Interim Consolidated Financial Statements of

CANADIAN IMPERIAL VENTURE CORP.

For the Six Months Ending May 31, 2011 and 2010

CANADIAN IMPERIAL VENTURE CORP.
Interim Consolidated Financial Statements

Contents

CANADIAN IMPERIAL VENTURE CORP.

Notice of No Auditor Review of Interim Financial Statements

Under *National Instrument 51-102, Part 4, subsection 4.3 (3)(a),* if an auditor has not performed a review of the interim financials statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated interim financial statements of the company have been prepared by and are the responsibility of the company's management.

The company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

"Gerard M. Edwards"
President and CEO

July 29, 2011

CANADIAN IMPERIAL VENTURE CORP.
Consolidated Balance Sheets

	(unaudited) May 31, 2011	(audited) November 30, 2010
	$	$
ASSETS		
CURRENT		
Cash	**270,769**	1,068,812
Accounts receivable	**45,077**	64,709
Reclamation deposit	**55,293**	54,987
Prepaid expenses	**14,874**	42,736
	386,013	1,231,244
PROPERTY AND EQUIPMENT (Note 6)	**7,650**	5,918
PETROLEUM AND NATURAL GAS PROPERTIES (Note 4)	**2,293,181**	158,058
MINERAL EXPLORATION PROPERTIES (Note 5)	**480,000**	375,000
	3,166,844	1,770,220
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**2,224,471**	455,506
Asset Retirement Obligation (Note 7)	**5,537**	5,537
	2,230,008	461,043
SHAREHOLDERS' EQUITY		
Equity instruments (Note 7)	**13,790,318**	13,791,024
Contributed surplus (Note 7)	**2,750,390**	2,334,260
Deficit	**(15,603,872)**	(14,816,107)
	936,836	1,309,177
	3,166,844	1,770,220

GOING CONCERN (Note 2)
COMMITMENTS (Note 12)
SUBSEQUENT EVENTS (Note 15)

APPROVED BY THE BOARD

"Gerard Edwards" Director *"Robert Smiley"* Director

CANADIAN IMPERIAL VENTURE CORP.
Consolidated Statements of Loss, Comprehensive Loss and Deficit

(unaudited)

	Three Months Ended May 31,		Six Months Ended May 31,	
	2011	2010	**2011**	2010
	$	$	**$**	$
REVENUE				
Interest	**150**	79	**306**	96
Petroleum and natural gas revenue	**-**	-	**-**	4,191
	150	79	**306**	4,287
EXPENSES				
General and administrative (Note 8)	**176,361**	237,859	**365,922**	491,704
Oil and gas production costs	**-**	7,800	**-**	30,018
Stock-based compensation	**413,254**	35,718	**416,130**	712,548
Interest and bank charges	**542**	5,954	**4,790**	6,076
Loss on sale of petroleum and natural gas properties	**-**	-	**-**	4,731
Depletion and amortization	**861**	499	**1,229**	998
	591,018	287,830	**788,071**	1,246,075
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**590,868**	287,751	**787,765**	1,241,788
DEFICIT, BEGINNING OF PERIOD	**15,013,004**	14,339,397	**14,816,107**	13,385,360
DEFICIT, END OF PERIOD	**15,603,872**	14,627,148	**15,603,872**	14,627,148
Loss per share - basic and diluted	**0.001**	0.002	**0.002**	0.002
Weighted average number of common shares outstanding- basic and diluted	**512,566,383**	480,588,361	**513,588,361**	480,588,361

See accompanying notes to the consolidated financial statements

CANADIAN IMPERIAL VENTURE CORP.
Consolidated Statements of Cash Flows

(unaudited)

