392,893)
Total liabilities and equity	32,219	57,829

Nature of operations and continuance of business (Note 1)

Approved and authorized for issue by the Board on January 15, 2013:

Signed "Randy Clifford" *Signed "Eugene Sekora "*

Randy Clifford, Director Eugene Sekora, Director

(The accompanying notes are an integral part of these consolidated interim financial statements)

VINERGY RESOURCES LTD.
Consolidated interim statements of operations and comprehensive loss
(Expressed in Canadian dollars)
(unaudited)

	Three months ended November 30, 2012 $	Three months ended November 30, 2011 $	Nine months ended November 30, 2012 $	Nine months ended November 30, 2011 $
Revenue	–	–	–	–
Expenses				
General and administrative	145	2,187	399	2,497
Management fees (Note 3)	7,200	7,200	21,600	21,600
Professional fees (Note 3)	8,300	8,000	21,900	25,900
Well abandonment costs	7,255	–	7,255	–
Rent (Note 3)	–	9,000	(18,000)	27,000
Transfer agent and filing fees	2,678	2,214	14,781	12,016
Loss before other expense	(25,578)	(28,601)	(47,935)	(89,013)
Other expense				
Finance costs	(12,321)	(5,360)	(42,369)	(16,184)
Net loss for the period	(37,899)	(33,961)	(90,304)	(105,197)
Loss per share, basic and diluted	–	–	–	–
Weighted average common shares outstanding	24,033,330	24,033,330	24,033,330	23,524,239

(The accompanying notes are an integral part of these consolidated interim financial statements)

VINERGY RESOURCES LTD.
Consolidated interim statements of equity
(Expressed in Canadian dollars)
(unaudited)

	Common shares				
	Number of Shares	Amount	Equity component of convertible debt	Deficit	Total
		$	$	$	$
Balance February 29, 2012	24,033,330	585,821	176,251	(1,154,965)	(392,893)
Net loss and comprehensive loss	-	-	-	(90,304)	(90,304)
Balance November 30, 2012	24,033,330	585,821	176,251	(1,245,269)	(483,197)

	Common shares				
	Number of Shares	Amount	Equity component of convertible debt	Deficit	Total
		$	$	$	$
Balances February 28, 2011	23,033,330	409,101	176,251	(845,800)	(260,448)
Exercise of warrants	1,000,000	50,000			50,000
Net loss and comprehensive loss	-	-	-	(105,197)	(105,197)
Balances November 30, 2011	24,033,330	459,101	176,251	(950,997)	(315,645)

(The accompanying notes are an integral part of these consolidated interim financial statements)

VINERGY RESOURCES LTD.
Consolidated interim statements of cash flows
(Expressed in Canadian dollars)
(unaudited)

	Nine months ended November 30, 2012 $	Nine months ended November 30, 2011 $
Operating activities:		
Net loss for the period	(90,304)	(105,197)
Items not involving cash:		
Finance costs	26,215	–
Changes in non-cash operating activities:		
Amounts receivable	2,317	611
Prepaid expenses	17,255	2,027
Accounts payable and accrued liabilities	5,027	8,341
Due to related parties	27,966	68,989
Net cash used in operating activities	(11,524)	(25,229)
Financing activities:		
Proceeds from the issuance of shares	–	50,000
Advance from related party	4,000	(2,000)
Net cash provided by financing activities	4,000	48,000
Increase (Decrease) in cash	(7,524)	22,771
Cash, beginning of period	13,481	15,008
Cash, end of period	5,957	37,779
Supplemental disclosures:		
Interest paid	–	–
Income taxes paid	–	–

(The accompanying notes are an integral part of these consolidated interim financial statements)

1. Nature of Operations and Continuance of Business

Vinergy Resources Ltd. (the "Company") was incorporated as Vanguard Investments Corp. on March 20, 2001 under the provisions of the Alberta Business Corporations Act. On May 10, 2011, the Company changed its name to Vinergy Resources Ltd. and continued the Company's registered jurisdiction from Alberta to British Columbia.

