United Hunter Oil & Gas Corp.

Financial Statements
(expressed in US dollars)
December 31, 2013 and 2012

Collins Barrow
Chartered Accountants

Collins Barrow Toronto LLP
Collins Barrow Place
11 King Street West
Suite 700, Box 27
Toronto, Ontario
M5H 4C7 Canada

T. 416.480.0160
F. 416.480.2646

www.collinsbarrow.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of United Hunter Oil & Gas Corp.

We have audited the accompanying financial statements of United Hunter Oil & Gas Corp., which comprise the statements of financial position as at December 31, 2013, December 31, 2012 and January 1, 2012 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2013 and December 31, 2012 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of United Hunter Oil & Gas Corp. as at December 31, 2013, December 31, 2012 and January 1, 2012 and its financial performance and its cash flows for the years ended December 31, 2013 and December 31, 2012 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
April 28, 2014
Toronto, Ontario

United Hunter Oil & Gas Corp.
Statements of Financial Position
(expressed in US dollars)

	Notes	As at December 31, 2013 $	As at December 31, 2012 $ (note 16)	As at January 1, 2012 $ (note 16)
Assets				
Current				
Cash		22,488	103,366	371,599
Receivables		10,548	30,495	90,621
Prepaid expenses		20,649	43,845	145,015
		53,685	177,706	607,235
Investment in Excelaron	5	4,628,193	4,632,489	4,671,778
Investment in Alamo	6	29,765	38,651	56,860
Property, plant and equipment	7	-	230,972	717,879
		4,711,643	5,079,818	6,053,752
Liabilities				
Current				
Accounts payable and accrued liabilities		116,431	262,052	260,028
Due to joint venture partner		-	-	25,507
Loans payable	8	170,854	-	-
Consideration payable	9	800,000	800,000	800,000
		1,087,285	1,062,052	1,085,535
Decommissioning liabilities		-	53,919	52,749
		1,087,285	1,115,971	1,138,284
Shareholders' equity				
Share capital	10	7,923,357	7,923,357	7,519,574
Warrants	10	-	-	403,783
Contributed surplus		2,182,315	2,136,458	1,959,250
Deficit		(6,481,314)	(6,095,967)	(4,967,139)
		3,624,358	3,963,848	4,915,468
		4,711,643	5,079,818	6,053,752
Going-concern	2			

Approved by the Board:

Tim Turner **Director**   Jeff Ratcliffe **Director**

United Hunter Oil & Gas Corp.
Statements of Loss and Comprehensive Loss
(expressed in US dollars)

	Notes	Years ended December 31, 2013 $	2012 $ (note 16)
Revenues			
Oil sales	13	94,377	729,463
Royalties		1,888	14,590
Net revenues		92,489	714,873
Foreign exchange gain		3,897	5,058
Interest income		-	331
		96,386	720,262
Expenses			
Operating and transportation		42,185	198,554
Depletion	7	44,400	528,943
Impairment losses	7	-	24,807
Professional fees		52,527	104,965
Salaries and benefits		95,869	387,154
Consulting fees		46,453	61,049
Share-based compensation	10	45,857	177,208
Premises		-	210
General and administrative		27,504	72,094
Public company costs		17,320	33,693
Investor relations		377	7,506
Travel		4,224	38,241
Interest		6,527	-
Other loss		-	10,262
Loss on sale of property, plant and equipment	7	32,130	-
Equity loss on Excelaron	5	39,662	192,791
Equity loss on Alamo	6	26,698	11,616
		481,733	1,849,094
Net loss and comprehensive loss		(385,347)	(1,128,832)
Basic and diluted loss per share		-	(0.01)
Weighted average number of shares outstanding - basic and not diluted		120,302,722	120,302,722

United Hunter Oil & Gas Corp.
Statements of Changes in Equity
(expressed in US dollars)

	Share capital $	Warrants $	Contributed surplus $	Deficit $ (note 16)	Total $
Balance, December 31, 2012 (note 16)	7,923,357	-	2,136,458	(6,095,967)	3,963,848
Share-based compensation	-	-	45,857	-	45,857
Loss	-	-	-	(385,347)	(385,347)
Balance, December 31, 2013	7,923,357	-	2,182,315	(6,481,314)	3,624,358
Balance, December 31, 2011 (note 16)	7,519,574	403,783	1,959,250	(4,967,135)	4,915,472
Share-based compensation	-	-	177,208	-	177,208
Warrants expired	403,783	(403,783)	-	-	-
Loss	-	-	-	(1,128,832)	(1,128,832)
Balance, December 31, 2012 (note 16)	7,923,357	-	2,136,458	(6,095,967)	3,963,848

