Wedge Energy International Inc.

(an exploration stage company)

Management's Discussion & Analysis

For the year ended December 31, 2010

(Information as at April 22, 2011 unless otherwise noted)

Forward Looking Statements

This document may contain or refer to certain forward-looking statements relating but not limited to Wedge Energy International Inc.'s ("Wedge" or the "Company") expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects, the failure to obtain sufficient funding for operating, capital and exploration requirements and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Wedge undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

The following provides Management's Discussion and Analysis (or "MD&A") of the financial position of Wedge Energy International Inc. ("the Company") and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2010, which has been posted on SEDAR. This MD&A was prepared by Company management and approved by the Board of Directors on April 22, 2011. All amounts in Canadian dollars unless otherwise stated.

Nature of Operations and Going Concern

Wedge Energy International Inc. ("Wedge" or the "Company") was incorporated on July 5, 1996 under the Ontario Business Corporations Act. On February 10, 2006 Wedge Energy Inc was incorporated in Alberta as a wholly owned subsidiary of Wedge Energy International Inc.

On January 31, 2007, Alyattes Enterprises Inc. ("AEI") completed a "three-cornered" amalgamation with 1272639 Alberta Ltd. (a wholly-owned subsidiary of AEI) and Wedge Energy Inc. ("Wedge") pursuant to the Business Corporations Act (Alberta). Wedge and that AEI subsidiary were amalgamated, continuing under the name Wedge Energy Inc., and AEI issued common shares to the former shareholders of Wedge. On February 1, 2007 AEI changed its name to Wedge Energy International Inc.

Wedge is a development stage junior mining company engaged in the identification, acquisition, evaluation and exploration of precious and base metals with mineral properties in Canada. At the date of these financial statements the Company does not have or own the right to any mineral properties.

These audited consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. For the year ended December 31, 2010, the Company had a shareholders' deficiency of $1,331,831 (2009 - $1,190,996) and a working capital deficiency of $1,331,831 (2009 - $1,190,996).

The Company's continuation as a going concern is dependent upon its ability to obtain financing and to attain profitability from operations. The Company is pursuing additional financing through public and private equity, debt instruments and collaborative arrangements with potential partners. In the event the Company is unable to arrange additional financing, the Company's ongoing operations would be negatively impacted.

General Concerns

Management is always careful of its operating costs, and a strong but inexpensive back office staff, coupled with a minimal annual rental cost for the office, keeps costs down. The largest operating costs are those related to the legal, audit, stock transfer and CNSX related activity which as a public entity the Company is compelled to pay.

Terminated Letter of Intent for Business Combination with Targetco

The Company announced on July 12, 2010 that it had signed a non-binding, non-exclusive letter of intent (the "Letter of Intent") with a private oil and gas exploration company ("Targetco") providing for a proposed business combination (the "Merger") whereby WEG would acquire all of the issued and outstanding Targetco common shares in exchange for common shares in the capital of WEG.

The completion of the Merger was subject to a number of conditions precedent including, among other matters, due diligence reviews by each party; the approval of the board of directors of each company to enter into a binding definitive agreement, a proposed consolidation of the share capital of WEG on a 20 old share for 1 new share basis; the completion of a financing to provide WEG with working capital; and both shareholder and regulatory approval. As such, there was no assurance that Company would have entered into a binding definitive agreement with Targetco or complete the Merger.

Targetco owns a 20% beneficial interest in a Production Sharing Contract covering an oil and gas exploration concession in the Middle East.

Effective October 8, 2010 the Company had terminated the updated non-binding letter of intent for the proposed business combination transaction with Targetco.

Directors and Officers, changes in

On January 28, 2010 the Company announced that following a Board Meeting held January 25, 2010 it has appointed three new directors: Mr. Paul S. Rapello, Mr. Darren Devine and Mr. James Passin. The new directors had joined remaining directors Mr. Robin Dow and Mr. Kevin Rivers as the new board of directors for Wedge.

David Badyk, Robert Schellenberg and David Clark have retired from the board, and Wedge would like to express its appreciation for everything they have done to help hold the company together during the last difficult year.

Mr. Rapello is a founding partner of Great Circle Capital LLC, the general partner of The Great Circle Fund LP, a private equity fund dedicated to investing in the transportation and infrastructure sector in Russia, CIS, Eastern Europe and Turkey. At Great Circle Capital, he was a member of the investment committee and sat on several portfolio company boards of directors. He has an extensive background in M&A, corporate finance and private equity in the US and emerging markets. Prior to the founding of Great Circle, he was a Managing Director of Stanton Capital Corp., a New York-based private equity firm specializing in emerging markets. Prior to joining Stanton Capital, he was a Vice President of the leveraged finance group of Credit Suisse First Boston. Mr. Rapello graduated from Georgetown University and received an M.B.A. from Columbia University Graduate School of Business.

James Passin joined Firebird in 1999. He co-founded and manages Firebird Global Fund and Firebird Global Fund II. Mr. Passin serves on the board of several venture-stage international resource companies. Mr. Passin is a graduate of St. John's College, where he majored in philosophy and classical literature.

Mr. Devine is the principal of Chelmer Consulting Corp., an internationally focused company that provides corporate finance advisory services to private and public companies principally in the energy sector. In this role, Mr. Devine has acted as director, special committee member and management advisor with respect to public and private financings, stock exchange listings, the structuring and execution of mergers and acquisitions and corporate governance. Mr. Devine holds a Bachelor of Sciences and Economics degree from the University of Northumbia, England and a Diploma of Law from the Royal College of Law, York, England. Mr. Devine is qualified as a barrister and solicitor in British Columbia and in England & Wales and previously practiced exclusively in the areas of corporate finance and securities law.

On February 1, 2010 the Company appointed Mr. Sabino Di Paola, CA, as Chief Financial Officer. Mr. Di Paola is a Chartered Accountant in the Provinces of Quebec and Ontario and a member in good standing of The Quebec Order of Chartered Accountants as well as the Order of Chartered Accountants of Ontario. He has a wide variety of experience in computer systems and consulting, and has worked with international accounting firms performing engagements on both the public and private sector organizations. He is also a Chief Financial Officer with two other junior exploration companies.

On March 25, 2010 the Company announced that Kevin Rivers has resigned from the Board of Directors effective immediately, to attend to other significant business interests.

On July 12, 2010, the Company announced that Mr. Robin Dow had resigned as the Chief Executive Officer, Chairman and as a director of the Company. The Company has reached an agreement with Mr. Dow to pay him $20,000 (plus applicable taxes) of the $103,750 as a settlement of outstanding management fees on termination of his employment contract. In the third quarter, 2010 the Company made a payment of $10,000 to Mr. Dow. As part of the assignment of the framework agreement to Desiree Resources Inc. (see section Note Receivable and Framework Agreement section for further details) the balance of the management fees owing to Mr. Dow have been assumed by Desiree Resources Inc.

Effective July 13, 2010 Mr. Donald Padgett was appointed CEO of the Company to replace Mr. Dow. Mr. Donald Padgett has extensive experience in all aspects of public company finance, corporate restructuring and governance. He has held senior executive positions in corporate finance within major Canadian investment firms, and he is a director of various public and private Canadian corporations including Vangold Resources Ltd., Vanoil Energy Ltd. and War Eagle Mining Company Inc.

