International Frontier Resources Corporation

Interim Condensed Consolidated Financial Statements

For The Three and Nine Month Periods Ended September 30, 2013 and 2012

Contents

International Frontier Resources Corporation

Condensed Consolidated Interim consolidated financial statements

For the three and nine month periods ended September 30, 2013 and 2012
(Unaudited)

National Instrument 51-102 Notice

The condensed interim financial statements of International Frontier Resources Corporation ("the Company") for the three and nine month periods ended September 30, 2013 and 2012 have been compiled by management.

These financial statements have not been reviewed or audited on behalf of the shareholders by the Company's independent external auditors.

International Frontier Resources Corporation
Condensed Balance Sheets

	September 30, 2013 (unaudited)	December 31, 2012 (audited)
Assets		
Current		
Cash and cash equivalents (Note 13)	**$ 3,032,475**	$ 3,456,380
Receivables	**97,790**	83,095
Prepaids	**128,490**	14,045
Current portion of restricted cash on deposit	**-**	-
	3,258,755	3,553,520
Exploration and evaluation (Note 5)	**9,491,495**	9,374,950
Property and equipment (Note 6)	**991,890**	1,101,270
Deposits	**254,440**	253,175
	$ 13,996,580	$ 14,282,915
Liabilities		
Current		
Payables and accruals	**$ 330,340**	$ 523,700
Current portion of decommissioning liabilities (Note 7)	**3,740**	11,640
	334,080	535,340
Decommissioning liabilities (Note 7)	**973,785**	959,965
	1,307,865	1,495,305
Shareholders' Equity		
Share capital	**42,064,435**	42,064,435
Contributed surplus	**10,956,715**	10,956,715
Deficit	**(40,332,435)**	(40,233,540)
	12,688,715	12,787,610
	$ 13,996,580	$ 14,282,915

Commitments and contingencies (Note 12)
Subsequent events (Note 15)

On behalf of the Board

(Signed) "Wm. Patrick Boswell" Director **(Signed) "Margaret Souleles"** Director

See accompanying notes to the financial statements.

International Frontier Resources Corporation

Condensed Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

	Three Months ended September 30, 2013	2012	Nine Months Ended September 30, 2013	2012
Revenue				
Oil	**$ 309,830**	$ 202,930	**$ 775,660**	$ 741,525
Less: royalties	**(74,305)**	(47,180)	**(183,620)**	(179,065)
	235,525	155,750	**592,040**	562,460
Interest income	**5,510**	3,220	**18,605**	17,790
	241,035	158,970	**610,645**	580,250
Expenses				
Field operating costs	**116,225**	119,835	**299,220**	335,960
Foreign exchange (gain) loss	**21,350**	38,055	**(30,660)**	29,945
General and administration	**84,950**	98,485	**303,715**	321,020
Accretion (Note 7)	**5,425**	3,570	**13,825**	11,310
Depletion and depreciation (Note 6)	**42,110**	35,780	**123,440**	134,610
	270,060	295,725	**709,540**	832,845
Net loss and comprehensive loss	**$ (29,025)**	$ (136,755)	$ **(98,895)**	$ (252,595)

Net loss per share (Note 10)				
Basic and diluted	**$ (0.00)**	$ (0.002)	**$ (0.002)**	$ (0.004)

See accompanying notes to the interim financial statements.

International Frontier Resources Corporation

Condensed Consolidated Statements of Changes in Equity

(Unaudited)

As at:	September30, 2013		December 31, 2012		September 30, 2012	
	Number	Amount	Number	Amount	Number	Amount
Common shares						
Share capital, end of period	**59 ,578,965**	**$ 42,064,435**	59,578,965	$42,064,435	59,578,965	$42,064,435
Contributed surplus						
Balance, beginning of period	**-**	**$ 10,956,715**	-	$10,956,715	-	$10,956,715
Stock-based compensation expense	**-**	**-**	-	-	-	-
Contributed surplus, end of period	**-**	**$ 10,956,715**	-	$10,956,715	-	$10,956,715
Deficit						
Balance beginning of period	**-**	**$ 40,233,540**	-	$39,658,100	-	$39,658,100
Net loss for the period	**-**	**98,895**	-	575,440	-	252,595
Deficit end of period	**59,578,965**	**$ 40,332,435**	59,578,965	$40,233,540	59,578,965	$39,910,,965

See accompanying notes to the interim consolidated financial statements (unaudited).

