International Frontier Resources Corporation

Interim Condensed Consolidated Financial Statements

For The Three and Nine Month Periods Ended September 30, 2014 and 2013

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International Frontier Resources Corporation

Condensed Consolidated Interim consolidated financial statements

For the three and nine month periods ended September 30, 2014 and 2013
(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, 2014 and 2013 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, 2014 (unaudited)	December 31, 2013 (audited)
Assets		
Current		
Cash and cash equivalents (Note 13)	$ **2,727,730**	$ 3,002,520
Receivables	**104,885**	84,010
Prepaids and deposits	**57,390**	29,730
	2,890,005	3,116,260
Restricted cash on deposit	**300,000**	300,000
Exploration and evaluation (Note 5)	**9,594,780**	9,519,730
Property, plant and equipment (Note 6)	**915,065**	1,045,945
Reclamation deposits	**332,760**	255,720
	$ **14,032,610**	$ 14,237,655
Liabilities		
Current		
Payables and accruals	$ **332,580**	$ 366,565
Current portion of decommissioning liabilities (Note 7)	**11,520**	15,150
	344,100	381,715
Decommissioning liabilities (Note 7)	**1,030,915**	1,016,410
	1,375,015	1,398,125
Shareholders' Equity		
Share capital	**42,186,105**	42,186,105
Contributed surplus	**11,247,910**	11,154,155
Deficit	**(40,776,420)**	(40,500,730)
	12,657,595	12,839,530
	$ **14,032,610**	$ 14,237,655

Commitments and contingencies (Note 12)

On behalf of the Board

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

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, 2014	2013	Nine Months Ended September 30, 2014	2012
Revenue				
Oil	**$ 335,070**	$ 309,830	**$ 953,795**	$ 775,660
Less: royalties	**(81,285)**	(74,305)	**(225,855)**	(183,620)
	253,785	235,525	**727,940**	592,040
Interest income	**8,520**	5,510	**26,540**	18,605
	262,305	241,035	**754,480**	610,645
Expenses				
Field operating costs	**86,025**	116,225	**317,010**	299,220
Foreign exchange (gain) loss	**(2,555)**	21,350	**4,775**	(30,660)
General and administration	**167,160**	84,950	**469,280**	303,715
Accretion (Note 7)	**4,510**	5,425	**14,470**	13,825
Depletion and depreciation (Note 6)	**47,340**	42,110	**130,880**	123,440
Stock based compensation	**-**	-	**93,755**	-
	302,480	270,060	**1,030,170**	709,540
Net loss and comprehensive loss	**$ (40,175)**	$ (29,025)	$ **(275,690)**	$ (98,895)

Net loss per share (Note 10)				
Basic and diluted	**$ (0.001)**	$ (0.00)	**$ (0.004)**	$ (0.002)

See accompanying notes to the interim financial statements.

International Frontier Resources Corporation

Condensed Consolidated Statements of Changes in Equity

(Unaudited)

As at:	September 30, 2014		December 31, 2013		September 30, 2013	
	Number	Amount	Number	Amount	Number	Amount
Common shares						
Share capital, beginning of period	**63,578,965**	**$ 42,186,105**	59,578,965	$ 42,064,435	59,578,965	$ 42,064,435
Shares issued in the period	**-**	**-**	4,000,000	260,000	-	-
Value of warrants (Note 10)	**-**	**-**	-	(138,330)	-	-
Share capital, end of period	**63,578,965**	**$ 42,186,105**	63,578,965	$ 42,186,105	59,578,965	$ 42,064,435
Contributed surplus						
Balance, beginning of period		**$ 11,154,155**		$ 10,956,715		$ 10,956,715
Stock-based compensation (Note 8)		**93,755**		59,110		-
Value of warrants (Note 8)		**-**		138,330		-
Contributed surplus, end of period		**$ 11,247,910**		$ 11,154,155		$ 10,956,715
Deficit						
Balance beginning of period		**$ (40,500,730)**		$ (40,233,540)		$ (40,233,540)
Net loss for the period		**(275,690)**		(267,190)		(98,895)
Defect end of period		**$ (40,776,420)**		$ (40,500,730)		$ (40,332,435)

