ALBERTA STAR
Development Corp.

Financial Statements

30 November 2014

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Alberta Star Development Corp.

We have audited the accompanying financial statements of Alberta Star Development Corp., which comprise the statement of financial position as at November 30, 2014, and the statements of earnings (loss) and comprehensive earnings (loss), changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Alberta Star Development Corp. as at November 30, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

The financial statements of Alberta Star Development Corp. for the year ended November 30, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on March 22, 2014.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

February 25, 2015

Alberta Star Development Corp.

Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	**As at 30 November 2014**	As at 30 November 2013
ASSETS			
Current assets			
Cash and cash equivalents	4	**$ 3,890,409**	**$ 6,700,938**
Trade and other receivables	5	**8,109**	**3,513**
Prepaid expenses	6	**8,472**	**11,928**
Marketable securities	7	**3,527,786**	**-**
		$ 7,434,776	**$ 6,716,379**
Exploration and evaluation properties	8	**19,618**	**17,240**
Property, plant and equipment	9	**4,132**	**5,210**
Total assets		**$ 7,458,526**	**$ 6,738,829**
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	10	**$ 34,174**	**$ 1,115,530**
Total liabilities		**$ 34,174**	**$ 1,115,530**
Equity			
Common shares	12	**44,653,865**	**45,372,258**
Contributed surplus	12	**13,772,905**	**13,715,857**
Deficit		**(51,002,418)**	**(53,464,816)**
Total equity		**$ 7,424,352**	**$ 5,623,299**
Total liabilities and equity		**$ 7,458,526**	**$ 6,738,829**

APPROVED ON BEHALF OF THE BOARD:

" Stuart Rogers"	Director	*" Guido Cloetens"*	Director
Stuart Rogers		Guido Cloetens	

The accompanying notes are an integral part of these financial statements.

Alberta Star Development Corp.

Statements of Earnings (Loss) and Comprehensive Earnings (Loss)

(Expressed in Canadian dollars)

		Year ended 30 November	
	Notes	**2014**	2013
CONTINUING OPERATIONS			
General and administrative expenses	20	**$ 530,914**	$ 738,438
Loss before other items		**$ (530,914)**	$ (738,438)
Other items			
Interest income		**73,518**	80,576
Rent recovery	18	**-**	4,500
Gain on reversal of provision	10, 21 & 23	**1,065,716**	263,746
Realized gain on sale of marketable securities	7	**9,103**	-
Unrealized gain on marketable securities	7	**1,143,514**	-
Unrealized foreign exchange gain		**122,392**	104,230
Loss on disposal of property, plant and equipment	9 & 18	**-**	(19,853)
Write-down of trade and other receivables	5	**-**	(3,980)
Write-down of exploration and evaluation properties	8	**(78,780)**	-
Net earnings (loss) from continuing operations		**$ 1,804,549**	$ (309,219)
DISCONTINUED OPERATIONS			
Net earnings from discontinued operations	19	**$ -**	$ 982,288
Net earnings and comprehensive earnings for the year		**$ 1,804,549**	$ 673,069
Basic and diluted earnings (loss) per share			
Earnings (loss) per share from continuing operations	15	**$ 0.084**	$ (0.014)
Earnings per share from discontinued operations	15	**$ -**	$ 0.046
Earnings per share	15	**$ 0.084**	$ 0.031

The accompanying notes are an integral part of these financial statements.

Alberta Star Development Corp.
Statements of Cash Flows
(Expressed in Canadian dollars)

	Notes	Year ended 30 November 2014	2013
OPERATING ACTIVITIES			
Income (loss) for the year from continuing operations		**$ 1,804,549**	$ (309,219)
Adjustments for:			
Accrued interest income		**(4,755)**	-
Depreciation	9	**1,078**	5,793
Loss on disposal of property, plant and equipment	9 & 18	**-**	19,853
Gain on reversal of provision		**(1,065,716)**	(263,746)
Share-based payments	13, 18 & 20	**57,048**	57,760
Realized gain on sale of marketable securities	7	**(9,103)**	-
Unrealized gain on marketable securities	7	**(1,143,514)**	-
Write-down of exploration and evaluation properties	8	**78,780**	-
Operating cash flows before movements in working capital			
Decrease in trade and other receivables		**159**	5,905
Decrease in prepaid expenses		**3,456**	24
Decrease in trade and other payables		**(20,001)**	(89,761)
Cash used in operating activities from continuing operations		**$ (298,019)**	$ (573,391)
INVESTING ACTIVITIES			
Exploration and evaluation expenditures	8	**(76,799)**	(17,240)
Special cash distribution	12	**-**	(1,760,758)
Purchase of marketable securities	7	**(2,704,813)**	-
Proceeds from sale of marketable securities	7	**329,646**	-
Cash used in investing activities from continuing operations		**$ (2,451,966)**	$ (1,777,998)
FINANCING ACTIVITIES			
Purchase of shares to be returned to treasury	12	**(60,544)**	(47,554)
Options exercised	12	**-**	133,875
Cash from (used in) financing activities from continuing operations		**$ (60,544)**	$ 86,321
Decrease in cash and cash equivalents from continuing operations		**(2,810,529)**	(2,265,068)
Increase in cash and cash equivalents from discontinued operations	19	**-**	1,968,897
Cash and cash equivalents, beginning of year		**6,700,938**	6,997,109
Cash and cash equivalents, end of year		**$ 3,890,409**	$ 6,700,938

Supplemental cash flow information (Note 21)

The accompanying notes are an integral part of these financial statements.

Alberta Star Development Corp.
Statements of Changes in Equity
(Expressed in Canadian dollars)

	Notes	Number of shares	Common shares	Contributed surplus	Deficit	Total
Balances, 30 November 2012		21,403,979	$ 47,573,745	$ 13,728,064	$ (54,734,902)	$ 6,566,907
Common shares returned to treasury	12	(290,000)	(644,571)	-	597,017	(47,554)
Special cash distribution	12	-	(1,760,758)	-	-	(1,760,758)
Options exercised	12	675,000	203,842	(69,967)	-	133,875
Share-based payments	13	-	-	57,760	-	57,760
Net earnings for the year		-	-	-	673,069	673,069
Balances, 30 November 2013		21,788,979	$ 45,372,258	$ 13,715,857	$ (53,464,816)	$ 5,623,299
Common shares returned to treasury	12	(345,000)	(718,393)	-	657,849	(60,544)
Share-based payments	13	-	-	57,048	-	57,048
Net earnings for the year		-	-	-	1,804,549	1,804,549
Balances, 30 November 2014		**21,443,979**	**$ 44,653,865**	**$ 13,772,905**	**$ (51,002,418)**	**$ 7,424,352**

The accompanying notes are an integral part of these financial statements.

1. CORPORATE INFORMATION

Alberta Star Development Corp. (the "Company") was incorporated under the laws of the province of Alberta on 6 September 1996 and is in the exploration stage.