	Three Months Ended May 31,		Six Months Ended May 31,	
	2011	2010	**2011**	2010
	$	$	**$**	$
OPERATING ACTIVITIES				
Net Loss	**(590,868)**	(287,751)	**(787,765)**	(1,241,788)
Items not affecting cash:				
Depletion and amortization	**861**	499	**1,229**	998
Stock-based compensation	**413,254**	35,718	**416,130**	712,548
Asset retirement costs settled	**-**	(12,104)	**-**	(12,104)
Changes in non-cash working capital:				
Decrease (increase) in accounts receivable	**25,262**	(52,507)	**19,632**	(40,142)
Decrease in prepaid expenses	**24,166**	24,479	**27,862**	43,704
Increase in accounts payable and accrued liabilities	**2,012,830**	40,480	**1,768,965**	144,020
	1,885,505	(251,186)	**1,446,053**	(392,764)
INVESTING ACTIVITIES				
Decrease in restricted cash	**-**	50,000	**-**	50,000
Property and equipment additions	**(2,961)**	-	**(2,961)**	-
Petroleum and natural gas additions	**(2,113,470)**	(18,166)	**(2,135,123)**	(18,166)
Mineral exploration property additions	**-**	-	**(105,000)**	-
Reclamation deposits	**(150)**	(27,434)	**(306)**	(27,451)
	(2,116,581)	4,400	**(2,243,390)**	4,383
FINANCING ACTIVITIES				
Share issuance costs	**-**	-	**(706)**	-
	-	-	**(706)**	-
INCREASE IN CASH AND CASH EQUIVALENTS	**(231,076)**	(246,786)	**(798,043)**	(388,381)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**501,845**	543,489	**1,068,812**	685,084
CASH AND CASH EQUIVALENTS, END OF PERIOD	**270,769**	296,703	**270,769**	296,703

SUPPLEMENTAL CASH FLOW INFORMATION (Note 13)

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

Canadian Imperial Venture Corp. (the “Company” or “CIVC”) is incorporated under the laws of British Columbia, Canada.

The Company is engaged in the exploration for and production of petroleum and natural gas and mineral properties. The main area of interest is in Atlantic Canada. In 2009, the Company sold all of its interest in producing wells located in Alberta.

2. GOING CONCERN ASSUMPTION

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the normal course of business.

At May 31, 2011, the Company had a net loss of $787,765 (2010 - $1,241,788), and used cash in operations of $556,554 (2010 - $392,764) and has $nil (2010 - $235,000) unexpended flow through commitments. The Company is in the process of exploring its Atlantic Canada petroleum, natural gas and mineral properties and has not yet determined whether these properties contain economically recoverable reserves. The ability of the Company to continue its exploration and development activities is dependent upon finding and developing economically recoverable reserves, obtaining necessary financing or partners to share in the exploration and development of the properties, and future profitable production from the properties or proceeds from disposition. There is no assurance the Company will be successful in these endeavors.

If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported loss and comprehensive loss and the balance sheet classifications used. Such adjustments could be significant.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”). The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. The significant judgments and estimates included in these consolidated financial statements relate to the recoverability of accounts receivable, petroleum and natural gas properties, mineral exploration properties, the timing and amount of future cash flows to abandon and reclaim petroleum and natural gas and mineral properties and the measurement of stock based compensation. Actual results could differ from those estimates. These consolidated financial statements have, in management’s opinion, been properly prepared using careful judgement with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

<u>Principles of consolidation</u>
The consolidated financial statements include the accounts of the Company and those of its wholly-owned subsidiaries ENEGI Inc. and USG Energy Corp. after the elimination of inter-entity transactions and balances.

<u>Cash and cash equivalents</u>
Cash and cash equivalents consist of cash on hand, bank balances, and restricted cash with maturities from the date of inception of three months or less.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Joint venture interests
The Company's petroleum and natural gas exploration activities are conducted jointly with others. These consolidated financial statements reflect only the Company's proportionate interest in such activities.

Reclamation deposits
The Company makes deposits on its various petroleum and natural gas properties which are refundable when and if the Company incurs sufficient exploration expenditures within a specified time frame and file a related report with the appropriate government authorities. Should the Company not incur the expenditures in the applicable timeframe, the deposit becomes non-refundable and is added to the petroleum and natural gas properties.

Depletion and amortization
Capitalized costs, together with estimated future capital costs associated with proved reserves, are depleted using the unit-of-production method based on estimated gross proved reserves of petroleum and natural gas as determined by qualified independent engineers. For purposes of this calculation, reserves and production are converted to equivalent units of oil based on relative energy content of six thousand cubic feet of gas to one barrel of oil. Costs of significant unproved properties, net of impairment, are excluded from the depletion and amortization calculation until it is determined whether or not proven reserves are attributable to the property or impairment occurs.