United Hunter Oil & Gas Corp.
Statements of Cash Flows
(expressed in US dollars)

	Notes	Years ended December 31, 2013 $	2012 $
Cash flow from operating activities			
Loss		(385,347)	(1,128,832)
Items not affecting cash			
Depletion		44,400	528,943
Impairment loss	7	-	24,807
Share-based compensation		45,857	177,208
Interest not paid		6,527	-
Equity loss on Excelaron	5	39,662	192,791
Equity loss on Alamo	6	26,698	11,616
Loss on sale of property, plant and equipment		32,130	-
Other loss		-	10,262
Changes in non-cash working capital			
Accounts receivable		19,947	60,126
Due to joint venture partner		-	(25,507)
Prepaid expenses		23,196	101,170
Accounts payable and accrued liabilities		22,183	(471)
		(124,746)	(47,887)
Cash flow from financing activities			
Loan payable	8	170,854	-
Cash flow from investing activities			
Investment in Excelaron		(35,366)	(153,502)
Investment in Alamo	5	(17,812)	-
Property, plant and equipment	6	(73,808)	(66,844)
		(126,986)	(220,346)
Net change in cash		(80,878)	(268,233)
Cash, beginning of year		103,366	371,599
Cash, end of year		22,488	103,366
Non-cash transaction			
Accounts payable assumed and paid by purchaser of property, plant and equipment	7	171,939	-
Supplementary information			
Interest received		-	331
Interest paid		-	-
Income taxes paid		-	-

United Hunter Oil & Gas Corp.
Notes to Financial Statements
(expressed in US dollars)
December 31, 2013 and 2012

1. Nature of operations

United Hunter Oil & Gas Corp. (the "Company") is a public company engaged in the exploration and development of oil and gas properties. On January 1, 2012, the Company amalgamated with its wholly-owned subsidiary United Hydrocarbon Corporation. The Company owns a 65% indirect joint venture interest in Excelaron, LLC ("Excelaron"), an exploration stage company based in San Luis Obispo, California; a 25% joint venture interest in Alamo Creek Oil LLC ("Alamo"), an exploration stage company based in San Luis Obispo, California.

The Company was incorporated under the Business Corporations Act of Ontario on February 22, 2008 and its registered office is located at 181 Bay Street, Suite 1800, Toronto, ON M5J 2T9.

2. Going concern

The financial statements were prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has financed its operations through the issue of equity. At December 31, 2013, the Company had a working capital deficit of $1,033,600 (2012 - $884,346; 2011- $478,300) and for the year ended December 31, 2013, the Company incurred losses of $385,347 (2012 - $1,128,832) and negative cash flows from operations of $124,746 (2012 - $47,887). The working capital deficiency and losses limit the Company's ability to fund operations and the exploration and development of oil and gas properties. In addition, there is uncertainty whether the Company will secure conditional use permits for its planned exploration and development of the Huasna property and in the event the conditional use permits are secured, the Company is committed to make a payment of $800,000. As a result, there is significant doubt about the Company's ability to continue as a going concern.

The continuation of the Company as a going concern is dependent on completing an equity financing and securing conditional use permits for its Huasna property. The Company will work to raise the necessary financing and secure the conditional use permits, but the outcome of these efforts cannot be predicted at this time.

The financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate.

3. Basis of presentation

Statement of compliance
The financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The financial statements were approved and authorized for issue by the Board of Directors on April 28, 2014.

Basis of measurement
These financial statements have been prepared on the historical cost basis.

Functional and presentation currency
These financial statements are presented in US dollars, which is the functional currency of the Company and its joint ventures.

Use of estimates
The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Judgments
The key judgments made in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements are as follows:

Identification of cash generating units
Cash generating units ("CGUs") are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The classification of assets into cash generating units requires significant judgment and interpretations with respect to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality.

Estimates
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

Impairment of investment in joint ventures
The Company assesses the carrying amount of its investment in joint ventures at each reporting date to determine whether there are any indicators that the carrying amount of the investment may be impaired. For the purposes of determining fair value of its investments in joint ventures, management assesses the recoverable amount of each CGU considering estimated recoverable production, commodity or contracted prices, foreign exchange rates, production levels, capital and cash costs. Changes in any of these assumptions or judgments could result in a significant difference between the carrying amount and fair value of these investments.

Estimates of oil and natural gas reserves
Depletion and depreciation as well as the amounts used in impairment calculations are based on estimates of oil reserves. Reserves estimates are based on engineering data, estimated future prices, expected future rates of production and the timing of future capital expenditures, all of which are subject to many uncertainties and interpretations. At least once per year, a reserves estimate is prepared by independent qualified reserves evaluators. The Company expects that, over time, its reserves estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels, and may be affected by changes in commodity prices. See note 7.

