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Consolidated Financial Statements of

GORDON CREEK ENERGY INC.

(formerly Thunderbird Energy Corp.)

For the years ended January 31, 2014 and January 31, 2013

Collins Barrow
Chartered Accountants & Consultants

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Independent Auditors' Report

To the Shareholders
Gordon Creek Energy Inc.

We have audited the accompanying consolidated financial statements of Gordon Creek Energy Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at January 31, 2014 and January 31, 2013, and the consolidated statements of loss and comprehensive loss, statements of changes in shareholders' equity (deficiency) and statements of cash flows for the years ended January 31, 2014 and January 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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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 consolidated financial statements present fairly, in all material respects, the financial position of Gordon Creek Energy Inc. and its subsidiaries as at January 31, 2014 and January 31, 2013, and their financial performance and their cash flows for the years ended January 31, 2014 and January 31, 2013 in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to note 2 to the consolidated financial statements which describes conditions that indicate the existence of a material uncertainty that may cast significant doubt about Gordon Creek Energy Inc.'s ability to continue operating as a going concern. Our opinion is not qualified in respect of this matter.

(Signed) "Collins Barrow Calgary LLP"

CHARTERED ACCOUNTANTS

Calgary, Canada
June 5, 2014

GORDON CREEK ENERGY INC. (formerly Thunderbird Energy Corp.)
Consolidated Statement of Financial Position

(Cdn$)	*Notes*		**January 31, 2014**		**January 31, 2013**
ASSETS					
Current					
Cash and cash equivalents		$	25,974	$	658,145
Accounts receivable	*5*		178,151		581,768
Prepaid expenses and deposits	*6*		141,546		199,149
			345,671		1,439,062
Restricted cash	*7*		211,261		189,487
Exploration and evaluation assets	*8*		255,655		538,870
Property and equipment	*9*		24,795,274		22,963,254
		$	**25,607,861**	**$**	**25,130,673**
LIABILITIES					
Current					
Accounts payable and accrued liabilities	*10*	$	3,402,927	$	5,378,059
Due to related parties	*18*		604,160		25,970
Debentures	*11*		10,000,000		9,225,666
Financing deposit	*12*		19,358,076		17,641,873
			33,365,163		32,271,568
Decommissioning liabilities	*13*		398,594		584,400
			33,763,757		32,855,968
SHAREHOLDERS' DEFICIENCY					
Share Capital	*14*		23,474,973		21,353,804
Warrants	*14*		-		1,879,522
Contributed surplus			7,815,688		5,914,968
Accumulated other comprehensive loss			(231,124)		(519,885)
Deficit			(39,215,433)		(36,353,704)
			(8,155,896)		(7,725,295)
		$	**25,607,861**	**$**	**25,130,673**

Going Concern (Note 2)
Commitments (Note 21)
Subsequent Events (Notes 2, 12 & 25)
Contingencies (Notes 9 & 26)

Approved on Behalf of the Board:

"Cameron White" — Cameron White, Director

"Stephen Cheikes" — Stephen Cheikes, Director

See accompanying notes to the consolidated financial statements

GORDON CREEK ENERGY INC. (formerly Thunderbird Energy Corp.)
Consolidated Statement of Loss and Comprehensive Loss

(Cdn$)	*Notes*		Years ended January 31, 2014		2013
REVENUE					
Oil and natural gas sales		$	1,332,637	$	1,372,211
Royalties			(290,777)		(201,870)
			1,041,860		1,170,341
EXPENSES					
Operating and transportation			1,312,562		1,074,508
General and administrative	*22*		1,042,983		1,272,765
Finance expenses, net	*23*		1,096,042		4,968,403
Depletion, depreciation and impairment	*8, 9*		625,007		644,103
Share-based compensation			21,198		205,206
Loss on sale of equipment	*15(a)*		208,004		-
Gain on disposal of oil and natural gas properties	*15(b)*		(317,678)		-
Foreign exchange gain			(84,529)		(5,278)
			3,903,589		8,159,707
NET LOSS		$	(2,861,729)	$	(6,989,366)
Other comprehensive loss:					
Gain (loss) on translation of foreign subsidiaries			288,761		(64,717)
COMPREHENSIVE LOSS		$	(2,572,968)	$	(7,054,083)
BASIC AND DILUTED NET LOSS PER SHARE	*14*	$	(0.40)	$	(1.26)

See accompanying notes to the consolidated financial statements

GORDON CREEK ENERGY INC. (formerly Thunderbird Energy Corp.)
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Cdn$)	*Notes*	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total Equity/ (Deficiency)
January 31, 2012		$ 20,505,292	$ 3,115,677	$ 4,432,311	$ (455,168)	$ (29,364,338)	$ (1,766,226)
Loss for the year		-	-	-	-	(6,989,366)	(6,989,366)
Shares issued for debenture interest	11, 14	823,808	-	-	-	-	823,808
Share-based compensation		24,704	-	205,206	-	-	229,910
Accretion on warrants		-	41,296	-	-	-	41,296
Expired/Cancelled warrants		-	(1,277,451)	1,277,451	-	-	
Loss on translation of foreign subsidiaries		-	-	-	(64,717)	-	(64,717)
January 31, 2013		**$ 21,353,804**	**$ 1,879,522**	**$ 5,914,968**	**$ (519,885)**	**$ (36,353,704)**	**$ (7,725,295)**
January 31, 2013		$ 21,353,804	$ 1,879,522	$ 5,914,968	$ (519,885)	$ (36,353,704)	$ (7,725,295)
Loss for the period		-	-	-	-	(2,861,729)	(2,861,729)
Shares issued for debenture interest	11, 14	508,324	-	-	-	-	508,324
Shares issued to Sandstorm	12	1,613,045	-	-	-	-	1,613,045
Share-based compensation		-	-	21,198	-	-	21,198
Share issue costs	14	(200)	-	-	-	-	(200)
Expiry of warrants		-	(1,879,522)	1,879,522	-	-	-
Gain on translation of foreign subsidiaries		-	-	-	288,761	-	288,761
January 31, 2014		**$ 23,474,973**	**$ -**	**$ 7,815,688**	**$ (231,124)**	**$ (39,215,433)**	**$ (8,155,896)**

See accompanying notes to the consolidated financial statements

GORDON CREEK ENERGY INC. (formerly Thunderbird Energy Corp.)
Consolidated Statement of Cash Flows

(Cdn$)	Notes	Years ended January 31 2014	2013
OPERATING ACTIVITIES			
Net loss		$ (2,861,729)	$ (6,989,366)
Items not involving cash			
Share-based compensation		21,198	205,206
Finance costs		346,442	1,704,260
Depletion, depreciation and impairment	8, 9	625,007	644,103
Gain on disposal of equipment and oil and natural gas properties	15	(109,674)	-
Foreign exchange gain		(84,529)	(5,278)
Changes in non-cash working capital	19	3,023,555	(1,227,830)
		960,270	(5,668,905)
FINANCING ACTIVITIES			
Advances from (repayments to) related parties		578,190	(43,191)
Proceeds from financing deposit	12	-	2,991,900
Repayment of financing deposit	12	(311,029)	(246,901)
Issuance of shares		-	24,704
Share issue costs		(200)	-
Changes in non-cash working capital	19	133,000	2,524,764
		399,961	5,251,276
INVESTING ACTIVITIES			
Change in restricted cash		-	(69,811)
Proceeds from sale of property and equipment		613,588	-
Capital expenditures		(330,937)	(9,594,244)
Changes in non-cash working capital	19	(2,300,263)	3,166,603
		(2,017,612)	(6,497,452)
FOREIGN CURRENCY EFFECT OF FOREIGN CURRENCY DENOMINATED CASH		25,210	(55,475)
DECREASE IN CASH FOR THE YEAR		(632,171)	(6,970,556)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		658,145	7,628,701
CASH AND CASH EQUIVALENTS, END OF YEAR		**$ 25,974**	**$ 658,145**
Cash and cash equivalents is comprised of:			
Bank balances		$ 25,945	$ 410,025
Investment savings account balance		29	248,120

See accompanying notes to the consolidated financial statements

1. CORPORATE INFORMATION

Gordon Creek Energy Inc., formerly Thunderbird Energy Corp., ("Gordon Creek" or "the Company") is engaged in the acquisition, exploration, development and production of oil and natural gas properties located in the United States of America ("U.S."). Gordon Creek Energy Inc. is a publicly traded company, incorporated in British Columbia, Canada. The Company's head office is located at 1350, 734 7th Avenue SW, Calgary, AB, T2P 3P8.

