Petro Viking Energy Inc.

Interim Condensed Consolidated Financial Statements

September 30, 2013

(Unaudited)

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NOTICE TO READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Responsibility for interim condensed consolidated financial statements

Petro Viking Energy Inc.'s unaudited interim condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards consistently applied. These unaudited interim condensed consolidated statements are presented on the accrual basis of accounting. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Corporation is responsible for both the integrity and objectivity of the unaudited interim condensed consolidated financial statements, management is satisfied that these unaudited interim condensed consolidated financial statements have been fairly presented.

Auditor involvement

The auditor of Petro Viking Energy Inc. has not performed a review of the unaudited interim condensed consolidated financial statements as at, and for the three and nine month period then ended September 30, 2013 and 2012.

	September 30, 2013	December 31, 2012
	$	**$**
Assets		
Current		
Cash and cash equivalents	139,125	368,468
Accounts receivable (note 4)	723,611	494,924
Prepaid expenses and deposits	33,053	19,538
Total current assets	895,789	882,930
Property and equipment (note 5)	1,499,675	1,731,686
Total assets	**2,395,464**	**2,614,616**
Liabilities		
Current		
Accounts payable and accrued liabilities (note 6)	1,004,832	584,836
Notes payable (note 7)	150,000	-
Debenture (note 8)	-	640,000
Total current liabilities	1,154,831	1,224,836
Debenture (note 8)	640,000	-
Decommissioning liabilities (note 9)	3,674,706	3,778,928
Total liabilities	5,597,936	5,003,764
Shareholders' Equity (Deficit)		
Share capital (note 10)	4,525,521	4,525,521
Warrants (note 12)	-	870,773
Contributed surplus	1,617,760	746,987
Deficit	(9,217,355)	(8,532,429)
Total shareholders' equity (deficit)	(3,074,074)	(2,389,148)
Total liabilities and shareholders' equity (deficit)	**2,395,464**	**2,614,616**

Basis of presentation *(note 2)*

Subsequent events *(note 24)*

Approved on behalf of the Board of Directors

"Irvin Eisler" (signed) — **Irvin Eisler**

"Lars Glimhagen" (signed) — **Lars Glimhagen**

The accompanying notes are an integral part of these interim condensed consolidated financial statements (unaudited).
Certain comparative figures have been reclassified to conform with the current period's presentation.

Petro Viking Energy Inc.
Interim Condensed Consolidated Statements of Operations, Loss and Comprehensive Loss
(Unaudited)

	Three months ended September 30, 2013	Three months ended September 30, 2012	**Nine months ended September 30, 2013**	Nine months ended September 30, 2012
	$	**$**	**$**	**$**
Revenue				
Petroleum and natural gas sales, net (note 13)	225,292	255,495	714,528	905,947
Loss (gain) on sale of asset	-	-	(30,783)	83,000
Other income	-	2,523	438	11,169
	225,292	**258,018**	**684,183**	**1,000,116**
Expenses				
Operating	214,920	291,183	590,143	956,670
General and administrative (note 17)	114,489	282,426	458,497	1,217,110
Share-based compensation (note 11)	-	-	-	54,975
Depletion, depreciation and impairment (note 5)	63,060	33,050	218,180	137,250
Financing costs (note 14)	37,482	25,728	102,288	77,657
	429,951	**632,387**	**1,369,108**	**2,443,662**
Net loss and comprehensive loss	**(204,659)**	**(374,369)**	**(484,925)**	**(1,108,849)**
Net loss per share (note 15)				
Basic	(0.01)	(0.01)	(0.02)	(0.05)
Diluted	(0.01)	(0.01)	(0.02)	(0.05)
Weighted average number of shares (note 15)				
Basic	30,259,707	30,529,231	30,259,707	30,046,050
Diluted	30,259,707	30,529,231	30,259,707	30,046,050

The accompanying notes are an integral part of these interim condensed consolidated financial statements (unaudited).
Certain comparative figures have been reclassified to conform with the current period's presentation.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(Unaudited)