Darren Devine resigned from the Board of Directors effective November 10, 2010. The Board would like to express its gratitude to Mr. Devine for his time and service and wishes him well in his future endeavours.

On November 10, 2010 the Company announced that Donald Padgett was appointed to the Board of Directors. He will be joining current directors James Passin and Paul Rapello.

Selected annual information

The following table contains selected interim financial information of the Company for the fiscal years ended December 31, 2010, 2009, 2008, and 2007. This information is derived from the audited financial statements of the Company.

	Year-ended December 31, 2010 $	**Year-ended December 31, 2009 $**	**Year- ended December 31, 2008 $**	**Year- ended December 31, 2007 $**
Petroleum and natural gas sales	-	28,367	201,712	60,415
Less: royalties	-	(10,182)	(70,103)	(20,648)
Production costs	-	(18,906)	(78,688)	(18,926)

Net petroleum income (loss)	**-**	**(721)**	**52,921**	**20,841**
Total expenses	(830,373)	(990,865)	(475,151)	(473,001)
Recovery of future income taxes	-	37,800	44,000	254,000
Net loss for the year	(829,269)	(1,028,461)	(403,366)	(229,519)
Basic and diluted loss per common share	(0.02)	(0.04)	(0.05)	(0.00)
	As at December 31, 2010 $	**As at December 31, 2009 $**	**As at December 31, 2008 $**	**As at December 31, 2007 $**
Total assets	212,450	41,590	725,710	2,789,170
Total long-term financial liability	-	-	55,852	50,273
Cash dividends per common share	-	-	-	-

Total expenses were lower in the 2010 compared to the prior year by approximately $160,492. There was an increase in interest expense of approximately $107,000 in 2010 compared to 2009 due to the fact that the first convertible debt was only issued in Q4, 2009 and as such there was only one month interest on the $270,000 convertible debt in 2009. In 2010 the Company issued $770,000 convertible debit in January to repurchase the 2009 debt as well as a second convertible debt in July of $440,000 (total debit in 2010 1,170,00 versus 270,000 in 2009). Increase in general and administrative costs of $98,000 2010 compared to 2009. The reason for the increase was due to more activity in 2010 that required additional time by the CFO and controller as well as management fees paid in 2010 of $80,000 to Primary Venture Corporation and $10,000 to Robin Dow for CEO services. There were no fees paid to the CEO in 2009. Decrease in depletion, depreciation and accretion expense of $101,000 in 2010 compared to 2009. The reason for the decrease was due to the fact that in January 2010 convertible notes totalling $270,000 were repaid with the proceeds from new convertible notes issued by the Company in an aggregate principal amount of $770,000 as well as depletion taken on the oil and gas assets which were sold in December 2009. There were no assets in 2010 to deplete or depreciate. Increase in professional fees of approximately $231,534 in 2010 compared to 2009. The increase is mainly due to the non-binding letter of intent as well as improved corporate governance, and responses to requests by the Ontario Securities Commission. Decrease in the impairment on notes receivable of approximately $82,123 in 2010 compared to 2009. The decrease in the impairment is due to management's decision to reduce the loans to fund the third party lawsuit for the Arys Concession in Kazakhstan (which is discussed further under the heading "Note Receivable and Framework Agreement" below). In the fourth quarter of 2010 the Framework Agreement was assigned to Desiree Resources Inc., an unrelated third company. The regulatory, exchange, AGM, press release and transfer agent fees as well as promotion & investor conference fees remained approximately the same in 2010 compared to 2009. Stock based compensation had decrease in 2010 by approximately $30,010 compared to 2009. This was mainly due to the fact that the company's issued fewer stock options in 2010 due to the changes in the board of directors in 2010 compared to 2011. The gain on the foreign exchange in 2010 had decreased by approximately $13,000 compared to 2009 due to the fact that the Canadian dollar was closer to pair with the US dollar during 2010 compared to a weaker dollar in 2009. The flow through and tax obligation expense for 2010 was $393,000 lower than 2009. In 2010 the Company received a waiver from its investors to settle obligation of approximately $274,000 for renouncement shortfalls with respect to flow through expenditures.

As at December 31, 2010 the Company has no revenue producing assets since it sold its interest in its producing property in the Three Hills Creek area during 2009 and has no production revenue in 2010.

No cash dividends have been paid by the Company. The Company has no present intention of paying cash dividends on its common shares as it anticipates that all available funds will be invested to finance potential business combinations and working capital.

General and Administrative

The summary of general and administration expenses is as follows:

		December 2010		December 2009
General and administrative	**$**	**138,876**	$	40,790

General and administrative expenses were significantly higher in 2010 when compared to 2009 due to: 1) management fees of $10,000 were charged to the Company by the former CEO, Robin Dow in the third quarter of 2010 whereas there were no management fees charged to the company in 2009; 2) In 2010 the Company paid management fees to Don Padgett, CEO and Director of approximately $80,000. No fees were paid to the former CEO during 2009; and 3) the remainder of the increase in fees paid to the CFO and Controller during the first quarter of 2010. There were no significant fluctuations in operating costs such as utilities, insurance, website and office supplies.

Summary of Quarterly Results

The following table contains a summary of quarterly information for the last eight quarters:

		Revenue		**Net loss**		**Loss per share**
Quarter 4 – 2010	$	775	$	(480,355)	$	(0.02)
Quarter 3 – 2010		329		(5,373)		(0.02)
Quarter 2 – 2010		-		(284,858)		(0.01)
Quarter 1 – 2010		-		(58,683)		(0.00)
Quarter 4 – 2009		-		(439,473)		(0.02)
Quarter 3 – 2009		24,173		(246,785)		(0.01)
Quarter 2 – 2009		-		(210,285)		(0.01)
Quarter 1 – 2009		(5,063)		(131,918)		(0.01)

Note Receivable and Framework Agreement

Since January 2007, the Company has advanced funds to an unrelated third party, Kazenercom LLC, an entity governed by the laws of Kazakhstan (the “Borrower”) for purpose of supporting the Borrower’s legal proceedings in respect of rights to the Arys Concession project, a concession holding significant oil and gas rights in Kazakhstan. This litigation was first commenced in the United States in April of 2007, with a court action concerning improper acquisition of licence rights to the Arys Concession, amongst other issues, in California. Shortly thereafter another action was commenced in the State of Nevada regarding control of the corporate board of the company that owns the licence rights to the Arys Concession. Funds were initially provided by the Company to the Borrower pursuant to an agreement between the Company and the Borrower dated March 4, 2007 (the “Initial Agreement”).

The Framework Agreement – August 31, 2009

Following the Initial Agreement, and further related loan facilities, on August 31, 2009 the Company entered into the Framework Agreement, which served to memorialize the prior terms of cooperation which had been agreed upon by the parties pursuant to the Initial Agreement and subsequent loans. The Company agreed to advance funds to the Borrower with the goal of establishing and perfecting the direct or indirect control of

Bektayev over the Subsoil Use Contract and then transferring certain direct or indirect interest controlled by Bektayev in the Subsoil Use Contract to the Company.