Property and equipment are recorded at cost and amortized over the estimated useful life of the assets using the following methods and annual rates:

Office furniture and equipment	20%	declining balance method
Computer equipment	100%	declining balance method

Petroleum and natural gas properties
The Company follows the full cost method of accounting for petroleum and natural gas properties whereby all costs of exploring for and developing oil and gas properties are capitalized into a single Canadian cost centre. Such costs include land acquisition costs, costs of drilling both productive and non-productive wells, geological and geophysical expenditures and well equipment. The Company has capitalized, as part of its petroleum and natural gas properties, general and administration expenses relating to property acquisition, exploration and development activities, but no interest costs have been capitalized. Gains or losses on the sale or disposition of oil and gas properties will not ordinarily be recognized except under circumstances which result in a major revision of depletion rates (greater than 20%) and which would result in a material gain or loss.

The Company will apply a "ceiling test" to capitalized costs to ensure that such costs do not exceed future net revenues from estimated production of proven reserves, using prices and costs in effect at the Company's year end, less administrative, financing, site restoration and abandonment and income tax expenses, plus the cost of unproven properties. Any reduction in value as a result of the ceiling test will be charged to operations.

For purposes of the depletion and amortization calculation, petroleum and natural gas properties and related equipment, excluding undeveloped properties, will be depleted and depreciated using the unit-of-production method based on estimated proven reserves before deduction of royalties and after conversion to units of common measure based on their approximate relative energy content.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Petroleum and natural gas properties (continued)
The Company periodically reviews the costs associated with undeveloped properties to determine whether the costs will be recoverable. If the results of the review indicate impairment has occurred, the cost of the property or the amount of the impairment is added to the capitalized costs subject to the "ceiling test" and depletion and amortization.

Mineral exploration properties
The Company defers expenditures related to the acquisition, exploration and development of its exploration properties. Deferred expenditures relating to exploration projects represent costs to be charged to operations in the future and do not necessarily reflect the present or future value of projects.

Management periodically reviews the carrying values of mineral exploration properties. A decision to abandon, reduce or expand activity on a specific project is based upon many factors including mineral reserves, anticipated future mineral prices, anticipated costs of developing and operating a producing mine, the expiration date of the mineral property leases and the general likelihood that the Company will continue exploration on the project. If a mineral exploration property is abandoned or it is determined that its carry value cannot be supported by future production or sale, the related costs are charged against operations in the year of abandonment or determination of impairment of value.

Asset retirement obligations
The Company recognizes a liability for retirement obligations associated with long-lived assets, which includes the abandonment of petroleum and natural gas wells, related facilities, compressors and plants, removal of equipment from leased acreage and returning such land to its original condition.

The Company recognizes the fair value of the liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is determined through a review of engineering studies, industry guidelines, and management estimates. Fair value is estimated using the present value of the estimated future cash outflows to abandon the asset at the Company's credit adjusted risk-free interest rate. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the consolidated statement of loss, comprehensive loss and deficit. The liability is also adjusted due to revisions in either timing or the amount of the original estimated cash flows associated with the liability. The increase in the carrying value of the asset is amortized using the unit-of-production method based on estimated gross proved reserves as determined by independent engineers. Actual costs incurred upon settlement of the asset retirement obligations are charged against the asset retirement obligation to the extent of the liability recorded.

Revenue recognition
Interest revenue is recognized on a pro-rata basis over the term of the related investment when collection is reasonably assured.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Stock-based compensation
The Company accounts for stock options granted to employees, directors and consultants using the fair value method of accounting. Under this method, stock-based compensation is recorded as an expense over the vesting terms of the options for employee options and over the service period for consultant options, with a corresponding increase recorded as contributed surplus. Stock-based compensation expense is based on the estimated fair value of the related stock option at the time of the grant for employee options and at the earlier of the performance date, performance commitment date or vest date for consultant options, using the Black-Scholes option pricing model. When stock options are exercised, the consideration received with the corresponding amounts previously recorded in contributed surplus are credited to share capital. Forfeitures are accounted for as they occur which result in a reduction in compensation expense if the options have not vested.

Warrants
The Company issues share purchase warrants from time to time. These warrants are measured and recorded as equity instruments at fair value using the relative fair value method which uses the Black-Scholes option pricing model. Forfeitures and expiries are accounted for as they occur which results in a reduction in equity instruments and an increase in contributed surplus.

