ALBERTA STAR
Development Corp.

Condensed Interim Financial Statements

31 May 2014

(Unaudited)

(Expressed in Canadian dollars)

MANAGEMENT'S COMMENTS ON

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Alberta Star Development Corp. (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgements based on information currently available.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Alberta Star Development Corp.
Condensed Interim Statements of Financial Position
(Unaudited)
(Expressed in Canadian dollars)

	Notes	As at 31 May 2014 $	As at 30 November 2013 (Audited) $
ASSETS			
Current assets			
Cash and cash equivalents	3	**5,833,386**	6,700,938
Trade and other receivables	4	**40,631**	3,513
Prepaid expenses	5	**18,501**	11,928
Short term investments	6	**825,598**	-
		6,718,116	6,716,379
Exploration and evaluation properties	7	**68,447**	17,240
Property, plant and equipment	8	**4,672**	5,210
Total assets		**6,791,235**	6,738,829
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	9	**1,132,224**	1,115,530
Total liabilities		**1,132,224**	1,115,530
Equity			
Common shares	11	**45,002,650**	45,372,258
Contributed surplus	11	**13,724,620**	13,715,857
Investment revaluation reserve		**(91,000)**	-
Deficit		**(52,977,259)**	(53,464,816)
Total equity		**5,659,011**	5,623,299
Total liabilities and equity		**6,791,235**	6,738,829

APPROVED BY THE BOARD:

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

Stuart Rogers Guido Cloetens

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

Alberta Star Development Corp.

Condensed Interim Statements of Earnings (Loss) and Comprehensive Earnings (Loss) (Unaudited)

(Expressed in Canadian dollars)

	Notes	For the three month period ended 31 May 2014 $	For the three month period ended 31 May 2013 $	For the six month period ended 31 May 2014 $	For the six month period ended 31 May 2013 $
CONTINUING OPERATIONS					
General and administrative expenses	18	161,498	230,785	252,143	360,011
Loss before other items		(161,498)	(230,785)	(252,143)	(360,011)
Other items					
Interest income		17,458	21,808	36,980	41,457
Gain on short term investments	6	-	-	388,408	-
Loss on revaluation of share purchase warrants	6	(56,810)	-	(56,810)	-
Rent recovery	16	-	1,500	-	3,000
Unrealized foreign exchange gain (loss)		(34,884)	7,954	33,384	66,419
Net earnings (loss) from continuing operations		(235,734)	(199,523)	149,819	(249,135)
DISCONTINUED OPERATIONS					
Net earnings (loss) from discontinued operations	17	-	1,141,220	-	1,001,286
Other comprehensive loss					
Unrealized loss on short term investments	6	(91,000)	-	(91,000)	-
Net earnings (loss) and comprehensive earnings (loss) for the period		(326,734)	941,697	58,819	752,151
Basic earnings (loss) per share					
From continuing operations	13	(0.011)	(0.01)	0.007	(0.01)
From discontinued operations	13	-	0.054	-	0.045
Comprehensive earnings (loss) per share	13	(0.015)	0.044	0.003	0.035
Diluted earnings (loss) per share					
From continuing operations	13	(0.011)	(0.01)	0.007	(0.01)
From discontinued operations	13	-	0.054	-	0.045
Comprehensive earnings (loss) per share	13	(0.015)	0.044	0.003	0.035

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

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

	Notes	Six month period ended 31 May 2014 $	31 May 2013 $
OPERATING ACTIVITIES			
Earnings (loss) for the period from continuing operations		**149,819**	(249,135)
Adjustments for:			
Accrued interest income		**(32,963)**	(23,089)
Gain on short term investments	6	**(388,408)**	-
Loss on revaluation of share purchase warrants	6	**56,810**	-
Depreciation	8	**539**	3,625
Share-based payments	12, 16 & 18	**8,763**	-
Operating cash flows before movements in working capital			
(Increase) decrease in trade and other receivables		**(4,153)**	-
Decrease (increase) in prepaid expenses		**(6,573)**	(12,839)
Decrease in trade and other payables		**(13,150)**	(14,013)
Cash used in operating activities from continuing operations		**(229,316)**	(295,451)
INVESTING ACTIVITIES			
Exploration and evaluation expenditures	7	**(21,366)**	(16,347)
Purchase of available-for-sale investments	6	**(585,000)**	-
Purchase of shares to be returned to treasury	11.3	**(31,870)**	(6,328)
Cash used in investing activities from continuing operations		**(638,236)**	(22,675)
Decrease in cash and cash equivalents from continuing operations		**(867,552)**	(318,126)
Increase in cash and cash equivalents from discontinued operations	17	**-**	1,993,332
Cash and cash equivalents, beginning of period		**6,700,938**	6,997,109
Cash and cash equivalents, end of period		**5,833,386**	8,672,315

