Abenteuer Resources Corp.

Interim Consolidated Financial Statements

Six Month Period Ended June 30, 2011

(Expressed in Canadian Dollars)

NOTICE TO READER

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

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

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

Abenteuer Resources Corp.

Interim Consolidated Statement of Financial Position

(Expressed in Canadian Dollars - Unaudited)

	Notes		June 30, 2011		December 31, 2010 (Note 14)
ASSETS					
Non-current assets					
Reclamation deposits	8	$	32,506	$	32,506
Oil and gas properties	6		1,002,927		1,057,838
			1,035,433		1,090,344
Current assets					
Cash and cash equivalents			1,138,154		495,569
Short-term investments	3		-		850,000
Prepayments			-		3,685
Receivables	4		93,738		133,612
			1,231,892		1,482,866
		$	2,267,325	$	2,573,210
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	9		2,802,125		2,618,653
Reserves	10		209,030		241,752
Deficit	14		(893,102)		(813,780)
			2,118,053		2,046,625
Non-current liabilities					
Restoration provisions	8	$	109,729	$	107,895
			109,729		107,895
Current liabilities					
Accounts payable and accrued liabilities	7		39,543		418,690
			149,272		526,585
		$	2,267,325	$	2,573,210

Approved by the Board of Directors:

"Sean McGrath"

Sean McGrath - Director

"J. Lewis Dillman"

J. Lewis Dillman - Director

Abenteuer Resources Corp.

Interim Consolidated Statement of Income (Loss) Comprehensive Income (Loss)
(Expressed in Canadian Dollars - Unaudited)

	Notes	Three Month Period Ended June 30, 2011	Six Month Period Ended June 30, 2011	Three Month Period Ended June 30, 2010
REVENUE				
Petroleum and natural gas sales		$ 118,750	$ 268,525	$ 106,763
Less: Royalties and freehold mineral tax		(31,094)	(65,169)	(16,396)
		87,656	203,356	90,367
EXPENSES				
Production and operating expenses	6	32,677	63,379	44,815
Depletion, accretion and amortization	6, 14	24,826	56,744	24,720
General and administrative		93,553	155,131	56,635
		151,056	275,254	126,170
OTHER ITEMS				
Property investigation		(68,085)	15,078	21,371
Other income		(7,614)	(7,654)	-
		(75,699)	7,424	21,371
NET EARNINGS (LOSS) BEFORE INCOME		12,299	(79,322)	(57,174)
Income tax recovery		-	-	13,500
Net income (loss) and comprehensive income (loss) for the period		$ 12,299	$ (79,322)	$ (43,674)
Basic and diluted income (loss) per common share		$ 0.00	$ (0.00)	$ (0.00)

Abenteuer Resources Corp.

Interim Consolidated Statement of Income (Loss) Comprehensive Income (Loss)
(Expressed in Canadian Dollars - Unaudited)

		Share capital		Reserves			
	Notes	Number of Shares	Amount	Option	Warrant	Deficit	Total
Balance at January 1, 2010	14	**14,583,266**	**2,105,559**	**$ 244,213**	**$ 97,133**	**$ (176,675)**	**$ 2,270,230**
Income for the period		-	-	-	-	(38,083)	(38,083)
Shares issued for cash – warrant exercise		25,000	4,381	-	(631)	-	3,750
Balance at June 30, 2010		**14,608,266**	**2,109,940**	**244,213**	**96,502**	**(214,758)**	**2,235,897**
Loss for the period		-	-	-	-	(599,022)	(599,022)
Shares issued for cash – option exercise		750,000	185,819	(51,319)	-	-	134,500
Shares issued for cash – warrant exercise		1,835,000	322,894	-	(47,644)	-	275,250
Balance at December 31, 2010		**17,193,266**	**2,618,653**	**192,894**	**48,858**	**(813,780)**	**2,046,625**
Loss for the period		-	-	-	-	(79,322)	(79,322)
Shares issued for cash – option exercise		200,000	45,918	(12,918)	-	-	33,000
Shares issued for cash – warrant exercise		785,000	137,554	-	(19,804)	-	117,750
Balance at June 30, 2011		**18,178,266**	**$ 2,802,125**	**$ 179,976**	**$ 29,054**	**$ (893,102)**	**$ 2,118,053**

Abenteuer Resources Corp.