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
	$	**$**
Share capital (note 10)		
Balance, beginning of year	4,525,521	4,367,233
Issued	-	112,000
Option value transferred to share capital from contributed surplus	-	46,288
Balance end of period	**4,525,521**	**4,525,521**
Warrants (note 12)		
Balance, beginning of year	870,773	870,773
Expired	(870,773)	-
Balance end of period	**-**	**870,773**
Contributed surplus		
Balance, beginning of year	746,987	630,100
Share-based compensation related to:		
Options granted to directors, officers and consultants	-	54,975
Option value transferred from contributed surplus to share capital	-	(46,288)
Expired warrants	870,773	-
Balance end of period	**1,617,760**	**638,787**
Deficit		
Balance, beginning of year	(8,532,429)	(5,761,081)
Net loss and comprehensive loss	(684,925)	(1,443,546)
Balance, end of period	**(9,217,354)**	**(7,204,627)**
Shareholders' Equity (Deficit)	**(3,074,073)**	**(1,169,546)**

The accompanying notes are an integral part of these interim condensed consolidated financial statements (unaudited).
Certain comparative figures have been reclassified to conform with the current period's presentation.

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
	$	**$**
Operating		
Net loss and comprehensive loss for the period	(684,925)	(1,443,546)
Add back (deduct) non-cash items:		
Share-based compensation	-	54,975
Depletion, depreciation and impairment	260,510	137,250
Accretion on decommissioning liabilities	36,652	37,348
Loss (gain) on sale of asset	30,783	(83,000)
Settlement of decommissioning liabilities	(33,252)	(36,616)
Changes in non-cash working capital (note 16)	110,562	16,578
	(279,670)	**(1,317,011)**
Financing		
Issue of equity instruments	-	112,000
Changes in non-cash working capital (note 16)	100,000	-
	100,000	**112,000**
Investing		
Expenditures on property and equipment	(124,573)	(94,310)
Expenditures on exploration and evaluation	-	(93,750)
Sale of non-current asset	-	83,000
Sale of short-term investment	-	650,242
Changes in non-cash working capital (note 16)	74,900	(967,551)
	(49,673)	**(422,369)**
Change in cash	**(229,343)**	**(1,372,466)**
Cash, beginning of the year	368,468	2,140,122
Cash, end of the period	**139,125**	**767,656**
Supplemental cash flow information		
Interest received	438	8,646
Interest paid	65,635	26,113
Non-cash transactions		
Option value transferred from contributed surplus to share capital	-	46,288
Expired warrants transferred from warrants to contributed surplus	870,773	-

The accompanying notes are an integral part of these interim condensed consolidated financial statements (unaudited).
Certain comparative figures have been reclassified to conform with the current period's presentation.

1. Corporate information

Petro Viking Energy Inc. ("Petro Viking" or the "Company") is incorporated under the laws of the province of Alberta with shares listed on the TSX Venture Exchange, and is engaged in petroleum and natural gas exploration and development activities in western Canada. The records office and principal address is located at 500, 5940 MacLeod Trail, Calgary, AB T2P 2G4.

On February 28, 2011, the Company completed its "Qualifying Transaction" pursuant to which Deep Creek Oil & Gas Inc. ("Deep Creek") and 1560368 Alberta Ltd., a wholly owned subsidiary of the Company, amalgamated pursuant to the provisions of the Business Corporations Act (Alberta) ("the Transaction"). On March 21, 2011, Deep Creek changed its name to Petro Viking Management Corp.

2. Basis of presentation and statement of compliance

The unaudited interim condensed consolidated financial statements as at September 30, 2013 and for the three and nine months ended September 30, 2013 and September 30, 2012, include the accounts of the Company and its wholly owned subsidiary, Petro Viking Management Corp. ("PVMC"), after the elimination of intercompany transactions and balances.

