ADMIRAL BAY RESOURCES INC.

Interim Consolidated Financial Statements
for the three and nine months ending
April 30, 2011 and April 30, 2010

(Stated in United States Dollars)

Responsibility for these consolidated financial statements

The accompanying consolidated financial statements for Admiral Bay Resources Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. These consolidated financial statements are unaudited and have not been reviewed by the auditors. The most significant of these accounting principles have been set out in the July 31, 2010 audited consolidated financial statements. Only changes in accounting policies have been disclosed in these consolidated financial statements, which are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the consolidated financial statements, management is satisfied that these consolidated financial statements have been fairly presented.

ADMIRAL BAY RESOURCES INC.

Consolidated Balance Sheets

(Stated in United States Dollars)

	April 30, 2011 (Unaudited) $	July 31, 2010 (Audited) $
Assets		
Current		
Cash and equivalents	**15,928**	68,868
Amounts receivable	**59,457**	107,029
Deposits	**40,839**	25,000
	116,224	200,897
Properties, plant and equipment (Note 4)	**1,494,182**	1,512,441
	1,610,406	1,713,338
Liabilities		
Current		
Checks in excess of deposits	**3,427**	--
Accounts payable and accrued liabilities (Note 8)	**766,043**	737,828
Insurance loan	**15,839**	**--**
Current portion of capital lease (Note 5)	**--**	35,858
	788,309	773,686
Long-term capital lease (Note 5)	**--**	44,517
Asset retirement obligations (Note 6)	**61,704**	56,223
	850,013	874,426
Shareholders' Equity		
Share capital (Note 7)	**41,919,647**	41,919,647
Warrants (Note 7)	**434,404**	434,404
Contributed surplus (Note 7)	**12,253,666**	12,168,387
	54,607,717	54,522,438
Currency translation adjustments	**(613,991)**	(613,991)
Deficit	**(53,233,333)**	(53,069,535)
	(53,847,324)	(53,683,526)
	760,393	838,912
	1,610,406	1,713,338

See accompanying notes to these interim unaudited consolidated financial statements.

ADMIRAL BAY RESOURCES INC.

Consolidated Statements of Operations, Comprehensive Loss and Deficit

(Stated in United States Dollars)

(Unaudited)

	Nine months ended April 30,		Three months ended April 30,	
	2011	2010	2011	2010
	$	$	$	$
Revenues:				
Oil and gas sales	**54,228**	3,390,203	**15,097**	1,109,462
Royalties	**(4,207)**	(737,829)	**(1,043)**	(238,502)
Gathering and other income (expense)	**51,305**	293,836	**(33,923)**	84,072
	101,326	2,946,210	**(19,869)**	955,032
Expenses:				
Project operating expenses including production taxes	**32,652**	2,102,076	**3,173**	723,823
Impairment	--	4,700,530	--	4,700,530
Amortization, depletion and accretion	**25,753**	1,486,870	**7,345**	448,478
	58,405	8,289,476	**10,518**	5,827,831
Income (loss) from operations	**42,921**	(5,343,266)	**(30,387)**	(4,917,799)
General and administrative	**240,906**	1,055,591	**51,978**	334,500
Stock based compensation (Note 7)	**85,279**	103,267	**110,650**	30,877
	326,185	1,158,858	**162,628**	365,377
Net loss from operations	**(283,264)**	(6,502,124)	**(193,015)**	(5,283,176)
Other income (expenses):				
Interest on debt	**(1,984)**	(4,753,071)	**(40)**	(1,682,083)
Financing fees	**(9)**	(1,337,147)	**(3)**	(34,030)
Change in value of derivative instruments	**--**	182,308	**--**	452,440
Gain on settlement of derivative instruments	**--**	1,157,280	**--**	116,760
Relief of debt	**12,510**	--	**--**	--
Interest income	**24**	549	**--**	102
Gain loss on sale of partnership interest	**--**	24,077	**--**	--
Loss on disposition of compressor	**(18,181)**	--	**--**	--
Gain on sale of properties	**127,446**	**--**	**127,446**	
Loss on investment in Bourbon County Pipeline	**--**	(155,319)	--	(75,734)
Foreign exchange	**(340)**	(662)	**390**	121
	119,466	(4,881,985)	**127,793**	(1,222,424)
Net loss and comprehensive loss for the period	**(163,798)**	(11,384,109)	**(65,222)**	(6,505,600)
Deficit, beginning of period	**(53,069,535)**	(42,058,025)	**(53,168,111)**	(46,936,534)
Deficit, end of period	**(53,233,333)**	(53,442,134)	**(53,233,333)**	(53,442,134)
Basic and diluted net loss per share	**.03**	.11	**.01**	.06
Weighted average number of shares outstanding	**5,142,226**	102,844,520	**5,142,226**	102,844,520

See accompanying notes to these consolidated financial statements.