Supplemental cash flow information (Note 19)

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

Alberta Star Development Corp.

Condensed Interim Statements of Changes in Equity

(Unaudited)
(Expressed in Canadian dollars)

	Notes	Number of shares	Common shares $	Contributed surplus $	Investment revaluation reserve $	Deficit $	Total $
Balances, 1 December 2012 (audited)		21,403,979	47,573,745	13,728,064	-	(54,734,902)	6,566,907
Common shares returned to treasury		(26,500)	(60,884)	-	-	54,556	(6,328)
Net earnings for the period		-	-	-	-	752,151	752,151
Balances, 31 May 2013		21,377,479	47,512,861	13,728,064	-	(53,928,195)	7,312,730
Common shares returned to treasury	11.3	(263,500)	(583,687)	-	-	542,461	(41,226)
Special cash distribution	11.4	-	(1,760,758)	-	-	-	(1,760,758)
Options exercised	11.2	675,000	203,842	(69,967)	-	-	133,875
Share-based payments	12	-	-	57,760	-	-	57,760
Net earnings for the period		-	-	-	-	(79,082)	(79,082)
Balances, 30 November 2013 (audited)		21,788,979	45,372,258	13,715,857	-	(53,464,816)	5,623,299
Common shares returned to treasury	11.3	(177,500)	(369,608)	-	-	337,738	(31,870)
Share-based payments	12	-	-	8,763	-	-	8,763
Unrealized loss on short term investments		-	-	-	(91,000)	-	(91,000)
Net earnings for the period		-	-	-	-	149,819	149,819
Balances, 31 May 2014		**21,611,479**	**45,002,650**	**13,724,620**	**(91,000)**	**(52,977,259)**	**5,659,011**

The accompanying notes are an integral part of these condensed interim 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 17).

On 24 June 2014, the Company received shareholder approval of its proposed change of business to a tier 2 investment company listed on the Exchange and anticipates changing its name to Elysee Capital Corp., to be effected in due course. Completion of the change of business remains subject to final TSXV acceptance.

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 condensed financial statements as at 31 May 2014 and for the six month period 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 had net and comprehensive earnings of $58,819 for the six month period ended 31 May 2014 (31 May 2013 - net and comprehensive earnings of $752,151) and has working capital of $5,585,892 as at 31 May 2014 (30 November 2013 - $5,600,849).

The Company had cash and cash equivalents of $5,833,386 at 31 May 2014 (30 November 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. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The condensed financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. BASIS OF PREPARATION

The condensed financial statements of the Company for the six month period ended 31 May 2014 were approved and authorized for issue by the Board of Directors on 21 July 2014.

2.1 Basis of presentation

The Company's condensed 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 15, and are presented in Canadian dollars except where otherwise indicated.

2.2 Statement of compliance

The condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34, "*Interim Financial Reporting*" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's annual financial statements for the year ended 30 November 2013.

2.3 Changes in accounting policies

As of 1 December 2013, the Company adopted the following IFRS standards and amendments:

- IFRS 7 *'Financial Instruments: Disclosures'* is effective for annual periods beginning on or after 1 January 2013 that provides additional disclosures related to offsetting financial assets and financial liabilities.

- IFRS 11 *'Joint Arrangements'* is a new standard effective for annual periods beginning on or after 1 January 2013 that replaces IAS 31 and Standing Interpretations Committee Standards ("SIC") 13.

- IFRS 13 *'Fair Value Measurement'* is a new standard effective for annual periods beginning on or after 1 January 2013 that replaces fair value measurement guidance in other IFRSs.

- IAS 1 (Amendment) *'Presentation of Financial Statements'* includes amendments regarding presentation of items of other comprehensive income and clarification of the requirements for comparative information, respectively.

