
CANADA ENERGY PARTNERS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2013

(Unaudited)

(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 six months ended October 31, 2013, 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
(Unaudited)
(Expressed in Canadian Dollars)

	October 31, 2013 \$	April 30, 2013 \$
ASSETS		
CURRENT ASSETS		
Cash	212,526	151,438
Accounts receivable	11,474	9,809
Prepaid and deposits	<u>46,749</u>	<u>35,490</u>
	270,749	196,737
OIL AND GAS INTERESTS (Notes 3, 4)	<u>76,375,736</u>	<u>76,219,804</u>
	<u>76,646,485</u>	<u>76,416,541</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>21,809</u>	<u>55,110</u>
	21,809	55,110
LONG-TERM PAYABLE (Note 4)	216,593	75,657
DECOMMISSIONING LIABILITY (Note 5)	1,380,470	1,364,839
DEFERRED INCOME TAX LIABILITY (Note 6)	<u>7,249,022</u>	<u>7,074,281</u>
	<u>8,867,894</u>	<u>8,569,887</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 7)	82,958,815	82,463,449
SHARE-BASED PAYMENT RESERVE (Note 7)	8,507,867	8,446,010
DEFICIT	<u>(23,688,091)</u>	<u>(23,062,805)</u>
	<u>67,778,591</u>	<u>67,846,654</u>
	<u>76,646,485</u>	<u>76,416,541</u>

Nature of operations and going concern (Note 1)

Commitments (Note 9)

Event after the reporting period (Note 11)

Approved by the Board of Directors and authorized for issue on December 19, 2013.

"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 COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended October 31, 2013 \$	Three Months Ended October 31, 2012 \$	Six Months Ended October 31, 2013 \$	Six Months Ended October 31, 2012 \$
GENERAL AND ADMINISTRATIVE				
Administrative and management services (Note 8)	91,956	90,192	186,967	188,351
Share based compensation	46,392	-	61,857	-
Accretion	7,548	9,040	15,631	13,461
Audit and accounting	-	224,09	1,094	21,304
Corporate development	-	-	-	1,747
Filing and regulatory	9,443	13,994	15,727	18,644
General exploration	4,931	29,813	4,931	47,230
Interest expenses	2,875	-	4,836	-
Legal	47,314	13,941	70,016	16,695
Office and miscellaneous	30,915	37,212	48,825	53,930
Professional fees	10,000	11,471	13,323	17,844
Rent	6,774	8,730	13,526	19,536
Travel	10,102	11,777	13,926	30,886
LOSS BEFORE OTHER ITEMS	<u>(268,250)</u>	<u>(248,579)</u>	<u>(450,659)</u>	<u>(429,628)</u>
OTHER ITEMS				
Interest income	45	55	114	762
	<u>45</u>	<u>55</u>	<u>114</u>	<u>762</u>
LOSS BEFORE INCOME TAXES	(268,205)	(248,524)	(450,545)	(428,866)
DEFERRED INCOME TAXES (Note 6)	<u>(216,319)</u>	<u>190,266</u>	<u>(174,741)</u>	<u>234,483</u>
NET LOSS AND COMPREHENSIVE LOSS	<u>(484,524)</u>	<u>(58,258)</u>	<u>(625,286)</u>	<u>(194,383)</u>
LOSS PER SHARE - BASIC AND DILUTED	<u>(0.01)</u>	<u>(0.00)</u>	<u>(0.01)</u>	<u>(0.00)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED				
	<u>88,657,958</u>	<u>84,255,784</u>	<u>86,456,871</u>	<u>83,636,219</u>

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
(Unaudited)
(Expressed in Canadian Dollars)

	Number of Issued and Outstanding Shares	Share Capital \$	Share-based Payment Reserve \$	Deficit \$	Shareholders' Total 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 placements	5,000,000	500,000	-	-	500,000
Share issuance costs	-	(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

	Number of Issued and Outstanding Shares	Share Capital \$	Share-based Payment Reserve \$	Deficit \$	Shareholders' Total Equity \$
Balance as at May 1, 2012	82,255,784	82,183,449	8,446,010	(22,491,458)	68,138,001
Shares issued for acquisition of Hudson's Hope Gas, Ltd.	2,000,000	280,000	-	-	280,000
Net loss for the period	-	-	-	(194,383)	(194,383)
Balance as at October 31, 2012	84,255,784	82,463,449	8,446,010	(22,685,841)	68,223,618

