One World Investments Inc.

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2010

Stated in Canadian Funds

To the Shareholders of One World Investments Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of One World's external auditors.

Dale Matheson Carr-Hilton Labonte LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board Audit Committee and management to discuss their audit findings.

25 April 2011

"Stanley Lanzet"
Stanley Lanzet, CEO

"Michael P. Raftery"
Michael P. Raftery, CFO

DALE MATHESON
CARR-HILTON LABONTE LLP
DMCL CHARTERED ACCOUNTANTS

Partnership of:
Vancouver: Robert J. Burkart, Inc. | James F. Carr-Hilton Ltd. | Kenneth P. Chong Inc. | Alvin F. Dale Ltd. | Barry S. Hartley, Inc. | Reginald J. LaBonte Ltd. | Robert J. Matheson, Inc. | Rakesh I. Patel Inc. | F.M. Yada FCA Inc.
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AUDITORS' REPORT

To the Shareholders of One World Investments Inc.:

We have audited the accompanying consolidated financial statements of One World Investments Inc., which comprise the balance sheets as at December 31, 2010 and 2009, and the statements of loss, comprehensive loss and deficit and cash flows for the years then ended, 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 Canadian generally accepted accounting principles, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 financial statements. The procedures selected depend on the auditor's 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.

We believe that the audit evidence that we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of One World Investments Inc. as at December 31, 2010 and 2009 and the results of its operations, and its cash flow for the years then ended, in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

We draw attention to Note 1 to the consolidated financial statements, which describe certain conditions that give rise to substantial doubt about the entity's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not qualified in respect of this matter.

"DMCL"

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
April 25, 2011

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One World Investments Inc.

Consolidated Balance Sheet

As at 31 December

Canadian Funds

	Note		2010		2009
ASSETS					
Current Assets					
Cash		$	36,591	$	73,582
Marketable securities	(4)		50		50
Amounts receivable			7,345		1,066
Prepaid expenses			1,500		1,500
			45,486		76,198
Non-current Assets					
Resource properties	(5)		2		59,196
Equipment	(6)		-		4,875
		$	45,488	$	140,269
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities		$	156,301	$	148,408
Due to related parties	(9)		365,530		61,279
Promissory note payable	(7)		316,700		346,999
			838,531		556,686
DEFICIT					
Share capital	(8)		7,605,442		7,605,442
Contributed surplus	(8)		1,340		1,340
Deficit			(8,399,825)		(8,023,199)
			(793,043)		(416,417)
		$	45,488	$	140,269

Nature of Operations and Going Concern (1)

ON BEHALF OF THE BOARD:

"Stanley Lanzet", Director

"Alexis Lanzet", Director

- See Accompanying Notes -

Statement 2

One World Investments Inc.

Consolidated Statement of Loss, Comprehensive Loss and Deficit

For the year ended 31 December

Canadian Funds

	Note		2010		2009
EXPENSES					
Professional fees	(9)	$	112,567	$	99,530
Interest and financing costs	(7,9)		42,309		115,639
Marketing and development	(9)		30,074		39,636
Salaries and benefits	(9)		30,013		30,090
Management fees	(9)		30,000		39,636
Travel			29,543		57,208
Transfer agent and regulatory fees			28,484		26,952
Office, rent and telephone	(9)		26,457		34,617
Amortization			776		1,324
Foreign exchange gain			(16,890)		(82,325)
Loss from Operating Activities			(313,333)		(362,307)
Other Items					
Write-down of resource properties	(5)		(59,194)		(25,000)
Loss on write off of equipment	(6)		(4,099)		-
Flow-through penalties and interest	(11)		-		(116,475)
Interest income			-		902
Gain on sale of Wyoming lease	(5)		-		6,961
Adjustment to asset retirement obligation	(12)		-		(9,106)
			(63,293)		(142,718)
Loss for the Year before Income Taxes			(376,626)		(505,025)
Future income tax recovery			-		26,875
Loss and Comprehensive Loss for the Year			(376,626)		(478,150)
Deficit – beginning of year			(8,023,199)		(7,545,049)
Deficit – End of Year		$	(8,399,825)	$	(8,023,199)
Weighted Average Shares Outstanding			2,207,120		1,729,492
Basic and Diluted Loss per Common Share		$	(0.17)	$	(0.28)

- See Accompanying Notes -

Statement 3

One World Investments Inc.