These unaudited interim condensed consolidated financial statements, including the relevant comparative periods, have been prepared on a going concern basis in accordance with International Accounting Standard No. 34, Interim Financial Reporting ("IAS 34"). The unaudited interim condensed consolidated financial statements note disclosures do not include all of those required by International Financial Reporting Standards ("IFRS") applicable for annual financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2012.

These unaudited interim condensed consolidated financial statements are stated in Canadian dollars and have been prepared in accordance with IFRS effective as of September 30, 2013. The unaudited interim condensed consolidated financial statements were authorized by the Board of Directors for issue on November XX, 2013.

3. Significant Accounting Policies and Estimates

The unaudited interim condensed consolidated financial statements follow the same accounting policies as the December 31, 2012 annual audited consolidated financial statements with the exception of the accounting polices noted below that were adopted January 1, 2013.

The preparation of unaudited interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of financial statements, and revenues and expenses reported during the period. Actual results could differ from those estimated and the difference could be material. The key sources of estimation uncertainty that have significant risk of causing material adjustment to the carrying amounts of assets and liabilities are disclosed in note 3(v) to the Corporation's audited consolidated financial statements for the year ended December 31, 2012.

As of January 1, 2013, the Corporation adopted the following standards and amendments as issued by the IASB. The adoption of the following standards did not have a material impact on the Corporation's unaudited interim condensed consolidated financial statements.

IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces Standing Interpretations Committee 12, "Consolidation - Special Purpose Entities" and the consolidation requirements of IAS 27 "Consolidated and Separate Financial Statements". The new standard replaces the existing risk and rewards based approaches and establishes control as the determining factor when determining whether an interest in another entity should be included in the consolidated financial statements.

IFRS 11 "Joint Arrangements"

IFRS 11 replaces IAS 31 "Interests in Joint Ventures". The new standard focuses on the rights and obligations of an arrangement, rather than its legal form. The standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted.

IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 provides comprehensive disclosure requirements on interests in other entities, including joint arrangements, associates, and special purpose entities. The new disclosures are intended to assist financial statement users in evaluating the nature, risks and financial effects of an entity's interest in subsidiaries and joint arrangements.

IFRS 13 "Fair Value Measurement"

IFRS 13 provides a common definition of fair value within IFRS. The new standard provides measurement and disclosure guidance and applies when another IFRS requires or permits an item to be measured at fair value, with limited exceptions.

IAS 34 "Interim Financial Reporting"

Amendments to IAS 34 require specific disclosure on the fair value of financial instruments for interim reporting. These disclosures are included in Note 18.

4. Accounts receivable

Significant components of Accounts Receivable	**September 30, 2013**	December 31, 2012
	$	$
Accounts receivable - trade and joint venture	722,291	483,927
GST and HST Receivable	1,320	10,997
	723,611	**494,924**
Accounts Receivable for:		
Capital	93,000	45,000
Operating	630,611	449,924
	723,611	**494,924**

The Company has provided for $5,000 for doubtful accounts at December 31, 2012. The provision continues at September 30, 2013. The amounts in the table above are disclosed net of the provision.

As at September 30, 2013, there are no amounts due from related parties (December 31, 2012: $Nil).

5. Property and equipment

Oil and Natural Gas Interests

	September 30, 2013	December 31, 2012
	$	$
Cost or deemed cost		
Balance , beginning of year	7,233,932	7,126,450
Acquisitions	-	-
Additions	93,895	107,482
Dispositions	(122,283)	-
Balance, end of period	**7,205,544**	**7,233,932**
Depletion, depreciation and impairment losses		
Balance, beginning of year	(5,502,246)	(4,528,276)
For the period (i)	(218,180)	(973,970)
Dispositions	62,363	-
Balance, end of period	**(5,705,869)**	**(5,502,246)**
Net book amount, end of period	**1,499,675**	**1,731,686**

(i) There were no costs that were excluded from the depletion calculation for the three and nine month periods ended September 30, 2013 or the three and nine month periods ended September 30, 2012. Future development costs at June 30, 2013 and June 30, 2012 was $Nil.

