Wedge Energy International Inc.

(a Development Stage Company)

Unaudited Financial Statements

June 30, 2011 and 2010

(expressed in Canadian dollars)

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The unaudited interim consolidated financial statements of Wedge Energy International Inc. (A Development Stage Company) are the responsibility of the Board of Directors.

The unaudited interim consolidation financial statements have been prepared by management, on behalf of the Board of directors, in accordance with the accounting policies disclosed in the notes to these financial statements. Where necessary management has made informed judgements and estimates in accounting for transactions which were not complete at the financial position date. In the opinion of management, the unaudited interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standard 1.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (I) the unaudited interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited interim consolidated financial statements and (II) the unaudited interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as at the date of and for the periods presented by the unaudited interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

signed "Don Padgett"	signed "Sabino Di Paola"
Don Padgett	Sabino Di Paola
Chief Executive Officer	Chief Financial Officer
Ottawa, Ontario	
August 12, 2011	

Wedge Energy International Inc.
(a Development Stage Company)
Unaudited Interim Consolidated Statement of Financial Position

(expressed in Canadian dollars)

	Notes	As at June 30 2011	As at December 31, 2010 (note 19)	As at June 30, 2010 (note 19)	As at January 1, 2010 (note 19)
Assets					
Current assets:					
Cash	3	$ 123,200	$ 182,985	$ 4,472	$ 37,585
Accounts receivable	4	7,377	23,047	7,658	4,005
Prepaid expenses		36,598	6,418	26,350	-
Total assets		$ 167,177	$ 212,450	$ 38,480	$ 41,590
Liabilities and shareholders' equity					
Current liabilities:					
Accounts payable and accrued liabilities	6	$ 426,073	$ 381,660	$ 554,803	$ 538,078
Provisions	7	-	-	121,597	435,533
Borrowings	8	1,285,508	1,162,621	750,888	258,975
		1,711,581	1,544,281	1,427,288	1,232,586
Shareholders' equity					
Share capital	9	7,873,948	7,872,948	7,441,248	7,334,723
Contributed surplus	9	1,264,239	1,263,989	1,089,235	940,296
Warrants	9	259,122	259,122	434,126	572,595
Other components of equity	9	256,229	153,229	41,900	14,700
Deficit		(11,197,942)	(10,881,119)	(10,395,317)	(10,053,310)
		(1,544,404)	(1,331,831)	(1,388,808)	(1,190,996)
Total equity and liabilities		$ 167,177	$ 212,450	$ 38,480	$ 41,590
Contingencies	15				
Nature of operations and going concern	1				

The notes to the unaudited interim consolidated financial statements are an integral part of these statements

Approved by the Board of Directors:

signed "James Passin"
Director

signed "Don Padgett"
Director

Wedge Energy International Inc.
(a Development Stage Company)
Unaudited Interim Consolidated Statement of Comprehensive loss

(expressed in Canadian dollars)

	Notes	**Three months ended June 30 2011**	**Six months ended June 30 2011**	Three months ended June 30 2010 (Note 19)	Six months ended June, 30 2010 (Note 19)
Expenses					
Management fees	13	**$ 30,000**	**$ 60,000**	$ -	$ -
Promotion & Investor Conference		**16,811**	**16,811**	4,205	11,034
Regulatory, exchange, AGM, press release and transfer agent fees		**2,319**	**11,190**	7,277	16,471
Professional fees		**28,264**	**55,776**	120,548	176,218
Stock based compensation	10	**125**	**250**	250	10,470
Interest expense	8	**38,090**	**73,048**	35,071	55,346
Depletion and accretion	8	**73,833**	**81,212**	9,556	19,113
Impairment on notes receivable		**-**	**-**	82,810	326,592
General and administrative	11	**22,428**	**34,689**	25,471	45,734
		(211,871)	**(332,976)**	(285,188)	(660,978)
Interest income		**-**	**-**	-	323
Other income		**4,979**	**16,358**	-	316,924
Foreign exchange loss		**(205)**	**(205)**	79	1,724
		4,774	**16,153**	79	318,971
Net loss and total comprehensive loss for the period		**$ (207,097)**	**$ (316,823)**	$ (285,109)	$ (342,007)
Earnings per share					
Loss per common share:					
Basic and diluted	12	**$ (0.01)**	**$ (0.01)**	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding:					
Basic and diluted		**39,159,597**	**39,159,597**	34,763,836	33,085,539
Nature of operations and going concern	1				

The notes to the unaudited interim consolidated financial statements are an integral part of these statements

Wedge Energy International Inc.
(a Development Stage Company)
Unaudited Consolidated Statement of Changes in Equity

(expressed in Canadian dollars)

			Reserves				
	Notes	**Share Capital**	**Equity portion of convertible debt**	**Warrants**	**Contributed surplus**	**Deficit**	**Total**
Balance at 1 January 2010		**$ 7,334,723**	**$ 14,700**	**$ 572,595**	**$ 940,296**	**$ (10,053,310)**	**$ (1,190,996)**
Net loss and comprehensive loss for the year		-	-	-	-	(827,809)	(827,809)
Issuance of convertible debt		-	138,529		-	-	138,529
Common shares issued on exercise of warrants		67,000	-	-	-	-	67,000
Common shares issued for interest		78,025	-	-	-	-	78,025
Common shares issued to settle debt		43,200	-	-	-	-	43,200
Issuance of preferred shares		350,000	-	-	-	-	350,000
Expiry and forfiet of warrants		-	-	(313,473)	313,473	-	-
Share based payments		-	-	-	10,220	-	10,220
Balance at 31 December 2010		**$ 7,872,948**	**$ 153,229**	**$ 259,122**	**$ 1,263,989**	**$ (10,881,119)**	**$ (1,331,831)**
Net loss and comprehensive loss for the period		-	-	-	-	(316,823)	(316,823)
Extension of convertible notes		-	103,000	-	-	-	103,000
Common shares issued for interest		1,000	-	-	-	-	1,000
Share based payments		-	-	-	250	-	250
Balance at 30 June 2011		**$ 7,873,948**	**$ 256,229**	**$ 259,122**	**$ 1,264,239**	**$ (11,197,942)**	**$ (1,544,404)**
Share capital and reserves	9						
Nature of operations and going concern	1						

The notes to the unaudited interim consolidated financial statements are an integral part of these statements

Wedge Energy International Inc.
(a Development Stage Company)
Unaudited Consolidated Statement of Changes in Equity

(expressed in Canadian dollars)

	Notes	Share Capital	Reserves			Deficit	Total
			Equity portion of convertible debt	Warrants	Contributed surplus		
Balance at 1 January 2010		**$ 7,334,723**	**$ 14,700**	**$ 572,595**	**$ 940,296**	**$ (10,053,310)**	**$ (1,190,996)**
Net loss and comprehensive loss for the year		-	-	-	-	(342,007)	(342,007)
Issuance of convertible debt		-	27,200		-	-	27,200
Common shares issued for interest		39,525	-	-	-	-	39,525
Common shares issued on exercise of warrants		67,000	-		-	-	67,000
Common shares issued to settle debt		-	-	-	-	-	-
Expiry and forfiet of warrants		-	-	(138,469)	138,469	-	-
Share based payments		-	-	-	10,470	-	10,470
Balance at 30 June 2010		**$ 7,441,248**	**$ 41,900**	**$ 434,126**	**$ 1,089,235**	**$ (10,395,317)**	**$ (1,388,808)**
Share capital and reserves	9						
Nature of operations and going concern	1						

The notes to the unaudited interim consolidated financial statements are an integral part of these statements

Wedge Energy International Inc.

(a Development Stage Company)

Unaudited Interim Consolidated Statements of Cash Flow

(expressed in Canadian dollars)

	Three month period Ending June 30 2011 $	Six month period Ending June 30 2011 $	Three month period Ending June 30 2010 $	Six month period Ending June 30 2010 $
Cash flow from operating activities				
Net loss for the period before tax	$ (207,097)	$ (316,823)	$ (285,109)	$ (342,007)
Adjustments to reconcile loss to net cash used in operating activities:				
Shares for interest	1,000	1,000	27,208	39,529
Impairment on notes receivable	-	-	82,810	326,592
Depletion and accretion	73,833	81,212	9,556	19,113
Stock based compensation expenses	125	250	250	10,470
Flow through related investor obligations	-	-	-	(316,924)
Change in non-cash working capital balances:				
Accounts receivable	27,353	15,670	9,086	(3,653)
Prepaid expenses	(13,202)	(30,183)	18,955	(26,350)
Accounts payable and accrued liabilities	37,281	44,414	152,008	19,709
Cash generated from operations	$ (80,706)	$ (204,460)	$ 14,764	$ (273,521)
Income tax paid	-	-	-	-
Total cash (outflows) from operating activities	$ (80,706)	$ (204,460)	$ 14,764	$ (273,521)
Cash flows from investing activities				
Interest received	$ -	$ -	$ -	$ -
Advances on notes receivable	-	-	(82,810)	(326,592)
Total cash (outflows) from investing activities	$ -	$ -	$ (82,810)	$ (326,592)
Cash flows from financing activities				
Proceeds from exercise of warrants	$ -	$ -	$ 67,000	$ 67,000
Proceeds from convertible debt issuances	144,675	144,675	-	770,000
Repayment of convertible debt issuances	-	-	-	(270,000)
Total cash inflows from financing activities	$ 144,675	$ 144,675	$ 67,000	$ 567,000
Total decrease in cash during the period	$ 63,969	$ (59,785)	$ (1,046)	$ (33,113)
Cash - Beginning of period	59,231	182,985	5,518	37,585
Cash - End of period	$ 123,200	$ 123,200	$ 4,472	$ 4,472

The notes to the unaudited interim consolidated financial statements are an integral part of these statements

1. Nature of operations and going concern

Nature of operations

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 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.

