***This Filing Statement is for information only and is not, and under no circumstances is to be construed as an offer to sell or a solicitation to buy securities of Fox Resources Ltd., or a prospectus or an advertisement for a public offering of such securities in the United States or elsewhere.***

# FOX RESOURCES LTD.

## FILING STATEMENT

### Reverse Takeover Transaction
### Involving the Acquisition of
### Big Sky Operating LLC

**Dated as of November 9, 2011**

All information contained in this Filing Statement with respect to Big Sky Operating LLC ("Big Sky") and the future plans for the Resulting Issuer (as defined herein) was supplied by Big Sky for inclusion herein.

*Neither the TSX Venture Exchange Inc. (the "Exchange") nor any securities regulatory authority has in any way passed upon the merits of the Transactions described in this Filing Statement.*

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Certificate of Big Sky Operating LLC

Acknowledgement of Personal Information

## FORWARD-LOOKING STATEMENTS AND RISKS

The information provided in this Filing Statement may contain forward-looking statements and forward-looking information about Fox Resources Ltd. (“Fox Resources”) and/or the Big Sky after giving effect to the Transactions, within the meaning of applicable securities laws. In addition, Fox Resources may make or approve certain statements or information in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentation by representatives of Fox Resources that are not statements of historical fact and may also constitute forward-looking statements or forward-looking information. All statements and information, other than statements of historical fact, made by Fox Resources that address activities, events, or developments that Fox Resources expects or anticipates will or may occur in the future are forward- looking statements and information, including, but not limited to statements and information preceded by, followed by, or that include words such as “may”, “would”, “could”, “will”, “likely”, “except”, “anticipate”, “believe”, “intends”, “plan”, “forecast”, “project”, “estimate”, “outlook”, or the negative of those words or other similar or comparable words.

Forward-looking statements and information involve significant risks, assumptions, uncertainties and other factors that may cause actual future results or anticipated events to differ materially from those expressed or implied in any forward-looking statements or information and, accordingly, should not be read as guarantees of future performance or results. These risks and factors include, but are not limited to, risks relating to Fox Resources’ ability to execute its exploration and development program, drilling and operating risks, dependence on key personnel, compliance with environmental regulations and competition.

Actual results, performance or achievement could differ materially from that expressed in, or implied by, any forward-looking statements or information in this Filing Statement, and, accordingly, investors should not place undue reliance on any such forward-looking statements or information. Further, any forward-looking statement or information speaks only as of the date on which such statement is made, and Fox Resources undertakes no obligation to update any forward-looking statements or information to reflect information, events, results, circumstances or otherwise after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by law, including securities laws. All forward-looking statements and information contained in this Filing Statement and other documents of Fox Resources are qualified by such cautionary statements. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on Fox Resources’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

All of the information in this Filing Statement with respect to Fox Resources was supplied by Fox Resources for inclusion herein. All of the information in this Filing Statement with respect to Big Sky, was supplied by Big Sky for inclusion herein.

**For a more detailed discussion of certain risk factors, see “Part IV – Risk Factors”.**

## GLOSSARY

The following is a glossary of certain terms used in this Filing Statement including the Summary hereof. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

| | |
|---|---|
| **"Acquisition"** | means the proposed acquisition of all of the Big Sky Membership Interests by Fox Resources pursuant to the Share Exchange Agreement which transaction will constitute a reverse takeover transaction pursuant to policy 5.2 of the Exchange, all as more particularly described in the Filing Statement; |
| **"Acquisition Shares"** | means the 27,000,000 Fox Resources Shares to be issued to the Vendors pursuant to the terms of the Share Exchange Agreement; |
| **"Affiliate"** | has the meaning ascribed thereto in Appendix 1 of Exchange Form 3D2 (Information Required in Filing Statement for a Reverse Takeover or Change of Business), except as otherwise provided herein; |
| **"Associate"** | has the meaning ascribed thereto in Appendix 1 of Exchange Form 3D2 (Information Required in Filing Statement for a Reverse Takeover or Change of Business), except as otherwise provided herein; |
| **"Available Funds"** | means the funds that will be available to the Company upon Completion of the Transactions, and as set out in "Part III - Information Concerning the Resulting Issuer After Completion Of The Transactions - Available Funds and Principal Purposes"; |
| **"Big Sky"** | means Big Sky Operating LLC, a company incorporated under the laws of the State of Montana, USA; |
| **"Big Sky Lenders"** | means Jeffrey D. Phillips, Quorra Capital Corporation, Robert Bishop and Ernesto Echavarria; |
| **"Big Sky Membership Interests "** | means the issued and outstanding membership interests in the capital of Big Sky; |
| **"Board"** | means the board of directors of Fox Resources; |
| **"Company"** or **"Fox Resources"** | means Fox Resources Ltd., a company incorporated under the laws of British Columbia; |
| **"Completion of the Transactions** | means the closing of the Acquisition and concurrent Subscription Receipt Exercise; |
| **"Control Person"** | has the meaning ascribed thereto in Appendix 1 of Exchange Form 3D2 (Information Required in Filing Statement for a Reverse Takeover or Change of Business), except as otherwise provided herein; |
| **"Escrow Agent"** | means CIBC Mellon Trust Company of Vancouver, British Columbia; |
| **"Escrow Agreement"** | means the Exchange Form 5D Value Escrow Agreement for Tier 2 issuers among the Company, the Escrow Agent and certain shareholders of the Resulting Issuer, pursuant to which the Escrow Shares will be held in escrow; |
| **"Escrow Deadline"** | Means November 30, 2011, unless otherwise extended pursuant to the Subscription Receipt Agreement; |
| **"Escrow Shares"** | means 27,765,667 Fox Resources Shares to be subject to the Escrow Agreement upon the Completion of the Transactions pursuant to the policies of the Exchange; |

| | |
|---|---|
| **"Exchange:** | means the TSX Venture Exchange Inc.; |
| **"Filing Statement"** | means this Filing Statement dated November 9, 2011; |
| **"Final Exchange Bulletin"** | means the bulletin issued by the Exchange following the completion of the Acquisition which evidences the final Exchange acceptance of the Acquisition; |
| **"Fox Resources Shares"** | means the common shares without par value in the share capital of the Company; |
| **"Fox Resources Warrants"** | means the common share purchase warrants to be issued upon exercise of the Subscription Receipts. Each Fox Resources Warrant is exercisable into Offering one Fox Resources Share for a period of two years from the date of issuance of the Subscription Receipts at an exercise price of $0.66 during the first year and $0.80 thereafter. |
| **"Glacier Prospects"** | means the prospects in Toole and Glacier Counties, Montana having a gross area of approximately 99,413 acres and which is the subject matter of the Glacier Prospects Report; |
| **"Glacier Prospects Report"** | means the independent technical report in respect of the Glacier Prospect prepared by MHA Petroleum Consultants dated August 1, 2011; |
| **"NI 51-101"** | means National Instrument 51-101 (Standards of Disclosure for Oil and Gas Activities) adopted by the Canadian Securities Administrators; |
| **"person"** or **"persons"** | includes an individual, body corporate, partnership, syndicate or other form of unincorporated entity; |
| **"Pro Forma Financial Statements"** | means the pro forma financial statements of the Resulting Issuer as at June 30, 2011, copies of which are attached as Appendix "C" to this Filing Statement; |
| **"Related Party"** | means (i) "related parties to the Company", being promoters, officers, directors, other insiders of the Company and Associates or Affiliates thereof, and (ii) "related parties to the Acquisition", being the promoters, officers, directors, other insiders and all other parties to or associated with the Acquisition and Associates or Affiliates of those parties; |
| **"Resulting Issuer"** | means the Company after the Completion of the Transactions; |
| **"SEDAR"** | means the Canadian System for Electronic Document Analysis and Retrieval available through http://www.sedar.com; |
| **"Share Exchange Agreement"** | the Share Exchange Agreement dated September 30, 2011, as may be amended, made between the Company and Big Sky with respect to the Acquisition; |
| **"Stock Option Plan"** | means the "rolling" stock option plan reserving a maximum of 10% of the issued common shares of the Company at the time of the stock option grant; |
| **"Subscription Receipts Agent"** | means McCullough O'Connor Irwin LLP at their offices in Vancouver, British Columbia; |
| **"Subscription Receipt Agreement"** | means the subscription receipt agreement dated as of September 30, 2011 between the Company and the Subscription Receipt Agent which will govern the Subscription Receipts; |

| | |
|---|---|
| **“Subscription Receipts”** | means the 25,714,285 subscription receipts issued pursuant to the Subscription Receipt Offering, each such Subscription Receipt representing the right to receive, without payment of any additional consideration, one Fox Resources Share and one Subscription Receipt Warrant upon completion of the Acquisition on or before the Escrow Deadline. |
| **“Subscription Receipt Exercise”** | means the deemed exercise of the Subscription Receipts issued pursuant to the Subscription Receipt Offering into Fox Resources Shares and Fox Resources Warrants upon completion of the Acquisition on or before the Escrow Deadline. |
| **“Subscription Receipt Offering”** | means the private placement offering and sale of the Subscription Receipts at a price of $0.35 per Subscription Receipt, for gross proceeds to the Company of $9,000,000, pursuant to registration and prospectus exemptions from applicable securities laws; |
| **“Subscription Receipt Warrants”** | means the common share purchase warrants to be issued pursuant to the Subscription Receipt Offering entitling the holder thereof to acquire one Fox Resources Share for a period of two years from the date of issuance of the Subscription Receipts at an exercise price of $0.66 during the first year and $0.80 thereafter; |
| **“Transactions”** | means, collectively, the Acquisition and the Subscription Receipt Exercise; |
| **“USA”** | means the United States of America; and |
| **“Vendors”** | means the current members of Big Sky, being CAI Holdings LLC, LSN Asset Management LLC, NDC Asset Management Ltd., Heel Valley Management LLC, Pioneer Shale Group Corp. Charles Robinson and George Robinson. |

## CURRENCY AND EXCHANGE RATES

In this Filing Statement unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars, reference to “dollars” or “$” or “CDN$” are to Canadian dollars, references to “US$” are to United States dollars.

Where such amounts represent Canadian dollars equivalent of a stated $US, the amounts have been converted into Canadian dollars at November 8, 2011 at the closing rate published by the Bank of Canada, being $1.00 = US$0.9862.

Terms and abbreviations used in the financial statements of the Company and in the appendices to this filing statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Fox Resources prepared their financial statements using Canadian generally accepted accounting principles for fiscal periods before and ending December 31, 2010 and international financial reporting standards for fiscal periods after January 1, 2011 referred to as “Canadian GAAP” and “IFRS”, respectively. Big Sky prepared their financial statements using US generally accepted accounting principles that are in effect from time to time, referred to as “US GAAP”.

## TECHNICAL ABBREVIATIONS AND CONVERSION

In this Filing Statement the abbreviations set forth below have the following meanings:

| Oil and Natural Gas Liquids | | Natural Gas | |
|---|---|---|---|
| Bbl | barrel | Mcf | thousand cubic feet |
| Bbls | barrels | Mmcf | million cubic feet |
| Mbbls | thousand barrels | Mcf/d | thousand cubic feet per day |
| Bbls/d | barrels per day | Bcf | billion cubic feet |
| NGLs | natural gas liquids | | |
| boe[(1)] | barrel of oil equivalent | | |
| boe/d | barrel of oil equivalent per day | | |

**Notes**

(1) **Note that boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.**

## SUMMARY OF FILING STATEMENT

*The following is a summary of information relating to the Company, Big Sky and its oil and gas properties, the Acquisition and the Resulting Issuer (assuming completion of the Acquisition) and should be read together with the more detailed information and financial data and statements contained elsewhere, or incorporated by reference, in this Filing Statement. Certain capitalized words and terms used in this summary are defined in the Glossary.*

### General

This Filing Statement has been prepared in accordance with TSX Venture Exchange Policy 5.2 Changes of Business and Reverse Takeovers and TSX Venture Exchange Form 3D2 - Information Required in a Filing Statement for a Reverse Take-Over or Change of Business.

### The Acquisition

Under the Share Exchange Agreement, the Company agreed to acquire all of the outstanding membership interests of Big Sky, a private Montana based oil and gas company from the Vendors. The principal assets of Big Sky consist primarily of a working interest in the Glacier Prospects. Pursuant to the Share Exchange Agreement, in consideration for the acquisition of Big Sky, Fox Resources will issue 27,000,000 Fox Resources Shares (the "Transaction Shares") at a deemed price of $0.35 per share (for aggregate deemed consideration of $9,450,000 and will repay certain debt of Big Sky (including issuing 1,350,000 Fox Resources Shares to the Big Sky Lenders) . See "Part II - Information Concerning the Acquisition and Big Sky".

The Acquisition constitutes a Reverse Takeover under the policies of the Exchange. The completion of the Acquisition contemplated by the Share Exchange Agreement is subject to certain conditions, including (a) obtaining all necessary regulatory approvals, including the approval of the Exchange, including, without limitation the Exchange being satisfied that after the completion of the Transactions the Company will satisfy the Exchange's minimum listing requirements for a Tier 2 oil and gas Company as prescribed by Policy 2.1 of the Exchange, and (b) other conditions under the Share Exchange Agreement which are typical for this type of transaction.

