

**BERKLEY RENEWABLES INC.
(Formerly Berkley Resources Inc.)**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2012 AND 2011

(Expressed in Canadian Dollars)

Index

Notice of No Auditor Review of Interim Financial Statements

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3) released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited interim financial statements as at and for the three and six months ended June 30, 2012 and 2011.

BERKLEY RENEWABLES INC. (Formerly Berkley Resources Inc.)
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(unaudited)

| | As at June 30, 2012 | As at December 31, 2011 (Restated – Note 17) |
|--|---------------------------|--|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 406,098 | \$ 674,327 |
| Trade and other receivables (Note 14) | 114,948 | 132,367 |
| Marketable securities | 9,463 | 53,717 |
| Prepaid expenses | 61,855 | 56,855 |
| | 592,364 | 917,266 |
| Investment (Note 5) | 1,922,124 | 2,194,310 |
| Exploration and evaluation properties (Note 7) | 379,129 | 379,129 |
| Petroleum and natural gas interests (Note 6) | 137,924 | 147,495 |
| Other property and equipment (Note 8) | 6,247 | 7,211 |
| | 2,445,424 | 2,728,145 |
| | 3,037,788 | 3,645,411 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 219,790 | \$ 233,940 |
| Due to related parties (Note 13) | 55,285 | 41,885 |
| Total current liabilities | 275,075 | 275,825 |
| Decommissioning liability (Note 9) | 86,731 | 85,623 |
| | 361,806 | 361,448 |
| SHAREHOLDERS' EQUITY | | |
| Share Capital (Note 10) | 14,848,154 | 14,848,154 |
| Non-controlling interest | 676,234 | 579,302 |
| Contributed Surplus | 1,733,013 | 1,733,013 |
| Deficit | (16,103,543) | (15,670,816) |
| Accumulated other comprehensive income (Note 5) | 1,522,124 | 1,794,310 |
| | 2,675,982 | 3,283,963 |
| | \$ 3,037,788 | \$ 3,645,411 |

Going concern (Note 1)
Subsequent event (Note 16)

Approved by the Board of Directors and authorized for issue on August 29, 2012

“Matt Wayrynen”
Director

“Tyrone Docherty”
Director

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

BERKLEY RENEWABLES INC. (Formerly Berkley Resources Inc.)
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited)

| | For the three months ended June 30, 2012 | For the three months ended June 30, 2011 | For the six months ended June 30, 2012 | For the six months ended June 30, 2011 |
|--|--|--|--|--|
| Oil and gas revenue | | | | |
| Petroleum and natural gas sales | \$ 5,646 | \$ 13,954 | \$ 23,995 | \$ 29,627 |
| Royalty expense | (196) | (267) | (483) | (564) |
| Net oil and gas revenue | 5,450 | 13,687 | 23,512 | 29,063 |
| Oil and gas production expenses | | | | |
| Operating costs | 3,966 | 4,372 | 7,673 | 8,319 |
| Depletion and depreciation | 6,061 | 7,082 | 10,604 | 10,124 |
| | 10,027 | 11,454 | 18,277 | 18,443 |
| Net oil and gas income | (4,577) | 2,233 | 5,235 | 10,620 |
| General and administrative | | | | |
| Management fees | \$ 93,360 | 141,026 | 197,840 | 234,931 |
| Professional fees | 79,865 | 38,455 | 80,373 | 80,452 |
| Consulting fees | 17,533 | 6,031 | 34,781 | 47,345 |
| Administrative, office services and premises | 22,381 | 112,456 | 50,509 | 146,587 |
| Depreciation | 478 | 453 | 964 | 3,917 |
| Shareholder information | 5,956 | 10,473 | 8,462 | 13,611 |
| Filing and transfer agent fees | 15,759 | 5,910 | 20,155 | 7,770 |
| | 235,332 | 314,804 | 393,084 | 534,613 |
| Other income (expenses) | | | | |
| Other loss (income) | 23,123 | (27,952) | (63,634) | (27,952) |
| Loss (income) attributed to non-controlling interest | 126,160 | 67,375 | 96,932 | 194,892 |
| Unrealized (loss) gain on marketable securities | (504) | 71,526 | 11,580 | 230,619 |
| | 148,779 | 110,949 | 44,878 | 397,559 |
| Loss for the period | (388,688) | (423,520) | (432,727) | (921,552) |
| Other comprehensive income loss | | | | |
| Unrealized loss on investment | 204,705 | (1,700,552) | 272,186 | (1,700,552) |
| Other comprehensive income for the year | 204,705 | (1,700,552) | 272,186 | (1,700,552) |
| Total comprehensive loss for the period attributable to common shareholders | \$ (593,393) | \$ 1,277,032 | \$ (704,913) | \$ 799,000 |
| Basic and diluted net loss per share | \$ (0.13) | \$ 0.27 | \$ (0.15) | \$ 0.17 |
| Weighted average number of shares outstanding for the year | 4,613,950 | 4,613,950 | 4,613,950 | 4,613,950 |