Recoverable amounts of CGUs
The recoverable amount of a CGU used in the assessment of impairment of property, plant and equipment and investments in joint ventures is the greater of its value in use ("VIU") and its fair value less costs of disposal ("FVLCTS"). VIU is determined by estimating the present value of the future net cash flows from the continued use of the CGU, and is subject to the risks associated with estimating the value of reserves. FVLCTS refers to the price that would be received to sell the property in an orderly transaction between market participants.

Recoverable amounts of the Company's CGUs were based on their estimated VIU. The key assumptions and estimates of the value of oil reserves are valid at the time of reserves estimation and market assessment and are subject to change as new information becomes available. Changes in international and regional factors including supply and demand of commodities, inventory levels, drilling activity, currency exchange rates, weather, geopolitical and general economic environment factors may result in significant changes to the estimated recoverable amounts of CGUs. See note 7.

Decommissioning liabilities
Decommissioning liabilities are estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years, based on current legal and constructive requirements and technology. The estimated liabilities and actual costs may change significantly due to changes in regulations, technology, timing of the expenditure, and the discount rates used to determine the net present value of the obligations.

Deferred income taxes
Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. See note 14.

Share-based compensation
The Company uses the Black-Scholes option pricing model in determining share-based compensation, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility. Consequently, the actual share-based compensation expense may vary from the amount estimated. See note 10.

4. Significant accounting policies and future accounting changes

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Foreign currencies
Transactions in foreign currencies are translated to US dollars at exchange rates in effect on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to US dollars at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to US dollars at the exchange rate in effect on the date that the fair value was determined. Foreign currency differences arising on translation are recognized in the statement of loss and comprehensive loss.

Financial instruments
Non-derivative financial assets
The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss 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. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

The Company has not classified any financial asset as fair value through profit or loss.

Held-to-maturity financial assets
If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

The Company has not classified any financial asset as held-to-maturity.
Loans and receivables
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.

The Company has classified cash and accounts receivables as loans and receivables.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale assets, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

The Company has not classified any financial asset as available-for-sale.

Non-derivative financial liabilities
The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. 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.

The Company has classified accounts payable and accrued liabilities, due to joint venture partner, loans payable and consideration payable as other financial liabilities.

Derivative financial liabilities
Derivative financial liabilities are recorded at “fair value through profit or loss” and accordingly recorded on the balance sheet date at fair value. Unrealized gains and losses on derivatives held for trading are recorded as part of other gains or losses in earnings. Fair values for derivative instruments are determined using valuation techniques, using assumptions based on market conditions existing at the balance sheet date.

The Company has not classified any financial liability as a derivative liability.

Impairment of non-derivative financial assets
A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Financial assets carried at amortized cost
An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the financial asset is reduced by the amount of the impairment loss and the impairment loss is recognized in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets
An impairment loss in respect of a financial asset classified as available-for-sale is calculated as the difference between the acquisition cost and the current fair value, less any impairment loss recognized previously in profit or loss. The impairment loss is recognized by reclassifying the loss from equity to profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss, except in the case of equity investments where the decrease in impairment loss is recognized in other comprehensive income.

Joint arrangements
A joint arrangement is a contractual arrangement that gives two or more parties joint control over the arrangement. Joint arrangements are classified as joint ventures or joint operations.

Joint ventures
A joint venture is a joint arrangement where the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is considered to exist when all parties to the joint venture are required to reach unanimous consent over decisions about relevant business activities pertaining to the contractual arrangement. Interests in joint ventures are recognized as an investment and accounted for using the equity method of accounting, under which, the Company recognizes its share of the loss of the joint venture against the carrying amount of its investment.

Joint Operations
A joint operation is a joint arrangement where the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, of the arrangement. Interests in joint operations are accounted for by recognizing the party's share of assets, liabilities, revenues, and expenses incurred jointly.

The Company’s investments in Excelaron LLC (“Excelaron”) and Alamo Creek Oil LLC (“Alamo”) are joint ventures which are accounted for using the equity method.

Exploration and evaluation

Recognition and measurement
Pre-license costs are expensed when incurred.

Exploration and evaluation, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalized as exploration and evaluation. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability.

Impairment
Exploration and evaluation are allocated to the related CGU's to assess for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to producing assets (oil interests in property, plant and equipment).

Exploration and evaluation are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation is tested at a well level.