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

The Company's common shares are listed on the CNSX Exchange under the symbol WEG. The Company's primary office is located at 2746 St. Joseph Blvd. Suite 100, Orleans, Ontario, K1C 1G5.

The unaudited interim consolidated financial statements were approved by the Board of Directors on **August 12, 2011.**

Going concern

These unaudited interim consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern which assumes that the Company will be able to continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

Several conditions cast substantial doubt on the validity of this assumption. From inception to date, the Company has incurred losses from operations and has had negative cash flow from operating activities. As at **June 30, 2011**, the Company had total cash and cash equivalents of **$ 123,200** (December 2010 – $ **182,985**). The Company requires additional funding to be able to meet ongoing requirements for general operations.

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

These unaudited interim consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classification that would be necessary if the going concern assumption were not appropriate and such adjustments could be material.

2. Significant accounting policies

Basis of accounting

Wedge Energy International Inc. and its subsidiary are presenting unaudited interim consolidated financial statements as of and for the three and six month period **June 30, 2011**.

The unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), IAS 34 *Interim financial reporting* as issued by the International Accounting Standards Board ("IASB"). The financial information is prepared under the historical cost convention and in accordance with the recognition and measurement principles contained within IFRSs. IFRS 1 First-Time Adoption of IFRS has been applied and the impact of the transition from Canadian GAAP to IFRS is explained in note **19**.

Overall consideration and first time adoption of IFRS

The company's unaudited interim consolidated financial statements have been prepared using accounting policies specified by those International Financial Reporting Standards (IFRS) that are in effect for the three and six month period ended **June 30, 2011** (reporting period).

The significant accounting policies that have been applied in the preparation of these interim consolidated financial statements are summarized below.

First time adoption exemptions applied

Upon transition, IFRS 1 permits certain exemptions from full retrospective application. Wedge Energy International Inc. will apply the mandatory exemptions. The exemptions to be adopted by the Company are set out below:

Mandatory exceptions to be adopted by Wedge Energy International Inc.:

- Financial assets and liabilities that had been de-recognized before January 1, 2005 under the previous GAAP have not been recognized under IFRS.
- The Company will use estimates under IFRS that are consistent with those applied under previous GAAP (with adjustments for accounting policy differences) unless there is objective evidence those estimates were in error.

Optional exemptions to be applied by Wedge Energy International Inc.:

- The Company as elected not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the transition date of January 1, 2011.
- The Company 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.
- The Company 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.
- The Company 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.
- The Company 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.

The accounting policies have been used throughout all periods presented in these unaudited interim consolidated financial statements, except where the Company has applied certain accounting policies and exemptions upon transition to IFRS. The exemptions applied by the Company and the effects of the transition to IFRS are presented in note **19**.

Presentation of consolidated financial statements in accordance with IAS 1

The unaudited interim consolidated financial statements are presented in accordance with IAS 1 *Presentation of Financial Statements*. The Company has elected to present the Statement of Comprehensive income in two statements: the Income Statement and a Statement of Comprehensive income.

Statement of compliance and conversion to International Financial Reporting Standards ("IFRS")

These are the Company's first IFRS interim unaudited consolidated financial statements to be presented in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") for the period ending June 30, 2011. IFRS 1 First-Time Adoption of IFRS has been applied. Given that this is the Company's first set of interim consolidated financial statements since adoption of IFRS the Company has applied IFRS and the impact of the transition from Canadian GAAP to IFRS is explained in Note **19**.

Basis of consolidation

The Company's financial statements consolidate those of its wholly owned subsidiary company as at **June 30, 2011**. Wedge Energy International Inc. obtains exercise and control through holding 100% of the voting rights for its subsidiary. Wedge Energy Inc. (the subsidiary) has a reporting date of **June 30**.

The subsidiary is fully consolidated from the date of acquisition, being the date on which Wedge Energy International Inc. obtains control, and continues to be consolidated until the date that such control ceases.

The financial statements of the subsidiary are prepared using consistent accounting policies as the parent. All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Use of estimates

The preparation of the interim consolidated financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

These interim consolidated financial statements include estimates that, by their nature, are uncertain. The impact of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Significant estimates about the future that management has used in the preparation of these interim consolidated financial statements that could result in a material adjustment to the carrying amount of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The recoverability of accounts receivable that are included in the interim consolidated statement of financial position;
- The provision for income tax and the composition of future income tax assets and liabilities in the consolidated statement of financial position;
- Management assumption of no material restoration, rehabilitation and environmental obligations, based on the facts and circumstances that existed during this reporting period;
- Management assumption that activities relating to its exploration and evaluation properties have not yet reached a stage where the Company's activities permits a reasonable assessment of reserves, and therefore, all exploration and evaluation expenditures incurred during this reporting period are reflected in consolidated statement of loss;
- The impairment of assets that are included in the interim consolidated statement of financial position;
- Contingencies listed in the notes to the interim consolidated financial statements will only be resolved when one or more future events occur or fail to occur. Management's assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Cash

Cash in the statement of financial position comprise cash at banks. The Company's cash is invested with major financial institutions in business accounts. The Company does not invest in any asset-backed deposits/investments.

Foreign currency translation

The consolidated financial statements are presented in the Canadian dollar, which is also the functional currency of the Company.

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates at the date when fair value was determined.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and are not retranslated.

The functional currency of the subsidiary is the Canadian dollar and has remained unchanged during the reporting period.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Timing or the amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Any reimbursement that the company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, the asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are not recognized for future operating losses.

Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development and ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of each asset, as soon as the obligations to incur such costs arise. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The costs are charged against the profit and loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight line method as appropriate.

The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount of timing of the underlying cash flows needed to settle the obligation. Costs of restoration of subsequent site damage that is created by the ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses

The Company had no material provisions as at June 30, 2011 and December 31, 2010.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Equity reserves

Share capital represents the nominal value of the shares issued.

Contributed surplus includes any premiums received on the issuance of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefit as well as stock option charges and other share based remuneration issued to directors, officers and contractors.

Equity portion of convertible debt includes all portions of convertible notes which have been allocated to equity using the present value of the future payments method. Interest rate used in the calculation of the present value is based on comparable market rates for similar instruments.

Warrants includes the issue of warrants to purchase common shares when issuing common share units. The fair value of such warrants is estimated at the time of issuance using the Black-Scholes pricing model and is recorded as warrants in the equity section of the balance sheet and corresponding value is reduced from share capital from the common share issuance. Upon the exercise of warrants, the consideration paid together with the amount previously recognized in warrants is recorded as an increase in share capital. In the event that warrants expire, previously recognized warrant value is adjusted through contributed surplus. In addition, the Company issues broker warrants as compensation related financing activities.

Deficit includes all current and prior period losses.

All transactions with owners of the parents are recorded separately within equity.

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, and adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Flow-through shares

Flow-through shares are a unique Canadian tax incentive. They are the subject of specific guidance under US GAAP, but there is no equivalent IFRS guidance. Therefore, the Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted 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 the investors and is then recognized as a future income tax recovery in the period of renunciation if the Company has sufficient unrealized tax losses and deductions.

Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Loss per share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Financial instruments

Financial Assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity, available for sale, or held for trading as appropriate. The Company determines the classification of its financial asset at the initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs.

Purchases or sales of financial assets that require the delivery of assets within a time frame established by regulation or convention in the marketplace are recognized on the trade date.

The company's financial assets include **cash** and **accounts receivables**.

Subsequent measurement

a) Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss includes financial assets held for trading, and financial assets designated upon initial recognition at fair value through profit and loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance cost in the statement of comprehensive income.

The company has designated **cash** upon initial recognition as at fair value through profit or loss.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is accounted by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

The company has designated **accounts receivable** as loans and receivables.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

The rights to receive cash flows from the asset have expired; and

The Company has transferred its rights to receive cash flows from the asset or has assumed the obligation to pay the received cash flows in full without material delay to a third party under "pass-through" arrangement; and either, a) the company has transferred substantially all of the risks and rewards of the asset, or b) the company has neither transferred nor retained substantially all of the risks and rewards of the asset but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred not retained substantially all of the risks or rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement with the asset.

In that case, the company will also recognize an associated financial liability. The transferred asset and associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

Impairment of financial assets

The company assess at the reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indicators that the debtor is experiencing significant financial difficulties, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganizations and where observable data indicates that there is a measurable decrease in the estimated cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost the company first assess individually whether objective evidence of impairment exists individually for financial assets which are individually significant, or collectively for financial assets which are not individually significantly. Assets which are individually assessed for impairment for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of the estimated cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive loss.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, or as loans and borrowings. The company determines the classification of its financial liabilities at the initial recognition, as appropriate.

All financial liabilities are measured at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The company's financial liabilities includes, **accounts payable and accrued liabilities, provisions** and **borrowings**.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

a) Loans and borrowings

After initial recognition loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when a financial liability is derecognized, as well as through the amortization process. Amortization process is calculated by taking into account any discount or premium paid on acquisition and fees or costs that are an integral part of the effective interest rate. The amortization is included in finance costs in the statement of comprehensive income.

The company has designated **accounts payable and accrued liabilities, provisions** and **borrowings** as loans and borrowings.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deductions for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques, Such techniques may include using recent arms length market transactions, reference to the current fair value of a similar instrument, discounted cash flow analysis or other valuation model.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Cash and cash equivalents, recognized in the consolidated statement of financial position at fair value, is classified following level 1.