6. Accounts payable and accrued liabilities

The Company's financial liabilities are comprised of accounts payable, accrued liabilities and notes payable which have expected maturities of less than one year resulting in their current classification on the consolidated statement of financial position. See note 8 for discussion on debentures, which, at December 31, 2012 was classified as a current liability.

Significant components of Accounts Payable and Accrued Liabilities	**September 30, 2013**	December 31, 2012
	$	**$**
Accounts payable - trade and joint venture	914,866	527,269
GST Payable	26,715	-
Interest Payable	63,250	4,067
Accrued liabilities	-	53,500
	1,004,831	**584,836**
Accounts Payable and Accrued Liabilities for:		
Capital	122,900	-
Operating	881,931	584,836
	1,004,831	**584,836**

As at September 30, 2013, the amounts due to related parties are $163,568 (December 31, 2012: 62,169) (note 17).

7. Notes payable

	September 30, 2013	December 31, 2012
	$	$
Balance, beginning of year	-	-
Notes issued	150,000	-
Balance, end of period	**150,000**	**-**
Accrued interest, end of period (note 6)	9,202	-

(i) The notes are unsecured and are payable on December 31, 2013.

(ii) Notes bear an interest of 10% per annum, compounded monthly. For the three and nine months ended September 30, 2013, interest expense on the notes of $4,967 (2012- $Nil) and $9,202 (2012- $Nil) was recorded (note 14).

(iii) At September 30, 2013, $50,000 of the notes payable is due to a related party (note 17).

8. Debenture

	September 30, 2013	December 31, 2012
	$	$
Balance, beginning of year	640,000	640,000
Balance, end of period (i), (ii), (iv)	**640,000**	**640,000**
Accrued debenture interest, end of period (note 6)	52,157	4,067

(i) On February 1, 2013, the Company has renewed the debentures for a two-year term. The revised maturity date after renewal is January 31, 2015.

(ii) Prior to renewal of the debentures described in 8 (i) above, the debentures had a maturity date of February 28, 2013. Therefore, the debenture is classified as a current liability at December 31, 2012 and as a non-current liability at June 30, 2013

(iii) Prior to renewal, the debentures bore interest at a rate of 8% per annum. The debentures were renewed at a revised interest rate of 10%. For the three and nine months ended September 30, 2013, interest expense on the debentures of $16,162 (2012- $13,348) and $47,868 (2012- $26,113) was recorded (note 14).

(iv) At September 30, 2013 and December 31, 2012, $370,000 of the debenture balance payable is due to related parties (note 17).

9. Decommissioning liabilities

The following table presents the reconciliation of the carrying amount of the obligation associated with the decommissioning of the Company's property and equipment:

	September 30, 2013	December 31, 2012
	$	$
Balance, beginning of year	3,778,928	3,798,277
Liabilities settled / disposed	(49,127)	(43,245)
Effect of change in estimates	(91,747)	(21,594)
Accretion (note 14)	36,652	45,490
Balance, end of period	**3,674,706**	**3,778,928**

The following significant assumptions were used to estimate the decommissioning liabilities:

	2013	**2012**
Undiscounted cash flows	3,969,587	4,055,860
Discount rate	1.7%	1.3%
Inflation rate	1.3%	2.50%
Weighted average expected timing of cash flows	4.52 years	4.7 years

(i) Accretion expense included under financing costs in the consolidated statements of operations, loss and comprehensive loss.

(ii) Discount rate based on Government of Canada marketable bond yields for 3-5 year term.

(iii) Inflation rate based on Bank of Canada consumer price index.