On November 30, 2009, the Company entered into a Share Purchase Agreement (the "Agreement") with Zeus Energy Inc. ("Zeus") and its shareholders to acquire 100% of the issued and outstanding shares of Zeus. Zeus was incorporated on November 7, 2007 under the Alberta Business Corporations Act. Since the closing of the Agreement on November 30, 2009, the Company has been in the business of oil and gas acquisition, exploration and development.

These consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at November 30, 2012, the Company had a working capital deficiency of $354,108, has not generated any revenues from operations, and has an accumulated deficit of $1,245,269. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that with its current cash and other funds that may be obtained from external financing that it has sufficient working capital to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

The Company's head office is located at 6012 – 85 Avenue, Edmonton, Alberta, T6B 0J5 and its shares are listed on the Canadian National Stock Exchange under the symbol VIN.

2. Significant Accounting Policies

(a) Statement of Compliance

These interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting of the International Financial Reporting Standards ("IFRS").

(b) Basis of Presentation

These consolidated interim financial statements have been prepared on a historical cost basis with the exception of financial instruments classified as fair value through profit and loss.

These consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

(c) Basis of Consolidation

The consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary, Zeus Energy Inc. All inter-company transactions and balances have been eliminated.

(d) Use of Estimates

The preparation of the financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2. Significant Accounting Policies (continued)

(d) Use of Estimates (continued)

Significant areas requiring the use of estimates include the useful life and recoverability of impairment of oil and gas properties, determination of reclamation provisions, valuation of convertible debt, measurement of share-based payments, and deferred income tax asset valuation allowances.

(e) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

(f) Oil and Gas Properties

(i) Recognition and measurement:

Exploration and evaluation expenditures:

Pre-license costs are recognized in profit or loss as incurred. Exploration and evaluation costs, including the costs of acquiring licenses, geological and geophysical, drilling, sampling, decommissioning and often directly attributable internal costs, initially are capitalized as exploration and evaluation assets. The costs are accumulated in cost centres by well, field or exploration area and not depreciated pending determination of technical feasibility and commercial viability.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units.

The technical feasibility and commercial viability of extracting a mineral 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.

Development and production costs:

Items of property, plant and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into cash generating units ("CGU") for impairment testing. When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

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

2. Significant Accounting Policies (continued)

(f) Oil and Gas Properties (continued)

(ii) Subsequent costs:

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

(iii) Depletion and depreciation:

The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually. The estimated useful lives for all production assets are assumed to be equal to the reserve life of the oil and natural gas assets, and therefore are also depreciated using the unit of production method. For other assets, depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

(g) Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit (“CGU”) to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset’s value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the statement of income.

2. Significant Accounting Policies (continued)

(g) Impairment of Non-Current Assets (continued)

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of income.

(h) Decommissioning, Restoration and Similar Liabilities

The Company records the present value of estimated costs of legal and constructive obligations required to restore the site in the period in which the obligation is incurred. The nature of these restoration activities include dismantling and removing structures, rehabilitating mines and tailings dam, dismantling facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas.

The future obligations for well closure activities are estimated by the Company using well closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Since the obligations are dependent on the laws and regulations of the countries in which the wells operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies.

As the estimate of the obligations is based on future expectations, a number of assumptions and judgments are made by management in the determination of closure provisions. The closure provisions are more uncertain the further into the future the well closure activities are to be carried out.

The present value of decommissioning and site restoration provision as a long-term liability as incurred and records an increase in the carrying value of the related asset by a corresponding amount. The provision is discounted using a nominal, risk free pre-tax discount rate. Charges for accretion and restoration expenditures are recorded as operating activities. The related decommissioning provision is recorded as part of the oil and gas property and depreciated accordingly. In subsequent periods, the carrying amount of the liability is accreted by a charge to the statement of operations to reflect the passage of time and the liability is adjusted to reflect any changes in the timing of the underlying future cash flows.

