

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS



FINANCIAL STATEMENTS

MAY 31, 2015

BALANCE SHEETS

STATEMENTS OF OPERATIONS

STATEMENTS OF CASH FLOWS

NOTES TO FINANCIAL STATEMENTS

STRONGBOW RESOURCES INC.
BALANCE SHEETS

	<u>May 31,</u> <u>2015</u>	<u>February 28,</u> <u>2015</u>
	\$	\$
	(Unaudited)	
<u>ASSETS</u>		
Current assets		
Cash	5,923	26,858
Receivable	2,046	4,680
Prepaid expense and other	84,214	72,578
	<u>92,183</u>	<u>104,116</u>
Equipment	64,973	65,421
Oil and gas properties, full cost method	605,593	587,770
	<u>762,749</u>	<u>757,307</u>
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Current liabilities		
Accounts payable	601,627	558,591
Accrued liabilities	52,267	35,937
Due to related parties	180,104	130,884
Advances and notes payable	20,103	19,965
Derivative financial liabilities	257,227	379,463
	<u>1,111,328</u>	<u>1,124,840</u>
Asset retirement obligation	22,204	21,515
	<u>1,133,532</u>	<u>1,146,355</u>
Stockholders' deficit		
Capital Stock		
Authorized:		
750,000,000 common shares, par value \$0.001 per share		
Issued and outstanding:		
29,881,824 common shares (29,881,824 at February 28, 2015)	21,772	21,772
Additional paid in capital	2,962,947	2,962,947
Obligation to issue shares	8,041	-
Accumulated other comprehensive loss	(126,085)	(123,371)
Accumulated deficit	(3,237,458)	(3,250,396)
	<u>(370,783)</u>	<u>(389,048)</u>
	<u>762,749</u>	<u>757,307</u>

The accompanying notes are an integral part of these financial statements

STRONGBOW RESOURCES INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	For the three months ended May 31,	
	2015	2014
	\$	\$
General and administrative expenses		
Accretion	543	-
Consulting	14,414	22,592
Depreciation	902	800
Management fees	24,225	27,279
Office, travel and general	10,092	7,713
Professional fees	21,960	31,185
Salaries and benefits	37,211	-
Loss from operations	(109,347)	(89,569)
Interest income	49	-
Gain on fair value adjustment of derivative financial liabilities	122,236	-
Net income (loss)	12,938	(89,569)
Foreign currency translation	(2,714)	(26,083)
Comprehensive income (loss)	10,224	(115,652)
Basic and diluted income (loss) per share	0.00	(0.00)
Weighted average number of basic and diluted common shares outstanding	29,881,824	27,936,914

The accompanying notes are an integral part of these financial statements

STRONGBOW RESOURCES INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	For the three months ended May 31,	
	2015	2014
	\$	\$
Cash flows used in operating activities		
Net income (loss)	12,938	(89,569)
Non-cash items		
Accretion	543	-
Gain on fair value adjustment of derivative financial liabilities	(122,236)	-
Depreciation	902	800
Changes in non-cash working capital items		
Receivable	2,634	(2,105)
Prepaid expenses	(11,636)	(29,918)
Accounts payable and accrued liabilities	71,410	61,892
Cash used in operating activities	<u>(45,445)</u>	<u>(58,900)</u>
Cash flows used in investing activities		
Expenditures on oil and gas properties	<u>(3,323)</u>	<u>(1,192)</u>
Cash flows from financing activities		
Common stock issued for cash	-	50,000
Subscription received	8,041	-
Net proceeds from related parties	22,108	-
Cash provided by financing activities	<u>30,149</u>	<u>50,000</u>
Effect of foreign exchange	<u>(2,316)</u>	<u>(7,494)</u>
Change in cash	(20,935)	(17,586)
Cash, beginning of period	26,858	43,137
Cash, end of period	<u>5,923</u>	<u>25,551</u>
Non-cash transactions		
Accrued expenditures on oil and gas properties	10,510	-

The accompanying notes are an integral part of these financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Strongbow Resources Inc. (the “Company”) was incorporated in the State of Nevada on July 9, 2004. The Company focuses its business efforts on the acquisition, exploration, and development of oil and gas properties.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As of May 31, 2015, the Company has not achieved profitable operations, has incurred losses in developing its business, and further losses are anticipated. The Company has an accumulated deficit of \$3,237,458.

As of May 31, 2015, one Statement of Claim totaling \$226,167 (CAD\$281,267) is outstanding against the Company and is recorded in accounts payable.

The Company’s ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its obligations and pay its liabilities when they come due. To date, the Company has funded operations through the issuance of capital stock and debt. Management plans to continue raising additional funds through equity or debt financings and loans from directors. There is no certainty that further funding will be available as needed. These factors raise substantial doubt about the ability of the Company to continue operating as a going concern. The ability of the Company to continue its operations as a going concern is dependent upon its ability to raise sufficient new capital to fund its operating commitments and ongoing losses and ultimately on generating profitable operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited interim financial statements of the Company have been prepared in accordance with United States Generally Accepted Accounting Principles (“GAAP”) for interim financial information and the rules and regulations of the Securities and Exchange Commission (“SEC”). They do not include all information and footnotes required by GAAP for complete financial statements. However, except as disclosed herein, there has been no material changes in the information disclosed in the notes to the financial statements for the year ended February 28, 2015 included in the Company’s Annual Report on Form 10-K filed with the SEC. The interim unaudited financial statements should be read in conjunction with those financial statements included in the 10-K report. In the opinion of management, all adjustments considered necessary for fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the three months ended May 31, 2015 are not necessarily indicative of the results that may be expected for the year ending February 28, 2016.

