
CANADA ENERGY PARTNERS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2014
(Expressed in Canadian Dollars)

CANADA ENERGY PARTNERS INC.

NOTICE OF NO AUDITOR REVIEW OF THESE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Canada Energy Partners Inc. (the "Company") for the three and six months ended October 31, 2014, have been prepared by management and are the responsibility of the Company's management and have not been reviewed by an auditor.

CANADA ENERGY PARTNERS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	October 31, 2014	April 30, 2014
A S S E T S		
CURRENT ASSETS		
Cash	\$ 337,351	\$ 374,327
Accounts receivable	16,701	6,877
Prepaid and deposits	42,023	34,820
Assets held for sale (Note 3)	-	15,685,958
	396,075	16,101,982
RECLAMATION DEPOSIT (Note 4)	2,161,810	-
OIL AND GAS INTERESTS (Note 5)	27,269,820	27,105,072
	\$ 29,827,705	\$ 43,207,054
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	\$ 22,854	\$ 521,388
Short-term loan (Note 6)	-	501,359
Decommissioning liability - held for sale (Notes 4, 7)	-	222,418
	22,854	1,245,165
DECOMMISSIONING LIABILITY (Note 7)	1,839,364	1,761,462
	1,862,218	3,006,627
S H A R E H O L D E R S ' E Q U I T Y		
SHARE CAPITAL (Note 9)	71,124,785	82,953,215
SHARE-BASED PAYMENT RESERVE (Note 9)	8,512,294	8,558,240
DEFICIT	(51,671,592)	(51,311,028)
	27,965,487	40,200,427
	\$ 29,827,705	\$ 43,207,054

Nature of operations and going concern (Note 1)

Approved by the Board of Directors and authorized for issue on December 18, 2014.

“John Proust” , Director “Ben Jones” , Director

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

CANADA ENERGY PARTNERS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Three Months Ended October 31, 2014	Three Months Ended October 31, 2013	Six Months Ended October 31, 2014	Six Months Ended October 31, 2013
GENERAL AND ADMINISTRATIVE EXPENSES				
Accretion	\$ 11,890	\$ 7,548	\$ 24,079	\$ 15,631
Administrative and management services (Note 10)	97,928	91,956	193,690	186,967
Audit and accounting	7,700	-	15,200	1,094
Filing and regulatory	11,109	9,443	14,084	15,727
General Exploration	2,592	4,931	2,592	4,931
Impairment of oil and gas interests	-	-	8,027	-
Interest expense	-	2,875	10,340	4,836
Investor relationship	420	420	1,154	560
Legal	10,961	47,314	10,961	70,016
Office and miscellaneous	15,449	30,495	39,897	48,265
Professional fees	5,528	10,000	6,133	13,323
Rent	6,523	6,774	13,123	13,526
Share based compensation	14,621	46,392	34,223	61,857
Travel	1,062	10,102	8,928	13,926
	185,783	268,250	382,431	450,659
OTHER ITEMS				
Gain on disposition of assets	(15,689)	-	(15,689)	-
Foreign exchange loss	(35)	-	(26)	-
Interest income	(6,151)	(45)	(6,151)	(114)
	(21,875)	(45)	(21,866)	(114)
LOSS BEFORE INCOME TAXES	(163,908)	(268,205)	(360,565)	(450,545)
DEFERRED INCOME TAXES RECOVERY (Note 8)	-	(216,319)	-	(174,741)
NET LOSS AND COMPREHENSIVE LOSS	\$ (163,908)	\$ (484,524)	\$ (360,565)	\$ (625,286)
LOSS PER SHARE - BASIC AND DILUTED	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	90,246,001	88,657,958	89,757,082	86,456,871

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

CANADA ENERGY PARTNERS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Number of Issued and Outstanding Shares	Share Capital	Share-based Payment Reserve	Deficit	Total Shareholders' Equity
Balance as at May 1, 2014	89,255,784	\$ 82,953,215	\$ 8,558,240	\$ (51,311,028)	\$ 40,200,427
Share issued - options exercised	1,138,750	113,875	-	-	113,875
Fair value of options exercised	-	80,168	(80,168)	-	-
Distribution of capital to shareholders	-	(12,022,473)	-	-	(12,022,473)
Share based compensation	-	-	34,223	-	34,223
Net loss for the period	-	-	-	(360,565)	(360,565)
Balance as at October 31, 2014	90,394,534	\$ 71,124,785	\$ 8,512,295	\$ (51,671,593)	\$ 27,965,487