By that time the Company had already advanced an aggregate total of US$2,175,386 to the Borrower. The funds advanced by the Company pursuant to the Framework Agreement were used by Bektayev and the Borrower to fund their ongoing litigation to secure and confirm their rights to the Arys Concession via confirmation of their ownership of charter capital in the entity that held the license on the Arys Concession. The terms of the Framework Agreement provided that the Company be entitled to a 70% interest in the Arys Concession project in exchange for the Company's financial contributions in support of the legal actions, if Bektayev and the Borrower were successful in confirming ownership rights to the Arys Concession and if the Borrower did not otherwise repay the debt to the Company in advance of the conclusion of the litigation, which the Borrower was entitled to do pursuant to the Framework Agreement, among other terms and conditions.

The contingent 70% interest in the Arys Concession property claim or related assets that the Company may have received would therefore have only had significant value if the litigation had ultimately been concluded in favour of Bektayev and the Borrower and if the loans made by the Company pursuant to the Framework Agreement were not otherwise repaid. The Framework Agreement provided security to the Company through the pledge of shares of Turan Petroleum Inc., a private Nevada company with an interest in the litigation, held by Bektayev and Trek to the Company.

The Framework Agreement provided that advances provided by the Company are at the Company's discretion up to a total loan facility of US$2,900,000, or such greater loan amount as the parties decide necessary. The loan carries an interest rate of 5% per annum, which accumulates to the balance of the loan.

If Bektayev and the Borrower had been successful in confirming ownership rights to the Arys Concession through the courts and the loan was not otherwise repaid, the Company may have been entitled to a 70% interest in the Arys Concession property claim or related assets, including any equity investment or a joint venture. In such circumstances, pursuant to the Framework Agreement, the Company had agreed to pay 100% of the initial exploration expenses and contribute a minimum of $15 million USD for the project within a two year period.

During the year ended December 31, 2009, the Company advanced $463,800 to the Borrower for the purposes of funding the lawsuit related to the Arys Concession. Management of the Company at that time believed that the potential value of the property claim justified the continuing advances of funds to the Borrower. However, the notes receivable had been impaired for the full amount of the notes, including principal and interest, for accounting purposes due to the uncertainty of the resolution.

During 2010, the Company had advanced an additional $381,677 to the Borrower, for cumulative advances of $2,716,906 (not including interest on outstanding advances). Due to the uncertainty of the collection, the Company recognized impairment of the full amount of the advances during 2010.

During the first half of 2010, the Company remained hopeful that there would be a favorable resolution to the litigation. However, as management recognized that the outcome could not be determined with any certainty at that time, management took the position that the loan would only be collectable when and if the litigation was successful. Due to the significant uncertainty surrounding the outcome of the litigation, management took a conservative approach and impaired the outstanding balance of the loan on a quarterly basis.

On July 12, 2010, the Company announced that Mr. Robin Dow had resigned as the Chief Executive Officer, Chairman and as a director of the Company.

As of November 1, 2010 there were no additional loans made to the Borrower under the Framework Agreement.

Expiry of the License – October 2010

On October 12, 2010 the Company was informed that the license to explore the Arys Concession in Kazakhstan granted by the Government of Kazakhstan and held by Turan Enerpetroleum LLP, had expired pursuant to its terms.

To date, the Company has advanced $3,010,000 (includes interest on advances) to the Borrower pursuant to the Framework Agreement (the "Loan"). As a result of the termination of the license on the Arys Concession, the Company's current management sees no reason to continue funding the litigation, and therefore no further advances will be made by the Company under the Framework Agreement. At this time, Management does not intend to continue pursuing an interest in the Arys Concession.

Management had previously taken the position that the Loan would only be collectible when and if the litigation was successful. Due to the significant uncertainty management has taken a conservative approach and impaired the outstanding balance of the loan on a quarterly basis.

Assignment of Framework Agreement – November 2010

On November 16, 2010 the Company has assigned the Framework Agreement with Kazenercom LLP (the "Borrower"), Yerkin Kaldybayevich Bektayev and Trek Resources, Inc. dated August 31, 2009 (the "Framework Agreement") to Desiree Resources Inc. (a private company, which is an unrelated third party to Wedge).

Under the agreement between Wedge Energy International Inc. and Desiree Resources Inc. the assignment of the framework agreement and loan facility, Desiree Resources Inc. will be assigned the full benefit of the Framework Agreement and the Loans made there under, and the Desiree Resources Inc. has agreed to assume liability for the performance of the obligations of the Company under the Framework Agreement and the Loans. In the event that Desiree Resources Inc. is awarded a new license in Kazakhstan over the Arys Concession (the "License Date"), Desiree Resources Inc. will make a payment to the Company totaling US$1,500,000.00 (the "Purchase Price"), as follows:

(A) US$500,000.00 on the date that is twelve (12) months from the License Date;
(B) US$500,000.00 on the date that is eighteen (18) months from the License Date; and,
(C) US$500,000.00 on the date that is twenty-four (24) months from the License Date.
(D) In the event of non payment of any of the above noted payments the Assignor shall have the right and option to be assigned the License on a pro rata basis in discharge of the Assignees obligations

The principal of the advances by the Company pursuant to the Framework Agreement is summarized below:

	December 31 2010	September 30 2010	Dec. 31 2009
Cumulative advances including interest (USD)	$ -	$ 3,010,000	$ 2,614,446

Note: Interest was not accrued in the financial statements due to uncertainty of collection

During 2010, the Company has advanced $381,677 to the Borrower. Due to the significant uncertainty surrounding the outcome of this litigation, management is taking a conservative approach and is impairing the outstanding balance of the loan on a quarterly basis. The Company recognized impairment in the full amount of the advances during the period and has not accrued any interest.

To date Desiree Resources Inc. has not been successful in obtaining a new license for the Arys concession in Kazakhstan. Due to the significant uncertainty surrounding the outcome of Desiree obtaining a new license, management is taking a conservative approach and not recording any receivables from the assignment of the framework agreement.

Liquidity and Capital Resources

The Company's working capital amounts are as follows:

	December 31 2010	December 31 2009
Cash	**$ 182,985**	$ 37,585
Accounts receivable	**23,047**	4,005
Prepaid expenses	**6,418**	-
Accounts payable & accrued liabilities	**(381,660)**	(538,078)
Part XII.6 tax	**-**	(118,609)
Flow-through related obligations	**-**	(316,924)
Liability component - convertible debt	**(1,162,621)**	(258,975)
	$ (1,331,831)	$ (1,190,996)

The Company, which is involved in early stage exploration, has no sources of revenue, and does not anticipate receiving revenues in the foreseeable future.

At December 31, 2010, the Company had a working capital deficiency of $1,331,831 (2009 - $1,190,996). In the past, Wedge has been able to successfully raise equity to fund its drilling programs and cover operating costs. There can be no assurance to the ability to issue common shares or obtain debt in the future with reasonable terms. The inability to access sufficient capital could have an adverse effect on the Company's financial condition.

At December 31, 2010, the Company had cash and cash equivalents totaling at $182,985 (2009 $ 37,585). During the year ended December 31, 2010, the Company invested cash of $381,677 in advances on notes receivable, and raised $1,317,000 through financing activities and utilized net cash of $789,923 for operating activities.