Interim Consolidated Statement of Cash Flows

(Expressed in Canadian Dollars - Unaudited)

	Three Month Period Ended June 30, 2011	Six Month Period Ended June 30, 2011	Three Month Period Ended June 30, 2010	Six Month Period Ended June 30, 2010
CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Income (loss) for the period	$ 12,299	$ (79,322)	$ (43,674)	$ (38,083)
Items not affecting cash:				
Depletion, accretion and amortization	24,826	56,744	24,720	50,264
Future income tax recovery	-	-	(13,500)	(13,500)
Changes in non-cash working capital items:				
Increase (decrease) in prepayments	-	3,685	13,872	(6,128)
Increase (decrease) in receivables	25,709	39,875	(24,418)	(7,438)
Increase (decrease) in accounts payable	(91,224)	(379,147)	29,156	(19,829)
	(28,390)	(358,165)	(13,844)	(34,714)
FINANCING ACTIVITIES				
Proceeds from exercise of options and warrants	-	150,750	-	3,750
	-	150,750	-	3,750
INVESTING ACTIVITIES				
Oil and gas property expenditures	-	-	(109,949)	(109,949)
Redemption of short-term investment	850,000	850,000	800,000	800,000
	850,000	850,000	690,051	690,051
Change in cash and cash equivalents during the period	821,610	642,585	676,207	659,087
Cash and cash equivalents - beginning	316,544	495,569	445,394	462,514
Cash and cash equivalents - end	$ 1,138,154	$ 1,138,154	$ 1,121,601	$ 1,121,601
Cash and cash equivalents consists of:				
Cash	$ 280,654	$ 1,138,154	$ 1,121,601	$ 1,121,601
Short-term investments	857,500	-	-	-
	$ 1,138,154	$ 1,138,154	$ 1,121,601	$ 1,121,601

See accompanying notes to the interim consolidated financial statements

1. Nature and continuance of operations

Abenteuer Resource Corp. (the "Company") was incorporated under the laws of the province of Alberta, Canada and was continued into the province of British Columbia in 2010. The Company is engaged primarily in the exploration for, and the production of, petroleum reserves in Western Canada. The Company, however, continues to consider international opportunities to expand its property portfolio. Abenteuer's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "ABU".

These unaudited consolidated interim financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations.

2. Basis of preparation and adoption of IFRS

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company commenced reporting on this basis in its 2011 interim consolidated financial statements. In these consolidated financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*, and IFRS 1, *First-time Adoption of International Financial Reporting Standards*. The accounting policies followed in these interim consolidated financial statements are the same as those applied in the Company's interim consolidated financial statements for the period ended March 31, 2011. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 15 discloses the impact of the transition to IFRS on the Company's reported equity as at June 30, 2010 and comprehensive income for the three and six month periods ended June 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2011, as issued and outstanding as of August 15, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including transition adjustments recognized on change-over to IFRS. The condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010, and the Company's interim consolidated financial statements for the quarter ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

3. Short-term investments

The Company has $850,000 (December 31, 2010 - $850,000) invested in a variable rate GIC, based on the Bank of Montreal's prime rate of 1.95%, with a maturity date of August 03, 2011. The Company has reclassified the current balance as a cash equivalent due to the short term nature of its maturity.

(Expressed in Canadian dollars - unaudited)

4. Accounts receivable

		June 30, 2011		December 31, 2010
Value-added tax receivable	$	23,510	$	63,440
Joint interest billing refund		2,463		-
Sale of crude petroleum		67,765		78,561
	$	93,738	$	142,001

5. Property, plant and equipment

		Computers			Computers
Cost:			**Cost:**		
At December 31, 2010	$	10,504	At January 1, 2010	$	10,504
Additions		-	Additions		-
Disposals		-	Disposals		-
At March 31, 2011		10,504	At December 31, 2010		10,504
Depreciation:			**Depreciation:**		
At December 31, 2010		10,504	At January 1, 2010		9,412
Charge for the period		-	Charge for the period		1,092
Eliminated on disposal		-	Eliminated on disposal		-
At March 31, 2011		10,504	At December 31, 2010		10,504
Net book value:			**Net book value:**		
At December 31, 2010		-	At January 1, 2010		1,092
At June 30, 2011	**$**	**-**	**At December 31, 2010**	**$**	**-**

