SUPER NOVA PETROLEUM CORP.
(Formerly Super Nova Minerals Corp.)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

May 31, 2014

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Super Nova Petroleum Corp. (formerly Super Nova Minerals Corp.)

We have audited the accompanying financial statements of Super Nova Petroleum Corp. (formerly Super Nova Minerals Corp.), which comprise the statements of financial position as at May 31, 2014 and 2013 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years 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 audits. We conducted our audits 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 auditors consider 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 audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Super Nova Petroleum Corp. (formerly Super Nova Minerals Corp.) as at May 31, 2014 and 2013 and its financial performance and its cash flows for the years 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 the ability of Super Nova Petroleum Corp. (formerly Super Nova Minerals Corp.) to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

September 29, 2014

SUPER NOVA PETROLEUM CORP.
(Formerly Super Nova Minerals Corp.)
Statements of Loss and Comprehensive Loss
[Expressed in Canadian dollars]

	Notes	For the years ended May 31 2014	2013
Expenses			
Administrative fees		$ 131,128	$ 46,594
Consulting fees		44,914	173,228
Corporate communications		152,094	99,105
Filing fees and regulatory fees		14,491	25,548
Listing fees	1	-	189,407
Office		32,812	27,090
Professional fees		73,425	110,918
Rent		22,933	40,381
Stock-based compensation	6	154,991	-
Travel and entertainment		7,880	27,820
Indemnification expenses		32,219	-
		666,887	740,091
Other Items			
Exchange gain and loss		(2,122)	-
Gain on settlement of debt	6	(20,334)	
Flow through share premium	11	(12,577)	(1,663)
Write down of exploration and evaluation assets	5	1,251,723	-
		1,216,690	(1,663)
Net loss and comprehensive loss		$ 1,883,577	$ 738,428
Net loss per share, basic and diluted		$ (0.06)	$ (0.04)
Weighted average number of shares outstanding		32,505,784	18,781,869

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

SUPER NOVA PETROLEUM CORP.
(Formerly Super Nova Minerals Corp.)
Statements of Financial Position
[Expressed in Canadian dollars]

	Note	**May 31 2014**	May 31 2013
ASSETS		**$**	$
Current assets			
Cash		**1,065**	1,522
Receivables and prepayments	4	**19,547**	20,722
		20,612	22,244
Non-current assets			
Exploration and evaluation assets	5	**529,437**	1,502,417
Total assets		**550,049**	1,524,661
LIABILITIES			
Provision for indemnity	11	**32,219**	-
Accounts payable and accrued liabilities		**266,637**	197,551
Convertible debentures	13	**27,272**	
Short term loan	7	**34,000**	-
Due to related parties	7	**271,472**	112,330
Flow through share premium liabilities	11	**-**	12,577
		631,600	322,458
SHAREHOLDERS' EQUITY (DEFICENCY)			
Share capital	6	**2,735,377**	2,336,536
Share subscription received in advance	6	**11,281**	29,250
Reserves	6	**218,951**	-
Deficit		**(3,047,160)**	(1,163,583)
		(81,551)	1,202,203
Total liabilities and equity		**550,049**	1,524,661

Nature and continuance of operations (Note 1)

Subsequent events (Note 14)

Approved and authorized for issue by the board of directors on **September 29, 2014** and signed on its behalf by:

/s/Wolf Wiese	*/s/ Rita Tung*
Wolf Wiese, Director	Rita Tung, Director

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

SUPER NOVA PETROLEUM CORP.
(Formerly Super Nova Minerals Corp.)
Statements of Changes in Equity
[Expressed in Canadian dollars]

	Share Capital					
	Number of Shares	Amount	Share subscription received in advance	Reserves	Deficit	Total
		$	$	$	$	$
Balance, May 31, 2012	13,566,550	1,093,629	81,200	-	(425,155)	749,674
Property option payment	7,045,555	733,555	-	-	-	733,555
Private placement	3,481,395	300,280	(81,200)	-	-	219,080
Share issued upon amalgamation	1,006,447	100,645	-	-	-	100,645
Share issuance for debt	1,348,933	109,920	-	-	-	109,920
Share issuance cost	-	(1,493)	-	-	-	(1,493)
Share subscriptions	-	-	29,250	-	-	29,250
Loss for the year	-	-	-	-	(738,428)	(738,428)
Balance, May 31, 2013	26,448,880	2,336,536	29,250	-	(1,163,583)	1,202,203
Property option payments	2,150,000	89,250	-	59,779	-	149,029
Private placements	9,964,966	320,048	(29,250)	-	-	290,798
Stock-based compensation	-	-	-	154,991	-	154,991
Share issuance cost	-	(15,541)	-	4,181	-	(11,360)
Share subscriptions	-	-	11,281	-	-	11,281
Share issuance for debt	508,344	5,084				5,084
Loss for the year	-	-	-	-	(1,883,577)	(1,883,577)
Balance, May 31, 2014	39,072,190	2,735,377	11,281	218,951	(3,047,160)	(81,551)

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

SUPER NOVA PETROLEUM CORP.
(Formerly Super Nova Minerals Corp.)
Statements of Cash Flows
[Expressed in Canadian dollars]