Standards, amendments and interpretations not yet effective

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning January 1, 2011 and have not been early adopted:

1) IFRS 7, Financial Instruments: Disclosures, amendments regarding Disclosures — Transfers of Financial Assets:
The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for:

- financial assets that are not derecognised in their entirety; and
- financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

The amendments are effective for annual periods beginning on or after 1 July 2011. The Group is currently evaluating the impact that the application of the new standard may have on the presentation of its financial position and results of operations.

2) IFRS 9, Financial Instruments:
International Financial Reporting Standard 9, Financial Instruments, ("IFRS 9") was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated as at fair value through profit and loss would generally be recorded in other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Group is currently evaluating the impact that the application of the new standard may have on the presentation of its financial position and results of operations.

3) IAS 12, Income Taxes, amendments regarding Deferred Tax: Recovery of Underlying Assets:
The IASB issued on December 20, 2010 an amendment to IAS 12 Income taxes ("IAS 12) related to the recovery of underlying assets. It addresses Deferred Tax: Recovery of Underlying Assets. The amendments provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 Investment Property. For the purposes of measuring deferred tax, the amendments introduce a rebuttable presumption that the carrying amount of such an asset will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale. The exception also applies to investment property acquired in a business combination if the acquirer applies the fair value model in IAS 40 subsequent to the business combination. The amendments also incorporate the requirements of SIC-21 Income Taxes- Recovery of Revalued Non-Depreciable Assets into IAS 12, i.e., deferred tax arising on a non-depreciable asset measured using the revaluation model in IAS 16 should be based on the sale rate. The effective date of the amendments is for annual periods beginning on or after January 1, 2012. Earlier application is permitted. The Group is currently evaluating the impact that the application of the new standard may have on the presentation of its financial position and results of operations.

4) International Financial Reporting Standard 13, Fair Value Measurements ("IFRS 13")
On 12 May 2011, the IASB issued IFRS 13 Fair Value Measurements, which is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is 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. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

The adoption of these new IFRS standards and amendments is not expected to have a significant impact on the Group's financial statements

3. Cash position

	As at June 30, 2011 (CAD $)	As at December 31, 2010 (CAD $)	As at January 1, 2010 (CAD $)
Cash	**123,200**	182,985	37,585
Total cash	**123,200**	182,985	37,585

Cash earns interest at floating rates based on the daily bank deposit rates.

As at June 30, 2011, $ 125,050 USD were included in the cash of the Company. This amount has been translated into CAD at using the closing exchange rate on June 30, 2011.

4. Accounts receivable

	As at June 30, 2011 (CAD $)	As at December 31, 2010 (CAD $)	As at January 1, 2010 (CAD $)
Sales tax receivable	**7,377**	23,047	4,005
Total accounts receivable	**7,377**	23,047	4,005

Accounts receivable are non-interest bearing and are generally on 30-90 day terms.

5. Loan receivable

Since January 2007, the Company has advanced funds to an unrelated third party (the "Borrower") for the Borrower's legal proceedings to confirm ownership of charter capital in an oil and gas property in Kazakhstan. Based on the Framework Agreement dated August 31, 2009 (the "Agreement"), the funds advanced have been in the form of a loan facility of up to $ 2.9 million USD in principal. The loan carries an interest rate of 5% per annum, which accumulated to the balance of the loan. Based on the form of settlement reached by the Borrower's claims, the Company will be entitled to the right to purchase a 70% interest in the property claim or related assets (including any equity investment of a joint venture). According to the Agreement, the Company has 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.

The principal and interest amount of the advances is summarized below:

	As at June 30, 2011 (CAD $)	As at December 31, 2010 (CAD $)	As at January 1, 2010 (CAD $)
Cumulative advances	**$ -**	$ 2,556,256	$ 2,174,579
Unrecorded interest on cumulative advances	**-**	453,744	439,867
Cumulative write-off of advances and unrecorded interest	**-**	(3,010,000)	(2,614,446)
Balance at year-end	**$ -**	$ -	$ -

During the year ended December 31, 2010, the Company has advanced $381,677 to the Borrower. Interest accrued and outstanding on the loan prior to the assignment to Desiree Resources Inc. was $238,009. Given the uncertainty of a successful litigation management has taken a 100% allowance on the loan and accrued interest.

On October 21, 2010, the Company announced that the license to explore the Arys Concession in Kazakhstan granted by the Government of Kazakhstan and held by Turan Enerpetroleum LLP has expired pursuant to its terms.

The Company was a party to a Framework Agreement with Kazenercom LLP (the "Borrower"), Yerkin Kaldybayevich Bektayev and Trek Resources, Inc. dated August 31, 2009, (the "Framework Agreement") whereby the Company was to have received a 70% interest in the Arys Concession: (a) in the event that ongoing litigation, to which the Company was not a party, was ultimately concluded successfully; and (b) in exchange for the Company's financial contributions to support the litigation (provided that the Borrower did not repay the financial contributions). Prior to the assignment of the Framework Agreement to Desiree Resources Inc. on November 16, 2010, the Company has advanced $3,010,000, including interest (which has not been recorded in these statements due to the impairment in the loans, to the Borrower pursuant to the Framework Agreement (the "Loan")). As a result of the termination of the license on the Arys Concession, no further advances have been made by the Company under the Framework Agreement. Management had previously taken the position that the Loan would only be collectible when and if the litigation was successful.

On November 16, 2010, the Company announced that 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 company controlled by the former Chief Executive Officer of Wedge and a company that shares the same Chief Financial Officer with 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 Company concurrently to the assignment of the framework agreement to Desiree Resources Inc. cancelled 6,480,000 warrants issued to Robin Dow, former CEO and director of the Company as part of the terms and conditions associated to the assignment of the framework agreement to Desiree Resources Inc.

No receivable has been accrued for the US$1,500,000 payment from Desiree Resources Inc. as at June 30, 2011, due to the fact that it is unlikely that Desiree Resources Inc. will be awarded a new license over the Arys Concession.

6. Accounts payable and other liabilities

Accounts payable and other liabilities aged analysis:

	Accounts payable and other liabilities as at June 30, 2011	Accounts payable and other liabilities as at December 31, 2010	Accounts payable and other liabilities as at January 1, 2010
Not more than 3 months	**$ 128,305**	$ 80,512	$ 195,912
More than 3 months but not more than 6 months	**-**	3,380	44,398
More than 6 months but not more than 1 year	**-**	-	-
More than 1 year	**297,768**	297,768	297,768
Total	**$ 426,073**	$ 381,660	$ 538,078

Terms and conditions of the above financial liabilities:

1) Trade payables are non-interest bearing and are normally settled on 30 to 60 day terms.
2) Accrued liabilities are non-interest bearing and are normally settled on 30 to 60 day terms.

7. Provisions

The Company did not incur $494,172 and $135,000 of qualifying expenditures pursuant to flow-through shares issued in 2007 and 2008 respectively. According to the subscription agreements, the Company is required to pay any resulting tax, interest, and penalties on behalf of the investor if the flow-through commitments are not met. In March 2010, the Company received waivers from all the investors to accept a total of 1,080,000 shares for the renouncement shortfall of flow-through expenditures. At the time of the issuance the common shares had a fair market value of $0.04 per share. The Company realized a net gain on the issuance of its common shares in exchange for investor waivers of $303,490.

Any potential tax penalties and interest have been accrued during the year with respect to this flow-through issue based on management's estimates, as at December 31, 2010, all tax penalties and interest relating to the Company's inability to meet its flow-through expenditure obligations of $110,251 was fully paid by the Company to the Canada Revenue Agency.

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.

The Company's flow-through related liabilities and obligations are summarized as follows:

	As at June 30, 2011 (CAD $)	As at December 31, 2010 (CAD $)	As at January 1, 2010 (CAD $)
Part XII.6 tax – 2007 renouncement shortfall	**$ -**	$ -	$ 90,709
Part XII.6 tax – 2008 renouncement shortfall	**-**	-	27,900
Total Part XII.6 tax	**$ -**	$ -	$ 118,609
Estimated 2007 investor obligations	**-**	-	254,824
Estimated 2008 investor obligations	**-**	-	62,100
Total estimated investor obligations	**-**	-	316,924
Total flow-through related obligations	**$ -**	$ -	$ 435,533

As at December 31, 2010, the Company has been assessed and fulfilled its obligations relating to Part XII.6 tax for 2007 and 2008. The Company did not issue any flow through shares in 2009 and 2010.

8. Borrowings

	As at June 30, 2011 (CAD $)	As at December 31, 2010 (CAD $)	As at January 1, 2010 (CAD $)
Convertible notes – liability component (A)	**$ 1,140,833**	$ 1,162,621	$ 258,975
Demand loan (B)	**144,675**	-	-
Total borrowings	**$ 1,285,508**	$ 1,162,621	$ 258,975

A) Convertible notes

The following summarizes the Company's convertible debt:

	As at June 30, 2011 (CAD $)	As at December 31, 2010 (CAD $)	As at January 1, 2010 (CAD $)
Opening balance	**$ 1,162,621**	$ 258,975	$ -
Issuance of convertible debt (principal)	**-**	1,170,000	270,000
Repayment of convertible debt	**-**	(270,000)	-
Allocation to equity component - convertible debt	**(103,000)**	(153,229)	(14,700)
Allocation to debt value of convertible debt	**1,059,621**	1,005,746	255,300
Accretion expense	**81,212**	142,175	3,675
Unrecorded Accretion on 2009 convertible notes settled prior to maturity	**-**	11,025	-
Adjustment to January 2010 convertible note accretion expense	**-**	3,675	-
Liability component - convertible debt	**$ 1,140,833**	$ 1,162,621	$ 258,975

In January 2010, the Company issued $770,000 of convertible notes, which 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 was 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. In 2010, the Company issued 7,163,110 common shares to the holders of the January 2010 convertible notes as payment for interest in accordance with the terms of the Notes (refer to note 9). In April and May 2010, the holders of the January 2010 Convertible Notes exercised 3,350,000 warrants (refer to note 9).