The Company has financed its operations from inception to date through the issuance of equity securities including convertible debentures. The Company has administrative and other expenses that exceed available cash resources. From inception to date, the Company has incurred losses from operations and has had negative cash flow from operating activities. As at December 31, 2010, the Company had total cash and cash equivalents of $182,985. The Company requires additional funding to be able to meet ongoing requirements for general operations. The ability of the Company to continue as a going concern is dependent on raising additional financing, development of its properties and generation of profitable operations in the future.

On November 9, 2010, the Company announced that the Company had entered into an agreement with Firebird Global Master Fund II Ltd. (Refer to the section of "Related party transactions") and issued 70,000 non-voting, non-convertible, and non-participating Series A Preference Shares at $5 per share, for aggregate proceeds to the Company of $350,000. The Series A Preference Shares issued will not be listed on any stock exchange, have no rights to vote at meetings of shareholders of the Company (except as provided by the Business Corporations Act (Ontario)) and are not convertible, but have preferential rights on liquidation, dissolution or winding up over the Company's common shares. The Shares are redeemable by the Company at its sole discretion at the original subscription price.

In the short term, the Company will rely on the issuance of convertible debentures as well as common share private placements to fund operating costs. However there is no assurance that the Company will be able to issue convertible debt or preferred shares to raise the sufficient amount of funds required by the Company to continue its operating and exploration activities.

The Company's monthly cash operating costs are approximately $15,500. The Company is currently not subject to any option payments as well as required exploration on any of its properties. Currently the Company has not budgeted any capital expenditures as it is in the process of reviewing the acquisition of potential mineral exploration projects.

While management has been successful in obtaining sufficient funding for its operating, and capital requirements from the inception of the Company to date there is, however, no assurance that additional future funding will be available to the Company, or that, when it is required it will be available on terms which are acceptable to management and the board of directors of the Company.

Neo Exploration Inc. legal claim

The Company has been in litigation with Neo Exploration, a former joint venture partner, on the Montana property licensed by the joint venture in 2007. In June 2007 Wedge Energy International Inc. advised Neo Exploration that Wedge was no longer interested in pursuing any further expenditures on the jointly held Montana property and that the joint venture would be wound up. Wedge asked Neo to settle the outstanding issue of repayment of the $22,758 cash call paid by Wedge in March of 2007. As at December 31, 2010 Neo has not made any repayment of the outstanding cash call.

On February 4, 2011 the Board of Directors accepted a proposal from Neo Exploration to settle the June 2007 claim whereas Neo Exploration paid Wedge a cash settlement of $11,379 (half of the amount of the civil claim filed with the Provincial Court of Alberta) in exchange for a full release and settlement of this and all matters between Wedge and Neo Exploration.

Capital management

The Company's objectives when managing capital are:

- To safeguard its ability to continue as a going concern.
- To maintain appropriate cash on hand to meet ongoing operating costs.
- To invest cash on hand in liquid and highly rated financial instruments.

The Company has been funded by the following forms of capital:

	April 22 2011	December 31 2010	December 31 2009
Common Share capital	$ 7,481,834	$ 7,481,834	$ 7,293,609
Preferred shares	350,000	350,000	-
Warrants	259,122	259,122	572,595
Convertible debt (total principal)	1,170,000	1,170,000	270,000
	$ 9,260,956	$ 9,260,956	$ 8,136,204

Share capital as at April 22, 2011 is composed of 39,139,138 common shares outstanding as well as 70,000 preferred shares outstanding. The Company currently has 830,000 stock options outstanding which if exercised by their holders would result in future cash flow of up to $118,000 of financing. The Company currently has 30,805,000 warrants outstanding which if exercised by their holders would result in future cash flow of up to $1,732,750 of financing.

The Company has the option to pay the interest and principal on the convertible debts in cash or common shares of the Company.

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, obtaining additional financing through convertible debenture issuances, refinancing current debt, issuing other financial or equity based instruments such as stock options and warrants, adjusting capital spending, or disposing of assets.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. There were no changes in the Company's approach to capital management as at April 22, 2011. The Company is not subject to externally imposed capital requirements.

The capital structure is reviewed by management and the board on an ongoing basis.

Outstanding Share Data and Financing Transactions

Information with respect to outstanding common shares, warrants, and stock options as at April 22, 2011, December 31, 2010 and December 31, 2009 is as follows:

	April 22 2011	December 31 2010	December 31 2009
Common shares	**39,139,138**	39,139,138	27,546,028
Preferred shares	**70,000**	70,000	-
Warrants	**30,805,000**	30,805,000	15,935,000
Stock options	**830,000**	830,000	2,450,000
	70,844,138	70,844,138	45,931,028

In addition, the Company has potential dilution of up to 85,000,000 additional shares based on the January 2010 Notes (as defined below) and the July 2010 Notes (as defined above) with principal amounts of $770,000 and $400,000 respectively. The January 2010 notes have a conversion price of $0.01 per Common Share, while the July 2010 Notes have a conversion price of $0.05 per Common Share.

During 2010, the Company undertook the following financing activities:

- In January 2010, the Company issued 992,647 Common Shares to cover the $6,750 interest payment pursuant to the October 2009 convertible debt agreement (the “October 2009 Notes”). These Common Shares were issued by the Company with an effective price per share of $0.0068 per share.

- In January 2010, the Company issued $770,000 of convertible notes to 15 investor, which notes mature on January 26, 2011 (the “January 2010 Notes”). The January 2010 Notes are convertible into 77,000,000 Common Shares at a conversion price of $0.01 per share. The Company also issued to the investors 33,900,000 warrants entitling the holders thereof to purchase up to 33,900,000 Common Shares until January 26, 2012 at an exercise price of $0.02. Interest on the principal amount of the January 2010 Notes is 10% per annum (not compounded) payable quarterly in advance, which the Company has the right to effectuate the interest payment in Common Shares. Of the total proceeds of $770,000, $270,000 will be used to repurchase the October 2009 Notes as condition of issuance of January 2010 Notes. In addition, all the investors waived the 5,400,000 warrants from the October 2009 Notes and participated in the January 2010 Notes issuance. At the same time as the issuance of the convertible note the Company received waivers for a total of 8,400,000 warrants (5,400,000 warrants related to the October 2009 Notes and an additional 3,000,000 warrants related to Firebird).

- In January 2010, the Company issued 2,755,000 shares to cover the $13,775 interest payment related to the January 2010 Notes. These Common Shares were issued by the Company with an effective price per share of $0.005 per share.

- In March 2010, the Company issued 1,080,000 shares to certain investors in relation to the $316,924 obligations arising from the renouncement shortfalls from flow-through issuances in 2007 and 2008 (see “Nature of Operations and Going Concern”). In the same month the Company issued 400,000 options to officers and employees. The value to the stock-based compensation was $11,680, which was based on the Black-Scholes pricing model with the assumptions of risk-free interest rate of 3.00%, volatility of 118%, and expected life of 5 years. These Common Shares were issued by the Company with an effective price per share of $0.05 per share.

- In April 2010, the Company issued 481,251 Common Shares to cover the $19,250 interest payment pursuant to the convertible debt agreement. The Common Shares were issued by the Company with an effective price per share of $0.04 per share. In the same month the Company issued 1,900,000 Common Shares upon the exercise of 1,900,000 warrants for total proceeds of $38,000. The Common shares were issued by the Company with an effective price per share of $0.02 per share.