10. Share capital

a. Authorized

Unlimited number of common shares, without nominal or par value

b. Issued and outstanding common shares

	September 30, 2013		December 31, 2012	
	Number	**Amount**	Number	Amount
		$		$
Balance, beginning of period	30,259,707	4,525,521	29,753,707	4,367,233
Agent options exercised	-	-	506,000	112,000
Option value transferred to share capital from contributed surplus	-	-	-	46,288
Balance, end of period	**30,259,707**	**4,525,521**	**30,259,707**	**4,525,521**

The Company has 1,023,126 (December 31, 2012 - 2,782,426) common shares subject to an escrow agreement. 924,650 shares will be released from escrow during March and September of each year until 2014.

11. Share-based compensation

The Company has a stock option plan under which the Board of Directors may grant options to directors, officers, other employees and key consultants. The Company may also grant options to agents.

Under the plan, the number of shares reserved for issuance pursuant to the exercise of all options under the plan may not exceed 10% of the issued and outstanding common shares at any time. The options expire not more than five years from the date of grant (except for 949,000 options issued during 2010, which expire after ten years from the date of grant), or earlier if the individual ceases to be associated with the Company, and vest over terms determined at the time of grant. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model.

The share based compensation expense at for the three and nine month periods ended September 30, 2013 is $Nil (2012: $13,997) and $Nil (2012: $54,975).

The Company has not granted any options during the three and nine month periods ended September 30, 2013 or the three and nine month periods ended September 30, 2012.

During the year ended December 31, 2012, the Company granted 1,400,000 options, exercisable at $0.10 per option, to its directors, officers and consultants. The options vest immediately upon grant and expire 5 years after grant date.

11. Share-based compensation (continued…)

The following tables summarize information about directors, officers and consultants stock options outstanding as at, and for the period ended:

	Nine months ended September 30, 2013		Year ended December 31, 2012	
	Options	**Weighted – average exercise price**	Options	Weighted – average exercise price
		$		$
Opening	2,624,501	0.18	2,819,000	0.27
Granted	-	-	1,400,000	0.10
Forfeited	-	-	(1,594,499)	0.27
Closing	**2,624,501**	**0.18**	**2,624,501**	**0.18**

Range of exercise price	Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable
$		(years)	$	
0.10	1,400,000	4.05	0.10	1,400,000
0.20	474,501	6.68	0.20	474,501
0.30	650,000	2.42	0.30	650,000
0.35	100,000	2.72	0.35	100,000
	2,624,501	**4.07**	**0.18**	**2,624,501**

The following tables summarize information about agent stock options outstanding as at and for the period ended:

	Nine months ended September 30, 2013		Year ended December 31, 2012	
	Options	**Weighted – average exercise price**	Options	Weighted – average exercise price
		$		$
Opening	**1,011,885**	**0.31**	1,517,885	0.28
Granted	-	-	-	-
Exercised	-	-	(506,000)	0.22
Expired	(1,011,885)	0.31	-	-
Closing	**-**	**-**	**1,011,885**	**0.31**

The Company did not grant any options during the three and nine month periods ended September 30, 2013 or the three and nine month periods ended September 30, 2012.

The Black-Scholes pricing model was used to estimate the fair value of options granted during the year ended December 31, 2012, based on the following significant assumptions:

Weighted average fair value per option	$ 0.08
Risk-free interest rate	1.19%
Expected volatility	132%
Dividend yield	0%
Estimated forfeiture rate	0%
Expected life of each option granted	5 years

12. Warrants

The following table summarizes information about warrants outstanding as at:

	September 30, 2013			December 31, 2012		
	Number of warrants	**Weighted –average Exercise price**	**Fair value ascribed**	Number of warrants	Weighted –average Exercise price	Fair value ascribed
		$	$		$	$
Opening	**14,168,456**	**0.51**	**870,773**	**14,168,456**	**0.51**	**870,773**
Expired:	**(14,168,456)**	0.51	**(870,773)**	-	-	-
Closing (i)	**-**	**-**	**-**	**14,168,456**	**0.51**	**870,773**

The Company did not issue any warrants during the three and six month periods ended June 30, 2013 or June 30, 2012.