(Expressed in Canadian dollars - unaudited)

6. Oil and gas properties [1]

		Well #1		Well #2		Well #3		Well #4		Well #5		Total
Cost:												
At December 31, 2010	$	395,909	$	82,015	$	732,043	$	345,786	$	518,958	$	2,074,709
Additions		-		-		-		-		-		-
Disposals		-		-		-		-		-		-
At June 30, 2011		395,909		82,015		732,043		345,786		518,958		2,074,709
Depletion:												
At December 31, 2010		(203,373)		(40,679)		(376,238)		(172,868)		(223,713)		(1,016,871)
Charge for the period		(12,332)		(2,461)		(22,816)		(10,482)		(6,820)		(54,911)
At June 30, 2011		(215,705)		(43,140)		(399,054)		(183,350)		(230,533)		(1,071,782)
Net book value:												
At December 31, 2010		192,536		41,336		355,805		172,918		295,245		1,057,838
At June 30, 2011	**$**	**180,204**	**$**	**38,875**		**332,989**	**$**	**162,436**	**$**	**288,425**	**$**	**1,002,927**

		Well #1		Well #2		Well #3		Well #4		Well #5		Total
Cost:												
At January 1, 2010	$	393,426	$	82,015	$	723,296	$	335,017	$	408,332	$	1,942,084
Additions		2,483		-		8,747		10,769		110,626		132,625
Disposals		-		-		-		-		-		-
At December 31, 2010		395,909		82,015		732,043		345,786		518,958		2,074,709
Depletion:												
At January 1, 2010		(179,379)		(35,875)		(331,852)		(152,476)		(197,318)		(896,900)
Charge for the period		(23,994)		(4,804)		(44,386)		(20,392)		(26,395)		(119,971)
At December 31, 2010		(203,373)		(40,679)		(376,238)		(172,868)		(223,713)		(1,016,871)
Net book value:												
At January 1, 2010	$	214,047	$	46,140	$	391,444	$	182,541	$	211,014	$	1,045,184
At December 31, 2010	**$**	**192,536**	**$**	**41,336**		**355,805**	**$**	**172,918**	**$**	**295,245**	**$**	**1,057,838**

(Expressed in Canadian dollars - unaudited)

6. Oil and gas properties (cont'd)

[1] The Company has working interests in five wells in south east Saskatchewan at Kingsford. Two of these are horizontal wells (HZ).

#	Well	WI %
1	King 141/08-13-004-07 W2M	45.90
2	King 91/06 HZ 1D08-13-1D06-18-04-06 W2M	13.00
3	King 92/07 HZ 2C5-18-1D7-13-04-07 W2M	45.90
4	King 4D8-14/2A11-13-004-07 W2	10.50
5	King 01-27-004-07 W2	100.00

7. Trade payables and accrued liabilities

	June 30, 2011	December 31, 2010
Trade payables	$ 21,764	$ 355,746
Accrued liabilities	17,779	62,944
	$ 39,543	$ 418,690

8. Restoration and environmental provisions

	June 30, 2011	December 31, 2010
Balance, beginning	$ 107,895	$ 104,347
Accretion expense	1,834	3,548
Balance, end	$ 109,729	$ 107,895

The Company's provision for restoration and environmental obligations consists of costs accrued based on the current best estimate of reclamation activities that will be required at the completion of petroleum extraction activity. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the reporting date, known legal requirements and estimates prepared by a third party specialist. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

In addition to the liability, which is indicated in the above table, the Company also has a reclamation bond having a value of $32,506 ($20,000 Well and $12,506 Battery) that is held by the Saskatchewan Industry and Resources in the event that well King 03-27-004-07 W2 becomes orphaned. Interest is paid at 0.85% on the reclamation bond.

The Company has calculated the fair value of the asset retirement obligation using a risk free discount rate of 3.4%. The estimated total future undiscounted cash flows to settle the asset retirement obligations are $203,476 (December 31, 2010 - $203,476) and are expected to be incurred over a period of approximately 20 years.