### Arm's Length Transaction

The Acquisition was negotiated by the parties dealing at arm's length with each other and, therefore, in accordance with the policies of the Exchange, it is an Arm's Length Transaction.

### Interests of Insiders

Except as disclosed herein, no Insider, promoter or Control Person of the Company and no Associate or Affiliate of the same, has any interest in the Acquisition other than that which arises from the holding of Fox Resources Shares.

### Available Funds and Principal Purposes

#### *Available Funds*

The Available Funds are estimated to be $12,026,328 of cash as derived from the following sources:

| Source | Amount ($) |
|---|---|
| Estimated working capital of Fox Resources as at September 30, 2011 | $940,000 |
| Estimated working capital of Big Sky as at September 30, 2011 | $2,086,328(1) |
| Proceeds from the sale of Subscription Receipts | $9,000,000 |
| **Total** | **$12,026,328** |

Notes:
(1) Amount converted from US$.

***Principal Purposes of Funds***

The Company intends to use the Available Funds as set out in the estimates below:

| **Anticipated Use of Funds** | **Amount ($)** |
|---|---|
| Estimated Costs to Complete the Transactions | $200,000 |
| Payment of Big Sky Debt | $4,495,543(1) |
| Drilling and Recompletions | $5,019,265(1) |
| General and Administrative Expenses | $360,000 |
| Unallocated Working Capital | $1,951,520 |
| **Total** | **$12,026,328** |

Notes:
(1) Amount converted from US$.

There may be circumstances where, for sound business reasons, the reallocation of funds may be necessary in order for the Company to achieve its stated business objectives.

***Selected Pro Forma Information***

The following table sets forth pro forma financial information of the Resulting Issuer as of June 30, 2011 after giving effect to the Transactions and should be read in conjunction with the pro forma financial statements attached as Appendix "C".

| | **Resulting Issuer Pro Forma as at June 30, 2011 ($)** |
|---|---|
| Total Assets | $9,466,241 |
| Revenue | $nil |
| Total Expenses | $951,990 |
| Long Term Liabilities | $nil |
| Net Profit (Loss) | $(1,558,276) |

**Details Respecting the Company's Listing**

The Fox Resources Shares are currently listed for trading on the Exchange under the trading symbol "FAX". Upon completion of the Acquisition and subject to the satisfaction of the applicable listing requirements, the shares of the Company will continue to trade on the Exchange under the new symbol "BSP".

The last trading price of the Fox Resources Shares on the Exchange, immediately preceding the date of halt in trading on July 21, 2011, was $0.44.

**Conditional Listing Approval**

Documentation respecting the Acquisition has been filed with the Exchange, but the Exchange has not yet conditionally accepted the Acquisition. Acceptance of the Acquisition by the Exchange will be subject to the Company fulfilling all of the requirements of the Exchange.

**Conflicts of Interest**

The directors and management of the Company are also involved in other projects including other projects in the oil and gas industry and may have a conflict of interest in allocating their time between the business of the Company and other business or projects in which they are, or become involved.

**Risk Factors**

The Acquisition should be considered highly speculative due to the nature of the proposed involvement in the exploration for and production of oil and natural gas. Future operations would be subject to all of the risks normally incident to the operation and development of oil and natural gas properties and the drilling of oil and natural gas wells, which could result in personal injuries, loss of life and damage to property of the Company and others. All phases of the oil business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil operations. The marketability and price of oil and natural gas that may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. The Company will be subject to market fluctuations in the prices of oil and natural gas, deliverability uncertainties relating to the proximity of its reserves to pipelines and processing facilities and extensive government regulations. Oil prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of the Resulting Issuer’s net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of the Resulting Issuer’s reserves. The Resulting Issuer might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Resulting Issuer’s net production revenue causing a reduction in acquisition, development and exploration activities. The oil and gas industry is intensely competitive and the Company must compete in all aspects of their operations with a number of other entities that may have greater technical ability and/or financial resources. Title to oil and natural gas interests is often not capable of conclusive determination, without incurring substantial expense. The Company anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil reserves in the future. If the Resulting Issuer’s revenues or reserves decline, it may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. Fox Resources’ inability to access sufficient capital for the Resulting Issuer’s operations could have a material adverse effect on the Resulting Issuer’s financial condition, results of operations or prospects. For a more detailed description of these risks, and others, see “Part IV - Risk Factors”.

## PART I – INFORMATION CONCERNING THE COMPANY

### Name and Incorporation

The Company was incorporated on February 3, 2006 under the name "Waverley Biotech Inc." by Certificate of Incorporation issued pursuant to the *Canada Business Corporations Act* and, effective July 6, 2009, changed its continuance out of the federal jurisdiction into the British Columbia jurisdiction under the *Business Corporations Act* (British Columbia). The Company was classified as a capital pool company as defined under Exchange policy. The Company completed its initial public offering and commenced trading on the Exchange on May 5, 2006. On August 18, 2008, the Company completed its qualifying transaction and changed its name to "Fox Resources Ltd." In connection with, and subject to, the Completion of the Transactions, the Board has authorized a change of name to "Big Sky Petroleum Corporation" and expects to resume trading on the Exchange under the symbol "BSP".

The head office of the Company is located at Suite 410, 325 Howe Street, Vancouver, British Columbia, V6C 1Z7. The Company's registered and records offices will be located at Suite 1500 Royal Centre, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

The Company does not currently have any subsidiaries.

### General Development of the Business

The Company is primarily engaged in the acquisition and exploration of mineral property interests and has focussed on identifying mineral property interests for acquisition.

On June 2, 2008, the Company announced that for its qualifying transaction ("QT"), it entered into an option agreement on the Otter Gold Property in Princeton, British Columbia dated May 27, 2008. On August 18, 2008, the Company received final approval from the Exchange for the QT, the related private placements totalling $390,000 and the name change, and its common shares resumed trading under its current name and trading symbol "FAX" commencing on August 19, 2008.

On August 18, 2009, the Company paid $5,000 to the optionor to amend its option agreement and postpone the first anniversary commitments of paying $50,000 in cash, issuing 75,000 common shares and incurring $200,000 exploration expenditures until December 31, 2009. Upon receipt and analysis of the assay results from the 2009 follow-up program, the management decided to drop the Otter Gold Property and wrote off the entire amount as of December 31, 2009. Since then, the Company has then been in the process of identifying mineral properties of interest for acquisition.

In August, 2011 the Company announced that it had entered into a letter of intent (the "Agreement in Principle") to acquire all of the membership interests of Big Sky Operating LLC, a private Montana limited liability company which was the beneficial owner of certain oil and gas assets, most notably a working interest in the Glacier Prospects. The consideration for the proposed acquisition is the issuance of 27,000,000 Fox Resources Shares at a deemed price of $0.35 per share to the current members of Big Sky and the issuance of 1,350,000 Fox Resources Shares at a deemed price of $0.35 per share to certain lenders of Big Sky. The Agreement in Principle contained a list of key terms and condition precedents for the negotiation and drafting of a definitive agreement.

In order to fund obligations with respect to the Glacier Prospects and provide adequate ongoing working capital for the Resulting Issuer, the Company announced on August 23, 2011 that it would undertake a non-brokered private placement offering of a minimum of 24,285,715 subscription receipts at a price of $0.35 per subscription receipt, for gross proceeds to Fox Resources of a minimum of $8,500,000 (and up to $10,000,000), pursuant to registration and prospectus exemptions from applicable securities laws.

On October 3, 2011, the Company announced that it had closed the Subscription Receipt Offering and had issued 25,714,285 Subscription Receipts at a subscription price of $0.35 per Subscription Receipt for gross proceeds of $9,000,000. The gross proceeds of the Subscription Receipt Offering were placed in escrow with the Subscription Receipt Agent and are governed by the Subscription Receipt Agreement. The escrowed proceeds will be released to Fox Resources upon satisfaction of the prescribed escrow release condition, namely the completion of the Acquisition. Upon satisfaction of the escrow release condition, each Subscription Receipt will be automatically exchanged, without payment of any additional consideration, for one Fox Resources Share and one Fox Resources Warrant. In the event that the escrow release conditions have not been satisfied on or before the Escrow Deadline, the escrowed funds (plus any accrued interest earned thereon) will be returned pro rata to each holder of the Subscription Receipts, and the Subscription Receipts held by such holder will be cancelled. Upon the release conditions being met, 1,830,070 finder's warrants entitling the holder thereof to purchase up to 1,830,070 Units for a period of 24 months from the date of issuance at a price of $0.35 per Unit will be paid as finder's fees. In addition, a cash finder's fee of $512,420 will also be paid, $99,999.55 of which the finder has elected to receive in Units (285,713 Units). In accordance with the policies of the Exchange and applicable securities laws, the Subscription Receipts and underlying Fox Resources Shares will be subject to a hold period expiring on February 1, 2012 (four months and one day from the applicable distribution dates).

On October 19, 2011 the Company announced that it has concluded negotiations with Big Sky and that the parties had entered into a definitive agreement with respect to the Acquisition (the "Share Exchange Agreement").

**Selected Financial Information and Management's Discussion and Analysis**

***Annual Information***

The following information is taken from the audited financial statements of the Company for the fiscal years ended December 31, 2010, 2009 and 2008. These financial statements are filed on SEDAR at www.sedar.com, are included in this Filing Statement as Appendix "A" and are incorporated by reference hereto and should be read in conjunction herewith. The Company's financial statements were prepared on the basis of Canadian GAAP and are expressed in Canadian dollars.

| | **Fiscal Year Ended December 31, 2010 ($)** | **Fiscal Year Ended December 31, 2009 ($)** | **Fiscal Year Ended December 31, 2008 ($)** |
|---|---|---|---|
| Total Assets | $227,512 | $319,335 | $676,392 |
| Revenue | $Nil | $Nil | $Nil |
| Total Expenses | $85,787 | $88,211 | $124,137 |
| Long Term Liabilities | $Nil | $Nil | $Nil |
| Net Profit (Loss) | $(84,024) | $(264,923) | $(111,126) |

***Quarterly Information***

The following information is from the unaudited financial statements for the six-month period ended June 30, 2011 as compared to the six-month period ended June 30, 2010. These interim financial statements are filed on SEDAR at www.sedar.com, are included in this Filing Statement as Appendix "A" and are incorporated by reference hereto and should be read in conjunction herewith. The interim financial statements regarding the June 30, 2011 period were prepared on the basis of International Financial Reporting Standards ("IFRS") while the interim financial statements regarding the June 30, 2010 period were converted from Canadian GAAP to IFRS for comparative purposes.

| | **Period Ended June 30, 2011 ($)** | **Period Ended June 30, 2010 ($)** |
|---|---|---|
| Total Assets | $1,100,328 | $250,761 |
| Revenue | $Nil | $Nil |

| | Period Ended June 30, 2011 ($) | Period Ended June 30, 2010 ($) |
|---|---|---|
| Total Expenses | $46,982 | $53,991 |
| Long Term Liabilities | $Nil | $Nil |
| Net Profit (Loss) | $(43,017) | $(52,770) |

***Managements Discussion and Analysis***

***Six-months ended June 30, 2011***

During the six months ended June 30, 2011, the Company incurred a net loss of $43,017 ($0.01 loss per share) compared to a net loss of $52,770 ($0.02 loss per share) for the six months ended June 30, 2010. The decrease was due to property investigation fee of $15,544 paid in 2010 (2011 - $Nil) looking for property in Mexico.

The Company's working capital as at June 30, 2011 was $1,076,559 (December 31, 2010 - $215,586). Cash totalled $1,095,836 as at June 30, 2011, an increase of $869,648 from $226,188 as at December 31, 2010. The Company received $15,000 from the exercise of 50,000 options at $0.30; received $936,000 from the non-brokered private placement of 3,120,000 units at $0.30 and incurred net operating expenses of $34,342 during the period ended June 30, 2011.

As at September 30, 2011, the Company had working capital of $998,594

***Year ended December 31, 2010***

During the year ended December 31, 2010, the Company recorded a net loss of $84,024 ($0.03 loss per share) compared to a net loss of $264,923 ($0.08 loss per share) for the year ended December 31, 2009. The difference was mainly due to $225,328 write-off of mineral property interest in 2009 which was offset by $45,000 future income tax recovery in the year ended December 31, 2009 pursuant to the renunciation of the flow-through shares issued in 2008.

The Company recorded operating expenses of $85,787 during the year ended December 31, 2010 compared to $88,211 for the 2009 year. The change of $2,424 in operating expenses was mostly due to project investigation expense of $15,544 (2009 - $Nil) as a result the Company's active pursuit for mineral exploration projects. While the Company incurred more project investigation costs, other expenses were decreased as a result of conservation of cash to identify a new exploration project: legal fees (2010 - $2,509; 2009 - $7,835), transfer agent, listing and filing fees (2010 - $20,722; 2009 - $23,355), and office expenses (2010 - $645; 2009 - $2,483).

The only revenue recorded during the year ended December 31, 2010 was interest income of $2,078 (2009 - $2,102).

The Company's working capital as at December 31, 2010 was $215,586 (2009 - $299,610). Cash totalled $226,188 as at December 31, 2010, a decrease of $89,824 from $316,012 as at December 31, 2009 due to its operating activities during the year.