ADMIRAL BAY RESOURCES INC.

Consolidated Statements of Cash Flows

(Stated in United States Dollars)

(Unaudited)

	Nine months ended April 30,		Three months ended April 30,	
	2011	2010	**2011**	2010
	$	$	$	$
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net loss for the period	**(163,798)**	(11,384,109)	**(65,222)**	(6,505,600)
Adjustments for non-cash items:				
Amortization, depreciation, depletion and accretion	**25,753**	1,486,870	**7,345**	448,478
Stock based compensation	**85,279**	103,267	**110,650**	30,877
Impairment	--	4,700,530	--	4,700,530
Gain on sales	**(127,446)**	(24,077)	**(127,446)**	--
Loss on disposition of compressor	**18,181**	--	--	--
Loss on investment in Bourbon County Pipeline	**--**	155,319	--	75,734
Accrued interest and financing fees	**--**	4,320,672	--	1,144,602
Net change in value of derivative instruments	**--**	(182,308)	--	(452,440)
Relief of debt	**(12,510)**	--	--	--
Net changes in non-cash working capital	**53,890**	241,511	**(42,338)**	747,900
	(120,651)	(582,325)	**(117,011)**	190,081
FINANCING ACTIVITIES				
Checks in excess of deposits	**3,427**	(248,991)	**(25,353)**	(195,581)
Long term debt advances	--	131,623	--	131,623
Repayment of debt	**(4,657)**	(35,770)	**--**	(6,897)
	(1,230)	(153,138)	**(25,353)**	(70,855)
INVESTING ACTIVITIES				
Investment in Bourbon County Pipeline LLC	**--**	(156,064)	--	(77,289)
Proceeds from sale of partnership interest	**127,446**	1,062,507	**127,446**	--
Properties, plant and equipment (net)	**(58,505)**	(163,703)	**(19,410)**	(35,068)
	68,941	742,740	**108,036**	(112,357)
Change in cash and equivalents	**(52,940)**	7,277	**(34,328)**	6,869
Cash and equivalents, beginning of period	**68,868**	14,130	**50,256**	14,538
Cash and equivalents, end of period	**15,928**	21,407	**15,928**	21,407

CASH AND EQUIVALENTS CONSIST OF:

Cash	**15,928**	21,407	**15,928**	21,407
Cash equivalents	**--**	--	--	--
	15,928	21,407	**15,928**	21,407

SUPPLEMENTAL INFORMATION

Interest received	**24**	546	**--**	102
Interest paid	**1,984**	1,387,870	**20**	365,795

See accompanying notes to these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Admiral Bay Resources Inc. ("Admiral Bay" or the "Company"), which was incorporated in British Columbia on September 3, 1987, is engaged in the acquisition, exploration, development and production of oil and gas reserves in the United States.

The ability of the Company to realize the costs it has incurred to date on its properties is dependent upon the Company being able to identify economically recoverable reserves, to finance their development costs and to resolve any environmental, regulatory, or other constraints, which may hinder the successful development of the reserves.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and development activities and in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, and non-compliance with regulatory and environmental requirements.

The management of Admiral Bay has prepared these interim consolidated financial statements for the nine months ended April 30, 2011 in accordance with Canadian generally accepted accounting principles, consistently applied.

These interim consolidated financial statements are unaudited and have not been reviewed by the Company's auditors.

These financial statements should be read in conjunction with the audited consolidated financial statements for the year ended July 31, 2010.

The disclosure in these interim financial statements does not conform in all respects to generally accepted accounting principles in Canada for annual financial reporting. The Company uses the same methods and accounting policies as described in the July 31, 2010 audited consolidated financial statements except as described in Note 2. Operating results for the nine months ended April 30, 2011 may not be indicative of the results that may be expected for the full year ending July 31, 2011.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, as applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. The Company has a need for financing for working capital, and the exploration and development of its properties. Because of continuing operating losses and a working capital deficit, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

2. CHANGE IN ACCOUNTING POLICY

(a) Financial Instruments - Fair Value Hierarchy and Liquidity Risk Disclosure

In June 2009, the Canadian Accounting Standards Board issued an amendment to CICA Section 3862, "Financial Instruments Disclosures" in an effort to make Section 3862 consistent with IFRS Section 7 - Disclosures ("IFRS 7"). The purpose was to establish a framework for measuring fair value in Canadian AAP and expand disclosures about fair value measurements. To make the disclosures an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The adoption of the new standard resulted in additional disclosures in the notes to the consolidated financial statements.

