# SUPER NOVA PETROLEUM CORP.

## FINANCIAL STATEMENTS

**FOR THE YEAR ENDED**
**May 31, 2015**

*(Expressed in Canadian Dollars)*

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Super Nova Petroleum Corp.

We have audited the accompanying financial statements of Super Nova Petroleum Corp., which comprise the statements of financial position as at May 31, 2015 and 2014 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.

***Opinion***

In our opinion, these financial statements present fairly, in all material respects, the financial position of Super Nova Petroleum Corp. as at May 31, 2015 and 2014 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. to continue as a going concern.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada

Chartered Professional Accountants

September 28, 2015

SUPER NOVA PETROLEUM CORP.
Statements of Loss and Comprehensive Loss
[Expressed in Canadian dollars]

| | | For the Years ended May 31 | |
|---|---|---|---|
| | **Notes** | **2015** | **2014** |
| **Expenses** | | | |
| Administrative fees | | **$ 80,868** | $ 131,128 |
| Consulting fees | | **57,850** | 44,914 |
| Corporate communications | | **26,922** | 152,094 |
| Filing fees and regulatory fees | | **19,533** | 14,491 |
| Office | | **13,566** | 32,812 |
| Professional fees | | **52,382** | 73,425 |
| Stock-based compensation | **6** | **-** | 154,991 |
| Rent | | **10,679** | 22,933 |
| Travel and entertainment | | **4,106** | 7,880 |
| Indemnification expenses | | **-** | 32,219 |
| | | **265,906** | 666,887 |
| **Other Items** | | | |
| Flow through share premium | **11** | **-** | (12,577) |
| Gain on write off of accrued payable | | **(2,500)** | - |
| Foreign exchange loss | | **2,624** | (2,122) |
| Write down of exploration and evaluation | **5** | **779,549** | 1,251,723 |
| Gain on settlement of debt | **6** | **(21,548)** | (20,334) |
| | | **758,125** | 1,216,690 |
| Loss and comprehensive loss | | **$ 1,024,031** | $ 1,883,577 |
| Loss per share, basic and diluted | | **$ (0.02)** | $ ( 0.06) |
| Weighted average number of shares outstanding - basic and diluted | | **44,525,805** | 32,505,784 |

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

SUPER NOVA PETROLEUM CORP.
Statements of financial position
[Expressed in Canadian dollars]

| | Note | **May 31 2015** | May 31 2014 |
|---|---|---|---|
| **ASSETS** | | **$** | $ |
| **Current assets** | | | |
| Cash | | **1,331** | 1,065 |
| Receivables and prepayments | 4 | **1,200** | 19,547 |
| | | **2,531** | 20,612 |
| **Non-current assets** | | | |
| Exploration and evaluation assets | 5 | **-** | 529,437 |
| Total assets | | **2,531** | 550,049 |
| **LIABILITIES** | | | |
| Provision for indemnity | 11 | **32,219** | 32,219 |
| Accounts payable and accrued liabilities | | **449,332** | 266,637 |
| Convertible debentures | 13 | **27,272** | 27,272 |
| Short term loan | 7 | **15,000** | 34,000 |
| Due to related parties | 7 | **215,895** | 271,472 |
| Flow through share premium liabilities | 6 | **44,000** | - |
| | | **783,718** | 631,600 |
| **SHAREHOLDERS' EQUITY (DEFICIENCY)** | | | |
| Share capital | 6 | **3,071,053** | 2,735,377 |
| Share subscription received in advance | 6 | **-** | 11,281 |
| Reserves | 6 | **218,951** | 218,951 |
| Deficit | | **(4,071,191)** | (3,047,160) |
| | | **(781,187)** | (81,551) |
| Total liabilities and equity | | **2,531** | 550,049 |

Nature and continuance of operations (Note 1)