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

BERKLEY RENEWABLES INC. (Formerly Berkley Resources Inc.)
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Share Capital | Contributed Surplus | Deficit | Non- controlling interest | Accumulated other comprehensive income | Total |
|--|------------------|------------------------|-----------------|---------------------------------|---|-------------|
| Balance as at December 31, 2011 | \$ 14,848,154 | \$ 1,733,013 | \$ (15,670,816) | \$ 579,302 | 1,794,310 | \$3,283,963 |
| Net loss | - | - | (432,727) | - | - | (432,727) |
| Unrealized loss on investment | - | - | - | - | (272,186) | (272,186) |
| Non-controlling interest | - | - | - | 96,932 | - | 96,932 |
| Balance as at June 30, 2012 | \$ 14,848,154 | \$ 1,733,013 | \$ (16,103,543) | \$ 676,234 | 1,522,124 | \$2,675,982 |

| | Share Capital | Contributed Surplus | Deficit | Non- controlling interest | Accumulated other comprehensive income | Total |
|--|------------------|------------------------|-----------------|---------------------------------|---|-------------|
| Balance as at December 31, 2010 | \$ 14,848,154 | \$ 1,733,013 | \$ (14,555,585) | \$ 951,265 | - | \$2,976,847 |
| Net loss | - | - | (921,552) | - | - | (921,552) |
| Unrealized gain on investment | - | - | - | - | 1,700,552 | 1,700,552 |
| Non-controlling interest | - | - | - | 194,892 | - | 194,892 |
| Balance as at June 30, 2011 | \$ 14,848,154 | \$ 1,733,013 | \$ (15,477,137) | \$1,146,157 | 1,700,552 | \$3,950,739 |

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

BERKLEY RENEWABLES INC. (Formerly Berkley Resources Inc.)
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

| | For the three months ended June 30, 2012 | For the three months ended June 30, 2011 | For the six months ended June 30, 2012 | For the six months ended June 30, 2011 |
|--|--|--|--|--|
| Cash provided by (used in) from continuing operations | | | | |
| Operating activities | | | | |
| Total comprehensive loss for the period | \$ (388,688) | \$ (423,520) | \$ (432,727) | \$ (921,552) |
| Items not requiring cash in the year | | | | |
| Depreciation, depletion and accretion | 7,074 | 7,535 | 11,568 | 14,040 |
| Non-controlling interest | 126,160 | 67,375 | 96,932 | 194,892 |
| Unrealized loss on investments | (504) | 71,526 | 11,580 | 230,619 |
| | (255,958) | (277,084) | (312,647) | (482,001) |
| Change in non-cash working capital (note 15) | 98,833 | 118,407 | 11,669 | (80,312) |
| | (157,125) | (158,677) | (300,978) | (562,313) |
| Investing activities | | | | |
| Purchase of oil and gas properties | - | (52,248) | - | (69,873) |
| Proceeds on sale of marketable securities | - | - | 32,749 | 587,760 |
| | - | (52,248) | 32,749 | 517,887 |
| Increase (decrease) in cash and cash equivalents | (157,125) | (210,925) | (268,229) | (44,426) |
| Cash and cash equivalents, beginning of period | 563,223 | 1,294,218 | 674,327 | 1,127,719 |
| Cash and cash equivalents, end of period | \$ 406,098 | \$ 1,083,293 | \$ 406,098 | \$ 1,083,293 |