Effective October 24, 2013, the Company's name changed to Gordon Creek Energy Inc. and the common shares of the Company continued trading on the TSX Venture Exchange under the symbol "GDN". The name change and 15 for 1 share consolidation were approved by the shareholders at the Company's annual general meeting held on June 12, 2013. All share, option, warrant and per share comparative numbers have been restated to reflect the share consolidation.

The Consolidated Financial Statements were approved and authorized for issuance by the Board of Directors ("the Board") on June 5, 2014.

2. GOING CONCERN

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business.

For the year ended January 31, 2014, the Company reported a net loss of $2,861,729 and has an accumulated deficit of $39,215,433 at January 31, 2014. In addition, as outlined in note 12, in fiscal 2012, the Company entered into a US$25 million commodity stream production payment agreement with Sandstorm Metals & Energy Ltd. ("Sandstorm") whereby Sandstorm has the right to purchase 35% of the Company's Gordon Creek natural gas production at a price of $1.00 per Mcf plus 20% of the amount by which the Gordon Creek field gate price exceeds $4.00. Pursuant to the agreement, the Company is contractually obligated to drill 50 additional wells and workover 5 standing wells on the Gordon Creek Property. As at January 31, 2014, Sandstorm had advanced US$18 million of the US$25 million payment. In order to secure the further advance of US$7 million, the Company was to drill 15 wells and complete 5 workovers by December 31, 2012, which has not occurred.

As at January 31, 2014, the Company had only drilled 8 wells and thus, is in default of the Sandstorm agreement. The default amount owed to Sandstorm is amounts advanced or recovered from Sandstorm less production provided to Sandstorm, aggregating $19,358,076 as at January 31, 2014. As at June 5, 2014, Sandstorm had not called the default amount and is aware of the Company's ongoing efforts to obtain additional funding to complete the remaining 42 wells.

On May 13, 2014 the Company announced that it has entered into a binding agreement with a Malaysian natural gas distribution company, whereby the Malaysian company has agreed to pay US$10 million to the Company in exchange for the ongoing right to purchase up to 100% of the Company's future production from its Gordon Creek natural gas field in Carbon County, Utah (the "Transaction") (note 25). The Malaysian company was not able to meet the original closing date specified in the agreement, and discussions are ongoing as to a potential closing schedule. Further details of the transaction and a description of the buyer will be provided once the closing has been confirmed and a time frame for closing has been determined. Whether the transaction with the Malaysian company closes or not is uncertain and no assurance can be made. Without access to the funding that this transaction provides or other third party funding, this material uncertainty, casts significant doubt about the Company's ability to continue as a going concern.

During the year ended January 31, 2014 Gordon Creek received funds from a company controlled by an officer and director of the Company for $315,000 to cover costs including the fiscal 2014 first and second quarter debenture interest payments. The loan is secured by a promissory note, due on demand and bear interest at 12% annually until repaid (note 18). Subsequent to January 31, 2014 Gordon Creek received funds from certain officers, directors and shareholders aggregating $204,410 to pay for certain

outstanding and future general and administrative costs. Funds advanced are secured, due on demand and bear interest at 12% annually until repaid (note 25).

The above events and circumstances represent a material uncertainty that casts significant doubt as to the ability of the Company to meet its obligations as they come due, and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The ability of the Company to continue as a going concern is uncertain and dependent upon obtaining the financing necessary to meet its future exploration commitments and to complete the development of its properties. The Company intends to raise additional capital to complete its commitments under the Sandstorm agreement, by way of issuing debt and/or equity. These funding arrangements are not yet in place, but given its external reserve engineer estimated proved plus probable pre-tax net future cash flows discounted at 15% of approximately US$36 million, the Company is optimistic that additional funding can be secured. There is no assurance that the initiatives undertaken by management will be successful.

The realization of the Company's investment in oil and natural gas properties is dependent upon various factors, including the existence of economically recoverable oil and natural gas reserves, the ability to obtain the necessary financing to complete the exploration and development of the properties, future profitable operations, or, alternatively, upon disposal of the investment on an advantageous basis. These financial statements do not reflect any adjustments related to the carrying values and classifications of assets and liabilities and the reported revenues and expenses that would be necessary should the Company be unable to continue as a going concern. Any adjustments necessary to the financial statements if the Company ceases to be a going concern could be material.

3. BASIS OF PRESENTATION

These financial statements present the Company's financial position as at January 31, 2014 and January 31, 2013 and financial performance for the years ended January 31, 2014 and January 31, 2013. They have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are carried at fair value.

Significant accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and for the periods presented. Such estimates primarily related to unsettled transactions and events as at the date of the consolidated financial statements. Actual results may differ from those estimates. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below.

Management has made judgements relating to future projected cash flows in order to assess the Company's ability to continue as a going concern. These judgements are based on the assumptions described in note 2.

The designation of the Company's functional currency is a management judgement based on the composition of revenue, expenses and financing in the locations in which it operates.

Fair value of oil and natural gas properties, depletion and depreciation and amounts used in impairment calculations are based on estimates of oil and natural gas reserves, future prices and future costs required to develop those reserves. By nature, estimates of reserves and the related future cash flows are subject to measurement uncertainty, and the impact of the differences between actual and estimated amounts on the consolidated financial statements of future periods could be material.

Oil and natural gas properties, exploration and evaluation assets and other corporate assets are aggregated into cash-generating-units ("CGUs") based on their ability to generate largely independent cash flows and are used for impairment testing. The determination of the Company's CGUs is subject to management's judgment.

The decision to transfer exploration and evaluation assets to property and equipment is based on management's determination of an area's technical feasibility and commercial viability based on proved and probable reserves. The Company assesses whether there is indication of impairment for exploration and evaluation assets each reporting period and upon transfer to oil and natural gas properties.

Amounts recorded in decommissioning liabilities and the related accretion expense require the use of estimates including timing of asset retirements, site remediation, discount rates, inflation rates and related cash flows. Provisions are recognized in the period when it becomes probable that there will be a future cash outflow.

The allocation between the debt and warrant components of the debentures issued is based on estimates of the interest rate the Company would pay on debt instruments without detachable warrants.

Amounts recorded for share-based compensation payments are based on estimates of future volatility of the Company’s share price, estimated market price of the Company’s shares at grant date, expected lives of options and warrants, expected dividends and other relevant assumptions.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to audit and interpretation by taxation authorities. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in theses consolidated financial statements, and have been applied consistently by the Company and its subsidiaries.

a) Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Thunderbird Energy Inc. (“TEI”) and Horse Bench Gathering LLC, both incorporated in the state of Nevada, and Gordon Creek LLC, incorporated in the State of Utah. All intercompany transactions and balances have been eliminated upon consolidation.

b) Foreign Currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency), which is U.S. dollars (“US$”) for the foreign subsidiaries and Canadian dollars (“Cdn$”) for the Canadian parent. For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Canadian dollars, which is the presentation currency for the consolidated financial statements.

In preparing financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in the statement of loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the U.S. entities with the U.S. dollar as their functional currency are expressed in Canadian dollars using exchange rates prevailing at the end of

the reporting period. Revenue and expense items are translated at the average exchange rates for the period. Shareholders' deficiency is translated at historical cost. Exchange differences arising are recognized in other comprehensive loss and accumulated in a separate component of shareholders' deficiency as part of accumulated other comprehensive loss.

If the Company disposes of its entire interest in its U.S. subsidiaries, or loses control, joint control, or significant influence over a U.S. subsidiary, the accumulated foreign currency translation gains or losses related to the U.S. subsidiary are recognized in net loss.

c) Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit with banks, term deposits and other similar short-term highly liquid investments with maturities of 90 days or less at the date of issue.

d) Exploration and evaluation

Costs directly associated with the exploration and evaluation ("E&E") of oil and natural gas reserves are initially capitalized. Exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. These costs include unproved property acquisition costs, exploration costs, geological and geophysical costs, decommissioning costs, exploration and evaluation drilling, sampling and appraisals. Costs incurred prior to acquiring the legal rights to explore an area are charged directly to net loss as exploration and evaluation expense. Exploration and evaluation assets are measured at cost and are not depleted or depreciated.

When an area is determined to be technically feasible and proved and or probable reserves are assigned, the accumulated costs are transferred to property and equipment. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to net loss as exploration and evaluation expense.

Farm-outs that involve only E&E assets are accounted for at cost. Any gains or losses from the divestiture of E&E assets are recognized in the statement of loss.

e) Property and Equipment

Costs directly associated with the development of oil and natural gas reserves are capitalized on an area by area basis. Development costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include property acquisitions, development drilling, completion, gathering and infrastructure, decommissioning liability costs and transfers of exploration and evaluation assets.