Approved and authorized for issue by the board of directors on September 28, 2015 and signed on its behalf by:

| | |
|---|---|
| */s/ Wolf Wiese* | */s/ Frank Wright* |
| Wolf Wiese, Director | Frank Wright, Director |

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

SUPER NOVA PETROLEUM CORP.
Statements of changes in equity (deficiency)
[Expressed in Canadian dollars]

| | Share Capital | | | | | |
|---|---|---|---|---|---|---|
| | Number of Shares | Amount | Share subscription received in advance | Reserves | Deficit | Total |
| | | **$** | **$** | **$** | **$** | **$** |
| Balance, May 31, 2013 | 26,448,880 | 2,336,536 | 29,250 | - | (1,163,583) | 1,202,203 |
| Property option payment | 2,150,000 | 89,250 | - | 59,779 | - | 149,029 |
| Private placement | 9,964,966 | 320,048 | (29,250) | - | - | 290,798 |
| Share based payment | - | - | - | 154,991 | - | 154,991 |
| Share issuance for debt | 508,344 | 5,084 | - | - | - | 5,084 |
| Share Issuance cost | - | (15,541) | - | 4,181 | - | (11,360) |
| Share subscriptions | - | - | 11,281 | - | - | 11,281 |
| 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) |
| | | | | | | |
| Balance, May 31, 2014 | 39,072,190 | 2,735,377 | 11,281 | 218,951 | (3,047,160) | (81,551) |
| Property option payment | 3,000,000 | 120,000 | - | - | - | 120,000 |
| Private placements | 4,442,094 | 227,355 | (11,281) | - | - | 216,074 |
| Flow through share premium liability | - | (44,000) | - | - | - | (44,000) |
| Share issuance for debt | 1,077,383 | 32,321 | - | - | - | 32,321 |
| Loss for the year | - | - | - | - | (1,024,031) | (1,024,031) |
| Balance, May 31, 2015 | 47,591,667 | 3,071,053 | - | 218,951 | (4,071,191) | (781,187) |

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

SUPER NOVA PETROLEUM CORP.
Statements of cash flows
[Expressed in Canadian dollars]

| | For the years ended May 31 2015 | 2014 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the year | **$ (1,024,031)** | $(1,883,577) |
| Items not affecting cash: | | |
| Flow through shares premium | **-** | (12,577) |
| Gain on settlement of debt | **(21,548)** | (20,334) |
| Gain on write off of accrued payable | **(2,500)** | - |
| Stock based compensation | **-** | 154,991 |
| Write down of exploration and evaluation assets | **779,549** | 1,251,723 |
| Unrealized foreign exchange on convertible debt | **-** | (2,122) |
| | **(268,530)** | (511,896) |
| Changes in non-cash working capital items: | | |
| Change in receivables and prepayments | **18,347** | (12,138) |
| Change in accounts payable and accrued liabilities | **141,507** | 32,445 |
| Change in due to related parties | **(55,577)** | 159,142 |
| **Net cash flow used in operating activities** | **(164,253)** | (332,447) |
| **Cash flow used in investing activities** | | |
| Recovery on exploration and evaluation assets | **71,679** | 13,313 |
| Investment in exploration and evaluation assets | **(104,234)** | (43,436) |
| **Net cash flows used in investing activities** | **( 32,555)** | (30,123) |
| **Cash flow from financing activities** | | |
| Proceeds from issuance of shares, net of share issuance cost | **216,074** | 287,438 |
| Proceeds from convertible debenture | **-** | 29,394 |
| Short term loan | **(19,000)** | 34,000 |
| Proceeds from subscription | **-** | 11,281 |
| **Net cash flows from financing activities** | **197,074** | 362,113 |
| **Net increase (decrease) in cash** | **266** | (457) |
| Cash, beginning of the year | **1,065** | 1,522 |
| **Cash, ending** | **$ 1,331** | $ 1,065 |

Supplement 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., (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, Canada and oil and gas properties in Montana, United States. On October 22, 2012, the Company's common shares were listed for trading on the Canada National Stock Exchange ("CNSX") (now CSE) under the symbol "SNP". On October 21, 2013, the Company was 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 audited financial statements including comparatives have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

### 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.

## 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.

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 have been 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

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

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.