Consolidated Statement of Cash Flows

For the year ended 31 December

Canadian Funds

	2010	2009
Cash flow from operations		
Net loss for the year	$ (376,626)	$ (478,150)
Items not involving cash		
Adjustments to asset retirement obligation	-	(29,000)
Amortization of equipment	776	1,324
Bonus shares issued	-	66,031
Foreign exchange gain on promissory note	(17,481)	(76,398)
Future income tax recovery	-	(26,875)
Loss on write off of equipment	4,099	-
Increase (decrease) to accrued interest	42,448	(45,632)
Write-down of resource properties	59,194	25,000
	(287,590)	(563,700)
Changes in non-cash working capital		
Amounts receivable	(6,279)	30,278
Prepaid expenses	-	1,511
Accounts payable and accruals	7,893	100,505
	(285,976)	(431,406)
Cash flows from investing activities		
Expenditures on resource properties	-	(59,194)
	-	(59,194)
Cash flows from financing activities		
Advances from (repayments to) related parties	261,803	(29,572)
Repayment of promissory note	(12,818)	(236,915)
Issuance of shares, net of issuance costs	-	298,125
	248,985	31,638
Change in cash for the year	36,991	(458,962)
Cash – beginning of year	73,582	532,544
Cash – End of period	$ 36,591	$ 73,582

Supplementary disclosure:		
Cash paid for interest	$ -	$ 86,459
Cash paid for income taxes	$ -	$ -

- See Accompanying Notes -

1) Nature of Operations and Going Concern

One World Investments Inc. (the "Company") is engaged principally in the acquisition, exploration and development of resource properties. The Company's shares are listed on the TSX Venture Exchange ("Exchange"). The recovery of the Company's investment in resource properties and the attainment of profitable operations are dependent upon the discovery and development of economic reserves and the ability to arrange sufficient financing to bring the reserves into production. The ultimate outcome of these matters cannot presently be determined because they are contingent on future events. Also, the Company will need to raise additional funds for future corporate and administrative expenses and to undertake further exploration and development of its mineral properties. There can be no assurance that the Company will be able to raise sufficient funds in the future.

These financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at 31 December 2010, the Company has an accumulated deficit of $8,399,825 (2009 - $8,023,199), has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its resource interests. The Company's ability to continue as a going concern is dependent on its ability to raise equity financing and attain profitable operations. Management continues to actively pursue the necessary capital to meet its funding requirements and has implemented available cost control measures

These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities and the reported revenues and expenses should the Company be unable to continue as a going concern.

2) Significant Accounting Policies

a) Basis of presentation

These consolidated financial statements of the Company are presented in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are presented in Canadian dollars. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Equus Energy Financial Corporation. Equus Energy Financial Corporation was incorporated under the laws of the State of Nevada on May 12, 2006. All inter-company balances and transactions have been eliminated upon consolidation.

b) Management's estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the impairment of assets, resource property carrying values, useful lives of equipment for amortization, determination of fair value for stock based transactions, fair value of financial instruments, reporting of tax credits and future income tax rates. Financial results as determined by actual events could differ from those estimates.

c) Loss per share

The Company uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. The treasury stock method assumes that proceeds received from in-the-money stock options and other dilutive instruments are used to repurchase common shares at the prevailing market rate. Basic loss per share figures have been calculated using the weighted average number of shares outstanding during the respective periods. Diluted loss per share figures are equal to those of basic loss per share for each year since the effects of the stock options and share purchase warrants have been excluded as they are anti-dilutive.

d) Stock-based compensation

The Company records all stock based awards at fair value as determined using the Black-Scholes option pricing model. All stock based awards to employees and non-employees are measured at the time of grant, or revision, and the fair value attributed is charged to operations, allocated to specific asset accounts, and recognized over the vesting period. Upon exercise, the fair value of share purchase options or specified warrants is allocated from the contributed surplus account to share capital.

e) Resource properties

i) Oil and natural gas properties

Under the full cost method, all acquisition, exploration and development costs incurred for the purpose of finding oil and gas, are capitalized and accumulated in pools on a country-by-country basis. Capitalized costs include the cost of drilling and equipping productive wells; such as the estimated costs of dismantling and abandoning these assets, dry hole costs, lease acquisition costs, seismic and other geological and geophysical costs, delay rentals, costs related to such activities, certain directly-related employee costs and a portion of interest expense. Employee costs associated with production and other operating activities and general corporate activities are expensed in the period incurred.