Cost of replacing parts of property and equipment are capitalized only when they increase the future economic benefits embodied in the specific assets to which they relate. All other expenditures are recognized in income as incurred. The carrying amount of any replaced or sold component is derecognized. The cost of the day-to-day servicing of property and equipment are recognized in loss as incurred.

Farm-outs of property and equipment are measured at fair value unless the transaction lacks commercial substance or neither the fair value of the asset received nor the asset given up can be reliably estimated. When fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. Any gains or losses from the divestiture of property and equipment are recognized in the statement of loss.

Costs accumulated within each CGU are depleted using the unit-of-production method based on proved plus probable reserves incorporating estimated future price and costs. Costs subject to depletion include estimated future costs to be incurred in developing proved plus probable reserves.

Production and reserves of natural gas are converted to equivalent barrels of crude oil, for the purposes of the depletion calculations, on the basis of six thousand cubic feet of natural gas to one barrel of oil. Changes in estimates used in prior periods,

such as proved and probable reserves, that affect the unit-of-production calculations do no give rise to prior period adjustments and are dealt with on a prospective basis.

Well and production equipment and facilities included in oil and natural gas properties are depleted using the unit-of-production method along with the related reserves when the assets are designed to have a life similar to the reserves of the related wells with little to no residual value. Where facilities and equipment, including major components, have differing useful lives, they are depreciated separately on a straight-line basis over the estimated useful life of the facilities and equipment and other related components.

Depletion methods, useful lives and residual values are reviewed annually, with any amendments considered to be a change in estimate and accounted for prospectively.

Costs associated with corporate assets and production assets are carried at cost and depreciated on a straight-line basis over the estimated service lives of the assets, which range from 1 to 5 years.

f) Impairment of non-financial assets

The carrying amounts of non-financial assets, other than E&E and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators of impairment exist, the asset's recoverable amount is estimated. If the carrying value of the asset exceeds the recoverable amount, the asset is written down with an impairment loss recognized in net loss.

E&E assets are assessed separately for impairment when they are reclassified to property and equipment, or if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Expired lease costs are expensed as they occur through impairment expense.

The recoverable amount of a CGU is the greater of its fair value less costs of disposal and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's-length transaction between market participants at the measurement date under current market conditions. Fair value less costs of disposal may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs and including future development costs. These cash flows are discounted at an appropriate discount rate which would be applied by a market participant. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the CGU in its present form. These cash flows are discounted at a rate based on the time value of money and risks specific to the CGU.

An impairment loss is recognized if the carrying amount of the asset or its CGU exceeds its recoverable amount. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses are recognized in the statement of loss.

Reversals of impairments are recognized when there has been a subsequent increase in the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss has been recognized.

g) Provisions and Contingent Liabilities

Provisions are recognized by the Company when it has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are stated at the present value of the expenditure expected to settle the obligation. The obligation is not recorded and is disclosed as a continent liability if it is not probable that an outflow will be required, if the amount cannot be estimated reliably or if the existence of the outflow can only be confirmed by the occurrence of a future event.

h) Decommissioning Liabilities

The Company recognizes the present value of a decommissioning obligation in the period in which it is incurred. The best estimate of the expenditure required to settle the present obligation at the statement of financial position date is recorded on a discounted basis using the relevant pre-tax risk free interest rate, with a corresponding increase to the carrying amount of the related asset. The future cash flow estimates are adjusted to reflect the risks specific to the liability. Over time, the liabilities are accreted for the change in their present value and the capitalized costs are depleted on a unit-of-production basis over the life of the underlying proved plus probable reserves. Accretion expense is recognized in net loss. Revisions to the discount rate, estimated timing or amount of future cash flows would also result in an increase or decrease to the decommissioning liability and related asset. Actual decommissioning expenditures up to the recorded liability at the time are charged against the provision as the costs are incurred. Any differences between the recorded provision and the costs incurred are recorded as a gain or loss in the statement of income (loss).

i) Financing Deposit

The Company recognizes the fair value of the financing deposit as a liability as it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the expenditure expected to settle the obligation.

j) Debentures

The Company has separately valued the present value of the principal amount of the debentures, related detachable warrants and embedded derivative. The liability component of the debentures is recognized initially at the fair value of a similar liability that does not have detachable warrants. The equity component is recognized initially at the difference between the fair value of the financial instrument as whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of the debentures is measured at amortized cost using the effective interest method. The detachable warrants are not re-measured subsequent to initial recognition except on conversion or expiry, where they are transferred to common shares or contributed surplus, respectively. The embedded derivative is initially recorded at fair value and is recognized and presented as a liability in the consolidated statement of financial position and is subsequently re-measured at fair value through profit and loss.

The discount on the debentures is unwound using the effective interest method to the face value at maturity and is expensed as accretion. The accretion on the debentures is included in finance expenses. Upon repayment of the Company's debentures in cash, the debt liability component is derecognized.

k) Revenue Recognition

Revenues from the sale of oil and natural gas production are recognized when title passes, before royalties. The costs associated with the delivery, including operating and maintenance costs and transportation, are recognized in the same period in which the related revenue is earned and recorded. Transportation costs are reported as a separate expense and are not netted against revenue.

l) Finance expenses

Finance expenses are comprised of interest expense on borrowings, accretion of the discount on decommissioning liabilities, accretion on the discount of debentures and transaction costs. Finance income, consisting of interest income, is recognized as it accrues in the statement of loss using the effective interest method. Any gains or losses on settlement of financial liabilities are recorded as finance expenses on the statement of loss.

m) Share-based payments

Obligations for issuance of common shares under the Company's stock-based compensation plan and warrants are accrued over the vesting period using fair values as at the grant date. Fair values are determined at issuance using the Black-Scholes option-pricing model.

The Company measures share-based payments to non-employees at the fair value of the goods or services received at the date of receipt of the goods or services. If the fair value of the goods or services cannot be measured reliably, the value of the options granted will be used, measured using the Black-Scholes option pricing model.

Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Compensation cost is expensed on a graded-vesting basis over the vesting period with a corresponding increase in contributed surplus. When stock options and warrants are exercised, the cash proceeds along with the amount previously recorded as contributed surplus or warrants are recorded as share capital. A forfeiture rate is estimated on the grant date and is adjusted to reflect the number of options that vest.

n) Income Taxes

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used are those that are substantively enacted by the end of the reporting date. Alternative minimum tax is the amount of tax payable in respect of accounting profits and the Company pays the greater of alternative minimum tax and current tax in its U.S. subsidiaries.

Deferred Income Tax

Deferred income taxes are provided using the liability method, on the temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for accounting. The change in the net deferred income tax asset or liability is included in income except for deferred income tax relating to equity items which is recorded directly in equity. Deferred income tax assets and liabilities are measured using the substantively enacted statutory income tax rates which are expected to apply to taxable income in the years in which the assets are realized or the liabilities settled. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax assets are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is not recognized if the temporary differences arise from the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

o) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions that define the instrument. Financial assets and liabilities are initially recognized at fair value. This initial fair value is normally the transaction price plus, in the case of financial assets not at fair value through profit (loss), directly attributable transaction costs.

Subsequent measurement of the Company's financial instruments depends on their classification determined by the purpose for which the instruments were acquired, as follows:

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are measured at fair value with changes in fair value recognized in net loss. Cash and restricted cash are classified as fair value through profit or loss.

Available for sale investments

Available for sale financial assets are measured at fair value at the settlement date, with changes in the fair value recognized in other comprehensive loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these assets are measured at amortized cost at the settlement date using the effective interest method of amortization. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Accounts receivable and deposits are classified as loans and receivables.

Other financial liabilities at amortized cost

These financial liabilities are measured at amortized cost at the settlement date using the effective interest method of amortization. Accounts payable and accrued liabilities, due to related parties, debentures, and financing deposit are classified as financial liabilities at amortized cost.

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

The Company assesses at each statement of financial position date whether there is objective evidence that financial assets, other than those designated as “fair value through the statement of loss” are impaired. When impairment has occurred, the cumulative loss is recognised in the statement of loss. For financial assets carried at amortized cost, the amount of impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of loss in the period. Impairment losses may be reversed in subsequent periods.

p) Derivative financial instruments

The Company may enter into certain financial derivative contracts in order to manage its commodity price market risk. The Company’s policy is not to utilize derivative financial instruments for speculative purposes. All financial derivative contracts are classified as “fair value through the statement of loss”.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through the statement of income. Changes in the fair value of separable embedded derivatives are recognized immediately in the statement of loss. The Company’s commodity linked interest rate on debentures (note 11) is considered an embedded derivative.

q) Income (Loss) Per Share

Basic loss per share is calculated by dividing the net loss for the period by the weighted-average number of common shares outstanding during the year.