	Number of Issued and Outstanding Shares	Share Capital	Share-based Payment Reserve	Deficit	Total Shareholders' Equity
Balance as at May 1, 2013	84,255,784	\$ 82,463,449	\$ 8,446,010	\$ (23,062,805)	\$ 67,846,654
Shares issued for private placement	5,000,000	\$ 500,000	-	-	\$ 500,000
Share issuance cost	-	\$ (4,634)	-	-	\$ (4,634)
Share based compensation	-	-	61,857	-	61,857
Net loss for the period	-	-	-	(625,286)	(625,286)
Balance as at October 31, 2013	89,255,784	\$ 82,958,815	\$ 8,507,867	\$ (23,688,091)	\$ 67,778,591

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

CANADA ENERGY PARTNERS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Six Months Ended October 31, 2014	Six Months Ended October 31, 2013
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Loss for the period	\$ (360,565)	\$ (625,286)
Accretion	24,079	15,631
Interest expense	-	4,837
Deferred income taxes recovery	-	174,741
Share based compensation	34,223	61,857
Impairment of oil and gas interests	8,027	-
Changes in non-cash working capital balances		
Accounts receivable and prepaid and deposits	(17,027)	(12,923)
Accounts payable and accrued liabilities	(817,756)	(28,167)
	<u>(1,129,019)</u>	<u>(409,310)</u>
INVESTING ACTIVITIES		
Oil and gas interests	(57,549)	(24,968)
Reclamation deposit	(2,161,810)	-
Disposition of oil and gas interests	15,720,000	-
	<u>13,500,641</u>	<u>(24,968)</u>
FINANCING ACTIVITIES		
Issuance of shares (net of share issuance costs)	113,875	495,366
Distribution of capital to shareholders	(12,022,473)	-
Repayment of short-term loan	(500,000)	-
	<u>(12,408,598)</u>	<u>495,366</u>
INCREASE (DECREASE) IN CASH DURING THE PERIOD	(36,976)	61,088
CASH - BEGINNING OF THE PERIOD	374,327	151,438
CASH - END OF THE PERIOD	<u>\$ 337,351</u>	<u>\$ 212,526</u>
SUPPLEMENTAL CASHFLOW DISCLOSURE		
Accounts payable related to oil and gas interests	\$ -	\$ 136,099.00
Interest expense paid	\$ (10,340)	\$ -

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

CANADA ENERGY PARTNERS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED OCTOBER 31, 2014
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Canada Energy Partners Inc. (“the Company”) is an independent natural gas exploration and development company primarily focused on resource opportunities in northeast British Columbia. The Company was formed on May 18, 2006, by Certificate of Incorporation and Notice of Articles pursuant to the provisions of the Business Corporations Act (British Columbia). The Company’s principal and executive office is located at Suite 1680, 200 Burrard Street, Vancouver, BC, Canada V6C 3L6.

The amounts shown as oil and gas interests represent exploration and development expenditures incurred to date and acquisition costs for the working interests in the Company’s prospects and do not necessarily represent present or future values. The underlying value of oil and gas interests is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the Company’s prospects, the ability of the Company to obtain the necessary financing to complete its share of the development, and future profitable production.

Going concern

These condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

For the period ended October 31, 2014, the Company incurred a net loss of \$360,564 (October 31, 2013-\$625,286) and had working capital of \$373,221 (April 30, 2014 -\$14,856,817). The Company does not generate sufficient cash flow from operations to adequately fund its future activities and has relied principally upon issuance of securities to fund its exploration, development and administrative expenditures. These conditions raise significant doubt regarding the Company’s ability to continue as a going concern.

The Company will require additional capital to fund its future property acquisitions and its exploration and development programs as well as for administrative purposes. There is material uncertainty about whether the Company will be able to obtain additional capital. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these consolidated financial statements.

These condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended April 30, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

CANADA ENERGY PARTNERS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED OCTOBER 31, 2014
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company has used the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended April 30, 2014 and will adopt the following new standards:

- The final version of IFRS 9, *Financial Instruments*, was issued by the IASB in July 2014 and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

3. ASSETS HELD FOR SALE

On March 31, 2014, the Company and Crew Energy Inc. (“Crew”) entered into an option to purchase agreement (the “Option Agreement”) pursuant to which the Company granted to Crew an option to purchase certain oil and gas rights of the Company located in northeastern British Columbia known as the Montney Shale lands and wells (the “Assets”) for a purchase price of \$16,070,000. On June 25, 2014, Crew exercised the Option Agreement. The Option Agreement was subsequently amended on June 25, 2014 pursuant to which the purchase price for the Assets was reduced to \$15,720,000.