The technical feasibility and commercial viability of extracting an oil and gas resource is considered to be determinable when proved and/or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved and/or probable reserves have been discovered. Upon determination of proved and/or probable reserves, exploration and evaluation attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation to property, plant and equipment and/or intangibles or expensed to the statement of loss and comprehensive loss to the extent of any impairment.

Property, plant and equipment

Recognition and measurement
Property, plant and equipment, including costs incurred to develop oil reserves and maintain or enhance production and directly attributable general and administration costs, are measured at cost less accumulated depletion and accumulated impairment losses.

The gain or loss on disposal of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized in profit or loss.

Subsequent costs
Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in earnings as incurred. Capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing on or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis.

Depletion and depreciation
The net carrying value of development or production assets is depleted on a field by field basis using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually.

Impairment
The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the estimated recoverable amount is calculated. For the purpose of impairment testing, assets are grouped together into CGUs, the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amount of an asset or a CGU is the greater of its VIU and its FVLCTS.

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. VIU is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

When significant parts of an item of property, plant and equipment, including oil interests, have different useful lives, they are accounted for as separate items (components).

An impairment loss is recognized in the statement of loss and comprehensive loss if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

Impairment losses previously recognized are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depletion and depreciation, if no impairment loss had been recognized.

Decommissioning liabilities

The Company’s activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration. Decommissioning obligations are measured at the present value of management’s best estimate of expenditures required to settle the present obligation at the date of the statement of financial position. The fair value of the estimated obligation is recorded as a liability with a corresponding increase in the carrying amount of the related asset. The obligation is subsequently adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion costs whereas increases or decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Revenue and expenses from the sale of oil

Revenue from the sale of oil is recognized based on volume delivered at contractual delivery points and rates.

Expenses associated with the delivery, including operating, transportation and production-based royalties, are recognized in the period that the related revenue is recognized.

Share-based payments

The Company offers a stock option plan for its employees. The fair value of stock options for each vesting period is determined using the Black-Scholes option pricing model and is recorded over the vesting period as an increase to stock-based compensation or asset and contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of stock options, the proceeds received by the Company and the related contributed surplus are recorded as an increase to share capital. In the event that vested stock options expire, previously recognized share-based compensation is not reversed. In the event that stock options are cancelled or forfeited, previously recognized share-based compensation associated with the unvested portion of those stock options is reversed.

The fair value of share-based payment transactions to non-employees and other share-based payments are based on the fair value of the goods and services received. If the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current 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. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred 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 tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred 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 tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic earnings per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise outstanding warrants and stock options. The effect of warrants and stock options was not dilutive at December 31, 2013 and December 31, 2012.

Changes in accounting standards

On January 1, 2013, the Company adopted the following new standards, amendments to standards and interpretations:

- IFRS 10 *Consolidation*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*
- IAS 27 *Separate Financial Statements*
- IAS 28 *Investments in Associates and Joint Ventures*

Other than the adoption of IFRS 11, the adoption of these accounting standards had no impact on these financial statements. See note 16.

New standards and interpretations not yet adopted

The effective date of the following amendment to standards and interpretations is to be determined:

(expressed in US dollars)

IFRS 9, Financial Instruments ("IFRS 9")
IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments - Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is expected to have an effect on the financial statements of the Company. The Company has not determined the extent of the impact of these standards and does not plan to early adopt these new standards.

5. Investment in Excelaron LLC

The Company holds an indirect 65% joint venture interest in Excelaron, which holds a 100% interest in an oil and natural gas property consisting of 260 acres on the western edge of the Huasna Basin, an existing California Department of Oil, Gas and Geothermal Resources designated oilfield within the Meridian Anticline located in Arroyo Grande, California. Huasna is subject to a 5% assignable gross overriding royalty payable on all amounts received directly or indirectly by the Company that can be attributed to the Company's 65% joint venture interest in Excelaron.

The planned exploration and development of Huasna requires Excelaron to secure necessary permits from regulatory authorities. On August 21, 2012, the Board of Supervisors of San Luis Obispo County ("County") denied Excelaron's application for conditional use permits ("Notice"). On November 19, 2012, Excelaron filed a petition for writ of mandate, complaint inverse condemnation and damages action ("Complaint") in the Superior Court of the State of California, County of San Luis Obispo ("Superior Court") against the County seeking a writ commanding the County to set aside its decision denying Huasna and either approving or remanding Huasna to the Board of Supervisors for further consideration consistent with the Court's opinion on the merits or to recover just compensation for the value of Huasna, as well as reasonable attorney's fees, expenses, and costs of the suit. As required by County Code and Code of Civil Procedure, Excelaron filed the Complaint within 90 days of the Notice and served the Complaint within 60 days of filing. On January 25, 2013, the County filed a general demurrer to all causes of action in the Complaint, claiming that it was barred by statute of limitations imposed by Government Code, which required the action to be filed and served within 90 days of the Notice.