	For the years ended May 31	
	2014	2013
Cash flows from operating activities		
Loss for the year	**$ (1,883,577)**	$ (738,428)
Items not affecting cash:		
Flow through shares premium	**(12,577)**	(1,663)
Gain on settlement of debt	**(20,334)**	-
Unrealised foreign exchange on convertible debenture	**(2,122)**	-
Issuance of shares upon amalgamation	**-**	100,645
Stock based compensation	**154,991**	-
Write down of exploration and evaluation assets	**1,251,723**	-
	(511,896)	(639,446)
Changes in non-cash working capital items:		
Change in receivables and prepayments	**(12,138)**	48,443
Change in accounts payable and accrued liabilities	**32,445**	272,074
Change in due to related parties	**159,142**	51,776
Net cash flow used in operating activities	**(332,447)**	(267,153)
Cash flow used in investing activities		
Recovery on exploration and evaluation assets	**13,313**	-
Investment in exploration and evaluation assets	**(43,436)**	(100,451)
Net cash flows used in investing activities	**(30,123)**	(100,451)
Cash flow from financing activities		
Proceeds from issuance of shares, net of share issuance cost	**287,438**	217,587
Proceeds from convertible debenture	**29,394**	-
Proceeds from short term loan	**34,000**	-
Proceeds from subscriptions received in advance	**11,281**	29,250
Net cash flows from financing activities	**362,113**	246,837
Net (decrease) in cash	**(457)**	(120,767)
Cash, beginning of the year	**1,522**	122,289
Cash, ending	**$ 1,065**	$ 1,522

Supplemental disclosures with respect to cash flows (Note 9)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Super Nova Petroleum Corp., formerly Super Nova Minerals Corp. (the "Company") was incorporated on January 21, 2005, under the British Columbia Business Corporations Act. The current registered office of the Company is located at Suite 1100, 736 Granville Street, Vancouver, British Columbia, V6Z 1G3 while the current corporate office is located at Suite 900, 525 Seymour Street, Vancouver, British Columbia, V6B 3H7. On October 2, 2012, Super Nova Minerals Corp. was amalgamated with 0922519 B.C. Ltd., and the resulting company continued under the name of Super Nova Minerals Corp. In April 2014, the Company changed its name to Super Nova Petroleum Corp. from Super Nova Minerals Corp..

The principal activity of the Company is the acquisition, exploration and development of mineral properties in British Columbia and Quebec, Canada and oil and gas properties in Montana and Texas, United States. On October 22, 2012, the Company's common shares are listed for trading on the Canada National Stock Exchange ("CNSX") (now CSE) under the symbol "SNP". On October 21, 2013, the Company has been approved to trade on the O.T.C. Pinksheets under the symbol "SNOVF".

The Company has not yet determined whether its properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production.

The Company is a junior exploration company and has incurred losses and negative cash flows from operations since inception, and therefore, ongoing operations of the Company are dependent upon its ability to receive continued financial support, equity or debt financings. Management is actively targeting sources of additional financing which would assure the continuation of the Company's operations and exploration programs. To the extent financing is not available, rental payments, and other payments may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

a) Statement of Compliance

These financial statements, including comparatives have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of Measurement

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The presentation and functional currency of the Company is the Canadian dollar.

1. NATURE AND CONTINUANCE OF OPERATIONS (cont'd...)

c) Amalgamation with 0922519 B.C. Ltd.

On October 2, 2012, Super Nova Minerals Corp. ("SNMC") and 0922519 B.C. Ltd. ("519 BC") were amalgamated into one entity. Upon amalgamation the company continued under the name of Super Nova Minerals Corp. (the "Company"). The shareholders of 519 BC received one common share of the Company for every six common shares of 519 BC they held before the amalgamation; the shareholders of SNMC received one share of the Company for each common share of SNMC held before the amalgamation. As a result of this transaction, control passed to the former shareholders of SNMC and the transaction constituted a reverse take-over of 519 BC by SNMC and has been accounted for as a reverse takeover transaction in accordance with guidance provided in IFRS 2, Share-based Payment, and IFRS 3, Business Combinations. According to the definition in IFRS 3, 519 BC did not qualify as a business and the reverse takeover transaction did not constitute a business combination; in addition, as the main purpose of the amalgamation was to list the shares of the resulting Company on Canadian National Stock Exchange ("CNSX"), the acquisition cost over the net assets acquired were recorded as listing fees on the statements of loss and comprehensive loss.

The total consideration for the acquisition of 519 BC was as follows:

Valuation of 1,006,445 common shares issued	$ 100,645
Transaction costs	83,292
Total consideration	183,937

The allocation of the purchase cost was as follows:

Cash	$ 592
Accounts payable and accrued liabilities	(6,062)
Listing fees	189,407
Total	183,937

2. SIGNIFICANT ACCOUNTING POLICIES

a) Significant accounting judgments and estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting periods. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Actual results could differ materially from those reported.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

a) Significant accounting judgments and estimates (cont'd...)

Significant assumptions about the future and other sources of judgments and estimates that management has made at the statement of financial position date, that could result in material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The provision of deferred tax is based on judgments in applying income tax law and estimates on timing, likelihood and reversal of temporary differences between the accounting and tax basis of the assets and liabilities;
- The estimated value of exploration and evaluation costs which is included in the statement of financial position;
- The assessment of indications of impairment of each of the exploration and evaluation assets and related determination of the net realizable value and write-down of those assets where applicable.

b) Refundable tax credits and mining duties

The Company is entitled to apply for government grants in the form of refundable tax credits and mining duties in respect of qualifying mining exploration expenses incurred. These recoveries are accounted for using the cost reduction approach whereby amounts received are applied against the cost of related assets or expenditures.

c) Foreign currency

The Company’s functional currency is the Canadian dollar. Monetary assets and liabilities denominated in currencies other than the Canadian dollar are initially recorded at the respective spot rate of exchange at the date of the transaction, and then translated into Canadian dollars at the rates of exchange prevailing at the reporting date. All differences are taken to profit or loss on the statement of loss and comprehensive loss. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenues and expenses are translated at average rates throughout the reporting period.

d) Exploration and evaluation assets

All costs related to the acquisition, exploration and evaluation of mineral and oil and gas properties are capitalized by property after the Company has obtained the legal right to explore the property.