**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 loan, 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;

**Expressed in Canadian Dollars, unless otherwise stated**

## 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. NEW ACCOUNTING STANDARDS

**New standards not yet adopted**

IFRS 9, Financial Instruments is part of the IASB’s wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has not yet made an assessment of the impact of the amendments.

There are no other IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

## 4. RECEIVABLES AND PREPAYMENTS

Receivables and prepayments are comprised of the following:

| As at | **May 31, 2015** | May 31, 2014 |
|---|---|---|
| GST Receivables | **$ 200** | $ 7,755 |
| Prepayment | **1,000** | 11,792 |
| Receivables and prepayments | **$ 1,200** | $ 19,547 |

**Expressed in Canadian Dollars, unless otherwise stated**

### 5. EXPLORATION AND EVALUATION ASSETS

| | Marbridge | Iron Ridge | Preissac | Elk Hills | Bakken | McAfee Well | |
|---|---|---|---|---|---|---|---|
| | (a) | (b) | (c ) | (d) | (e) | (f) | Total |
| | $ | $ | $ | $ | $ | $ | $ |
| 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 |
| Acquisition cost | - | - | - | - | 199,896 | - | 199,896 |
| Purchase and Farm-In received | - | - | - | - | (71,679) | - | (71,679) |
| Exploration expenditure | - | 55,000 | - | - | 66,895 | - | 121,895 |
| Writedown | - | (399,367) | - | - | (380,182) | - | ( 779,549) |
| **Balance, May 31, 2015** | - | - | - | - | - | - | - |

**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**

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 acquisition and exploration costs of $342,495 to the statement of loss and comprehensive loss. There was no activity on the property during the year ended May 31, 2015.

**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. The Company agreed to pay $45,000 (later amended to $39,000 – paid) and issue 3,300,000 common shares ( issued at a value of $230,000).

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

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

**b) Iron Ridge Property, British Columbia** (cont'd…)

During the year ended May 31, 2015, the Company incurred $55,000 in exploration expenditures.
Due to a delay of exploration activity the Company wrote off acquisition and exploration costs of $399,367 to the statement of loss and comprehensive loss.

**c) Preissac Property, 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**

During the year ended May 31, 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 whereby the Company can 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.

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 no 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

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

**e) Bakken Land, Montana, USA** (cont'd…)

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, 2015, the Company had paid a total of US$100,044 in cash to the Farmor pursuant to the Farmout Agreement and new payment terms.

On November 26, 2014, the Company and Farmor signed a substitute marketing agreement to extinguish and replace the prior agreement; The Company did not commence required drilling and did not make all the payments required by the agreements.

In the substitute marketing agreement, the Company retains the option to fund through its own funds or through its marketing efforts the development of the Farmout lands with the Farmor receiving a 20% carried working interest for the first well in each of seven earning tracts. Earning of each earning tract with no further obligations will be to the maximum true vertical depth of a well on that tract. All depths of a tract are earned by drilling to the bottom of the Bakken formation. Super Nova or its funding partners shall have the exclusive right for 90 days after rig-release or after continuous operations, to earn further depths, within an earned Earning Tract, in the case that not all depths are earned. No ongoing property payments are required.

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 oil and gas leases covering 6,000 acres of property located in the Bakken Formation in North-West Montana, USA 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%.

On June 6, 2014, the Company entered into a purchase and Farm-In agreement ("Letter Agreement") 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 (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

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

**e) Bakken Land, Montana, USA** (cont'd…)

Montana. A 2% of 8/8ths overriding royalty in certain purchased lands, subject to maximum royalty interest and burdens on each section of 20%). 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 Shares"); 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.