On March 18, 2013, the Superior Court dismissed the Complaint and on April 8, 2013, the Company filed an Appeal of the dismissal. On November 7, 2013, Excelaron filed an Opening Brief setting out its arguments and on March 19, 2014, the County filed a response. Subsequent to the County's filing a Respondent's Brief, Excelaron, as Petitioner, on April 7, 2014, filed with the Court an Appellant's Reply Brief in this matter.

	$
Balance, January 1, 2012	4,671,778
Investments	153,502
Equity loss	(192,791)
Balance, December 31, 2012	4,632,489
Investment	35,366
Equity loss	(39,662)
Balance, December 31, 2013	4,628,193

The carrying value of this investment is dependent upon the ability of Excelaron to secure the necessary permits for the planned exploration and development of Huasna.

(expressed in US dollars)

Summarized financial information

Statements of financial position

	December 31, 2013 $	December 31, 2012 $	January 1, 2012 $
Assets			
Current			
Cash	5,253	47,437	32,125
Accounts receivable	3,210	1,411	1,210
	8,463	48,647	33,335
Exploration and evaluation	1,759,303	1,759,303	1,759,303
Property, plant and equipment	818	818	819
	1,768,584	1,808,769	1,793,457
Liabilities			
Current			
Accounts payable and accrued liabilities	82,776	88,352	131,438
Members' equity			
Share capital	4,162,486	4,136,076	3,780,992
Deficit	(2,476,678)	(2,415,659)	(1,377,333)
	1,685,808	1,720,417	1,080,312
	1,768,584	1,808,769	1,793,457

Statements of loss and comprehensive loss

	Years ended December 31, 2013 $	2012 $
Expenses		
Professional fees	45,312	71,316
General and administrative	7,567	8,858
Investor relations	–	31,891
Permitting	8,138	157,716
	61,017	269,781
Net loss and comprehensive loss	(61,017)	(269,781)

6. Investment in Alamo Creek Oil LLC

The Company owns a 25% joint venture interest in Alamo Creek Oil LLC ("Alamo") which has leased 4,068 acres ("Porter Ranch") adjacent to the Santa Maria Basin, which is south east of the Company's Huasna property. Effective June 30, 2012, the Company declined to pay its share of a cash call and its joint venture interest in Alamo was reduced from 45% to 25%.

	$
Balance, January 1, 2012	56,860
Equity loss	(11,616)
Other	(6,593)
Balance, December 31, 2012	38,651
Investment	17,812
Equity loss	(26,698)
Balance, December 31, 2013	29,765

(expressed in US dollars)

Summarized financial information

Statements of financial position

	December 31, 2013 $	December 31, 2012 $	January 1, 2012 $
Assets			
Current			
Cash	9,107	32,487	47,747
Liabilities			
Current			
Accounts payable and accrued liabilities	52,925	21,157	3,463
Members' equity			
Share capital	318,962	267,316	159,600
Deficit	(362,780)	(255,987)	(115,315)
	(43,818)	11,329	44,285
	9,107	32,487	47,747

Statements of loss and comprehensive loss

	Years ended December 31, 2013 $	2012 $
Expenses		
Professional fees	17,612	–
General and administrative	2,019	24,176
Leases	87,162	94,206
	106,793	118,382
Net loss and comprehensive loss	(106,793)	(118,382)

7. Property, plant and equipment

Cost

	$
Balance, January 1, 2012	1,663,851
Additions	66,844
Balance, December 31, 2012	1,730,695
Additions	73,808
Disposition	(1,804,503)
Balance, December 31, 2013	–

Accumulated depletion and impairment losses

	$
Balance, January 1, 2012	945,973
Depletion	528,943
Impairment losses	24,807
Balance, December 31, 2012	1,499,723
Depletion	44,400
Disposition	(1,544,123)
Balance, December 31, 2013	–

Carrying amount

	$
January 1, 2012	717,879
December 31, 2012	230,972
December 31, 2013	–

Atlee Buffalo
The Company owned a 95% working interest in a portion of the Alberta Mannville G oil field ("Atlee Buffalo") subject to gross overriding royalties of 2% payable to a company controlled by a director and officer of the Company and to a former director and officer of the Company.

On April 26, 2013, the Company disposed of its interest in Atlee Buffalo, including the associated decommissioning liability of $53,311, to a company controlled by a former director of the Company for C$171,939, which was settled by the purchaser's assumption and payment of C$171,939 of outstanding accounts payable of the Company.