Changes to the obligation resulting from any revisions to the timing or amount of the original estimate of undiscounted cash flows are recognized as an increase or decrease in the decommissioning provision, and a corresponding change in the carrying amount of the related long-lived asset. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, or provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the statement of operations.

(i) Foreign Currency Translation

The financial statements for the Company's subsidiary are measured using the currency of the primary economic environment in which the subsidiary operates. The functional and reporting currency of the Company is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit or loss.

2. Significant Accounting Policies (continued)

(j) Income Taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the statement of financial position method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are realized or settled, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Flow-through Shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the deferred income tax liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

(l) Financial Assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available-for-sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets which are classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company’s cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company’s amounts receivable is classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. The Company has not classified any financial assets as available for sale.

Transactions costs 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.

(m) Financial Liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

2. Significant Accounting Policies (continued)

(m) Financial Liabilities (continued)

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, due to related parties, and convertible debt are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in statement of comprehensive profit or loss.

(n) Loss Per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the gain or loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(o) Comprehensive Loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in profit or loss.

(p) Share-based Payments

The Company grants share-based awards to employees, directors and consultants as an element of compensation. The fair value of the awards is recognized over the vesting period as share-based compensation expense and share-based payment reserve. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of income with a corresponding entry within equity, against share-based payment reserve. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in share-based payment reserve, are credited to share capital.

Share-based payments arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

(q) Accounting Standards Issued But Not Yet Effective

Certain new standards, interpretations and amendments to existing standards are not yet effective as of November 30, 2012 and have not been applied in preparing these financial statements.

2. Significant Accounting Policies (continued)

(q) Accounting Standards Issued But Not Yet Effective (continued)

(i) Effective for annual periods beginning on or after July 1, 2012:

Amendments to IAS 1 "Presentation of Financial Statements"

In June 2011, the IASB issued amendments to IAS 1 to require companies to group together items within other comprehensive income ("OCI") that may be reclassified to the statement of income. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two separate statements. The amendments are to be applied retrospectively.

(ii) Effective for annual periods beginning on or after January 1, 2013:

New standard IFRS 9, "Financial Instruments"

Partial replacement of IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for how an entity should classify and measure financial assets that are in the scope of IAS 39. The standard requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets, and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost if two criteria are met: (a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and (b) the contractual cash flows under the instrument solely represent payments of principal and interest. If a financial asset meets the criteria to be measured at amortized cost, it can be designated at fair value through profit or loss under the fair value option, if doing so would significantly reduce or eliminate an accounting mismatch. If a financial asset does not meet the business model and contractual terms criteria to be measured at amortized cost, then it is subsequently measured at fair value. In October 2010, the IASB issued additions to IFRS 9 relating to accounting for financial liabilities. Under the new requirements, an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss.

New Standard IFRS 10, "Consolidated Financial Statements"

In May 2011, the IASB issued IFRS 10 to replace portions of IAS 27, "Consolidated and Separate Financial Statements" and interpretation SIC-12, "Consolidated - Special Purpose Entities". IFRS 10 incorporates a single model for consolidating all entities that are controlled and revises the definition of control to be "An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee". Along with control, the new standard also focuses on the concept of power, both of which will include a use of judgment and a continuous reassessment as facts and circumstances change.

New standard IFRS 11, "Joint Arrangements"

In May 2011, the IASB issued IFRS 11 to replace IAS 31, "Interest in Joint Ventures". The new standard will apply to the accounting for interest in joint arrangements where there is joint control. Joint arrangements will be separated into joint ventures and joint operations. The structure of the joint arrangement will no longer be the most significant factor on classifying a joint arrangement as either a joint operation or a joint venture. Proportionate consolidations will be removed and replaced with equity accounting.

New standard IFRS 12 "Disclosure of Interest in Other Entities"

In May 2011, the IASB issued IFRS 12. The new standard includes disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements.