(Expressed in Canadian dollars - unaudited)

9. Share capital

Authorized share capital
Unlimited number of common shares without nominal or par value.
Unlimited number of preferred shares without nominal or par value

Issued share capital

	Number of Shares		Amount
Balance as at December 31, 2009	14,583,266	$	2,105,559
Exercise of share purchase warrants	1,860,000		279,000
Exercise of stock options	750,000		134,500
Transfer from warrant and option reserve	-		99,594
Balance as at December 31, 2010	17,193,266		2,618,653
Exercise of share purchase warrants	785,000		117,750
Exercise of stock options	200,000		33,000
Transfer from warrant and option reserve	-		32,722
Balance as at June 30, 2011	18,178,266	$	2,802,125

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a variable period from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares.

Options may be exercised no later than 90 days following cessation of the optionee's position with the Company.

Options granted typically vest fully when granted.

(Expressed in Canadian dollars - unaudited)

9. Share capital (cont'd)

The changes in options during the six month period ended June 30, 2011 and the year ended December 31, 2010 are as follows:

	June 30, 2011			December 31, 2010		
	Number of options		**Weighted average exercise price**	**Number of options**		**Weighted average exercise price**
Options outstanding, beginning	200,000	$	0.16	1,000,000	$	0.17
Options granted	-		-	250,000		0.23
Options exercised	(200,000)		0.16	(750,000)		0.18
Options expired	-		-	(300,000)		0.20
Options outstanding, end	-	$	-	200,000	$	0.16
Options exercisable, end	-	$	-	200,000	$	0.16

Share purchase warrants

The changes in warrants during the six month period ended June 30, 2011 and the year ended December 31, 2010 are as follows:

	June 30, 2011			December 31, 2010		
	Number of warrants		**Weighted average exercise price**	**Number of warrants**		**Weighted average exercise price**
Warrants outstanding, beginning	1,990,000	$	0.15	3,850,000	$	0.15
Warrants exercised	(785,000)		0.15	(1,860,000)		0.15
Warrants outstanding, end	1,205,000	$	0.15	1,990,000	$	0.15
Warrants exercisable, end	1,205,000	$	0.15	1,990,000	$	0.15

10. Reserves

Stock option reserve

The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

The warrant reserve records the fair value allocated to warrants issued until such time as the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

(Expressed in Canadian dollars - unaudited)

11. Related party transactions

The Company incurred the following transactions with companies that are controlled by directors of the Company.

		June 30, 2011		June 30, 2010
Director fees	$	15,000	$	30,000
Professional fees		20,987		12,532
	$	35,987	$	42,532

Key management personnel compensation

		June 30, 2011		June 30, 2010
Short-term employee benefits – management fees	$	15,000	$	15,000

The transactions were in the normal course of business and are measured at the exchange amount which is the amount agreed to by the parties.

12. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

(Expressed in Canadian dollars - unaudited)

12. Financial risk management (cont'd)

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at June 30, 2011:

	Within one year	Between one and five years	More than five years
Trade payables	$ 39,543	$ -	$ 109,729

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would have an impact on the Company's net loss of $8,500.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	June 30, 2011	December 31, 2010
Held-for-trading:		
Cash	$ 280,654	$ 495,569
Short-term investments	857,500	850,000
Loans and receivables:		
Reclamation bond	32,506	32,506
Other receivables	93,738	133,612
	$ 1,264,398	$ 1,511,687

Financial liabilities included in the statement of financial position are as follows:

	June 30, 2011	December 31, 2010
Non-derivative financial liabilities:		
Trade payables	$ 39,543	$ 418,690
Restoration provisions	109,729	107,895
	$ 149,272	$ 526,585

(Expressed in Canadian dollars - unaudited)

12. Financial risk management (cont'd)

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount with the exception of the restoration provision.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The following is an analysis of the Company's financial assets and liabilities measured at fair value as at June 30, 2011 and December 31, 2010:

	As at June 30, 2011		
	Level 1	**Level 2**	**Level 3**
ASSETS:			
Cash and cash equivalents	$ -	$ 280,654	$ -
Short-term investments	-	857,500	-
	$ -	$ 1,166,544	$ -
LIABILITIES:			
Restoration provisions	$ -	$ -	$ 109,729

	As at December 31, 2010		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ -	$ 495,569	$ -
Short-term investments	-	850,000	-
	$ -	$ 1,345,569	$ -
LIABILITIES:			
Restoration provisions	$ -	$ -	$ 107,895

13. Segmented information

The Company operates in a single reportable operating segment – the acquisition, production, exploration and development of oil and gas properties. The Company operates in one geographic segment located in Canada, but considers its operating wells to be grouped into two cash generating units.