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, 2014	Three Months ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Operating				
Net loss	**$ (40,175)**	$ (29,025)	**$ (275,690)**	$ (98,895)
Non cash items:				
Depletion and depreciation	**47,340**	42,110	**130,880**	123,440
Accretion	**4,510**	5,425	**14,470**	13,825
Stock based compensation	**-**	-	**93,755**	-
Decommissioning liabilities settled	**(1,655)**	(6,545)	**(3,595)**	(7,905)
	10,020	11,965	**(40,180)**	30,465
Change in non-cash operating working capital (Note 13)	**46,835**	(13,785)	**(159,560)**	(183,695)
	56,855	(1,820)	**(199,740)**	(153,230)
Investing				
Additions to exploration and assets	**(26,765)**	(30,430)	**(75,050)**	(116,545)
Additions to property and equipment	**-**	(2,500)	**-**	(14,060)
Change in non-cash investing working capital (Note 13)	**-**	-	**-**	(140,070)
	(26,765)	(32,930)	**(75,050)**	(270,675)
Net increase (decrease) in cash and cash equivalents	**30,090**	(34,750)	**(274,790)**	(423,905)
Cash and cash equivalents (Note 13)				
Beginning of period	**2,697,640**	3,067,225	**3,002,520**	3,456,380
End of period	**$ 2,727,730**	$ 3,032,475	**$ 2,727,730**	$ 3,032,475

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 Company was incorporated under the Canada Business Corporations Act in Alberta, Canada in 1997. The Company is listed on the TSX Venture Exchange, having the symbol IFR-V. The address of the Company's corporate office and principal place of business is 100, 601 10 Avenue S.W., Calgary, Alberta, Canada.

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, 2013.

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 27, 2014, 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, 2013, 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, 2013.

4. New Accounting Policies

Changes in Accounting Policies.

As of January 1, 2014, the Company adopted several new IFRS interpretations and amendments in accordance with the transitional provisions of each standard. A brief description of each new accounting policy and its impact on the Company's financial statements follows below

i) IAS 32 "Financial Instruments: Presentation"
The amendments clarify that the right to offset financial assets and liabilities must be available on the current date and cannot be contingent on a future event. IAS 32 did not impact the Company's financial statements.

ii) IAS 36 "Impairment of Assets"
In May 2013, the IASB issued amendments, which reduce the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarify the disclosures required when an impairment loss has been recognized or reversed in the period. The retrospective adoption of these amendments will only impact the Company's disclosures in the notes to the financial statements in periods when an impairment loss or impairment reversal is recognized

iii) IAS 39 "Financial Instruments: Recognition and Measurement"
IAS 39 has been amended to clarify that there would be no requirement to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The retrospective adoption of the amendments does not have any impact on the Company's financial statements.

iv) Levies
In May 2013, the IASB issued IFRIC 21 "Levies," which was developed by the IFRS Interpretations Committee ("IFRIC"). IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that no liability should be recognized before the specified minimum threshold to trigger that levy is reached. The retrospective adoption of the amendments does not have any impact on the Company's financial statements.

Future Accounting Policy Changes

IFRS 9 "Financial Instruments"

In February 2014, the IASB tentatively decided to require an entity to apply IFRS 9 "Financial Instruments" for annual periods beginning on or after January 1, 2018. IFRS 9 is still available for early adoption. The full impact of the standard on the Company's financial statements will not be known until changes are finalized.

5. Exploration and evaluation assets

As at September 30, 2014, exploration and evaluation assets consist of total costs incurred less impairments in the the Central Mackenzie Valley ("CMV"), Northwest Territories, Canada of $6,857,350 (December 31, 2013 - $6,784,210), costs incurred in Southern Alberta, Canada of $65,210 (December 31, 2013 - $63,640) and costs incurred in, north-west Montana, USA of $2,672,220 (December 31, 2013 - $2,671,880).