International Frontier Resources Corporation

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Three Months ended September 30, 2013	2012	Nine Months Ended September 30, 2013	2012
Operating				
Net loss	**$ (29,025)**	$ (136,755)	**$ (98,895)**	$ (252,595)
Non cash items:				
Depletion and depreciation	**42,110**	35,780	**123,440**	134,610
Accretion	**5,425**	3,570	**13,825**	11,310
Decommissioning liabilities settled	**(6,545)**	(5,815)	**(7,905)**	(8,450)
	11,965	(103,220)	**30,465**	(115,125)
Change in non-cash operating working capital (Note 13)	**(13,785)**	43,835	**(183,695)**	(72,610)
	(1,820)	(59,385)	**(153,230)**	(187,735)
Investing				
Additions to exploration and assets	**(30,430)**	(54,840)	**(116,545)**	(104,725)
Additions to property and equipment	**(2,500)**	(1,945)	**(14,060)**	(81,920)
Restricted cash on deposit	**-**	-	**-**	374,305
Change in non-cash investing working capital (Note 13)	**-**	(11,940)	**(140,070)**	(484,425)
	(32,930)	(68,695)	**(270,675)**	(296,765)
Net increase (decrease) in cash and cash equivalents	**(34,750)**	(128,080)	**(423,905)**	(484,500)
Cash and cash equivalents (Note 13)				
Beginning of period	**3,067,225**	3,681,510	**3,456,380**	4,037,930
End of period	**$ 3,032,475**	$ 3,553,430	**$ 3,032,475**	$ 3,553,430

See accompanying notes to the interim financial statements.

1. Nature of operations

The Company is engaged in the exploration for and development of oil and natural gas reserves. These activities are conducted in the Central Mackenzie Valley ("CMV"), Northwest Territories, Canada, south east Alberta, Canada, and north-west Montana in the United States. These financial statements are denoted in Canadian dollars.

The financial statements include the accounts of the Company and its 50% jointly controlled interest in Sidox Chemicals Canada Ltd. ("Sidox") accounted for using the equity method of accounting.

2. Basis of preparation and statement of compliance

The condensed interim financial statements have been prepared by management and reported in Canadian dollars in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited Financial Statements at December 31, 2012.

The timely preparation of the condensed interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenue and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the condensed interim `financial statements.

These condensed interim financial statements were approved and signed by the Chief Executive Officer and the Chief Financial Officer on November 21, 2013 having been duly authorized to do so by the Board of Directors.

3. Summary of significant accounting policies

These unaudited interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements for the year ended December 31, 2012 except as identified in Note 4.

The preparation of unaudited interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Further information on the Company's significant accounting policies, future changes in accounting policies and estimates can be found in the notes to the audited financial statements for the year ended December 31, 2012.

4. Changes in accounting policies

Effective January 1, 2013 the Company has adopted the following new IFRS standards and amendments.

i) Presentation of Financial Statements

The Company has applied the amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1"). The amendments require items within OCI to be grouped into two categories: (1) items that will not be subsequently reclassified to profit or loss or (2) items that may be subsequently reclassified to profit or loss when specific conditions are met. The application of the amendment to IAS 1 did not result in any adjustments to other comprehensive income or comprehensive income.