**Description of the Securities**

The Company is authorized to issue an unlimited number of Fox Resources Shares without nominal or par value and without any special rights or restrictions. As of the date hereof, there are 6,326,667 Fox Resources Shares issued and outstanding as fully paid and non-assessable. In addition, 25,999,998 Fox Resources Shares are reserved for issuance pursuant to the exercise of the Subscription Receipts (including finder's units), 173,333 Fox Resources Shares are reserved for issuance under stock options currently granted to directors and officers, 27,559,998 Fox Resources Shares are reserved for issuance under common share purchase warrants and 3,957,140 Fox Resources Shares are reserved for issuance under agents options (including warrants associated with agents options). The Company will issue 28,350,000 Fox Resources Shares in conjunction with the Acquisition (including the Fox

Resources Shares to be issued to the Big Sky Lenders). The Company has agreed to grant, upon Completion of the Transactions, incentive stock options to purchase an aggregate of 1,470,000 Fox Resources Shares at an exercise price of $0.35 per share which will be, upon receipt of Exchange approval, be governed by the Stock Option Plan.

Holders of Fox Resources Shares are entitled to dividends if, as and when declared by the directors, to one vote per Fox Resources Share at meetings of shareholders and, upon liquidation, to receive such assets of the Company as are distributable to holders of Fox Resources Shares. The Fox Resources Shares are not subject to call or assessment rights, redemption rights, rights regarding purchase for cancellation or surrender, or any pre-emptive or conversion rights. All Fox Resources Shares to be outstanding after completion of the Transactions will be fully paid and non-assessable.

**Principal Shareholders**

To the knowledge of the directors and/or senior officers of Fox Resources, no person beneficially owns, directly or indirectly, or exercises control or direction over Fox Resources Shares carrying more than 10% of voting rights attached to all outstanding shares of the Company except the following:

| Name | Number of Shares | % of Outstanding Common Shares |
| --- | --- | --- |
| Mark T. Brown | 765,667 | 12.1% |

**Notes:**

(1) The information as to shares beneficially owned, not being within the knowledge of the management of the Company, has been extracted from the register of shareholdings maintained by the Company's Registrar and Transfer Agent.

**Stock Option Plan**

The Company currently has a rolling 10% stock option plan (the "Stock Option Plan") which provides that the Board of Directors may from time to time, in its discretion, and in accordance with Exchange requirements, grant to directors, officers and technical consultants to the Company, non-transferable options to purchase Fox Resources Shares, provided that the number of Fox Resources Shares will not exceed a total of 632,666 Fox Resources Shares. The Company has options outstanding under the Stock Option Plan to purchase 173,333 Fox Resources Shares. The Stock Option Plan was ratified by the Company's shareholders at its last annual general meeting held on June 8, 2011.

The aggregate number of common shares reserved for issuance under the Stock Option Plan and common shares reserved for issuance under any other share compensation arrangement granted or made available by Fox Resources from time to time may not exceed in aggregate 10% of Fox Resources' common shares issued and outstanding at the time of grant. The Stock Option Plan also provides for adjustments to outstanding options in the event of any consolidation, subdivision, conversion or exchange of the Company's common shares.

The term of any options granted under the Stock Option Plan will be fixed by the Board and may not exceed five years. The exercise price of options granted under the Option Plan will be determined by the Board, provided that it is not less than the lowest price permitted by the Exchange policies. Options granted pursuant to the Stock Option Plan will be subject to vesting in three equal tranches over a three year period, and black-out exercise periods related to the release of interim or annual financial information, or an ad hoc trading ban related to a pending material change.

Any options granted pursuant to the Stock Option Plan will terminate: (a) the later of any applicable severance notice period and 90 days of the option holder ceasing to act as an officer, employee or consultant of Fox Resources or any of its affiliates; or (b) within 90 days of the option holder ceasing to act as a director of Fox Resources - unless such cessation is on account of death, disability or termination of employment with cause. If such cessation is on account of disability or death, the options terminate on the first anniversary of such cessation, and if it is on account of termination of employment with cause, the options terminate immediately.

The Stock Option Plan is be administered by the Board of Fox Resources and shareholder approval is not required for option grants made in accordance with the Stock Option Plan, except as required by the policies of the Exchange.

The Company has agreed to grant, upon Completion of the Transactions, incentive stock options to purchase an aggregate of 1,470,000 Fox Resources Shares at an exercise price of $0.35 per share.

**Prior Sales**

In the twelve months prior to the date of the Filing Statement the following securities of the Company have been issued:

| Date | Number of Securities | Issue Price Per Security | Aggregate Issue Price | Consideration Received |
|---|---|---|---|---|
| April 26, 2011 | 3,120,000 Fox Resources Shares | $0.30 | $936,000 | Cash |

**Escrow Securities**

As of the date of this Filing Statement, there are no Fox Resources Shares held in escrow.

**Stock Exchange Price**

The following table sets out trading information for the Fox Resources Shares for the periods indicated as reported by the Exchange.

| Period | High C$ | Low C$ | Trading Volume |
|---|---|---|---|
| November 1 - 8, 2011(1) | Not Trading | Not Trading | Nil |
| Month ended October 31, 2011(1) | Not Trading | Not Trading | Nil |
| Month ended September 30, 2011(1) | Not Trading | Not Trading | Nil |
| Month ended August 30, 2011(1) | Not Trading | Not Trading | Nil |
| Month ended July 31, 2011 | $0.55 | $0.40 | 25,100 |
| Month ended June 30, 2011 | $0.57 | $0.53 | 19,000 |
| Month ended May 31, 2011 | $0.69 | $0.455 | 63,700 |
| Month ended April 30, 2011 | $0.70 | $0.35 | 154,000 |
| Quarter ended March 30, 2011 | $0.40 | $0.255 | 95,708 |
| Quarter ended December 31, 2010 | $0.395 | $0.245 | 107,252 |
| Quarter ended September 30, 2010 | $0.25 | $0.21 | 80,000 |
| Quarter ended June 30, 2010 | $0.265 | $0.165 | 102,000 |
| Quarter ended March 30, 2010 | $0.35 | $0.245 | 114,066 |
| Quarter ended December 31, 2009 | $0.35 | $0.25 | 146,167 |
| Quarter ended September 30, 2009 | $0.295 | $0.12 | 168,000 |

Notes:

(1) The trading of Fox Resources Shares was halted on July 22, 2011 following the filing of a news release announcing the Acquisition. Trading in the Fox Resources Shares remains halted pending completion of the Transactions. The final closing price on July 21, 2011, the day on which Fox Resources Shares traded prior to the halt in trading, was $0.44 per Fox Resources Share.

**Executive Compensation**

During the financial year ended December 31, 2010, the Company had two Named Executive Officers of the Company, being: Mark T. Brown, the Chief Executive Officer ("CEO") and Winnie Wong, the Chief Financial Officer ("CFO"). Both Mr. Brown and Ms. Wong are employed by an external management company.

"Named Executive Officer" means: (a) each Chief Executive Officer, (b) each Chief Financial Officer, (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year whose total compensation was, individually, more than $150,000; and (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the company, nor acting in a similar capacity, at the end of that financial year.

***Philosophy and Objectives***

The primary goal of Fox Resources' executive compensation process is to attract and retain the key executives necessary for Fox Resources' long term success, to encourage executives to further the development of Fox Resources and its operations, and to motivate qualified and experienced executives. The key elements of executive compensation awarded by Fox Resources are base salary and incentive stock options. The directors are of the view that the two elements should be considered together when determining executive compensation.

Salaries for Named Executive Officers are determined by evaluating the time, effort and responsibilities of a Named Executive Officer, with a view to the competitive marketplace. The Board seeks to set base salary at a level competitive enough to represent a fair compensation in the marketplace while ensuring such compensation reflects the development stage of the Company. For all employees, including Named Executive Officers, salary adjustments are considered by the Board annually but any adjustments to base salary are not guaranteed and any adjustment includes consideration for individual performance and market conditions.

The Stock Option Plan is available to all employees, including the Named Executive Officers and consultants to Fox Resources. As options have increased value to the holder if the market value of the stock appreciates over time, the objective of the program is to tie the interests of the executive officers and employees directly to the interests of the shareholders. In that regard, stock option incentive plans are intended to serve as a long term retention and incentive tool. The exercise price, terms, vesting and conditions of any options granted are established by the Board and subject to the rules of the regulatory authorities having jurisdiction over the securities of the Company. The determination of an award, as well as the amount of the any award, are at the sole discretion of the Board. The Board considers previous grants of options and the overall number of options that are outstanding relative to the number of outstanding common shares in determining whether to make any new grants of options and the size and terms of any such grants, as well as the level of effort, time, responsibility, ability, experience and level of commitment of the executive officer or employee in determining the level of incentive stock option compensation.

***Compensation of Named Executive Officers***

The Company entered into an agreement with Pacific Opportunity Capital Ltd. ("POC"), a company controlled by Mark T. Brown and his family, to pay POC a monthly amount of $2,500 for accounting and management services, including Mr. Brown acting as the Chief Executive Officer and Ms. Wong acting as the Chief Financial Officer. The Company is also required to reimburse POC for out-of-pocket expenses. The Company paid a total of $30,000 for accounting and management services and $6,000 for rent during the financial year ended December 31, 2010 to POC. The Company paid a total of $18,000 for accounting and management services and $4,500 for rent during the six-month period ended June 30, 2011 to POC. The Company does not presently have any other compensation arrangements for its Named Executive Officers.

***Option-Based Awards***

Stock option grants are made on the basis of the number of stock options currently held, position, overall individual performance, anticipated contribution to the Company's future success and the individual's ability to influence corporate and business performance. The purpose of granting such stock options is to assist the Company in compensating, attracting, retaining and motivating the officers, directors and employees of the Company and to closely align the personal interest of such persons to the interest of the shareholders.

The recipients of incentive stock options and the terms of the stock options granted are determined from time to time by the Board. The exercise price of the stock options granted is generally determined by the market price at the time of grant.

***Summary Compensation Table***

Set out below is a summary of compensation paid during the six-month period ended June 30, 2011 and the fiscal years ended at December 31, 2010, 2009 and 2008 to the Company's Named Executive Officers:

| | | | | | Non-equity incentive plan compensation ($) | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Name and principal position** | **Period Ended** | **Salary ($)** | **Share-based awards ($)** | **Option-based awards ($)** | **Annual incentive plans** | **Long-term incentive plans** | **Pension value ($)** | **All other compensa-tion ($)** | **Total compensa-tion ($)** |
| Mark T. Brown CEO | June, 2011<br>December, 2010<br>December, 2009<br>December, 2008 | Nil<br>Nil<br>Nil<br>Nil | Nil<br>Nil<br>Nil<br>Nil | Nil<br>Nil<br>Nil<br>$8,233[1] | Nil<br>Nil<br>Nil<br>Nil | Nil<br>Nil<br>Nil<br>Nil | Nil<br>Nil<br>Nil<br>Nil | Nil<br>Nil<br>Nil<br>Nil | Nil<br>Nil<br>Nil<br>$8,233 |
| Winnie Wong, CFO | June, 2011<br>December, 2010<br>December, 2009<br>December, 2008 | Nil<br>Nil<br>Nil<br>Nil | Nil<br>Nil<br>Nil<br>Nil | Nil<br>Nil<br>Nil<br>$7,600[1] | Nil<br>Nil<br>Nil<br>Nil | Nil<br>Nil<br>Nil<br>Nil | Nil<br>Nil<br>Nil<br>Nil | Nil<br>Nil<br>Nil<br>Nil | Nil<br>Nil<br>Nil<br>$7,600 |

Notes:

(1) The fair value of option-based awards which are vested during 2009 is determined by the Black-Scholes Option Pricing model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and expected life of the options.

***Narrative Discussion***

The Company paid a total of $30,000 for accounting and management services and $6,000 for rent during the financial year ended December 31, 2010 and a total of $18,000 for accounting and management services and $4,500 for rent during the six-month period ended June 30, 2011 to POC, a company which Mr. Mark T. Brown is the President and Ms. Winnie Wong is a Vice President, for the management and accounting services of an accounting and administrative team of three people during such periods.

***Outstanding Share-Based Awards and Option-Based Awards***

The following table sets forth the outstanding share-based awards and option-based awards held by the Named Executive Officers of the Company as of the date of this Filing Statement.

**Outstanding Share-Based Awards and Option-Based Awards**

| | Option-based Awards | | | | Share-based Awards | |
|---|---|---|---|---|---|---|
| **Name** | **Number of securities underlying unexercised options[1] (#)** | **Option exercise price ($)** | **Option expiration date** | **Value of unexercised in-the-money options ($)[1]** | **Number of shares or units of shares that have not vested (#)** | **Market or payout value of share-based awards that have not vested ($)[2]** |



4709922.7

| Name | Option-based Awards | | | | Share-based Awards | |
|---|---|---|---|---|---|---|
| | Number of securities underlying unexercised options[(1)] (#) | Option exercise price ($) | Option expiration date | Value of unexercised in-the-money options ($)[(1)] | Number of shares or units of shares that have not vested (#) | Market or payout value of share-based awards that have not vested ($)[(2)] |
| Mark T. Brown, CEO | 43,333 | $0.30 | May 21, 2013 | $3,899.87 | Nil | Nil |
| Winnie Wong, CFO | 40,000 | $0.30 | May 21, 2013 | $3,600 | Nil | Nil |

Notes:

(1) "In-the-Money Options" means the excess of the market value of the Fox Resources Shares on December 31, 2010 over the exercise price of the options. The Company's shares last traded on December 23, 2010 at a closing price of $0.39.