Flow-through shares
The Company finances a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, a future tax liability is recognized and the carrying value of the shares issued is reduced by the tax effect of the tax benefits when renounced to subscribers.

Income taxes
The Company follows the tax asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the carrying value and the tax basis of assets and liabilities, and measured using substantively enacted tax rates and laws expected to be in effect when the differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is substantively enacted. A valuation allowance is recorded against a future income tax asset if it is not considered likely that the asset will be realized.

Loss per share
Basic per share amounts are calculated using the total weighted average number of common shares outstanding during the period. Diluted per share calculations reflect the exercise or conversion of potentially dilutive securities or other contracts to issue shares at the later of the date of grant of such securities or the beginning of the year. The Company computes diluted loss per share using the treasury stock method to determine the dilutive effect of securities or other contracts. Under this method, the diluted weighted average number of shares is calculated assuming the proceeds that arise from the exercise of outstanding, in-the-money options or other contracts to issue shares are used to purchase common shares of the Company at their average market price for the period. When the conversion of options and other instruments to convert to common shares is anti-dilutive there is no difference between basic and diluted per share amounts.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

The Company classifies all financial instruments as held-to-maturity, available-for-sale, held-for-trading, loans and receivables or other financial liabilities. Financial assets held to maturity, loans and receivables and other financial liabilities are measured at fair value on inception and then subsequently carried at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive loss. Instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized in the profit or loss for the period.

The Company has classified its financial instruments as follows:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Restricted cash and temporary investments	Held-for-trading

Comprehensive loss

Comprehensive loss is the change in equity of the Company during the period as a result of transactions and other events and circumstances from non-owner sources. There were no other comprehensive loss items during the periods ended May 31, 2011 and 2010; accordingly, comprehensive loss is equal to net loss.

Future accounting policies

International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada’s current GAAP for those enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date for interim and annual financial statements relates to fiscal years beginning on or after January 1, 2011. The Company’s changeover date will be December 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. Under IFRS, the primary audience is capital markets and as a result, there is significantly more disclosure required. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which must be addressed.

Business combinations

In December 2008, the CICA issued section 1582 "Business Combinations", which will replace CICA section 1581 of the same name. Under this guidance, the purchase price used in a business combination is based on the fair value of shares exchanged at their market price at the date of the exchange. Currently the purchase price used is based on the market price of the shares for a reasonable period before and after the date the acquisition is agreed upon and announced. This new guidance generally requires all acquisition costs to be expensed, which currently are capitalized as part of the purchase price. Contingent liabilities are to be recognized at fair value at the acquisition date and re-measured at fair value through earnings (loss) each period until settled. Currently only contingent liabilities that are resolved and payable are included in the cost to acquire the business. In addition, negative goodwill is required to be recognized immediately in earnings (loss), unlike the current requirement to eliminate it to the extent possible, by deducting it from non-current assets in the purchase price allocation. Section 1582 will be effective for the Company on December 1, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Future accounting policies - continued

Non-controlling interest
In December 2008, the CICA issued sections 1601, “Consolidated Financial Statements”, and 1602, “Non-controlling Interests”, which replaces existing section 1600. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements, subsequent to a business combination. These standards are effective for the Company on December 1, 2011.

The Company has not yet determined the impact of adopting these new standards.

4. PETROLEUM AND NATURAL GAS PROPERTIES

	Balance, beginning of year	**Additions**	**Accumulated depletion and impairment**	**Balance, May 31, 2011**	Balance November 30, 2010
	$	**$**	**$**	**$**	$
Petroleum and natural gas exploration and development costs	**158,058**	**2,135,123**	**-**	**2,293,181**	158,058

Amounts not subject to depletion and amortization are $290,574 (2010 – $nil). During the period the Company capitalized $15,000 (May 31, 2010 - $15,000) of general and administrative costs relating to geological consulting fees.