13. Petroleum and natural gas sales

	Three months ended September 30, 2013	Three months ended September 30, 2012	**Nine months ended September 30, 2013**	Nine months ended September 30, 2012
	$	$	$	$
Petroleum and natural gas sales (gross)	267,435	277,910	843,486	1,061,082
Less: Royalty expense	(42,143)	(22,415)	(128,958)	(155,135)
Petroleum and natural gas sales (net)	**225,292**	**255,495**	**714,528**	**905,947**

14. Financing costs

	Three months ended September 30, 2013	Three months ended September 30, 2012	**Nine months ended September 30, 2013**	Nine months ended September 30, 2012
	$	$	$	$
Interest expense on debenture and notes payable	25,285	14,196	65,636	35,157
Accretion on decommissioning liabilities	12,197	11,532	36,652	37,348
	37,482	**25,728**	**102,288**	**57,095**

15. Net loss per share

Basic and diluted loss per common share are calculated as follows:

	Three months ended September 30, 2013	Three months ended September 30, 2012	**Nine months ended September 30, 2013**	Nine months ended September 30, 2012
Net loss and comprehensive loss ($)	(204,659)	(374,369)	(684,925)	(1,108,849)
Weighted average number of shares (basic)	30,259,707	30,119,092	30,259,707	29,938,048
Weighted average number of shares (diluted)	30,259,707	30,119,092	30,259,707	29,938,048
Loss per share: ($ / common share)				
Basic	(0.01)	(0.02)	(0.02)	(0.05)
Diluted	(0.01)	(0.02)	(0.02)	(0.05)

16. Change in non-cash working capital

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
	$	$
Accounts receivable	(271,017)	190,598
Prepaid expenses and deposits	(13,516)	(32,057)
Accounts payable and accrued liabilities	419,995	(1,119,514)
Notes Payable	150,000	-
	285,462	**(960,973)**
Operating	12,562	(16,578)
Financing	150,000	-
Investing	122,900	(977,551)
	285,462	**(960,973)**

17. Related party disclosures

Balances between Petro Viking Energy Inc. and its subsidiary, Petro Viking Management Corp., which is a related party, have been eliminated on consolidation and are not disclosed in this note.

Key management personnel compensation:

(Key management personnel are comprised of the Company's directors and officers.)	**Three months ended September 30, 2013**	Three months ended September 30, 2012	**Nine months ended September 30, 2013**	Nine months ended September 30, 2012
	$	$	$	$
Administration and consulting fees	74,900	50,227	217,018	216,697

Other related party transactions are disclosed below, unless they have been disclosed elsewhere in the financial statements.	**Three months ended September 30, 2013**	Three months ended September 30, 2012	**Nine months ended September 30, 2013**	Nine months ended September 30, 2012
	$	$	$	$
Legal fees charged by a law firm of which one director of the Company is council.	-	-	-	115,845
Interest expense on the Company's debentures and notes payable, held by a director of the Company, and companies controlled by a director of the Company.	12,783	7,461	33,844	22,220

Amount owing to / from related parties	**September 30, 2013**	December 31, 2012
	$	$
Accounts payable and accrued liabilities for administration and consulting fees, legal fees, and interest payable.	163,568	62,169
Debenture – Principal outstanding.	370,000	370,000
Notes payable– Principal outstanding.	50,000	-

18. Determination of fair values

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, notes payable and debentures. These financial instruments are classified as follows:

- Cash and cash equivalents - Fair value through profit or loss – held-for-trading
- Short-term investments - Fair value through profit or loss – held-for-trading
- Accounts Receivable - Loans and receivables
- Accounts payable and accrued liabilities - Other financial liabilities
- Notes payable - Other financial liabilities
- Debentures - Other financial liabilities

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

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

The fair value of cash and cash equivalents is determined using level 1 inputs as it is determined by amounts held at/lent by financial institutions.

The fair value of debentures and notes payable approximates their carrying value as they bear interest at a rate that is comparable to current market rates. The Company has classified these as Level 2 financial instruments.