Exploration and evaluation expenditures for each area of interest are carried forward as an asset, provided that such costs are expected to be recouped in full through successful development and exploration of the area of interest or, alternatively, by its disposal or through farm-out arrangements.

Once development commences, these costs are reclassified to property, plant and equipment and are charged to operations upon commercial production on a unit-of-production method based on proven and probable reserves.

The recoverability of amounts recorded as exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The costs recovered on exploration and evaluation assets in excess of the carrying amounts are recognized in income.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

e) Decommissioning liabilities

The fair value of the statutory, contractual, constructive or legal liabilities associated with the retirement and reclamation of exploration and evaluation assets are recorded when incurred, with a corresponding increase to the carrying amount of the related assets. The amount recognized is the estimated cost of decommissioning, discounted to its present value using the Company's risk free rate. Changes in the estimated timing of decommissioning or decommissioning cost estimates and changes to the risk free rates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the related assets. The unwinding of the discount on the decommissioning provision is charged to net earnings or loss.

The Company recognizes a decommissioning liability in the period in which it is incurred when a reasonable estimate of the fair value can be made. Management reviews these estimates and changes on a periodic basis; if an indication exists, the changes are applied prospectively. The fair value of the estimated provision is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a unit-of-production basis over the life of the proved developed reserves. The liability amount is increased each reporting period due to the passage of time and this amount is charged to earnings in the period. Actual costs incurred upon settlement of the obligations are charged against the provision to the extent of the liability recorded and the remaining balance of the actual costs is recorded in the statement of loss.

f) Impairment of long-lived assets

At each reporting date, all capitalized exploration and evaluation expenditure are assessed for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditures are not expected to be recovered, they are charged to operations. Exploration areas where reserves have been discovered, but require major capital expenditures before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

g) Stock-based compensation

The fair value of stock options granted is measured at grant date using the Black-Scholes option pricing model. Where options are granted to consultants for goods or services rendered, the options are measured at the fair value of the goods or services received by the Company. If the fair value of the goods and services received cannot be reliably measured, the fair value of the stock options granted is used instead. 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 expected to ultimately vest is computed. The movement in cumulative expense is recognized in the statement of loss and comprehensive loss with a corresponding entry within equity, against reserves. No expense is recognized for awards that do not ultimately vest. When options are exercised, the proceeds received, together with any related amount in reserves, are credited to share capital.

h) Loss per share

Basic loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. To compute diluted loss per share, adjustments are made to common shares outstanding. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would be outstanding if, at the beginning of the period or at time of issuance, if later, all options and warrants were exercised. The proceeds from exercise would be used to purchase the Company's common shares at their average market price during the period. If this computation is anti-dilutive, diluted loss per share is the same as basic loss per share.

i) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it is probable that a future tax asset will be recovered, it does not recognize the asset.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

j) Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable and available for sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. It is management's opinion that the Company is not exposed to significant interest or credit risk arising from these financial instruments.

- *Financial assets at fair value through profit or loss*

  A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets and include cash, which is initially recognized at fair value.

- *Loans and receivables*

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current or non-current assets based on their maturity date. Assets in this category include receivables and are measured at amortized cost less impairment.

- *Available-for-sale financial assets*

  Available-for-sale financial assets are either designated as available for sale or not classified in any other categories. They are initially recognized at fair value plus transaction costs and are subsequently carried at fair value, with unrealized gains and losses recorded in other comprehensive income until disposition or other-than-temporary impairment at which time the gain or loss is recorded in earnings. The Company does not have any available-for-sale financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – this category comprises of derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Other financial liabilities – are initially recognized at fair value and subsequently stated at amortized cost and include accounts payable, accrued liabilities, short term loans, convertible debentures and due to related parties. Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the date of the statement of financial position.

Impairment of financial assets

At each reporting date the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

- Financial assets carried at amortization: the loss is the difference between the amortized cost and its value of estimated future cash flows, discounted using the instrument's original effective interest rate;

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

j) Financial instruments (cont'd...)

Impairment of financial assets (cont'd...)

- Available-for-sale financial asset: The loss is the amount comprising the difference between its original cost and its current fair value, less any impairment previously recognized in the statement of loss and comprehensive loss This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net loss.

Reversals of impairment losses on financial assets carried at amortized cost are recorded through the statement of loss and comprehensive loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss had been recognized. Impairment on available-for-sale instruments is not reversed.

k) Flow-through shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. 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 flow-through premium liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended May 31, 2014 and have not been applied in preparing these financial statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's financial statements for the year ending May 31, 2015 or later:

IFRS 9 – Financial Instruments

Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The amendments are effective for annual periods beginning on or after January 1, 2018.

IFRS 10 – Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements ("IFRS 10"), replaces the guidance on control and consolidation in lAS 27, Consolidated and Separate Financial Statements ("lAS 27"), and SIC-12, Consolidation- Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with lAS 27. The Company assessed its consolidation conclusions on June 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (cont'd...)

IFRS 11 - Joint Arrangements

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 and joint ventures to be equity accounted. The Company assessed its consolidation conclusions on June 1, 2013 and determined that the adoption of IFRS 11 did not result in any change in the consolidation status of any of its subsidiaries.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for the consolidated financial statements, unless significant events and transactions in the period require that they are provided. Accordingly, the disclosure requirements are not applicable as there were no significant events and transactions in the period relating to the Company's interests in its subsidiaries. The Company assessed its consolidation conclusions on June 1, 2013 and determined that the adoption of IFRS 12 did not result in any change in the consolidation status of any of its subsidiaries.

IFRS 13 Fair Value Measurement

IFRS 13, Fair value measurement ("IFRS 13"), provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on June 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at June 1, 2013.