- In May 2010, the Company issued 1,450,000 Common Shares upon the exercise of 1,450,000 warrants for total proceeds of $29,000. These Common Shares were issued by the Company with an effective price per share of $0.02 per share.

- In July 2010, 800,000 warrants of the Company with an exercise price of $0.15 expired unexercised.

- In July 2010, 650,000 stock options of the Company were forfeited when the CEO and Chairman of the Board of Directors resigned. The stock options were in 2 tranches with 350,000 expiring on March 15, 2013 and 300,000 expiring on July 29, 2013. The options had exercise prices of $0.50 and $0.25 respectively.

- In July 2010, the Company issued 1,013,159 Common Shares for third quarter interest due on the outstanding notes. $19,250 interest payment pursuant to the convertible debt agreement. The Common Shares were issued by the Company with an effective price per share of $0.019 per share.

- In July 2010, the Company issued the July 2010 Notes in an aggregate principal amount of $400,000. The July 2010 Notes are convertible into 8,000,000 Common Shares at a price of $0.05 per share. The July 2010 Notes mature on November 30, 2011. Interest on the principal amount of the November 2010 Notes accrues at 10% per annum, and will be calculated and payable on November 30, 2010. The Company has the right to effectuate payment of interest in Common Shares of the Company.

- In August 2010, the Company issued 1,013,159 shares to cover the $19,250 interest payment related to the January 2010 Notes (as described in note 6). The common shares were issued by the Company with an effective price per share of $0.02 per share.

- On November 9, 2010, the Company announced that the Company had entered into an agreement with Firebird Global Master Fund II Ltd. and issued 70,000 non-voting, non-convertible, and non-participating Series A Preference Shares at $5 per share, for aggregate proceeds to the Company of $350,000. The Series A Preference Shares issued will not be listed on any stock exchange, have no rights to vote at meetings of shareholders of the Company (except as provided by the Business Corporations Act (Ontario)) and are not convertible, but have preferential rights on liquidation, dissolution or winding up over the Company’s common shares. The Shares are redeemable by the Company at its sole discretion at the original subscription price.

- In November 2010, the Company issued 1,921,053 Common Shares for third quarter interest due on the outstanding notes. $19,250 interest payment pursuant to the convertible debt agreement. The Common Shares were issued by the Company with an effective price per share of $0.01 per share.

- In November 2010, the Company cancelled 6,480,000 warrants issued to Robin Dow, former CEO and director of the Company as part of the assignment of the framework agreement to Desiree Resources Inc. (refer to the section “Note Receivable and Framework Agreement” for more information).

During 2009, the Company undertook the following financing activities:

- In April 2009, the Company completed a private placement of 2,400,000 non-brokered units at $0.05 per unit for total proceeds of $120,000. Each unit comprised of one Common Share and one Common Share warrant. Each warrant entitles the holder to purchase one Common Share at an exercise price of $0.10 until May 1, 2012.

- In June 2009, the Company completed a private placement of 1,150,000 non-brokered units at $0.05 per unit for total proceeds of $57,500. Each unit comprised of one Common Share and one Common Share warrant. Each warrant entitles the holder to purchase one Common Share at an exercise price of $0.10 until May 1, 2012.

- In August 2009, the Company completed a private placement of 1,000,000 non-brokered units at $0.05 per unit for total proceeds of $50,000. Each unit comprised of one Common Share and one Common Share warrant. Each warrant entitles the holder to purchase one Common Share at an exercise price of $0.10 until May 1, 2012.

- In October 2009, the Company issued $270,000 of convertible notes ("the October 2009 Notes") which mature on October 9, 2010. The October 2009 Notes are convertible into 5,400,000 Common Shares at a price of $0.05 per share. Interest on the principal amount shall be at 10% per annum, payable quarterly in advance. The Company has the right to effectuate the payment of interest in Common Shares of the Company.

- In October 2009, the Company issued 135,000 Common Shares to cover the $6,750 interest payment pursuant to the convertible debt agreement. These Common Shares were issued by the Company with an effective price per share of $0.05 per share.

- In December 2009, the Company issued a total of 651,798 shares in settlement of $181,271 to certain creditors. These Common Shares were issued by the Company with an effective price per share of $0.28 per share.

Related Party Transactions

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties.

The Company has a management contract with Primary Venture Corporation, a company controlled by Don Padgett, a Director and CEO of the Company whereby the Company pays up to $10,000 per month for management and advisory services.

For the year ended December 31, 2010, the Company paid Primary Venture Corporation cash of $80,000 (December 2009 - $ NIL). The Company has a payable to the Primary Venture Corporation as at December 31, 2010 of $ NIL (December 2009 – $ NIL).

During the first half of the year the Company had a common director, CEO and chairman with Diamond International Exploration Inc, and Galahad Metals Inc.

On July 12, 2010 Robin Dow, the previous CEO, chairman and Director of Wedge Energy International Inc. had resigned. Therefore as of July 12, 2010 Wedge Energy International Inc, Diamond International Exploration Inc. and Galahad Metals no longer have any common directors and as a result there is no longer a related party relationship between the company's as Wedge Energy International Inc. no longer has significant influence over the activities of Galahad Metals Inc and Diamond International Exploration Inc. and vise versa.

During the first quarter 2010, the Company repaid $67,000 to the Robin Dow, the previous CEO relating to amounts owed from 2009. These amounts were non-interest bearing and had no set repayment terms. During the first quarter of 2010 the Company issued 350,000 common shares to Mr. Dow for the settlement of $102,706 of estimated investor obligations for failure on behalf of the Company to spend flow through funds on eligible expenditures.

During 2010 the Company shared office space with Diamond International Exploration Inc., Desiree Resources Inc. and Galahad Metals Inc. The Company has signed an agreement in which all shared costs are evenly allocated between the companies. As at September 15, 2010 Diamond International Exploration Inc had moved its office to Vancouver and as a result no longer share costs with Wedge Energy International Inc. All payables and receivables between the Company and Diamond International Exploration Inc. had been settled on September 15, 2010.

For the year ended December 31, 2010, the Company incurred shared costs of $4,997 (2009 - $ NIL) with Desiree Resources Inc. and Galahad Metals Inc. At December 31, 2010 the Company has no receivable or payable with Desiree Resources Inc. for shared costs (2009 –$ NIL) and a payable to Galahad Metals Inc. of $2,654 (2009 – receivable of $2,138).

As of December 31, 2010, $ 149,000 (2009 - $149,000) was included in the accounts payable & accrued liabilities balance related to historical amounts from 2008 for accounting, administrative fees and software solutions to Pandell Tech. Corporation of which a previous director of the Company was an officer.

The Company is a related party with the Firebird Global Master Funds, through its director Mr. James Passin as Mr. Passin is a key member of the management team of the Firebird Global Master Funds.