On June 25, 2014, Crew exercised its option and the Company entered into an Agreement of Purchase and Sale (the “PSA”) with Crew.

The sale to Crew was completed on July 31, 2014 (the “Closing Date”) and the Company received full payment of \$15,720,000 in cash less adjustments. The Company also incurred additional transaction costs of \$8,027 and recorded this amount as impairment of oil and gas interests during the period ended October 31, 2014.

Assets related to the PSA have been presented as held for sale as follows.

	October 31, 2014	April 30, 2014
Oil and gas interests	\$ -	\$ 15,685,958
Total	\$ -	\$ 15,685,958

The Company’s assets held for sale is measured at the lower of carrying amount and fair value less costs to sell.

Liabilities related to the Sale Transaction have been presented as held for sale as follows.

	October 31, 2014	April 30, 2014
Decommissioning liabilities	\$ -	\$ 222,418
Total	\$ -	\$ 222,418

The value of the company’s assets held for sale is based on Level 2 inputs of the fair value hierarchy.

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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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4. RECLAMATION DEPOSIT

The Company has a reclamation deposit of \$2,161,810 (April 30, 2014: \$nil) that is held by the British Columbia Oil and Gas Commission ("BCOGC) as a financial guarantee of the future abandonment costs for the Company's wells and gas processing plant.

5. OIL AND GAS INTERESTS

For the period ended October 31, 2014	Total
Acquisition costs	
Balance, beginning of period	\$ 25,915,043
Leases acquisitions and rental costs	83,355
Balance, end of period	\$ 25,998,398
Exploration costs	
Balance, beginning of period	\$ -
Asset retirement costs	53,823
Report and others	27,570
Balance, end of period	\$ 81,393
Development costs	
Balance, beginning of period	\$ 1,190,029
Balance, end of period	\$ 1,190,029
Total oil and gas interests	\$ 27,269,820

For the year ended April 30, 2014	Total
Acquisition costs	
Balance, beginning of year	\$ 48,571,101
Leases acquisitions and rental costs	175,826
Impairment of oil and gas interest	(7,145,926)
Transferred to assets held for sale	(15,685,958)
Balance, end of year	\$ 25,915,043
Exploration costs	
Balance, beginning of year	\$ 15,298,147
Redemption of reclamation bond	(20,000)
Asset retirement costs	590,347
Report and others	268,695
Impairment of oil and gas interest	(16,137,189)
Balance, end of year	\$ -
Development costs	
Balance, beginning of year	\$ 12,350,556
Impairment of oil and gas interest	(11,160,527)
Balance, end of year	\$ 1,190,029
Total oil and gas interests	\$ 27,105,072

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(Expressed in Canadian Dollars)

5. OIL AND GAS INTERESTS (continued)

Peace River Project, British Columbia

The Company has working interests in the oil and gas leases located in the Peace River area near Hudson's Hope in northeast British Columbia. Peace River Project consists of shallow rights (from the surface to the base of Gething formation) and water disposal rights in the deep rights (from the base of Gething to the basement or to base of Belloy).

Shallow rights

Shallow rights include the Peace River CBM Project and Moosebar Shale rights. On June 26, 2012 the Company increased its working interest in the CBM Project and Moosebar Shale rights to 100% by the acquisition of all of the outstanding shares of HHG, the other 50% owner and operator of the CBM Project, from GeoMet, Inc., for consideration of 2,000,000 common shares of the Company. The Company's interest in the Peace River CBM Project and the Moosebar Shale rights is subject to Crown royalties and for certain acreage to overriding royalties of up to 0.05%.

Deep rights

On March 31, 2014, the Company and Crew entered into an option to purchase agreement pursuant to which the Company granted to Crew an option to purchase certain oil and gas rights of the Corporation located in northeastern British Columbia known as the Montney Shale lands and wells (the "Assets") for a purchase price of \$16,070,000. The Option Agreement was subsequently amended in accordance with an amending agreement dated June 25, 2014 pursuant to which the purchase price for the Assets was reduced to \$15,720,000.

On July 31, 2014, the Company completed the sale of its Montney rights for \$15,720,000 and received net proceeds of \$12,492,995, after adjustments including a \$2.2 million reclamation deposit paid to the BCOGC and repayments of short-term loan and other liabilities to Crew. As part of the sale, the Company retained water disposal rights in all the leasehold rights it sold.