2. Significant Accounting Policies (continued)

(q) Accounting Standards Issued But Not Yet Effective (continued)

(ii) Effective for annual periods beginning on or after January 1, 2013 (continued):

New standard IFRS 13, "Fair Value Measurement"

In May 2011, the IASB issued IFRS 13. The new standard converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price.

The Company has not early-adopted these new and revised standards and is currently assessing the impact that these standards will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. Related Party Transactions

(a) For the nine month period ended November 30, 2012, the amount of $21,600 (2011 – $21,600) was incurred to the President of the Company for management fees.

(b) For the nine month period ended November 30, 2012, the amount of $14,400 (2011 - $14,400) was incurred to the spouse of the President of the Company for professional fees.

(c) During the nine period ended November 30, 2012, the amount of $36,000 was refunded for rent, this provided for a ($18,000) credit for the nine month period ended November 30, 2012 (2011 – expense $27,000) from a Company controlled by the President of the Company.

(d) As at November 30, 2012, the amount of $227,086 (February 29, 2012 - $214,520) is owed to the President of the Company and companies controlled by the President of the Company which is non-interest bearing, unsecured, and due on demand.

(e) As at November 30, 2012, the amount of $45,800 (February 29, 2012 - $31,400) is owed to the spouse of the President of the Company, which is non-interest bearing, unsecured, and due on demand.

4. Convertible Debt

On January 15, 2010, the Company issued $215,000 in convertible debt which bears interest at 10% per annum, is unsecured, and is due on January 16, 2015. The debt is convertible into shares of the Company at a conversion price of $0.10 per share at any time at the option of the holder prior to the due date. The Company also issued 4,300,000 transferable detached share purchase warrants which are exercisable at $0.05 per share expiring on January 15, 2015. At November 30, 2012, 2,000,000 of these share purchase warrants have been exercised, 2,300,000 share purchase warrants remain outstanding.

The fair value of the equity component was determined to be $140,351 which was recorded as contributed surplus and an equivalent discount on the convertible debt. The fair value was estimated using the Black-Scholes option pricing model assuming no expected dividends, a risk free interest rate of 2.99%, expected life of 5 years, and expected volatility of 100%. The accretion of the discount is being recognized over the term of the debt. During the nine month period ended November 30, 2012, the Company recognized accretion expense of $21,053 (2011 - $Nil).

(Expressed in Canadian dollars)

5. Decommissioning Obligations

The total decommissioning obligation was estimated by management based on the Company's net ownership interest in all wells. This includes all estimated costs to reclaim and abandon the wells and the estimated timing of the costs to be incurred in future periods. The Company has estimated the net present value of the decommissioning obligations to be $39,579 as at November 30, 2012 based on an undiscounted future liability of $23,900. An inflation rate of 2% was used to inflate the costs, and a long-term risk-free rate of 20% was used to calculate the carrying value of the decommissioning obligations.

The following table reconciles the decommissioning obligations:

	November 30, 2012 $	February 29, 2012 $
Balance, beginning of the period	34,416	29,761
Accretion	5,163	4,655
Balance, end of year	39,579	34,416
Less: current portion	39,579	34,416
Long-term portion	–	–

6. Share Purchase Warrants

As at November 30, 2012, there are 2,300,000 share purchase warrants exercisable at $0.05 per share expiring on January 15, 2015 outstanding.

7. Financial Instruments

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at November 30, 2012 as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, November 30, 2012 $
Cash	5,957	–	–	5,957

The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments. The fair value of convertible debt is estimated to approximate its carrying value based on borrowing rates currently available to the Company for a loan with similar terms.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consist of GST/HST refunds due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

7. Financial Instruments (continued)

(c) Foreign Exchange Rate Risk

The Company is not exposed to any significant foreign exchange rate risk.

(d) Interest Rate Risk

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

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities. As the Company does not have any producing assets or any current programs for exploration management considers the Company's commodity price risk to be minimal.

8. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital, equity component of convertible debt, and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remained unchanged from the year ended February 29, 2012.