Firebird Global Master Fund, Ltd. and Firebird Global Master Fund II, Ltd. (together as “Firebird”) are related parties based on their joint ownership of over 10% of the Company’s common shares. In the October 2009 Notes issuance, Firebird invested $200,000 of the total $270,000 principal and received the related interest payment in the form of shares in October 2009 and January 2010. In the January 2010 Notes issuance, Firebird invested $450,000 of the total $770,000 principal and received the related interest payment in the form of shares in January 2010. As described in note 6, the proceeds of the January 2010 Convertible Notes were used to repurchase all of the October 2009 Notes. The interest on the January 2010 Notes was paid in shares and on quarterly basis. The January 2010 Notes mature on January 26, 2011 and have an interest rate of 10% per annum (simple interest). On January 26, 2011 the holders of the Notes agreed to extend the maturity date of the Notes for an additional 6 month term, with a new maturity date of July 26, 2011, along with the extension the Note holders received an increase of 2.5% in the interest rate (12.5%) on the extension period.

In the third quarter Firebird Global Master Fund, Ltd purchased in aggregate $400,000 of additional convertible notes of the Company (note 6). The interest on the convertible notes are payable in cash or common shares of the Company at the Company’s option based on the weighted average price of the on the maturity date of the convertible note. The Notes are convertible at the option of the holder at any time based on a conversion price of conversion price of $0.05 per common share. The Note matures on November 30, 2010. On November 30, 2010 the holders of the Notes agreed to extend the maturity date of the Notes for an additional 6 month term, with a new maturity date of May 30, 2011, along with the extension the Note holders received an increase of 2.5% in the interest rate (12.5%) on the extension period.

Firebird Global Master Fund Ltd. purchased 70,000 non-voting, non-convertible, and non-participating Series A Preference Shares at $5 per share, for aggregate proceeds to the $350,000. The Series A Preference Shares issued are not listed on any stock exchange, have no rights to vote at meetings of shareholders of the Company (except as provided by the Business Corporations Act (Ontario)) and are not convertible, but have preferential rights on liquidation, dissolution or winding up over the Company’s common shares. The Shares are redeemable by the Company at its sole discretion at the original subscription price.

Proposed Transactions

As is typical of the oil and natural gas exploration and development industry, the Company is continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value.

Critical Accounting Estimates

The Company is required to record equity stock options at fair value in the consolidated financial statements. Management utilizes the Black-Scholes model to calculate the fair value of these equity instruments at the time they are issued. Use of the Black-Scholes model requires management to estimate the expected volatility of the Company's stock over the future life of the equity instrument and to estimate the expected life of the equity instrument. Determination of these estimates requires significant judgment and requires management to formulate estimates of future events based on prior history of actual results and by comparison to other companies in the oil & gas industry.

Contractual Obligations

The Company does not have any fixed contractual obligations or commitments for capital or operating leases, purchase obligations or other long-term commitments except for those related to property option agreements. Any commitments under exploration property option agreements are cancellable at the Company's option but would result in forfeiture of rights under those agreements. During 2010, the Company had a month to month agreement for the operating lease for the office premises.

In 2010 the Company made a payment of $90,342 and $19,909 to the Canada Revenue Agency for penalties and interest on failure to incur qualifying expenditures pursuant to flow-through shares issued in 2007 and 2008 respectively. As of December 31, 2010, tax penalties and interest relating to the Company's inability to meet its flow-through expenditure obligations have been fully paid.

Off-Balance Sheet Arrangements

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative instrument obligations, or with respect to any obligations under a variable interest entity arrangement.

Financial Instruments and other Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and convertible debenture. The fair value of these instruments approximates their carrying value, given their short-term nature. It is management's opinion that the Company is not exposed to significant credit risks arising from these financial instruments.

In accordance with the amendments to Section 3862, "Financial Instruments – Disclosures", fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value of cash and cash equivalents are based on unadjusted quoted prices in active markets, and therefore classified in level 1.

Risk management

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk, currency risk, interest rate risk, commodity and market price risk and foreign currency risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Certain risks that the Company is exposed to in normal course of operations are described as follows:

a) Credit risk

Credit risk arises due to the potential for one party to a financial instrument to fail to discharge it obligations and cause the other party to suffer a loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, marketable securities and receivables. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts. The Company holds its cash and cash equivalents and marketable securities with financial institutions that are believed to be creditworthy.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents as all amounts are held at a single major Canadian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows: Bank accounts as at December 31, 2010 $ 182,985 (2009 - $ 37,585).

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company does not use derivative instruments or hedges to manage risks as the interest rate risk is low.

c) Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting. The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company as at December 31, 2010 has payables in the amount of $ NIL payable and cash in the bank of $25 in United States Dollars.

d) Liquidity risk

Liquidity risk arises when adequate funds cannot be raised to settle liabilities and commitments when they become payable. The Company manages its liquidity by maintaining adequate cash and cash equivalents and marketable securities to meet anticipated cash needs. As at December 31, 2010 the Company did not have sufficient cash and cash equivalents, in the amount of $182,985 and amounts receivable of $23,047, in order to meet short-term liabilities. At December 31, 2010, the Company had accounts payable and accrued liabilities of $381,660 and convertible notes which come due in 2011 of $1,170,000 which will be paid in fiscal 2011. The Company will require significant cash requirements to meet its administrative overhead costs and acquire new mineral interests in 2011. This will require the Company to obtain additional financing in 2011 to continue exploration work on the mineral properties. The liquidity risk is reduced since the interest on the convertible debt can be repaid in the form of shares. The Company prepares expenditure budgets, which are regularly monitored and updated as considered necessary.

e) Commodity and Market risk

Market risk is the risk of loss that arises from unfavorable changes in the quoted market price of market-traded financial instruments. The Company's marketable securities are subject to market risk. Commodity price risk is defined as the potential adverse impact on economic value due to commodity price movements and volatilities.

f) Fair values of financial assets and liabilities

Financial instruments consist of cash, accounts receivable, notes receivable, accounts payable & accrued liabilities, and convertible debt. At December 31, 2010, there are no significant differences between the carrying amounts reported on the balance sheet and their estimated fair values.

It is management's opinion that the Company is not exposed to significant interest, currency, liquidity, market or credit risk arising from these financial instruments.

Risks and Uncertainties

The Company is subject to a number of risks and uncertainties due to the nature of its business and the present stage of development of its business. Investment in the natural resource industry in general, and the exploration and development sector in particular, involves a great deal of risk and uncertainty. Current and potential investors should give special consideration to the risk factors involved.

Exploration Stage Company
The Company is engaged in the business of acquiring and exploring oil and natural gas properties in the hope of locating economic deposits, with the discovery of oil and natural gas being the Company's focus. The Company's property interests are in the exploration stage only and are without a known economic oil and natural gas deposit. Accordingly, there is little likelihood that the Company will realize any profits in the short to medium term. Any profitability in the future from the Company's business will be dependent upon locating economic oil and natural gas deposit, which itself is subject to numerous risk factors. Further, there can be no assurance, even if an economic deposit of oil and natural gas is located, that any of the Company's property interests can be commercially drilled. The exploration and development of oil and natural gas deposits involve a high degree of financial risk over a significant period of time of which even a combination of careful evaluation, experience and knowledge of management may not eliminate. Major expenses may be required to establish reserves by drilling and to construct wells and processing facilities at a particular site. It is impossible to ensure that the current exploration programs of the Company will result in profitable commercial operations. The profitability of the Company's operations will be, in part, directly related to the cost and success of its exploration programs which may be affected by a number of factors. Substantial expenditures are required to establish reserves which are sufficient to commercial oil and natural gas.