Diluted income (loss) per share is computed using the treasury stock method by adjusting the weighted-average number of common shares for the effects of dilutive instruments such as stock options and warrants. Dilutive instruments are excluded from the computation if their effect is anti-dilutive.

r) Comprehensive loss

Comprehensive loss is defined as the change in equity from transactions and other events from non-owner sources and other comprehensive loss is comprised of revenues, expenses, gains and losses that, in accordance with IFRS, are recognized in comprehensive loss but excluded from net loss.

s) Joint arrangements

Some of the Company's exploration, development and production related to oil and natural gas activities are conducted jointly with others under joint operating agreements. The financial statements reflect only the Company's proportionate interest in such activities.

t) New standards and interpretations not yet adopted

On February 1, 2013, the Company adopted the following new standards and amendments which became effective for annual periods beginning on or after January 1, 2013:

Consolidation

The Company adopted IFRS 10 Consolidated Financial Statements effective February 1, 2013.

IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The Company assessed its consolidation conclusions on February 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries.

Joint Arrangements

The Company adopted IFRS 11 Joint Arrangements effective February 1, 2013. IFRS 11 establishes a principle-based approach to the accounting for joint arrangements by focusing on the rights and obligations of the arrangement and limits the application of proportionate consolidation to arrangements where sufficient rights and obligations are passed to the participants. The Company re-assessed its classification of its joint arrangements and determined that there were no changes in the accounting applied to its joint arrangements.

Fair Value Measurement

The Company adopted IFRS 13 Fair Value Measurement effective February 1, 2013. IFRS 13 improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Under IFRS 13, the fair value of a liability must reflect the non-performance risk, which includes an entity's own credit risk. Adoption of this standard had no significant impact on the Company's consolidated financial statements other than the inclusion of fair value information disclosures for financial instruments in its financial statements as set out in note 16. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value.

Disclosures

The Company adopted IFRS 12 Disclosure of Interests in Other Entities effective February 1, 2013. IFRS 12 sets out the annual disclosure requirements for the Company's interests in subsidiaries, joint arrangements and associates. The Company assessed its interests in other entities on February 1, 2013 and determined that no additional disclosure was necessary.

The Company adopted amendments to IFRS 7 Financial Instruments: Disclosures effective February 1, 2013. IFRS 7 has been amended to require annual disclosure of information on rights to offset financial instruments and related arrangements. These amendments had no impact the Company's annual disclosures.

Future accounting policies

The following pronouncements issued by the IASB and interpretations published by IFRIC will become effective for annual periods beginning on or after February 1, 2014:

IAS 32 – Financial Instruments: Presentation has been amended to clarify certain requirements for offsetting financial assets and liabilities which is effective for annual periods beginning on or after January 1, 2014. The amendment addresses the meaning and application of the concepts of legally enforceable right of set-off and simultaneous realization and settlement. IAS 32 relates to presentation and disclosures and is not anticipated to have a material impact on the Company's results and financial position.

IAS 36 - Impairment of Assets has been amended to require disclosure of the recoverable amount of an asset (including goodwill) or a cash generating unit when an impairment loss has been recognized or reversed in the period. When the recoverable amount is based on fair value less costs of disposal, the valuation techniques and key assumptions must also be disclosed. The adoption, which is effective for the annual period beginning on January 1, 2014, will impact the Company's disclosures in the notes to the financial statements in periods when an impairment loss or impairment reversal is recognized.

IFRIC 21 - Levies on the accounting for levies imposed by governments clarifies the obligating event that gives rise to a liability to pay a levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. IFRIC 21 is being assessed to determine its impact on the Company's results and financial position.

IFRS 9 - Financial Instruments addresses the classification and measurement of financial assets. IFRS 9 replaces the guidance on "classification and measurement" of financial instruments in IAS 39 – Financial Instruments – Recognition and Measurement. The new standard requires a consistent approach to the classification of financial assets and replaces the numerous categories of financial assets in IAS 39 with two categories, measured at either amortized cost or at fair value. For financial liabilities, the standard retains most of the IAS 39 requirements, but where the fair value option is taken, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of profit and loss, unless this creates an accounting mismatch. It also includes a new general hedge accounting model.

The mandatory effective date of IFRS 9 has been deferred pending the finalization of the new impairment model and limited amendments to the classification and measurement requirements. IFRS 9, in its current form, as described above, is available for early adoption until IFRS 9R is finalized. IASB has determined a tentative adoption date of IFRS 9R for annual periods beginning January 1, 2018. IFRS 9 is being assessed to determine its impact on the Company's results and financial position.

5. ACCOUNTS RECEIVABLE

Accounts receivable are non-interest bearing and the Company considers all amounts greater than 90 days past due. As at January 31, 2014 and January 31, 2013, the 90 days past due receivables amounted to approximately $45,000 and $5,000, respectively, and none of these receivables have been assessed as impaired. Accounts receivables are unsecured and non-interest bearing. There are corresponding accounts payable balances which set off certain past due accounts receivable balances. In determining the recoverability of accounts receivable, the Company considers the type and age of the outstanding receivables, the credit risk of the counterparties, and the recourse available to the Company.

	January 31, 2014	January 31, 2013
Oil and natural gas sales	$ 107,882	$ 205,542
Sandstorm receivable	32,773	246,057
Joint interest partners and other	37,496	113,205
GST / HST	-	16,964
	$ 178,151	**$ 581,768**

6. PREPAID EXPENSES AND DEPOSITS

	January 31, 2014	January 31, 2013
Prepaid Expenses	$ 29,258	$ 45,671
Advances on production equipment and services	112,288	100,716
Deposit on future land acquisitions	-	52,762
	$ 141,546	**$ 199,149**

7. RESTRICTED CASH

In connection with the Utah State bonding requirements, the Company posted letters of credit in the aggregate amount of US $190,000 (Cdn $211,261) (January 31, 2013 – US $ 190,000 (Cdn $189,487)) for which a short-term investment in the amount of US $120,000 (Cdn $133,428) (January 31, 2013 – US $120,000 (Cdn $119,676)) is held as collateral maturing September 14, 2014. In addition there is a US $70,000 (Cdn $77,833) (January 31, 2013 – US $70,000 (Cdn $69,811)) bond held by a US government agency relating to an abandonment liability on the well pads.

8. EXPLORATION AND EVALUATION ASSETS

The following financial information represents the amounts relating to activity associated with the exploration for and evaluation of oil and natural gas resources.

	January 31, 2014	January 31, 2013
Balance, beginning of year	$ 538,870	$ 966,545
Capital additions	-	(56,393)
Impairment / Lease expiries	(322,478)	(366,193)
Foreign currency translation	39,263	(5,089)
Balance, end of year	**$ 255,655**	**$ 538,870**

Exploration and evaluation assets consist of the Company's undeveloped land and exploration projects which are pending the determination of technical feasibility. The Company recorded an impairment in the year ended January 31, 2014 of $322,478 (January 31, 2013 - $366,193). The impairment relates to the valuation of the Weston County, Wyoming project due to expiring leases and the Company's limited capital being focused on the Gordon Creek project.

9. PROPERTY AND EQUIPMENT

	Corporate Assets	Production Assets	Oil and Natural Gas Properties	Totals
Cost				
January 31, 2013	$ 78,654	$ 112,535	$ 24,851,390	$ 25,042,579
Additions	-	-	330,937	330,937
Disposals (note 15(a))	-	-	(597,633)	(597,633)
Decommissioning liabilities	-	-	(184,488)	(184,488)
Foreign currency translation	1,663	12,930	2,825,071	2,839,664
At January 31, 2014	80,317	125,465	27,225,277	27,431,059
Accumulated depletion, depreciation				
January 31, 2013	75,274	66,902	1,937,149	2,079,325
Charge for the year	2,066	18,592	281,871	302,529
Foreign currency translation	1,662	9,049	243,220	253,931
At January 31, 2014	79,002	94,543	2,462,240	2,635,785
Net book value at January 31, 2014	**$ 1,315**	**$ 30,922**	**$ 24,763,037**	**$ 24,795,274**

	Corporate Assets	Production Assets	Oil and Natural Gas Properties	Totals
Cost				
January 31, 2012	$ 75,538	$ 113,155	$ 15,056,880	$ 15,245,573
Additions	-	-	9,647,442	9,647,442
Decommissioning liabilities	-	-	174,950	174,950
Foreign currency translation	3,116	(620)	(27, 882)	(25,386)
At January 31, 2013	78,654	112,535	24,851,390	25,042,579
Accumulated depletion, depreciation				
January 31, 2012	74,234	44,994	1,629,599	1,748,827
Charge for the year	540	16,915	256,427	273,882
Foreign currency translation	500	4,993	51,123	56,616
At January 31, 2013	75,274	66,902	1,937,149	2,079,325
Net book value at January 31, 2013	**$ 3,380**	**$ 45,633**	**$ 22,914,241**	**$ 22,963,254**

The Company has pledged assets with the carrying value of $24,293,406 (2013 - $21,822,529) as security on the natural gas linked debentures (note 11).