The additions of $2,002,607 (which as of May 31, 2011 is recorded in accounts payable) represents the Company’s portion of the costs associated with the 3K-39 well. Shoal Point Energy Ltd. (“SPE”) is earning a 19.25% interest in the shallow rights of EL1070 from the Company by paying the Company’s cost on the well (38.5%) up to $4,500,000. Above this amount the parties pay according to their post earning percentage of interest (SPE 80.5% and the Company 19.25%). Under the terms of the farmin agreement between SPE and the Company, SPE must drill, test and complete or abandon the 3K-39 well before earning occurs (Note 12(c)).

5. MINERAL EXPLORATION PROPERTIES

	Balance, beginning of year	**Additions**	**Accumulated depletion and impairment**	**Balance, May 31, 2011**	Balance November 30, 2010
	$	**$**	**$**	**$**	$
Mineral exploration properties	**375,000**	**105,000**	**-**	**480,000**	375,000

On October 1, 2010, the Company entered into an agreement with an arm's length party to earn a 40% interest in two mineral licenses in Western Newfoundland and incurred $480,000 of related costs, $270,000 of which related to shares issuable (Note 8(b)(iii)).

6. PROPERTY AND EQUIPMENT

	May 31, 2011			November 30, 2010		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
	$	**$**	**$**	$	$	$
Office furniture and computer equipment	**51,623**	**43,973**	**7,650**	48,662	42,744	5,918

7. ASSET RETIREMENT OBLIGATION

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of petroleum and natural gas and mineral properties:

	May 31, 2011	November 30, 2010
	$	$
Balance, beginning of year	**5,537**	**33,110**
Asset retirement obligation disposal on sale	**-**	**(10,500)**
Liabilities settled	**-**	**(17,073)**
Balance, end of period	**5,537**	**5,537**

The undiscounted amount of cash flows required, over the estimated reserve life of the underlying assets, to settle the obligation, adjusted for inflation and expected timing of cash outflows, is estimated as $5,537 (2009 - $33,110) as the work will be completed before November 30, 2011.

8. EQUITY INSTRUMENTS

a) *Authorized*
Unlimited number of voting common shares without par value
Unlimited number of preferred shares without par value

b) *Equity instruments issued, issuable and outstanding:*

	May 31, 2011		November 30, 2010	
Equity instruments issued	**Number**	**$**	Number	$
Common Shares				
Balance, beginning of year	**510,588,361**	**12,865,343**	480,588,361	11,971,873
Issued during the period:				
Private placements (i)	**-**	**-**	30,000,000	968,858
Tax effect of flow through expenditure renouncements (ii)	**-**	**-**	-	(75,388)
Issuable for working interest in Mineral License (iii)	**3,000,000**	**270,000**		
Balance, end of period	**513,588,361**	**13,135,343**	510,588,361	12,865,343
Warrants				
Balance, beginning of year	**53,500,000**	**723,239**	23,500,000	192,097
Warrants issued in private placement (i)	**-**	**-**	30,000,000	531,142
Balance, end of period	**53,500,000**	**723,239**	53,500,000	723,239
Share issuance costs		**(68,264)**		(67,558)
		13,790,318		13,521,024
Equity instruments issuable				
Common Shares				
Issuable for working interest in Mineral License (iii)	**-**	**-**	3,000,000	270,000
Balance, end of period		**13,790,318**		13,791,024

No preferred shares have been issued.

No private placement funding has been obtained during 2011.

8. EQUITY INSTRUMENTS - continued

i. Private placement financing

During the prior year, the Company completed a non-brokered private placement with three closings whereby 30 million units at a price of $0.05 each were issued for gross proceeds of $1.5 million. Each unit is comprised of one common share and one non-transferable share purchase warrant with a total fair value of $0.018 per warrant or $531,142 in aggregate. One warrant will entitle the holder to buy an additional share in the capital of the Company for a period of two years at a price of $0.10. The fair value of the warrants was estimated using the relative fair value method which used the Black-Scholes option pricing model using the assumptions described in Note 8(c). A total of 9,050,000 of the 30,000,000 units were purchased by related parties.

In accordance with the terms of the 2009 private placement of the flow-through shares, the Company had to renounce for income tax purposes, exploration expenditures in the amount of $235,000. The Company spent $123,188 in the previous quarter and has an unspent flow-through commitment of $nil (May 31, 2010 - $228,187).

ii. Flow through share renouncement

In February 2010, the Company renounced $235,000 of flow-through expenditures. As a result of the renunciation, the Company recognized $75,388 against share capital in the prior year.

iii. Acquisition of working interest in mineral license

On October 1, 2010, the Company entered into an agreement with an arm's length company to earn a 40% interest in two mineral licenses (Note 5). On November 29, 2010, the securities regulator approved the share issuance. In the prior quarter, the Company issued the 3,000,000 common shares with a fair value of $270,000.