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
(Unaudited)
(Expressed in Canadian Dollars)

	<u>Six Months Ended October 31, 2013</u>	<u>Six Months Ended October 31, 2012</u>
	\$	\$
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Net loss for the period	(625,286)	(194,383)
Accretion and depreciation	15,631	13,461
Interest on loan	4,837	-
Deferred income taxes recovered	174,741	(234,483)
Share based compensation	61,857	-
Changes in non-cash working capital balances:		
Accounts receivable, prepaid and deposits	(12,923)	(23,966)
Accounts payable and accrued liabilities	(28,167)	(23,326)
	<u>(409,310)</u>	<u>(462,697)</u>
INVESTING ACTIVITIES		
Oil and gas interests	(24,968)	(255,442)
	<u>(24,968)</u>	<u>(255,442)</u>
FINANCING ACTIVITIES		
Issuance of shares (net of share issuance costs)	495,366	-
	<u>495,366</u>	<u>-</u>
DECREASE IN CASH DURING THE PERIOD	61,088	(718,139)
CASH - BEGINNING OF THE PERIOD	<u>151,438</u>	<u>806,032</u>
CASH - END OF THE PERIOD	<u><u>212,526</u></u>	<u><u>87,893</u></u>

Supplemental disclosure with respect to cash flows (Note 10)

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 SIX MONTHS ENDED OCTOBER 31, 2013
(Unaudited)
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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 unconventional 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, 2013, the Company incurred a net loss of \$625,286 (October 31, 2012- \$194,383) and had working capital of \$248,940 (April 30, 2013 - \$141,627). 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 consolidated 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.

CANADA ENERGY PARTNERS INC.
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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, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

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, 2013, other than the following new standards that were adopted by the Company effective May 1, 2013:

- IFRS 10 - Consolidated Financial Statements. In May 2011, the IASB issued IFRS 10, which replaces IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company has determined that there is no impact on its consolidated interim financial statements arising from this standard.
- IFRS 11 - Joint Arrangement. In May 2011, the IASB issued IFRS 11, which replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 focuses on the rights and obligations of an arrangement rather than its legal form, as is currently the case. The standard distinguishes between joint operations, where the joint operator accounts for the assets, liabilities, revenues, and expenses relating to its involvement, and joint ventures, which must be accounted for using the equity method. The Company has determined that there is no impact on its consolidated interim financial statements arising from this standard.
- IFRS 12 - Disclosure of interest in Other Entities. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint operations, joint ventures, associates and unconsolidated structured entities. The Company has determined that there is no impact on its consolidated interim financial statements arising from this standard.
- IFRS 13 - Fair Value Measurement. IFRS 13 is a new standard that applies to both financial and non-financial items measured at fair value. It defines fair value, sets out a single framework for measuring fair value and requires disclosures about fair value measurements. Previously, a variety of fair value techniques and disclosures were possible under the requirements of separate applicable IFRSs. The Company has determined that there is no impact on its consolidated interim financial statements arising from this standard.

These condensed consolidated interim financial statements were approved for issuance by the Company’s Board of Directors on December 19, 2013.

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FOR THE SIX MONTHS ENDED OCTOBER 31, 2013

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3. ACQUISITION OF HUDSON'S HOPE GAS, LTD.

On June 26, 2012 the Company acquired all of the outstanding shares of Hudson's Hope Gas, Ltd. ("HHG"), from GeoMet Inc. ("GeoMet") for a consideration of two million shares of the Company. HHG is the operator and 50% owner of the Company's Peace River Coalbed Methane ("CBM") Project. This share purchase, plus the 50% of the CBM that the Company already owned, brings the Company's ownership of the CBM Project to 100%.

The fair value of the common shares of the company issued in connection with the acquisition has been determined at \$0.14 per share based on the market value of shares on the date of transaction. The Company accounted for the transaction as an asset acquisition rather than a business combination, as HHG did not meet the definition of business as defined by IFRS 3 - Business Combinations.