The carrying values of accounts receivable, accounts payable and accrued liabilities, approximate their fair values due to their relatively short periods to maturity. The Company has classified these as Level 2 financial instruments.

The fair value of the amounts due to related parties (note 6) is less than carrying value, as the amounts are non-interest bearing. As the amounts have no terms of repayment, the fair value cannot be calculated with any degree of certainty, therefore the Company has classified these as Level 3 financial instruments.

There have been no transfers amongst levels of the hierarchy during the three and nine months ended September 30, 2013 or the three and nine months ended September 30, 2012.

19. Financial risk management

The Company's risk management policies are established by the Board of Directors to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's policy.

The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. Refer to note 22 to the audited consolidated financial statements as at December 31, 2012 and for the year ended December 31, 2012 and 2011 for further information.

20. Capital management

The Company's objective when managing capital is to maintain a flexible capital structure which will allow it to execute its capital expenditure program, which includes expenditures in oil and gas activities which may or may not be successful. Therefore, the Company monitors the level of risk incurred in its capital expenditures to balance the proportion of debt and equity in its capital structure.

The Company considers its capital structure to include shareholders equity and debentures.

The Company monitors capital based on annual funds from operations and capital expenditure budgets, which are updated as necessary and are reviewed and periodically approved by the Company's Board of Directors. In order to maintain or adjust the capital structure, from time to time the Company may issue common shares, debt or other securities, sell assets or adjust capital spending to manage current and projected debt levels.

At September 30, 2013, the Company's capital structure was not subject to external restrictions.

The Company anticipates it will continue operations in the foreseeable future and it will have adequate liquidity to fund its financial liabilities through its future cash flows.

21. Operating Leases

Non-cancellable operating lease rentals for a compressor are payable as follows:

	September 30, 2013	December 31, 2012
	$	$
Less than one year	24,000	-
Between one and five years	-	-
More than five years	-	-

The table below shows the expense recorded for the period:

	Three months ended September 30, 2013	Three months ended September 30, 2012	**Nine months ended September 30, 2013**	Nine months ended September 30, 2012
	$	$	$	$
Equipment lease rentals for a compressor.	10,080	10,050	30,240	30,150

22. Letters of Credit

	September 30, 2013	December 31, 2012
	$	$
Letter of Credit issued to Saskatchewan Ministry of Energy and Resources under the Saskatchewan License Liability Rating (LLR) Program	74,045	74,045

23. Contingency

A former director of the Company has made a claim for payment of amounts alleged to be owed to him (or a company controlled by him) under a consulting agreement. The claimants commenced an action in the Alberta Court of Queen's Bench on September 27, 2012, seeking judgment against the Company for the principal amount of $54,000, plus unspecified amounts for interest, taxes and costs. The Company denies that there is any amount owing to the claimants, and believes that the claimants were overpaid for services provided under the consulting agreement by an amount of $12,600, improperly invoiced by the claimants. The Company has filed a Statement of Defence and Counterclaim in the action, and intends to vigorously defend the claim.

24. Subsequent Events

On August 09, 2013, the Company announced that it is arranging a non-brokered private placement of up to 8,000,000 units at a price of $0.05 per unit for gross proceeds of up to $400,000, subject to approval of the TSX Venture Exchange (the "Exchange"). The proceeds of this private placement are expected to be used for the acquisition of additional oil production, including the acquisition of additional working interest in properties currently operated by Petro Viking. No finder's fees or commissions are expected to be paid. Each unit will consist of one common share plus one-half of one warrant. Each full warrant will entitle the investor to purchase one additional common share for a period of 12 months following issuance at a price of $0.08 per share.

The Company has not closed the private placement as of the date of these financial statements.

On November 10, 2013, the Company signed a non-binder Letter of Intent to purchase certain assets in Frog Lake area of Alberta, including three well locations and one drill location. The acquisition will be financed by a private group of investors and is expected to close during the fourth quarter.