(b) Future accounting changes

(i) International Financial Reporting Standards (ñIFRSò)
In January 2006, the Canadian Accounting Standards Board (ñAcSBò) announced its decision to replace Canadian GAAP with IFRS. On February 13, 2008 the AcSB confirmed January 1, 2011 as the mandatory changeover date to IFRS for all Canadian publicly accountable enterprises. This means that the Company will be required to prepare IFRS financial statements for the interim periods and fiscal year ends beginning August 1, 2011. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Companyôs reported financial position and results of operations. The Company is creating an implementation team, which will consist of internal resources and external consultants. A changeover plan is being established to convert to the new standards within the allotted timeline. Management is currently assessing the impact of adopting IFRS and has not yet determined its effect on the Companyôs consolidated financial statements.

(ii) Section 1582 ï Business Combinations
CICA Handbook Section 1582 ñBusiness Combinationsò, replaces Section 1581 ï ñBusiness Combinationsò and provides the Canadian equivalent to International Financial Reporting Standards (ñIFRSò) 3 ï Business Combinations. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. The Company plans to adopt this standard on August 1, 2011. The Company is currently in the process of evaluating the impact of these standards.

(iii) Section 1601 ï Consolidations and Section 1602 ï Non-Controlling Interests
CICA Handbook Section 1601 ñConsolidated Financial Statementsò and Section 1602 ñNon-Controlling Interestsò replace Section 1600 ñConsolidated Financial Statementsò. Section 1602 provides the Canadian equivalent to International Accounting Standard 27 ï ñConsolidated and Separate Financial Statementsò, for non-controlling interests. The Company plans to adopt this standard on August 1, 2011. The Company is currently in the process of evaluating the impact of these standards.

(Stated in United States dollars)

3. DERIVATIVE INSTRUMENTS

As of April 10, 2010, the Company paid $30,000 to cash out all derivative instruments.

4. PROPERTIES, PLANT AND EQUIPMENT

At April 30, 2011 accumulated costs, with respect to the Company's properties, plant and equipment, consist of the following:

	Cost $	Accumulated Depletion and Depreciation $	Net Book Value $
Oil and gas properties - United States	1,499,101	(27,917)	1,471,184
Office furniture and equipment	90,422	(67,424)	22,998
	1,589,523	(95,341)	1,494,182

The capital lease equipment acquired April 2009 for $119,508 was transferred to Running Foxes Petroleum along with the related loan payable. Total accumulated amortization written off at November 1, 2010 is $25,609.

Additions to the United States full cost pool, by prospect, for the nine months ended April 30, 2011 consist of the following:

	Cost $
Balance at July 31, 2010	1,403,190
Additions during period:	
Acquisition costs by prospect:	
Ft. Scott	4,012
Other	3,225
Drilling costs by prospect:	
Ft. Scott	70,686
Other	17,988
Balance at April 30, 2011	1,499,101

At April 30, 2011, the depletion calculation excluded the cost of undeveloped land and pipeline assets of $804,776 (2010: $6,498,184).

The Company performed a ceiling test calculation at April 30, 2011 to assess the recoverable value of its oil and gas interests. Based on benchmark reference prices there was no impairment at April 30, 2011.

5. DEBT AND CAPITAL LEASE

As of April 30, 2011, there were no amounts due on any long term credit facility. (2010 - $43,237,310)

As of October 31, 2010, Admiral Bay is no longer liable for the capital lease with Caterpillar Financial Services Corporation as it was assumed by another company at the beginning of the second quarter.

On March 2, 2011 the Company entered into an agreement with Flatiron Capital to finance their insurance policy for the period March 2, 2011 ï March 1, 2012. The amount of the policy financed is $17,186.07 at an annual interest rate of 2.75%. The entire amount is a current liability.