The purchase consideration is comprised of the following:

Total purchase price	
Issuance of 2,000,000 Canada Energy Partners shares for HHG	\$ 280,000
Transaction costs	41,017
	\$ 321,017

The fair value of Hudson's Hope Gas, Ltd. assets acquired and liabilities assumed as at the acquisition date were as follows:

Purchase price allocation	
Exploration and evaluation asset (Oil and Gas Interests)	\$ 854,416
Accounts receivable	856
Decommissioning liabilities	(534,255)
	\$ 321,017

4. OIL AND GAS INTERESTS

	Peace River Project	Monias Prospect	Moberly Prospect	Total
For the period ended October 31, 2013	\$	\$	\$	\$
Acquisition costs				
Leases acquisitions and rental costs	136,098	-	-	136,098
Balance, beginning of period	45,951,769	1,905,865	713,467	48,571,101
Balance, end of period	46,087,867	1,905,865	713,467	48,707,199
Exploration costs				
Redemption of reclamation bond	(20,000)	-	-	(20,000)
Reports and other	38,804	1,030	-	39,834
	18,804	1,030	-	19,834
Balance, beginning of period	10,632,747	4,602,279	63,121	15,298,147
Balance, end of period	10,651,551	4,603,309	63,121	15,317,981
Development costs				
Balance, beginning of period	12,350,556	-	-	12,350,556
Balance, end of period	12,350,556	-	-	12,350,556
Total oil and gas interests	69,089,974	6,509,174	776,588	76,375,736

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4. OIL AND GAS INTERESTS (continued)

For the year ended April 30, 2013	Peace River Project \$	Monias Prospect \$	Moberly Prospect \$	Total \$
Acquisition costs				
Leases acquisitions and rental costs	1,086,239	13,891	1,926	1,102,056
Cost recovery (Note 9)	(171,070)	-	-	(171,070)
Balance, beginning of year	<u>45,036,600</u>	<u>1,891,974</u>	<u>711,541</u>	<u>47,640,115</u>
Balance, end of year	<u>45,951,769</u>	<u>1,905,865</u>	<u>713,467</u>	<u>48,571,101</u>
Exploration costs				
Cost recovery (Note 9)	(210,000)	-	-	(210,000)
Drilling and completion	93,930	1,456	694	96,080
Reports and other	41,025	1,341	-	42,366
	<u>(75,045)</u>	<u>2,797</u>	<u>694</u>	<u>(71,554)</u>
Balance, beginning of year	<u>10,707,792</u>	<u>4,599,482</u>	<u>62,427</u>	<u>15,369,701</u>
Balance, end of year	<u>10,632,747</u>	<u>4,602,279</u>	<u>63,121</u>	<u>15,298,147</u>
Development costs				
Balance, beginning of year	<u>12,350,556</u>	<u>-</u>	<u>-</u>	<u>12,350,556</u>
Balance, end of year	<u>12,350,556</u>	<u>-</u>	<u>-</u>	<u>12,350,556</u>
Total oil and gas interests	<u>68,935,072</u>	<u>6,508,144</u>	<u>776,588</u>	<u>76,219,804</u>

Included in acquisition costs was a \$171,070 term deposit pledged in support of the letter of credit issued by the Company's bank in favor of the British Columbia Oil and Gas Commission ("BCOGC") to ensure that the Company can complete its reclamation obligations, including shut-down, closure, and post-closure. The security was released back to the Company when operation of the property was transferred to a qualified third party in January 2013. (Note 9)

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 deep rights (from the base of Gething to the basement).

Shallow rights

Shallow rights include 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 acquisition of all of the outstanding shares of HHG, the other 50% owner and the operator of the CBM Project, from GeoMet, Inc., for consideration of two million common shares of the Company. The Company's interest in the Peace River CBM Project is subject to Crown royalties and for certain acreage to geological overriding royalties of up to 0.05%.

In November 2008 Canada Energy entered into a farm-in agreement (the "Agreement") with GeoMet, Inc. for Moosebar Shale shallow rights on its Peace River Project. The Company drilled an initial Moosebar horizontal test well and has earned an 87.5% interest in two sections (approximately two square miles). This interest increased to 100% upon the acquisition of the HHG shares from GeoMet, Inc. The Company's interest in the Moosebar Shale is subject to Crown royalties and for certain acreage to geological overriding royalties of up to 0.05%.