Other Assets

The Company owns 100% of a gas processing plant located in Peace River, British Columbia. The Company also owns a water disposal well.

At April 30, 2014, the Company evaluated its Peace River Project for impairment and recorded an impairment of \$27,157,187 (2013 – \$nil). The impairment indicator was triggered when sufficient data indicated that the carry amount of the oil and gas interest is unlikely to be recovered in full from successful development or by sale.

No further impairment indicators were identified during the period ended October 31, 2014

Monias Prospect, British Columbia

The Company owns a 100% working interest in the shallow rights in seven sections, a 70% working interest in two sections, and a 35% working interest in one section.

Deep rights associated with the Monias Prospect were sold in the same transaction as were deep rights under the Peace River Project. Water disposal rights were retained under the deep rights sold.

At April 30, 2014, the Company evaluated the Monias Prospect for impairment and recorded an impairment of \$6,509,867 (2013 - \$nil). The Monias Prospect was written down to \$nil as the Company does not expect to incur any further expenditures on this property.

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5. OIL AND GAS INTERESTS (continued)

Moberly Prospect, British Columbia

The Company owns 100% working interest in the shallow rights under three net sections under the Moberly Prospect.

The Company sold all its deep rights under the Moberly Prospect in the same transaction as the Peace River Prospect.

The Company's interest in the Moberly Prospect will be subject to Crown royalties, geological overriding royalties of 0.93% and back-in interest of 10.5% after project payout plus \$1,000,000.

At April 30, 2014, the Company evaluated the Moberly Prospect for impairment and recorded an impairment of \$776,588 (2013 - \$nil). The Moberly Prospect was written down to \$nil as the Company does not expect to incur any further expenditures on this property.

6. SHORT TERM LOAN

On March 31, 2014, the Company received a \$500,000 loan from Crew. Interest on the loan accrued monthly at an annual rate of interest of the prime rate plus four percent, from March 31, 2014 to the date of repayment. Pursuant to the terms of the PSA with Crew, the due date of this loan was amended to the Closing Date of the PSA. On July 31, 2014, the Company has closed the PSA and repaid the principal amount of loan plus interest in full to Crew. As at October 31, 2014, the balance of the Company's short term loan is \$nil (April 30, 2014 - \$501,359)

7. DECOMMISSIONING LIABILITY

Total future decommissioning liability was estimated by management based on the Company's working interest in its wells and facilities, estimated costs to remediate, reclaim, and abandon the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The Company estimated the total risk adjusted undiscounted amount of cash flows required to settle the decommissioning liability to be approximately \$3,651,319 which will be incurred from 2034 to 2044. To calculate the net present value of its decommissioning liability, the Company used a risk free rate of 2.76%. The following table summarizes the Company's decommissioning liability:

	Decommissioning Liability
Balance, as at April 30, 2013	\$ 1,364,839
Change in estimate	588,315
Accretion expense	30,726
Balance, as at April 30, 2014	1,983,880
Change in estimate	53,823
Accretion expense	24,079
Disposition of deep rights (Note 5)	(222,418)
Balance, as at October 31, 2014	\$ 1,839,364

The present value of the reclamation liability may be subject to change in future periods. Such changes will be recorded in the accounts of the Company as they occur.

CANADA ENERGY PARTNERS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED OCTOBER 31, 2014
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8. INCOME TAXES

A reconciliation of income taxes at Canadian statutory rates with reported income taxes is as follows:

	October 31, 2014	April 30, 2014
Loss before income taxes	\$ (360,565)	\$ (35,322,504)
Expected income tax recovery	(93,747)	(9,183,851)
Item not deductible for income tax purposes	(52,039)	8,994,831
Change in statutory tax rate	-	282,971
Change in deferred income tax assets	63,394	(8,913,829)
Unrecognized tax benefits	82,392	1,745,597
Deferred income tax recovery	\$ -	\$ (7,074,281)

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

	October 31, 2014	April 30, 2014
Deferred income tax assets		
Investment	\$ 67,235	\$ 67,235
Share issuance costs	1,596	2,129
Property and equipment	1,886,184	1,886,184
Closure cost obligations	297,759	343,604
Non-capital losses	2,908,034	2,762,446
Unrecognized deferred tax assets	(1,827,989)	(1,745,598)
Deferred income tax recovery	\$ 3,332,819	\$ 3,316,000
Deferred income tax liabilities		
Oil and gas interests	(3,332,819)	(3,316,000)
Net deferred income tax liabilities	\$ -	\$ -

The Company has Canadian non-capital loss carry forwards of approximately \$11,184,745 which expire in 2027 through to 2035, and approximately \$20,600,000 in certain resource related and capital asset deductions which may be available to offset future taxable income. The Company through, HHG, has additional Canadian non-capital loss carry forwards of approximately \$14,000 which expire in 2027 through to 2035, and approximately \$11,700,000 in certain resource related assets deductions which may be available to offset future taxable income.