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

1. Nature of Operations and Going Concern

Berkley Renewables Inc. (formerly Berkley Resources Inc.) ("Berkley") was created on the amalgamation of Fortune Island Mines Ltd., Kerry Mining Ltd. and Berkley Resources Ltd. under the Company Act (British Columbia) on July 18, 1986. Berkley is in the business of acquisition, exploration, development and production from petroleum and natural gas interests in Alberta, Canada. The address of the registered office is 900, 570 Granville Street, Vancouver, British Columbia, V6C 3P1.

On July 8, 2010, Berkley acquired a 53% interest in American Uranium Corporation ("AUC"). The results of American Uranium Corporation's operations have been included in these condensed interim consolidated financial statements since that date. American Uranium Corporation is an exploration-stage company engaged in the acquisition and exploration of mineral property interests in the United States. Berkley also has an interest in a newly-incorporated entity, Solar High Yield Income Fund ("Solar High Yield"), in which it has a 50.9% interest. Solar High Yield is a privately-held company through which Berkley is seeking to develop solar project opportunities.

These condensed interim consolidated financial statements include Berkley, AUC and Solar High Yield (hereinafter together referred to as the "Company") and have been prepared on the basis of accounting principles applicable to a going concern which assumes 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.

Adverse conditions and events cast substantial doubt upon the validity of this assumption. Berkley has a net loss and comprehensive loss for the period of \$432,727 (June 30, 2011 – \$921,552) and accumulated losses of \$16,103,543 (December 31, 2011 - \$15,670,816). As at June 30, 2012, Berkley had working capital of \$317,289 (December 31, 2011 - \$641,441).

The Company's ability to continue as a going concern is dependent upon its ability to raise additional capital through the issuance of treasury shares or debt and achieve profitable operations in the future. The management of Berkley have developed a strategy to address this uncertainty, including additional equity and/or debt financing; however, there are no assurances that any such financing can be obtained on favourable terms, if at all.

If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, reported revenues and expenses, and the balance sheet classifications used.

The condensed interim consolidated financial statements were authorized for issue on August 29, 2012 by the directors of Berkley.

2. Basis of Preparation

Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34, "*Interim Financial Reporting*" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the IFRS Interpretations Committee ("IFRIC") and using the accounting policies consistent with those in the audited consolidated financial statements as at and for the year ended December 31, 2011, except as otherwise noted. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2011.

2. Basis of Preparation (continued)

Statement of Consolidation and Presentation

These condensed consolidated interim financial statements have been prepared on an historical cost basis except for certain items that are measured at fair value including available for sale investments. All dollar amounts presented are in Canadian dollars, which is the Company's functional and reporting currency, unless otherwise specified. The accounting policies in Note 3 of the Company's audited consolidated financial statements as at and for the year ended December 31, 2011 have been applied consistently to all periods in these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its controlled subsidiary. Control exists when the Company has the power, directly or indirectly, to govern the financial and reporting policies of an entity so as to obtain benefits from its activities. The condensed consolidated interim financial statements include the accounts of the Company and its 53%-owned subsidiary, American Uranium Corporation. Intercompany balances and transactions, income and expenses are eliminated on consolidation.

3. Significant Accounting Estimates and Judgments

The preparation of condensed The preparation of condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may differ from these estimates.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim financial statements include: economic recoverability and probability of future economic benefits of exploration and evaluation and development costs.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments include: impairment of property, plant and equipment and mining interests; estimated reclamation and closure costs; reserve estimates; valuation of share-based payments; and income taxes.

4. Recent Accounting Pronouncements

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

- (i) IFRS 9 - Financial Instruments: issued in October 2010, is the first phase in the replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 revises the current multiple classification and measurement models for financial assets and liabilities and limits the models to two: amortized cost or fair value. The new standard is effective for the Company's interim and annual financial statements commencing January 1, 2013. The Company is currently assessing the impact of this standard on its consolidated financial statements.