On January 26, 2011, the holders of the January 2010 convertible notes agreed to extend the term of the notes for a period of six months past the maturity date (July 26, 2011). As part of the extension the holders were granted an increase in the interest rate of 2.5% for the six month extension period. This bringing interest rate on the extension period to 12.5% per annum (not compounded). The interest on the extension is payable on the new maturity date of July 26, 2011. The Company has the right to effectuate the interest payment in common shares. All other provisions from the original convertible note have remained unchanged.

On July 14, 2011, the holders of the January 2010 Notes agreed to a further five month extension on the maturity of the notes. The second extension did not include a further increase in interest. Interest on the first and second extension is payable on the new maturity date of December 31, 2011. All other provisions in the original notes remained unchanged.

In July 2010, the Company issued $400,000 of convertible notes, which mature on November 30, 2010 (the "July 2010 Notes"). The July 2010 Notes are convertible into 8,000,000 common shares at a conversion price of $0.05 per share. There were no warrants associated with these convertible notes. Interest on the principal amount of the July 2010 Notes is 10% per annum (not compounded) payable at the maturity of the note, which the Company has the right to effectuate the interest payment in common shares. The effective interest rate on this convertible note was 28%.

On November 30, 2010, the holders of the July 2010 convertible notes agreed to extend the term of the notes for a period of six months past the maturity date (May 30, 2011). As part of the extension, the holders were granted an increase in the interest rate of 2.5% for the six-month extension period. This brings the interest rate for the extension period to 12.5% per annum (not compounded). The interest on the original term as well as the extension is payable on the new maturity date of May 30, 2011. The Company has the right to effectuate the interest payment in common shares. All other provisions from the original convertible note have remained unchanged.

On May 30, 2011, the holders of the July 2010 convertible notes agreed to extend the term of the notes for a period of six months past the maturity date (November 30, 2011). As part of the extension the holders were granted an increase in the interest rate of 0.5% for the six month extension period. This bringing interest rate on the extension period to 13% per annum (not compounded). The interest on the first and second extension is payable on the new maturity date of November 30, 2011. The Company has the right to effectuate the interest payment in common shares. All other provisions from the original convertible note have remained unchanged.

B) Demand loan

The Company had entered into a non-binding letter of intent ("LOI") dated June 16, 2011, with respect to a proposed business combination with Undur Tolgoi Minerals, Inc. ("UTMI"), a private company registered in British Columbia. Under the terms of the LOI, the shareholders of UTMI would receive approximately 25 million shares of a newly created class of common shares ("New Shares") of Wedge in exchange for all the securities of UTMI. Through its wholly owned subsidiaries, UTMI owns a 100% interest in Mineral Exploration License Number 8573X (the "License") named "Undur Tolgoi" granted by the Department of Geological Cadastre of the Minerals Resources Authority of Mongolia. The licensed property is situated approximately 100km from Ivanhoe Mines Ltd. "Oyu Tolgoi" copper and gold mine. The License covers approximately 9620 hectares of property and allows for the exploration of all minerals with the exception of uranium, petroleum, gas and water exploration, all in accordance with the mineral laws of Mongolia. A National Instrument 43-101 compliant technical report on the Undur Tolgoi Project dated March 11, 2011, has been completed and delivered to Wedge.

In connection with the proposed business combination UTMI advanced the Company US$150,000 in the form of a non-convertible demand loan. The loan which matures on September 17, 2011, carries interest at a rate of 10% per annum and compounded monthly and is secured by the assets of the Company. The loan can be called by the lender with 5 days written notice.

9. Share capital and reserves

a) Common shares

The Company is authorized to issue an unlimited number of common shares with no par value, issuable in series.

The holders of common shares are entitled to receive dividends which are declared from time to time and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

The following is a summary of changes in common share capital from January 1, 2010, to June 30, 2011:

Issued – Common shares

	Six months ended June 30, 2011		Year ended December 31, 2010	
	Common Shares	**Amount**	Common Shares	Amount
Balance, beginning of period	39,139,138	$ 7,522,948	27,546,028	$ 7,334,723
Common shares issued for cash	-	-	3,350,000	67,000
Common shares issued for settlement of debt	105,263	1,000	8,243,110	121,225
Balance, end of period	39,244,401	$7,523,948	39,139,138	$ 7,522,948

2011 issuances

On May 26, 2011, the Company issued 105,263 shares to cover the $1,000 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 $0.0095 per share.

2010 issuances

In January 2010, the Company issued 992,647 shares to cover the $6,750 interest payment related to the October 2009 Notes (as described in note 6). The common shares were issued by the Company with an effective price per share of $0.0068 per share.

In January 2010, the Company issued 2,755,000 shares to cover the $13,775 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 $0.005 per share.

In March 2010, the Company issued 1,080,000 shares to certain investors in relation to the renouncement shortfalls from flow-through issuances in 2007 and 2008 (as described in note 5). The 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 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 $0.04 per share.

In April and May 2010, the Company issued 3,350,000 shares upon the exercise of warrants for total proceeds of $67,000. The common shares were issued by the Company with an effective price per share of $0.02 per share.

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.

b) Preferred shares

The Company is authorized to issue an unlimited number of preference shares, issuable in series.

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. No preferred shares have been issued since the Company's inception.

Issued – Preferred shares

	Six months ended June 30, 2011		Year ended December 31, 2010	
	Common Shares	**Amount**	Common Shares	Amount
Balance, beginning of period	70,000	$ 350,000	-	$ -
Preferred shares issued for cash	-	-	70,000	350,000
Balance, end of period	70,000	$ 350,000	70,000	$ 350,000

2011 issuances

No new preferred shares were issued, nor redeemed as at June 30, 2011.

2010 issuances

On November 9, 2010, 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.

Total share capital as at June 30, 2011 was $ 7,873,948 (December 31, 2010 - $ 7,872,948) including common and preferred shares issued and outstanding.

c) Contributed surplus

Amounts recorded in contributed surplus in shareholders' equity relate primarily to the fair value of stock options, warrants and compensation options. Activity with respect to contributed surplus is summarized as follows:

	As at June 30, 2011 (CAD $)	As at December 31, 2010 (CAD $)	As at January 1, 2010 (CAD $)
Balance, beginning of year	**$ 1,263,989**	$ 940,296	$ 627,956
Equity component of convertible debt settled early	**-**	14,000	-
Warrants expired, waived, cancelled	**-**	299,473	270,650
Stock-based compensation	**250**	10,220	41,690
Balance, end of year	**$ 1,264,239**	$ 1,263,989	$ 940,296

d) Warrants

As at June 30, 2011, the Company had a total of 30,805,000 common share warrants outstanding. The following is a summary of changes in warrants as at June 30, 2011:

Common share warrants issued:	Number	Amount
Balance, January 1, 2010	**15,935,000**	**572,595**
Warrants issued during 2010:		
January 2010 with convertible debt	33,900,000	-
Warrants expired during 2010:	(800,000)	(83,285)
Warrants waived during 2010:	(8,400,000)	(138,469)
Sub-total	24,700,000	(221,754)
Warrants exercised during 2010 (January 2010 convertible debt)	(3,350,000)	-
Warrants cancelled during Framework Agreement assignment (note 3)	(6,480,000)	(91,719)
Balance, December 31, 2010	**30,805,000**	**259,122**
Warrants issued during 2011:	-	-
Warrants expired during 2011:	-	-
Balance, June 30, 2011	**30,805,000**	**259,122**

In 2010, investors in the Company waived 3,000,000 warrants. The warrants were issued by the Company in October 2007, June 2009, and August 2009, with exercise prices of $0.35, $0.10, and $0.10 respectively. The warrants had maturity dates September 1, 2011, May 1, 2012, July 1, 2012.

As of June 30, 2011, the details of warrants outstanding are as follows:

	Exercise Price	Expiry	Number
September 2007 warrants	$ 0.35	1-Sep-11	270,000
October 2007 warrants	$ 0.35	1-Sep-11	2,110,000
December 2007 warrants	$ 0.35	15-Nov-11	725,000
April 2009 warrants	$ 0.10	1-May-12	1,000,000
June 2009 warrants	$ 0.10	1-May-12	150,000
January 2010 warrants	$ 0.02	26-Jan-12	26,550,000
Total warrants			**30,805,000**

Weighted average exercise price of warrants $ 0.05 and the weighted average life of warrants (years) 0.54.

10. Stock options

Under the terms of the Company's stock option plan (the "Plan") all options are granted with an exercise price equal to the closing market price on the day immediately preceding the date of grant. The term of options is determined by the Board of Directors and is typically three or five years with a maximum term of 10 years. Option issued to consultants who perform investor relations activities will be subject to a vesting schedule whereby no more than 25% of the options granted may vest in any three month period. The maximum number of options authorized for issue shall be 10% of the outstanding shares in issue at the date of the option grant.

The Company records a charge to the statement of loss and comprehensive loss 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 historic traded daily closing share prices at the date of issuance.