(Stated in United States dollars)

6. ASSET RETIREMENT OBLIGATIONS

Admiral Bay’s asset retirement obligations (“ARO”) are based on the net ownership in wells and facilities and management’s estimate of costs to abandon and reclaim wells and facilities as well as an estimate of the future timing of the costs to be incurred.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the ARO associated with the retirement of the Company’s oil and gas properties:

	April 30, 2011
	$
Balance, beginning of period	**56,223**
Liabilities incurred	**--**
Accretion expense	**5,481**
Balance, end of period	**61,704**

The Company has estimated the present value of its total asset retirement obligations based on a total future liability of $146,966 and a credit adjusted risk-free rate of 15% for the remaining wells. The credit adjusted risk-free rate was calculated as the Company’s incremental borrowing rate. Most of these obligations are expected to be incurred in approximately 10 years.

7. SHARE CAPITAL

The Company is authorized to issue 202,297,706 common shares without par value.

	Number of Shares	Amount
	#	$
Issued at July 31, and April 30, 2011	5,142,226	41,919,647

The Company finalized a consolidation of its shares on a 1 for 20 basis effective November 22, 2010.

Warrants

The following summarizes the warrant activity:

	2011		
	Number Of Warrants	**Weighted Average Exercise Price**	**Value**
	#	**$**	**$**
Balance at July 31, and April 30, 2011	**1,635,224**	**1.38**	**434,404**

(Stated in United States dollars)

7. SHARE CAPITAL (Continued)

As at April 30, 2011, the Company had the following warrants outstanding:

Number of Warrants	Grant Date Fair Value	Exercise Price	*Expiry Date*
#	$	$	
50,000	47,478 (i)	CDN$2.80 ($2.72)	March 31, 2014
649,262	247,138 (iii)	CDN$2.60 ($2.52)	May 15, 2011
3,436	1,341 (iii)	CDN$2.60 ($2.52)	June 8, 2011
32,636	12,516 (iii)	CDN$2.60 ($2.52)	June 8, 2011
899,890	125,931 (ii)	CDN$0.40 ($0.39)	July 20, 2015
1,635,224	434,404		

(i) The fair value of these warrants was estimated on the date of grant using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 1.75%, expected life of five years, expected dividend rate of 0%, and expected volatility of 106.02%.

(ii) The fair value of these warrants was estimated on the date of grant using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 1.77%, expected life of one year, expected dividend rate of 0%, and expected volatility of 115.27%.

(iii) The fair value of these warrants was estimated on the date of grant using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 1.09%, expected life of two years, expected dividend rate of 0%, and expected volatility of 159.03%.

Effective November 22, 2010, following a 1 for 20 consolidation of the Company's common shares, the number of warrants outstanding was reduced by a factor of 20 and the exercise price of the warrants was multiplied by a factor of 20.

Stock Options

The Company has established a stock option plan whereby officers, directors, employees and service providers may be granted options to purchase common shares at a fixed price, not less than the fair market value of the common shares on the day preceding the grant date. Vesting and expiry provisions are determined at the date of grant. The plan provides for the issuance of stock options to acquire up 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases.

The following summarizes the stock option activity during the period:

	Number Of Options	**Weighted Average Exercise Price**
	#	**CDN$**
Balance at July 31, 2010	**180,150**	**13.10**
Issued	**450,000**	**0.25**
Expired or cancelled	**(103,450)**	**(13.06)**
Balance at April 30, 2011	**526,700**	**2.14**

(Stated in United States dollars)

7. SHARE CAPITAL (Continued)

The weighted average grant date fair value of options granted in the quarter ending April 30, 2011 was $0.25.

Effective November 22, 2010, following a 1 for 20 consolidation of the Company's common shares, the number of options outstanding was reduced by a factor of 20 and the exercise price of the options was multiplied by a factor of 20.

As of April 30, 2011 the Company had the following stock options outstanding:

Options Granted		Options Exercisable	Exercise Price CDN$	
33,450	**	33,450	22.00 ($21.39)	May 16, 2011
17,500	**	13,125	10.40 ($10.11)	May 9, 2012
10,750	**	8,063	4.60 ($4.47)	September 6, 2012
5,000	*	5,000	5.80 ($5.64)	June 3, 2013
10,000	*	10,000	2.00 ($1.94)	February 10, 2014
450,000	***	450,000	0.25 ($0.26)	March 11, 2015
526,700		519,630		

* These options vest 25% on the six-month anniversary, 25% on the 12-month anniversary, 25% on the 18-month anniversary, and 25% on the 24-month anniversary.

** These options vest 25% on the one-year anniversary, 25% on the two-year anniversary, 25% on the three-year anniversary, and 25% on the 4-year anniversary.