(2) The options granted to the Named Executive Officers of the Company vested immediately.

***Incentive Plan Awards – Value Vested or Earned During the Year***

The following table sets forth details of the value vested or earned for all incentive plan awards during the most recently completed financial year by each Named Executive Officer:

**Value Vested or Earned for Incentive Plan Awards During the Most Recently Completed Financial Year**

| Name | Option-based awards – Value vested during the year[(1)] ($) | Share-based awards – Value vested during the year ($) | Non-equity incentive plan compensation – Value earned during the year ($) |
|---|---|---|---|
| Mark T. Brown, CEO | Nil | Nil | Nil |
| Winnie Wong, CFO | Nil | Nil | Nil |

Note:

(1) The options under the option-based award were vested immediately upon granting.

***Pension Benefits***

The Company does not have a pension plan that provides for payments or benefits to the NEOs at, following, or in connection with retirement.

***Termination and Change of Control Benefits***

The Company does not have any termination and change of control benefits for its Named Executive Officers.

The table below sets out the estimated incremental payments, payables and benefits due to each of the Named Executive Officers on termination without cause assuming termination on December 31, 2010.

| Name | Base Salary ($) | Bonus ($) | Option-Based Awards ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|
| Mark T. Brown, CEO | Nil | Nil | Nil | Nil | Nil |
| Winnie Wong, CFO | Nil | Nil | Nil | Nil | Nil |

The table below sets out the estimated incremental payments, payables and benefits due to each of the Named Executive Officers on termination on a change of control or resignation for good cause following a change of control assuming termination or resignation on December 31, 2010.

| Name | Base Salary ($) | Bonus ($) | Option-Based Awards ($)(1) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|
| Mark T. Brown, CEO | Nil | Nil | Nil | Nil | Nil |
| Winnie Wong, CFO | Nil | Nil | Nil | Nil | Nil |

Notes:

(1) Assumes no exchange of options held by Named Executive Officers for acquiring company's stock options and the vesting of all outstanding options. Calculated based on the difference between the market price of the shares on the Exchange on December 31, 2010, which was $0.39 and the exercise price of the option.

The Company has no compensatory plan, contract or arrangement where a Named Executive Officer is entitled to receive more than $100,000 (including periodic payments or instalments) to compensate such executive officer in the event of resignation, retirement or other termination of the Named Executive Officer's employment with the Company, a change of control of the Company, or a change in responsibilities of the Named Executive Officer following a change in control.

**Director Compensation**

***Director Compensation Table***

Other than compensation paid to the Named Executive Officers, and except as noted below, no compensation was paid to directors in their capacity as directors of the Company or its subsidiaries, in their capacity as members of a committee of the Board or of a committee of the board of directors of its subsidiaries, or as consultants or experts, during the Company's most recently completed financial year.

The following table sets forth the details of compensation provided to the directors, other than the Named Executive Officers during the Company's most recently completed financial year:

**Director Compensation Table**

| Name | Fees Earned ($) | Share-based Awards ($) | Option-based Awards ($) | Non-Equity Incentive Plan Compensation ($) | Pension Value ($) | All Other Compensation(4) ($) | Total ($) |
|---|---|---|---|---|---|---|---|
| James H. Elliott | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Alastair Sinclair | Nil | Nil | Nil | Nil | Nil | Nil | Nil |

Note:

(1) The fair value of option-based awards which are vested during 2010 is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and expected life of the options. All options vested immediately.

***Narrative Discussion***

Directors are only compensated through the grant of stock options. No directors' fees are paid.

***Directors - Outstanding Share-Based Awards and Option-Based Awards***

The following table sets forth the outstanding share-based awards and option-based awards held by the directors of the Company at the end of the most recently completed financial year:

**Outstanding Share-Based Awards and**
**Option-Based Awards**

| | Option-based Awards | | | | Share-based Awards | |
|---|---|---|---|---|---|---|
| **Name** | **Number of securities underlying unexercised options (#)** | **Option exercise price ($)** | **Option expiration date** | **Value of unexercised in-the-money options ($)(1)** | **Number of shares or units of shares that have not vested (#)(2)** | **Market or payout value of share-based awards that have not vested ($)** |
| James H. Elliott | 40,000 | $0.30 | May 21, 2013 | $3,600 | Nil | Nil |
| Alastair Sinclair | 40,000 | $0.30 | August 18, 2013 | $3,600 | Nil | Nil |

Notes:

(1) "In-the-Money Options" means the excess of the market value of the Company's shares on December 31, 2010 over the exercise price of the options. The Company's shares last traded on December 23, 2010 at a closing price of $0.39.

(2) The options granted to the directors of the Company vested immediately.

***Incentive Plan Awards – Value Vested or Earned During the Year***

The following table sets forth details of the value vested or earned for all incentive plan awards during the most recently completed fiscal year by each director:

**Value Vested or Earned for Incentive Plan Awards during the Most**
**Recently Completed Financial Year**

| **Name** | **Option-based awards – Value vested during the year(1) ($)** | **Share-based awards – Value vested during the year ($)** | **Non-equity incentive plan compensation – Value earned during the year ($)** |
|---|---|---|---|
| James H. Elliott | Nil | Nil | Nil |
| Alastair Sinclair | Nil | Nil | Nil |

Note:

(1) The options under the option-based award were vested immediately upon granting.

***Securities Authorized for Issuance under Equity Compensation***

The following table sets out those securities of the Company which have been authorized for issuance under equity compensation plans as of December 31, 2010:

| **Plan Category** | **Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)** | **Weighted-average exercise price of outstanding options, warrants and rights (b)** | **Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)** |
|---|---|---|---|
| Equity compensation plans approved by the securityholders | 223,333 | $0.30 | 92,333 |

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|---|---|---|---|
| Equity compensation plans not approved by the securityholders | Nil | N/A | N/A |
| Total | 223,333 | $0.30 | 92,333 |

**Indebtedness of Directors and Executive Officers**

None of the current or former directors, executive officers, employees of the Company or its subsidiaries, the proposed nominees for election to the board of directors of the Company, or their respective associates or affiliates, are or have been indebted to the Company or its subsidiaries since the beginning of the last completed financial year of the Company.

***Management Contracts***

Management, administrative and secretarial functions are provided by Pacific Opportunity Capital Ltd. ("POC"), a private company of which Mark T. Brown is the President and a director. A total of $30,000 was invoiced by POC for accounting and management services rendered and another $6,000 was invoiced for rent for the year ended December 31, 2010.

***Non-Arm's Length Party Transactions***

The Company has not had any Non Arm's Length Transactions within the five years before the date of this Filing Statement.

***Arm's Length Transactions***

The Acquisition is an Arm's Length Transaction, as that term is defined in the policies of the Exchange.

**Conditional Listing Approval**

Documentation respecting the Transactions has been filed with the Exchange, but the Exchange has not yet conditionally accepted the Transactions. Acceptance of the Transactions by the Exchange will be subject to the Company fulfilling all of the requirements of the Exchange.

**Legal Proceedings**

The Company is not aware of any other pending or threatened litigation, claims, or assessments against it.

**Auditor, Transfer Agent and Registrar**

***Auditor***

The auditor of the Company is Smythe Ratcliffe, Chartered Accountants, Suite 700, 355 Burrard Street, Vancouver, British Columbia.

### ***Registrar and Transfer Agent***

The transfer agent and registrar for Fox Resources Shares is CIBC Mellon Trust Company at its principal office in Vancouver, British Columbia.

## **Material Contracts**

The Company has not entered into any contracts material to investors, other than in the ordinary course of business and other than:

(a) Subscription Receipt Agreement; and

(b) Share Exchange Agreement.

Copies of these agreements may be inspected without charge at the Company's registered office, Suite 410, 325 Howe Street, Vancouver, British Columbia, V6C 1Z7 during normal business hours until the completion of the Acquisition and for a period of 30 days thereafter.

## PART II – INFORMATION CONCERNING BIG SKY

The following information has been provided by Big Sky and is presented on a pre-transaction basis and is reflective of the current business, financial and capital position of Big Sky. See "Information Concerning the Resulting Issuer" for pro forma business, financial and share capital information relating to the Resulting Issuer following the Transactions.

### Name and Incorporation

Big Sky was formed on January 17, 2008 as a private limited liability company in Montana, USA. Under its Limited Liability Company agreement its owners, called members, hold membership interests which give each owner the right to receive its percentage share of any distributions.

Big Sky's registered and head office is situated at 100 North 27th Street, Suite 250, Billings, Montana, USA, 59101.

### The Acquisition

Pursuant to the Share Exchange Agreement, Fox Resources has agreed to acquire all of the outstanding membership interests of Big Sky from the Vendors in consideration for the issuance of 27,000,000 Fox Resources Shares (the "Transaction Shares") to the Vendors at a deemed price of $0.35 per share for deemed consideration of $9,450,000 and the issuance of 1,350,000 Fox Resources Shares to certain lenders of Big Sky. Big Sky's principal asset is its working interest in the Glacier Prospects as described in more detail below.

The completion of the Acquisition contemplated by the Share Exchange Agreement is subject to certain conditions, including (a) obtaining all necessary regulatory approvals, including the approval of the Exchange, including, without limitation the Exchange being satisfied that after the Completion of the Transactions Fox Resources will satisfy the Exchange's minimum listing requirements for a Tier 2 oil and gas Company as prescribed by Policy 2.1 of the Exchange; and (b) other conditions under the Share Exchange Agreement which are typical for this type of transaction.

The proposed Acquisition should be considered highly speculative due to the nature of the proposed involvement in the exploration for and production of oil and natural gas. Future operations would be subject to all of the risks normally incident to the operation and development of oil and natural gas properties and the drilling of oil and natural gas wells, which could result in personal injuries, loss of life and damage to property of the Resulting Issuer and others. The marketability and price of oil and natural gas that may be acquired or discovered by the Resulting Issuer will be affected by numerous factors beyond the control of the Resulting Issuer. The Resulting Issuer will be subject to market fluctuations in the prices of oil and natural gas, deliverability uncertainties relating to the proximity of its reserves to pipelines and processing facilities and extensive government regulations. The oil and gas industry is intensely competitive and the Company must compete in all aspects of their operations with a number of other entities that may have greater technical ability and/or financial resources. Title to oil and natural gas interests is often not capable of conclusive determination, without incurring substantial expense. For a more detailed description of these risks, and others, see "Part IV - Risk Factors".

### General Development of the Business

#### *History*

Big Sky was formed for the purpose of acquiring oil and gas exploration opportunities, drilling and completing wells and acquiring oil and gas production with primary focus on the exploration and development of oil and gas in the Alberta Basin, commonly referred to as the Bakken source system. Since its organization, Big Sky has amassed a vast geological library identifying Bakken source system members. Accordingly, all leases acquired by Big Sky have been selected based on the analysis of geological data accumulated over the past several years. Big Sky's success in acquiring its leasehold interests has resulted in Big Sky becoming a significant player in the Montana Alberta Basin's emerging Bakken play.

Currently, Big Sky has interests in three separate land packages known as the Somont Farm-In Package, the Americana Acreage Block and the FX Block, collectively referred to as the Glacier Prospects.

On January 26, 2011 Big Sky entered into a Farmout Agreement with Somont Oil Company Inc. to acquire a 33.33% working interest (with a 20% royalty burden) on a 6,333 net acre property located in Toole County, Montana known as the Somont Farm-In Package.

On January 27, 2011 Big Sky entered into a Lease Acquisition Agreement pursuant to which it purchased a 33.33% working interest (with a 20% royalty burden) on a total of 2,659 net acres located in Glacier County, Montana known as the FX Block and an additional 72,103 net acres known as the American Acreage Block.

Details of the Glacier Prospects are found under "Description of Properties" below.

***Significant Dispositions & Acquisitions***

No other acquisitions or dispositions other than the acquisition of its interests in the Glacier Prospects have been made by Big Sky.

**Narrative Description of the Business**

***General***

Since its formation, Big Sky has acquired and maintains interests in certain oil and gas properties located in Montana, USA known as the Glacier Prospects. These assets were acquired by Big Sky in three separate acquisitions in 2011. Big Sky's interests consist primarily of a 33% working interest in the Glacier Prospects with a 20% royalty burden. Big Sky is currently drilling the first two wells on the Glacier Prospects with two more wells planned before the end of 2011. Details of the Glacier Prospects are found under "Description of Properties" below.

**Description of Properties**

***Technical Reports***

The disclosure which follows concerning the Glacier Prospects should be read in conjunction with the Technical Report dated August 1, 2011 prepared pursuant to NI 51-101 by MHA Petroleum Consultants ("MHA") and entitled "Geological Assessment of the Glacier Prospect Area, Toole and Glacier Counties, Montana" available for review under the Company's profile at www.sedar.com.