IAS 1 Amendment, presentation of items of other comprehensive income

The Company has adopted the amendments to lAS I effective June 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. The Company has no items within other comprehensive income that will not be subsequently reclassified to profit or loss. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

4. RECEIVABLES AND PREPAYMENTS

Receivables and prepayments are comprised of the following:

As at	May 31, 2014	May 31, 2013
GST Receivables	$ 7,755	$ 7,409
Prepayment	11,792	-
Exploration tax credits receivable	-	13,313
Receivables and prepayments	$ 19,547	$ 20,722

5. EXPLORATION AND EVALUATION ASSETS

	Marbridge	Iron Ridge	Preissac	Elk Hills	Bakken	McAfee Well	
	(a)	(b)	(c)	(d)	(e)	(f)	Total
	$	$	$	$	$	$	$
Balance, May 31, 2012	353,027	350,634	-	-	-	-	703,661
Acquisition cost	-	-	174,000	641,555	-	-	815,555
Tax credit	(13,313)	(16,242)	-	-	-	-	(29,555)
Exploration expenditure	2,781	9,975	-	-	-	-	12,756
Balance, May 31, 2013	342,495	344,367	174,000	641,555	-	-	1,502,417
Acquisition cost	-	-	-	67,728	164,670	22,530	254,928
Exploration expenditure	-	-	-	3,415	20,400	-	23,815
Write down	(342,495)	-	(174,000)	(712,698)	-	(22,530)	(1,251,723)
Balance, May 31, 2014	-	344,367	-	-	185,070	-	529,437

Title to exploration and evaluation assets

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral and oil and gas properties. The Company has investigated title to all of its properties and, to the best of its knowledge; these titles are in good standing. However, this should not be construed as a guarantee of title. The mineral properties may be subject to prior claims, arguments or transfers and rights of ownership may be affected by undetected defects.

a) Marbridge Property, Quebec

Pursuant to a series of agreements, the Company entered into an option agreement to acquire a 100% interest in the Marbridge Property, located in the Lamotte Township, Quebec.

The property is subject to a net smelter return royalty of 3%, of which 2% may be purchased for $1,000,000.

As at May 31, 2014, the Company had paid the total of $83,950 in cash acquisition costs and issued a total of 1,300,000 shares of its common stock valued at $130,000. The Company had received a tax credit on qualifying exploration expenditures for the total of $13,313, which was recognized against exploration expenditures.

During the year ended May 31, 2014, the Company dropped 47 of the 52 claims comprising part of the Marbridge Property. As a result, the Company wrote off costs of $342,495 to the statement of loss and comprehensive loss.

5. EXPLORATION AND EVALUATION ASSETS (cont'd...)

b) Iron Ridge Property, British Columbia

Pursuant to a series of agreements, the Company entered into an option to acquire a 100% interest in the Iron Ridge Property, located near Creston, British Columbia. Pursuant to the agreements, the Company agreed to pay $45,000 and issue 3,300,000 common shares.

During the year ended May 31, 2013, the Company entered into an amendment to waive a $6,000 cash payment.

The property is subject to a net smelter return royalty of 3%, of which 2% may be purchased for $1,000,000.

As at May 31, 2014, the Company had paid a total of $39,000 in cash acquisition costs, issued a total of 3,300,000 common shares valued at $230,000 and incurred $91,609 in exploration expenditures. The Company had received a tax credit on qualifying exploration expenditures for the total of $16,242, which was recognized against exploration expenditures.

c) Preissac Property, Quebec

On November 2, 2012, the Company entered into a purchase agreement (the "Preissac Agreement") with Pristine Capital Corp. ("Pristine") to acquire 100% in the Preissac Property, located in the Rouyn-Noranda-Val dor mining camp in Northwest Quebec.

During the year ended May 31, 2014, the Company dropped all mineral claims comprising the Preissac Property and wrote off costs of $174,000 to the statement of loss and comprehensive loss.

d) Elk Hills Property

Pursuant to a series of agreements, the Company had entered into a farmout (the "Farmout Agreement") with Elk Hills Petroleum Canada Ltd. and Elk Hills Heavy Oil LLC (the "Farmors"). Under the terms of the agreement, the Company had a right to acquire a 50% working interest in both Morris Block and Cottonwood Creek Lease Projects within the Elk Hills Property, until the Farmors receive a total of US$3,000,000 in net revenue from oil production through their fully carried working interest and an 87.5% working interest thereafter, by completing a series of payments.

On April 29, 2014, the Company issued 650,000 common shares, valued at $29,250, to the farmors of the Elk Hills Project, as full and final settlement of any and all disputes among the parties and the farmout agreement previously entered into by the parties is now formally terminated. Accordingly all costs relating to the Elk Hills Project were written off.

e) Bakken Land, Montana, USA

On January 16, 2014, the Company and Norstra Energy Inc. (the "Farmor") entered into a Farmout Agreement with the Company to earn an optioned 80% working interest in approximately 10,000 acres of contiguous property located in the Bakken Formation in North-West Montana, USA (the "Farmout Lands"). The Farmout Lands have been divided into three separate blocks and the Company has an option to earn an 80% working interest in each block by drilling a vertical well at each Block.

5. EXPLORATION AND EVALUATION ASSETS (cont'd...)

e) Bakken Land, Montana, USA (cont'd...)

The Company has committed to the following payments:

Initial Block: the Company will earn an 80% interest in the initial block of the Farmout Lands upon paying the Farmor $1,400,000 and successfully drilling an initial well, as a producer or dry hole, on the initial block lands.

The $1,400,000 will be applied as follows:

$385,000 – to reimburse the Farmor for costs incurred to date on the Farmout Lands (the "Commitment Funds").