- IAS 19 (Amendment), *'Employee Benefits'*, revises recognition and measurement of post-employment benefits.

- IFRIC 20 *'Stripping Costs in the Production Phase of a Surface Mine'* is effective for annual periods beginning on or after 1 January 2013 and provides guidance on the recognition and measurement of stripping costs associated with surface mining operations.

The adoption of the above standards did not have a significant impact on the Company's condensed interim financial statements.

2.4 Adoption of new and revised standards and interpretations

At the date of authorization of these condensed interim financial statements, the IASB and IFRIC have issued the following new and revised standards, amendments and interpretations which are not yet effective during the six month period ended 31 May 2014.

- IFRS 9 *'Financial Instruments: Classification and Measurement'* is a new financial instruments standard effective for annual periods beginning on or after 1 January 2015 that replaces IAS 39 and IFRIC 9 for classification and measurement of financial assets and financial liabilities.

- IAS 32 (Amendment) *'Financial Instruments: Presentation'* is effective for annual periods beginning on or after 1 January 2014 and revises certain aspects of the requirements on offsetting.

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. CASH AND CASH EQUIVALENTS

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

	As at 31 May 2014 **$**	As at 30 November 2013 (Audited) $
Denominated in Canadian dollars	**4,205,289**	5,104,715
Denominated in U.S. dollars	**1,628,097**	1,596,223
Total cash and cash equivalents	**5,833,386**	6,700,938

(Expressed in Canadian dollars)

4. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables arise from Goods and Services Tax ("GST") receivable due from the government taxation authorities, interest receivable and other receivables from related parties. These are as follows:

	As at 31 May 2014 $	As at 30 November 2013 (Audited) $
GST receivable	**7,668**	3,186
Trade receivables	**-**	327
Interest receivable	**32,963**	-
Total trade and other receivables	**40,631**	3,513

5. PREPAID EXPENSES

The Company's prepaid expenses are as follows:

	As at 31 May 2014 $	As at 30 November 2013 (Audited) $
Insurance	**17,301**	11,830
Other	**1,200**	98
Total prepaid expenses	**18,501**	11,928

(Expressed in Canadian dollars)

6. SHORT TERM INVESTMENTS

The Company's available-for-sale investments and share purchase warrants are as follows:

	As at 31 May 2014		As at 30 November 2013	
	Cost **$**	**Fair Value** **$**	Cost (Audited) $	Fair Value (Audited) $
TerraX Minerals Inc. 1,300,000 shares	326,592	624,000	-	-
TerraX Minerals Inc. 650,000 warrants Expiring 28 February 2016	258,408	201,598	-	-
Total short term investments	**585,000**	**825,598**	**-**	**-**

On 24 February 2014, the Company entered into an agreement (the "Option 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 (the "Central Canada Gold Property") in Ontario (the "Option") and subscribed for 1,300,000 units of TerraX (the "Units") at $0.45 per Unit for gross proceeds of $585,000 (the "Private Placement"). 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 28 February 2014, the Company recognized a gain of $388,408 upon initial valuation of 1,300,000 TerraX shares at the fair value of $715,000 (Note 19). On 31 May 2014 the Company recognized an unrealized loss of $91,000 on the fair value of the shares and a revaluation loss of $56,810 on the fair value of the warrants.

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION PROPERTIES

The Company's exploration and evaluation properties expenditures for the six month period ended 31 May 2014 are as follows:

	Central Canada Gold Property $	Contact Lake Property $	Glacier Lake Property $	Longtom Property $	Total $
ACQUISITION COSTS					
Balance, 30 November 2013 (audited)	-	-	-	-	-
Additions	10,000	-	-	-	10,000
Balance, 31 May 2014	**10,000**	**-**	**-**	**-**	**10,000**
EXPLORATION AND EVALUATION COSTS					
Balance, 30 November 2013 (audited)	-	10,120	6,227	893	17,240
Claim maintenance and permitting	-	5,139	6,227	-	11,366
Camp removal	-	-	29,841	-	29,841
Balance, 31 May 2014	**-**	**15,259**	**42,295**	**893**	**58,447**
Total costs	**10,000**	**15,259**	**42,295**	**893**	**68,447**