***Somont Farm-in Package***

***Description and Location***

Big Sky has purchased the contractual rights to earn farm-out acreage within drillsite spacing units, on a well by well basis, with a continuous drilling obligation. Big Sky paid US$175 to US$200 per acre for 6,333 fill-in net acres around the Somont farm-out. Big Sky's working interest is 33.333% with a 20% royalty burden. The initial obligation well has been drilled, and the two subsequent wells are tied to a 180 day drilling obligation clock that starts at the spud of the previous well. The second well is scheduled to be drilled in November 2011. Any additional wells drilled after these first two subsequent wells are then tied to a 90 day drilling obligation clock that, again, starts at the spud of the previous well drilled. There is no monetary penalty if Big Sky elects to discontinue drilling additional wells. However, the Farm-out Agreement will terminate and Big Sky will lose the right to earn additional acreage if drilling ceases.

'Earning' in the Farm-out Agreement is limited to those formations between depth drilled and the base of the Madison Formation. Earning is also limited to formations containing only oil and hydrocarbon bearing gas. Formations, subject to the Farm-out Agreement, that contain non-hydrocarbon bearing gasses (defined in the agreement) cannot be earned by Big Sky.

Although the Upper Exshaw and Three Forks Formations are the primary objectives of this prospect, there is no apparent language in the Farm-out Agreement that precludes Big Sky from drilling and earning rights to formations deeper than the Three Forks. MHA did not attempt to evaluate any deeper potential.

### *Geology*

MHA constructed a series of seven maps and two cross sections across a sixteen township area encompassing both the Glacier Prospect and the Americana packages of acreage. The maps attempt to account for, and assess risk to, the three elements of an exploration drilling opportunity critical for success; 1) the presence of sufficient reservoir, 2) access to mature source rock and, 3) documentation of a hydrocarbon trap. MHA finds the Glacier Prospect concept to be interesting geologically because while an overall risk assessment might prove to be moderate to relatively low, each of the critical elements for success has some measurable risk associated with it.

#### *Structure*

The prospect acreage that Big Sky will be drilling is located on the current crest of, and along, the northern flank of the Kevin Sunburst Dome. Structurally, this area has undergone at least three periods of uplift consisting of a Silurian event, a Jurassic event and a final Laramide readjustment. MHA generated an isopach of the Bakken (Lower Exshaw) -Three Forks interval which has proven to be valuable in determining the structural geometry of pre-Mississippian strata. By isopaching across the Devonian unconformity from one conformable layer to another, the effects of topography are removed and what is left is paleo-structure. Isopach thins represent paleo structural highs. With this particular isopach, it appears that in early Mississippian time the crest of the dome was located more to the north than it is in current geologic time.

Structure is more of a convenience for this play concept rather than a critical element for success. It serves as a migratory focus for all generated hydrocarbons, preferentially moving them toward the Glacier Prospect area. It may also add a fracture set to the Mississippian carbonates that might not be as abundant elsewhere. While potentially enhancing reservoir behavior, a fracture set might also serve to damage the integrity of any potential seals in the otherwise tight Madison and Lodgepole carbonates. This may explain why the shallower Jurassic and Cretaceous reservoirs are charged with Bakken equivalent oil.

#### *Potential Reservoirs*

The primary objectives of this prospect are the Lower Mississippian Exshaw Formation and the Upper Devonian Three Forks Formation. The Lower Exshaw shale is relatively thick within the Glacier Prospect area, but while this shale is considered to be an excellent source of hydrocarbons, it is not generally considered to be an effective reservoir. Of the two primary target reservoirs, the Upper Exshaw (Middle Bakken equivalent), is the most likely target to yield economic success within the Glacier Prospect.

The Three Forks Formation is the Upper Devonian unit lying just below the Lower Exshaw shale. It consists of interbedded tight limestone, shale and siltstone. Potential Three Forks reservoir quality is not as apparent in the Glacier Prospect Area as it is to the east in the Williston Basin. The unit is relatively thin within the Prospect. It ranges in thickness from less than 10’ to no more than 60’ across most of the acreage.

The Upper Exshaw Formation is better developed than the Three Forks across the Prospect Area. It consists of quartzose and dolomitic silts and fine grained sands and ranges in thickness from 30’ and 90’. Unlike the Three Forks, the Upper Exshaw has mappable zones of effective porosity development within this prospect area. Porosity in the Upper Exshaw ranges from a minimum of essentially 0% to a maximum of about 8%. MHA used a 6% density porosity cutoff to develop a conservative yet realistic picture of the reservoir potential. MHA assigns a risk factor of 75% to the probability that Big Sky will encounter effective reservoir development thick enough to support an economic completion in the Upper Exshaw within the Glacier Prospect area.

#### *Source Rocks*

The relationship between reservoir and hydrocarbon source is excellent in this prospect. The Lower Exshaw shale is sandwiched between the Upper Exshaw above and Three Forks below and is in direct contact with both potential reservoirs. It has been documented to have reached thermal maturity within the area and is recognized as one of the probable sources for much of the oil produced on the Dome.

Whether the Lower Exshaw shale is still within the oil generation window or whether it was removed from the window are two questions that have yet to be answered, and add an element of risk to this play concept. The play concept that is being developed 30-40 miles west-southwest of the Glacier Prospect area is 2000' to 5000' deeper and reportedly over-pressured. It contains a full Bakken equivalent section, including both Lower Banff and Lower Exshaw shales and a complete "Middle Bakken" (Upper Exshaw) section. The "Bakken" interval within the Prospect Area contains only the Lower Exshaw shale but a much thicker Upper Exshaw interval and is expected to be normally pressured.

There is a possibility that in situ hydrocarbon generation on the Dome ceased or was diminished sometime in Upper Jurassic time, bringing effective charge of the Upper Exshaw or Three Forks reservoirs into question. If that is the case, effective charge of either the Upper Exshaw or Three Forks reservoir might rely more on lateral (albeit short distance) migration of hydrocarbons from the more documented mature "Bakken" source to the west of the Prospect area. MHA assigns a risk factor of 70% to the relationship between potential reservoir and effective (mature) source.

*Hydrocarbon Shows*

None of the ninety-eight Bakken penetrations drilled within the mapped area produce from the Banff, Upper Exshaw or Three Forks Formations, and there is no evidence of any completion attempts. Only six wells reporting shows of hydrocarbons in either the Upper Exshaw or Three Forks Formations are within the mapped area. In general, all six of these shows would be considered weak. One well (1-D J P Johnson - NWNW 32 35N 1W), tested the Upper Exshaw but recovered only 20' of drilling mud. One other well with sample descriptions (NENE 2 34N 1W) reported no shows in any of the target reservoirs. This does not mean that there were no hydrocarbon shows in this interval in the other sixty-seven "Bakken" penetrations. It means that there was no available supporting data in the form of sample descriptions, core descriptions or mud gas analysis to document any possible shows. There is no evidence of free water recovery from any Banff, Upper Exshaw or Three Forks; DST's or any mention of a water wet section from either core or sample descriptions.

There are an additional seven confirmed shows in wells drilled in townships immediately adjacent to the mapped area. Some of these shows are slightly stronger than the ones noted above, but there were no Banff, Upper Exshaw or Three Forks completion attempts made in any of these wells. The fact that the majority of shows documented in the Upper Exshaw, within or near the Glacier Prospect area, are generally weak on a structure the size of Kevin Sunburst Dome might suggest that the reservoir seals above the Banff may be partially breached.

*Trap*

There is little doubt that molecules of hydrocarbons generated in the "Bakken" passed through the Banff, Upper Exshaw or Three Forks formations, or all three, before following some circuitous route to stratigraphically higher reservoirs. It is also known that there are reported shows within each formation, with more reported in the Upper Exshaw. The unknown is whether there are sufficient hydrocarbons remaining in either formation to sustain economic production.

Normally, the tight carbonates of the Lodgepole and Madison provide a sufficient seal to prevent, or at least hinder, the vertical migration of hydrocarbons from the Banff to stratigraphically younger reservoirs. On Kevin Sunburst, however, fractures associated with the dome may have damaged the integrity of these seals adding moderate risk to one of the critical elements for success. A reasonable risk factor of 60% was assigned to the probability that Big Sky will encounter effective reservoir seals and trapping conditions within the Somont Farm-in area.

***Exploration and Development***

*Exploration Program*

Big Sky has drilled a well located in the southeast of the southwest quarter of Section 29, Township 35 North, Range 1 West. Although formation tests have yet to be attempted, early core and sample descriptions and open-hole electric logs are moderately encouraging. Sample descriptions document the presence of good, even, light to dark brown oil staining on samples recovered while coring the Upper Exshaw interval and core plug analysis confirms the presence of interesting residual oil saturations in a porosity zone developed in the lower portion of the Upper Exshaw.

Fractures were expected to be associated with drilling in this structural setting and their presence was documented in the core analysis. Natural fractures should enhance reservoir performance and the overall productivity of any attempted completion. Formation tests are expected to be attempted in the near future.

*Development Program*

After the first exploration well has been evaluated, another two wells must be drilled within 180 days – the location of these two wells will be dependent on the outcome of the first well. Each of these vertical wells is estimated to cost between US$550,000 and US$650,000.

***Conclusions***

Through this geologic evaluation, the following observations and conclusions about the Somont Farm-in are made:

- The Somont Farm-in lies along the crest and northern flank of current day structural configuration of the Kevin Sunburst Dome.
- Current value of the leased properties is between US$1,125,000 and US$1,500,000.
- The "Bakken" reached thermal maturity and generated significant amounts of liquid rich hydrocarbons either within, or near, the prospect area.
- Only one of the two "Bakken" shales is present within the prospect area.
- The Upper Exshaw Formation is present throughout the prospect area.
- The Upper Exshaw Formation contains zones of measurable porosity within the prospect area.
- There appears to be more Upper Exshaw potential within the majority of the prospect area than Three Forks potential.
- The Three Forks Formation is present throughout the prospect area, but contains no recognizable zones of mappable porosity within the prospect area.
- There have been no completion attempts of Upper Exshaw or Three Forks intervals within the prospect area.
- MHA's assessment of effective source risk is approximately 70%.
- MHA's assessment of trap risk is approximately 60%.
- MHA's assessment of reservoir risk is approximately 75%.
- MHA's overall assessment of the Probability of Success for the first well drilled within this prospect is approximately 32%.
- This play concept appears to have been proven successful in recently drilled wells 30-40 miles to the west-southwest.

Based on all of the above observations, MHA can confirm that both potential reservoirs are present within the Somont Farm-in prospect area, that there is an excellent relationship between source and potential reservoir, and that the play concept targeted within the prospect area merits additional testing. Bakken/Banff plays to both the west and to the north have proven to be very prolific and there is good evidence that this Somont Farm-in prospect area may exhibit the same high production rates and ultimate recoveries of up to 350 Bbls per day, and 250,000 barrels of oil, respectively.

***<u>Americana Acreage Block</u>***

***Description and Location***

The 'Americana' acreage package consists of approximately 72,103 net acres. Big Sky has a 33.333% working interest with a 20% royalty burden in this block. Unlike the Somont Farm-in, Big Sky has purchased this acreage block. No earning wells will be required to earn an interest in the lease position and it is assumed that lease assignments covered rights to all depths. MHA evaluated this acreage package with the same series of maps and cross sections mentioned earlier in this report. The focus of our evaluation was consistent with the other two evaluations and covered only the lower Mississippian and upper Devonian potential. MHA finds this 'Americana' play concept to be interesting, geologically, but containing significant risks that directly impact the probability of economic success. Each of these risks is discussed below.

***Geology***

*Structure*

The prospect acreage that Big Sky will be testing is located on the eastern flank of the Kevin Sunburst Dome. Whether structure is critical for trap definition has yet to be determined, but the acreage that will be tested lies between 400' and 800' down dip of the crest of the Dome. Any hydrocarbons generated from the "Bakken" shale could have easily migrated into potential Banff, Upper Exshaw and Three Forks reservoirs. However, the Lower Exshaw ("Bakken")-Three Forks Isopach and current structure on the Lower Exshaw shale indicate that the preferred direction of migration would have been to the west, toward the crest of the Dome and away from this acreage package. Without a successful test of either the Upper Exshaw or Three Forks reservoirs, the structural positioning of this acreage package on the Dome adds a significant element of risk to any potential test.

*Potential Reservoirs*

The primary objectives of this prospect are the Lower Mississippian Exshaw Formation (Middle Bakken) and the Upper Devonian Three Forks Formation. The Lower Exshaw shale is relatively thin within the majority of this acreage block, but again, while it is generally considered to be an excellent source of hydrocarbons, it is not generally considered to be an effective reservoir.

Three Forks reservoir quality is not as apparent in this acreage package as it is to the east in the Williston Basin. There is, however, a persistent unit in the upper Three Forks that is mappable across the central portion of Big Sky's acreage position. This interval ranges in thickness between 0' and 22', but only rarely exceeds 14' in thickness within the Americana acreage package. While the zone is mappable and represents a potential target reservoir, there was no observed density porosity and there is no record of hydrocarbon shows in any of the Three Forks penetrations drilled near Big Sky's acreage position. MHA recognizes this zone as a potential reservoir, but attaches significant risk to the possibility of it developing into a viable reservoir.