On October 21, 2014, the Company issued 3,000,000 shares valued at $120,000 to BNV Energy as described in the Letter Agreement.

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 by issuing 7,000,000 common shares and 5,000,000 common share purchase warrants exercisable at $0.10/share for the first year and $0.15/share for the second year.

During the year ended May 31, 2015, the Company has written off costs relating to the property of $380,182 to the statement of loss and comprehensive loss.

**f) McAfee Well, Frio County, Texas**

During the year ended 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 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.

**6. SHARE CAPITAL** (cont'd…)

**Common shares** (cont'd…)

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 at $59,779.

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.

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 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.

On July 18, 2014, the Company issued 825,383 common shares at a value of $24,761 in settlement of debt in the amount of $41,269 with unrelated parties realizing a gain on settlement debt of $16,508. 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.

On July 18, 2014, the Company issued 252,000 common shares at a value of $7,560 in settlement of debt in the amount of $12,600 with an unrelated party realizing a gain on settlement debt of $5,040.

**6. SHARE CAPITAL** (cont'd…)

**Common shares** (cont'd…)

On September 18, 2014, 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. 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.

On October 21, 2014, the Company issued 3 million shares with a value of $120,000 to BNV Energy as described in the Letter Agreement (Note 5).

On November 12, 2014, the Company closed a private placement of 725,000 units at a price of $0.05 per unit for gross proceeds of $36,250. 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.

On February 13, 2015, the Company closed a private placement of 1,100,000 flow-through units at a price of $0.05 per unit for gross proceeds of $55,000. Each unit is comprised of one common share and one transferable common share purchases warrant. Each share purchase warrant is exercisable for a period of two years at an exercise price of $0.075 per share during the first year, $0.10 per share during the second year. A total of $44,000 in flow-through share premium liability was recorded as a result of the private placement.

**Escrowed common shares**

At the year ended May 31, 2015, 717,905 (May 31, 2014 - 2,153,721) 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.

**Expressed in Canadian Dollars, unless otherwise stated**

**6. SHARE CAPITAL** (cont'd…)

**Stock options** (cont'd…)

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

The Company did not grant any stock options during the year ended May 31, 2015. During the year ended May 31, 2014 the Company issued 3,175,000 options which resulted in stock-based compensation of $154,991.

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

| | Number of Options | Weighted average price |
|---|---|---|
| At May 31 2013 | - | $ - |
| Granted | 3,175,000 | 0.07 |
| Forfeited | (625,000) | 0.07 |
| **Stock Options outstanding at May 31, 2014 and 2015** | **2,550,000** | **$ 0.07** |

Information regarding options outstanding as May 31, 2015 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 | 3.69 |
| 700,000 | 0.07 | April 4, 2019 | 3.85 |
| 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, 2013 | 2,913,328 | $ 0.185 |
| Issued | 11,534,966 | $ 0.100 |
| Balance at May 31, 2014 | 14,448,294 | 0.117 |
| Issued | 5,267,477 | 0.078 |
| Expired | (2,913,328) | (0.18) |
| **Balance at May 31, 2015** | **16,802,443** | **$ 0.09** |

**Expressed in Canadian Dollars, unless otherwise stated**

## 6. SHARE CAPITAL (cont'd…)

**Share purchase warrants** (cont'd…)

Information regarding share purchase warrants outstanding as May 31, 2015 is as follows:

| Number of warrants outstanding and exercisable | Exercise price | Expiry date | Remaining contractual life (years) |
|---|---|---|---|
| 835,000 | 0.100 | October 24, 2015 | 0.4 |
| 5,390,000 | 0.100 | August 29, 2017 | 2.3 |
| 3,809,966 | 0.100 | April 15, 2017 | 1.9 |
| 1,500,000 | 0.100 | February 6, 2017 | 1.7 |
| 1,651,003 | 0.075 | July 18, 2017 | 2.1 |
| 1,791,474 | 0.075 | September 17, 2017 | 2.3 |
| 725,000 | 0.075 | November 12, 2017 | 2.5 |
| 1,100,000 | 0.075 | February 13, 2017 | 1.7 |
| **16,802,443** | | | |