Payment schedule of the Commitment Funds:

a) $25,000 within 30 days of execution of the agreement.
b) $15,000 to be paid monthly commencing 60 days after execution of the agreement, with the balance of all funds (after deducting all costs paid by the Company to drill the well) due later than 12 months from the date of the agreement.

$1,015,000 – being the balance of the estimated cost for the drilling of a 8,900 foot well on the initial block lands.

Second Block: Upon successful completion of the well on the initial block lands per the above terms, the Company will have the option, within 240 days from the date of rig release from the drilling of the initial block, to commence the drilling of an 8,900 foot vertical well on the second block to earn 80% working interest in the second block, subject to completion of a well on the second block as a producer or a dry hole.

Third Block: Upon successful completion of the well on the second block lands per the above terms, the Company will have the option, within 240 days from the date of rig release from the drilling of the second block, to commence the drilling of an 8,900 foot vertical well on the third block to earn an 80% working interest in the third block, subject to completion of a well on the third block as a producer or a dry hole.

The Farmout Lands are subject to royalty burdens totalling 16% and the initial block is subject to an additional royalty of 3.5%. The Farmor will retain a 20% carried working interest in all blocks.

As at May 31, 2014, the Company had paid US$25,890 to the Farmor pursuant to the Farmout agreement.

Subsequent to May 31, 2014, the Company and the Farmor reached new payment terms regarding the Farmout Lands:

1. Super Nova will pay Norstra $30,000 by August 15, 2014 (paid)
2. Super Nova will pay to Norstra an additional $11,704 by midnight September 6, 2014 (paid)
3. Norstra will allow Super Nova one month reprieve from the monthly payments, and next payment due will be $15,000 on September 15, 2014 (payment has not yet been made)
4. In the event of a Super Nova default, it is explicitly agreed that BNV Energy may continue its drilling operations for the initial well or any other wells already in progress unimpeded.

Subsequent to reaching new payment terms with the Farmor, the Company did not receive a default letter from the Farmor concerning the outstanding payment of $15,000 on the Farmout Lands.

5. EXPLORATION AND EVALUATION ASSETS (cont'd...)

e) Bakken Land, Montana, USA (cont'd...)

Subsequent to May 31, 2014 and pursuant to the Farmout Agreement and new payment terms, the Company had paid a total of US$100,044 in cash to the Farmor.

On January 29, 2014, the Company entered a purchase agreement with Glen Landry, an individual, to purchase a 100% working interest or 80% net revenue interest in an oil and gas leases covering 6,000 acres of property located in the Bakken Formation in North-West Montana, USA in by issuing 1,500,000 common shares of the Company and 1,500,000 share purchase warrants to Glen Landry. Each share purchase warrant is exercisable into one common share of the Company at $0.075 per share during the first year, $0.10 per share during the second year and $0.125 per share during the third year of the exercise period. Further, in the event that commercially feasible oil and gas reserves are discovered on the Property, the Company will issue an additional 3,500,000 common shares to the Vendor.

On February 6, 2014, the 1,500,000 common shares and the 1,500,000 share purchase warrants were issued to Glen Landry. The estimated fair value of the common shares at the issuance was $60,000 and the estimated fair value of the share purchase warrants was $59,779 using the Black-Scholes option price model with an expected life of 3 years, volatility of 297%, a risk-free rate of 1.61% and a dividend rate of 0%.

Subsequent to May 31, 2014, the Company entered into a purchase and Farm-In agreement ("Letter Agreement") dated June 6, 2014 with BNV Energy Company LLC ("BNV Energy") and Norstra Energy Inc. ("Norstra") to sell approximately 2964 acres of its wholly owned Milford East Land for US$66,700 in cash, $35,000 (received) upon signing and $31,700 to be paid on July 16th, 2014 (received). This acreage is contiguous to the south of the Company's Milford Colony farm in lands in Lewis and Clark Country on the Albert Bakken Fairway in Northwest Montana. A 2% of 8/8ths overriding royalty in certain purchased lands, subject to maximum royalty interest and burdens on each section of 20%; and in consideration of cash payment helping the Company to become current on its Milford Colony obligations to Norstra and the value of the Company potentially generating commercial gas revenue to no additional cash investment, the Company agreed to:

1. On execution of the Letter Agreement, issue to BNV Energy 3,000,000 share purchase warrants ("the Warrants), each of which exercisable into a common share of the Company (the "warrant Shares") at a price of $0.10/Warrant Share for a period of 2 years from the date of issue of the Warrants;

2. On reaching total depth of the first gas well as more particularly described in the Letter Agreement, issue to BNV Energy 3,000,000 common shares of the Company (the "1st Tranche Shars"); and

3. On reaching total depth of the second gas well as more particularly described in the Letter Agreement, issue to BNV Energy $150,000 cash or issue that number of common shares of the Company (the "2nd Tranche Shares") as is equal to $150,000 calculated at a price per 2nd Tranche Share equal to the average of the prior 10 trading days' market close price, subject to a minimum price of $0.05/share.

5. EXPLORATION AND EVALUATION ASSETS (cont'd...)

e) McAfee Well, Frio County, Texas

On February 14, 2014, the Company entered an option agreement with Benlex, LLC ("Optionor") to acquire an optioned 90% pre-payout working interest (being a 67.5% net revenue interest) and 50% post-payout working interest (being a 37.5% net revenue interest) in an oil and gas lease (the "Lease") covering the McAfee Well located in Pearsall Field, Frio County, Texas by paying the following:

- US$20,000 on or before February 24, 2014, (the "One-Time Fee") (paid).
- Additional US$20,000 on or before March 31, 2014 – to reimburse costs incurred by the Optionor to date on the Lease.
- Additional US$630,000 on or before May 30, 2014 – being the balance of the estimated cost for the drilling of a horizontal extension to the McAfee Well.