Economic Risk
The price of oil & natural gas will depend on numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new methods. The effect of these factors on the price of commodities, and therefore on the economic viability of the Company's projects, cannot accurately be predicted.

Additional Funding and Financing Risk
Additional funds will be required for future exploration and development. There is no assurance that sufficient equity financing will be available at reasonable terms to the Company. In addition, any future equity financings by the Company may result in substantial dilution for existing shareholders.

Value of Our Common Shares
The value of the Company's Common Shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the success of the Company's business strategy, competition or other applicable regulations which may affect the business of the Company and other factors.

Competition
There is aggressive competition within the oil and gas industry for the discovery and acquisition of properties considered to have commercial potential. Wedge competes with many other companies, which may have greater financial resources, for the opportunity to participate in projects. Significant capital investment is required to achieve commercial production from successful exploration efforts.

Environmental Risk
Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes to environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests that have been caused by previous or existing owners or operators.

Uninsured Hazards

The Company currently carries minimal insurance coverage. The nature of the risks the Company faces in the conduct of its operations are such that liabilities could exceed policy limits in any insurance policy or could be excluded from coverage under an insurance policy. The potential costs that could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the Company's financial position.

Permits, Licenses and Approvals

The operations of the Company may require licenses and permits from various governmental authorities. The Company believes it holds or is in the process of obtaining all necessary licenses and permits to carry on the activities which it is currently conducting under applicable laws and regulations. Such licenses and permits are subject to changes in regulations and in various operating circumstances.

Dependence on Key Personnel, Contractors and Service Providers

Shareholders of our Company rely on the good faith, experience and judgment of the Company's management, contractors and service providers in supervising and providing for the effective management of the business and the operations of the Company and in selecting and developing new investment and expansion opportunities. The Company may need to recruit additional qualified contractors and service providers to supplement existing management. The Company will be dependent on a relatively small number of key persons, the loss of any one of whom could have an adverse effect on the Company.

Conflicts of Interest

Certain directors of the Company also serve as directors of other companies involved in natural resource exploration, development and production. Consequently, there exists the possibility that such directors will be in a position of conflict of interest. Any decision made by such directors involving the Company are made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a material conflict of interest.

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board of the CICA confirmed that IFRS will replace Canadian GAAP for publicly accountable enterprises for the fiscal years beginning on or after January 1, 2011. As a result, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of fiscal 2011 for which current comparative information will be prepared on an IFRS basis. In light of these requirements, the Company has developed an IFRS transition project plan.

The Company's plan includes four phases: analysis, design and planning, solution development and implementation. To prepare for the conversion to IFRS, the following plan has been developed:

Scope assessment and training

An IFRS conversion team has been established, and the members of the team are receiving technical and project planning training related to IFRS. Management believes that the Company has allocated appropriate resources to the conversion project to develop an effective plan and the Company is continually assessing resource and training requirements as the project progresses.

Amendments and additions to the current standards, carried out by the International Accounting Standards Board, are continually ongoing. As part of the conversion process, the Company monitors the actual and expected changes to the existing standards and attempts to assess the impact on the Company and its reporting requirements.

Design

Based on the detailed review of IFRS standards, the Company will choose accounting policies and procedures, quantify the impact on key line items and disclosures, and prepare draft financial statements under IFRS. The Company will start collecting accounting data in mid fiscal 2010 and early fiscal 2011 to satisfy IFRS requirement for the preparation of comparative balances for fiscal 2011 IFRS conversion.

Implementation and review

Upon adoption of IFRS in Fiscal 2011, the Company will implement new accounting policies under IFRS and prepare and report consolidated financial statements under IFRS.

Impact of Adopting IFRS on the Company's Business

As part of its analysis of potential changes to significant accounting policies, the Company is assessing what changes may be required to its accounting systems and business processes. The Company believes that the changes identified to date are minimal and the systems and processes can accommodate the necessary changes.

To date, the Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies.

The Company's staff and advisers involved in the preparation of financial statements are being trained on the relevant aspects of IFRS and the anticipated changes to accounting policies. Employees of the Company that will be affected by a change to business processes as a result of the conversion to IFRS will also be trained as necessary.

The Board of Directors and Audit Committee have been regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation to date of the key aspects of IFRS affecting the Company.

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has identified the following optional exemptions that it expects apply in its preparation of an opening IFRS statement of financial position as at January 1, 2011, the Company's "Transition Date":

Optional exemptions to be applied by Wedge:

- Wedge as elected not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the transition date of January 1, 2011.
- Wedge has elected to use facts and circumstances existing at the date of transition to determine whether an arrangement contains a lease. No such assessment was done under the previous GAAP.
- Wedge has elected to maintain the designations of its financial instruments at the date of transition. Wedge has also taken the exemption to designate some financial instruments at fair value through profit or loss.
- Wedge has elected to apply IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by January 1, 2011. Further, Wedge will apply IFRS 2 on all liabilities arising from share-based payment transactions that existed at January 1, 2011.

- Wedge has elected not to retrospectively recognize changes in existing decommissioning, restoration and similar liabilities under IFRIC 1 which may have occurred before the Transition Date.

Prior to reporting interim financial statements in accordance with IFRS for the quarter ended March 31, 2011, the Company may decide to apply other optional exemptions contained in IFRS 1.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

Impact of Adopting IFRS on the Company's Financial Statements

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas the Company has identified as having the most potential for a significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies on adoption of IFRS. At the present time however, the Company is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below.

1) Exploration and Evaluation Expenditures

The application of the company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or whether activities have not yet reached a stage which permits a reasonable assessment of the existence of reserves. The determination of an ore reserve is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditures.

The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions may change if new information becomes available.

A) Pre-license costs:

Costs incurred prior to obtaining the legal right to explore an area were capitalized under Canadian GAAP. Under IFRS these costs may no longer be capitalized. Wedge did not have any pre-license costs capitalized and as such no adjustment was needed for the conversion to IFRS.

B) License and acquisition costs:

Under Canadian GAAP, license and acquisition costs not associated with economically recoverable reserves are assessed for indicators of impairment. When such indicators exist, the related costs would be tested for impairment. The group has adopted accounting policies under IFRS that requires each property to be reviewed on an annual basis to confirm that there are no facts or circumstances that suggest it may be impaired. If no further activity is planned or the property is otherwise impaired, the remaining balance of the license and property acquisition costs is written off to the statement of comprehensive income. Given that Wedge has no open projects as at January 1, 2010 on conversion to IFRS a total of $ NIL have been written off to retained earnings in the opening balance sheet.

C) Exploration costs:

Costs associated with geological and geophysical expenditures and unproven exploration and evaluation were capitalized as deferred mineral assets in accordance with Canadian GAAP. Under Wedge's accounting policies, certain early stage prospecting costs are expensed as incurred, while exploration costs are initially capitalized as an asset and, if subsequently determined not to show economic viability, are charged to the statement of comprehensive income. As a result Wedge has written off $ NIL exploration costs which were either not permitted to be capitalized under IFRS 6 or were related to unsuccessful exploration and evaluation costs.