Costs subject to depletion included $21,511,000 of future development costs for the year ended January 31, 2014 and $20,174,000 for the year ended January 31, 2013.

Capitalized costs amounting to $328,291 were excluded from the depletable base at January 31, 2014 (January 31, 2013 - $1.1 million), relating to production equipment that was in the construction phase and not on location at Gordon Creek. To January 31, 2014, the Company has not capitalized any general and administrative expenses or finance costs to property and equipment.

On March 31, 2013, a Notice of Oil and Gas Liens was filed against certain wells of the Company's U.S. subsidiaries in the aggregate amount of US$1,014,587. All amounts have been fully recorded as accounts payable and accrued liabilities as at January 31, 2014 and 2013. (See also note 26).

At January 31, 2014 and January 31, 2013 the Company tested its one CGU, Gordon Creek, for impairment. Reductions to long term forecasted future natural gas benchmark pricing indicated that the CGU may be impaired. Further, external engineer reserve valuations decreased from the prior year, which indicated potential impairment for this CGU. For the purposes of determining whether impairment of assets has occurred, and the extent of any impairment or its reversal, management exercises their judgment in estimating future cash flows for the recoverable amount. These key judgments include estimates about recoverable reserves forecast benchmark commodity prices, royalties, operating costs and discount rates.

The recoverable amount of the Company's CGU was estimated based on the higher of the value in use and the fair value less costs of disposal. The estimate of fair value less costs of disposal was determined using a pre-tax discount rate of 15 percent and forecast net cash flows, with escalating prices and future development costs, as obtained from externally prepared reserve estimates. The forecast prices used to estimate the fair value less costs of disposal are those used by independent industry reserve engineers. Consideration was also given to an approximate cost of capital for potential acquisitions of Gordon Creek or Gordon Creek's CGU. The Gordon Creek CGU was not considered impaired as at or during the years ended January 31, 2014 or 2013. A 2% increase in the discount rate used in calculating impairment would not result in impairment.

The prices used in the impairment test of the Company's CGU at January 31, 2014 were:

	Natural Gas Nymex Henry Hub Benchmark (US$/mmbtu)
2014	4.25
2015	4.50
2016	4.75
2017	5.00
2018	5.25
2019	5.50
2020	5.63
2021	5.74

Prices are assumed to increase at a rate of approximately 2.0 percent per year after 2021. Adjustments were made to the benchmark prices, for purposes of the impairment tests, to reflect varied delivery points and quality differentials in the products to be delivered.

The prices used in the impairment test of the Company's CGU at January 31, 2013 were:

	Natural Gas Nymex Henry Hub Benchmark (US$/mmbtu)
2013	3.75
2014	4.25
2015	4.75
2016	5.25
2017	5.50
2018	5.80
2019	5.91
2020	6.03

Prices are assumed to increase at a rate of approximately 2.0 percent per year after 2020. Adjustments were made to the benchmark prices, for purposes of the impairment tests, to reflect varied delivery points and quality differentials in the products to be delivered.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2014	January 31, 2013
Trade payables	$ 2,645,371	$ 1,943,687
Debenture interest payable (note 11)	364,627	388,680
Accrued liabilities	389,165	495,692
GST / HST	3,764	-
Sandstorm financing fee on extension of financing deposit (note 12)	-	2,550,000
	$ 3,402,927	**$ 5,378,059**

11. DEBENTURES

The Company has $10,000,000 in three year, secured, natural gas linked debentures due October 31, 2013 which were extended to October 31, 2014 on November 1, 2013. The Debentures bear interest at a base rate of 15% per annum calculated daily and payable quarterly with an adjustment provision whereby a 1% interest premium is added each quarter for every US$0.50 by which the price of natural gas as published by the Henry Hub exceeds US$5.00, capped at 25% per annum. One-half of each quarterly interest payment will be paid in fully paid common shares of the Company at a deemed price per interest share equal to the greater of (i) a 10% discount to the volume weighted average trading price of the Company's common shares on the TSX Venture Exchange over the quarter and (ii) the discounted market price of the Company's common shares. The debentures are secured against the Company's U.S. property and equipment (note 9). The Company may redeem the debentures before they come due at a price of 115% of the principal amount being redeemed together with accrued and unpaid interest. The warrants issued to the debenture holders and to the finders expired unexercised (see note 14 below). A 66.67% majority of debenture holders is required to alter the terms of the debentures including the power to sanction the conversion of the debentures for shares in the Company.

Interest relating to the principal balance of $364,627 to be settled by cash of $189,041 and by common shares of $175,586 has been accrued in accounts payables and accrued liabilities. The common shares were issued in February 2014 (note 25) however the Company is in default of the cash payment for both the January 31, 2014 and April 30, 2014 distribution. The debenture holders have not demanded repayment.

	January 31, 2014	January 31, 2013
Balance, beginning of period	$ 9,225,666	$ 8,403,646
Accretion and transaction costs	774,334	822,020
Balance, end of period	**$ 10,000,000**	**$ 9,225,666**

The fair value of the commodity linked interest rate on the debentures, which is identified as an embedded derivative, is $nil (2013 - $nil). The fair value was determined by discounting the difference between the contracted rate and published forward price curves adjusted for differentials and foreign exchange rates as at the period end rate.

12. FINANCING DEPOSIT

In fiscal 2012, the Company entered into a US$25 million commodity stream production payment agreement with Sandstorm, whereby Sandstorm has the right to purchase 35% of the Company's Gordon Creek natural gas production at a price of US$1.00 per Mcf plus 20% of the amount by which the Gordon Creek field gate price exceeds US$4.00. Pursuant to the agreement, the Company is contractually obligated to drill 50 additional wells and workover 5 standing wells on the Gordon Creek Property, once the full US$25 million is advanced. Sandstorm made an initial advance of US$15 million to the Company and agreed to advance the

remaining US$10 million once the Company completes 5 workovers and drills 15 news wells. During the second quarter of fiscal 2013, the Company negotiated an amendment to its agreement with Sandstorm whereby Sandstorm provided an early advance on the remaining production payment of US$3 million of the US$10 million. In exchange, the Company agreed to expand the boundaries of the area of mutual interest set out in the original Sandstorm agreement by approximately 2 miles on all sides. This provides Sandstorm with the right to continue to participate with the Company over a substantially expanded area as the development operations at Gordon Creek grow in the future.

During the first quarter of fiscal 2013, the Company and Sandstorm amended the commodity stream production payment agreement whereby all minimum cash flow guarantees and drilling commitments at Gordon Creek were deferred by one year. As consideration for this deferral, in March 2013, the Company issued to Sandstorm $2.55 million in common shares determined at a deemed price equivalent to 50 day volume weighted average trading price prior to issuance (notes 10 and 14) and was accrued in fiscal 2013 as a financing expense. Under the amended agreement, the Company has provided Sandstorm with minimum annual before tax cash flows guarantees earned through the sale of their 35% share of natural gas produced in Gordon Creek. The guarantee is the lesser of US$2.3 million or 790mmcf by December 31, 2013, US$5.1 million or 1740mmcf in calendar 2014, US$4.6 million or 1560mmcf in calendar 2015, US$4.2 million or 1410mmcf in calendar 2016, US$3.8 million or 1260mmcf in calendar 2017, US$3.3 million or 1140mmcf in calendar 2018 and US$1.7 million or 590mmcf in calendar 2019.