Upon payment of the US$670,000 set out above, the Company will have earned a 90% pre-payout working interest in the Lease until such time as the Company has recovered all costs actually incurred to complete the drilling of the horizontal extension to the McAfee Well, including the full US$670,000 reference above. Thereafter, the Company's interest will be reduced to a 50% working interest (37.5% net revenue interest) in the Lease.

The Company is currently in default on the Option agreement.

As at May 31, 2014, the Company has written off costs relating to the property of $22,530 to the statement of loss and comprehensive loss.

6. SHARE CAPITAL

Common shares

Authorized: An unlimited number of common shares without par value.

On June 13, 2012, the Company closed a private placement of 1,212,000 common shares, which comprised of 500,000 non-flow-through common shares at $0.10 per share, of which $10,000 was received prior to May 31, 2012 and 712,000 flow-through common shares at $0.12 per share, of which $85,440 was received prior to May 31, 2012 for total proceeds of $135,440. A flow-through share premium liability of $14,240 was recorded as a result of the private placement.

On September 27, 2012, the Company closed a private placement of 705,000 common shares at a price of $0.10 per share for gross proceeds of $35,500. A total of 350,000 common shares issued as part of this private placement were used to pay $35,000 in debt owed to the certain debt holders of the Company.

On October 2, 2012, upon amalgamation with 519 B.C, the Company issued 1,006,447 common shares with a fair value of $100,645 to the former shareholders of 519 B.C. The total cost of these shares was attributed to listing of the Company on CNSX and expensed as listing fees (note 1).

On November 6, 2012, pursuant to the Preissac purchase agreement, the Company issued 1,450,000 common shares with a fair value of $174,000.

6. SHARE CAPITAL (cont'd...)

Common shares (cont'd...)

On January 18, 2013, the Company closed a private placement of 1,146,662 units at a price of $0.075 per unit for gross proceeds of $86,000. Each unit is comprised of one common share and one transferable common share purchase warrant. Each share purchase warrant is exercisable for a period of two years at an exercise price of $0.15 per share during the first year and $0.20 per share during the second year.

On February 20, 2013, the Company closed a private placement of 1,766,666 units at a price of $0.075 per unit for gross proceeds of $57,580. Each unit is comprised of one common share and one transferable common share purchase warrant. Each share purchase warrant is exercisable for a period of two years at an exercise price of $0.125 per share during the first year and $0.175 per share during the second year. A total of 998,933 units issued as part of this private placement were used to pay the debt owed to certain debt holders for a total of $74,920. The Company paid $1,493 in finder's fees for this private placement.

On March 11, 2013, pursuant to the Farmout Agreement, the Company issued 5,595,555 common shares with a fair value of $559,555.

On July 19, 2013, the Company issued 508,334 common shares at a value of $5,083 in settlement of debt in the amount of $25,417 with an unrelated party realizing a gain on settlement debt of $20,334.

On August 29, 2013, the Company closed a private placement of 5,390,000 units at a price of $0.01 per unit for gross proceeds of $53,900. Each unit is comprised of one common share and one transferable common share purchase warrant. Each share purchase warrant is exercisable for a period of four years at an exercise price of $0.05 per share during the first year, $0.10 per share during the second year, $0.15 per share during the third year and $0.20 per share during the fourth year.

On October 24, 2013, the Company closed a private placement of 835,000 units at a price of $0.05 for gross proceeds of $41,750, of which a total of $29,250 in subscriptions were received prior to May 31, 2013. Each unit is comprised of one common share and one transferable common share purchase warrant. Each share purchase warrant is exercisable for a period of two years at an exercise price of $0.06 per share during the first year and $0.10 per share during the second year.

On February 6, 2014, pursuant to a property purchase agreement dated January 29, 2014 (re: Bakken Formation 6,000 acres), the Company issued 1,500,000 units at a fair value of $60,000 per share to vendor. The warrants were valued pursuant to Note 5.

On April 15, 2014, the Company closed a private placement of 3,739,966 units at a price of $0.06 per unit each for gross proceeds of $224,398. Each unit is comprised of one common share and one transferable common share purchase warrant. Each share purchase warrant is exercisable for a period of three years at an exercise price of $0.075 per share during the first year, $0.10 per share during the second year and $0.125 per share during the third year. The Company paid a finder's fee of $3,360 and issued 70,000 broker warrants exercisable at a price of $0.075 per share during the first year, $0.10 per share during the second year and $0.125 per share during the third year of the issue date, valued at $4,181. This valuation is based on the Black-Scholes Model, which includes assumptions for risk-free interest rates 1.18%, volatility of 340.54%, and the expected life of 3 years and expected dividends of $nil.

6. SHARE CAPITAL (cont'd...)

Common shares (cont'd...)

On April 29, 2014, the Company issued 650,000 common shares pursuant to the settlement of outstanding claims by Elk Hills Project in the amount of $29,250 under a farm-out agreement the entered into with the Company dated August 12, 2013, as amended (Note 5).

On July 18, 2014, the Company closed a private placement of 825,620 units at a price of $0.05 each for gross proceeds of $41,281, of which a total of 11,281 in subscriptions were received prior to May 31, 2014. Each unit is comprised of one common share and one transferable common share purchase warrant. Each share purchase warrant is exercisable for a period of three years at an exercise price of $0.075 per share during the first year, $0.10 per share during the second year and $0.125 per share during the third year.

Share subscriptions received

As at May 31, 2014, the Company had received $11,281 for a private placement which was closed subsequent to year end.

Escrowed common shares

At the year ended May 31, 2014, 2,153,721 (May 31, 2013 - 3,589,537) common shares were held in escrow and were due to be released in stages up to November 30, 2015.