	2011	**2010**
Expected volatility	289%	118%
Expected option life (in years)	5	5
Risk-free interest rate	2.61%	3.0%
Expected dividend yield	-%	0%

Option pricing models require the inputs of highly subjective assumptions including the expected price volatility. Changes to the subjective input assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

Stock option activity is as follows:

	Exercise Price	Expiry	Years	Number
April 2008 stock options	$ 0.50	15-Mar-13	2.5	50,000
July 2008 stock options	$ 0.25	29-Jul-13	2.8	100,000
August 2009 stock options	$ 0.10	31-Aug-14	3.9	300,000
March 2010 stock options	$ 0.10	28-Feb-15	4.4	380,000
Total stock options				**830,000**

Weighted average exercise price of stock options $ 0.14 and the weighted average life of stock options (years) 3.18.

2011 issuances

No additional stock options were granted during 2011. In February 2011, there were 12,500 stock options which were granted on February 1, 2010 which vested. The value to the stock-based compensation was $125, which was based on the Black-Scholes pricing model with the assumptions of risk-free interest rate of 2.61%, volatility of 289%, and expected life of 5 years.

No stock options expired or were forfeited during the six month period ending June 30, 2011.

2010 issuances

In March 2010, the Company issued 400,000 options to officers and employees. The value to the stock-based compensation was $10,220, which was based on the Black-Scholes pricing model with the assumptions of risk-free interest rate of 3.0%, volatility of 118%, and expected life of 5 years.

In 2010, 1,850,000 stock options were forfeited due to the resignation of officers, and directors of the Company as well as 170,000 stock options were forfeited due to the termination of contractors.

The following reconciles Company's stock options:

	June 30 2011	December 31 2010	January 1 2010
Balance, beginning of period	**830,000**	2,450,000	2,450,000
Stock options issued	**-**	400,000	400,000
Stock options forfeited	**-**	(2,020,000)	(2,020,000)
Stock options expired	**-**	-	-
Balance, end of period	**830,000**	830,000	830,000

Stock-based compensation

During the period ended June 30, 2011, the Company recognized a total of $ 250 (December 31, 2010 - $10,220) relating to stock-based compensation for stock options. This amount is recorded as contributed surplus in shareholders' equity and is recorded as an expense or as deferred exploration expenditures. During the period ended June 30, 2011, $ 250 (December 31, 2010 - $10,220) was recorded as an expense.

11. General and administrative

	June 30, 2011 $	June 30, 2010 $
Rent	**2,118**	1,684
Phone, utilities, supplies	**3,385**	7,173
Website, internet and printing	**568**	828
Contractor fees	**11,974**	35,160
Insurance	**4,755**	270
Bank charges and interest	**201**	617
Other	**11,688**	-
Total	**34,689**	45,734

12. Net loss per share

The calculation of the basic and diluted loss per share for the six month period-ended June 30, 2011 and 2010, was based on the loss attributable to common shareholders of $ **316,823** (June 30, 2010 - $ 342,007) and the weighted average number of common shares outstanding of **39,159,597** (June 30, 2010 - 33,085,539). Dilutive loss per share does not include the effect of the **830,000** share purchase options and **30,805,000** warrants as they are anti dilutive.

13. Related party transactions

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals, as well as certain persons performing similar functions.

Transactions with key management personnel

Key management of the company includes the members of the Board of Directors, the Chief Executive Officer, and the Chief Financial Officer. Key management remuneration includes the following:

	June 30, 2011 (CAD)
Short-term employee benefits	
Compensation (1)(2)	$ **75,905**
Long-term employee benefits	
Share based payments (1)	$ -
Total remuneration	$ **75,905**

During the six month period ending June 30, 2011, key management was not granted any share options. During 2011 key management did not exercise any shares options, which were granted to them as part of the company's stock option plan in prior periods.

(1) The Company has no employees. Key management remuneration includes the Chief Executive and Chief Financial Officers management fees. The Board of Directors does not have employment or service contracts with the Company. They are entitled to stock options for their services.
(2) The Company has a consulting contract with Sabino Di Paola, the CFO of Wedge Energy International Inc., whereby the company pays hourly compensation of $100/hour for services rendered as well related expenses. The amounts billed were based on normal market rates and amounted to $**15,905**.

Transactions with related companies

The Company has a management contract with Primary Venture Corporation, a company associated with 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 six month period ended June 30, 2011, the Company paid Primary Venture Corporation cash of $**60,000** (December 2010 - $ 55,000). The Company has a payable to the Primary Venture Corporation as at June 30, 2011, of $ NIL (December 2010 – $ NIL).

During 2011 the Company had a common Chief Financial Officer with Desiree Resources Inc., Pueblo Lithium Inc, Red Ore Gold Inc. and Galahad Metals Inc.

The Company shares office space with Desiree Resources Inc. and Galahad Metals Inc. The Company has signed an agreement in which all shared costs are evenly allocated between the companies. For the six month period ended June 30, 2011, the Company incurred shared costs of $ 8,830 (December 31, 2010 - $ NIL). At June 30, 2011, the Company has no receivable or payable with Desiree Resources Inc., Red Ore Gold Inc., or Pueblo Lithium Inc. for shared costs (December 2010 – payable $ NIL) and a payable from Galahad Metals Inc. of $ 8,830 (December 2010 – receivable of $ 2,654).

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 January 2010, the Company issued $770,000 of convertible notes, which mature on January 26, 2011, (the "January 2010 Notes") of which $450,000 were issued to Firebird Global Master Funds (refer to note 8 for more details on the convertible notes).

On January 26, 2011, the holders of the January 2010 convertible notes agreed to extend the term of the notes for a period of six months past the maturity date (July 26, 2011). As part of the extension of the holders were granted an increase in the interest rate of 2.5% for the six month extension period. This brings the interest rate on the extension period to 12.5% per annum (not compounded). The interest on the extension is payable on the new maturity date of July 26, 2011. The Company has the right to effectuate the interest payment in common shares. All other provisions from the original convertible note have remained unchanged.

In July 2010, the Company issued $400,000 of convertible notes, which mature on November 30, 2010 (the "July 2010 Notes"). The July 2010 Notes are convertible into 8,000,000 common shares at a conversion price of $0.05 per share. All of which were issued to Firebird Global Master Funds (refer to note 8 for more details on the convertible notes).

On May 30, 2011, the holders of the July 2010 convertible notes agreed to extend the term of the notes for a period of six months past the maturity date (November 30, 2011). As part of the extension of the holders were granted an increase in the interest rate of 0.5% for the six month extension period. This brings the interest rate on the extension period to 13% per annum (not compounded). The interest on the first and second extension is payable on the new maturity date of November 30, 2011. The Company has the right to effectuate the interest payment in common shares. All other provisions from the original convertible note have remained unchanged.

2010 transactions

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.

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 of $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.

14. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, loan receivable, accounts payable and accrued liabilities, flow through obligation and convertible notes. The fair value of these instruments approximates the carrying value due to their short-term nature

As at June 30, 2011, the Company's financial instruments were as follows:

	Financial Instrument Classification	Carrying amount (CAD $)	Fair value (CAD $)
Financial assets			
Cash	Financial assets through profit and loss – held for trading	123,200	123,200
Accounts receivable	Loans and receivables	7,377	7,377
Financial liabilities			
Accounts payable and accrued liabilities	Loans and borrowings	426,073	426,073
Convertible debenture	Loans and borrowings	1,170,000	1,170,000
Demand Loan	Loans and borrowings	144,675	144,675

A) Cash in the bank

The cash owned by the company is held in a reputable national bank where funds are held in Canadian and US currencies. Fair value has been taken for Canadian denominated funds by reference to the bank balance per the monthly bank statement at the end of the reporting period. Fair value has been taken for United States denominated funds by reference to the bank balance per the monthly bank statements at the end of the reporting period translated using the end of the day foreign exchange rate posted on the Bank of Canada website.

Financial risk management and objectives

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including interest rate risk, foreign currency risk, commodity and equity price risk).

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Market rate risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

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. Convertible notes accrue interest at a fixed rate of 13% and 12.5% and they will be renewable in November and December 2011. Accordingly, in relation with convertible notes, there is an exposure to fair value variation. There is minimal risk that the Company would recognize any loss as a result of an increase in the fair value of the short-term convertible notes due to the short term nature. The Company does not use financial derivatives to decrease its exposure to interest risk.

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. Exposure to currency exchange rates arises from the company's foreign borrowings denominated in the United States dollars. The Company also holds a bank account in US dollars.

To mitigate the exposure to foreign currency risk the Company typically holds funds in US dollars for short term expenditures. When operations require significant payment in USD the company will usually purchase the required US currency the same day it makes the payment to the vendor.

The Company does not enter into any forward exchange contracts to mitigate the exposure to foreign currency risk.

Foreign currency denominated financial assets and liabilities which expose the company to currency risk are disclosed below. The amount shown are those reported to key management translated into Canadian dollars at the closing rates.

The Company as at June 30, 2011, had a demand loan of $150,000 and $125,050 of cash in United States Dollars.

	Short-term exposure
June 30, 2011	
Financial Assets	US$ 125,050
Financial Liabilities	(150,000)
Total exposure	**US$ (24,950)**

The following table illustrates the sensitivity of profit or loss and equity in regards to the Company's financial assets and financial liabilities and the US$/C$ exchange rate, with all other things being equal.

It assumes a +/- 10% change in the US$/C$ exchange rate for the period ended June 30, 2011. The percentage has been based on the average market volatility in exchange rates in the previous 6 months. The sensitivity analysis is based on the Company's financial instruments held as at June 30, 2011.