Cost		Canada		USA		Total
Balance at December 31, 2013	$	22,937,405	$	2,671,880	$	25,609,285
Additions		75,050		-		75,050
Balance at September 30, 2014	**$**	**23,012,455**	**$**	**2,671,880**	**$**	**25,684,335**

Accumulated Impairment		Canada		USA		Total
Balance, as at December 31, 2013	$	(16,089,555)	$	-	$	(16,089,555)
Additions		-		-		-
Balance at September 30, 2014	**$**	**(16,089,555)**	**$**	**-**	**$**	**(16,089,555)**

Carrying Value						
Balance at December 31, 2013	$	6,847,850	$	2,671,880	$	9,519,730
Balance at September 30, 2014	$	6,922,900	$	2,671,880	$	9,594,780

At September 30, 2014, the Company booked an impairment charge of $Nil (December 31, 2013 - $Nil) with respect to its exploration and evaluation assets in the Northwest Territories, Canada and in 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, 2013	$ 3,927,875	$ 132,225	$ 4,060,100
Additions	-	-	-
Balance at September 30, 2014	**$ 3,927,875**	**$ 132,225**	**$ 4,060,100**
Depletion and depreciation			
Balance at December 31, 2013	$ (2,933,380)	$ (80,775)	$ (3,014,155)
Depletion and depreciation	(124,105)	(6,775)	(130,880)
Balance at September 30, 2014	**$ (3,057,485)**	**$ (87,550)**	**$ (3,145,035)**
Carrying Value			
Balance at December 31, 2013	$ 994,495	$ 51,450	$ 1,045,945
Balance at September 30, 2014	$ 870,390	$ 44,675	$ 915,065

As at September 30, 2014, a $Nil (December 31, 2013 - $Nil) impairment of petroleum and natural gas assets in Canada 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, 2014 is $981,000 (December 31, 2013 - $985,000) with abandonment dates ranging from 1 to 7 years (December 31, 2013 – 1 to 7 years). The liability was determined using an average risk-free rate of 1.56% (December 31, 2013 – 2.13%) and an inflation rate of 2% (December 31, 2013 – 2%).

The Company's decommissioning liabilities changed as follows:

	September 30, 2014	December31, 2013
Balance, beginning of period	$ **1,031,560**	$ 971,605
Adjustments for abandonment dates and estimated costs	**-**	50,000
Liabilities settled	**(3,595)**	(9,330)
Accretion expense	**14,470**	19,285
Balance, end of period	**$ 1,042,435**	$ 1,031,560
Current portion	**(11,520)**	(15,150)
Long term portion	**$ 1,030,915**	$ 1,016,410

8. Share Capital

a) Authorized:
Unlimited common shares
Unlimited preferred shares

	Number of Shares	Issue Price	Amount ($)
Balance at December 31, 2012	59,578,965		$ 42,064,435
Shares issued via private placement	4,000,000	$0.065	260,000
Value attributed to warrants			(138,330)
Balance at December 31, 2013, September 30, 2014	63,578,965		$ 42,186,105

b) Contributed Surplus

	September 30, 2014	December 31, 2013
Balance, beginning of period	$ **11,154,155**	$ 10,956,715
Stock options	**93,755**	59,110
Warrants	**-**	138,330
Balance, end of period	**$ 11,247,910**	$ 11,154,155

The weighted average fair market value of stock options granted in April 2014 was $ 0.06. The fair value of each warrant granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Risk-free interest rate	1.07%
Forfeiture rate	0.00%
Expected life of options	5 years
Volatility	85.39%

c) Share Purchase Warrants

	September 30, 2014		December 31, 2013	
	Number of Warrants	**Amount**	Number of Warrants	Amount
Balance, beginning of period	**4,000,000**	**$ 138,330**	-	$ -
Issued	**-**	**-**	4,000,000	138,330
Exercised	**-**	**-**	-	-
Balance, end of period	**4,000,000**	**$ 138,330**	4,000,000	$ 138,330

On November 6, 2013, the Company completed a non-brokered private placement, consisting of the issue 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 and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at a price of $0.10 for a period of two years from the date of issuance.

8. **Share Capital** (continued)

The weighted average fair market value of warrants granted in 2013 was $ 0.06. The fair value of each warrant granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Risk-free interest rate	1.11%
Forfeiture rate	0.00%
Expected life of options	2 years
Volatility	101%

d) 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, 2014, 6,306,500 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.