As at January 31, 2014 the Company had only drilled eight wells and thus is in default of the Sandstorm Agreement. The Company has also not met the minimum production or cash flow commitments as described above. Additionally, as the ability of the Company to obtain the financing necessary to meet its full future exploration commitments under the agreement is uncertain, as at January 31, 2014, the Company has accounted for the US$18 million aggregate advance received from Sandstorm as a financing deposit liability. The default amount owed to Sandstorm is amounts advanced or recovered from Sandstorm less production provided to Sandstorm, and as a result, a value of $19,358,076 has been classified as a current liability as at January 31, 2014. As at June 5, 2014 Sandstorm had not provided the Company with a notice of default and is aware of the Company's ongoing efforts to raise additional financing.

The following financial information represents the activity associated with amounts advanced and repaid, via production, to Sandstorm.

	January 31, 2014	**January 31, 2013**
Balance, beginning of year	$ 17,641,873	$ 14,978,631
Production payment advanced	-	3,037,800
Less cash flows generated by production	(311,029)	(294,459)
Foreign currency translation	2,027,232	(80,099)
Balance, end of year	**$ 19,358,076**	**$ 17,641,873**

13. DECOMMISSIONING LIABILITIES

Upon retirement of its oil and natural gas assets, the Company anticipates incurring costs associated with decommissioning. The total undiscounted amounts of the estimated obligations are approximately $578,188 (US $520,000) (January 31, 2013 - $580,927 (US $582,500)) and are expected to be settled based on the economic lives of the underlying assets, which currently extend up to twenty-five years into the future and will be funded from general corporate resources at the time of abandonment. The estimated future cash flows have been discounted using the average risk free rate of approximately 3.24% and an inflation rate of 1.50% (January 31, 2012 – approximately 2.93% and 2.08%, respectively).

The following table reconciles decommissioning liabilities:

	January 31, 2014	January 31, 2013
Balance, beginning of year	$ 584,400	$ 394,579
Additions	-	75,150
Liabilities related to dispositions (note 15)	(69,615)	-
Change in estimate and discount rate	(184,488)	99,800
Accretion expense (note 23)	16,829	17,136
Foreign currency translation	51,468	(2,265)
Balance, end of year	**$ 398,594**	**$ 584,400**

14. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Issued and outstanding:

	Number of Shares	Amount
Balance, January 31, 2012	5,335,086	$ 20,505,292
Shares issued for debentures interest	367,139	823,808
Loan repayment on shares issued for private placement to related party	-	24,704
Balance, January 31, 2013	5,702,225	$ 21,353,804
Shares issued for debenture interest	1,277,504	508,324
Shares issued to Sandstorm (note 12)	1,194,848	1,613,045
Share issue costs	-	(200)
Balance, January 31, 2014	**8,174,577**	**$ 23,474,973**

Share consolidation

Effective October 24, 2013, the Company's name has been changed to Gordon Creek Energy Inc. and the common shares of the Company continued trading on a consolidated basis on the TSX Venture Exchange under the symbol"GDN". The name change and 15 for 1 share consolidation were approved by the shareholders at the Company's annual general meeting held June 12, 2013. The exercise price of outstanding stock options and warrants was proportionately adjusted based upon the consolidation ratio. All share, option, warrant and per share amounts have been adjusted retroactively for the consolidation.

Private placement to related party

Concurrent with a private placement during fiscal 2012, a related party purchaser was provided with a loan in the amount of $77,910. This loan corresponded with the purchase of 519,400 (34,627 post-consolidation) common shares issued through the private placement. During the year ended January 31, 2013, $24,704 of the loan has been repaid and $53,206 remains outstanding as at January 31, 2014. The loan is considered to be under the scope of IFRS 2 – Share-based payment, and accordingly no financial asset is recognized on the statement of financial position.

Shares issued to Sandstorm

On February 12, 2012, The Company and Sandstorm agreed to amend the natural gas purchase agreement whereby all minimum cash flow guarantees and drilling commitments at Gordon Creek were deferred by one year (note 12). As consideration for this deferral, on March 28, 2013, the Company issued to Sandstorm 17,922,724 (1,194,848 post-

consolidation) shares at a deemed price of $0.142 ($2.13 post-consolidation) per share, representing $2.55 million of Gordon Creek's shares at a deemed price equivalent to the volume weighted average trading price during the first 50 trading days of 2013. The trading price of Gordon Creek's shares at the date of issuance was $0.09 ($1.35 post-consolidation) resulting in a gain on settlement of financing fee related to the extension of the financing deposit of $936,955.

Income (loss) per share

The following table summarizes the post-consolidated weighted average shares used in calculating net loss per share:

	January 31, 2014	January 31, 2013
Weighted average shares outstanding	7,196,059	5,541,157
Dilutive effect of options and warrants	-	-
Diluted weighted average shares outstanding	**7,196,059**	**5,541,157**

For the periods ended January 31, 2014 and 2013, all options and warrants were excluded from the diluted calculation as their effect was anti-dilutive.

Share-based compensation plan

The Company has established a Share Option Plan (the "option plan") which provides for options to purchase common shares to be granted by the Company to directors, officers, employees and consultants of the Company. Options typically vest over a period of 12 to 18 months. The fair value of the options issued is recognized in share-based compensation over the vesting period, with a corresponding charge to contributed surplus. The maximum number of common shares issuable under the option plan is 533,333.

There were no options issued during the year ended January 31, 2014. The fair value of each option granted during fiscal 2013 was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	January 31, 2014	January 31, 2013
Share price on date of grant	-	$ 2.25
Dividend yield	-	0%
Interest rate	-	1.32%
Expected life	-	5 years
Forfeiture Rate	-	13.70%
Volatility	-	98%
Fair value per option	-	$ 1.50

The following table summarizes the changes in stock options outstanding:

	Number of Options		Weighted Average Exercise Price
Balance, January 31, 2012	434,333	$	3.30
Issued	5,000		2.25
Balance, January 31, 2013	439,333	$	3.30
Expired	(106,000)		3.60
Balance, January 31, 2014	**333,333**	**$**	**3.35**

The following table summarizes the stock options outstanding after consolidation at January 31, 2014:

Exercise price	Number of shares	Expiry Date	Weighted average remaining contractual life	Number exercisable
$ 2.25	68,333	Apr 2014 - Sept 2017	2.34	65,833
$ 3.00	148,333	December 2014	0.89	148,333
$ 3.30	6,667	December 2014	0.88	6,667
$ 4.50	110,000	November 2016	2.79	110,000
	333,333		**1.81**	**330,833**

Share purchase warrants
The following table summarizes the changes in the warrants outstanding:

	Number of warrants	Weighted average exercise price
Balance, January 31, 2012	2,389,430	$ 4.46
Expired	(921,422)	$ 3.00
Balance, January 31, 2013	1,468,008	$ 5.76
Expired	(1,468,008)	$ 5.76
Balance, January 31, 2014	**-**	

15. GAINS AND LOSSES ON SALES AND DISPOSALS

a) LOSS ON SALE OF EQUIPMENT

During the third quarter of fiscal 2014 the Company sold certain equipment for proceeds of $389,629 recognizing a loss of $208,004.

b) GAIN ON DISPOSAL OF OIL AND NATURAL GAS PROPERTIES

During the third quarter of fiscal 2014 the Company sold its 50% interest in a producing light oil project located in Rush County, Kansas for proceeds of approximately US$54,000 (Cdn $56,000) which comprised of US$30,000 (Cdn $31,116) cash and US$24,000 (Cdn $24,893) forgiveness of accounts payable. The associated decommissioning liabilities were US$67,118 (Cdn $69,615). The disposition resulted in a gain of Cdn $125,674. This property had no net book value attributed to it as this CGU was fully impaired on transition to IFRS on February 1, 2010.

During the third quarter of fiscal 2014 the Company also sold mineral rights in Gordon Creek for a gain of approximately $192,000; the mineral rights were deep rights which the Company had no plans to drill or reserves assigned. This property had no costs attributed to it.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's activities expose it to financial risks including credit risk, liquidity risk and market risk from changes in commodity prices, foreign currency rates and interest rates which could affect the value of the financial instruments held. The Company employs risk management strategies and polices to ensure that any exposure to risk is mitigated.

The Company's financial instruments recognized on the statement of financial position consist of cash and cash equivalents, restricted cash, accounts receivable, deposits, accounts payable and accrued liabilities, due to related parties, debentures, and financing deposit. The fair values of cash and cash equivalents, accounts receivable, deposits, restricted cash, accounts payable and accrued liabilities, due to related parties, debentures, and financing deposit approximate their carrying value due to their short-term maturities.

a) Fair value of financial instruments

The Company classifies the fair value of these balances according to the following fair value hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – Values are based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Values 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. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – Values are based on prices or valuation techniques that are not based on observable market data.