If the Canadian dollar had strengthened against the US dollar by 10% then this would have the following impact:

US$ financial exposure in US$ Average exchange rate between January 1 and June 30, 2011.

	US$ financial exposure in US$	Average exchange rate between January and June 30, 2011.	Strengthening of C$ by 10%	Effect of profit or loss for the year end June 30, 2011
June 30, 2011	US$ (24,950)	0.9769	0.8792	$ 1,861

If the Canadian dollar had weakened against the US dollar by 10% then this would have the following impact:

US$ financial exposure in US$ Average exchange rate between January 1 and June 30 2011.

	US$ financial exposure in US$	Average exchange rate between January and June 2011.	weakening of C$ by 10%	Effect of profit or loss for the year end June 30, 2011
June 30, 2011	US$ (24,950)	0.9769	1.0746	$ (1,861)

Commodity and price risk

The Company is exposed to a price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as they relate to precious and base metals and other minerals to determine the appropriate course of action to be taken by the Company.

Commodity price can adversely affect the Company. In particular, the Company's future profitability and viability of development depend upon the world market price of precious and base metals and other minerals. Precious and base metals and other mineral prices have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of precious and base metals and other minerals are produced in the future, a profitable market will exist for them. A decline in the market price of precious and base metals and other minerals may require the Company to reduce mineral resources, which could have a material and adverse effect on its value.

As at June 30, 2011 the Company was not a precious metal, base metals, and other minerals producer. Even so, commodity prices may affect the completion of future equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet ongoing obligations.

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 accounts receivables. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts. The Company holds its cash with financial institutions that are believed to be creditworthy.

The Company's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognized at the reporting period, as summarized below.

	June 30, 2011 (CAD)
Classes of financial assets – carrying amounts	
Cash	$ 123,200
Accounts and other receivables	$ 7,377
Carrying Amount	**$ 130,577**

The Company continues to monitor default of accounts receivable and other counterparties and incorporates this information into its credit risk control. The company policy is to deal only with creditworthy counterparties.

Key management of Wedge considers all of the above financial assets not to be impaired or past due for the above mentioned reporting date and are of good credit quality. None of the financial assets are secured by collateral or other credit enhancements.

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Accounts receivable aged analysis:

	Accounts Receivable at June 30, 2011
Not more than 3 months	$ 7,377
More than 3 months but not more than 6 months	-
More than 6 months but not more than 1 year	-
More than 1 year	-
Total	**$ 7,377**

In respect of accounts receivable, Wedge is not exposed to a significant credit risk as the principal amounts of the receivable are from sales tax credits with the province of Ontario and the Federal government. Risk of default with the various levels of Canadian government is considered low due to the economic stability of the country.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flows primarily from its financing activities.

The Company's manages its liquidity needs by carefully monitoring scheduled exploration and evaluation activity as well as forecasted cash inflows and outflows due in day-to-day business. Liquidity is measured in various time bands, on day-to-day and week-to-week basis, as well as on long term liquidity needs over 180 day to 360 day look out periods.

The Company maintains cash to meet its liquidity requirements for a 30 day period, at a minimum. Funding for long term liquidity needs is based on the ability of the company to successfully complete private placements as well as, in certain cases, to pay the outstanding balances owed in shares of the Company rather than in cash.

As at June 30, 2011, the Company had of $ **123,200** (December 2010 – **182,985**) to settle current liabilities of $**1,740,748** (December 2010 – **1,544,281**).

As at June 30, 2011, the Company's financial liabilities have contractual maturities as summarized below:

	Current (CAD)		**Non-current (CAD)**	
June 30, 2011	Within 6 months	6 – 12 months	1 – 5 years	Later than 5 years
Trade and other payables	$ 426,073	-	-	-
Convertible notes	1,170,000	-	-	-
Demand loan	144,675			
Total	**$ 1,740,748**	**-**	**-**	**-**

The Company considers expected cash flow from financial assets in managing liquidity risk, in particular its cash resources and accounts receivable. The Company's existing cash resources and amounts receivable currently do not meet the current cash outflow requirements. As a result, the company is at a risk of not being a going concern if management is unable to raise the appropriate funds prior to the maturity of the financial liabilities. Appropriate going concern disclosure will be made available in the consolidated financial statements.

Fair value of financial instruments

Financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, demand loans and convertible debt. At June 30, 2011, and December 31, 2010, there were no significant differences between the carrying amounts reported on the balance sheet and their estimated fair values.

15. Contingencies

A) The Company's operations are governed by governmental laws and regulations regarding environmental protection. Environmental consequences are hardly identifiable, in term of level, impact or deadline. At the present time and to the best knowledge of its management, the Company is in conformity with the laws and regulations in effect. Restoration costs will be accrued in the financial statements only when they will be reasonably estimated and will be charged to the earnings at the time.

B) The Company has a commitment with its Chief Financial Officer in which the Company guarantees a minimum of 250 billable hours at an hourly rate of $100 per hour over a 3 year term ending December 31, 2013.

16. Group entities

The following entities are included in these consolidated financial statements:

	Country of incorporation	Ownership Interest June 30, 2011
Wedge Energy Inc.	**Canada**	**100%**

17. Capital management

The Company's capital structure has been defined by management as being comprised of shareholders' equity, which comprises share capital and other components of equity, and accumulated deficit, which at June 30, 2011, totals $ **1,544,404** (December 2010 - $ **1,331,831**). The Company's objectives when managing its capital structure are to preserve the Company's access to capital markets and its ability to meet its financial obligations and to finance its exploration activities and general corporate costs. This is achieved by the Board of Directors review and acceptance of exploration budgets that are achievable within existing resources and the timely matching and release of the next stage of expenditures with the resources made available from private placements or other funding.

The Company monitors its capital structure using annual forecasted cash flows, exploration budgets and targets for the year, as well as corporate capitalization schedules.

The Company currently has no source of revenues; as such the Company is dependent upon external financing to fund its activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, to maintain flexibility while achieving the objectives stated above as well as support future business opportunities. To manage the capital structure, the Company may adjust its exploration programs, operating expenditure plans or issue new common shares and warrants.

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 for the period-ending June 30, 2011. The Company is not subject to externally imposed capital requirements or covenants. However, funds raised under flow-through agreements which were renounced by the Company to the CRA are restricted in use and must be spent on eligible exploration expenses.

18. Events after the reporting date

On July 14, 2011, the holders of the January 2010 convertible notes agreed to a further five month extension on the maturity of the notes. The second extension did not include a further increase in interest. Interest on the first and second extension is payable on the new maturity date of December 31, 2011. All other provisions in the original notes remained unchanged.

On August 5, 2011, certain holders of the January 2010 convertible notes exercised their conversion options. The Company issued 5,000,000 common shares to convert $50,000 of outstanding debt at a conversion price of $0.01 per share.

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19. Conversion to IFRS

For all periods up to and including the year ended December 31, 2010, the Company prepared its financial statements in accordance with Canadian generally accepted accounting practice (GAAP). These financial statements for the six month period ended June 30, 2011, are the first the Company has prepared under International Financial Reporting Standards (IFRS).

Accordingly, the Company has prepared financial statements which comply with IFRS applicable for all periods beginning on or after January 1, 2011, as described in the accounting policies. In preparing these financial statements the Company's opening statement of financial position was prepared as at January 1, 2010, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its previous GAAP financial statements for the six month period ending June 30, 2010.

The Company has applied IFRS 1 *First-time Adoption of International Financial Reporting Standards* in preparing these first IFRS consolidated financial statements. The effects of the transition to IFRS on equity, total comprehensive income and reported cash flows are presented in this section and are further explained below.

<u>First time adoption exemptions applied</u>

Upon transition, IFRS 1 permits certain exemptions from full retrospective application. Wedge will apply the mandatory exemptions and certain optional exemptions. The exemptions to be adopted by Wedge are set out below:

Mandatory exceptions to be adopted by Wedge

- Financial assets and liabilities that had been de-recognized before January 1, 2005, under the previous GAAP have not been recognized under IFRS.
- Wedge will use estimates under IFRS that are consistent with those applied under previous GAAP (with adjustments for accounting policy differences) unless there is objective evidence those estimates were in error.

Optional exemptions to be applied by Wedge

- The Company has as elected not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the transition date of January 1, 2011.
- The Company 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.
- The Company has elected to maintain the designations of its financial instruments at the date of transition. The Company has also taken the exemption to designate some financial instruments at fair value through profit or loss.
- The Company has elected to apply IFRS 2 for all equity instruments granted after November 7, 2002, that had not vested by January 1, 2011. Further, the Company will apply IFRS 2 on all liabilities arising from share-based payment transactions that existed at January 1, 2011.
- The Company 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.

IFRS 1 does not permit changes in estimates that have been made previously. Accordingly, estimates used in preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those made under Canadian GAAP.

The Company's audited Transition Date IFRS statement of financial position is included as comparative information in the audited consolidated statement of financial position in these consolidated financial statements.

Presentation differences

Certain presentation differences between GAAP and IFRS have no impact on reported loss or total equity.

Some line items are described differently (renamed) under IFRS compared to previous GAAP, although the assets and liabilities included in these line items are unaffected. These line items are as follows (with GAAP description in brackets):

- Equity settled share based payments (contributed capital)

Changes to accounting policies

The company has changed certain accounting policies to be consistent with IFRS. These changes to its accounting policies have resulted in certain changes to the recognition and measurement of assets, liabilities, equity, revenue and expenses with its consolidated financial statements. The summary of changes as well as the quantification of the changes on the statement of financial position as at the transition date and as at December 31, 2010, are summarized in the reconciliation of equity below.