The Company is in the business of acquiring and exploring mineral and oil and gas properties. The recoverability of the amounts expended by the Company on acquiring and exploring mineral and petroleum and natural gas properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to complete the acquisition and/or development of the properties and upon future profitable production. Effective 1 March 2013, the Company sold all of its petroleum and natural gas properties (Note 19).

The head office, principal address and registered and records office is located at Suite 2300 - 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X2.

The Company's financial statements as at 30 November 2014 and for the year then ended have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company has net comprehensive earnings of $1,804,549 for the year ended 30 November 2014 (2013 - net comprehensive earnings of $673,069) and has working capital of $7,400,602 as at 30 November 2014 (2013 - $5,600,849).

The Company had cash and cash equivalents of $3,890,409 at 30 November 2014 (2013 - $6,700,938), but management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. If the Company is unable to raise additional capital in the future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures. However, management believes that the Company has sufficient working capital to meet its projected minimum financial obligations for the next fiscal year.

2. BASIS OF PREPARATION

The financial statements of the Company for the year ended 30 November 2014 were approved and authorized for issue by the Board of Directors on 25 February 2015.

Basis of presentation

The Company's financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in Note 17, and are presented in Canadian dollars except where otherwise indicated.

Statement of compliance

The financial statements of the Company have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended 30 November 2014.

Adoption of new and revised standards and interpretations

At the date of authorization of these financial statements, the IASB and IFRIC have issued the following new and revised standards, amendments and interpretations which are not yet effective during the year ended 30 November 2014.

Effective for annual periods beginning on or after 1 January 2014

IFRS 10, IFRS 12, IAS 27, *Exception from Consolidation for "Investment Entities"*

IFRS 10 is amended to define an "investment entity" and introduce an exception from consolidation for investment entities. IFRS 12 and IAS 27 are amended to introduce disclosures that an investment entity needs to make.

IAS 32, *Financial Instruments: Presentation*

IAS 32 is amended to clarify requirements for offsetting of financial assets and financial liabilities.

IAS 36, *Impairment of Assets*

Amended to address the disclosures required regarding the recoverable amount of impaired assets or cash generating units (CGUs) for periods in which an impairment loss has been recognized or reversed.

Effective for annual periods beginning on or after 1 July 2014

IAS 19, *Defined Benefit Plans and Employee Contributions*

Amended to clarify the application of IAS 19 to plans that require employees or third parties to contribute toward the cost of benefits.

Effective for annual periods beginning on or after 1 January 2016

IFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*

Amended to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business.

IFRS 14, *Regulatory Deferral Accounts*

IFRS 14 is a new standard to specify the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.

IAS 16 & IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*

Amended to (i) clarify that the use of a revenue-based depreciation and amortization method is not appropriated, and (ii) provide a rebuttable presumption for intangible assets.

IAS 27 & IFRS 1, ***Equity Method in Separate Financial Statements***

IAS 27 is amended to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

IFRS 1 is amended to permit use of the business combinations exemption for investments in subsidiaries accounted for using the equity method in the separate financial statements of the first-time adopter.

Effective for annual periods beginning on or after 1 January 2017

IFRS 15, ***Revenue from Contracts with Customers:***

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*.

Effective for annual periods beginning on or after 1 January 2018

IFRS 9, ***Financial Instruments – Classification and Measurement***

IFRS 9 is a new standard on financial instruments that will replace IAS 39*, Financial Instruments: Recognition and Measurement.*

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

The Company has not early adopted these standards, amendments and interpretations and anticipates that the application of these standards, amendments and interpretations will not have a material impact on the financial position and financial performance of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of earnings and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

Property, plant and equipment

Items of property, plant and equipment are depreciated over their estimated useful lives using the declining balance method at the following annual rates with half the rate applied in the year of acquisition:

Computer equipment	30%
Computer software	100%
Furniture and fixtures	20%
Equipment	20%

Exploration and evaluation properties

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Option payments received are treated as a reduction of the carrying value of the related property and deferred costs until the receipts are in excess of costs incurred, at which time they are credited to income. Option payments are at the discretion of the optionee, and accordingly, are recorded on a cash basis.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Decommissioning, restoration and similar liabilities

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties and retirement of non-current assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future cost estimates arising from the decommissioning of plant, site restoration work and other similar retirement activities is added to the carrying amount of the related asset, and depreciated on the same basis as the related asset, along with a corresponding increase in the provision in the period incurred. Discount rates using a pre-tax rate that reflect the current market assessments of the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the provision.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period. The net present value of reclamation costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred. The costs of reclamation projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation properties. A gain or loss may be incurred upon settlement of the decommissioning obligation.

As at 30 November 2014 and 2013, the Company has no known decommissioning, restoration or similar liabilities in relation to its exploration and evaluation assets.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the vesting periods on a "graded" basis. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to contributed surplus. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

Flow-through shares

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability and included in trade and other payables. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

Taxation

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

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

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

Foreign currency translation

The Company's reporting currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Earnings (loss) per share

Basic per share amounts are calculated by dividing the earnings or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted per share amounts are determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which consist of share purchase warrants and stock options.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), loans and receivables and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financials assets and liabilities at initial recognition.

Non-derivative financial assets

The Company has the following non-derivative financial assets: financial assets at FVTPL and loans and receivables.

A financial asset is classified as FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition material transaction costs are recognized in profit or loss as incurred. Financial assets at FVTPL are measured at fair value and changes therein are recognized in profit or loss.

The Company's marketable securities are classified as FVTPL. Marketable securities held in companies with an active market are classified as current assets at fair value. Marketable securities held in non-public companies without an active market are classified as non-current assets and are valued at fair value. In situations where fair value is indeterminable or impracticable to determine, the shares are recorded at cost. This may occur when non-public company shares are received as payment for mineral properties. In such situations cost is determined by reference to the issue price of similar shares issued by the non-public entity for cash, at or near the time of issue of the investment shares, and in similar volumes. When, at future measurement dates fair value is still indeterminable or impracticable, cost is used as the measure of fair value. When there is evidence of impairment the shares are written-down to expected realizable value.

Cash and cash equivalents are classified as FVTPL and are accounted for at fair value. Cash equivalents include highly liquid investments with original maturities of three months or less and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Derivative financial assets

Warrants are classified as derivative financial assets and are recorded at FVTPL. Warrants without an active market that are received as attachments to common share units are initially recorded at nominal amounts. At the time of purchase the per unit cost is allocated in full to each common share. Subsequent value is determined at measurement date using a valuation technique, such as the Black-Scholes option pricing model, or when the valuation technique input variables are not reliable, using the intrinsic value, which is equal to the higher of the market value of the underlying security, less the exercise price of the warrant, or zero.

Non-derivative financial liabilities

The Company has classified its trade and other payables at FVTPL.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Impairment of financial assets

Financial assets, other than financial assets at FVTPL, are assessed for indicators of impairment at each period end.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Derecognition of financial assets and liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Impairment of non-financial assets

The carrying amount of the Company's assets is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Comparative figures

Certain comparative figures have been adjusted to conform to the current year's presentation.

4. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents are denominated in the following currencies:

As at 30 November	**2014**	2013
Denominated in Canadian dollars	**$ 2,198,351**	**$ 5,104,715**
Denominated in U.S. dollars	**1,692,058**	**1,596,223**
Total cash and cash equivalents	**$ 3,890,409**	**$ 6,700,938**

At 30 November 2014 and 2013, all the Company's cash and cash equivalents were classified as cash.

(Expressed in Canadian dollars)

5. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables arise from petroleum and natural gas revenue receivable, Goods and Services Tax / Harmonized Sales Tax ("GST/HST") receivable due from the government taxation authorities and interest receivable. These are as follows:

As at 30 November	2014	2013
GST/HST receivable	$ 3,354	$ 3,186
Trade receivables	-	327
Interest receivable	4,755	-
Total trade and other receivables	**$ 8,109**	**$ 3,513**

During the year ended 30 November 2014, the Company wrote down trade receivables of $Nil (2013 - $3,980) (Note 21).

6. PREPAID EXPENSES

The Company's prepaid expenses are as follows:

As at 30 November	2014	2013
Insurance	$ 8,373	$ 11,830
Other	99	98
Total prepaid expenses	**$ 8,472**	**$ 11,928**

(Expressed in Canadian dollars)

7. MARKETABLE SECURITIES

The Company's marketable securities are as follows:

	TerraX Minerals Inc. 1,300,000 shareS	TerraX Minerals Inc. 650,000 warrants	NioCorp Developments Ltd. 2,800,000 special warrants	Other marketable securities	Convertible debentures	Total	Total gain
COST							
30 November 2013 and 2012	-	-	-	-	-	-	
Additions	$ 585,000	$ -	$ 1,540,000	$ 59,317	$ 520,496	$ 2,704,813	
Proceeds on sale	-	-	-	-	(329,646)	(329,646)	
Realized gain	-	-	-	-	9,103	9,103	
30 November 2014	**$ 585,000**	**$ -**	**$ 1,540,000**	**$ 59,317**	**$ 199,953**	**$ 2,384,270**	**$ 9,103**
FAIR VALUE							
30 November 2013 and 2012	-	-	-	-	-	-	
Additions	$ 585,000	$ -	$ 1,540,000	$ 59,317	$ 520,496	$ 2,704,813	
Cost of disposals	-	-	-	-	(320,541)	(320,541)	
Unrealized gain (loss)	(234,000)	34,379	1,354,752	(4,317)	(7,300)	1,143,514	
30 November 2014	**$ 351,000**	**$ 34,379**	**$ 2,894,752**	**$ 55,000**	**$ 192,655**	**$ 3,527,786**	**$ 1,143,514**
Total gain							**$ 1,152,617**

The valuation of the shares has been determined in whole by reference to the bid price of the shares on the TSX Venture Exchange (the "Exchange") at each period end date. The warrants were received as attachments to various share purchase units and do not trade in an active market. At the time of purchase the per unit cost was allocated in full to each common share. Values are subsequently determined at measurement date using the Black-Scholes Option Pricing Model.

The Company's significant marketable securities are as follows:

On 24 February 2014, the Company entered into an agreement with TerraX Minerals Inc. ("TerraX"), a company with a director and officer in common, pursuant to which the Company can earn up to a 60% interest in TerraX's wholly-owned Central Canada gold project in Ontario and subscribed for 1,300,000 units of TerraX (the "Units") at $0.45 per Unit for gross proceeds of $585,000. Each Unit consists of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to purchase an additional common share at an exercise price of $0.57 per common share exercisable until 28 February 2016.

On 24 October 2014, the Company entered into an agreement with NioCorp Developments Ltd. ("NioCorp"), pursuant to which the Company can earn up to a 60% interest in NioCorp's wholly-owned Archie Lake project in Saskatchewan and subscribed for 2,800,000 special warrants of NioCorp (the "Special Warrants") at $0.55 per Special Warrant for gross proceeds of $1,540,000. Each Special Warrant is exchangeable at any time after the closing date of the Offering for no additional consideration into one unit of NioCorp ("Unit"). Each Unit will consist of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share at an exercise price of $0.65 per common share exercisable until 10 November 2016.

NioCorp will, as soon as reasonably practicable, file a final short form prospectus and obtain a receipt from the securities regulators in such jurisdictions in Canada in which a holder of Special Warrants is resident (the "Liquidity Event"). In the event that the Liquidity Event does not occur by January 24, 2015, each unexercised Special Warrant, will thereafter entitle the holder thereof to receive upon the automatic exercise thereof, at no additional consideration, 1.10 Units (instead of one Unit).

Subsequently, on 19 January 2015, NioCorp obtained a receipt from the Canadian securities regulators that qualified each Special Warrant to be exchanged for no additional consideration into one unit of NioCorp ("Unit"). Each Unit consists of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share at an exercise price of $0.65 per common share exercisable until 10 November 2016 (Note 24).

During the year ended 30 November 2014, the Company realized a gain of $9,103 on the disposal of certain convertible debentures.

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION PROPERTIES

The Company's exploration and evaluation properties expenditures for the year ended 30 November 2014 are as follows:

	Central Canada Gold Property	Contact Lake Property	Glacier Lake Property	Longtom Property	Total
ACQUISITION COSTS					
Balance, 30 November 2013	$ -	$ -	$ -	$ -	$ -
Additions	10,000	-	-	-	10,000
Write-down	(10,000)	-	-	-	(10,000)
Balance, 30 November 2014	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
EXPLORATION AND EVALUATION COSTS					
Balance, 30 November 2013	$ -	$ 10,120	$ 6,227	$ 893	$ 17,240
Claim maintenance and permitting	2,600	9,498	6,227	-	18,325
Camp removal	-	-	52,833	-	52,833
Write-down	(2,600)	-	(65,287)	(893)	(68,780)
Balance, 30 November 2014	**$ -**	**$ 19,618**	**$ -**	**$ -**	**$ 19,618**
Total costs	**$ -**	**19,618**	**$ -**	**$ -**	**$ 19,618**

The Company's exploration and evaluation properties expenditures for the year ended 30 November 2013 are as follows:

	Central Canada Gold Property	Contact Lake Property	Glacier Lake Property	Other Properties	Total
ACQUISITION COSTS					
Balance, 30 November 2012	-	-	-	-	-
Balance, 30 November 2013	-	-	-	-	-
EXPLORATION AND EVALUATION COSTS					
Balance, 30 November 2012	$ -	$ -	$ -	$ -	$ -
Claim maintenance and permitting	-	10,120	6,227	893	17,240
Balance, 30 November 2013	$ -	$ 10,120	$ 6,227	$ 893	$ 17,240
Total costs	$	$ 10,120	$ 6,227	$ 893	$ 17,240

Contact Lake Property – Contact Lake, Northwest Territories

During the year ended 30 November 2005, the Company acquired a 100% undivided right, title and interest, subject to a 1% net smelter return royalty ("NSR"), in five mineral claims located eight kilometres ("km") southeast of Port Radium on Great Bear Lake, Northwest Territories ("NT"), for cash payments of $60,000 (paid) and 60,000 common shares (issued and valued at $72,000) of the Company. The Company may purchase the NSR for a one-time payment of $1,000,000. The Company completed additional staking in the area in order to increase the project size to sixteen contiguous claims. Collectively the properties are known as the Contact Lake Mineral Claims.