Accordingly, cash and cash equivalents and restricted cash are measured using a Level 1 designation. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy. The fair value of the commodity linked interest rate on the debentures (see note 11) at January 31, 2014 is $nil (January 31, 2013 - $nil). The fair value is calculated using a Level 2 designation.

b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's joint venture partners and oil and natural gas marketers. Receivables from purchasers of oil and natural gas are normally collected on the 25th day of the month following production. Receivables from joint venture partners are typically collected within one to three months of the joint venture billing being issued.

Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting receivables. Management of Thunderbird believes the risk is mitigated by the size and reputation of the companies to which they extend credit. Thunderbird's management believes all receivables will be collected.

The Company manages the credit exposure related to cash and cash equivalents and restricted cash by selecting financial institutions with high credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

The majority of the Company's accounts receivables are due from companies in the oil and natural gas industry and are subject to normal industry credit risks including commodity price fluctuations and escalating costs. The Company generally extends unsecured credit to these customers and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by the size and reputation of the companies to which they extend credit. Joint venture receivables are typically collected within one to three months of the joint venture bill being issued by the partner. The Company has not experienced any credit loss in the collection of accounts receivable to date.

The Company sells all of its production to one natural gas marketer and therefore is subject to concentration risk. At January 31, 2014, the Company's credit exposure to the natural gas marketer represents approximately 61% (January 31, 2013 – 35%) of accounts receivable. At January 31, 2014 the Company also has a receivable due from Sandstorm representing 18% (January 31, 2013 – 42%) of accounts receivable. Management does not believe that this concentration of credit risk will result in any loss to the Company based on past payment experience. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with reputable and natural gas marketers. The Company does not obtain collateral from oil and natural gas marketers or others in the event of non-payment.

The carrying amount of the cash and cash equivalents, accounts receivable, deposits and restricted cash represents the maximum credit exposure. The Company manages the credit exposure to cash by selecting financial institutions with high credit ratings.

The Company has an allowance for doubtful accounts as at January 31, 2014 of $nil and January 31, 2013 of $nil and did not provide for any doubtful accounts nor write-off any accounts receivables during the periods ended January 31, 2014 or 2013.

c) Liquidity risk

The Company is exposed to liquidity risk from the possibility that it will encounter difficulty meeting its financial obligations (note 2). The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. The Company's ongoing liquidity is impacted by various external events and conditions, including commodity price fluctuations and global economic conditions.

The Company expects to satisfy obligations under accounts payable and amounts due to related parties, in less than one year through cash flows from operations and new financing. The timing of cash outflows relating to the financial liabilities is outlined below:

	Within 1 Year	After 1 Year	Total
Accounts payable and accrued liabilities	$ 3,402,927	$ -	$ 3,402,927
Due to related parties (note 18)	604,160	-	604,160
Debentures (note 11) and estimated interest	10,000,000	-	10,000,000
Financing deposit (note 12)	19,358,076	-	19,358,076
Total	**$33,365,163**	**$ -**	**$33,365,163**

The Company's capital programs are primarily funded by cash obtained through operations, equity issuances, debentures (note 11) and a financing deposit (note 12). During and subsequent to the year ended January 31, 2014 Gordon Creek received funds from related parties (note 18 and 25) to manage liquidity risk. The Company requires sufficient cash to fund capital programs necessary to maintain or increase production and develop reserves and to potentially acquire strategic assets. The Company will require additional equity or debt financing to enable it to generate sufficient cash flow from its oil and natural gas properties, attain profitable operations and pay its financial obligations when due (note 2). The Company is also subject to future commitments as disclosed in note 21.

d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices and interest rates will affect the Company's net loss or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. Market risks are as follows:

i. Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is exposed to foreign currency fluctuations on transactions conducted in foreign currencies other than the functional currency and in the carrying value of its U.S. subsidiaries upon translation to the Canadian presentation currency. The majority of the Company's revenues and expenses are translated and denominated in U.S. dollars. of January 31, 2014, if the Canadian Dollar had increased or decreased one per cent against the United States dollar with all other variables held constant, the effect on net loss for the period would have be insignificant (January 31, 2013 – $nil), while the effect on comprehensive loss for the year would increase or decrease approximately $31,500 (January 31, 2013 – $42,000), respectively.

The Company has the following financial instruments in USD as at:

	January 31, 2014	January 31, 2013
Cash	$ 21,201	$ 316,534
Restricted cash	190,000	190,000
Accounts receivable	152,275	636,980
Deposits	15,190	-
Accounts payable and accrued liabilities	2,417,626	2,380,573
Financing deposit	17,409,908	17,689,635

The Company had no forward foreign exchange rate contracts in place as at or during the periods ended January 31, 2014 and 2013.

ii. Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar, as outlined above, but also world economic events that dictate the levels of supply and demand.

The Company may enter into oil and natural gas contracts to protect its cash flow on future sales. The contracts reduce the volatility in sales revenue by locking in prices with respect to future deliveries of oil and natural gas. During the year ended January 31, 2014 and 2013, the Company had no forward pricing contracts to mitigate the exposure to future commodity price fluctuations.

iii. Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk as a result of the commodity linked interest rate on the debentures as described on note 11. This is classified as an embedded derivative with the fair value of $nil. A $0.50 increase in the future commodity price would have a nominal affect on interest expense given the short term maturity of the debentures. The Company has no interest rate hedges or swaps outstanding at January 31, 2014.

17. CAPITAL MANAGEMENT

The Company's objectives when managing capital is to ensure that the Company and its subsidiaries will be able to continue as a going concern in order to pursue the exploration and development of its oil and natural gas properties and acquisitions while attempting to maximize the return to shareholders though the optimization of reasonable debt and equity balances commensurate with current operating requirements.

The capital structure consists of the following:

		January 31 2014		January 31 2013
Debentures	$	10,000,000	$	9,225,666
Financing Deposit		19,358,076		17,641,873
Less: Cash		(25,974)		(658,145)
Net Debt[1]		29,332,102		26,209,394
Total Shareholders' Deficiency		(8,155,896)		(7,725,295)
Total Capitalization	**$**	**21,176,206**	**$**	**18,484,099**

[1] Net debt as calculated above is a non-IFRS measure and is not standard terms/measures used by others.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying oil and natural gas assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares and/or debt and adjust its capital spending to manage current and projected debt levels.

The Company has no externally imposed capital requirements other than capital expenditures relating to its financing deposit discussed in note 12. As at January 31, 2014, the Company is in default of these capital expenditure requirements (note 12). The Company's objectives for managing capital structure have not changed from 2013.

18. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in these financial statements include the following:

	Years ended January 31,			
		2014		2013
Consulting fees paid or accrued to companies controlled by directors and officers (included in general and administrative expense)	$	288,700	$	270,238
General and administrative expenses reimbursed to companies with common directors		103,804		175,495

Amounts due to related parties includes $287,572 (January 31, 2013 - $32,851) due to officers and directors and companies with common directors and $19,691 (January 31, 2013 - $6,881) due from officers and directors and companies with common directors. Included in the debentures is $2,103,000 (January 31, 2013 - $2,103,000) (face value) held by related parties. Also included in amounts due to related parties, is a loan from a company controlled by an officer and director of the Company for $315,000, plus accrued interest of $21,279, received in May and August 2013 to cover costs including the fiscal 2014 first and second quarter debenture interest payments. The loan is secured by a promissory note and by assets of the Company's U.S. subsidiary, due on demand and bears interest at 12% annually until repaid.

Key Management Personnel Compensation

The remuneration of directors, President, CEO and CFO is as follows:

	January 31, 2014	January 31, 2013
Consulting fees (included in general and administrative expense)	$ 331,215	$ 270,238
Amortization of share-based payment awards	15,501	143,523
	$ 346,716	**$ 413,761**

19. SUPPLEMENTAL CASH FLOW INFORMATION

The following table reconciles the changes in non-cash working capital as disclosed in the consolidated statement of cash flows:

	Years Ended January 31,	
	2014	**2013**
Operating activities		
Changes in non-cash working capital:		
Accounts receivable	$ 437,468	$ (323,860)
Prepaid expenses and deposits	19,466	(83,497)
Accounts payable and accrued liabilities	2,566,621	(820,473)
	3,023,555	**(1,227,830)**
Financing activities		
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	**133,000**	**2,524,764**
Investing activities		
Changes in non-cash working capital:		
Accounts receivable	-	1,028,579
Prepaid expenses and deposits	54,963	605,629
Accounts payable and accrued liabilities	(2,355,226)	1,532,395
	(2,300,263)	**3,166,603**
Interest paid	**560,959**	**747,945**

The following non-cash transactions have been excluded from the statement of cash flows for the year ended January 31, 2014:

- The issuance of 17,922,724 (1,194,848 post-consolidation) common shares to Sandstorm at a deemed price of $0.142 ($2.13 post-consolidation) per share, representing $1.61 million of Gordon Creek shares (note 14).
- The forgiveness of accounts payable of US$24,000 (Cdn $24,893) related to the disposal of certain oil and natural gas properties (note 15(b)).