(Expressed in Canadian dollars)

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 $	Longtom Property $	Total $
ACQUISITION COSTS					
Balance, 30 November 2012 (audited)	-	-	-	-	-
Balance, 30 November 2013 (audited)	-	-	-	-	-
EXPLORATION AND EVALUATION COSTS					
Balance, 30 November 2012 (audited)	-	-	-	-	-
Claim maintenance and permitting	-	10,120	6,227	893	17,240
Balance, 30 November 2013 (audited)	-	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, totaling 1,801.82 hectares ("ha") (4,450.50 acres) located five miles 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, totaling 10,563.78 ha (26,103.57 acres). 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, totaling 2,520.78 ha (6,228.85 acres) (the "Glacier Lake Mineral Claims") located one mile 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.

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, totaling 1,789.22 ha (4,421.24 acres) (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, totaling 106.53 ha (263.13 acres) (the "Eldorado Uranium Mineral Claims") located at Port Radium on Great Bear Lake, NT, for a cash payment of $20,000 (paid).

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 (423 miles) north of Yellowknife, NT, totaling 6,305.51 ha (15,581.20 acres).

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 ten miles south of the Eldorado uranium mine on the east side of Great Bear Lake, NT and 680 km (423 miles) 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, 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 totaling 6,913.35 ha (17,082.89 acres).

Longtom Property – Longtom Lake, Northwest Territories

The Company holds a 50% undivided interest subject to a 2% NSR, totaling 355.34 ha (878.05 acres), 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 has the right to acquire the remaining 50% interest in the Longtom Property (the "Longtom Option") for $315,000 payable either in cash or 50% ($157,500) in cash and 50% in common shares of the Company. The deemed price of the Company's shares issued on the exercise of the Longtom Option would be the average TSX Venture Exchange (the "Exchange") closing market price of its common shares on the five trading days immediately preceding and the five trading days immediately following the date that the option is exercised. The Company is compelled to exercise the Longtom Option: 1) within 90 days from the date it has incurred $5,000,000 in exploration expenditures on the Longtom Property; or 2) at the date the Company advises the optionor in writing that it will complete the Longtom Option to purchase the remaining 50% interest in the Longtom Property.

The Company has the right to enter into joint venture or option agreements related to the Longtom Property with third parties prior to the exercise of the Longtom Option.

In 2003, the Company entered into a Letter of Intent (the "Letter of Intent") with Fronteer Development Group Inc. ("Fronteer"). On 26 October 2006, Fronteer earned its 75% interest in the Longtom Property by paying the Company $15,000 cash (received) and spending an aggregate of $500,000 (incurred) on exploration expenditures over three years.

(Expressed in Canadian dollars)

Central Canada Gold Property – Ontario

The Central Canada Gold Property consists of seven claims totaling 24 claim units (~3.8 km^2) 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 (Note 21).

8. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment as at 31 May 2014 are as follows:

	Cost $	Accumulated depreciation $	Net book value $
Computer equipment	5,300	4,995	305
Furniture and fixtures	25,706	21,339	4,367
Total	**31,006**	**26,334**	**4,672**

(Expressed in Canadian dollars)

The changes in the Company's property, plant and equipment for the six month period ended 31 May 2014 and year ended 30 November 2013 are as follows:

	Petroleum and natural gas properties $	Computer equipment $	Equipment $	Furniture and fixtures $	Total $
COST					
Balance, as at 30 November 2012 (audited)	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 17)	(5,351,302)	(55,449)	(58,720)	-	(5,465,471)
Balance, as at 30 November 2013 (audited)	-	5,300	-	25,706	31,006
As at 31 May 2014	**-**	**5,300**	**-**	**25,706**	**31,006**

(Expressed in Canadian dollars)

	Petroleum and natural gas properties $	Computer equipment $	Equipment $	Furniture and fixtures $	Total $
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Balance, as at 30 November 2012 (audited)	3,855,080	49,965	44,713	19,641	3,969,399
Depletion and depreciation (Note 17)	163,738	2,465	2,115	1,213	169,531
Dispositions (Note 17)	(4,018,818)	(47,488)	(46,828)	-	(4,113,134)
Balance, as at 30 November 2013 (audited)	-	4,942	-	20,854	25,796
Depletion and depreciation	-	53	-	485	538
As at 31 May 2014	**-**	**4,995**	**-**	**21,339**	**26,334**
NET BOOK VALUES					
At 30 November 2013 (audited)	-	358	-	4,852	5,210
At 31 May 2014	**-**	**305**	**-**	**4,367**	**4,672**