14. Transition to IFRS

An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position and comprehensive income (loss) is set out in this note. The accounting policies set out in note 3 of the interim consolidated financial statements for the period ended March 31, 2011 have been applied in the preparation of the interim consolidated financial statement for the six month period ended June 30, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of an opening IFRS Balance Sheet at January 1, 2010 (the Company's date of transition).

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening balance sheet on the transition date of January 1, 2010, and allows certain exemptions on the transition of the transition to IFRS. The elections the Company has chosen to apply and that are considered significant to the Company include:

Exemptions applied

The Company has applied the following optional transition exemptions to full retrospective application of IFRS:

- IFRS 2 "Share-based Payment" The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010, which had been accounted for in accordance with Canadian GAAP.
- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" has been applied prospectively to all provisions for restoration and environmental obligations that are within the scope of International Financial Reporting Interpretations Committee ("IFRIC") "Changes in Existing Decommissioning, Restoration and Similar Liabilities". The Company has:
    - re-measured the liabilities as at January 1, 2010 in accordance with IAS 37;
    - estimated the amount that would have been included in the cost of the related asset when the liability first arose, by discounting the liability to that date using its best estimate of the historical risk-adjusted discount rates that would have applied for that liability over the intervening period; and
    - calculated the accumulated depreciation on that amount, as at January 1, 2010, on the basis of the current estimate of the useful life of the asset, using the depreciation policy adopted by the entity.

(Expressed in Canadian dollars - unaudited)

14. Transition to IFRS (cont'd)

Reconciliation of assets

		As at January 1, 2010		
	Notes	Canadian GAAP	Effect of Transition	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		$ 462,514	$ -	$ 462,514
Short-term investments		800,000	-	800,000
Prepaid		2,504		2,504
Accounts receivable		127,235	-	127,235
		1,392,253	-	1,392,253
Non-current assets				
Reclamation deposits		32,506	-	32,506
Property plant and equipment		1,092	-	1,092
Oil and gas properties	15 (a)	1,023,566	21,618	1,045,184
		1,057,164	21,618	1,078,782
TOTAL ASSETS		**$ 2,449,417**	**$ 21,618**	**$ 2,471,035**
LIABILITIES				
Current liabilities				
Trade payables		66,471	-	66,471
		66,471	-	66,471
Non-current liabilities				
Deferred tax liabilities		29,987	-	29,987
Provision for restoration and environmental obligations	15(a)	82,729	21,618	104,347
		112,716	21,618	134,334
TOTAL LIABILITIES		**179,187**	**21,618**	**200,805**
SHAREHOLDERS' EQUITY				
Share capital		2,105,559	-	2,105,559
Warrants	15(b)	97,133	(97,133)	-
Contributed surplus	15 (b)	244,213	(244,213)	-
Reserves	15(b)	-	341,346	341,346
Deficit		(176,675)	-	(176,675)
TOTAL EQUITY		**2,270,230**	**-**	**2,270,230**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 2,449,417**	**$ 21,618**	**$ 2,471,035**

(Expressed in Canadian dollars - unaudited)

14. Transition to IFRS (cont'd)

Reconciliation of assets

		As at June 30, 2010		
	Notes	Canadian GAAP	Effect of Transition	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		$ 1,121,601	$ -	$ 445,394
Prepaid		8,632		22,504
Accounts receivable		134,673	-	110,255
		1,264,906	-	1,378,153
Non-current assets				
Reclamation deposits		32,506	-	32,506
Property, plant and equipment		-	-	-
Petroleum properties & equipment	15 (a)	1,056,044	21,618	1,077,662
		1,088,540	21,618	1,110,158
TOTAL ASSETS		**$ 2,353,456**	**$ 21,618**	**$ 2,375,074**
LIABILITIES				
Current liabilities				
Trade payables		$ -	$ -	$ -
		-	-	-
Non-current liabilities				
Deferred tax liabilities		29,987	-	29,987
Provision for restoration and environmental obligations	15(a)	82,729	23,392	106,121
		112,716	23,392	136,108
TOTAL LIABILITIES		**112,716**	**23,392**	**136,108**
SHAREHOLDERS' EQUITY				
Share capital		2,109,940	-	2,109,940
Warrants	15(b)	96,502	(96,502)	-
Contributed surplus	15 (b)	244,213	(244,213)	-
Reserves	15(b)	-	340,715	340,715
Deficit	15(b)	(209,915)	(1,774)	(211,689)
TOTAL EQUITY		**2,240,740**	**(1,774)**	**2,238,96**
TOTAL LIABILITIES AND SHARESHOLDERS' EQUITY		**$ 2,353,456**	**$ 21,618**	**$ 2,375,074**