8. EQUITY INSTRUMENTS - continued

c) *Warrants*

The following table summarizes the warrants outstanding and exercisable at May 31, 2011:

	May 31, 2011		November 30, 2010	
	Number of Warrants	**Weighted Average Exercise Price $**	Number of Warrants	Weighted Average Exercise Price $
Balance, beginning of the year	**53,500,000**	**0.10**	23,500,000	0.08
Issued	**-**	**-**	30,000,000	0.10
Balance, end of period	**53,500,000**	**0.10**	53,500,000	0.09

Details of warrants outstanding at May 31, 2011 are as follows:

Number	**Exercise Price**	**Expiry Date**
	$	
14,000,000	0.10	July 30, 2011
5,750,000	0.10	August 23, 2011
1,250,000	0.10	September 7, 2011
2,500,000	0.10	October 4, 2011
10,500,000	0.10	October 13, 2012
11,500,000	0.10	October 29, 2012
8,000,000	0.10	November 12, 2012
53,500,000		

The weighted average exercise price of the warrants is $0.10 (November 30, 2010 - $0.09). The fair value of the warrants issued in 2010 was determined using the Black-Scholes option pricing model using the following assumptions:

	2010
Dividend yield	**0%**
Expected volatility	**126% - 130%**
Risk free rate of return	**1.39% - 1.58%**
Weighted average life	**2 years**
Weighted average fair value of warrants granted	**$0.03 - $0.045**

8. EQUITY INSTRUMENTS - continued

d) *Stock-based compensation*

The Company has a rolling stock option plan (the "Plan") under which options to purchase common shares of the Company may be granted to directors, officers, employees and consultants of the Company.

Options granted must expire no later than a maximum of five years from the date of the grant while the Company's common shares are listed in Tier 2 of the TSX Venture Exchange ("TSX.V"). At such time as the Company's common shares are listed in Tier 1 of the TSX.V or the Toronto Stock Exchange ("TSX"), options granted must expire not later than a maximum of 10 years from the date of grant.

Terms of the Plan are as follows:

- The number of common shares which may be issued pursuant to options previously granted and those granted under the Plan is a maximum of 10% of the issued and outstanding common shares at the time of the grant.
- The number of shares which may be awarded to any one individual may not exceed 5% of the issued shares at the date of grant and the total number of options awarded to any consultant shall not exceed 2% of the issued and outstanding common shares at the time of the grant.
- The total number of options awarded to all persons employed by the Company who perform investor relations activities shall not exceed 2% of the issued and outstanding shares of the Company in any twelve month period.
- Under TSX.V policy all such rolling stock option plans which set the number of common shares issuable under the plan at a maximum of 10% of the issued and outstanding common shares must be approved and ratified by shareholders on an annual basis.
- The Plan does not require vesting provisions for options issued except in limited circumstances.

On December 14, 2009, the Company issued 17,700,000 stock options at an exercise price of $0.10 per share. The options expire on December 14, 2014.

On March 17, 2010, the Company issued 1,000,000 stock options at an exercise price of $0.10 per share. The options were due to expire on March 17, 2012 but due to the termination of the agreement these options have expired.

On May 2, 2011, the Company issued 9,100,000 stock options at an exercise price of $0.10 per share. The options expire on May 2, 2016.

8. EQUITY INSTRUMENTS – continued

The fair value of the options granted were estimated on the date of grant using the Black-Scholes fair value option-pricing model and the following assumptions:

	2011	2010
Dividend yield	**0%**	0%
Expected volatility	**114.08%**	120.1 - 138.93%
Risk-free interest rate	**2.58%**	2.47%
Weighted-average expected life	**5.0 years**	2.0 - 5.0 years
Fair value of option issued	**$0.045**	$0.036 - $0.038

Using the fair value method, the compensation expense is measured at the date the options were granted and recognized over the vesting period. Upon exercise, the proceeds of the options are credited to capital stock at the option price. Therefore, an exercise of options below the current market price has a dilutive effect on capital stock and shareholders' equity. Under the fair value method, compensation expense for the period ending May 31 is $416,130 (2010 - $712,548).