As at May 31, 2015, the weighted-average remaining contractual life of warrants was 2.00 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

The Company considers senior officers and directors to be key management. During the year ended May 31, 2015, the Company waived the accrued remuneration for key management. Management fees therefore were $nil for the year ended May 31, 2015 (May 31, 2014, $60,000). As at May 31, 2015, $60,000 (May 31, 2014 $60,000) was payable or outstanding to key management. Stock-based compensation to key management during the year ended May 31, 2015 was $nil (May 31, 2014, $44,996).

### 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, 2015, the Company incurred $101,445 (2014 - $109,685) payable to GOM for its services provided. As at May 31, 2015, a total of $213,452 (May 31, 2014 - $163,740) remained outstanding as due to "GOM".

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

**c) Loans received from related party**

As at May 31, 2015, the Company had obtained $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 loan, 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 loan, 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, 2015, the Company issued 1,077,383 common shares and 825,583 warrants (May 31, 2014 - 508,344 shares and nil warrants) as payment for $53,869 (May 31, 2014 - $25,418) owed to the unrelated debt holders.
- During the year ended May 31, 2015, the Company issued 3,000,000 common shares (May 31, 2014, 2,150,000 shares) valued at $120,000 (May 31, 2014, $89,250 and 1,500,000 warrants valued at $59,779 for a total of $149,029) for acquisition of exploration and evaluation assets.
- As at May 31, 2015, a total of $185,616 (May 31, 2014- $64,244) in exploration and evaluation assets were accrued through accounts payable and accrued liabilities.

**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, 2014. 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.

**Expressed in Canadian Dollars, unless otherwise stated**

## 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 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:

| | 2015 | 2014 |
|---|---|---|
| Net loss for the year | $ (1,024,031) | $ (1,883,577) |
| Expected income tax recovery | (266,000) | (490,000) |
| Change in tax rates and other items | (1,000) | (11,000) |
| Permanent difference | (6,000) | 43,000 |
| Change in unrecognized deductible temporary differences | 273,000 | 458,000 |
| Total income taxes | $ - | $ - |

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

| | 2015 | 2014 |
|---|---|---|
| Deferred tax assets (liabilities): | | |
| Exploration and evaluation assets | 425,000 | 294,000 |
| Share issue costs | 2,000 | 2,000 |
| Non-capital loss carry forwards | 502,000 | 432,000 |
| Unrecognized deferred tax assets | $ 929,000 | $ 728,000 |

**Expressed in Canadian Dollars, unless otherwise stated**

**12. INCOME TAXES** (cont'd…)

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

| | 2015 | Expiry date | 2014 |
|---|---|---|---|
| Losses available for future periods | 1,930,000 | 2015 to 2034 | 1,661,000 |
| Share issue costs | 7,000 | No expiry date | 9,000 |
| Exploration and evaluation assets | 1,634,000 | 2034 to 2037 | 1,130,000 |

**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.

The initial well drilled at the Milford Colony Prospect was determined to be a dry hole, resulting in the principal amount of $27,272 automatically converting into common shares of the Company at a price of $0.05 per share for a total of 545,440 common shares of the Company to be issued. As at May 31, 2015 the 545,440 common shares had not yet been issued by the Company.

**14. SUBSEQUENT EVENTS**

- On September 21, 2015 by way of a Purchase and Sale Agreement the Company assigned its 20% working interest in an exploration well in an oil and gas property in the State of Montana. In consideration of the assignment the Company will receive back from the Assignee the 3,000,000 common shares of Super Nova Petroleum Corp. which was issued pursuant to a June 6th, 2014 agreement to acquire its 20% working interest. Also, in consideration the Assignee will cancel an outstanding invoice in the amount of US$35,054.