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 and 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 covert 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 18 November 2010, the Company entered into a participation agreement with Sahara Energy Ltd. ("Sahara Energy"), whereby the Company agreed to a 50% participation interest with Sahara Energy in the joint lands. The Company had to pay 50% of the cost to drill, complete and equip or abandon the test wells to earn a 50% working interest in the test well spacing unit and joint lands subject to reserving unto Sahara Energy a 15% overriding royalty payable by the Company on all petroleum and natural gas substances produced therefrom until payout. After payout, Sahara Energy would have the option to either convert to a 25% working interest (being 50% of Sahara Energy's pre-farmout 50% working interest) in the test well spacing unit and joint lands or remain in a gross overriding royalty position. On 28 December 2011, this participation agreement was terminated.

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.

(Expressed in Canadian dollars)

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. 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 17).

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 16 and 17).

9. TRADE AND OTHER PAYABLES

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

	As at 31 May 2014 $	As at 30 November 2013 (Audited) $
Trade payables	**64,008**	25,313
Accrued liabilities	**1,068,216**	1,090,217
Total trade and other payables	**1,132,224**	1,115,530

Included in the cost of trade and other payables as at 31 May 2014 is a general provision of $1,065,717 (30 November 2013 - $1,065,717) related to potential amendments associated with the Company's flow-through transactions (Notes 19 and 21).

Included in trade and other payables at 31 May 2014 is $Nil (30 November 2013 - $20,000) payable to the former VP of Corporate Development of the Company. The amount was unsecured, non-interest bearing and was paid in January 2014 (Note 16.2).

(Expressed in Canadian dollars)

10. DECOMMISSIONING LIABILITIES

The total decommissioning liabilities was 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 31 May 2014 and 30 November 2013 is $Nil and $Nil, respectively.

An accretion expense component of $5,488 has been charged to operations, included in finance costs, to reflect an increase in the carrying amount of the decommissioning liabilities for the year ended 30 November 2013.

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

11. SHARE CAPITAL

11.1 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 31 May 2014, the Company had 21,611,479 common shares outstanding (30 November 2013 - 21,788,979) and no preferred shares outstanding (30 November 2013 - Nil).

On 11 March 2010, the Company consolidated its share capital based on a one new common share without par value for every five existing common shares without par value basis. All common shares and per share amounts have been restated to give retroactive effect to the share consolidation.

11.2 Shares issuances and repurchases

During the six month period ended 31 May 2014, no options (30 November 2013 – 675,000) were exercised for proceeds of $Nil (30 November 2013 - $133,875) (Note 11.6).

In addition, 177,500 (30 November 2013 – 290,000) shares were repurchased at a cost of $31,870 (30 November 2013 - $47,554) and were returned to capital pursuant to the Normal Course Issuer Bid (the “Bid”) (Note 11.3).

11.3 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 six month period ended 31 May 2014, the Company purchased 177,500 (30 November 2013 – 290,000) common shares at a total cost of $31,870 (30 November 2013 - $47,554) (Note 11.2). The difference between the share repurchase price and the original share issuance of $337,738 (30 November 2013 - $597,017) has been included in equity. As at 31 May 2014, 467,500 (30 November 2013 – 290,000) common shares have been returned to treasury and have been cancelled.

(Expressed in Canadian dollars)

11.4 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.

11.5 Share purchase warrants

There were no share purchase warrants outstanding for the period ended 31 May 2014 and the year ended 30 November 2013.