ii) Offsetting Financial Assets and Financial Liabilities

The amendments to IFRS 7 "Financial Instruments: Disclosures" develop common disclosure requirements for financial assets and financial liabilities that are offset in the financial statements, or that are subject to enforceable master netting arrangements or similar agreements. The adoption of these amendments does not have any impact to the Company's financial statements, other than increasing the level of annual disclosures.

iii) Reporting Entity

- IFRS 10, “Consolidated Financial Statements”, replaces the consolidation requirements in SIC-12, “Consolidation – Special Purpose Entities” and a portion of IAS 27. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess. The retrospective application of this standard does not have any impact on the Company's financial statements.
- IFRS 11, “Joint Arrangements”, focuses on the rights and obligations of the joint arrangement, rather than its legal form and requires joint arrangements to be classified either as joint operations or joint ventures. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. To account for interest in its jointly controlled entity Sidox Chemicals Canada Ltd., the equity method is used. The retrospective application of this standard does not have any impact on the Company's financial statements.
- IFRS 12, “Disclosure of Interest in Other Entities”, is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structure entities and other off balance sheet interests. The retrospective application of this standard does not have any impact on the Company's financial statements.

iv) Fair Value Measurements

IFRS 13, “Fair Value Measurement”, provides a consistent definition of fair value, establishes a single framework for determining fair value and introduces requirements for disclosures related to fair value measurement. The measurement of the fair value is based on assumptions that market participants would use when pricing the asset or liability under current market conditions including assumptions about risks. The prospective adoption of this standard does not have any impact on the Company's financial statements, other than increasing the level of disclosures provided in Note 14, Financial Instruments.

v) F) Future Accounting Pronouncements

In May 2013, the IASB released an amendment to IAS 36, “Impairment of Assets”. This amendment requires entities to disclose the recoverable amount of an impaired Cash Generating Unit (“CGU”). The amendment is effective January 1, 2014. Early adoption is permitted.

5. Exploration and evaluation assets

As at September 30, 2013 exploration and evaluation assets consist of total costs incurred less impairments in the the Central Mackenzie Valley ("CMV"), Northwest Territories, Canada of $6,756,875 (December 31, 2012 - $6,664,000), costs incurred in Southern Alberta, Canada of $62,975 (December 31, 2012 - $62,100) and costs incurred in north-west Montana, USA of $2,671,645 (December 31, 2012 - $2,648,850).

Cost	Canada	USA	Total
Balance at December 31, 2012	$ 22,815,655	$ 2,648,850	$ 25,464,505
Additions	93,515	23,030	116,545
Balance at September 30, 2013	**$ 22,909,170**	**$ 2,671,880**	**$ 25,581,050**

Accumulated Impairment	Canada	USA	Total
Balance, as at December 31, 2012	$ (16,089,555)	$ -	$ (16,089,555)
Additions	-	-	-
Balance at September 30, 2013	**$ (16,089,555)**	**$ -**	**$ (16,089,555)**

Carrying Value			
Balance at December 31, 2012	$ 6,726,100	$ 2,648,850	$ 9,374,950
Balance at September 30, 2013	**$ 6,819,615**	**$ 2,671,880**	**$ 9,491,495**

At September 30, 2013 the Company booked an impairment charge of $Nil (December 31, 2012 - $Nil) with respect to its exploration and evaluation assets in the Northwest Territories, Canada, Southern Alberta, Canada and north-west Montana, USA.

6. Property, plant and equipment

Cost	Petroleum and natural gas properties	Office furniture and equipment	Carrying Amount
Balance at December 31, 2012	$ 3,863,925	$ 84,980	$ 3,948,905
Additions	14,060	-	14,060
Change in decommissioning liability	-	-	-
Balance at September 30, 2013	**$ 3,877,985**	**$ 84,980**	**$ 3,962,965**

Depletion and depreciation			
Balance at December 31, 2012	$ (2,769,600)	$ (78,035)	$ (2,847,635)
Depletion and depreciation	(122,340)	(1,100)	(123,440)
Balance at September 30, 2013	**$ (2,891,940)**	**$ (79,135)**	**$ (2,971,075)**

Carrying Value			
Balance at December 31, 2012	$ 1,094,325	$ 6,945	$ 1,101,270
Balance at September 30, 2013	**$ 986,045**	**$ 5,845**	**$ 991,890**

6. Property, plant and equipment (continued)

As at September 30, 2013 $Nil (December 31, 2012 - $Nil) impairment of petroleum and natural gas assets in Canada and the USA has been recorded as part of depletion to reflect the excess carrying amount of assets over fair value of future reserves.