4. Recent Accounting Pronouncements (continued)

- (ii) IFRS 10 - Consolidated Financial Statements: issued in May 2011, identifies the concept of control as the determining factor in whether an investee should be included within the consolidated financial statements of the parent. The guidance requires an entity to consolidate an investee when it has exposure or rights to variable returns from its involvement with the investee and has the ability to affect those returns. The standard applies to all investees, including special purpose entities and replaces SIC- 12 Consolidation Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. The new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is currently assessing the impact of this standard on its consolidated financial statements.
- (iii) IFRS 11 - Joint Arrangements: issued in May 2011, addresses two forms of joint arrangements where there is joint control: joint operations and joint ventures. In a joint operation, each venturer will recognize its share of the operation's assets, liabilities, revenues and expenses. Joint ventures will be required to use the equity method of accounting. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities Non-Monetary Contributions from Venturers. The new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is currently assessing the impact of this standard on its consolidated financial statements.
- (iv) IFRS 12 - Disclosure of Interests in Other Entities: issued in May 2011. It is a comprehensive standard addressing disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, subsidiaries, special purpose entities and unconsolidated structured entities. The standard aims to provide information to enable users to evaluate the nature of an entity's interest in other entities and the associated risks. IFRS 12 is effective for the Company's interim and annual financial statements commencing January 1, 2013. The Company is currently assessing the impact of this standard on its consolidated financial statements.
- (v) IFRS 13 - Fair Value Measurement: issued in May 2011, replaces fair value measurement and disclosure guidance throughout individual IFRS standards with one comprehensive source of fair value measurement guidance. IFRS 13 defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The standard also provides a framework for measurement of fair value and establishes required disclosures. It is effective for the Company's interim and annual financial statements commencing January 1, 2013. The Company is currently assessing the impact of this standard on its consolidated financial statements.
- (vi) IAS 1 - Presentation of Items of Other Comprehensive Income: in 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements to split items of other comprehensive income (OCI) between those that are reclassified to income and those that are not. The standard is required to be adopted for periods beginning on or after July 1, 2012. The Company is currently assessing the impact of this standard on its consolidated financial statements.
- (vii) IAS 27 - Separate Financial Statements: the IASB issued amendments to IAS 27 Separate Financial Statements to coincide with the changes made in IFRS 10, but retains the current guidance for separate financial statements. The Company is currently assessing the impact of this standard on its consolidated financial statements.
- (viii) IAS 28 - Investments in Associates and Joint Ventures: the IASB issued amendments to IAS 28 Investments in Associates and Joint Ventures to coincide with the changes made in IFRS 10 and IFRS 11. The Company is currently assessing the impact of this standard on its consolidated financial statements.

BERKLEY RESOURCES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2012 and 2011
(unaudited)

5. Investment

During 2010, Berkley acquired 400,000 common shares of Trichoscience Innovations Inc. (“Trichoscience”) at a price of \$1.00 per share. On May 9, 2011, Trichoscience became a wholly-owned subsidiary of RepliCel Life Sciences (“RepliCel”). All outstanding shares of Trichoscience were exchanged for 2.2953 common shares of RepliCel. The common shares are being held in escrow and will be released 15% per quarter beginning January 1, 2012. The investment in RepliCel was measured at the fair value using the Black-Scholes pricing model which the Company recognized an unrealized gain on investment in other comprehensive income for the year ended December 31, 2011 of \$1,794,310 (December 31, 2010 - \$nil). The following assumptions were used to measure fair value of the investment:

| | <u>December 31, 2011</u> |
|-------------------------|--------------------------|
| Risk free interest rate | 0.99% |
| Expected volatility | 81% |
| Expected life (years) | 2.13 |

As it is released from escrow, the investment in RepliCel will be valued at its trading price.