Restatement of statement of cash flows from previous GAAP to IFRS

The transition from Canadian GAAP to IFRS has had no effect on the reported cash flows generated by the Company. The reconciling items between Canadian GAAP presentation and IFRS presentation have no net impact on the cash flows generated.

Reconciliation of equity

A first time adopter must present a reconciliation of its equity at the transition date and also at the end of the latest period presented in the most recent annual financial statements under the previous GAAP.

The standard does not specify the form and content of the reconciliation and is silent on what constitutes “sufficient detail” in relation to the reconciliation. Judgment will therefore need to be applied. The reconciliation presented in this note is based on IG example 11 (from the implementation guidance under IFRS 1) and presents movement in each line item of financial position from previous GAAP to IFRS, with accompanying narrative explanations. There are of course alternative ways of satisfying IFRS 1’s requirements.

Equity at the date of transition, June 30, 2010, March 31, 2010, and at December 31, 2010, can be reconciled to the amounts reported under the previous GAAP as follows:

Reconciliation of the statement of financial position as at January 1, 2010, (transition date):

	January 1, 2010		
Assets	**Previous GAAP CAD**	**Effect on transition to IFRS CAD**	**IFRS CAD**
Current assets:			
Cash and cash equivalents	$ 37,585	$ -	$ 37,585
Accounts receivable	4,005	-	4,005
	$ 41,590	$ -	$ 41,590
Total assets			

There were no significant changes to the assets of the Company upon transition to IFRS.

Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities	$ 538,078	$ -	$ 538,078
Provisions	435,533	-	435,533
Borrowings	258,975	-	258,975
	$ 1,232,586	$ -	$ 1,232,586

Upon transition to IFRS there were no significant changes to the liabilities of the Company. Upon transition to IFRS the certain heading has changed in the liability section: Flow through obligation and Part XII.V tax payables have been grouped together and renamed as provisions due to the uncertainty of the timing and the amount of the liability as at January 1, 2010. Convertible notes have been renamed as borrowings.

Share capital		$ 7,293,609	$ 41,114	$ 7,334,723
Contributed surplus		940,296	-	940,296
Warrants		572,595	-	572,595
Other components of equity		14,700	-	14,700
Deficit		(10,012,196)	(41,114)	(10,053,310)
		$ (1,190,996)	$ -	$ (1,190,996)
Total equity and liabilities		**$ 41,590**	**$ -**	**$ 41,590**

A) **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 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 are sold at a discount, this policy does not apply and the flow through share issuance follows applicable IFRS guidance.

Previously, the Company's 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 losses carried 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

Reconciliation of the statement of financial position as at March 31, 2010, (first quarter comparative reporting period):

	March 31, 2010		
Assets	**Previous GAAP CAD**	**Effect on transition to IFRS CAD**	**IFRS CAD**
Current assets:			
Cash and cash equivalents	$ 5,518	$ -	$ 5,518
Accounts receivable	16,744	-	16,744
Prepaids	45,305	-	45,305
	$ 67,567	$ -	$ 67,567
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities	$ 397,822	$ -	$ 397,822
Provisions	118,609	-	118,609
Borrowings	741,332	-	741,332
	$ 1,257,763	$ -	$ 1,257,763
Shareholders' equity			
Share capital	$ 7,313,884	$ 41,114	$ 7,354,998
Contributed surplus	1,090,445	(1,460)	1,088,985
Warrants	434,126	-	434,126
Other components of equity	41,900	-	41,900
Deficit	(10,070,551)	(39,654)	(10,110,205)
	$ (1,190,196)	$ -	$ (1,190,196)
Total equity and liabilities	**$ 67,567**	**$ -**	**$ 67,567**

There were no significant changes to the assets and liabilities of the Company upon transition to IFRS as at December 31, 2010.

Upon transition to IFRS the heading in the liability and shareholders' equity section for Convertible notes has been renamed as borrowings.

Upon transition to IFRS on January 1, 2010 there was an adjustment of $41,114 made to the share capital based on the change in accounting treatment of flow through shares issued by the Company. Refer to the January 1, 2010, reconciliation for further details.

B) **Share based payments**

Under IFRS the Company 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 stock options granted prior to January 1, 2010, and not vesting as at the transition date a total of $ 1,460 has been recognized as a restatement in the opening statement of financial position as at December 31, 2010.

Reconciliation of the statement of financial position as at June 30, 2010, (comparative quarter):

	June 30, 2010		
Assets	**Previous GAAP CAD**	**Effect on transition to IFRS CAD**	**IFRS CAD**
Current assets:			
Cash and cash equivalents	$ 4,472	$ -	$ 4,472
Accounts receivable	7,658	-	7,658
Prepaids	26,350	-	26,350
	$ 38,480	$ -	$ 38,480
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities	$ 554,803	$ -	$ 554,803
Provisions	121,597	-	121,597
Borrowings	750,888	-	750,888
	$ 1,427,288	$ -	$ 1,427,288
Shareholders' equity			
Share capital	$ 7,400,130	$ 41,118	$ 7,441,248
Contributed surplus	1,090,445	(1,210)	1,089,235
Warrants	434,126	-	434,126
Other components of equity	41,900	-	41,900
Deficit	(10,355,409)	(39,908)	(10,395,317)
	$ (1,388,808)	$ -	$ (1,388,808)
Total equity and liabilities	**$ 38,480**	**$ -**	**$ 38,480**

There were no significant changes to the assets and liabilities of the Company upon transition to IFRS as at June 31, 2010.

Upon transition to IFRS the heading in the liability and shareholders' equity section for Convertible notes has been renamed as borrowings.

Upon transition to IFRS on January 1, 2010, there was an adjustment of $41,114 made to the share capital based on the change in accounting treatment of flow through shares issued by the Company. Refer to the January 1, 2010, reconciliation for further details.

Upon transition to IFRS on January 1, 2010, there was an adjustment of $1,210 made to the contributed surplus based on the change in accounting treatment of share based payments issued by the Company. Refer to the June 31, 2010, reconciliation for further details.

Reconciliation of the statement of financial position as at December 31, 2010, (comparative year):

		December 31, 2010		
Assets		**Previous GAAP CAD**	**Effect on transition to IFRS CAD**	**IFRS CAD**
Current assets:				
Cash and cash equivalents		$ 182,985	$ -	$ 182,985
Accounts receivable		23,047	-	23,047
Prepaids		6,418		6,418
		$ 212,450	$ -	$ 212,450
Total assets				
Liabilities and shareholders' equity				
Current liabilities:				
Accounts payable and accrued liabilities		$ 381,660	$ -	$ 381,660
Borrowings		1,162,621	-	1,162,621
		$ 1,544,281	$ -	$ 1,544,281
Shareholders' equity				
Share capital		$ 7,831,834	$ 41,114	$ 7,872,948
Contributed surplus		1,265,449	(1,460)	1,263,989
Warrants		259,122	-	259,122
Other components of equity		153,229	-	153,229
Deficit		(10,841,465)	(39,654)	(10,881,119)
		$ (1,331,831)	$ -	$ (1,331,831)
Total equity and liabilities		**$ 212,450**	**$ -**	**$ 212,450**

There were no significant changes to the assets and liabilities of the Company upon transition to IFRS as at December 31, 2010.

Upon transition to IFRS the heading in the liability and shareholders' equity section for Convertible notes has been renamed as borrowings.

Upon transition to IFRS on January 1, 2010, there was an adjustment of $41,114 made to the share capital based on the change in accounting treatment of flow through shares issued by the Company. Refer to the January 1, 2010, reconciliation for further details.

Upon transition to IFRS on January 1, 2010, there was an adjustment of $1,460 made to the contributed surplus based on the change in accounting treatment of share based payments issued by the Company. Refer to the March 31, 2010, reconciliation for further details.

<u>Reconciliation of total comprehensive income</u>

A first time adopter must present a reconciliation of total comprehensive income under IFRS for the latest period in the entity's most recent annual financial statements under previous GAAP. The concept of total comprehensive income was introduced in IAS 1. IFRS 1 acknowledges that previous GAAP might not include a concept such as total comprehensive income and therefore allows profit or loss to be used as a starting point. The standard explains that it is helpful to users to have information about all items of income and expense, not only those recognized in profit or loss. The starting point therefore depends on previous GAAP such that profit or loss cannot be used as a starting point if a statement of comprehensive income was presented under previous GAAP.

Total comprehensive loss for the period ended March 31 2010, can be reconciled to the amounts reported under previous GAAP as follows:

	March 31, 2010		
	Previous GAAP	Effect of transition to IFRS	IFRS
	CAD	CAD	CAD
Revenues	-	-	-
Expenses			
Management fees	-	-	-
Promotion & Investor Conference	6,829	-	6,829
Regulatory, exchange, AGM, press release and transfer agent fees	9,194	-	9,194
Professional fees	55,574	-	55,574
Stock based compensation	11,680	(1,460)	10,220
Impairment on notes receivable	243,783	-	243,783
Interest expense	20,275	-	20,275
Depletion and accretion	9,557	-	9,557
General and administrative	20,355	-	20,355
			-
	(377,247)	1,460	(375,787)
			-
Interest income	323	-	323
Other income	316,924	-	316,924
Foreign exchange loss	1,645	-	1,645
	318,892	-	318,892
			-
Net loss before tax for the year	(58,355)	1,460	(56,895)
			-
Recovery of future income taxes	-	-	-
			0
Total other comprehensive income for the year	(58,355)	1,460	(56,895)

C) **Share based payments**

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 and vesting as at March 31, 2010, and not vesting as at the reporting date a total of $ 1,460 has been recognized as a restatement in the stock based compensation as at March 31, 2010.