11.6 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 six month period ended 31 May 2014 and the year ended 30 November 2013:

	Six month period ended 31 May 2014		Year ended 30 November 2013 (Audited)	
	Number of options	**Weighted average exercise price $**	Number of options	Weighted average exercise price $
Outstanding, beginning of period	1,845,000	0.27	2,025,000	0.36
Granted	-	-	1,025,000	0.20
Exercised (Note 11.2)	-	-	(675,000)	0.20
Expired	(50,000)	0.25	(450,000)	0.48
Cancelled	-	-	(80,000)	1.00
Outstanding, end of period	**1,795,000**	**0.28**	1,845,000	0.27

(Expressed in Canadian dollars)

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 fair value of the options granted and vested during the year ended 30 November 2013 was estimated at $0.065 per option at the grant date using the Black-Scholes Option Pricing Model. The weighted average assumptions used for the calculation were:

	For the six month period ended 31 May 2014	For the year ended 30 November 2013 (Audited)
Risk free interest rate	-	1.19%
Expected life	-	3.00 years
Expected volatility	-	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 condensed interim financial statements.

The weighted-average assumptions used for the calculation were:

	For the six month period ended 31 May 2014	For the year ended 30 November 2013 (Audited)
Risk free interest rate	-	1.18%
Expected life	-	0.84 year
Expected volatility	-	85.26%
Expected dividend per share	-	-%

(Expressed in Canadian dollars)

The following table summarizes information regarding stock options outstanding and exercisable as at 31 May 2014:

Grant date	Expiry date	Number of options outstanding	Number of options exercisable	Exercise price $	Remaining contractual life (years)
3 July 2009	2 July 2014	170,000	170,000	1.00	0.09
9 January 2012	12 June 2014	75,000	75,000	0.21	0.03
9 January 2012	9 January 2015	150,000	150,000	0.21	0.61
10 July 2012	10 July 2015	75,000	75,000	0.165	1.11
12 October 2012	12 June 2014	100,000	100,000	0.20	0.03
12 October 2012	12 October 2015	200,000	200,000	0.20	1.37
18 July 2013	18 July 2016	1,025,000	1,025,000	0.20	2.13
Total options		**1,795,000**	**1,795,000**		

11.7 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.

12. SHARE-BASED PAYMENTS

Share-based payments for the following options granted by the Company will be amortized over the vesting period, of which $8,763 was recognized in the six month period ended 31 May 2014 (31 May 2013 - $Nil) (Notes 16 and 18):

Grant date	**Fair value $**	**Amount vested during the three-month period ended 31 May 2014 $**	Amount vested during the three-month period ended 31 May 2013 $	**Amount vested during the six-month period ended 31 May 2014 $**	Amount vested during the six-month period ended 31 May 2013 $
18 July 2013	**66,523**	**-**	-	**8,763**	-
Total	**66,523**	**-**	-	**8,763**	-

(Expressed in Canadian dollars)

13. EARNINGS (LOSS) PER SHARE

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

	For the three month period ended 31 May 2014 $	For the three month period ended 31 May 2013 $	**For the six month period ended 31 May 2014 $**	For the six month period ended 31 May 2013 $
Net earnings (loss) for the period from continuing operations	**$ (235,734)**	**$ (199,523)**	$ 149,819	$ (249,135)
Net earnings (loss) for the period from discontinued operations (Note 17)	**$ -**	**$ 1,141,220**	$ -	$ 1,001,286
Net comprehensive earnings (loss) for the period	**$ (326,734)**	**$ 941,697**	$ 58,819	$ 752,151
Weighted average number of shares – basic	**21,635,691**	**21,403,979**	21,675,154	21,403,979
Weighted average number of shares – diluted	**21,643,105**	**21,403,979**	21,682,568	21,403,979

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 period. 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. 75,000 stock options were dilutive for the period ended 31 May 2014 (29 February 2013 – Nil).

14. 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.

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

(Expressed in Canadian dollars)

Company's approach to capital management during the six month period ended 31 May 2014. The Company is not subject to externally imposed capital requirements.

15. FINANCIAL INSTRUMENTS

15.1 Categories of financial instruments

	As at 31 May 2014 $	As at 30 November 2013 (Audited) $
FINANCIAL ASSETS		
FVTPL, at fair value		
Cash and cash equivalents	**5,833,386**	6,700,938
Short term investments - warrants	**201,598**	-
Loans and receivables, at amortized cost		
Trade and other receivables	**32,963**	327
Available-for-sale, at fair value		
Short term investments - shares	**624,000**	-
Total financial assets	**6,691,947**	6,701,265
FINANCIAL LIABILITIES		
Other liabilities, at amortized cost		
Trade payables	**64,008**	25,313
Total financial liabilities	**64,008**	25,313

15.2 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.