Capitalized costs are limited on a country-by-country basis (the ceiling test). Under the ceiling test, if the capitalized cost of the full cost pool, net of deferred taxes, exceeds the ceiling limitation, the excess is charged as an impairment expense. The ceiling test limitation is calculated as the present value, discounted 10%, of:

- the future net cash flows related to estimated production of proved reserves;
- the effect of derivative instruments that qualify as cash flow hedges;
- the expected income tax effects of the above items.

Future net cash flows use the average, first-day-of-the-month price for commodities during 2010 and 2009 and the year-end price for 2008

The Company utilizes a single cost center for each country where we have operations for amortization purposes. Any sales or other conveyances of properties are treated as adjustments to the cost of oil and gas properties with no gain or loss recognized unless the operations are suspended in the entire cost center or the conveyance is significant in nature.

Unproved property costs include the costs associated with unevaluated properties and properties under development and are not initially included in the full cost amortization base (where proved reserves exist) until the project is evaluated. These costs include unproved leasehold acreage, seismic data, wells and production facilities in progress and wells pending determination, together with interest costs capitalized for these projects. Seismic data costs are associated with specific unevaluated properties where the seismic data is acquired for the purpose of evaluating acreage or trends covered by a leasehold interest owned by the Company.

Significant unproved properties are assessed periodically for possible impairment or reduction in value. If a reduction in value has occurred, these property costs are considered impaired and are transferred to the related full cost pool. Geological and geophysical costs included in unproved properties are transferred to the full cost amortization base along with the associated leasehold costs on a specific project basis. Costs associated with wells in progress and wells pending determination are transferred to the amortization base once a determination is made whether or not proved reserves can be assigned to the property. Costs of dry holes are transferred to the amortization base immediately upon determination that the well is unsuccessful. Unproved properties whose acquisition costs are not individually significant are aggregated and the portion of such costs estimated to be ultimately non-productive, based on experience, are amortized to the full cost pool over an average holding period.

In countries where the existence of proved reserves has not yet been determined, unevaluated property costs remain capitalized in unproved property cost centers until proved reserves have been established, exploration activities cease or impairment and reduction in value occurs. If exploration activities result in the establishment of a proved reserve base, amounts in the

unproved property cost center are reclassified as proved properties and become subject to amortization and the application of the ceiling test. When it is determined that the value of unproved property costs have been permanently diminished (in part or in whole) based on the impairment evaluation and future exploration plans, the unproved property cost centers related to the area of interest are impaired, and accumulated costs charged against earnings.

The Company capitalize interest on expenditures for significant exploration and development projects while activities are in progress to bring the assets to their intended use. Capitalized interest is calculated by multiplying our weighted-average interest rate on debt by the amount of qualifying costs and is limited to gross interest expense. As costs are transferred to the full cost pool, the associated capitalized interest is also transferred to the full cost pool.

ii) Mineral properties

The Company records its interests in unproven mineral properties at the lower of cost or estimated recoverable value. Where specific exploration programs are planned and budgeted by management, mineral exploration costs are capitalized and carried at cost until the properties to which they relate are placed into commercial production, sold, abandoned or determined by management to be impaired in value.

Costs incurred for acquisition, including where applicable, option payments under acquisition agreements, are capitalized until such time as the related interest is placed into production, sold, abandoned or management has determined impairment in value.

Mineral property interests, where future cash flows are not reasonably determinable, are evaluated for impairment on a reporting period basis or as events and changes in circumstances warrant based on management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

Capitalized costs for acquisition and deferred exploration as reported on the balance sheet represent costs incurred to date or estimated recoverable value if lower than cost. Recovery of carrying value is dependent upon future commercial success or proceeds from disposition of the mineral interests. Upon the establishment of commercial production, carrying values of deferred acquisition and exploration costs will be amortized over the estimated life of the resource on the units of production method.

f) Flow-through shares

The Company renounces qualifying Canadian exploration expenditures to certain share subscribers who subscribe for flow-through shares in accordance with the Income Tax Act (Canada). Under these provisions the Company is required to incur and renounce qualifying expenditures on a timely basis for the respective flow-though subscriptions and accordingly, it is not entitled to the related tax deductions and tax credits for such expenditures.