Total comprehensive loss for the three and six month period ended June 30, 2010, can be reconciled to the amounts reported under previous GAAP as follows:

		Three months ending June 30, 2011		
		Previous GAAP CAD	Effect of transition to IFRS CAD	IFRS CAD
Expenses				
	Promotion & Investor Conference	$ 4,205	$ -	$ 4,205
	Regulatory, exchange, AGM, press release and transfer agent fees	7,277	-	7,277
	Professional fees	120,548	-	120,548
	Stock based compensation	-	250	250
	Impairment on notes receivable	82,810	-	82,810
	Interest expense	35,071	-	35,071
	Depletion, depreciation, and accretion	9,556	-	9,556
	General and administrative	25,471	-	25,471
				-
		(284,938)	(250)	(285,188)
				-
Foreign exchange loss		79	-	79
Total other comprehensive loss for the year		$ (284,859)	$ (250)	$ (285,109)

		Six months ending June 30, 2011		
		Previous GAAP CAD	Effect of transition to IFRS CAD	IFRS CAD
Expenses				
	Promotion & Investor Conference	11,034	-	11,034
	Regulatory, exchange, AGM, press release and transfer agent fees	16,471	-	16,471
	Professional fees	176,218	-	176,218
	Stock based compensation	11,680	(1,210)	10,470
	Impairment on notes receivable	326,592	-	326,592
	Interest expense	55,346	-	55,346
	Depletion, depreciation, and accretion	19,113	-	19,113
	General and administrative	45,734	-	45,734
				-
		(662,188)	1,210	(660,978)
				-
		323	-	323
Interest income		316,924	-	316,924
Other income		1,724	-	1,724
Foreign exchange loss		318,971	-	318,971
				-
Total other comprehensive loss for the year		(343,217)	1,210	(342,007)

Based on the stock options granted and vesting prior to June 30, 2010, and the stock options which have yet to vest as at the reporting date, a total of $ 1,210 has been recognized as a restatement in the stock based compensation as at June 30, 2010.

Total comprehensive loss for the year ended December 31, 2010, can be reconciled to the amounts reported under previous GAAP as follows:

	December 31, 2010		
	Previous GAAP	Effect of transition to IFRS	IFRS
	CAD	CAD	CAD
Revenues	-	-	-
Expenses			
Management fees	90,000	-	90,000
Promotion & Investor Conference	12,589	-	12,589
Regulatory, exchange, AGM, press release and transfer agent fees	30,377	-	30,377
Professional fees	303,686	-	303,686
Stock based compensation	11,680	(710)	10,970
Impairment on notes receivable	381,677	-	381,677
Interest expense	114,683	-	114,683
Depletion and accretion	142,175	-	142,175
General and administrative	48,876	-	48,876
			-
	(1,135,743)	710	(1,135,033)
			-
Interest income	1,104	-	1,104
Other income	303,490	-	303,490
Foreign exchange loss	1,880	-	1,880
	306,474	-	306,474
			-
Net loss before tax for the year	(829,269)	710	(828,559)
			-
Recovery of future income taxes	-	-	-
			0
Total other comprehensive income for the year	(829,269)	710	(828,559)

Based on the stock options granted and vesting prior to December 31, 2010, and the stock options which have yet to vest as at the reporting date, a total of $ 710 has been recognized as a restatement in the stock based compensation as at December 31, 2010.

Reconciliation of statement of cash flows

A first time adopter must present a reconciliation of cash flows under IFRS for the latest period in the entity's most recent annual financial statements under previous GAAP. The Canadian GAAP statement of cash flows for the three month period ended March 31, 2010, has been reconciled to IFRS as follows:

	March 31, 2010		
	Previous GAAP	Effect of transition to IFRS	IFRS
	CAD	CAD	CAD
Cash flow from operating activities			
Net loss for the period before tax and interest	(58,355)	1,460	(56,895)
Adjustments to reconcile loss to net cash used in operating activities:			
Shares for interest	20,275	-	20,275
Impairment on notes receivable	243,783	-	243,783
Depletion and accretion	9,557	-	9,557
Stock based compensation expenses	11,680	(1,460)	10,220
Flow through related investor obligations	(316,924)	-	(316,924)
Change in non-cash working capital balances:			
Accounts receivable	(12,739)	-	(12,739)
Prepaid expenses	(45,305)	-	(45,305)
Accounts payable and accrued liabilities	(140,256)	-	(140,256)
Cash generated from operations	(288,284)	-	(288,284)
Income tax paid	-	-	-
Total cash (outflows) from operating activities	**(288,284)**	**-**	(288,284)
Cash flows from investing activities			
Advances on notes receivable	(243,783)	-	(243,783)
Total cash (outflows) from investing activities	**(243,783)**	**-**	(243,783)
Cash flows from financing activities			
Proceeds from convertible debt issuances	770,000	-	770,000
Repayment of convertible debt issuances	(270,000)	-	(270,000)
Total cash inflows from financing activities	**500,000**	**-**	500,000
Total decrease in cash during the period	**(32,067)**	**-**	(32,067)
Cash and cash equivalents - Beginning of period	**37,585**	**-**	37,585
Cash and cash equivalents - End of period	**5,518**		5,518

Refer to the Canadian GAAP reconciliation of the income statement for the period ending March 31, 2010, for an explanation of the changes.

A first time adopter must present a reconciliation of cash flows under IFRS for the latest period in the entity's most recent annual financial statements under previous GAAP. The Canadian GAAP statement of cash flows for the six month period ended June 30, 2010, has been reconciled to IFRS as follows:

	June 30, 2010		
	Previous GAAP	**Effect of transition to IFRS**	**IFRS**
	CAD	**CAD**	**CAD**
Cash flow from operating activities			
Net loss for the period before tax and interest	(343,217)	1,210	(342,007)
Adjustments to reconcile loss to net cash used in operating activities:			
Shares for interest	39,529	-	39,529
Impairment on notes receivable	326,592	-	326,592
Depletion and accretion	19,113	-	19,113
Stock based compensation expenses	11,680	(1,210)	10,470
Flow through related investor obligations	(316,924)	-	(316,924)
Change in non-cash working capital balances:			
Accounts receivable	(3,653)	-	(3,653)
Prepaid expenses	(26,350)	-	(26,350)
Accounts payable and accrued liabilities	19,709	-	19,709
Cash generated from operations	(273,521)	-	(273,521)
Income tax paid	-	-	-
Total cash (outflows) from operating activities	**(273,521)**	-	**(273,521)**
Cash flows from investing activities			
Advances on notes receivable	(326,592)	-	(326,592)
Total cash (outflows) from investing activities	**(326,592)**	**-**	(326,592)
Cash flows from financing activities			
Proceeds from warrants exercised	67,000	-	67,000
Proceeds from convertible debt issuances	770,000	-	770,000
Repayment of convertible debt issuances	(270,000)	-	(270,000)
Total cash inflows from financing activities	**567,000**	**-**	**567,000**
Total decrease in cash during the period	**(33,113)**	**-**	(33,113)
Cash and cash equivalents - Beginning of period	**37,585**	**-**	37,585
Cash and cash equivalents - End of period	**4,472**	**-**	4,472

Refer to the Canadian GAAP reconciliation of the income statement for the six month period ended June 30, 2010, for an explanation of the changes.

A first time adopter must present a reconciliation of cash flows under IFRS for the latest period in the entity's most recent annual financial statements under previous GAAP. The Canadian GAAP statement of cash flows for the year ended December 31, 2010, has been reconciled to IFRS as follows:

	December 31, 2010		
	Previous GAAP	**Effect of transition to IFRS**	**IFRS**
	CAD	**CAD**	**CAD**
Cash flow from operating activities			
Net loss for the period before tax and interest	(829,269)	710	(828,559)
Adjustments to reconcile loss to net cash used in operating activities:			
Shares for interest	78,025	-	78,025
Impairment on notes receivable	381,677	-	381,677
Depletion and accretion	142,175	-	142,175
Stock based compensation expenses	11,680	(710)	10,970
Flow through related investor obligations	(303,490)	-	(303,490)
Change in non-cash working capital balances:			
Accounts receivable	(19,042)	-	(19,042)
Prepaid expenses	(6,418)	-	(6,418)
Part XII.6 Tax	(88,843)	-	(88,843)
Accounts payable and accrued liabilities	(156,418)	-	(156,418)
Cash generated from operations	(789,923)	-	(789,923)
Income tax paid	-	-	-
Total cash (outflows) from operating activities	**(789,923)**	**-**	(789,923)
Cash flows from investing activities			
Advances on notes receivable	(381,677)	-	(381,677)
Total cash (outflows) from investing activities	**(381,677)**	**-**	(381,677)
Cash flows from financing activities			
Proceeds from exercise of warrants	67,000	-	67,000
Proceeds from issuance of preferred shares	350,000	-	350,000
Proceeds from convertible debt issuances	1,170,000	-	1,170,000
Repayment of convertible debt issuances	(270,000)	-	(270,000)
Total cash inflows from financing activities	**1,317,000**	**-**	**1,317,000**
Total decrease in cash during the period	**145,400**	**-**	145,400
Cash and cash equivalents - Beginning of period	**37,585**	**-**	37,585
Cash and cash equivalents - End of period	**182,985**		182,985

Refer to the Canadian GAAP reconciliation of the income statement for the year ended December 31, 2010, for an explanation of the changes.