Outstanding and exercisable

	September 30, 2014		December 31, 2013	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	**6,306,500**	**$ 0.10**	5,181,500	$ 0.10
Granted	**1,731,500**	**$ 0.10**	1,125,000	$ 0.10
Expired	**(1,731,500)**	**$ 0.10**	-	$ -
Exercised	**-**	**$ -**	-	$ -
Balance, end of period	**6,306,500**	**$ 0.10**	6,306,500	$ 0.10

September 30, 2014

	Options Outstanding			Options Exercisable	
Exercise Price	Options Outstanding	Weighted Average Contractual Life (years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercisable Price
$0.10	6,006,500	1.46	$ 0.10	6,006,500	$ 0.10
$0.13	300,000	2.09	$ 0.13	300,000	$ 0.13
	6,306,500	2.75	$ 0.10	6,306,500	$ 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, 2014 the Company's capital as defined above was as follows:

	September 30, 2014	December 31, 2013
Working capital balances included:		
Cash and cash equivalents	**$ 2,727,730**	$ 3,002,520
Restricted cash	**300,000**	300,000
Payables and accruals	**(332,580)**	(366,565)
Current portion of asset decommissioning liabilities	**(11,520)**	(15,150)
	$ 2,683,630	$ 2,920,805

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

The Corporation 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 Corporation'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,		Nine Months Ended September 30,	
	2014	2013	**2013**	2013
Net loss	**$ (40,175)**	$ (29,025)	**$ (275,690)**	$ (98,895)
Weighted average number of shares	**63,578,963**	59,578,965	**63,578,963**	59,578,965
Basic and diluted loss per share	**$ (0.001)**	$ (0.00)	**$ (0.004)**	$ (0.002)

In calculating diluted common share amounts for the period ended September 30, 2014 the Company excluded 6,036,500 (September 30, 2013 – 5,181,500) options and 4,000,000 warrants (September 30, 2013 - Nil) because the exercise price was greater than the average market price of its common shares during the year.

11. Related party transactions

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

	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Executive officers and directors – consulting fees	**$ 182,200**	$ 69,820
Executive officers – salaries	**105,000**	93,750
Share based compensation	**93,755**	-
Royalty incentive program	**37,415**	29,060
	$ 418,370	$ 192,630

At September 30, 2014, $25,570 (December 31, 2013 – $25,230) of the above amounts were included in payables and accruals.

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 has issued a letter of credit for its share of a refundable deposit on Northwest Territories exploration license. The letter of credit is secured by a total assignment of cash of $300,000 (December 31, 2013 – $300,000). The Company is contingently liable under the letter of credit for $300,000 (December 31, 2013 - $300,000). The deposit will be refunded by $1 for every $4 spent on qualified expenditures on the exploration license

12. Commitments and contingencies (continued)

b) 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. Minimum rent payable for premises until the end of the lease is:

2014	$ 7,080
2015	$28,350
2016	$28,350

c) 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 30,2014, payout of 100% of cumulative annual capital expenditures had been reached on the Alderson property. Costs of $37,415 (September 30, 2013- $29,060) were booked with respect to this plan.

d) The Company was named together with another party in a lawsuit that was filed in Montana, USA. The Plaintiff claim they are owed a real estate commission with respect to the Company's purchase of Mineral Titles. During the period ended March 31, 2014 the Company placed in trust $135,000 USD with its lawyers in Montana. During the period ended June 30, 2014 the lawsuit was dismissed and the $135,000 USD was returned.

The Company was named in a lawsuit that was filed in Montana, USA. The plaintiffs claimed that they are owed US$95,330.59 for services rendered to purchase Mineral Titles and Freehold Leases in Glacier County, Montana USA. The Company disputes the Plaintiffs claim.