Recent Accounting Pronouncements

Recent pronouncements with future effective dates are either not applicable or are not expected to be significant to the financial statements of the Company.

3. OIL AND GAS PROPERTIES

Effective February 21, 2012, the Company entered into a Farmout Agreement (the “Agreement”) with Harvest Operations Corp. (“Farmor”). The Agreement provided for the Company’s acquisition of an undivided 100% working interest (“Working Interest”) in a petroleum and natural gas license covering land located in the Compeer Area in the Province of Alberta, Canada (the “Farmout Lands”).

To earn the Working Interest the Company was required to drill, complete, equip or abandon a test well on the Farmout Lands (“Test Well”). On March 14, 2012, the Company obtained operator status and was transferred the well license relating to the Test Well.

The Company’s Working Interest in the Farmout Lands will be held subject to a non-convertible overriding royalty payable to the Farmor (“Farmor’s Royalty”). The Farmor’s Royalty on net crude oil revenues will be measured on a sliding scale from 5% to 15% over a range of production volumes from 1 to 150 barrels per day. The Farmor’s Royalty on net gas and other petroleum product revenues is 15%.

The Test Well was spudded on May 27, 2012, and on September 5, 2012, the Company received an earning notice granting the Company a 100% working interest in the Farmout Lands.

During the year ended February 28, 2015, the Company estimated that the net present value of future cash flows from the property is \$587,770 and recorded an impairment charge of \$221,648.

During the period ended May 31, 2015, net proceeds of \$nil – (May 31, 2014 - \$4,239) were received from the sales of oil less direct costs of \$6,102 – (May 31, 2014 - \$5,432) was added to the carrying value of the oil and gas properties.

As of May 31, 2015, the Company has incurred \$605,593 in exploration costs to drill, complete and equip the Test Well, net of impairment charges in prior periods.

4. EQUIPMENT

	<u>May 31, 2015</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
	\$	\$	\$
Oil and gas equipment	71,856	6,883	<u>64,973</u>

	<u>February 28, 2015</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
	\$	\$	\$
Oil and gas equipment	71,364	5,943	<u>65,421</u>

5. ADVANCES AND NOTES PAYABLE

As at May 31, 2015, the Company had \$20,103 (CAD\$25,000) (February 28, 2015 - \$19,965 (CAD\$25,000)) in short term note obligations to an unrelated party. The note payable is unsecured, non-interest bearing and payable upon demand.

6. ASSET RETIREMENT OBLIGATION

The Company's asset retirement obligation consists of reclamation and closure costs associated with the Test Well in the Farmout Lands. The asset retirement obligation was estimated based on the Company's understanding of its requirements to reclaim currently disturbed areas. Significant reclamation and closure activities include land rehabilitation, water, removal of building and well facilities and tailings reclamation.

The undiscounted estimate of this liability was \$40,205 (CAD\$50,000) reflecting payments commencing in 2024. This estimate was adjusted for an inflation rate of 2.00% and then discounted at a rate of 10.00% for a net present value of \$22,204 (CAD\$27,613) as at May 31, 2015.

7. DERIVATIVE FINANCIAL LIABILITIES

	<u>\$</u>
Balance, February 28, 2014	-
Warrants issued	579,952
Fair value adjustment	<u>(200,489)</u>
Balance, February 28, 2015	379,463
Fair value adjustment	<u>(122,236)</u>
Balance, May 31, 2015	<u>257,227</u>

The derivative liability consists of the fair value of share purchase warrants that were issued in unit private placements that have an exercise price in a currency other than the functional currency of the Company. The derivative liability is a non-cash liability as the Company will not be required to expend any cash.

The fair value of the warrants was determined using the Black-Scholes option pricing model using the following weighted average market assumptions:

	<u>February 28, 2015</u>	<u>May 31, 2015</u>
Volatility	126%	118%
Risk-free interest rate	0.79%	0.67%
Expected life	2.44 years	2.19 years
Dividend yield	nil	nil

8. SHARE CAPITAL

In March 2014, the Company completed a one for four reverse stock split of the issued and outstanding common stock. All share and per share information in these financial statements has been retroactively restated to reflect the consolidation.

In May 2015, the Company received \$8,041 (CAD\$10,000) in subscriptions for a private placement yet to be completed.

Warrants

A summary of the share purchase warrants outstanding and exercisable at May 31, 2015 is as follows:

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Expiry Date</u>
\$		
1.50	80,000	August 26, 2016
1.00	1,000,000	September 3, 2017

The weighted average exercise price is \$1.04 and weighted average life of the warrants is 2.19 years.

9. RELATED PARTY TRANSACTIONS

During the three months ended May 31, 2015, the Company

- Incurred a total of \$24,225 (May 31, 2014 - \$27,279) in management fees to a director and officer of the Company.
- Incurred a total of \$2,301 (May 31, 2014 - \$2,592) in consulting fees to a director and officer of the Company.

As at May 31, 2015, \$36,000 (February 28, 2015 - \$36,000) was owing to a former director and officer of the Company and has been included in accounts payable. The amounts are non-interest bearing and unsecured.

Due to related parties consist of the following:

	<u>May 31,</u> <u>2015</u>	<u>February 28,</u> <u>2015</u>
	\$	\$
Due to directors and officers of the Company	<u>180,104</u>	<u>130,884</u>

All of the Company's advances from related parties are non-interest bearing, unsecured, and payable upon demand.