The Upper Exshaw Formation is better developed than the Three Forks across the Americana acreage block. It consists of quartzose and dolomitic silts and fine grained sands and ranges in thickness from 30' and 90' across the majority of the Americana block. Unlike the Three Forks, the Upper Exshaw has mappable zones of effective porosity development. Porosity, as determined from density logs, ranges from a minimum of essentially 0% to a maximum of about 8%. MHA used a 6% density porosity cutoff to develop a conservative yet realistic picture of the reservoir potential. MHA assigns a risk factor of 70% to the probability that Big Sky will encounter effective reservoir development thick enough to support an economic completion in the Upper Exshaw within this Americana acreage block.

*Source Rocks*

The relationship between reservoir and hydrocarbon source is good in the vicinity of this acreage package. The Lower Exshaw "Bakken" shale, sandwiched between the Upper Exshaw above and Three Forks below, is in direct contact with both potential reservoirs. Even though it is thin over much of this acreage block, it has been documented to have reached thermal maturity. Whether this Lower Exshaw interval is still within the oil generation window, or whether it was removed from the window, are questions that have yet to be answered and add an element of risk to this play concept.

There is a possibility that in-situ hydrocarbon generation in the vicinity of the Dome ceased or was diminished sometime in Upper Jurassic time, bringing effective charge of the Upper Exshaw or Three Forks reservoirs into question. If that is the case, effective charge of either the reservoir might be forced to rely on lateral migration of hydrocarbons from mature source to the east of this acreage package. The risks associated with this scenario are significant. Big Sky's acreage position lies along the eastern edge of the mapped maturity limits of the Lower Exshaw shale and it thins dramatically to the east of this acreage position. MHA assigns a risk factor of 30% to the relationship between potential reservoir and adequate, effective (mature) source.

*Hydrocarbon Shows*

Like the Somont Farm-in prospect to the west, none of the ninety eight "Bakken" penetrations drilled within the mapped area produce from either the Upper Exshaw or Three Forks Formations and there is no evidence of any completion attempts. Only six wells reporting shows of hydrocarbons in either the Upper Exshaw or Three Forks Formations are within the mapped area but four of these are immediately adjacent to the acreage package. In general, all six of these shows would be considered weak. This does not mean that there were no hydrocarbon shows in this interval in the other ninety two "Bakken" penetrations. As already noted, it merely means that there was no available supporting data in the form of sample descriptions, core descriptions or mud gas analysis to document any possible shows. There is no evidence of free water recovery from any Upper Exshaw or Three Forks DST or any mention of a water wet section from either core or sample descriptions.

*Trap*

Normally, the tight carbonates of the Lodgepole and Madison provide a sufficient seal to prevent, or at least hinder, the vertical migration of hydrocarbons from the Upper Exshaw to stratigraphically younger reservoirs. For tests on this particular package of acreage, the risk of not having an effective trap is defined more by lateral migration away from the acreage rather than the presence of effective vertical seals. Without lateral seals to compartmentalize the reservoirs there is a significant risk that mobile hydrocarbons have migrated updip, toward the crest of Kevin-Sunburst Dome, as evidenced by the amount of shallow production found closer to the crest. A risk factor of 40% was assigned to the probability that Big Sky will document effective reservoir seals and trapping conditions in test wells drilled within this acreage package.

***Exploration and Development***

*Exploration Program*

Big Sky plans to drill, core and log a well located in the southeast of the southwest quarter of Section 29, Township 35 North, Range 1 West. Big Sky's cost of this is approximately US$725,952 (33.333%) and is scheduled for fourth quarter 2011 through first quarter 2012.

*Development Plan*

Until this play concept has been tested and confirmed, no specific plans for development have been outlined or discussed.

***Conclusions***

Through this geologic evaluation, the following observations and conclusions about the Americana Acreage Block are made:

- The acreage package lies along the eastern flank of the current day structural configuration of Kevin Sunburst Dome.

- Current value of the leased properties is based on historical lease sale records and is approximately US$4,266,000.

- The “Bakken” reached thermal maturity and generated significant amounts of liquid rich hydrocarbons either within, or near, the acreage package.

- Only one of the two “Bakken” shales is present within the Americana Block.

- The Upper Exshaw Formation is present throughout the acreage package.

- The Upper Exshaw Formation contains zones of measurable porosity within the acreage package.

- There appears to be more Upper Exshaw potential within the majority of the acreage package than Three Forks potential.

- The Three Forks Formation is present throughout the acreage package. It contains a mappable zone of interest, but contains no mappable density porosity.

- There have been no completion attempts of Upper Exshaw or Three Forks intervals within the acreage package.

- MHA’s assessment of effective source risk is approximately 30%.

- MHA’s assessment of trap risk is approximately 40%.

- MHA’s assessment of reservoir risk is approximately 70%.

- MHA’s overall assessment of the Probability of Success for the first well drilled within this Prospect is approximately 8%.

- This general play concept appears to have been proven successful in recently drilled wells 40 miles to the west-southwest.

Based on all of the above observations, MHA can confirm that both potential reservoirs are present within the acreage package, that there is only a good relationship between source and potential reservoir, and that the play concept targeted within the acreage package merits testing if the assigned risk elements are recognized and accepted.

Upper Exshaw/Banff plays to both the west and to the north have proven to be very prolific and there is evidence that this acreage package may exhibit some of the same productive potential.

***<u>FX Block</u>***

***Description and Location***

Big Sky’s FX acreage block consists of 10,597 gross acres located in Townships 31N-33N Ranges 5W-6W, Glacier County, Montana. This was a purchase by Big Sky for US$200 per acre (total of 2,659 net acres) for a 33.33% working interest with a 20% royalty burden.

***Geology***

Exploration on the FX block will target the Lower Mississippian Banff and Exshaw Formations as well as the Upper Devonian Three Forks Formation. Portions of the Banff and Exshaw Formations make up the “Bakken” equivalent section in this area. The lower Banff is an organic rich shale that is time equivalent to the upper Bakken shale. The Lower Exshaw is an organic rich shale that is time equivalent to the lower Bakken shale. The Upper Exshaw and “Middle Bakken” are time equivalent. Of these, the Upper Exshaw appears to be the primary objective in the FX block although it appears to be significantly thinner than what is expected to be encountered on the other two acreage blocks.

*Exploration and Development*

Big Sky has already participated in a well (FX 81-3, NWNE 26 T32N R6W) on the FX block. This well has been fracture stimulated and is currently undergoing testing. It is encouraging that there was a good show of live oil recovered from the perforating gun as the well was being readied for stimulation. But since the Three Forks, Upper Exshaw and Banff Formations were all perforated at the same time, it cannot be determined which formation or formations contributed that oil. Based on log resistivity only, it would appear that the oil came from the Upper Exshaw interval.

The Upper Exshaw is only 16 feet thick in the FX81-3 and there is no obvious development of porosity on the logs available to MHA. Regional maps of this zone indicate that the well probably encountered some of the thickest potential development of the Upper Exshaw on this acreage block and that additional wells are expected to encounter only between 10 feet and 20 feet.

There is no mapped potential in the Three Forks Formation and while there is some porosity development at the base of the interval, low resistivities would suggest little or no effective hydrocarbon charge. The Banff section contains no log porosity.

*Conclusions*

The presence of both the Lower Banff and Lower Exshaw shales in the well indicates that the relationship between source and potential reservoir is excellent. Adequate reservoir development, however, appears to be a significant risk factor that may slow the successful development of the FX block. It is MHA's opinion that the FX block contains only limited development potential in the target zones mentioned above, the economics of which have yet to be determined. A second well is scheduled in the FX block in Sec. 1 T32N R6W in the fourth quarter, 2011. Big Sky's projected cost is US$400,000 to US$500,000.

**Selected Financial Information of Big Sky**

*Annual Information*

The following information is from the audited financial statements for the fiscal year ended December 31, 2010 as compared to the fiscal year ended December 31, 2009 (the "Big Sky Financial Statements"). The Big Sky Financial Statements are included in this Filing Statement as Appendix "B" and are incorporated by reference hereto and should be read in conjunction herewith. The Big Sky Financial Statements were prepared on the basis of US GAAP with reconciliation with Canadian GAAP and are expressed in United States dollars.

| | Fiscal Year Ended December 31, 2010 (US$) | Fiscal Year Ended December 31, 2009 (US$) |
|---|---|---|
| Total Assets | US$Nil | US$439,948 |
| Revenue | US$Nil | US$Nil |
| Total Expenses | US$254,879 | US$13,728 |
| Long Term Liabilities | US$Nil | US$Nil |
| Net Profit (Loss) | US$(225,305) | US$422,067 |

*Quarterly Information*

The following information is from the unaudited financial statements for the six-month period ended June 30, 2011 (the "Big Sky Interim Financial Statements"). The Big Sky Interim Financial Statements are included in this Filing Statement as Appendix "B" and are incorporated by reference hereto and should be read in conjunction herewith. The Big Sky Interim Financial Statements regarding the June 30, 2011 period were prepared on the basis of US GAAP with reconciliation with IFRS and are expressed in United States dollars.

| | Period Ended June 30, 2011 (US$) | Period Ended June 30, 2010 (US$) |
|---|---|---|
| Total Assets | US$3,773,001 | US$23,324 |
| Revenue | US$Nil | US$Nil |
| Total Expenses | US721,680 | US$218,947 |
| Long Term Liabilities | US$Nil | US$Nil |
| Net Profit (Loss) | US(862,688) | US$(189,373) |

***Dividends***

Big Sky has not paid any dividends since its formation and does not intend to pay dividends in the foreseeable future. Payment of dividends in the future is dependent upon future earnings and financial condition and other factors which the directors at such relevant time may deem appropriate.

***Forward Looking Statements***

Certain information regarding Big Sky set forth below contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words “anticipate’, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward looking statements. Such statements represent the Big Sky’s internal projections, estimates or beliefs concerning, among other things, an outlook on the estimated amounts and timing of capital expenditures, anticipated future debt, revenues or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. These statements are only predictions and actual events or results may differ materially. Although management of Big Sky believe that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause Big Sky’s actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Big Sky.

In particular, forward-looking statements included in this Filing Statement include, but are not limited to, the focus of capital expenditures; expectations regarding the ability to raise capital, the timing of capital spending and the Company’s ability to maintain flexibility in its capital program; allocation of capital investment budget; projections of costs; Big Sky’s future operating and financial results; available tax pools; capital expenditure programs; treatment under governmental regulatory regimes and tax laws; accounting policies and adoption of new accounting policies.

These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the Company’s control, including the impact of general economic conditions; volatility in market prices for crude oil and natural gas; industry conditions; currency fluctuation; liabilities inherent in crude oil and natural gas operations; environmental risks; incorrect assessments of exploration and development programs; competition from other oil and gas companies; the lack of availability of qualified personnel or management; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; stock market volatility; ability to access sufficient capital from internal and external sources and risks associated with international activity.

***Critical Accounting Estimates***

The preparation of financial statements in conformity with US GAAP requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

By nature, assets valuations are subjective and do not necessarily result in precise determinations. The amounts recorded for the provision for asset retirement obligations are based on estimates. Should underlying assumptions change, the estimated net recoverable value of these recorded assets could change by a material amount.

**Management Discussion and Analysis of Big Sky**

The following MD&A of the financial condition, changes in financial condition and results of operations of Big Sky for the years ended December 31, 2010 and 2009 and for the six month period ended June 30, 2011 should be read in conjunction with the financial statements and notes thereto for such periods included in this Filing Statement.

***Six Months Ended June 30, 2011***

***Principal Business and Corporate History***

Big Sky was formed on January 17, 2008 as a limited liability company under the laws of the State of Montana.

Operations commenced in January of 2009 as an oil and gas exploration and development company based in Billings, Montana. Big Sky is primarily focused on the exploration and development of oil and gas in Montana's Alberta Basin, commonly referred to as the Bakken source system.

***Results of Operations***

During the six months ended June 30, 2011, Big Sky incurred a net loss of US$862,688. Of that net loss, US$534,495 was spent on drilling costs, US$50,985 on travel, US$42,229 on engineering and geological expenses, and US$93,971 on administrative expenses. Big Sky began its exploration activities in fiscal 2011 and has been active in drilling and other geological expenses. Big Sky also incurred US$185,394 in interest expenses as a result of notes payable.

***Liquidity and Capital Resources***

*Working capital*

Big Sky's working capital deficit as at June 30, 2011 was US$1,757,371. Cash totalled US$2,472,449 as at June 30, 2011, an increase of US$Nil as at December 31, 2010 due to the US$4,000,000 notes payable. In May 2011, Big Sky borrowed US$4,000,000 at 18% interest. The loan matures November 30, 2011 and is secured by Big Sky's interest in the Glacier Prospects. During the six months ended June 30, 2011, Big Sky's two previous notes payable of US$64,000 and US$1,100,000 at 10% were paid in full.

*Cash flow*

Big Sky's principal source of cash was provided by the increase in debt incurred. Big Sky's principal uses of cash have been to fund working capital, repay debt and to develop its slate of projects.

During the six months ended June 30, 2011 Big Sky had received US$386 in interest payments and had paid US$101,394 in interest payments.