7. Decommissioning Liabilities

The total future decommissioning liabilities result from the Company's net ownership interest in wells and facilities. Management estimates the total undiscounted amount of future cash flows required to reclaim and abandon wells and facilities as at September 30, 2013 is $940,000 (December 31, 2012 - $940,000) with abandonment dates ranging from 1 to 8 years (December 31, 2012 – 1 to 8 years). The liability was determined using an average risk-free rate of 2.19% (December 31, 2012 – 1.58%) and an inflation rate of 2% (December 31, 2012 – 2%).

The Company's decommissioning liabilities changed as follows:

	September 30, 2013	December31, 2012
Balance, beginning of period	$ **971,605**	$ 891,595
Adjustments for abandonment dates and estimated costs	**-**	77,055
Liabilities settled	**(7,905)**	(12,075)
Accretion expense	**13,825**	15,030
Balance, end of period	**$ 977,525**	$ 971,605
Current portion	**(3,740)**	(11,640)
Long term portion	**$ 973,785**	$ 959,965

8. Share Capital

a) Authorized:
Unlimited common shares
Unlimited preferred shares

b) Stock options
The Company has a stock option plan available to consultants, officers, directors, and employees of the Company to be granted options of up to 10 percent of the issued and outstanding common shares of the Company. The exercise price of each option approximates the market price for the common shares on the date the option was granted. As at September 30, 2013 5,181,500 common shares were reserved for issuance under the plan. Options granted under the plan vest upon granting and have a term of five years to expiry.

8. Share Capital (continued)

Outstanding and exercisable

	September 30, 2013 Number of Options		September 30, 2013 Weighted Average Exercise Price	December 31, 2012 Number of Options		December 31, 2012 Weighted Average Exercise Price
Balance, beginning of period	**5,531,500**	**$**	**0.10**	5,531,500	$	0.15
Granted	**-**	**$**	**-**	-	$	-
Expired	-	**$**	**-**	(350,000)	$	0.82
Exercised	**-**	**$**	**-**	-	$	-
Balance, end of period	**5,181,500**	**$**	**0.10**	5,181,500	$	0.10

Exercise Price	Options Outstanding: Options Outstanding	Options Outstanding: Weighted Average Contractual Life (years)	Options Outstanding: Weighted Average Exercise Price	Options Exercisable: Options Exercisable	Options Exercisable: Weighted Average Exercisable Price
$0.10	4,881, 500	1.70	$ 0.10	4,881,500	$ 0.10
$0.13	300,000	4.34	$ 0.13	300,000	$ 0.13
	5,181,500	1.78	$ 0.10	5,181,500	$ 0.10

9. Capital Disclosures

In the management of capital, the Company includes certain working capital balances in the definition of capital. Management reviews its capital requirements on an ongoing basis and believes that its approach, given the relative size of the Company, is reasonable. As at September 30, 2013 the Company's capital as defined above was as follows:

		September 30, 2013		December 31, 2012
Working capital balances included:				
Cash and cash equivalents	**$**	**3,032,475**	$	3,456,380
Payables and accruals		**(330,340)**		(523,700)
Current portion of asset retirement obligations		**(3,740)**		(11,640)
	$	**2,698,395**	$	2,921,040

The Company is in the business of oil and gas exploration in Canada and the United States. Management determines the Company's capital structure and makes adjustments to it based on funds available to the Company in order to support the acquisition, exploration and development of oil and gas properties. The Board of Directors has not established quantitative return on capital criteria for capital management but rather relies upon the expertise of the management team to sustain the future development of the business.