(Expressed in Canadian dollars - unaudited)

14. Transition to IFRS (cont'd)

Reconciliation of assets

		As at December 31, 2010		
	Notes	**Canadian GAAP**	**Effect of Transition**	**IFRS**
ASSETS				
Current assets				
Cash and cash equivalents		$ 495,569	$ -	$ 495,569
Short-term investments		850,000	-	850,000
Prepaid		3,685		3,685
Accounts receivable		133,612	-	133,612
		1,482,866	-	1,482,866
Non-current assets				
Reclamation deposits		32,506	-	32,506
Petroleum properties & equipment	15 (a)	1,036,220	21,618	1,057,838
		1,068,726	21,168	1,090,344
TOTAL ASSETS		**$ 2,551,592**	**$ 21,618**	**$ 2,573,210**
LIABILITIES				
Current liabilities				
Trade payables		418,690	-	418,690
		418,690	-	418,690
Non-current liabilities				
Provision for restoration and environmental obligations	15(a)	86,663	21,232	107,895
		86,663	21,232	107,895
TOTAL LIABILITIES		**505,353**	**21,232**	**526,585**
SHAREHOLDERS' EQUITY				
Share capital		2,618,653	-	2,618,653
Warrants	15(b)	48,858	(48,858)	-
Contributed surplus	15 (b)	192,894	(192,894)	-
Reserves	15(b)	-	241,752	241,752
Deficit	15(b)	(814,166)	386	(813,780)
TOTAL EQUITY		**2,046,239**	**386**	**2,046,625**
TOTAL LIABILITIES AND SHARESHOLDERS' EQUITY		**$ 2,551,592**	**$ 21,618**	**$ 2,573,210**

(Expressed in Canadian dollars - unaudited)

14. Transition to IFRS (cont'd)

Reconciliation of loss and comprehensive loss for the six month period ended June 30, 2010

	Notes	Canadian GAAP	Effect of Transition	IFRS
Revenue				
Oil and gas sales, net of royalties		$ 233,660	$ -	$ 233,660
Less royalties & freehold mineral tax		(37,904)	-	(37,904)
		195,756	-	195,756
Expenses				
Operating		63,476	-	63,476
Depletion, amortization and accretion	15(a)	48,490	1,774	50,264
General and administrative		110,624	-	110,624
		222,590	1,774	224,364
Other items				
Interest income		169	-	169
Property investigation		(23,144)	-	(23,144)
		(22,975)	-	(22,975)
Net earnings (loss) before income taxes		(49,809)	-	(51,583)
Income tax recovery		13,500	-	13,500
Net income and comprehensive income for the period		**$ (36,309)**	**$ (1,774)**	**$ (38,083)**
Loss per share – basic and diluted		**$ (0.00)**	**$ -**	**$ (0.00)**

(Expressed in Canadian dollars - unaudited)

14. Transition to IFRS (cont'd)

Reconciliation of loss and comprehensive loss for the year ended December 31, 2010

	Notes	Canadian GAAP	Effect of Transition	IFRS
Revenue				
Oil and gas sales, net of royalties		$ 513,276	$ -	$ 513,276
Less royalties & freehold mineral tax		(81,776)	-	(81,776)
		431,500		431,500
Expenses				
Operating		131,238	-	131,238
Depletion, amortization and accretion	15(a)	124,996	(386)	124,610
General and administrative		276,408	-	276,408
		532,642	(386)	532,256
		-	-	-
Other items				
Property investigations		569,953	-	569,953
Interest income		(3,618)	-	(3,618)
		566,335	-	566,335
Net loss before income tax		**(667,477)**	**386**	**(667,091)**
Income tax recovery		29,986		29,986
Net loss and comprehensive loss for the year		**$ (637,491)**	**$ 386**	**$ (637,105)**
Loss per share – basic and diluted		**$ (0.06)**	**$ -**	**$ (0.06)**