***Outstanding Membership Interests***

The total number of membership interests outstanding as of June 30, 2011 was 100.

***Related Party Transactions***

At June 30, 2011 Big Sky had a receivable from a member of Big Sky in the amount of $3,707 for miscellaneous expenses.

***Subsequent Events***

Events subsequent to June 30, 2011:

a) Big Sky entered into the Share Exchange Agreement.

***Off- Balance Sheet Transactions***

Big Sky has not entered into any off-balance sheet arrangements.

***Disclosure Controls and Procedures***

Management has assessed the effectiveness of Big Sky's disclosure controls and procedures used for the financial statements and MD&A as at June 30, 2011. Management has concluded that the disclosure controls are effective in ensuring that all material information required to be filed has been made known to them in a timely manner. The required information was effectively recorded, processed, summarized and reported within the time period necessary to prepare the filings. The disclosure controls and procedures are effective in ensuring that information required to be disclosed pursuant to applicable securities laws are accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

***Significant Accounting Policies***

The financial statements of Big Sky have been prepared in accordance with US GAAP with reconciliation with IFRS and reflect the following significant accounting policies.

*Basis of Reporting*

The financial statements involve the application of accrual accounting, consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

*Cash and Cash Equivalents*

Big Sky has defined cash equivalents as short-term, highly liquid investments, with original maturities of less than 90 days. Management believes that the carrying value of these assets approximate their fair market value because of the short maturity of these financial instruments. Due to the balances being greater than US$250,000, Big Sky does not have FDIC coverage on the entire amount of bank deposits. Big Sky believes this risk is minimal.

*Accounts Receivable*

Accounts receivable are recorded at invoices amount and do not bear interest. No allowance for doubtful accounts is recorded at June 30, 2011 based on Big Sky's best estimate that all receivables are fully collectible at this time. Big Sky determines the allowance based on management's estimate of probable credit losses, historical write-off experience and industry and local economic data. Big Sky reviews its allowance for doubtful accounts monthly. Past due balances meeting specific criteria are reviewed individually for collectability. All other balances are reviewed on a pooled basis. When necessary, an allowance will be established and account balances will be charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

*Income Tax*

Big Sky is a Limited Liability Company and is treated as a disregarded entity pursuant to Treasury Regulation Section 301.7701-3 for federal income tax purposes. Generally, disregarded entities are not subject to entity-level federal or state income taxation and, as such, Big Sky is not required to provide for income taxes under SFAS No. 109, *Accounting for Income Taxes*. Big Sky's taxable income becomes taxable to the respective members of the Big Sky due to the treatment of Big Sky as a non-taxable flow-through partnership entity for federal income tax purposes.

*Use of Estimates*

The preparation of financial statements in conformity with US GAAP requires management to make a number of estimates and assumptions related to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expense during the reporting periods. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those reported estimates.

*Concentrations of Risk*

Financial instruments, which potentially subject Big Sky to concentrations of risk, primarily consist of cash in bank. Big Sky maintains several accounts at one commercial bank. At June 30, 2011 and at various times during the period, balances on account exceeded federally insured limits. Due to the balances being greater than US$250,000, Big Sky does not have FDIC coverage on the entire amount of bank deposits. Big Sky believes this risk is minimal.

*Oil and Gas Properties*

The method of accounting Big Sky uses to account for its crude oil and natural gas investments determines what costs are capitalized and how these costs are ultimately matched with revenues and expensed.

Big Sky utilizes the successful efforts method to account for its crude oil and natural gas investments. The successful efforts method allows a company to capitalize only those expenses associated with successfully locating new oil and natural gas reserves. For unsuccessful (or "dry hole") results, the associated operating costs are immediately charged against revenues for that period.

Geological and geophysical costs are expenses under the successful efforts method. Exploratory dry hole costs are initially capitalized and classified as unproved properties pending determination of proved reserves. If no proved resources are discovered, these costs are then expenses. If proved reserves are discovered, the capitalized amount will be depleted using the units of production method. The depletion expense per unit of production would be the ratio of the sum of the unamortized historical costs and estimated future development costs to Big Sky's proved reserve volumes. Estimation of hydrocarbon reserves relies on professional judgment and use of factors that cannot be precisely determined. Subsequent reserve estimates materially different from those reported would change the depletion expense recognized during the future report periods.

***Years Ended December 31, 2010 and 2009***

***Results of Operations***

During the year ended December 31, 2010, Big Sky recorded a net loss of US$225,305 compared to a net income of US$422,067 for the year ended December 31, 2009. The difference was mainly due to: (a) engineering and geological expenses of US$199,408 in 2010 (2009 - US$3,599), (b) gain on sale of leases of US$29,574 in 2010 (2009 - US$435,795) and (c) travel expenses of US$46,307 (2009 - US$Nil).

***Liquidity and Capital Resources***

*Working capital*

Big Sky's working capital deficit as at December 31, 2010 was US$225,305 (2009 – US$424,243). Cash totalled US$Nil as at December 31, 2010, a decrease of US$1,140 from December 31, 2009's balance due to its operating losses during the year.

*Cash flow*

Big Sky's principal source of cash was provided by an increase in membership interest paid capital and advances from a member. Big Sky's principal uses of cash have been to fund working capital and to develop its projects.

***Outstanding Membership Interests***

The total number of membership interests outstanding as of December 31, 2010 was 100.

### *Related Party Transactions*

At December 31, 2010 Big Sky has a payable to a member in the amount of US$222,643 for direct expenses such as travel, engineering and geological expenses incurred in the exploration of the Alberta Bakken area.

At December 31, 2009 Big Sky had a receivable from a member in the amount of US$438,808, which amount was paid in 2010.

### *Subsequent Events*

For events subsequent to December 31, 2010, please see below as well as “Six Months Ended June 30, 2011 – Subsequent Events”.

Events subsequent to December 31, 2010:

a) In January 2011, the LLC Agreement was amended and the number of members was increased from one to seven.

b) In January 2011, Big Sky entered into a Lease Acquisition Agreement and an Area of Mutual Interest Agreement with Americana Explorations LLC and American Eagle Inc.

c) In January 2011, Big Sky entered into a Farm-out Agreement with Somont Oil Company, Inc.

d) In February 2011, Big Sky acquired approximately 49,000 net acres in Toole County, Montana.

e) Effective February 2011, Big Sky entered into a Joint Participation Agreement and an Operating Agreement with FX Producing Company, Inc. and American Eagle Energy Inc. to explore approximately 75,000 net acres in the Alberta Bakken region of Montana with an undivided 33 1/3% interest each.

f) In January 2011, Big Sky borrowed US$64,000 at 10% interest. The loan and all accrued interest was paid in full in May of 2011.

g) In February 2011, Big Sky borrowed US$1,100,000 at 10% interest. The loan and all accrued interest was paid in full in May of 2011.

h) In May 2011, Big Sky borrowed US$4,000,000 at 18% interest. The loan matures on November 30, 2011 and is secured by Big Sky’s interest in the Glacier Prospects.

### *Off- Balance Sheet Transactions*

Big Sky has not entered into any off-balance sheet arrangements.

### *Disclosure Controls and Procedures*

Management has assessed the effectiveness of Big Sky’s disclosure controls and procedures used for the financial statements and MD&A as at December 31, 2010. Management has concluded that the disclosure controls are effective in ensuring that all material information required to be filed has been made known to them in a timely manner. The required information was effectively recorded, processed, summarized and reported within the time period necessary to prepare the annual filings. The disclosure controls and procedures are effective in ensuring that information required to be disclosed pursuant to applicable securities laws are accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

### *Significant Accounting Policies*

The financial statements of Big Sky have been prepared in accordance with US GAAP with reconciliation with Canadian GAAP and reflect the significant accounting policies described in “Six Months Ended June 30, 2011 – Significant Accounting Policies”.

### *Trends*

The prices for crude oil and natural gas have been volatile over the last few years. Management anticipates this volatility to continue. Dramatic downward swings in the world prices for crude oil and natural gas could affect the economic viability of Big Sky's prospects.

Another trend is the volatility in the external capital markets that the industry is currently experiencing, which impacts publicly traded entities in the event that they seek to raise additional equity. In management's view, this can be partly attributed to uncertainty regarding the future growth prospects for world economies and to uncertainty regarding the future supply and demand for oil and gas.

An additional trend relates to the size of entities in which investors are willing to invest. Those with larger market capitalization provide for greater liquidity and, as a result, appear to be more attractive; however, smaller entities may present potentially larger returns, as they have not yet appreciated in value in relation to current commodity prices.

The currency exchange rate also influences commodity prices received by producers as natural gas production is ultimately priced in United States dollars.

### Managers and Officers

The names, municipalities of residence, the percentage of membership interests owned, directly or indirectly, or over which each exercised control or discretion, the offices held by each in Big Sky and the principal occupation of the managers and officers of Big Sky, as of the date hereof are as follows:

| Name and Municipality of Residence | Present Occupation and Positions Held During Previous 5 Years | Percentage Interest in Big Sky Owned Beneficially or Subject to Discretion or Control |
|---|---|---|
| Milton Cox,<br>Montana, USA | Manager of Big Sky since formation; President and CEO of CodeAmerica Investments LLC since 1994. | 13.3333% |

### Description of the Securities

### *Big Sky Membership Interests*

Big Sky's Limited Liability Company Agreement, as amended (the "LLC Agreement") provides that Big Sky has a stated capital consisting of membership interests in the current aggregate amount of US$1,086.65. The members share in distributions pursuant to the LLC Agreement based on each respective members membership interest. Upon completion of the Transactions, the Company, or a wholly-owned subsidiary of the Company, will become the only member of Big Sky.

### *Distribution Policy*

Big Sky has not made any distributions to the members of Big Sky in the past and has established no policy regarding future distributions to members.

### *Prior Sales of Big Sky Membership Interests*

In the previous 12 months, Big Sky has issued the following membership interests:

| Date | Number of Securities | Issue Price Per Security | Aggregate Issue Price | Consideration Received |
|---|---|---|---|---|
| August 31, 2011 | 100 Membership Interests | US$1.00 | US$100 | Cash |

***Stock Exchange Price***

None of the securities of Big Sky are, or have been posted for trading on any stock exchange.

## Executive Compensation

The following discussion and analysis covers the compensation paid to the individual who served as Manager of Big Sky during the financial year ended December 31, 2010 and for the six-month period ended June 30, 2011 (such person, a "Named Executive Officer"). No other individual either acted as an executive officer of Big Sky or had total compensation in excess of $150,000 during the financial year ended December 31, 2010.

***Summary Compensation Table***

The information below contains disclosure of compensation, for the Named Executive Officer of Big Sky, being Milton Cox (Manager) for the most completed financial year and for the six-month period ended June 30, 2011.

| | | | | | Non-equity incentive compensation data compensation ($) | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Name and principal position**[(1)] | **Period Ended** | **Salary (US$)** | **Share-based awards ($)** | **Option-based awards ($)** | **Annual incentive plans** | **Long-term incentive plans** | **Pension value (US$)** | **All other Compen-sation (US$)** | **Total Compen-sation (US$)** |
| Milton Cox | June, 2011 | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Manager | December, 2010 | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |

Notes:

1. Big Sky has not paid any compensation to any of its executive officers since formation.

***Options to Purchase Membership Interests***

No options to purchase membership interests were granted to the Named Executive Officer during the fiscal period ended December 30, 2010 or the six-month period ended June 30, 2011.

## Indebtedness of Managers and Officers

At December 31, 2009 Big Sky had a receivable owed by Milton Cox, a Member and the Manager of Big Sky, in the amount of US$438,808. Such amount was paid in full during the fiscal year ended December 31, 2010.

Except as disclosed above, no individual who is, or at any time since the formation of Big Sky was, a manager or senior officer of Big Sky, nor any proposed nominee director of the Resulting Issuer, nor any Associate or Affiliate of any one of them:

(a) is, or at any time since the formation of Big Sky has been, indebted to Big Sky or any of its subsidiaries; or

(b) was indebted to another entity, which such indebtedness is, or was at any time since the formation of Big Sky the subject of a guarantee, support agreement, letter of credit or similar arrangement or other understanding provided by Big Sky or any of its subsidiaries.

## Non-Arm's Length Party Transactions

At December 31, 2010 Big Sky had a payable to Milton Cox, a Member and the Manger of Big Sky, in the amount of US$222,643 for direct expenses such as travel, engineering and geological expenses incurred in the exploration of the Glacier Prospects. Such amount was paid in full subsequent to December 31, 2010.

**Legal Proceedings**

There are no legal proceedings material to Big Sky to which Big Sky is a party to or of which any of its properties are the subject matter. Additionally, to the reasonable knowledge of Big Sky, there are no such proceedings contemplated.

**Material Contracts**

Big Sky has not entered into any contracts material to investors of the Company since its formation except:

1. the LLC Agreement;
2. Assignment of Oil and Gas Leases between Big Sky and Jeffrey Phillips dated as of May 18, 2011;
3. Participation Agreement among American Eagle Energy Inc., FX Producing Company, Inc. and Big Sky dated as of February 1, 2011;
4. Secured Loan Agreement among Jeffrey Phillips, Quorra Capital Corporation, Robert Bishop and Ernesto Echavarria as lenders and Big Sky dated May 18, 2011;
5. Farmout Agreement between Somont Oil Company, Inc. and Big Sky dated as of January 26, 2011;
6. Assignment and Conveyance among Americana Exploration LLC, American Eagle Energy Inc. and Big Sky dated as of February 28, 2011;
7. Lease Acquisition Agreement among Americana Exploration LLC, American Eagle Energy Inc. and Big Sky dated as of January 31, 2011; and
8. the Share Exchange Agreement.