6. Petroleum and Natural Gas Interests

| Cost or deemed cost | |
|--|------------|
| Balance at December 31, 2010 | \$ 678,398 |
| Additions | 71,045 |
| Balance at December 31, 2011 | 749,443 |
| Additions | - |
| Balance at June 30, 2012 | \$ 749,443 |
| Depletion and impairment losses | |
| Balance at December 31, 2010 | \$ 480,742 |
| Depletion | 22,139 |
| Impairment | 99,067 |
| Balance at December 31, 2011 | 601,948 |
| Depletion | 9,571 |
| Balance at June 30, 2012 | \$ 611,519 |
| Net book value amount | |
| At June 30, 2012 | \$ 137,924 |
| At December 31, 2011 | \$ 147,495 |
| At December 31, 2010 | \$ 197,956 |

BERKLEY RESOURCES INC.
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6. Petroleum and Natural Gas Interests (continued)

As at December 31, 2011 oil and gas properties were impaired by \$99,067 (December 31, 2010 - \$430,842). The impairment resulted from a significant decrease in the reserve volumes allocated to oil and gas properties as at December 31, 2011. The oil and gas properties were written down to fair value less cost to sell. Fair value was determined using a valuation technique that incorporates the estimated future cash flows based on reserve volumes and prices.

7. Exploration and Evaluation Assets

| | <i>E&E Assets</i> | |
|--|-----------------------|---------|
| Balance at December 31, 2010 | \$ | 379,129 |
| Additions | | - |
| Balance at December 31, 2011 & June 30, 2012 | \$ | 379,129 |

Exploration and evaluation (E&E) assets consist of the Company's exploration projects which are pending the determination of proven or probable reserves. Additions represent the Company's share of costs incurred on E&E assets during the period.

8. Other Property and Equipment

| | Computer equipment | | Furniture, fixtures and equipment | | Leasehold improvements | | Total | |
|---|-----------------------|--------|---|-------|---------------------------|-------|-------|--------|
| Cost or deemed cost | | | | | | | | |
| Balance at December 31, 2010 | \$ | 33,782 | \$ | 9,199 | \$ | 4,078 | \$ | 47,059 |
| Additions | | 2,942 | | - | | - | | 2,942 |
| Balance at December 31, 2011 | | 36,724 | | 9,199 | | 4,078 | | 50,001 |
| Additions | | - | | - | | - | | - |
| Balance at June 30, 2012 | | 36,724 | | 9,199 | | 4,078 | | 50,001 |
| Depreciation and impairment loss | | | | | | | | |
| Balance at December 31, 2010 | \$ | 29,395 | \$ | 7,672 | \$ | 1,019 | \$ | 38,086 |
| Depreciation | | 1,362 | | 283 | | 3,059 | | 4,704 |
| Balance at December 31, 2011 | | 30,757 | | 7,955 | | 4,078 | | 42,790 |
| Depreciation | | 843 | | 121 | | - | | 964 |
| Balance at June 30, 2012 | | 31,600 | | 8,076 | | 4,078 | | 43,754 |

BERKLEY RESOURCES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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9. Decommissioning Liability

The following table presents the reconciliation of the carrying amount of the obligation associated with the decommissioning of the Company's P&NG assets:

| | June 30, 2012 | | Dec.31, 2011 |
|---|--------------------------|----|-----------------|
| Balance, beginning of period | \$ 85,623 | \$ | 75,596 |
| Accretion | 1,108 | | 2,084 |
| Change in estimates | - | | 7,943 |
| Asset retirement obligations, end of period | \$ 86,731 | \$ | 85,623 |

Berkley estimates the total undiscounted amount of cash flows required to settle its decommissioning liability is approximately \$81,879 (December 31, 2011 - \$81,879) which will be incurred between 2017 and 2029. The majority of these obligations will be incurred in 2017. An inflation factor of 1.5% has been applied to the estimated asset retirement cost. A risk-free discount rate of 2.26% was used to calculate the fair value of the asset retirement obligations.

10. Share Capital

a) Authorized

Unlimited Class A common shares, without par value.

b) Issued

In April 2012, the Company effected a share consolidation of its share capital on a 10 for 1 basis, consolidating its 46,139,482 outstanding common shares to 4,613,950 common shares. All references to common stock in these financial statements have been changed to reflect the share consolidation.

| | Number of shares | Amount |
|---|------------------|--------------|
| Balance December 31, 2010 | 4,613,950 | \$14,848,154 |
| Issued | - | - |
| Balance December 31, 2011 and June 30, 2012 | 4,613,950 | \$14,848,154 |

11. Share-Based Payments

The Company has an equity-settled stock option plan under which the Board of Directors may grant options to directors, officers, other employees and key consultants. The purpose of the plan is to advance the interests of the Company by encouraging these individuals to acquire shares in the Company and thereby remain associated with, and seek to maximize the value of, the Company.