(Expressed in Canadian dollars)

- 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 31 May 2014, the Company does not have any Level 3 financial instruments.

As at 31 May 2014	Level 1 $	Level 2 $	Total $
Financial assets at fair value			
Cash and cash equivalents	**5,833,386**	**-**	**5,833,386**
Short term investments - Shares	**624,000**	**-**	**624,000**
Short term investments - Warrants	**-**	**201,598**	**201,598**
Total financial assets at fair value	**6,457,386**	**201,598**	**6,658,984**

As at 30 November 2013 (audited)	Level 1 $	Level 2 $	Total $
Financial assets at fair value			
Cash and cash equivalents	6,700,938	-	6,700,938
Short term investments - Shares	-	-	-
Short term investments - Warrants	-	-	-
Total financial assets at fair value	6,700,938	-	6,700,938

There were no transfers between Level 1 and 2 in the six month period ended 31 May 2014.

15.3 Management of financial risks

The financial risk arising from the Company's operations are 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 31 May 2014, trade receivables were comprised of GST receivable of $7,668 (30 November 2013 - $3,186), trade receivable of $Nil (30 November 2013 - $327) and interest receivable of $32,963 (30 November 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. As the Company's financial instruments are substantially comprised of cash and cash equivalents, 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 $21,000 for the six month period ended 31 May 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 3). 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.

16. RELATED PARTY TRANSACTIONS

There were no transactions with Arctic Hunter during the six month period ended 31 May 2014. For the six month period ended 31 May 2013, the Company had related party transactions with Arctic Hunter, a company related by way of officers and directors in common for rent recovery.

16.1 Related party expenses

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

	For the three month period ended 31 May 2014 $	For the three month period ended 31 May 2013 $	**For the six month period ended 31 May 2014 $**	For the six month period ended 31 May 2013 $
Rent expense	**1,500**	-	**2,500**	-
Rent recovery	**-**	(1,500)	**-**	(3,000)
Total related party expenses (recovery)	**1,500**	(1,500)	**2,500**	(3,000)

(Expressed in Canadian dollars)

16.2 Due to related parties

The liabilities of the Company include the following amounts due to related parties:

As at:	31 May 2014 $	30 November 2013 (Audited) $
Former VP of Corporate Development	-	20,000
Total amount due to related parties (Note 9)	**-**	20,000

The amount due to related parties was unsecured, non-interest bearing and was paid in January 2014.

16.3 Key management personnel compensation

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

	For the three month period ended 31 May 2014 $	For the three month period ended 31 May 2013 $	For the six month period ended 31 May 2014 $	For the six month period ended 31 May 2013 $
Short-term benefits	**54,000**	81,500	108,000	163,000
Share-based payments (Notes 12 and 18)	**-**	-	8,763	-
Total key management personnel compensation	**54,000**	81,500	116,763	163,000

16.4 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 8 and 17).

During the three month period ended 28 February 2014, the Company entered into an Option Agreement with 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 Central Canada Gold Property in Ontario (Note 7). The Company also subscribed for 1,300,000 Units of TerraX 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 (Note 6).

17. 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 8).

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 8).

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 8 and 16).

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.

(Expressed in Canadian dollars)

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.

	For the three month period ended 31 May 2014 $	For the three month period ended 31 May 2013 $	**For the six month period ended 31 May 2014 $**	For the six month period ended 31 May 2013 $
Petroleum revenue	**-**	-	**-**	267,535
Petroleum royalties	**-**	(3,408)	**-**	(52,132)
Petroleum production and transportation	**-**	27,460	**-**	(162,568)
Depletion and depreciation (Note 8)	**-**	-	**-**	(162,688)
Finance costs (Note 10)	**-**	-	**-**	(6,029)
Net earnings (loss) for the period	**-**	24,052	**-**	(115,882)
Gain on disposition of assets held for sale	**-**	1,117,168	**-**	1,117,168
Net earnings (loss) from discontinued operations	**-**	1,141,220	**-**	1,001,286

Net cash inflows from operating activities	-	199,892
Net cash inflows (outflows) from investing activities	-	1,793,440
Net cash inflows from discontinued operations	-	1,993,332

(Expressed in Canadian dollars)

18. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three month period ended 31 May 2014 $	For the three month period ended 31 May 2013 $	**For the six month period ended 31 May 2014 $**	For the six month period ended 31 May 2013 $
Advertising and promotion	**2,850**	3,341	4,700	3,341
Depreciation (Note 8)	**269**	1,812	539	3,625
Bank charges and interest	**659**	379	1,546	626
Consulting fees	**-**	11,121	-	11,121
Directors fees (Note 16)	**9,000**	12,000	18,000	24,000
Filing fees	**27,465**	30,332	35,119	31,686
Legal and accounting (Note 16)	**75,632**	82,107	94,961	108,279
Management fees (Note 16)	**30,000**	30,000	60,000	60,000
Meals and entertainment	**240**	3,028	320	6,155
Office and miscellaneous	**11,168**	8,384	19,433	16,339
Rent and utilities	**2,164**	13,684	3,956	27,139
Salaries and benefits (Note 16)	**-**	26,271	-	50,918
Share-based payments (Notes 12 and 16)	**-**	-	8,763	-
Telephone and internet	**356**	1,229	854	2,696
Travel	**1,695**	7,097	3,952	14,086
Total	**161,498**	230,785	252,143	360,011

19. SUPPLEMENTAL CASH FLOW INFORMATION

The Company has recorded a general provision of $1,065,717 related to prior flow-through transactions. However, there is no certainty that additional amounts related to the Company's prior flow-through transactions may not be assessed or deemed payable (Notes 9 and 21).

On 28 February 2014, the Company recognized a gain of $388,408 upon initial valuation of 1,300,000 TerraX shares at the fair value of $715,000 (Note 6).

19.1 Cash payments for interest and taxes

The Company made no cash payments for interest or income taxes during the six month periods ended 31 May 2014 and 2013.

(Expressed in Canadian dollars)

20. SEGMENTED INFORMATION

The Company's business activity is acquiring and exploring mineral and petroleum and natural gas properties. At 31 May 2014, the Company operates in three geographical areas, being British Columbia, Ontario and the Northwest Territories. Discontinued operations consist of operations related to petroleum and natural gas properties in Alberta/Saskatchewan (Note 17). The following is an analysis of the revenues, net loss, current assets and non-current assets by reportable segment:

	British Columbia	Northwest Territories	Ontario	Discontinued Operations	Total
Petroleum revenue, net of royalties					
For the period ended 31 May 2014	**-**	**-**	**-**	**-**	**-**
For the period ended 31 May 2013	-	-	-	215,403	215,403
Net comprehensive earnings (loss)					
For the period ended 31 May 2014	**58,819**	**-**	**-**	**-**	**58,819**
For the period ended 31 May 2013	(249,135)	-	-	1,001,286	752,151
Current assets					
As at 31 May 2014	**6,718,116**	**-**	**-**	**-**	**6,718,116**
As at 30 November 2013 (audited)	6,716,379	-	-	-	6,716,379
Exploration and evaluation properties					
As at 31 May 2014	**-**	**58,447**	**10,000**	**-**	**68,447**
As at 30 November 2013 (audited)	-	17,240	-	-	17,240
Property, plant and equipment					
As at 31 May 2014	**4,672**	**-**	**-**	**-**	**4,672**
As at 30 November 2013 (audited)	5,210	-	-	-	5,210

21. COMMITMENTS AND OTHER OBLIGATIONS

The Company has certain obligations related to the amendments of its flow-through filings (Note 9).

The Company has certain obligations related to its exploration and evaluation properties (Note 7).

The Company has recorded a general provision of $1,065,717 related to prior flow-through transactions. However, there is no certainty that additional amounts related to the Company's prior flow-through transactions will not be assessed or deemed payable (Notes 9 and 19).

22. EVENTS AFTER THE REPORTING PERIOD

The following events occurred subsequent to 31 May 2014:

i. For the period from 1 June 2014 to 21 July 2014, the Company repurchased 100,000 shares of the Company, which have not yet been cancelled (Note 11.3).

ii. On 12 June 2014, 75,000 options to purchase shares at $0.21 and 100,000 options to purchase shares at $0.20 expired.

iii. On 2 July 2014, 170,000 options to purchase shares at $1.00 expired.