Port Radium – Glacier Lake Property, Northwest Territories

During the year ended 30 November 2005, the Company acquired a 100% undivided right, title and interest, subject to a 2% NSR, in four mineral claims (the "Glacier Lake Mineral Claims") located 1.6 km east of Port Radium on Great Bear Lake, NT, for cash payments of $30,000 (paid) and 72,000 common shares (issued and valued at $72,000) of the Company. The Company may purchase one-half of the NSR for a one-time payment of $1,000,000.

The Company did not renew these leases and all associated costs have been written off. During the year ended 30 November 2014, the Company recorded provision for write-down of $65,287 (2013 - $Nil) related to the Glacier Lake Property.

Port Radium – Crossfault Lake Property, Northwest Territories

During the year ended 30 November 2005, the Company acquired a 100% undivided right, title and interest, subject to a 2% NSR, in five mineral claims (the "Port Radium – Crossfault Lake Mineral Claims") located north of Port Radium on Great Bear Lake, NT, for cash payments of $60,000 (paid) and 90,000 common shares (issued and valued at $297,000) of the Company. The Company may purchase one-half of the NSR for a one-time payment of $1,000,000.

Port Radium – Eldorado Property, Northwest Territories

During the year ended 30 November 2005, the Company entered into a lease agreement with South Malartic Exploration Inc. to purchase a 50% undivided right, title and interest in three mineral claims (the "Eldorado Uranium Mineral Claims") located at Port Radium on Great Bear Lake, NT, for a cash payment of $20,000 (paid). The Company did not renew their interest in these leases and all associated costs have been written off.

North Contact Lake Mineral Claims – Great Bear Lake, Northwest Territories

During the year ended 30 November 2006, the Company acquired a 100% right, interest and title, subject to a 2% NSR, in eleven mineral claims (the "North Contact Lake Mineral Claims"), for cash payments of $75,000 and the issuance of 50,000 common shares of the Company valued at $182,500. The Company may purchase one-half of the NSR for a one-time payment of $1,000,000. The North Contact Lake Mineral Claims are situated north of Contact Lake on Great Bear Lake approximately 680 km north of Yellowknife, NT.

Eldorado South IOCG & Uranium Project, Northwest Territories

During the year ended 30 November 2007, the Company staked twenty-four claims (the "Eldorado South Uranium Mineral Claims") and four additional claims (the "Eldorado West Uranium Mineral Claims") located 16 km south of the Eldorado uranium mine on the east side of Great Bear Lake, NT and 680 km north of the city of Yellowknife, NT, collectively known as the Eldorado South Uranium Project.

During the year ended 30 November 2009, fourteen claims were allowed to lapse and on 23 February 2013, three claims were allowed to lapse and on 23 February 2014, three claims were allowed to lapse. The Eldorado South IOCG & Uranium Project now consists of eight mineral claims.

Longtom Property – Longtom Lake, Northwest Territories

The Company holds a 50% undivided interest subject to a 2% NSR in the Longtom Property (the "Longtom Property") located about 350 km northwest of Yellowknife, NT. The Longtom Property is registered 100% in the name of the Company.

The Company did not renew their interest in this lease and all associated costs have been written off. During the year ended 30 November 2014, the Company recorded a provision for write-down of $893 (2013 - $Nil) related to the Longtom Property.

Central Canada Gold Property – Ontario

The Central Canada Gold Property consists of seven claims totaling 24 claim units located approximately 20 km east of the town of Atikokan and 190 km west of the City of Thunder Bay in the Province of Ontario.

The Company holds its interest in the Central Gold Property under an Option Agreement dated 24 February 2014 pursuant to which the Company may earn a 60% interest in the Central Canada Gold Property from TerraX. In order to exercise the Option, the Company must make cash payments to TerraX totaling $85,000 over a three year period, with $10,000 paid upon execution of the Option Agreement, $25,000 due on the second anniversary of the execution of the Option Agreement and a further $50,000 due on the third anniversary date. The Company must also incur an aggregate of $500,000 in exploration expenditures over a three year period, with $100,000 to be incurred by 31 March 2015, a further $150,000 to be incurred by 31 March 2016 and the remaining $250,000 to be incurred by 31 March 2017. The Company will also be responsible for payment of the annual pre-production royalty of $10,000 to the original vendors of the Central Canada Property due annually in December beginning with the next payment due on 11 December 2014.

During the year ended 30 November 2014, the Company terminated the agreement and all associated costs were written off. During the year ended 30 November 2014, the Company recorded a provision for write-down of $12,600 (2013 - $Nil) related to the Central Canada Gold Property.

Archie Lake Property – Saskatchewan

The Archie Lake Property consists of one claim located approximately 50 km west of Uranium City and approximately 5 km north of Lake Athabasca, in the Province of Saskatchewan.

The Company holds its interest in the Archie Lake Property under an Option Agreement dated 24 October 2014 pursuant to which the Company may earn a 60% interest in the Archie Lake Property from NioCorp. In order to exercise the Option, the Company must incur an aggregate of $1,750,000 in exploration expenditures prior to 20 October 2017. The expenditures include completion of a minimum of $250,000 prior to 20 October 2015, a further $500,000 on or before 20 October 2016 and a further $1,000,000 on or before 20 October 2017. The Property is subject to a 2% NSR royalty in favour of past owners (Note 23).

(Expressed in Canadian dollars)

9. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment as at 30 November 2014 are as follows:

	Cost	Accumulated depreciation	Net book value
Computer equipment	$ 5,300	$ 5,049	$ 251
Furniture and fixtures	25,706	21,825	3,881
Total	**$ 31,006**	**$ 26,874**	**$ 4,132**

The changes in the Company's property, plant and equipment for the years ended 30 November 2014 and 2013 are as follows:

	Petroleum and natural gas properties	Computer equipment	Equipment	Furniture and fixtures	Total
COST					
Balance, as at 30 November 2012	$ 5,279,869	$ 60,749	$ 58,720	$ 25,706	$ 5,425,044
Additions	134,652	-	-	-	134,652
Cost recovery	(30,000)	-	-	-	(30,000)
Asset retirement costs	(33,219)	-	-	-	(33,219)
Dispositions (Note 19)	(5,351,302)	(55,449)	(58,720)	-	(5,465,471)
As at 30 November 2013	$ -	$ 5,300	$ -	$ 25,706	$ 31,006
As at 30 November 2014	**$ -**	**$ 5,300**	**$ -**	**$ 25,706**	**$ 31,006**