(Expressed in Canadian dollars - unaudited)

14. Transition to IFRS (cont'd)

Reconciliation of cash flows for the six month period ended June 30, 2010

	Notes	Canadian GAAP	Effect of Transition	IFRS
Operating activities				
Net income		$ (36,309)	$ (1,774)	$ (38,083)
Adjustments for non-cash items:				
Depletion, amortization and accretion	15(a)	48,490	1,774	50,264
Future income tax recovery		(13,500)	-	(13,500)
Changes in non-cash working capital items:				
Accounts receivable		(6,128)	-	(6,128)
Prepaid		(7,438)	-	(7,438)
Trade payables and accrued liabilities		(19,829)	-	(19,829)
Net cash flows used in operating activities		(34,714)	-	(34,714)
Financing activities				
Exercise of share purchase warrants		3,750	-	3,750
Net cash flows from financing activities		3,750	-	3,750
Investing activities				
Oil and gas property expenditures		(77,912)		(77,912)
Redemption of short-term investment		800,000		800,000
Net cash flows from investing activities		722,088	-	722,088
Increase in cash		659,087	-	659,087
Cash, beginning		462,514	-	462,514
Cash, ending		**$ 1,121,601**	**$ -**	**$ 1,121,601**

(Expressed in Canadian dollars - unaudited)

14. Transition to IFRS (cont'd)

Reconciliation of cash flows for the year ended December 31, 2010

	Notes	Canadian GAAP	Effect of Transition	IFRS
Operating activities				
Net loss		$ (637,491)	$ 386	$ (637,105)
Adjustments for non-cash items:				
Depletion, amortization and accretion	15(a)	124,996	(386)	124,610
Future income tax recovery		(29,986)	-	(29,986)
Changes in non-cash working capital items:				
Accounts receivable		(6,377)	-	(6,377)
Prepaid		(1,181)	-	(1,181)
Trade payables and accrued liabilities		352,219	-	352,219
Net cash flows used in operating activities		(197,820)	-	(197,820)
Investing activities				
Purchase of short term investment		(50,000)		(50,000)
Oil and gas property expenditures		(132,325)		(132,325)
Net cash flows used in investing activities		(182,625)	-	(182,625)
Financing activities				
Exercise of stock options		134,500	-	134,500
Exercise of share purchase warrants		279,000	-	279,000
Net cash flows from financing activities		413,500	-	413,500
Increase (decrease) in cash		33,055	-	33,055
Cash, beginning		462,514	-	462,514
Cash, ending		**$ 495,569**	**$ -**	**$ 495,569**

14. Transition to IFRS (cont'd)

Notes to reconciliations

(a) Provision for restoration and environmental obligations

Under Canadian GAAP, asset retirement obligations are measured at fair value, incorporating market assumptions and discount rates based on the entity's credit-adjusted risk-free rate. Adjustments are made to asset retirement obligations for changes in the timing or amount of the cash flows and the unwinding of the discount. However, changes in discount rates alone do not result in a re-measurement of the provision. Changes in estimates that decrease the liability are discounted using the discount rate applied upon initial recognition of the liability while changes that increase the liability are discounted using the current discount rate.

IFRS requires decommissioning provisions to be measured based on management's best estimate of the expenditures that will be made and adjustments to the provision are made in each period for changes in the timing or amount of cash flow, changes in the discount rate, and the accretion of the liability to fair value (unwinding of the discount). Furthermore, the estimated future cash flows should be discounted using the current risk-free rates. Management has initially estimated the risk-free rate to be 3.4% which resulted in a revaluation of the restoration provision to $104,347. The revaluation resulted in an accretion adjustment for the six month period ended June 30, 2010 of $1,774 and a credit of $386 for the year ended December 31, 2010.

(b) Reserves

Under Canadian GAAP, amounts recorded in relation to the fair value of stock options granted and warrants issued were recorded to contributed surplus. Under IFRS, these amounts have been reclassified as individual reserve accounts.