20. INCOME TAXES

The following table reconciles the income tax recovery calculated using the statutory tax rates to the income tax recovery per the statement of loss.

	2014			2013		
	Canada	US	Total	Canada	US	Total
Canadian statutory income tax rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Expected income tax recovery	$ 44,493	$ (762,004)	$ (717,511)	$ (298,982)	$ (1,454,528)	$ (1,753,510)
Permanent differences	5,300	-	5,300	270,118	-	270,118
Change in tax asset not recognized	(49,793)	1,135,386	1,085,593	(138,968)	2,172,479	2,033,511
Rate reduction	-	-	-	44,563	-	44,563
Provision to return true ups	-	-	-	125,602	(7,120)	118,482
Rate differential (U.S.)	-	(373,382)	(373,382)	-	(712,440)	(712,440)
Change in effective tax rates	-	-	-	-	(2,798)	(2,798)
Other	-	-	-	(2,333)	4,407	2,074
	$ -	$ -	$ -	$ -	$ -	$ -

In assessing the realization of the Company's deferred income tax assets, management considers whether it is probable that some portion or all of the Company's deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected deferred taxable income, and tax planning strategies in making this assessment. It is management's opinion that it is not probable that the Company's deferred tax assets will be realized. Based upon this assessment, the Company has not recognized these assets.

The significant components of the Company's future tax assets and liabilities are as follows:

	2014			2013		
	Canada	US	Total	Canada	US	Total
Deferred Income Tax Assets:						
Non-Capital Losses	$ 310,216	$4,407,161	$ 4,717,377	$ 497,831	$2,296,486	$ 2,794,317
Capital Losses	412,569	-	412,569	412,569	-	412,569
Decommissioning	-	148,476	148,476	-	217,661	217,661
Property, equipment and other	319,558	3,560,544	3,880,102	319,041	3,746,359	4,065,400
Loan acquisition costs & share issuance costs	92,065	-	92,065	148,292	-	148,292
Debentures	-	-	-	(193,584)	-	(193,584)
Total gross deferred income tax asset	$1,134,408	$8,116,181	$9,250,589	$1,184,149	$6,260,506	$7,444,655
Deferred income tax asset not recognized			(9,250,589)			(7,444,655)
Net Deferred Income Tax Asset			**$ -**			**$ -**

As at January 31, 2014, the Company has non-capital loss carry-forwards in Canada and the U.S. of approximately $13,072,168 (2013 - $8,157,177), which are available to offset future taxable income. These non-capital loss carry-forwards expire as follows:

	Canada	US	Total
2030	-	2,361,163	2,361,163
2031	280,609	2,928,124	3,208,733
2032	552,429	-	552,429
2033	407,825	1,585,085	1,992,910
2034	-	4,956,933	4,956,933
	$ 1,240,863	**$ 11,831,305**	**$ 13,072,168**

The Company has the following additional tax pools:

a) Canadian exploration expenditures of $543,336 (2013 - $543,336) can be deducted against future years' taxable income.
b) Foreign exploration and development expenses of $667,783 (2013 - $667,783) are fully deductible against foreign mineral profits or 10% of taxable income in any given year.
c) U.S. resource property expenditures of US$10,272,070 (2013 – US$12,764,231).
d) The Company has Canadian capital losses of $3,300,000 (2013 - $3,300,000) available to reduce future years' capital gains.

21. COMMITMENTS

The Company was contractually obligated to drill 50 wells and workover 5 standing wells on the Gordon Creek Property by December 31, 2013 under the terms of its commodity stream production payment agreement with Sandstorm (note 12). As at January 31, 2014 the Company had only drilled 8 wells and thus is obligated to drill an additional 42 wells and workover 5 standing wells.

The Company leases its office premises for which minimum lease payments are due for fiscal 2015 of $53,015. The Company has committed to making payments on specific accounts payables balances totaling US$112,421 (Cdn - $125,001) in fiscal 2015 and US$17,168 (Cdn - $19,089) in fiscal 2016.

The cash portion of the interest payments on debentures have not been made for the quarters ending January 31, 2014 or April 30, 2014. The amounts payable are $189,041 and $182,877 respectively and remain outstanding at June 5, 2014.

22. GENERAL AND ADMINISTRATIVE

	January 31, 2014	January 31, 2013
Investor relations and filing fees	$ 117,627	$ 115,594
Office and miscellaneous expenses	126,564	164,856
Salaries and contractor fees	585,833	701,673
Professional fees	185,591	206,880
Travel, meals and entertainment	27,368	83,762
	$ 1,042,983	**$ 1,272,765**

23. FINANCE EXPENSES (INCOME)

	January 31, 2014	January 31, 2013
Interest on debentures	$ 1,242,233	$ 1,548,572
Sandstorm financing fee on extension of financing deposit (gain on settlement of financing fee through issue of shares) (notes 12 and 14)	(936,955)	2,540,630
Accretion on debentures and transaction costs (note 11)	774,334	863,316
Accretion on decommissioning liabilities (note 13)	16,829	17,136
Interest income	(399)	(1,251)
	$ 1,096,042	**$ 4,968,403**

24. GEOGRAPHIC INFORMATION

The Company operates in two geographic regions, being Canada and the United States. The United States operations is primarily the acquisition and development of oil and natural gas properties and the production of oil and natural gas through participation agreements, while the Canadian operation is corporate support. The accounting policies of the regions are the same as those described in note 4.

	Canada	United States	Total
2014			
Revenue	$ -	$ 1,332,637	$ 1,332,637
Evaluation and exploration assets	-	255,655	255,655
Property and equipment	1,314	24,793,960	24,795,274
2013			
Revenue	$ -	$ 1,372,211	$ 1,372,211
Evaluation and exploration assets	-	538,870	538,870
Property and equipment	3,380	22,959,874	22,963,254

25. SUBSEQUENT EVENTS

On February 14, 2014 the Company issued 1,848,271 common shares in connection with the January 31, 2014 debentures interest payment due, the fair value of which $175,586 has been included in accounts payable and accrued liabilities as at January 31, 2014.

On May 14, 2014 the Company issued 1,813,684 common shares in connection with the April 30, 2014 debentures interest payment due, the fair value of which was $190,437.

On May 13, 2014 the Company announced that it has entered into a binding agreement with a Malaysian natural gas distribution company, whereby the Malaysian company has agreed to pay US$10 million to the Company in exchange for the ongoing right to purchase up to 100% of the Company's future production from its Gordon Creek natural gas field in Carbon County, Utah (the "Transaction"). The Malaysian company will pay the Company in accordance with industry standards as a function of the monthly price of gas as traded on NYMEX, less a negotiated discount in the range of 10%. The Malaysian company was not able to meet the original closing date specified in the agreement, and discussions are ongoing as to a potential closing schedule. Further details of the

Transaction and a description of the buyer will be provided once the closing has been confirmed and a time frame for closing has been determined. Whether the transaction with the Malaysian company closes or not is uncertain and no assurance can be made. Without access to the funding this transaction provides or other third party funding, the Company may not be able to continue as a going concern.

Subsequent to January 31, 2014 Gordon Creek received funds from certain officers, directors and shareholders aggregating $204,410 to pay for certain outstanding and future general and administrative costs. Funds advanced are secured by a promissory note and by assets of a U.S. subsidiary, are due on demand and bears interest at 12% annually until repaid.

Subsequent to January 31, 2014, 3,333 options expired with an exercise price of $2.25.

26. CONTINGENCIES

During the year ended January 31, 2014 statements of complaints aggregating approximately US$1,550,000 have been filed against the Company from certain vendors of the Company. Certain of these statements of complaints also contain liens filed against certain wells of the Company's U.S. subsidiaries (note 9). At January 31, 2014, approximately US$1,400,000 remains of the aggregate total of statement of complaints, net of repayments, which have been included in accounts payable and accrued liabilities. Management believes that the statements of complaints will be resolved upon payment of these vendor's accounts owing and any additional amounts owing will be recorded on the period of settlement.