	Petroleum and natural gas properties	Computer equipment	Equipment	Furniture and fixtures	Total
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Balance, as at 30 November 2012	$ 3,855,080	$ 49,965	$ 44,713	$ 19,641	$ 3,969,399
Depletion and depreciation (Note 19)	163,738	2,465	2,115	1,213	169,531
Dispositions (Note 19)	(4,018,818)	(47,488)	(46,828)	-	(4,113,134)
As at 30 November 2013	-	4,942	-	20,854	25,796
Depletion and depreciation	-	107	-	971	1,078
As at 30 November 2014	**$ -**	**$ 5,049**	**$ -**	**$ 21,825**	**$ 25,874**
NET BOOK VALUES					
At 30 November 2013	-	358	-	4,852	5,210
At 30 November 2014	**$ -**	**$ 251**	**$ -**	**$ 3,881**	**$ 4,132**

On 9 August 2010, the Company completed an asset purchase with Western Plains Petroleum Ltd. ("Western Plains") pursuant to which the Company acquired an undivided 50% interest in all of Western Plains' oil and natural gas interests located in the Lloydminster/Maidstone areas of Saskatchewan and the Lloydminster area of Alberta (the "Western Plains Assets") for the cash purchase price of $1.7 million, having an effective date of 1 July 2010.

On 26 August 2010, the Company completed a further oil & gas asset purchase with Western Plains pursuant to which the Company acquired an undivided 33.33% interest in thirteen (13) crown leases located in the Lloydminster heavy oil area of Alberta for a cash purchase price of $1.467 million, having an effective date of 1 July 2010.

On 15 October 2010, the Company entered into a sub-participation agreement with Arctic Hunter Energy Inc. ("Arctic Hunter"), a company with officers and directors in common. Under the agreement, Arctic Hunter had agreed to a 100% participation interest in two (2) test wells by 31 October 2010. The Company held a 50% working interest in the Landrose, Saskatchewan assets which formed part of the heavy oil assets acquired on 9 August 2010 from Western Plains. Arctic Hunter had to pay 100% of the Company's share of the cost to drill, complete and equip or abandon the test wells to earn 100% of the Company's pre-farmout working interest in the Test Wells spacing unit subject to reserving unto the Company a 10% overriding royalty payable by Arctic Hunter on all petroleum and natural gas substances produced therefrom until payout. After payout, the Company would have the option to either convert to a 25% working interest (being
50% of the Company's pre-farmout 50% working interest) in the test wells spacing unit or remain in a gross overriding royalty position. Arctic Hunter had no option to drill post-earning wells under the sub-participation agreement. Western Plains would be the operator of the test wells.

On 19 November 2010, the Company entered into an agreement with Western Plains to acquire a 50% undivided interest each in petroleum and natural gas rights from Triwest Exploration Inc. for a purchase price of $41,510 each.

On 10 May 2011, the Company entered into an asset exchange agreement with Canadian Natural Resources to acquire a 50% working interest in petroleum and natural gas rights, including one standing case well, on 240 acres located in the Landrose area of Saskatchewan in exchange for its 50% working interest in 320 acres of undeveloped land located in the Golden Lake area of Saskatchewan. The aggregate value of the assets exchanged was $50,000.

On 18 November 2011, the Company entered into a sub-participation agreement with Arctic Hunter. Under the agreement, Arctic Hunter had agreed to participate with the Company in the drilling of one test well. Arctic Hunter was to pay 50% of the Company's share of the cost to drill, complete and equip or abandon the test wells to earn a 25% working interest (being 50% of the Company's pre-participation 50% working interest) in the well. Arctic Hunter had no option to drill post-earning wells under the sub-participation agreement. Western Plains was the operator of the test wells.

On 8 April 2013, the Company entered into an agreement with Petrocapita Oil and Gas L.P. ("Petrocapita") of Calgary, Alberta for the sale of its petroleum and natural gas properties in Alberta and Saskatchewan for total consideration of $1,875,000 payable in cash at closing (Note 19).

The sale to Petrocapita was completed on 23 April 2013 for the agreed purchase price of $1,875,000. The effective date of this transaction was 1 March 2013. A gain of $1,098,679 was recognized on this sale (Note 19).

As part of the transaction, the Company terminated its sub-participation agreements with Arctic Hunter in respect of three wells located in Landrose, Saskatchewan (the "Lands"). The Company and Arctic Hunter entered into a termination agreement pursuant to which Arctic Hunter relinquished to the Company its interest in the Lands and the Company agreed to pay $102,000 to Arctic Hunter as consideration (Notes 18 and 19).

(Expressed in Canadian dollars)

10. TRADE AND OTHER PAYABLES

The Company's trade and other payables are broken down as follows:

As at 30 November	**2014**	2013
Trade payables	**$ 7,967**	**$ 25,313**
Accrued liabilities	**26,207**	**1,090,217**
Total trade and other payables	**$ 34,174**	**$ 1,115,530**

Included in the balance of trade and other payables as at 30 November 2014 was a general provision of $Nil (2013 - $1,065,716) related to potential amendments associated with the Company's flow-through transactions (Notes 21 and 23).

Included in trade and other payables at 30 November 2014 was $Nil (2013 - $20,000) payable to the former VP of Corporate Development of the Company (Note 18). The amount was unsecured and non-interest bearing.

11. DECOMMISSIONING LIABILITIES

The total decommissioning liabilities were estimated by management based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. The decommissioning liabilities were sold on 1 March 2013, the effective date of the sale of the Company's heavy oil assets to Petrocapita.

The total undiscounted abandonment and restoration cost obligation at 30 November 2014 is $Nil (2013 - $Nil). The present value of the decommissioning liabilities is estimated to be $Nil (2013 - $Nil).

An accretion expense component of $Nil (2013 - $5,488) has been charged to operations, included in finance costs, to reflect an increase in the carrying amount of the decommissioning liabilities.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of petroleum and natural gas properties:

As at 30 November	**2014**	2013
Balance, beginning of year	**$ -**	**$ 602,889**
Revisions to future reclamation and abandonment costs (Note 21)	**-**	**(33,219)**
Accretion (Note 19)	**-**	**5,488**
Liabilities transferred on dispositions	**-**	**(575,158)**
Decommissioning liabilities, ending	**$ -**	**$ -**

12. SHARE CAPITAL

Authorized share capital

The Company has authorized an unlimited number of voting common shares with no par value. Authorized share capital also consists of an unlimited number of preferred shares with no par value, to be issued in series, with the directors being authorized to determine the designation, rights, privileges, restrictions and conditions attached to all of the preferred shares. At 30 November 2014, the Company had 21,443,979 common shares outstanding (2013 - 21,788,979) and no preferred shares outstanding (2013 - Nil).

Shares issuances and repurchases

During the year ended 30 November 2014, no options (2013 – 675,000) were exercised for proceeds of $Nil (2013 - $133,875) (Note 12).