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(Unaudited)

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4. OIL AND GAS INTERESTS (continued)

Deep rights

The Company owns a 50% working interest, subject to a joint venture agreement with Crew Energy Inc. ("Crew"). According to the joint venture agreement, Crew operates the project and has earned a 50% working interest in the subject lands upon paying 100% of the costs of an exploration program. The Company's interest in the deep rights of the Peace River Project will be subject to Crown royalties, geological overriding royalties of up to 0.85% and back-in interest of 6.6% after project payout plus \$2,000,000 on approximately 3,500 acres.

\$216,593 of long-term payable related to the Peace River property has been deferred until December 31, 2014 at an interest rate of Prime + 4%. Accrued interest recorded to October 31, 2013 \$6,157 (April 30, 2013 - \$1,319). (Note 9) During the six months ended October 31, 2013, the Company recorded long-term payable of \$136,099 which was related to oil and gas related expenditures paid by a third party.

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. With regard to the deep rights, the Company owns 100% working interest in three sections, a 40% working interest in four sections, and a 35% working interest in one section.

Deep rights on four sections of Monias Prospect were subject to a joint venture agreement with West Energy Ltd. ("West"), which was acquired by Daylight Energy Ltd. ("Daylight"), which in turn was acquired by Sinopec International Petroleum Exploration and Production Corporation in December 2011, and then sold to Aduro Resources ("Aduro") in early 2012. Aduro owns a 60% working interest in four sections and the 13-30-81-21 wellbore with the Company retaining the other 40% interest. The Company owns a 100% interest in three additional sections in the Monias Prospect and a 35% interest in the eighth section at Monias Prospect.

The Company's interest in the deep rights of the Monias Prospect will be subject to Crown royalties, geological overriding royalties of up to 1% and back-in interest of 12.5% after project payout plus \$2,000,000. The Company's interest in the shallow rights of the Monias Prospect will be subject to Crown royalties, one section is subject to a 10% royalty on gas, a 5% - 10% royalty on oil production and two sections are subject to a back-in interest of 4.375% after project payout plus \$2,000,000.

The Company has provided a third party with a fixed charge security over its Monias assets to guarantee the Company's performance under related agreements. (Note 9)

Moberly Prospect, British Columbia

The Company owns 100% working interest subject to a joint venture agreement with Crew. According to the joint venture agreement, Crew operates the prospect and will earn a 50% working interest in two sections upon completion of the initial test well. The initial program consisted of the drilling of one exploratory well (drilled).

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.

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5. 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 \$2,111,479 which will be incurred from 2019 to 2033. To calculate the net present value of its decommissioning liability, the Company used a risk free rate of 1.40% to 2.37%. The following table summarizes the Company's decommissioning liability:

	Decommissioning Liability \$
Balance, as at April 30, 2012	740,269
Liabilities incurred	534,255
Change in estimate	61,083
Accretion expense	29,232
Balance, as at April 30, 2013	1,364,839
Accretion expense	15,631
Balance, as at October 31, 2013	1,380,470

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.

6. INCOME TAXES

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

	October 31, 2013 \$	April 30, 2013 \$
Loss before income taxes	(450,545)	(786,559)
Expected income tax recovery	117,142	196,640
Item not deductible for income tax purposes	(19,980)	62,340
Change in statutory tax rate	(68,787)	-
Previous unrecognized benefits	(203,116)	(43,768)
Deferred income tax recovery (expenses)	(174,741)	215,212

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

	October 31, 2013 \$	April 30, 2013 \$
Deferred income tax assets		
Investment	67,235	64,649
Share issuance costs	965	-
Property and equipment	1,886,184	1,813,639
Closure cost obligations	208,071	197,897
Non-capital losses	2,670,916	2,475,620
	4,833,371	4,551,805
Deferred income tax liabilities		
Oil and gas interests	(12,082,393)	(11,626,086)
	(7,249,022)	(7,074,281)

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6. INCOME TAXES (continued)

The Company has Canadian non-capital loss carry forwards of approximately \$10,300,000 which expire in 2027 through to 2034, and approximately \$36,000,000 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 \$16,000,000 which expire in 2027 through to 2034, and approximately \$11,700,000 in certain resource related assets deductions which may be available to offset future taxable income.

7. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE

On June 26, 2012, the Company issued 2,000,000 common shares for the acquisition of all of the outstanding shares of HHG. The 2,000,000 common shares of the Company issued were subject to a 12-month hold period.