Stock options

The Company grants stock options to employees, directors, officers, and consultants of the Company as compensation for services pursuant to its Stock Option Plan (the “Plan”).

Options have a maximum expiry period of up to five years from the grant date and are subject to the minimum vesting requirements, as determined by the Board of Directors. The number of options that may be issued under the Plan may not exceed 10% of the number of issued and outstanding common shares of the Company at the time of granting of options.

On February 7, 2014, the Company granted 2,475,000 stock options, which vested 100% upon grant, to management, employees, and directors exercisable for a period of five years at $0.07 per option.

The fair value per option is $0.04 and was calculated using a Black-Scholes model, which includes assumptions for risk-free interest rates 1.59%, volatility of 354.88%, and an expected option life of 5 years.

On April 4, 2014, the Company granted 700,000 stock options, which vested 100% upon grant, to a consultant of the Company, exercisable for a period of five years at $0.07 per option.

The fair value per option is $0.07 and was calculated using a Black-Scholes model, which includes assumptions for risk-free interest rates 1.75%, volatility of 395.75%, and an expected option life of 5 years.

6. **SHARE CAPITAL** (cont'd...)

Stock options (cont'd...)

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

	Number of Options	Weighted average price
At May 31 2013 and 2012	-	$ -
Granted	3,175,000	0.07
Forfeited	(625,000)	0.07
At May 31, 2014	**2,550,000**	**$ 0.07**

Information regarding options outstanding as May 31, 2014 is as follows:

Number of options outstanding and exercisable	Exercise price	Expiry date	Remaining contractual life (years)
1,850,000	$ 0.07	February 7, 2019	4.69
700,000	0.07	April 4, 2019	4.85
2,550,000	$ 0.07		

Share purchase warrants

The following table summarizes the warrants activity:

	Number of warrants	Weighted Average Price*
Balance at May 31, 2012	-	$ -
Issued	2,913,328	$ 0.185
Expired	-	-
Balance at May 31, 2013	2,913,328	0.185
Issued	11,534,966	0.062
Balance at May 31, 2014	**14,448,294**	**$ 0.087**

*based on the exercise price of the warrants at the reporting date

6. SHARE CAPITAL (cont'd...)

Share purchase warrants (cont'd...)

Information regarding share purchase warrants outstanding as May 31, 2014 is as follows:

Number of warrants outstanding and exercisable	Exercise price	Expiry date	Remaining contractual life (years)
1,146,662	$ 0.200	January 18, 2015	0.6
1,766,666	0.175	February 20, 2015	0.7
835,000	0.060	October 24, 2015	1.4
5,390,000	0.050	August 29, 2017	3.2
1,500,000	0.075	February 6, 2017	2.7
3,809,966	0.075	April 15, 2017	2.9
14,448,294			

As at May 31, 2014, the weighted-average remaining contractual life of warrants was 2.47 years.

7. RELATED PARTY TRANSACTIONS

All related transactions balances are unsecured, interest-free, and repayable on demand. Related party transactions not disclosed elsewhere include the following:

a) Key management personnel compensation

1) The Company considers senior officers and directors to be key management. During the year ended May 28, 2014 the remuneration for key management was $60,000 (May 31, 2013 - $101,280). As at May 31, 2014, a total of $107,732 (May 31, 2013 - $47,948) payable to key management remained outstanding.

2) Stock based payments are the fair value of options granted to employees, directors, officers, and consultants of the Company, which vested 100% upon grant, during the year ended May 31, 2014 was $59,989 (May 31, 2013 - $nil).

b) Other related party transactions

Golden Dawn Minerals Inc. (“GOM”), a public traded company with common directors and officers of the Company, provides office space and administration services to the Company. During the year ended May 31, 2014, the Company incurred $109,685 (May 31, 2013 - $70,311) payable to GOM for its services provided. As at May 31, 2014, a total of $163,740 (May 31, 2013 - $64,382) remained outstanding as due to “GOM”.

7. RELATED PARTY TRANSACTIONS (cont'd...)

c) Loans received from related party

As at May 31 2014, the Company had obtained a $19,000 unsecured loan from an officer and director of the Company, which is payable on demand with no interest accruing thereon. The issuer also obtained a $15,000 unsecured loan from a relative of an officer and director, which is payable on demand with a fixed rate of $1,000 in interest accruing thereon.

8. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities , short term loans, convertible debentures and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables consist of Goods and Services Tax ("GST") receivable from the Canadian government and are considered low risk.

Currency risk

The Company operates primarily in Canadian dollar. There is foreign exchange risk to the Company as some of its exploration and evaluation property interests and resulting commitments are located in the United States. Management monitors its foreign currency balances and makes adjustments based on anticipated need for currencies. The Company does not engage in any hedging activities to reduce its foreign currency risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipated it will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding warrants and/or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in Canada have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

8. FINANCIAL INSTRUMENTS (cont'd...)

Interest rate risk

The Company normally invests in short-term interest bearing financial instruments. There is a minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificate included in cash as they would be held in large financial institutions.

Fair value measurements of financial assets and liabilities

Disclosure about significance of inputs used in making fair value measurements 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 (i.e.: as prices) or indirectly (i.e.: derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data.

The fair value of cash is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. The Company believes that the recorded values of receivables, due to related parties, short term loans, convertible debentures and accounts payable and accrued liabilities, approximate their current fair values because of their nature and relatively short maturity dates or durations.

9. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

- During the year ended May 31, 2014, the Company issued 2,150,000 common shares (May 31, 2013 - 7,045,555) of the Company, valued at $89,250 (May 31, 2013 - $733,555) and 1,500,000 warrants (May 31, 2013 - $nil) valued at $59,779 (May 31, 2013 - $nil) were issued for the acquisition of exploration and evaluation assets;
- During the year ended May 31, 2014, the Company issued 508,344 common shares and nil warrants (2013 – 1,348,933 and 998,993) as payment for $25,418 (May 31, 2013 - $109,920) owed to the unrelated debt holders;
- As at May 31, 2014, a total of $64,244 (May 31, 2013 - $1,781) in exploration and evaluation assets were accrued through accounts payable and accrued liabilities;
- As at May 31, 2014, a total of $8,000 in share issuance costs were accrued through accounts payable and accrued liabilities;
- During the year ended May 31, 2014, the Company issued 700,000 broker warrants, valued at $4,181, as finder's fee with respect to the private placements closed during the year (May 31, 2013 - $nil); and
- As at May 31, 2014, a total of $nil (May 31, 2013 - $13,333) in exploration and evaluation credits were accrued through receivables.
- The Company paid a finder's fee of $3,360 and issued 70,000 broker warrants exercisable at a price of $0.075 per share during the first year, $0.10 per share during the second year and $0.125 per share during the third year of the issue date, valued at $4,181. This valuation is based on the Black-Scholes Model, which includes assumptions for risk-free interest rates 1.18%, volatility of 340.54%, and the expected life of 3 years and expected dividends of $nil.

10. CAPITAL MANAGEMENT

The Company's capital structure consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management since the year ended May 31, 2013. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital to complete its exploration plan and ultimately the development of its business, and will need to raise adequate capital by obtaining equity financing through private placements or debt financing. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

11. COMMITMENTS

Flow-Through Exploration Expenditures

During the year ended May 31, 2013, the Company raised a total of $85,440 in flow-through funds, which the Company is committed to use in exploration activities on its active projects. The Company allocated $14,240 of the proceeds to the flow through share premium liability and the remaining proceeds of $71,200 to share capital. As at May 31, 2014, the Company did not incur all eligible exploration expenses which resulted in a penalty and accrued interest totaling approximately $32,219 recognised as indemnity expense in the statement of loss and compressive loss. The remaining premium liability of $12,577 was realized through profit and loss as a result.

12. INCOME TAXES

A reconciliation of income taxes at statutory rate as follows:

	2014	2013
Net loss for the year	$ (1,883,577)	$ (738,428)
Expected income tax recovery	(490,000)	(185,838)
Change in tax rates and other items	(11,000)	(1,162)
Permanent difference	43,000	-
Change in unrecognized deductible temporary differences	458,000	187.000
Total income taxes	$ -	$ -

12. INCOME TAXES (cont'd...)

The significant components of the Company's unrecorded deferred tax assets are as follows:

	2014	2013
Deferred tax assets (liabilities):		
Exploration and evaluation assets	294,000	(40,000)
Share issue costs	2,000	-
Non-capital loss carry forwards	432,000	310,000
Unrecognized deferred tax assets	$ 728,000	$ 270,000

Significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	2014	Expiry date	2013
Losses available for future periods	1,661,000	2015 to 2034	1,190,477
Capital assets	-	No expiry date	1,372
Share issue costs	9,000	No expiry date	-
Exploration and evaluation assets	1,130,000	2034 to 2037	(153,837)

13. CONVERTIBLE DEBENTURES

During the year ended May 31, 2014, the Company granted $27,272 in debenture units with a maturity date of May 31, 2015 and an interest rate of 10% payable in advance with shares of the Company. The holders of the units have the following options to conversion available to them:

- The right to convert the principal into common shares at $0.15 per share.

- The right to convert each $13,636 unit into a 1% net revenue interest in the Company’s initial well drilled at the Milford Colony Prospect (Bakken Land property) within 30 days following receipt of the Company’s notice of successful completion of the well.

If the initial well drilled at the Milford Colony Prospect is determined to be a dry hole, the principal shall convert automatically into common shares of the Company at a price of $0.05 per share.

14. SUBSEQUENT EVENT

- The Company issued 675,383 units in settlement of debt in the amount of $33,769 with an unrelated party. Each unit is comprised of one common share and one transferable common share purchase warrant. Each share purchase warrant is exercisable for a period of three years at an exercise price of $0.075 per share during the first year, $0.10 per share during the second year and $0.125 per share during the third year.

- The Company issued 150,000 units in settlement of debt in the amount of $7,500 with an unrelated party. Each unit is comprised of one common share and one transferable common share purchase warrant. Each share purchase warrant is exercisable for a period of three years at an exercise price of $0.075 per share during the first year, $0.10 per share during the second year and $0.125 per share during the third year.

- The Company issued 252,000 common shares in settlement of debt in the amount of $12,600 with an unrelated party.

- On July 22, 2014, the Company executed a working interest earning agreement with Augusta Exploration, LLC (“Augusta”) to acquire the right to earn a 20% working interest in and to certain leases relating to the Bakken Prospect.

- The Company closed a private placement of 825,620 units at a price of $0.05 per unit for gross proceeds of $41,281, of which a total of $11,281 in subscriptions were received prior to May 31, 2014. Each unit is comprised of one common share and one transferable common share purchase warrant. Each share purchase warrant is exercisable for a period of three years at an exercise price of $0.075 per share during the first year, $0.10 per share during the second year, and $0.125 per share during the third year.

- The Company closed a private placement of 791,500 units at a price of $0.05 per unit for gross proceeds of $39,575 and 999,974 units at a price of US$0.05 per unit for gross proceeds of US$49,998.70. Each unit is comprised of one common share and one transferable common share purchase warrant. Each share purchase warrant is exercisable for a period of three years at an exercise price of $0.075 per share during the first year, $0.10 per share during the second year, and $0.125 per share during the third year.