In addition, 345,000 (2013 – 290,000) shares were repurchased at a cost of $60,544 (2013 - $47,554) and were returned to capital pursuant to the Normal Course Issuer Bid (the “Bid”) (Note 12).

During the year ended 30 November 2014, the Company did not issue any common shares.

Normal Course Issuer Bid

On 1 May 2013, the Company received approval from the Exchange for the Bid. Pursuant to the Bid, the Company may purchase for cancellation, from time to time, as it considers advisable, up to 1,800,000 of its issued and outstanding common shares. The price which the Company will pay for any shares purchased will be the prevailing market price of such common shares on the Exchange at the time of such purchase. The Bid commenced on 3 May 2013 and was renewed on 6 May 2014. Pursuant to the renewed Bid, the Company may purchase for cancellation, from time to time, as it considers advisable, up to 1,700,000 of its issued and outstanding common shares. The price which the Company will pay for any shares purchased will be the prevailing market price of such common shares on the Exchange at the time of such purchase. The renewed Bid commenced on 7 May 2014 and will terminate on 6 May 2015, or such earlier time as the renewed Bid is completed or at the option of the Company. Jordan Capital Markets of Vancouver, British Columbia will conduct the renewed Bid on behalf of the Company. During the year ended 30 November 2014, the Company purchased 345,000 shares (30 November 2013 – 290,000 shares) at a total cost of $60,544 (30 November 2013 - $47,554) (Note 12.2). The difference between the share repurchase price and the original share issuance of $657,849 (30 November 2013 - $597,017) has been included in equity. As at 30 November 2014, 635,000 common shares have been returned to treasury and have been cancelled.

From 1 December 2014 to 25 February 2015, the Company repurchased 92,500 shares of the Company, which have been cancelled (Note 24).

Special cash distribution

On 12 June 2013, the Company received approval at its annual and special general meeting for a special cash distribution to its shareholders derived from the proceeds received from the sale of the Company’s interest in its various heavy oil assets by way of a reduction of stated capital of the Company (the “Special Distribution”). The Special Distribution of $0.08 per common share was paid on 5 July 2013, to holders of record of 22,009,474 common shares on 26 June 2013 in the aggregate amount of $1,760,758.

Share purchase warrants

There were no share purchase warrants outstanding for the years ended 30 November 2014 and 2013.

(Expressed in Canadian dollars)

Stock options

The Company grants share options in accordance with the policies of the Exchange. Under the general guidelines of the Exchange, the Company may reserve up to 20% of its issued and outstanding shares for its employees, directors or consultants to purchase shares of the Company. The exercise price for options granted under the plan will not be less than the market price of the common shares less applicable discounts permitted by the Exchange and options will be exercisable for a term of up to five years, subject to earlier termination in the event of death or the cessation of services.

The following is a summary of the changes in the Company's stock option plan for the years ended 30 November 2014 and 2013:

Year ended 30 November	**2014**		2013	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding, beginning of year	1,845,000	$ 0.27	2,025,000	$ 0.36
Granted	750,000	0.20	1,025,000	0.20
Exercised (Note 12)	-	-	(675,000)	0.20
Expired/cancelled	(595,000)	0.44	(530,000)	0.56
Outstanding, end of year	**2,000,000**	**$ 0.20**	**1,845,000**	**$ 0.27**

On 30 September 2014, the Company granted 750,000 options to directors and officers, exercisable at $0.20 per share until 30 September 2016. The weighted average fair value of the options granted and vested during the year ended 30 November 2014 was estimated at $0.064 (2013 - $0.10) per option at the grant date using the Black-Scholes Option Pricing Model.

On 18 July 2013, the Company granted 1,025,000 options to directors and officers, exercisable at $0.20 per share until 18 July 2016. 512,500 options vested on 18 July 2013 and 512,500 options vested on 18 January 2014. The weighted average assumptions used for the calculation were:

Year ended 30 November	**2014**	2013
Risk free interest rate	**1.09%**	**1.19%**
Expected life	**2.00 years**	**3.00 years**
Expected volatility	**70.78%**	**77.17%**
Expected dividend per share	**-%**	**-%**

During the year ended 30 November 2013, the Company amended the expiry date for 100,000 stock options previously granted from 12 October 2015 to 12 June 2014, and amended the expiry date for 75,000 stock options previously granted from 9 January 2015 to 12 June 2014. The incremental fair value related to the modifications resulted in a decrease of $3,249. The decrease in fair value did not have an impact on the financial statements.

(Expressed in Canadian dollars)

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options modified during the year:

Year ended 30 November	2013
Risk free interest rate	**1.18%**
Expected life	**0.84 years**
Expected volatility	**85.26%**
Expected dividend per share	**-%**

The following table summarizes information regarding stock options outstanding and exercisable as at 30 November 2014:

Grant date	**Expiry date**	**Number of options outstanding**	**Number of options exercisable**	**Exercise price**	**Remaining contractual life (years)**
9 January 2012	9 January 2015	75,000	75,000	$ 0.21	0.11
10 July 2012	10 July 2015	75,000	75,000	$ 0.165	0.61
12 October 2012	12 October 2015	100,000	100,000	$ 0.20	0.87
18 July 2013	18 July 2016	1,000,000	1,000,000	$ 0.20	1.63
30 September 2014	30 September 2016	750,000	750,000	$ 0.20	1.84
Total options		**2,000,000**	**2,000,000**		

Shareholder rights plan

Effective 10 October 2008, the Board of Directors has approved and adopted a shareholder rights plan (the "Rights Plan") subject to shareholder and regulatory approval which was received on 3 February 2009. The Rights Plan extends the minimum expiry period for a takeover bid to 60 days and requires a bid to remain open for an additional 10 business days after an offeror publicly announces it has received tenders for more than 50% of the Company's voting shares. The principle purpose of the Rights Plan is to ensure that all shareholders will be treated equally and fairly in the event of a bid for control of the Company through an acquisition of its common shares. It is designed to provide the Company shareholders with sufficient time to properly consider a takeover bid without undue time constraints. In addition, it will provide the board with additional time for review and consideration of unsolicited takeover bids, and if necessary, for the consideration of alternatives.

13. SHARE-BASED PAYMENTS

Share-based payments for the following options granted by the Company will be amortized over the vesting period, of which $57,048 was recognized in the year ended 30 November 2014 (2013 - $57,760) (Notes 18 and 20):

Grant date	**Fair value**	**Amount vested in 2014**	Amount vested in 2013
18 July 2013	**$ 66,523**	**$ 8,763**	**$ 57,760**
30 September 2014	**48,285**	**48,285**	**-**
Total	**$ 114,808**	**$ 57,048**	**$ 57,760**

(Expressed in Canadian dollars)

14. TAXES

Provision for income taxes

Year ended 30 November	**2014**	2013
Earnings before tax	**$ 1,804,549**	$ 673,069
Statutory tax rate	**25.50%**	25.69%
Expected tax expense	**$ 460,000**	$ 173,000
Non-taxable items	**(404,000)**	(165,000)
Change in future tax rates	**29,000**	97,000
Change in unrecognized deductible temporary and other differences	**(85,000)**	(105,000)
Total income tax expense	**$ -**	$ -

The Canadian income tax rate declined during the current year due to changes in the law that reduced corporate income tax rates in Canada.