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 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 option, including the vesting terms and the option 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, 2013 is as follows:

	Number of Options	Weighted Average Exercise Price \$
Balance, outstanding - April 30, 2012	6,857,500	0.63
Expired	(62,500)	0.63
Balance, outstanding - April 30, 2013	6,795,000	0.63
Granted	2,615,000	0.10
Cancelled	(2,544,000)	0.63
Balance, outstanding - October 31, 2013	6,866,000	0.43

The following table summarizes information about share options outstanding and exercisable at October 31, 2013:

Exercise Prices	Options Outstanding		Options Exercisable	
	Number of Options	Weighted Average Contractual Life (Years)	Number of Options	Weighted Average Contractual Life (Years)
\$0.10	2,515,000	4.73	-	-
\$0.20	100,000	4.86	-	-
\$0.63	4,251,000	1.94	4,251,000	1.94
	6,866,000	3.00	4,251,000	1.94

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

The following table summarizes information on share options outstanding and exercisable at April 30, 2013:

Exercise Price	Options Outstanding and Exercisable	
	Number of Options	Weighted Average Contractual Life (Years)
\$0.63	6,795,000	2.44
	<u>6,795,000</u>	<u>2.44</u>

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

	2013	2012
Risk-free interest rate	1.69%	N/A
Expected volatility	112.00%	N/A
Expected life	5 years	N/A
Expected dividend yield	Nil%	N/A

Option pricing models require the input of subjective assumptions including the expected price volatility and expected option life. Management has calculated expected price volatility using data from comparable companies in the industry. Changes in these assumptions may have a significant impact on the fair value calculation.

Warrants

There are no warrants outstanding as at October 31, 2013. There were no warrants granted, exercised or expired during the year ended April 30, 2013 or the period ended October 31, 2013.

8. 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

Fees paid to companies controlled by directors and is inclusive of payments for support staff, totaled \$186,967 for the period ended October 31, 2013 (2012 - \$188,351).

	For the three months ended October 31, 2013 \$	For the three months ended October 31, 2012 \$	For the six months ended October 31, 2013 \$	For the six months ended October 31, 2012 \$
Administrative and management services	91,956	90,192	186,967	188,351
Share based compensation	46,392	-	61,857	-
	<u>138,348</u>	<u>90,192</u>	<u>248,824</u>	<u>188,351</u>

Other related parties transactions

During the period ended October 31, 2013, the Company paid \$13,562 (2012 - \$13,068) to a company controlled by the CEO of the Company for rent for the Company's office in Baton Rouge.

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(Unaudited)
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9. COMMITMENTS

Effective January 15, 2013, the Company released a third party from certain oil and gas development obligations in exchange for \$210,000 cash; the establishment of a line of credit of up to \$540,000 at an interest rate of Prime + 4% for the period up to December 31, 2014 to cover certain land related expenses; and for the third party to assume operations of the Company's Peace River CBM Project thereby relieving the Company of the P&A bond commitment to the BCOGC until at least December 31, 2014. The balance of the line of credit outstanding at October 31, 2013 was \$216,593. The Company's previous \$171,070 BCOGC bonding commitment was released back to the Company in January 2013.

The Company has transferred operations of its Peace River CBM Project to the third party, but the Company retains the right during the two year period to reassume its role as operator at the Company's election. After two years, the Company is required to reassume the role of operator of the Peace River CBM Project and to repay the outstanding amounts. The Company has provided a fixed charge security over its Monias lands in support of its performance obligations under these agreements.

The Company has also granted the third party a 12 month first-right-of refusal on the Company's deep rights of the Peace River Project and a right to participate in any equity financings the Company may undertake during the 12 month period to January 15, 2014.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The Company had the following significant non-cash transactions:

- At October 31, 2013, included in long-term payable is \$136,099 (October 31, 2012 - \$4,101) related to oil and gas interest expenditures; and
- During the period ended October 31, 2012, the Company issued 2,000,000 common shares at a fair value of \$280,000 for the acquisition of Hudson's Hope Gas, Ltd. (Note 3).

11. EVENT AFTER THE REPORTING PERIOD

Subsequent to the six months ended October 31, 2013, the Company granted 200,000 share options to an officer of the Company, exercisable at \$0.10 per share and expiring five years after the date of grant.