Impairment losses
During the year ended December 31, 2013, the Company recorded no impairment losses. For the year ended December 31, 2012, the Company recorded impairment losses of $24,807 based upon VIU using reserve estimates from its independent qualified reserve evaluators, a discount rate of 10% and the following estimated oil prices:

Year	$ per bbl
2013	65.01
2014	66.44
2015	68.58
2016	70.01
2017	71.44

At December 31, 2012, if the discount rate had been 5% higher or lower, the impairment losses recognized would have been revised as follows:

	$
Reduction of impairment loss using 5% discount rate	8,238
Additional impairment using 15% discount rate	8,566

8. Loans payable

Loans payable of $170,854 include the following amount denominated in Canadian dollars:

	Principal C$	Accrued interest C$	Total C$
6% unsecured promissory note due to a trust related to a shareholder of the Company on December 31, 2013	100,000	2,762	102,762
10% unsecured promissory note due on the earlier of demand and June 14, 2014	50,000	2,781	52,781
10% unsecured promissory note due on the earlier of demand and July 12, 2014	25,000	1,178	26,178
	175,000	6,721	181,721

The Company is currently renegotiating the terms of the loan that was due on December 31, 2013.

(expressed in US dollars)

9. Consideration payable

The Company is committed to pay $800,000 when Excelaron secures its permits for its planned operations on its oil and gas properties. In the event that Excelaron does not secure such permits or the Company does not pay the $800,000, the Company's 65% joint venture interest in Excelaron will be reduced to a 40% joint venture interest.

10. Share capital

Authorized
An unlimited number of common shares.
Unlimited number of preference shares, issuable in series.

Outstanding

	Share capital Number of common shares	Amount $
Balance, January 1, 2012	120,302,722	7,519,574
Fair value of expired warrants	–	403,783
Balance, December 31, 2012 and December 31, 2013	120,302,722	7,923,357

Warrants
A summary of the Company's warrants is presented below:

	Number of warrants	Weighted-average exercise price C$	$
Balance, January 1, 2012	33,525,000	0.38	403,783
Expired	(33,525,000)	0.38	(403,783)
Balance, December 31, 2012 and December 31, 2013	–	–	–

Stock options
Under its stock option plan, the Company may grant options to its employees to acquire up to 10% of the issued and outstanding common shares at the time of the grant. As at December 31, 2013, there were 12,030,272 common shares available for issuance under the stock option plan.

A summary of the Company's stock options is presented below:

	Number of options	Weighted-average exercise price C$
Balance, January 1, 2012	10,375,000	0.15
Granted	350,000	0.10
Expired	(1,000,000)	0.15
Cancelled	(750,000)	0.15
Balance, December 31, 2012	8,975,000	0.15
Granted	1,050,000	0.10
Cancelled	(4,650,000)	0.15
Balance, December 31, 2013	5,375,000	0.14

(expressed in US dollars)

A summary of the Company's outstanding stock options at December 31, 2013 is presented below:

Exercise price	Expiry date	Options outstanding	Options exercisable
C$0.15	May 12, 2015	1,700,000	1,700,000
C$0.15	July 20, 2015	1,000,000	1,000,000
C$0.15	August 31, 2015	75,000	75,000
C$0.15	January 18, 2016	650,000	650,000
C$0.15	May 5, 2016	200,000	200,000
C$0.15	September 19, 2016	350,000	350,000
C$0.10	September 4, 2017	350,000	233,333
C$0.10	May 30, 2018	350,000	116,667
C$0.10	November 26, 2018	700,000	233,333
		5,375,000	4,558,333

The weighted average remaining contractual life of outstanding stock options is 2.42 years.

A summary of the stock options granted and the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model is presented below:

	September 4, 2012	May 30, 2013	November 26, 2013
Options granted	350,000	350,000	700,000
Exercise price	C$0.10	C$0.100	C$0.100
Share price	C$0.02	C$0.005	C$0.005
Expiry date	September 4, 2017	May 30, 2018	November 26, 2018
Fair value	$4,000	$500	$1,000
Risk-free interest rate	1.32%	1.48%	1.73%
Expected volatility	100%	100%	100%
Expected life of options	5 years	5 years	5 years
Expected dividend yield	Nil	Nil	Nil
Forfeiture rate	Nil	Nil	Nil
Vesting	1/3 on date of grant and 1/3 each in 2 annual instalments		

Expected volatility was based on historical volatility of securities of comparable companies. The weighted-average grant date fair value of stock options granted during year was $0.001 per stock option (2012 - $0.01). The weighted-average exercise price of stock options exercisable as of December 31, 2013 was C$0.14.

11. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash, accounts receivable, accounts payable and accrued liabilities, due to joint venture partner, loans payable and consideration payable
The fair values of cash, accounts receivable, accounts payable and accrued liabilities, due to joint venture partner, loans payable and consideration payable are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2013, December 31, 2012 and January 1, 2012, the fair value of these balances approximated their carrying value due to their short term to maturity.

Classification of fair value of financial instruments

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

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

12. Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk
Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's cash balances and receivables. The maximum exposure to credit risk is equal to the balances of cash and receivables.

The Company's limits its exposure to credit risk on its cash by holding its cash balances in deposits with a high credit quality Canadian chartered bank.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet is liabilities as they come due. The amounts for accounts payable and accrued liabilities and consideration payable are due in less than one year.

Market risk
Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company's income or the value of its financial instruments.

Currency risk
Currency risk arises from the Company's financial instruments and purchases that are denominated in a currency other than the US dollar, the Company's functional currency. As at December 31, 2013, the Company had the following monetary assets and liabilities denominated in Canadian dollars:

	C$
Assets	
Cash	23,919
Accounts receivable	11,219
	35,168
Liabilities	
Accounts payable and accrued liabilities	123,782
Loans payable	181,721
	(270,366)

(expressed in US dollars)

As at December 31, 2013, a 5% change in the exchange rate between the US dollar and Canadian dollar would have resulted in an impact on operations of $13,518.

Interest rate risk
The Company's exposure to interest rate risk is limited due to the short-term nature of its financial instruments.

Capital management
Capital of the Company consists of share capital, warrants, contributed surplus and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can acquire, explore and develop oil and gas properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.
The Company's principal source of capital is from the issue of common shares. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

13. Revenues

For the year ended December 31, 2013, revenues of $94,377 (2012 - $729,463) were derived from one external customer.

14. Income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the federal and provincial statutory rate of 25% (2012 - 25%) to the loss for the year. The reasons for the difference are as follows:

	2013 **$**	**2012** **$**
Income tax reduction based on statutory rate	(87,664)	(285,536)
Share-based compensation and non-deductible expenses	11,464	44,302
Change in future tax rates and other	(64,769)	(140,745)
Change in valuation allowance	140,969	424,931
	–	–

Deferred income tax liability
A breakdown of the net deferred income tax liability is as follows:

	2013 **$**	**2012** **$**	**2011** **$**
Property, plant and equipment	–	(497,918)	(179,470)
Equity investments	(481,327)	(57,743)	(564,865)
Non-capital losses	1,326,897	1,207,622	1,212,420
Share issue costs	36,518	89,158	141,799
Consideration payable	200,000	200,000	200,000
Benefit of deferred income taxes not recognized	(1,082,088)	(914,119)	(809,844)
	–	–	–

(expressed in US dollars)

Due to losses incurred in the current year with respect to the Company's Canadian operations, and expected future operating results, management has determined that it is probable that the deferred income tax assets will not be realized.

Losses carried forward
At December 31, 2013, the Company had non-capital loss carryforwards of approximately $5,307,588 which expire between 2029 and 2032.

15. Related party transactions

	Years ended December 31, 2013 $	2012 $
Royalties		
Payable to two directors	1,888	14,590
Legal fees		
Paid to a firm, of which, a former director is a partner	23,392	86,931
Salaries		
Paid to a person related to a director for administration services	–	21,017
Office		
Paid to a company controlled by an officer for office services	–	4,616

Additional related party transactions are disclosed in note 7.

Compensation of key management personnel
The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	Years ended December 31, 2013 $	2012 $
Salaries	142,556	347,585
Share-based payments, representing amortization of share-based compensation	34,338	132,259
	176,894	479,844

At December 31, 2013, salaries of $36,000 have not been paid.

16. Legal Contingencies

In the normal course of operations, certain contingencies may arise relating to legal actions undertaken against the Company. In the opinion of management, the outcome of such potential legal actions will not have a material adverse effect on the Company's results of operations, liquidity or its financial position.

17. Transition to IFRS 11

Effective January 1, 2013, the Company adopted IFRS11 *Joint Arrangements* ("IFRS11") which replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers.* The most significant result from the adoption is the change in the method of accounting for the Company's investments in Excelaron and Alamo. Under the previous standards, Excelaron and Alamo were treated as joint ventures and were proportionately consolidated whereas under IFRS11 the Company is required to account for the investment using the equity method of accounting. In accordance with the transition requirements, the initial equity investment is measured as the aggregate of the carrying amount of the assets and liabilities that the Company had previously proportionately consolidated as at the beginning of the immediately preceding period, January 1, 2012.