Deferred tax balances

The tax effects of temporary differences that give rise to deferred income tax assets and liabilities are as follows:

As at 30 November	**2014**	2013
Non-capital losses available for future periods	**$ 1,931,000**	$ 2,165,000
Property, plant and equipment	**88,000**	91,000
Exploration and evaluation properties	**2,374,000**	2,503,000
Marketable securities	**(146,000)**	-
	4,247,000	4,759,000
Less: Unrecognized deferred tax assets	**(4,247,000)**	(4,759,000)
Net deferred tax assets	**$ -**	$ -

(Expressed in Canadian dollars)

Expiry dates

The Company's recognized and unrecognized deferred tax assets related to unused tax losses have the following expiry dates:

As at 30 November	2014
Non-capital losses	
2028	**$ 2,023,000**
2029	**1,871,000**
2030	**1,673,000**
2031	**425,000**
2032	**309,000**
2033	**149,000**
2034	**549,000**
Total non-capital losses	**$ 6,999,000**
Total resource-related deductions, no expiry	**$ 9,310,000**
Total capital asset deductions, no expiry	**$ 344,000**

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

15. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share is based on the following data:

Year ended 30 November	2014	2013
Net earnings (loss) for the year from continuing operations	**$ 1,804,549**	$ (309,219)
Net earnings for the year from discontinued operations (Note 19)	**$ -**	$ 982,288
Net earnings for the year	**$ 1,804,549**	$ 673,069
Weighted average number of shares – basic and diluted	**21,593,263**	21,586,557

The basic earnings (loss) per share is computed by dividing the net earnings (loss) by the weighted average number of common shares outstanding during the year. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. All of the stock options were anti-dilutive for the years ended 30 November 2014 and 2013.

16. CAPITAL RISK MANAGEMENT

The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued capital, contributed surplus and deficit. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic condition and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

(Expressed in Canadian dollars)

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended 30 November 2014. The Company is not subject to externally imposed capital requirements.

17. FINANCIAL INSTRUMENTS

Categories of financial instruments

As at 30 November	**2014**	2013
FINANCIAL ASSETS		
FVTPL, at fair value		
Cash and cash equivalents	**$ 3,890,409**	$ 6,700,938
Marketable securities	**3,527,786**	-
Loans and receivables, at amortized cost		
Trade and other receivables	**4,755**	327
Total financial assets	**$ 7,422,950**	$ 6,701,265
FINANCIAL LIABILITIES		
Other liabilities, at amortized cost		
Trade and other payables	**34,174**	49,814
Total financial liabilities	**$ 34,174**	$ 49,814

Fair value

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short term maturity of these instruments.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data. As at 30 November 2014, the Company does not have any Level 3 financial instruments.

(Expressed in Canadian dollars)

	Level 1	Level 2	Level 3	Total
As at 30 November 2014				
Cash and cash equivalents	$ 3,890,409	$ -	$ -	$ 3,890,409
Marketable securities	2,502,655	-	-	2,502,655
Warrants	-	1,025,131	-	1,025,131
Total financial assets at fair value	$ 6,393,064	$ 1,025,131	$ -	$ 7,418,195

	Level 1	Level 2	Level 3	Total
As at 30 November 2013				
Cash and cash equivalents	$ 6,700,938	$ -	$ -	$ 6,700,938
Total financial assets at fair value	$ 6,700,938	$ -	$ -	$ 6,700,938

Management of financial risks

The financial risks arising from the Company’s operations include credit risk, liquidity risk, interest rate risk, currency risk and commodity price risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company’s ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company’s cash and cash equivalents and trade receivables. The Company manages its credit risk relating to cash and cash equivalents by dealing only with highly-rated Canadian financial institutions. As at 30 November 2014, trade receivables were comprised of GST/HST receivable of $3,354 (2013 - $3,186), trade receivable of $Nil (2013 - $327) and interest receivable of $4,755 (2013 - $Nil). As a result, credit risk is considered insignificant.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. The Company has cash and cash equivalents of $3,890,409 to settle current liabilities of $34,174, therefore liquidity risk is considered insignificant.

Interest rate risk

The Company’s interest rate risk is primarily related to the Company’s cash and cash equivalents for which amounts were invested at interest rates in effect at the time of investment. Changes in market interest rates affect the fair market value of the cash and cash equivalents. However, as these investments come to maturity within a short period of time, the impact would likely not be significant.

A 1% change in short-term rates would have changed the interest income and net earnings of the Company, assuming that all other variables remained constant, by approximately $21,984 for the year ended 30 November 2014.

Currency risk

The majority of the Company's cash flows and financial assets and liabilities are denominated in Canadian dollars, which is the Company's functional and reporting currency. Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar.

The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by holding most of its cash and cash equivalents in Canadian dollars (Note 4). The Company monitors and forecasts the values of net foreign currency cash flow and financial position exposures and from time to time could authorize the use of derivative financial instruments such as forward foreign exchange contracts to economically hedge a portion of foreign currency fluctuations. The Company has not, to the date of these financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

Commodity price risk

The Company is in the exploration stage and is not subject to commodity price risk.

18. RELATED PARTY TRANSACTIONS

For the year ended 30 November 2013, the Company had related party transactions with Arctic Hunter, a company related by way of officers and directors in common for rent recovery. There were no transactions with Arctic Hunter during the year ended 30 November 2014. For the year ended 30 November 2014, the Company had related party transactions with Max Resource Corp., a company related by way of an officer and director in common for rent expense.

Related party expenses

The Company's related party expenses (recovery) are broken down as follows:

Year ended 30 November	**2014**	2013
Rent expense	**$ 3,000**	$ -
Rent recovery	**-**	(4,500)
Total related party expenses (recovery)	**$ 3,000**	$ (4,500)

Due to related party

The liabilities of the Company include the following amount due to related party:

As at 30 November	**2014**	2013
Former VP of Corporate Development	**$ -**	$ 20,000
Total amount due to related party (Note 10)	**$ -**	$ 20,000

(Expressed in Canadian dollars)

The amount due to related party was unsecured and non-interest bearing.

Key management personnel compensation

The remuneration of directors and other members of key management were as follows:

Year ended 30 November	**2014**	2013
Short-term benefits	**$ 241,000**	$ 341,166
Share-based payments (Notes 13 and 20)	**57,048**	57,760
Total key management personnel compensation	**$ 298,048**	$ 398,926

Other related party transactions

During the year ended 30 November 2013, the Company terminated its sub-participation agreements with Arctic Hunter as part of the sale to Petrocapita. Pursuant to the termination of the sub-participation agreements, Arctic Hunter relinquished to the Company its interest in three wells and the Company purchased the interest for $102,000 (Notes 9 and 19).