The Company follows recommendations by the Emerging Issues Committee ("EIC") of the Canadian Institute of Chartered Accountants ("CICA") relating to the issuance of flow-through shares. EIC 146 requires the recognition of future income tax liabilities relating to the issuance of flow-through shares as a direct reduction in share capital in the period of completion of applicable tax filings renouncing qualifying Canadian exploration expenditures to the share subscribers. The Company will recognize future income tax recoveries by applying available non-capital losses and other deductible temporary differences not previously recognized to offset any future income tax liability resulting from the issuance of flow-through shares. The resulting future income tax recovery is recognized in operating results in the same period.

g) Property option agreements

The Company may occasionally acquire or dispose of properties pursuant to the terms of options agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, amounts payable or receivable are not recorded. Option payments are recorded as resource property cost or gains when the payments are made or received.

h) Equipment

Equipment is recorded at cost. Amortization is recorded at rates sufficient to write-off the cost of the assets over their estimated useful lives. Amortization rates are as follows:

Computer equipment	30% declining balance basis
Office equipment	20% declining balance basis

i) Asset retirement obligations

The Company applies the recommendations of CICA Handbook Section 3110 – *Asset Retirement Obligations*. This section requires recognition of a legal liability for obligations relating to retirement of property, plant, and equipment, and arising from the acquisition, construction, development, or normal operation of those assets. The liability for asset retirement obligations must be recognized at fair value in the period in which it is incurred, when a reasonable estimate of fair value can be made. Such retirement costs are added to the carrying value of the asset, and amortized into income on a systematic basis over the useful life. Changes in estimates are accounted for prospectively commencing in the period the estimate is revised. The Company has determined that it has no asset retirement obligations as at 31 December 2010 or 2009.

j) Foreign currency translation

The Company's subsidiary is considered integrated operations and is accounted for using the temporal method. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rates in effect at the time of acquisition or issue. Revenues and expenses are translated at the average exchange rate in effect during the period. Realized and unrealized foreign exchange gains and losses are included in earnings.

k) Future income taxes

The future income tax asset and liability method of accounting for income taxes is used, whereby future income tax assets and liabilities are recorded based on temporary differences between the carrying amounts of balance sheet items and their corresponding tax bases. Future income tax assets also arise from unused tax losses, subject to a valuation allowance, to the extent that it is more likely than not such losses ultimately will be utilized. This method also requires that the future income tax assets and liabilities be measured using the enacted or substantively enacted rates and laws that are expected to apply when these assets and liabilities are either to be realized or settled.

l) Financial instruments – recognition and measurement

All financial instruments must be recognized, initially, at fair value on the consolidated balance sheet. The Company has classified each financial instrument into the following categories: “held for trading,” “loans and receivables,” and “other liabilities.” Subsequent measurement of the financial instruments is based on their respective classification. Unrealized gains and losses on held for trading instruments are recognized in earnings. The other categories of financial instruments are recognized at amortized cost using the effective interest method. The Company had made the following classifications:

Financial Asset or Liability	Category
Cash	Held for trading
Marketable securities	Held for trading
Amounts receivable	Loans and receivables
Accounts payable	Other liabilities
Due to related parties	Other liabilities
Promissory note payable	Other liabilities

For the years ended 31 December 2010 and 2009, the Company has no derivatives or embedded derivatives.

m) Accounting pronouncements to be adopted

International Financial Reporting Standards (“IFRS”)

In 2006, Canada’s Accounting Standards Board (AcSB) ratified a strategic plan that will result in the convergence of Canadian GAAP, as used by public companies, with International Financial Reporting Standards (“IFRS”) over a transitional period. The AcSB has developed and published a detailed implementation plan, with a changeover date for fiscal years beginning on or after January 1, 2011. The adoption of IFRS will require the Company to prepare its comparative figures for the year ended December 31, 2010 in accordance with IFRS. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

Other accounting pronouncements issued by the CICA with future effective dates are either not applicable or are not expected to be significant to the financial statements of the Company.