Under the plan, the number of shares reserved for issuance pursuant to the exercise of all options under the plan may not exceed 10% of the issued and outstanding common shares on a non-diluted basis at any time. The options expire not more than five years from the date of grant, or earlier if the individual ceases to be associated with the Company, and vest over terms determined at the time of grant.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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11. Share-Based Payments (continued)

The following tables summarize information about stock options outstanding as at:

| | June 30, 2012 | | December 31, 2011 | |
|--|------------------------------------|--|------------------------------------|--|
| | Number of shares subject to option | Weighted average exercise price per option | Number of shares subject to option | Weighted average exercise price per option |
| Balance outstanding, beginning of period | 35,000 | \$5.50 | 79,000 | \$5.60 |
| Activity in the period: | | | | |
| Expired | - | - | (44,000) | \$5.60 |
| Cancelled | - | - | - | - |
| Balance outstanding, end of period | 35,000 | \$5.50 | 35,000 | \$5.60 |
| Exercisable, end of period | 35,000 | \$5.50 | 35,000 | \$5.60 |

A summary of stock options outstanding is as follows:

| Exercise Price Per Share | Expiry Date | Number of Shares Remaining Subject to Option at End of Year | |
|--------------------------|--------------|---|-------------------|
| | | June 30, 2012 | December 31, 2011 |
| \$5.50 | July 4, 2012 | 35,000 | 35,000 |
| | | 35,000 | 35,000 |

12. Warrants

At June 30, 2012 and December 31, 2011, there were no warrants outstanding.

13. Related Party Transactions

The interim consolidated financial statements include the financial statements of Berkley Resources Ltd. and the subsidiaries listed in the following table:

| Name | Country of Incorporation | % equity interest | | |
|------------------------------|--------------------------|-------------------|-------------------|-----------------|
| | | June 30, 2011 | December 31, 2010 | January 1, 2010 |
| American Uranium Corp. | United States of America | 53% | 53% | - |
| Solar High Yield Income Fund | Canada | 50.9% | - | - |

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Transactions with related parties

As at June 30, 2012 and 2011, the amount of transactions made with parties not at arm's length to the Company not otherwise disclosed consists of the following:

- a) Directors' fees of \$7,000 (June 30, 2011 - \$7,000) were payable to directors.
- b) Included in accounts payable and accrued liabilities are rent and administration expenses of \$5,442 payable to a private company owned by public companies having common directors (June 30, 2011 - \$9,891).

The transactions were in the normal course of operations and agreed to by the related party and the Company and have had been measured at the exchange amount

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the periods were as follows:

| | Three months ended | | Six months ended | |
|---------------------------------|--------------------|---------------|------------------|----------------|
| | June 30, 2012 | June 30, 2011 | June 30, 2012 | June 30, 2011 |
| | \$ | \$ | | |
| Compensation, including bonuses | 84,500 | 76,000 | 180,500 | 163,000 |
| Share-based payments | - | - | - | - |
| | 84,500 | 76,000 | 180,500 | 163,000 |

14. Financial Instruments and Financial Risk Management

Fair Values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. At June 30, 2012, the Company's financial instruments include cash and cash equivalents, trade and other receivables, marketable securities, deposits and trade and other payables. The fair values of these financial instruments approximate their carrying values due to their short-term maturity.

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

Berkley classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 - inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets;
- Level 2 - inputs to the valuation methodology included quoted prices for identical assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace; and,
- Level 3 - inputs to the valuation methodology are not based on observable market data.