	May 31, 2011		November 30, 2010	
	Number of Options	**Weighted-Average Option Price**	Number of Options	Weighted-Average Option Price
		$		$
Balance, beginning of the year	**43,163,752**	**0.11**	24,463,752	0.11
Issued	**9,100,000**	**0.10**	18,700,000	0.10
Expired	**(10,188,753)**	**(.13)**	-	-
Balance, end of period	**42,074,999**	**0.10**	43,163,752	0.11

Details of stock options outstanding at May 31, 2011 are as follows:

Number of Options	**Exercise Price**	**Expiry Date**
	$	
8,474,999	0.10	September 12, 2012
9,000,000	0.10	March 3, 2013
15,500,000	0.10	December 14, 2014
9,100,000	0.10	May 2, 2016
42,074,999		

Options exercisable at May 31, 2011 were 42,074,999 (November 30, 2010 - 43,163,752), with a weighted average exercisable price of $0.10 (2010 - $0.11).

8. EQUITY INSTRUMENTS - continued

e) *Contributed Surplus*

The balance is represented by the following:

	May 31, 2011	November 30, 2010
	$	$
Balance, beginning of the year	**2,334,260**	1,713,417
Stock based compensation expense	**416,130**	620,843
Balance, end of period	**2,750,390**	2,334,260

9. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere, the Company had the following related party transactions:

a) During the period the Company was charged management fees aggregating $36,000 (2010 - $66,000), included in general and administration expense, to corporations which are controlled by officers and directors of the Company.

b) Included in accounts payable is $35,967 (2010 - $218,925) to directors of the Company, and parties related to them, for reimbursement of business expenses.

All related party transactions occurred in the normal course of operations and have been measured at the agreed to exchange amounts.

10. FINANCIAL INSTRUMENTS

As disclosed in Note 3, the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to commodity price risk, credit risk, liquidity risk, market risk and interest rate risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

The Company is required to classify financial instruments measured at fair value using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

The fair value of cash and cash equivalents is considered level 1 as it is determined by cash balances held at financial institutions.

a) Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas and minerals are impacted by world economic events that dictate the levels of supply and demand as well as foreign exchange rates. As the Company has not yet developed commercial oil and gas and mineral interests, it is not exposed to commodity price risk at this time.

b) Credit risk

Credit risk is the risk that a customer or counterparty will fail to perform an obligation or fail to pay amounts due causing a financial loss. The Company's current period accounts receivable are solely with Canada Revenue Agency and hence credit risk is mitigated. The Company's reclamation deposit is also subject to credit risk. The Company maintains its cash balance with one major national financial institution.

c) Liquidity risk

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

To facilitate its expenditure program, the Company may enter into oil and gas as well as mineral property option agreements with third parties and/or raise funds through private equity placements or public offerings.

As disclosed in Note 2, the Company is subject to liquidity risk given its accumulated deficit. If the Company is unable to obtain adequate additional financing by raising funds through private placements or through option agreement farm-outs, the Company will be required to curtail operations, exploration and development activities. As at November 30, 2010 and 2009, the Company's financial liabilities were comprised of accounts payable and accrued liabilities which have either contractual or expected maturities of less than one year.

10. FINANCIAL INSTRUMENTS - continued

d) Market risk
The fair values of financial instruments consisting of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature.

e) Interest rate risk
The Company's cash and cash equivalents are invested in short-term deposit certificates issued by Canadian Chartered banks and a Canadian financial institution. The Company has no debt. The Company believes its interest rate risk is not significant.

11. CAPITAL MANAGEMENT

The capital structure of the Company consists of shareholder's equity comprising of equity instruments, contributed surplus and deficit.

The Company's objective when managing capital is to ensure it maintains adequate capital to support the planned exploration of its existing properties and to invest the capital in low risk liquid investments with chartered banks while in the process of conducting its exploration work. There have been no changes to these objectives during the period.

The Company is not subject to externally imposed capital requirements.