(expressed in US dollars)

Reconciliation of the Company's statements of financial position and statements of comprehensive loss have been provided to reflect the new standards and amendments. The following reconciliations have been provided:

(i) Reconciliation of statements of financial position as at December 31, 2012 and January 1, 2012.
(ii) Reconciliation of statements of loss and comprehensive loss for the year ended December 31, 2012.

Reconciliation of Statement of Financial Position at December 31, 2012

	Reported $	Effect of transition to IFRS 11 $	Adjusted $
Assets			
Current			
Cash	142,322	(38,956)	103,366
Accounts receivable	31,281	(786)	30,495
Prepaid expenses	43,845	–	43,845
	217,448	(39,742)	177,706
Investment in Excelaron	–	4,632,489	4,632,489
Investment in Alamo	–	38,651	38,651
Exploration and evaluation	4,727,088	(4,727,088)	–
Property, plant and equipment	230,972	–	230,972
	5,175,508	(95,690)	5,079,818
Liabilities			
Current			
Accounts payable and accrued liabilities	324,770	(62,718)	262,052
Consideration payable	800,000	–	800,000
	1,124,770	(62,718)	1,062,052
Decommissioning liabilities	53,918	–	53,919
	1,178,689	(62,718)	1,115,971
Shareholders' equity			
Share capital	7,923,357	–	7,923,357
Contributed surplus	2,136,458	–	2,136,458
Deficit	(6,062,995)	(32,972)	(6,095,967)
	3,996,820	(32,972)	3,963,848
	5,175,508	(29,746)	5,079,818

(expressed in US dollars)

Reconciliation of Statement of Financial Position at January 1, 2012

	Reported $	Effect of transition to IFRS 11 $	Adjusted $
Assets			
Current			
Cash	413,967	(42,367)	371,599
Accounts receivable	118,587	(27,966)	90,621
Prepaid expenses	145,015	–	145,015
	677,569	(70,334)	607,235
Investment in Excelaron LLC	–	4,671,778	4,671,778
Investment in Alamo Creek Oil LLC	–	56,860	56,860
Exploration and evaluation	4,745,297	(4,745,297)	–
Property, plant and equipment	717,879	–	717,879
	6,140,745	(86,993)	6,053,752
Liabilities			
Current			
Accounts payable and accrued liabilities	347,021	(86,993)	260,028
Due to joint venture partner	25,507	–	25,507
Consideration payable	800,000	–	800,000
	1,172,528	(86,993)	1,085,535
Decommissioning liabilities	52,749	–	52,749
	1,225,277	(86,993)	1,138,284
Shareholders' equity			
Share capital	7,519,574	–	7,519,574
Warrants	403,783	–	403,783
Contributed surplus	1,959,250	–	1,959,250
Deficit	(4,967,139)	–	(4,967,139)
	4,915,468	–	4,915,468
	6,140,745	(86,993)	6,053,752

(expressed in US dollars)

Reconciliation of Statement of Loss and Comprehensive Loss for the year ended December 31, 2012

	Reported $	Effect of transition to IFRS 11 $	Adjusted $
Revenues			
Oil sales	729,464	–	729,463
Royalties	14,590	–	14,590
Net revenues	714,874	–	714,873
Foreign exchange gain	5,058	–	5,058
Interest income	348	(17)	331
	720,280	(17)	720,262
Expenses			
Operating and transportation	198,554	–	198,554
Depletion	528,943	–	528,943
Impairment losses	24,807	–	24,807
Professional fees	169,420	(64,455)	104,965
Salaries	387,154	–	387,154
Consulting fees	61,049	–	61,049
Stock-based compensation	177,208	–	177,208
Premises	2,550	(2,340)	210
General and administrative	82,084	(9,990)	72,094
Public company costs	33,693	–	33,693
Investor relations	29,698	(22,192)	7,506
Travel	38,241	–	38,241
Permitting	105,447	(105,447)	–
Gain on reduction in joint venture interest	(32,972)	32,972	–
Other loss	10,262	–	10,262
Equity loss in Excelaron	–	192,791	192,791
Equity loss in Alamo	–	11,616	11,616
	1,816,138	32,955	1,849,038
Net loss and comprehensive loss	(1,095,860)	32,972	(1,128,832)

18. Subsequent event

On March 6, 2014, the Company received proceeds of a loan of $30,000. The loan is unsecured, bears interest at the rate of 10% and is due on March 6, 2015. On March 10, 2014, the Company received proceeds of $30,000 from a promissory note at 6% per annum payable on demand, unsecured.