(Expressed in Canadian dollars)

19. DISCONTINUED OPERATIONS

On 8 April 2013, the Company entered into an agreement with Petrocapita of Calgary, Alberta for the sale of its petroleum and natural gas properties in Alberta and Saskatchewan for total consideration of $1,875,000 payable in cash at closing. Per the agreement, Petrocapita agreed to assume all of the related abandonment and reclamation obligations pertaining to the oil assets purchased which would otherwise be the responsibility of the Company (Note 9).

The sale to Petrocapita was completed on 23 April 2013 for the agreed purchase price of $1,875,000. The effective date of this transaction was 1 March 2013. A gain of $1,098,679 was recognized on this sale (Note 9).

As part of the transaction, the Company terminated its sub-participation agreements with Arctic Hunter in respect of the Lands. The Company and Arctic Hunter entered into a termination agreement pursuant to which Arctic Hunter relinquished to the Company its interest in the Lands and the Company agreed to pay $102,000 to Arctic Hunter as consideration (Notes 9 and 18).

Assets and liabilities related to this disposition had been classified as held for sale as at 1 March 2013, and revenues and expenses associated with these operations were presented as discontinued operations.

The results of discontinued operations are set out below. The comparative net loss and cash flows from discontinued operations have been revised to include those operations classified as discontinued in the current year.

Year ended 30 November	**2014**	2013
Petroleum revenue	**$ -**	$ 267,535
Petroleum royalties	**-**	(52,132)
Petroleum production and transportation	**-**	(162,568)
Depletion and depreciation (Note 9)	**-**	(163,738)
Finance costs (Note 11)	**-**	(5,488)
Net loss for the year	**$ -**	$ (116,391)
Gain on disposition of assets held for sale	**$ -**	$ 1,098,679
Net earnings (loss) from discontinued operations	**$ -**	$ 982,288

Year ended 30 November	**2014**	2013
Net cash inflows from operating activities	**$ -**	$ 217,544
Net cash inflows (outflows) from investing activities	**-**	1,751,353
Net cash inflows (outflows) from discontinued operations	**$ -**	$ 1,968,897

(Expressed in Canadian dollars)

20. GENERAL AND ADMINISTRATIVE EXPENSES

Year ended 30 November	2014	2013
Advertising and promotion	$ 9,011	$ 3,944
Bank charges and interest	1,743	31,076
Consulting fees	-	12,486
Depreciation (Note 9)	1,078	5,793
Directors fees (Note 18)	36,000	44,000
Filing fees	43,439	53,960
Legal and accounting (Note 18)	184,838	174,600
Management fees (Note 18)	145,000	120,000
Meals and entertainment	2,066	8,321
Office and miscellaneous	33,334	35,300
Rent and utilities	5,656	39,517
Salaries and benefits (Note 18)	-	120,861
Share-based payments (Notes 13 and 18)	57,048	57,760
Telephone and internet	1,323	4,698
Travel	10,378	26,122
Total	$ 530,914	$ 738,438

21. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended 30 November 2014, the Company wrote down trade receivables of $Nil (2013 - $3,980) (Note 5).

Included in decommissioning liabilities is $Nil (2013 – expense of $33,219) related to the revision of future reclamation costs as at 30 November 2014 (Note 11).

During the year ended 30 November 2014, exploration costs in trade payables were $4,359 (2013 - $893) (Note 8).

During the year ended 30 November 2014, the amount credited to deficit on the repurchase of the Company shares was $657,849 (2013 - $597,017) (Note 12).

During the year ended 30 November 2014, the Company disposed of property, plant and equipment for proceeds of $Nil (2013 - $Nil) resulting in a loss of $Nil (2013 – loss of $19,853) (Notes 9 and 18).

The Company had recorded a general provision of $Nil (2013 - $1,065,716) related to prior flow-through transactions (Notes 10 and 23).

Cash payments for interest and taxes

The Company made cash payments for interest of $Nil (2013 - $29,719) and income taxes of $Nil (2013 - $Nil) during the year ended 30 November 2014.

22. SEGMENTED INFORMATION

The Company's business activity is acquiring and exploring mineral and petroleum and natural gas properties. During the year ended 30 November 2014, the Company operated in three geographical areas, being British Columbia, the Northwest Territories and Ontario. Discontinued operations consist of operations related to petroleum and natural gas properties in Alberta/Saskatchewan (Note 19). The following is an analysis of the revenues, net loss, current assets and non-current assets by reportable segment:

(Expressed in Canadian dollars)

	British Columbia	Northwest Territories	Ontario	Discontinued Operations	Total
Petroleum revenue, net of royalties					
For the year ended 30 November 2014	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
For the year ended 30 November 2013	-	-	-	215,403	215,403
Net earnings (loss)					
For the year ended 30 November 2014	**$ 1,883,329**	**$ (66,180)**	**$ (12,600)**	**$-**	**$ 1,804,549**
For the year ended 30 November 2013	(309,219)	-	-	982,288	673,069
Current assets					
As at 30 November 2014	**$ 7,434,776**	**$ -**	**$ -**	**$ -**	**$ 7,434,776**
As at 30 November 2013	6,716,379	-	-	-	6,716,379
Exploration and evaluation properties					
As at 30 November 2014	**$ -**	**$ 19,618**	**$ -**	**$ -**	**$ 19,618**
As at 30 November 2013	-	17,240	-	-	17,240
Property, plant and equipment					
As at 30 November 2014	**$ 4,132**	**$ -**	**$ -**	**$ -**	**$4,132**
As at 30 November 2013	5,210	-	-	-	5,210

23. COMMITMENTS AND OTHER OBLIGATIONS

As at 30 November 2014, the Company had recognized a general provision of $Nil (2013 - $1,065,716) related to prior flow-through transactions and supplementary tax filings. Management of the Company is of the opinion that a present obligation no longer exists as at 30 November 2014 and accordingly, the Company recognized a gain on reversal of the previously recorded provision in the current year. However, there is no certainty that additional amounts related to the prior flow-through transaction and tax filing will not be assessed or deemed payable in future periods (Notes 10 and 21).

The Company has certain obligations related to its exploration and evaluation properties (Note 8).

24. SUBSEQUENT EVENTS

The following events occurred subsequent to 30 November 2014:

i. On 9 January 2015, 75,000 stock options with an exercise price of $0.21 granted on 31 January 2012 expired (Note 12).

ii. For the period from 1 December 2014 to 25 February 2015, the Company repurchased 92,500 shares of the Company, which have been cancelled (Note 12).

iii. On 19 January 2015, NioCorp obtained a receipt from the Canadian securities regulators that qualified each Special Warrant to be exchanged for no additional consideration into one unit of NioCorp ("Unit"). Each Unit consists of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share at an exercise price of $0.65 per common share exercisable until 10 November 2016 (Note 7).