12. COMMITMENTS AND CONTINGENCIES

a) Under a management agreement with a company controlled by a Director of the Company, the Company is committed to the payment of management fees of $12,000 per month respectively until February 2014.

b) Under a rental agreement with a third party, the Company is committed to the payment of a monthly rental fee of $4,500 per month until April 14, 2013.

c) The Company has an agreement with SPE to finance the drilling of the 3K-39 well which commenced drilling on January 12, 2011. Under the terms of the agreement, the Company committed to funding 19.25% of the $1M well deposit in the event that the well was not abandoned within the first 60 days of obtaining the Significant Discovery License ("SDL"); funding 19.25% of the cost of the SDL in excess of $1M; and funding 19.25% of costs associated with the test well in excess of $4.5M. Under the terms of the farmin agreement between SPE and the Company, SPE must drill, test and complete or abandon the 3K-39 well before earning occurs.

d) On February 27, 2011, the Company entered into a consulting agreement for investor relation services for one year. Under this agreement, the Company will pay $2,500 per month. The Company will also issue 5,000,000 stock options at a price of $0.10 exercisable for a period of 18 months.

e) On April 13, 2011, the Company entered into an Area of Mutual Interest Agreement with SPE. The Company has exercised its right to earn a 32% working interest in the Shallow Rights of EL1120. Under the terms of the agreement, the Company is committed to paying their portion of the Farmin Costs.

13. SUPPLEMENTAL CASH FLOW INFORMATION

	May 31, 2011 $	November 30, 2010 $
Addition to mineral properties on issue of equity instruments	**105,000**	270,000
Prepaid expenses capitalized to petroleum and natural gas properties	**25,000**	75,200
Recovery of bad debt for petroleum and natural gas properties	**-**	63,525

14. SEGMENTED INFORMATION

The Company has petroleum and natural gas exploration and mineral property exploration and development segments. The segments are organized based on the nature of the related products that are being explored for and developed.

Six months ended May 31, 2011

	Petroleum and Natural Gas $	**Mineral Exploration $**	**Corporate $**	**Total $**
Interest revenue	**-**	**-**	**306**	**306**
Depletion and amortization expense	**-**	**-**	**1,229**	**1,229**
Income (loss) and comprehensive loss	**-**	**-**	**(787,765)**	**(787,765)**
Property and equipment	**290,574**	**480,000**	**7,650**	**778,224**
Capital expenditures	**132,516**	**105,000**	**2,961**	**240,477**
Non-cash acquisition of property	**-**	**105,000**	**-**	**105,000**
Non-cash proceeds on disposition of property	**-**	**-**	**-**	**-**

Year ended November 30, 2010

	Petroleum and Natural Gas $	Mineral Exploration $	Corporate $	Total $
Petroleum and natural gas revenue	18,156		-	18,156
Interest revenue	-	-	321	321
Production costs	4,581	-	-	4,581
Depletion and amortization expense	-	-	1,996	1,996
Gain on disposal of property	(10,500)			(10,500)
Income tax expense (recovery)	(75,388)	-	-	(75,388)
Income (loss) and comprehensive loss	88,963	-	(1,519,710)	(1,430,747)
Property and equipment	158,058	375,000	5,918	538,976
Capital expenditures	34,533	105,000	-	139,533
Non-cash acquisition of property	123,525	270,000	-	393,525
Non-cash proceeds on disposition of property	-	-	-	-

The accounting policies of the segments are the same as those described in the significant accounting policies (Note 3). There are no inter-segment transactions.

15. SUBSEQUENT EVENTS

Except as disclosed elsewhere in these financial statements the Company had the following subsequent events:

a. On June 17, 2011 the Company granted to directors, officers and consultants of the Company incentive stock options to purchase 4,175,000 Common Shares for a period of five years at an exercise price of $0.10 per Common Share. The options vested on the date of the grant.

b. On July 5, 2011, the Company announced that it proposed to extend the term of certain common share purchase warrants, which were issued in 2009, for an additional 12 month, as follows:

    a. 14,000,000 Warrants shall be amended to expire July 30, 2012,
    b. 5,750,000 Warrants shall be amended to expire August 23, 2012 and
    c. 1,250,000 Warrants shall be amended to expire September 7, 2012.

    Effective July 8, 2011, the application to amend the Warrants have been accepted by the TSX Venture Exchange.