2) Impairment of (Non-financial) Assets

In review of Wedge's policy for exploration and evaluation expenditures no assessment for impairment is currently required given that all expenditures to date have not indicated a high degree of confidence in the project's viability and hence there is currently no probability that future economic benefits will flow to the company.

As all exploration and evaluation expenditures have been written-off prior to January 1, 2010 there is no requirement for assessment and impairment as Wedge currently does not have any exploration and evaluation assets held on its statement of financial position.

In review of Wedge's opening balance sheet as at January 1, 2010 it was noted that the company does not have any property plant and equipment currently capitalized on its statement of financial position. Therefore an assessment for impairment is not required.

The adoption of IAS 38 is not expected to have any impact on the financial statements of Wedge Energy International Inc.

3) Share-based Payments (IFRS 2 Share based payments)

The stock option plan provides for the granting of stock options to directors, officers and contractors. The exercise price of each stock option is determined at the closing market price of the common shares on the day prior to the day of grant. Each stock option granted permits the holder to purchase one common share at the stated exercise price. The Company records a charge to the profit and loss account using the Black-Scholes fair valuation option pricing model. The valuation is dependent on a number of estimates, including the risk free interest rate, the level of stock volatility, together with an estimate of the level of forfeiture. The level of stock volatility is calculated with reference to the historic traded daily closing share price at the date of issue.

Wedge has elected to apply IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by January 1, 2011.

During the above mentioned period it was noted that Wedge had the current stock option plan in which there are no mandated vesting provisions for stock options granted to directors, officers and contractors. Stock options granted to investor relations are subject to a twelve month vesting schedule whereby no more than 25% of the options granted may be vested in any three month period.

Under IFRS Wedge must treat each of the vesting periods as a separate grant, and therefore recomputed the fair value of the newly vested options each time previously granted options vest. Furthermore IFRS differs from Canadian GAAP in which under IFRS Wedge must estimate the percentage of stock options which will expire unexercised as well as forfeited and include this percentage as a reduction in the determination of the stock option expense.

Based on the review of stock options granted prior to January 1, 2011 and not vesting as at the transition date a total of $ NIL has been recognized as a restatement in the opening statement of financial position as at January 1, 2010.

4) Asset Retirement Obligations (Decommissioning Liabilities)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company, however, does not expect this change will have an immediate impact to the carrying value of its assets given that Wedge does not have any exploration and evaluation assets in production nor any exploration and evaluation properties as at January 1, 2010.

5) Property and Equipment

IFRS contains different guidance related to recognition and measurement of property and equipment than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to property and equipment that would result in a significant change to line items within its financial statements. As at January 1, 2010 the Company did not have an property or equipment therefore there is no adjustment on the opening balance sheet in the conversion to IFRS.

6) Income Taxes

In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes.

The Company does not expect any changes to its accounting policies related to income taxes that would result in a significant change to line items within its financial statements.

7) Estimates

IFRS 1 prohibits the use of hindsight to correct estimates made under previous GAAP unless there is objective evidence of error. A company should only adjust estimates made under previous GAAP when the previous estimate calculation does not comply with IFRS standards. If a new estimate is required under IFRS, the Company will need to estimate based on the conditions that exist as at the date of transition to IFRSs. This exception will need to be considered for any significant estimates made as at December 31, 2009.

The Company does not expect any significant changes to its estimates applied in the January 1, 2010 opening balance sheet conversion to IFRS.

8) Financial Instruments

IFRS allows a company to apply a onetime change in the designation of its financial instruments on the transition date.

Wedge has elected not to change the classification of any of its financial instruments from its previous Canadian GAAP financial statements. Therefore no adjustment is required on the January 1, 2010 opening balance sheet upon conversion to IFRS.

9) Flow through shares

On transition to IFRS, the company has elected to follow US GAAP whereby flow-through proceeds should be allocated between the offering of the common shares and the sale of tax benefit when common shares are offered. The allocation is made between based on the difference between the quoted market price of the common shares and the amount the investor pays for the flow through shares. A future tax liability is recognized for the premium paid by investors and is then recognized as a future income tax recovery in the period of renunciation. If flow through shares is sold at a discount, this policy does not apply and the flow through share issuance follows applicable IFRS guidance.

Previously, Wedges Canadian GAAP policy was to adopt the recommendations of EIC 146 with respect to the accounting for flow though shares. This resulted in the company reducing net proceeds of the flow through share issuance by the future tax liability of the Company resulting from the renunciation of the exploration and development expenditures in favor of the flow through subscribers. The future income tax liability was calculated net of any benefit resulting from unrecorded income tax loss carry forwards and income tax pools in excess of the accounting value available for deduction.

Impact on the statement of financial position of reversing the renouncement:

	January 1, 2010
Adjustment to share capital	$ 41,114
Adjustment to deficit	$ (41,114)

Impact on the statement of financial position of applying US GAAP for FIT liability:

	January 1, 2010
Adjustment to share capital	$ NIL
Adjustment to deficit	$ NIL

Subsequent Disclosures

Further disclosures of the IFRS transition process are expected as follows:

- The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending March 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending March 31, 2011 will also include 2010 financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position (as at January 1, 2010).

Schedule of completion of IFRS transition

Task	**Completed by management**	**Involvment by Auditor**
Exemptions from IFRS 1	Completed	None
Differences between IFRS and Canadian generally accepted accounting principles	Completed	None
Revised accounting policies based on IFRS	Completed	None
Opening balance sheet as at January 1, 2010	Completed	Audit to be scheduled in May 2011
Skeleton version of financial statements in accordance with IFRS	Completed	None
Transition note required by IFRS 1 (preliminary version)	Completed	Review to be scheduled in May 2011
Prepare financial statement in accordance with IFRS for comparative year and for each comparative quarter	To be completed in Q2 2011	To be determined
Present and communicate impact of transition in Management's Discussion & Analysis (to be filed with 2010 year end financial statements)	Completed	Review to be scheduled in March 2011
Quarterly financial statements in compliance with IFRS – (to be filed June 2011)	May 31, 2011	To be determined
First annual financial statements published in accordance with IFRS	March 2012	Audit to be scheduled in January 2012

Strategy and Outlook

Our objective is to maximize the value of the Company for our shareholders and as part of this strategy the Company is currently looking at acquiring an ownership in Canadian mineral exploration properties. It is management's believe that focusing on exploration in Canada would provide an opportunity for Wedge and result in increased shareholder value. However, there can be no assurances that the Company will be successful in finding economically feasible mineral reserves on any properties it acquires the rights to explore.

Other Information

Other information and additional disclosure of the Company's technical reports, material change reports, new releases, and other information may be found on the SEDAR website at www.SEDAR.com.

Corporate Information

Directors and Officers
Paul S. Rapello – Director
Don Padgett – Director and CEO
James Passin – Director and Chairman
Sabino Di Paola – CFO

Corporate Office
Wedge Energy International Inc.
#6-3791 St. Joseph Blvd., Orleans, Ontario, K1C 1T1
1-613-834-7708
www.wedgeenergy.com

Trading Symbol
CNQ: WEG

Independent Auditor
Raymond Chabot Grant Thornton LLP

Financial Institution
Royal Bank of Canada

Transfer Agent
Equity Transfer & Trust Company, Toronto