The majority of the properties in which the Company currently has an interest are in the exploration stage and do not generate any revenue. The Company does earn revenue from properties owned in Alberta. The Company therefore is dependent upon partnerships with industry and external financing to fund the majority of its future exploration programs. The Company will spend existing working capital and will seek additional financing as needed. The

9. Capital Disclosures (continued)

Company will continue to assess new properties and to seek to acquire an interest in additional properties if management feels there is sufficient geologic or economic potential.

Historically, the Company has relied on proceeds from the sale of its common shares to fund its operations. In order to accelerate the Company's current exploration programs the Company may require additional capital. The timing, pace, scope and amount of the Company's capital expenditures is largely dependent on the operators' capital expenditure programs and the availability of capital to the Company.

The Company may obtain funds for future capital investments from strategic alliances with other energy or financial partners, the issuance of additional Common Shares, preferred shares or debt securities, project financing, sale of property interests, or other arrangements, all of which may dilute the interest of the Company's existing shareholders. In the current economic environment there can be no assurances that the Company can raise capital through the sale of its shares.

10. Per share

	Three Months ended September 30, 2013	2012	Nine Months Ended September 30, 2013	2012
Net loss	**$ (29,025)**	$ (136,755)	**$ (98,895)**	$ (115,840)
Weighted average number of shares	**59,578,965**	59,578,965	**59,578,965**	59,578,965
Basic and diluted loss per share	**$ (0.00)**	$ (0.002)	**$ (0.002)**	$ (0.004)

In calculating diluted common share amounts for the period ended September 30, 2013 the Company excluded 5,181,500 (September 30, 2012 – 5,181,500) options because the exercise price was greater than the average market price of its common shares during the year.

11. Related party transactions

In the third quarter the Company paid compensation to key executives as follows:

	Nine Months Ended September 30, 2013	2012
Executive officers – salaries	**$ 69,820**	$ 69,820
Executive officers and directors –consulting fees	**93,750**	93,750
Royalty incentive program	**30,320**	29,060
	$ 193,890	$ 192,630

11. Related party transactions (continued)

At September 30, 2013 $12,220 (December 31, 2012 – $10,440) of the above amounts were included in payables and accruals.

During 2013 the Company paid professional geological and geophysical consulting fees of $20,475 (December 31, 2012 – $Nil) to a Company in which a director of the company is affiliated. These amounts have been capitalized to Exploration and evaluation assets and Property and equipment on the Company's Balance Sheet.

The above transactions were incurred in the normal course of operations of the Company and have been recorded at the exchange amounts that were established and agreed upon by the related parties.

12. Commitments and contingencies

a) The Company is party to an agreement to lease its premises until October 31, 2016. The annual rent of premises consists of a minimum rent plus occupancy costs. total rent payable for premises until the end of the lease is:

2013	$ 4,550
2014	$ 29,460
2015	$ 30,525
2016	$ 25,440

b) The Company has established a Royalty Incentive Agreement for officers who are also Directors and consultants. Under the plan, the compensation committee issues units and pays royalties on an annual basis to employees, consultants and directors. The units entitle the holder to receive an annual payment based on 2% of the Company's annual gross oil and gas production revenue, net of transportation and processing fees from licenses and lands owned by the Company. Under the terms of the agreement, once the Company has recovered payout of 100% of its cumulative annual capital expenditures from licenses and lands owned by the Company, the payment to employees, consultants and directors is based on 4% of the Company's annual production revenue less transportation and processing fees. At September 30, 2013 payout of 100% of cumulative annual capital expenditures had been reached on the Alderson property as a result costs of $30,320 (2012 - $29,060) was booked with respect to this plan.