3) Capital Disclosures

The Company identifies capital as cash and share capital. The Company raises capital through private and public share offerings and by related party loans and advances. Capital is managed in a manner consistent with the risk criteria and policies provided by the board of directors and followed by management. All sources of financing and major expenditures are analyzed by management and approved by the board of directors.

The Company's primary objectives when managing capital is to safeguard and maintain the Company's financial resources for continued operations and to fund expenditure programs to further advance reserve property interests. The Company is meeting its objective of managing capital through review and due diligence on potential acquisitions, preparing short-term and long-term cash flow analysis to maintain sufficient resources. The Company is able to scale its expenditure programs and the use of capital to address market conditions by reducing expenditure and the scope of operations during periods of commodity pricing decline and economic downturn.

There are no externally imposed capital restrictions and there were no changes in the Company's approach to capital management.

4) Marketable Securities

Marketable securities consist of an investment in shares of a company listed on the TSX Venture Exchange with a market value of $50 at 31 December 2010 (2009 - $50).

5) Resource Properties

	Northeast Milliken	*Sangudo*	*Bow River*	*Ashlu Creek*	*Total*
Exploration Expenditures					
Balance at 01 January 2009	$ 1	$ 1	$ 25,000	$ -	$ 25,002
Expenditures	-	-	-	59,194	59,194
Impairment	-	-	(25,000)	-	(25,000)
Balance at 31 December 2009	$ 1	$ 1	$ -	$ 59,194	$ 59,196
Balance at 01 January 2010	$ 1	$ 1	$ -	$ 59,194	$ 59,196
Expenditures	-	-	-	-	-
Impairments	-	-	-	(59,194)	(59,194)
Balance at 31 December 2010	$ 1	$ 1	$ -	$ -	$ 2

a) Northeast Milliken Prospect, Texas

The Company holds interests in properties in the Northeast Milliken Prospect, Texas. The carrying cost of the property has been fully amortized.

b) Sangudo Property, Alberta

During the year ended 31 December 2007, the Company acquired a 100% working interest in seven oil and gas leases in an area of 3,796 acres located in west, central Alberta. The Company's interests in the properties are subject to gross royalties on revenues totalling 5.5%.

The Company conducted exploratory work during the year ended 31 December 2007, and at 31 December 2007 had drilled one non-performing well that has been capped. During the year ended 31 December 2008, all related expenditures previously capitalized were written-off.

c) Bow River Coal Field, Saskatchewan

On 6 October 2008, the Company purchased a 100% interest in 10 permits in the Bow River Coal Field in Saskatchewan. Purchase price was $25,000 (paid) and 120,000 common shares of the Company (not issued). At the end of each year from 2009 to 2013, unless commercial production commences earlier, a further $25,000 cash and 120,000 shares was to paid by the Company to the Vendors (not paid).

During the year ended 31 December 2009, management determined that it would not pursue development of this property. Therefore, all related expenditures previously capitalized were written-off.

d) Ashlu Creek, Squamish, BC

On 10 August 2009, the Company entered into an option agreement with Ashlu Mines Inc. to acquire 51% of the above 5,697 hectares property. In consideration, the Company was required to make a cash payment of $1 (paid) and complete a minimum of $3,060,000 in exploration work in accordance with the following schedule:

By 31 December 2009	$	60,000
By 31 December 2010		1,000,000
By 31 December 2011		1,000,000
By 31 December 2012		1,000,000
	$	3,060,000

During the year ended 31 December 2010, management determined that it would not pursue development of this property. Therefore, all related expenditures previously capitalized were written-off.

e) Wyoming and Colorado Leases

During the 2006 and 2007 years, the Company acquired 100% interests in sixteen oil and gas leases in an area of 1,974 acres located in Wyoming and nine leases in an area of 930 acres in Colorado, U.S.A. These leases had remaining lease terms ranging from three to ten years at the dates of acquisition.

As at 31 December 2007, the Company did not have a definitive plan to further develop or otherwise seek to derive revenue from the property. Consequently, the capitalized costs incurred in respect to the property have been considered impaired the carrying amount was reduced to $Nil. During the year ended 31 December 2009, one of the Wyoming oil leases was sold for proceeds of $6,961, resulting in a gain on disposal of $6,961.