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14. Financial Instruments and Financial Risk Management (continued)

Fair Values (continued)

Cash and cash equivalents and marketable securities are recorded based on Level 1 of the fair-value hierarchy. Trade and other receivables and accounts payable are recorded based on Level 3 of the fair-value hierarchy.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these interim consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with the risk management policies as set out herein:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. A substantial portion of the Company's trade and other receivables are with natural gas and liquids marketers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. As at June 30, 2012, the maximum credit exposure is the carrying amount of the trade and other receivables of \$114,948 (December 31, 2011 – \$132,367). As at June 30, 2012, the Company's receivables consisted of \$79,058 from joint venture partners and other trade receivables and \$35,890 of revenue receivable from petroleum and natural gas marketers.

The Company did not provide for any doubtful accounts nor was it required to write-off any receivables during the three months ended June 30, 2012 (December 31, 2010 - \$36,405). The Company would only choose to write-off a receivable balance (as opposed to providing an allowance) after all reasonable avenues of collection had been exhausted.

As at June 30, 2012, the Company considers its receivables to be aged as follows:

| | |
|-------------------------------|---------|
| Not past due | 20,466 |
| Past due by less than 90 days | 28,536 |
| Past due by more than 90 days | 65,946 |
| | <hr/> |
| | 114,948 |
| | <hr/> |

BERKLEY RESOURCES INC.
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14. Financial Instruments and Financial Risk Management (continued)

Liquidity risk

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.

The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

Market risk

The significant market risk exposures affecting the financial instruments held by the Company are those related to foreign currency exchange rates and commodity price risk which are explained as follows:

i. Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company enters into transactions denominated in United States currency for which the related expenses and accounts payable balances are subject to exchange rate fluctuations. As at June 30, 2012, the following items are denominated in United States currency:

| | June 30, 2012 | December 31, |
|--|----------------------|--------------|
| | CAD\$ | 2011 |
| | | CAD\$ |
| Cash and cash equivalents | 849 | 883 |
| Accounts payable and accrued liabilities | 10,991 | 53,238 |

ii. Commodity price risk

Commodity price risk is the risk that the cash flows and operations of Berkley will fluctuate as a result of changes in commodity prices. Significant changes in commodity prices can also impact Berkley's ability to raise capital or obtain additional debt financing. Commodity prices for crude oil are impacted by world economic events that dictate the levels of supply and demand.

Berkley's financial performance is closely linked to crude oil and natural gas prices. While Berkley may employ the use of financial instruments in the future to manage these price exposures, it currently does not have enough producing wells to hedge its production, and its crude oil and natural gas liquids are sold into spot markets.

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15. Supplemental Cash Flow Information

| | Three months ended | | Six months ended | |
|--|----------------------|---------------|----------------------|---------------|
| | June 30, 2012 | June 30, 2011 | June 30, 2012 | June 30, 2011 |
| Change in non-cash working capital items: | | | | |
| Trade and other receivables | 36,615 | (5,617) | 17,419 | (33,123) |
| Deposits and other prepaids | - | 18,831 | (5,000) | 18,831 |
| Accounts payable and accrued liabilities | 58,767 | 100,763 | (14,150) | (70,450) |
| Due to related parties | 3,451 | 4,430 | 13,400 | 4,430 |
| Net change in non-cash working capital items | 98,833 | 118,407 | 11,669 | (80,312) |

16. Subsequent Event

On August 1, 2012, the Company announced that it was undertaking a non-brokered private placement consisting of up to 5,000,000 units at a price of \$0.10 per unit for gross proceeds of \$500,000. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder thereof to purchase one additional common share at a price of \$0.20 per warrant share for a period of two years following the close of the private placement.

17. Restatement of Consolidated Financial Statements

Subsequent to the issuance of the Company's consolidated financial statements for the year ended December 31, 2011, it was determined that the non-controlling interest disclosed throughout the Company's consolidated financial statements was incorrectly presented. The effect of the restatement on the consolidated statement of financial position as at December 31, 2011 is summarized below:

| | Previously reported \$ | Adjustment \$ | Restated \$ |
|---|------------------------------|------------------|----------------|
| Consolidated Statement of Financial Position | | | |
| <i>As at December 31, 2011:</i> | | | |
| Non-controlling interest | 1,323,228 | (743,926) | 579,302 |
| Deficit | (16,414,742) | 743,926 | (15,670,816) |

The adjustments between amounts previously reported and restated amounts have no effect on the cash flows generated.