13. Supplemental cash flow information

Changes in non-cash working capital items increase (decrease) cash as follows:

	Three Months ended September 30,		Nine Months Ended September 30,	
	2013	2012	**2013**	2012
Receivables	**$ (5,385)**	$ 9,450	**$ (14,695)**	$ 47,245
Prepaids	**(35,835)**	54,250	**(115,710)**	(42,555)
Payables and accruals	**27,435**	(31,805)	**(193,360)**	(561,725)
	$ (13,785)	$ 31,895	**$ (323,765)**	$ (557,035)
Operating activities	**$ (13,785)**	$ 43,835	**$ (183,695)**	$ (72,610)
Investing activities	**-**	(11,940)	**(140,070)**	(484,425)
	$ (13,785)	$ 31,895	**$ (323,765)**	$ (557,035)
Interest paid	**$ -**	$ -	**$ -**	$ -

Cash and cash equivalents are comprised of:

Cash on hand	**$ 1,027,475**	$ 132,465	**$ 1,027,475**	$ 132,465
Cash held in trust	**2,005,000**	2,273,965	**2,005,000**	2,273,965
Short term investments (bearing interest rates ranging from 1.0% - 1.15%)	**-**	1,147,000	**-**	1,147,000
	$ 3,032,475	$ 3,553,430	**$ 3,032,475**	$ 3,553,430

14. Financial Instruments

The Company is exposed to financial risk in a range of financial instruments including cash and cash equivalents, restricted cash, trade accounts receivable, and trade accounts payable. The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are discussed below:

a) Credit risk
Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. A portion of the Company's financial assets at the balance sheet date arise from crude oil sales. Industry standard dictates that commodity sales are settled on the 25th day of the month following the month of production.

At September 30, 2013 substantially all of the accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. The Company markets its oil through one marketer the increased risk arising from exposure to one entity is mitigated by the fact that oil production is not a significant part of the Company's business at this time as the Company is engaged primarily in the exploration for and development of petroleum and natural gas reserves.

14. Financial Instruments (continued)

The following table presents the aging of the Company's accounts receivable at September 30, 2013:

Total receivables:	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
$ 97,790	$ 94,585	$ 3,205	$ -	$ -

The maximum exposure to credit risk is represented by the carrying amount on the balance sheet of all the financial assets. There are no material financial assets that are past due. During the third quarter of 2013 there was no allowance for doubtful accounts recorded as all amounts outstanding at September 30, 2013 are deemed collectible.

Should the Company determine that the ultimate collection of a receivable is in doubt, it will provide the necessary provision in its allowance for doubtful accounts with a corresponding charge to earnings. If the Company subsequently determines an account is uncollectible, the account is written off with a corresponding charge to the allowance account. At September 30, 2013 the Company's allowance for doubtful accounts balance was $Nil (2012 – $Nil).

b) Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate cash flow risk to the extent the changes in market interest rates will impact the Company's interest rate price risk with respect to funds invested in short term marketable securities. As at September 30, 2013 the Company did not have any financial assets based on variable interest rates and as such the Company has no specific interest rate risk at year end. The Company does not use interest rate hedges or fixed interest rate contracts to manage the Company's exposure to interest rate.

c) Foreign currency risk

The Company is exposed to risks arising from fluctuations in foreign currency exchange rates, primarily between Canadian and U.S. dollars. The Company does not utilize any foreign currency based derivatives. In order to manage this risk and to defer the realization of any resulting currency loss from converting Canadian dollars to US dollars, the Company retains cash balances in both US and Canadian dollars.

The Company regularly analyzes foreign currency risk between Canadian dollars and US dollars by calculating the effect of percent changes in the foreign currency exchange rates against period end cash, cash equivalents. For example, applying a 1% plus or minus change in the period end conversion rate (0.972) of Canadian to US dollars against the Company's Canadian denominated cash, cash equivalents $938,290 at September 30, 2013 would have affected the value of such balances by approximately $44,070. At September 30, 2013 substantially all of the Company's business operations are conducted in either US dollars or Canadian dollars and there are no significant outstanding foreign currency accounts receivable or accounts payable balances.