*** These options vest immediately subject to a four month hold.

Contributed Surplus

	April 30, 2011 $
Balance, beginning of period	**12,168,387**
Employee stock options granted and/or vested	**85,279**
Balance, end of period	**12,253,666**

Continuedé

8. RELATED PARTY TRANSACTIONS

Transactions with related parties have occurred in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties. Amounts owed to related parties are unsecured, non-interest bearing with no fixed terms of repayment.

a) The president of the Company and his wife, own and/or control the following companies that perform related party transactions with Admiral Bay: Atoka Geochemical Services Corp ("Atoka"), Promap Corporation ("Promap"), Atoka Coal Bed Methane Laboratories ("ACBML"), Desperado Trucking ("Desperado"), CST Oil ("CST") and Running Foxes Petroleum ("Running Fox"). The president of the Company is also a paid contract worker for Osceola Royalties, LLC with whom the Company participates in the Revloc project. Desperado is owned 50% by Running Fox. ACBML and CST are owned 50% and Running Fox and Promap are owned 100% by the president of the Company. ACBML and CST are owned 50% and Atoka is owned 100% by the wife of the Company's president. Running Fox, Atoka, Promap, Desperado, CST and ABCML are providing critical services to the Company on as needed basis and by doing so reduce the overall administrative expense. These entities were paid approximately $35,194 for operating costs and services provided during the period ended April 30, 2011 (2010: $263,307). Running Fox also purchased a SWD well from the Company for approximately $34,000 based on a third party valuation. At April 30, 2011, an amount of $46,696 (2010: $290,934) was due to these companies for services and reimbursement of operating costs.

b) The president of the Company owns overriding royalty interests in the Ft. Scott wells. The royalties paid in the first three quarters 2011 were $629 (2010 - $16,586).

9. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to the current period's presentation.

10. FINANCIAL INSTRUMENTS

The Company has designated its cash and equivalents, checks issued in excess of cash and derivative instruments as held-for-trading, measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. Long-term debt and capital leases and asset retirement obligations are classified as "other financial liabilities" and measured at amortized cost.

The carrying value of cash and equivalents, accounts receivable, checks issued in excess of cash and accounts payable and accrued liabilities reflected in the consolidated balance sheet approximate fair value because of the limited term of these instruments.

The carrying values of the long-term capital lease and asset retirement obligation approximate their fair values as current interest rates have not changed significantly.

The Company's risk exposures and the impact of the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from the previous period.

10. FINANCIAL INSTRUMENTS (Continued)

Foreign Exchange Risk

The Company's functional currency is the US dollar and major purchases are transacted in US dollars. All oil and gas sales revenues are denominated in US dollars. The Company is exposed to currency risk with fluctuations in the Canadian dollar relative to the US dollar. The Company currently does not use derivatives to mitigate its foreign currency risk. Certain of the Company's expenses are incurred in Canadian dollars and are therefore subject to gains or losses due to fluctuations in this currency relative to the United States dollar.

Interest Rate Risk

The Company has cash and equivalents balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company closely monitors interest rates to determine the appropriate course of action to be taken by the Company.

Credit risk

The majority of the Companyœs accounts receivable are due from its only purchaser of gas production. The Company generally extends unsecured credit to its customers and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by the size and reputation of the company to which they extend credit. The Company has not experienced any credit loss in the collection of accounts receivable to date.

Price risk

The Company is exposed to price risk with respect to commodity prices, specifically oil and gas. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Companyœs future oil and gas operations will be significantly affected by changes in the market prices for oil and gas. Oil and gas prices fluctuate on a daily basis and are affected by numerous factors beyond the Companyœs control. The supply and demand for oil and gas, the level of interest rates, the rate of inflation, investment decisions by large holders of oil and gas including governmental reserves and stability of exchange rates can all cause significant fluctuations in oil and gas prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As of April 30, 2011, the Company had a cash and equivalents and amounts receivable balance of $75,385 (2010 - $751,473) to settle current liabilities of $788,309 (2010 - $45,564,761). Approximately $207,000 of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Continuedé

11. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of oil and gas properties. The capital of the Company consists of share capital, warrants, options and long-term debt. The Board of Directors does not establish quantitative return on the capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Properties in which the Company currently has an interest are in the exploration and development and producing stages; as such the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development, and pay for administrative and operating costs, the Company will spend its existing working capital as well as revenues from oil and gas production, and draw additional amounts from the existing credit facility as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended April 30, 2011.

12. SUBSEQUENT EVENTS

The Company issued 35,000 stock options to a contractor.