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,	
	2014	2013	**2014**	2013
Receivables	**$ 15,915**	$ (5,385)	**$ (20,875)**	$ (14,695)
Prepaids	**34,000**	(35,835)	**(104,700)**	(115,710)
Payables and accruals	**(3,080)**	27,435	**(33,985)**	(193,360)
	$ 46,835	$ (13,785)	**$ (159,560)**	$ (323,765)
Operating activities	**$ 46,835**	$ (13,785)	**$ (159,560)**	$ (183,695)
Investing activities	**-**	-	**-**	(140,070)
	$ 46,835	$ (13,785)	**$ (159,560)**	$ (323,765)
Interest paid	**$ -**	$ -	**$ -**	$ -

13. Supplemental cash flow information (continued)

Cash and cash equivalents are comprised of:				
Cash on hand	**$ 427,730**	$ 1,027,475	**$ 427,730**	$ 1,027,475
Short term investments (bearing interest rates ranging from 1.05% - 1.15%)	**2,300,000**	2,005,000	**2,300,000**	2,005,000
	$ 2,727,730	$ 3,032,475	**$ 2,727,730**	$ 3,032,475

14. Financial Instruments

The Company is exposed to financial risk in a range of financial instruments including cash and cash equivalents, restricted cash, receivables, reclamation deposits and payables and accruals. 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 arises 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, 2014, 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. The following table presents the aging of the Company's accounts receivable at September 30, 2014:

Total receivables:	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
$ 104,885	$ 99,635	$ 5,250	$ -	$ -

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 2014, there was no allowance for doubtful accounts recorded as all amounts outstanding at September 30, 2014 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, 2014, the Company's allowance for doubtful accounts balance was $Nil (September 30, 2013 – $Nil).

14. Financial Instruments (continued)

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, 2014, 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 Corporation is exposed to risks arising from fluctuations in foreign currency exchange rates, primarily between Canadian and U.S. dollars. The Corporation 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 Corporation retains cash balances in both US and Canadian dollars.

The Corporation 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 and cash equivalents. For example, applying a 1% plus or minus change in the period end conversion rate (0.901) of Canadian to US dollars against the Corporation's Canadian denominated cash and cash equivalents of $149,500 at September 30, 2014 would have affected the value of such balances by approximately $1,300. At September 30, 2014, substantially all of the Corporation'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.

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.

14. Financial Instruments (continued)

e) Fair value of financial instruments

The Company's financial instruments include cash and cash equivalents, trade accounts receivable, restricted cash on deposit, reclamation deposits and payables and accruals. The fair values of receivables and payables and accruals 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, 2014, cash and cash equivalents and restricted cash on deposit have been classified as Level 1.

	September 30, 2014		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	$ 104,885	$ 104,885	$ -	$ 104,885
Deposits	332,760	332,760	-	332,760
Held for trading				
Cash and cash equivalents	2,727,730	2,727,730	2,727,730	-
Restricted cash on deposit	300,000	300,000		300,000
	$ 3,465,375	$ 3,465,375	$ 2,727,730	$ 737,645
Financial liabilities Measured at amortized costs				
Payables and accruals	332,580	332,580	-	332,580
Total financial liabilities	$ 332,580	$ 332,580	$ -	$ 332,580

14. Financial Instruments (continued)

	December 31, 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	$ 84,010	$ 84,010	$ -	$ 84,010
Deposits	255,720	255,720	-	255,720
Held for trading				
Cash and cash equivalents	3,002,520	3,002,520	3,002,520	-
Restricted cash on deposit	300,000	300,000		300,000
	$ 3,642,250	$ 3,642,250	$ 3,002,520	$ 639,730
Financial liabilities				
Measured at amortized costs				
Payables and accruals	365,565	365,565	-	365,565
Total financial liabilities	$ 365,565	$ 365,565	$ -	$ 365,565

15. Subsequent events.

a) On November 5, 2014 the Company entered into a non-brokered private placement of 2,800,000 Units at a price of $0.065 per Unit for gross proceeds of $182,000. 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.

b) On November 5, 2014 the Directors approved extending the exercise date of 4,000,000 warrants issued in the Company's November 2013 private placement by one year such that the warrants will now expire in November 2016. The warrant extension date was approved by the TSX Venture Exchange in November 2014.

c) On November 5, 2014 the Company granted to a Director of the Company an incentive stock option under the Company's stock option plan to purchase 50,000 common shares at $0.10 per share. The stock options are exercisable for a period of five-years from the date of grant.