14. Financial Instruments (continued)

d) Liquidity Risk

Liquidity risk includes the risk that:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements including, amounts projected to complete budgeted capital expenditures are continuously monitored and adjusted as input variables change. These variables include, but are not limited to, opening cash and cash equivalents balance, available bank lines, oil and natural gas production from existing wells, results from new wells drilled, commodity prices, and cost overruns on capital projects and changes to government regulations relating to prices, taxes, royalties, land tenure, allowable production and access to equity markets. As these variables change, liquidity risks may necessitate the need for the Company to conduct equity issues or obtain project debt financing.

e) Fair value of financial instruments

The Company's financial instruments include cash and cash equivalents, trade accounts receivable, restricted cash, deposits and trade accounts payable. The fair values of trade accounts receivable and trade accounts payable approximate their carrying amounts due to their short terms to maturity. The restricted cash balances are equal to their fair values. The Company classifies the fair value of financial instruments at fair value through profit or loss according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

At September 30, 2013 and December 31, 2012 cash and cash equivalents and restricted cash have been classified as Level 1.

14. Financial Instruments (continued)

	September 30, 2013		Fair Value Measurements	
	Carrying Value ($)	Fair Value ($)	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)
Financial assets:				
Loans and receivables				
Receivables	$ 97,790	$ 97,790	$ -	$ 97,790
Deposits	$ 254,440	$ 254,440	$ -	$ 254,440
Held for trading				
Cash and cash equivalents	$ 3,032,475	$ 3,032,475	$ 3,032,475	$ -
	$ 3,384,705	$ 3,384,705	$ 3,032,475	$ 352,230
Financial liabilities				
Measured at amortized costs				
Payables and accruals	$ 330,340	$ 330,340	$ -	$ 330,340
Total financial liabilities	$ 330,340	$ 330,340	$ -	$ 330,340

	December 31, 2012		Fair Value Measurements	
	Carrying Value ($)	Fair Value ($)	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)
Financial assets:				
Loans and receivables				
Receivables	$ 83,095	$ 83,095	$ -	$ 83,095
Deposits	$ 253,175	$ 253,175	$ -	$ 253,175
Held for trading				
Cash and cash equivalents	$ 3,456,380	$ 3,456,380	$ 3,456,380	$ -
	$ 3,792,650	$ 3,792,650	$ 3,456,380	$ 336,270
Financial liabilities				
Measured at amortized costs				
Payables and accruals	$ 523,700	$ 523,700	$ -	$ 523,700
Total financial liabilities	$ 523,700	$ 523,700	$ -	$ 523,700

15. Subsequent events

a) On October 31, 2013 Minister of Indian and Northern Development Canada awarded the Company License 495. The license covers an area of approximately 163,124 acres and has an initial term of five years commencing March 16, 2014 and expiring on March 16, 2019. The Company was awarded the license with a minimum five-year work program of $1.2 million.

The Company lodged a $300,000 work deposit, the work deposit is refundable if $1.2 million of qualified expenditures are incurred.

b) On November 6, 2013 the Company entered into a non-brokered private placement of 4,000,000 Units at a price of $0.065 per Unit for gross proceeds of $260,000. Each Unit consists of one common share of the Company (a "Share") and one common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder thereof to purchase one Share at a price of $0.10 for a period of two years from the date of issuance.

Officers, Directors and related parties are purchasing 100% of the private placement therefore it is considered to be a related party transaction for the purposes of the TSX Venture policy 5.9, however, it is exempt from the minority approval and valuation requirement of such policy. The private placement is subject to approval of the TSX Venture Exchange.

c) On November 6, 2013 the Company granted to a Director of the Company an incentive stock option under the Company's stock option plan to purchase 775,000 common shares at $0.10 per share. The stock options are exercisable for a period of five-years from the date of grant.