6) Equipment

	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ -	$ -	$ -
Office equipment	-	-	-
Balance at 31 December 2010	$ -	$ -	$ -
Computer equipment	$ 5,309	$ 4,717	$ 592
Furniture and equipment	11,989	7,706	4,283
Balance at 31 December 2009	$ 17,298	$ 12,423	$ 4,875

During the year ended 31 December 2010 all equipment was written off and the Company recorded a loss of $4,099.

7) Promissory Note Payable

Effective 12 December 2007, the Company entered into a loan agreement with the officer and director of the Company, under which the Company was advanced a loan in the principal amount of US$540,000. The loan was due to be repaid on 12 December 2008. Interest at a rate of 8% per annum is payable semi-annually. The Company had agreed to issue to the lender a convertible promissory note under which the lender could convert the principal amount of the promissory note into common shares of the Company on or before the due date at a conversion price of CDN $0.05 per share, and to convert any accrued and unpaid interest outstanding under the note into common shares of the Company at the market price at the time of conversion. The Company had also agreed to issue a transferable share purchase warrant entitling the lender to purchase up to a total 5,400,000 common shares of the Company exercisable for two years from the date of the advance of the note at a price of CDN $0.10 per share. The issuance by the Company of the convertible note and warrant was conditional upon approval of the TSX Venture Exchange. The Exchange rejected the proposed two year warrant, but instead approved the issuance of bonus shares.

On 26 March 2008, the Company received regulatory approval for the issuance of 13,740 bonus shares to the lender. The Company recorded $32,977 as a financing cost relating to the issuance of these shares.

As the Company was incapable of repaying the loan, the lender agreed on 3 January 2009 to extend the Promissory Note for a one year term. As consideration, the lender received 165,078 bonus shares. The Company recorded $66,031 as the financing cost relating to the issuance of these shares.

During the year ended 31 December 2010, the Company repaid $12,500 (2009 - $236,915) of principal to the lender. The balance of the promissory note, which is payable on demand, is as follows:

		2010		2009
Principle (US$318,164 (2009 – US$330,664))	$	316,700	$	346,999

Interest of $26,280 (2009 - $Nil) on the note during 2010 is recorded in the balance of due to related parties.

8) Share Capital

a) Authorized: unlimited common shares without par value.

b) Issued:

	Number of shares		Amount
Balance – 31 December 2008	1,296,729	$	7,268,161
Shares issued for cash	745,313		298,125
Shares issued for loan bonus	165,078		66,031
Flow through share renunciation	-		(26,875)
Balance – 31 December 2009 and 2010	2,207,120	$	7,605,442

On 24 June 2009, pursuant to a non-brokered private placement the Company issued 745,313 shares at $0.40 each for proceeds of $298,125.

On 18 September 2009, 165,078 shares were issued as bonus for a loan from a director with fair value of $66,031.

c) Stock options

The Company maintains a stock option plan whereby it may grant options to its directors, officers, employees and key consultants. The terms and conditions of options are determined solely by the Board of Directors. Options are generally granted with a term not exceeding five years, vest immediately, and have exercise prices equal to the market value of the shares on the date of grant.

There were no options issued, expired, exercised or outstanding during the years ended 31 December 2010 or 2009.

d) Contributed Surplus

The balance of $1,340 in contributed surplus has remained unchanged during the year ended 31 December 2010 and 2009.

9) Related Party Transactions

Related party transactions not disclosed elsewhere in the financial statements, are as follows:

a) Management fees of $30,000 (2009 - $39,636) were paid to an officer and director of the Company.
b) Amounts of $30,074 (2009 - $39,636) for marketing and development expenses were paid to an individual related to an officer and director.
c) Salaries and benefits of $30,013 (2009 - $30,090) were paid to a director of the Company.
d) Professional fees of $40,000 (2009 - $40,162) were paid to a director of the Company.
e) Professional fees of $6,489 (2009 - $8,062) were paid to a legal firm of which a partner is the Secretary of the Company.
f) Office rent of $18,000 (2009 - $18,000) was paid to an officer and director of the Company.

Amounts due to related parties represent amounts payable to directors and individuals related to directors of the Company and bear simple interest at 8% per annum, unsecured and with no specific date of repayment. Interest of $16,168 was accrued on amounts payable to related parties during the year ended 31 December 2010.