CANADA ENERGY PARTNERS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED OCTOBER 31, 2014
(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE

During the period ended October 31, 2014, 1,138,750 stock options of the Company were exercised at an exercise price of \$0.10 per share. The weighted average share price at the date of the exercise was \$0.14 per share.

The Company completed the distribution of an aggregate of approximately \$12.02 million as a reduction of the capital of the common shares on a pro rata basis to the holders of common shares of the Company of record at the close of business on August 20, 2014. Each shareholder of record has received \$0.133 per share.

On August 12, 2013, the Company completed a non-brokered private placement for \$500,000 by the issuance of 5,000,000 common shares at a price of \$0.10 per share.

Share options and share-based compensation

The Company grants stock options in accordance with the requirements of the TSX Venture Exchange. Under the Company's stock option plan, up to 10% of outstanding common shares are reserved for the issuance of stock options to directors, officers, employees and consultants. The terms of the options, including the vesting terms and the exercise price are fixed by the directors at the time of grant subject to the price not being less than the market price of the Company's stock on the date of grant. The stock options granted are exercisable for a period of five years.

A continuity table of share options for the period ended October 31, 2014 is as follows:

	Number of options	Weighted Average Exercise
Balance, outstanding - April 30, 2013	6,795,000	\$ 0.63
Granted	2,815,000	0.10
Cancelled	(2,544,000)	0.63
Forfeited	(1,857,250)	0.53
Balance, outstanding - April 30, 2014	5,208,750	\$ 0.38
Granted	800,000	\$ 0.10
Exercised	(1,138,750)	\$ 0.10
Cancelled	(2,430,000)	\$ 0.63
Balance, outstanding - October 31, 2014	2,440,000	\$ 0.38

During the period ended October 31, 2014 the Company granted 800,000 share options with an exercise price of \$0.10 to two directors of the Company.

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(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE (continued)

The following table summarizes information about share options outstanding and exercisable at October 31, 2014:

Exercise Price	Options Outstanding		Options Exercisable	
	Number of Options	Weighted Average Contractual Life (Years)	Number of Options	Weighted Average Contractual Life (Years)
\$0.10	2,020,000	4.23	-	-
\$0.20	100,000	3.87	-	-
\$0.63	320,000	0.94	320,000	0.94
	2,440,000	3.79	320,000	0.94

The following are the weighted average assumptions used to estimate the fair value of options granted using the Black-Scholes option pricing model:

	2015	2014
Risk-free interest rate	1.52%	1.69%
Expected volatility	136.38%	111.23%
Expected life	5 years	5 years
Expected dividend yield	Nil	Nil

Option pricing models require the use of estimates and assumptions including the expected volatility. Changes in underlying assumptions can materially affect the fair value estimates.

Warrants

There were no warrants outstanding as at October 31, 2014 and April 30, 2014. There were no warrants issued, exercised or expired during the period ended October 31, 2014.

CANADA ENERGY PARTNERS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED OCTOBER 31, 2014
(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

Key management and personnel compensation

Administrative and management fees of \$66,000 (2013 - \$66,000) were paid to a company controlled by the Chairman in connection with the Company's Vancouver head office. Administrative and management fees of \$127,690 (2013 - \$122,351) were paid to a company controlled by the Chief Executive Officer in connection with the Company's Baton Rouge office.

	Three months ended October 31, 2014	Three months ended October 31, 2013	Six months ended October 31, 2014	Six months ended October 31, 2013
Administrative and management services	\$ 97,928	\$ 91,956	\$ 193,690	\$ 186,967
Share based compensation	14,621	46,392	34,223	61,857
	<u>\$ 112,549</u>	<u>\$ 138,348</u>	<u>\$ 227,913</u>	<u>\$ 248,824</u>

Other related parties transactions

During the period ended October 31, 2014, the Company paid \$13,123 (October 31, 2013 - \$13,562) to a company controlled by the CEO of the Company for rent for the Company's office in Baton Rouge, Louisiana.