These transactions were in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

10) Financial Instruments and Risk Management

a) Financial instrument classification and measurement

Financial instruments of the Company carried on the Consolidated Balance Sheet are carried at amortized cost with the exception of cash and marketable securities, which are carried at fair value. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at 31 December 2010.

The fair value of the Company's cash and marketable securities are quoted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy.

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's cash and marketable securities have been assessed on the fair value hierarchy described above and classified as Level 1.

b) Market risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company is not exposed to significant market risk.

c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts. The Company's bank accounts are held with major banks in Canada accordingly the Company believes it is not exposed to significant credit risk.

d) Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to interest rate as its promissory note payable and amounts due to related parties bear fixed interest rates.

e) Currency risk

Currency risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company mainly operates in Canada and therefore is not exposed to foreign exchange risk arising from transactions denominated in U.S. dollars.

f) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and raising capital through debt and equity financing.

11) Income taxes

The recovery of income taxes differs from the amounts computed by applying the statutory income tax rate to the loss before tax due to the following:

	2010	2009
Loss before income taxes	**$ (376,626)**	$ (505,025)
Statutory income tax rate	**28.5%**	30%
Expected income tax recovery	**(107,338)**	(151,508)
Non-deductible expenses and other	**8,918**	33,451
Change in estimate of prior year future income tax assets	**-**	74,934
Expiration of non-capital loss carry-forwards	**51,372**	42,646
Effect of change in tax rate	**5,777**	189,080
Change in valuation allowance	**41,271**	(215,478)
Income tax recovery	**$ -**	$ (26,875)

The significant components of the Company's future income tax assets at December 31 are as follows:

	2010	2009
Non-capital losses carried forward	**$ 607,000**	$ 581,000
Reserve properties and equipment	**273,000**	250,000
Share issuance costs	**4,000**	11,000
Other tax pools	**76,000**	77,000
Gross future income tax assets	**960,000**	919,000
Valuation allowance	**(960,000)**	(919,000)
	$ -	$ -

As at 31 December 2010, the Company had non-capital losses carried forward for income tax purposes of approximately $2,426,927, available to offset future taxable income. These losses expire as follows:

2014	$ 302,162
2015	397,792
2026	348,335
2027	457,296
2028	186,971
2029	424,651
2030	309,720
	$ 2,426,927

The Company has the following resource cost pools for income tax purposes at 31 December 2010:

a) Cumulative Canadian Exploration Expenses of approximately $33,000 are fully deductible against future years' taxable income and have no expiry date.
b) Cumulative Canadian Development Expenses of approximately $348,000 are deductible at a rate of 30% each year against future years' taxable income and have no expiry date.
c) Cumulative Canadian Oil and Gas Property Expenses of approximately $438,000 are deductible at a rate of 10% each year against future years' taxable income and have no expiry date.
d) Cumulative Foreign Resource Expenses of approximately $39,000 are deductible against future years' taxable income and have no expiry date.

The future tax benefit of the above tax balances have been offset by recognition of a valuation allowance as realization does not meet the more likely than not test.

During the year ended 31 December 2009, the Company renounced expenditures for income tax purposes to the flow-through investors, in respect of share issuances that took place in the year ended 31 December 2008. An estimated future income tax liability of $26,875 was recognized in respect to the renounced expenditures. The tax benefit of the Company's available non-capital losses and other temporary differences exceed this estimated liability. Therefore, the Company reduced its share capital balance and recorded a future income tax recovery in the amount of $26,875.

The Company has not incurred all the Canadian qualified exploration expenditures as required under the Income Tax Act and the subscription agreements. This will have no impact on the Company's taxable income, but will expose it to a Part XII.6 tax liability and penalties. The Company will also be liable to indemnify the investors, in the relevant flow-through shares, for any adverse tax reassessments that they may receive. At 31 December 2010, the Company accrued the maximum estimated amount of the potential tax liability, indemnity and penalties that may result from failure to incur the exploration expenditures (2009 - $116,475).

12) Asset Retirement Obligation

At 31 December 2010 and 2009, the Company estimates the asset retirement obligation to be $Nil. This obligation related to the Sangudo Property in Alberta. During the year ended 31 December 2010, the Company incurred costs of $Nil (2009 - $38,106) in relation to reclamation work performed at this property. At 31 December 2010 and 2009 the Company estimated that it had no liabilities for asset retirements.