Copies of these agreements may be inspected without charge at the Company's registered office, Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7 during normal business hours until the completion of the Acquisition and for a period of 30 days thereafter.

**Auditor, Transfer Agent and Registrar**

***Auditor***

The auditor of the Company is Walls & Company, Certified Public Accountants, 1862 Poplar Crest Cove, Memphis, Tennessee, 38119,USA.

***Registrar and Transfer Agent***

Big Sky maintains its own register of membership interests, including records of any transfers or such membership interests.

## PART III - INFORMATION CONCERNING THE RESULTING ISSUER AFTER COMPLETION OF THE TRANSACTIONS

### Name and Corporate Structure

Following Completion of the Acquisition, the articles of incorporation of the Resulting Issuer are expected to be amended to change the corporate name of the Company to "Big Sky Petroleum Corporation". The Resulting Issuer's head office will be located at 410-325 Howe Street, Vancouver, British Columbia V6C 1Z7 and its registered office will be located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7. The Resulting Issuer will continue to be a British Columbia company incorporated under the *Business Corporations Act* (British Columbia).

Following completion of the Transactions, the Resulting Issuer will continue to carry on the business activities currently carried on by Big Sky and conduct its affairs in the ordinary course of business of Big Sky. The Resulting Issuer will have one wholly-owned subsidiary, Big Sky, incorporated pursuant to the laws of Montana.

### Narrative Description of the Business

#### *Development of the Business and Objectives*

The Resulting Issuer will conduct business as an oil and gas exploration, development, and production company with respect to the Glacier Prospects. The Resulting Issuer intends to seek to acquire, exploit and explore other petroleum and natural gas opportunities and will be listed as a Tier 2 company on the Exchange. Management of the Company brings significant depth, expertise and experience to the Company to carry out these objectives. See "Part IV - Risk Factors".

#### *Milestones and Exploration and Development*

Management of the Resulting Issuer has plans to continue optimizing production from existing wells. Management further intends to implement the exploration, drilling, development and execution additional wells on the Glacier Prospects and to focus on the acquisition of new projects fitting within its core business plan. The Resulting Issuer's ability to continue to develop the Glacier Prospects and to complete new property acquisitions will be dependent on the Resulting Issuer completing further equity and/or debt financings.

Upon obtaining Exchange approval for the Transactions, the principal milestones that must occur for the stated short-term business objectives to be accomplished are as follows:

| Milestone | Target Date | Cost ($) |
|---|---|---|
| Drilling Program on Glacier Prospects | January 2012 – August 2012 | $5,019,265 [(1)] |

Notes:
(1) Amount converted from US$.

### Description of Securities

Upon completion of the Transactions, the securities of the Resulting Issuer will remain unchanged. See "Part I – Information Concerning the Company – Description of Securities".

#### *Common Shares*

The Resulting Issuer will be authorized to issue an unlimited number of Fox Resources Shares without nominal or par value of which, 60,676,665 Fox Resources Shares will be issued and outstanding as fully paid and non-assessable upon Completion of the Transactions. In addition, up to 27,559,998 Shares will be reserved for issuance pursuant to common share purchase warrants, up to 3,957,140 Shares will be reserved for issuance pursuant to agents options, including the warrants associated with these agents options and up to 1,643,333 Shares will be reserved for issuance pursuant to currently outstanding stock options in favour of eligible optionees of the Resulting Issuer and the Stock Option Plan (see: Information Concerning the Company – Stock Option Plan).

Holders of Fox Resources Shares are entitled to dividends if, as and when declared by the directors, to one vote per Fox Resources Share at meetings of shareholders and, upon liquidation, to receive such assets of the Resulting Issuer as are distributable to holders of Fox Resources Shares. The Fox Resources Shares are not subject to call or assessment rights, redemption rights, rights regarding purchase for cancellation or surrender, or any pre-emptive or conversion rights. All Fox Resources Shares to be outstanding after Completion of the Transactions will be fully paid and non-assessable.

***Dividend Record and Policy***

It is not contemplated that any dividends will be paid in the immediate or foreseeable future following Completion of the Transactions.

**Pro Forma Consolidated Capitalization of the Resulting Issuer**

The following table sets forth the capitalization of the Resulting Issuer after Completion of the Transactions.

| Designation of Security | Amount Authorized | Amount Outstanding After Completion of the Transactions |
|---|---|---|
| Common Shares | Unlimited | 60,676,665 (1)(2)(3) |
| Long Term Debt | N/A | Nil |

**Notes:**

(1) On an undiluted basis. Does not include 1,643,333 Resulting Issuer Shares reserved for issuance upon the exercise of options, 25,714,285 Resulting Issuer shares reserved for issuance upon exercise of Subscription Receipt Warrants, 1,857,000 Resulting Issuer shares reserved for issuance upon exercise of currently outstanding warrants and up to 3,945,853 Shares will be reserved for issuance pursuant to agents options, including the warrants associated with such agents options.

(2) See "Information Concerning the Company – General Development of the Business".

(3) The Resulting Issuer had a deficit of $746,383 on a consolidated basis as of June 30, 2011. See pro forma consolidated balance sheet of the Resulting Issuer as at June 30, 2011 attached to the Filing Statement as Appendix "C".

**Fully Diluted Share Capital**

In addition to the information set out in the capitalization table above, the following table sets out the diluted share capital of the Resulting Issuer after giving effect to the Acquisition and Subscription Receipt Exercise.

| Description | Number of Securities(1) | Percentage of Total Diluted Share Capital After Giving Effect to the Transactions(1) |
|---|---|---|
| Common shares issued and outstanding as at the date of the Filing Statement | 6,326,667 | 6.7% |
| Common shares to be issued pursuant to the Acquisition | 27,000,000[1] | 28.8% |
| Common shares to be issued to lenders of Big Sky | 1,350,000 | 1.4% |
| Common shares to be issued pursuant to Subscription Receipts Exercise | 25,714,285 | 27.4% |
| Common shares to be issued pursuant to exercise of Subscription Receipt Warrants | 25,714,285 | 27.4% |

| Description | Number of Securities[(1)] | Percentage of Total Diluted Share Capital After Giving Effect to the Transactions[(1)] |
|---|---|---|
| Common shares to be issued pursuant to exercise of currently outstanding warrants | 1,560,000 | 1.7% |
| Common shares to be issued pursuant to exercise of currently outstanding agent's options (including warrants associate with the agent's options) | 297,000 | 0.3% |
| Common shares to be issued as finder's fees pursuant to the finder's units and finder's warrants | 4,231,566 | 4.5% |
| Reserved for issuance pursuant to the Stock Option Plan | 1,643,333[2] | 1.8% |
| **Total Number of Diluted Securities** | **93,837,136** | **100%** |

**Notes:**

(1) All of these Resulting Issuer shares are subject to escrow restrictions pursuant to the policies of the Exchange. See "Escrowed Securities".

(2) 1,470,000 options are exercisable at $0.35 for 5 years from the closing date, 123,333 options are exercisable at $0.30 until May 21, 2013 and 50,000 options are exercisable at $0.30 until August 18, 2013.

**Available Funds and Principal Purposes**

The following table sets forth the estimated working capital of the Resulting Issuer after giving effect to the Transactions as at October 31, 2011, the most recent month end prior to the date of this Filing Statement:

| Source | Amount ($) |
|---|---|
| Estimated working capital of the Company as at October 31, 2011 | $940,000 |
| Estimated working capital of Big Sky as at October 31, 2011 | $2,086,328[(1)] |
| Proceeds from the sale of Subscription Receipts | $9,000,000 |
| **Total** | **$12,026,328** |

Notes:
(1) Amount converted from US$.

The Company intends to use the Available Funds as set out in the estimates below:

| Anticipated Use of Funds | Amount ($) |
|---|---|
| Estimated costs to complete the Transactions | $200,000 |
| Repayment of Big Sky Debt | $4,495,543[(1)] |
| Drilling and Recompletions | $5,019,265[(1)] |
| General and Administrative Expenses for 12 months following completion of the Transactions | $360,000 |

| Anticipated Use of Funds | Amount ($) |
|---|---|
| Unallocated Working Capital | $1,951,520 |
| **Total** | **$12,026,328** |

Notes:
(1) Amount converted from US$.

A pro forma consolidated balance sheet of the Resulting Issuer as at June 30, 2011, giving effect to the Transactions is attached to the Filing Statement as Appendix "C".

The Resulting Issuer will spend the funds available to it on completion of the principal purposes as indicated above. Notwithstanding the foregoing, there may also be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Resulting Issuer to achieve these objectives. The Resulting Issuer may require additional funds in order to fulfill all of the Resulting Issuer's expenditure requirements to meet its objectives, in which case the Resulting Issuer expects to either issue additional shares, incur indebtedness or use free cash flow. There is no assurance that additional funding required by the Company would be available if required.

**Principal Shareholders**

To the knowledge of the directors and management of the Company as of the date hereof, the following shareholders (other than securities depositories) will beneficially own, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Resulting Issuer following Completion of the Transactions.

| Name and Municipality of Residence of Shareholder | Type of Ownership | Number and Percentage of Fox Resources Shares Owned Prior to Completion of the Transactions | Number and Percentage of Fox Resources Shares Owned After Completion of the Transactions(1) |
|---|---|---|---|
| Sam Nastat<br>Mississauga, Ontario | Indirect | Nil (0%) | 7,200,000 (11.9%)(1) |
| Ernesto Echavarria<br>Culiacan, Mexico | Direct | 400,000 (6.3%) | 7,041,250 (11.6%) |

**Notes:**

(1) Based on a total of 60,676,665 Fox Resources Shares expected to be outstanding following completion of the Transactions, on an undiluted basis.

**Directors, Officers and Promoters**

***Directors and Officers of the Resulting Issuer***

The names, municipalities of residence, the number of voting securities beneficially owned, directly or indirectly, or over which each exercises control or direction, following the successful completion of the Acquisition and the offices held by each in the Company and the principal occupation of the directors of the Company during the past five years are as follows:

| Name and place of residence | Offices Held | Director or Officer of the Resulting Issuer Since | Principal Occupation During Previous Five Years | Number of Fox Resources Shares Owned After Completion of the Transactions(1)(2) | Percentage of Fox Resources Shares Owned After Completion of the Transactions(3) |
|---|---|---|---|---|---|
| Milton Cox<br>Olive Branch, Mississippi, USA | CEO and Director | On completion of the Transactions (Officer and Member of Big Sky since formation) | President and CEO of CodeAmerica Investments LLC since 1994 | 3,600,000 | 5.9% |
| Mark T. Brown(4)<br>Vancouver, B.C. | CFO, Corporate Secretary and Director | May 14, 2008 | President of Pacific Opportunity Capital Ltd. since 2002 | 1,234,838 | 2.0% |
| Sam Nastat<br>Mississauga, Ontario | President | On completion of the Transactions (Member of Big Sky since August 31, 2011) | Self-employed consultant since 2000 | 7,200,000 | 11.9% |
| Desmond Balakrishnan(4)<br>Vancouver, B.C. | Director | On completion of the Transactions | Partner with McMillan LLP (formerly Lang Michener LLP) since 2002 | 10,000 | 0.0% |
| George Robinson(4)<br>Lansing, Michigan, USA | Director | On completion of the Transactions (Member of Big Sky since August 31, 2011) | Managing Partner of Robinson Oil and Gas LLC since 1999 | 2,700,000 | 4.4% |

**Notes:**

(1) The information as to shares beneficially owned or over which control or direction is exercised has been furnished by each of the proposed directors or has been extracted from insider reports filed by each of the individuals and publicly available on the Canadian System for Electronic Disclosure by Insiders (SEDI) at www.sedi.ca.

(2) Excludes and options expected to be held by such directors and officers following completion of the Transactions. See "Options to Purchase Securities". Also excludes any warrants acquired by such directors and officers pursuant to the Subscription Receipt Offering.

(3) Based on a total of 60,676,665 Fox Resources Shares expected to be outstanding following completion of the Transactions, on an undiluted basis.

(4) Member of the Audit Committee. The Company does not have an Executive Committee.

***Management and Independent Directors of the Resulting Issuer***

The following sets out details respecting the proposed management and directors of the Company after giving effect to the Acquisition.

***Milton Cox –Chief Executive Officer & Director***
***Olive Branch, Mississippi, USA (Age 64)***

Mr. Cox has 25 years of executive experience in resource investment management. From 1982 to present, he has been President of CodeAmerica Investments LLC. He holds an M.B.A. in finance from the University of Mississippi, a BSC Petroleum Geology Certificate from the University of Tulsa and is a member of the American Society of Mechanical Engineers.

Mr Cox will become Chief Executive Officer and a director of the Resulting Issuer and will devote such time to the business and affairs of the Resulting Issuer as is required to effectively fulfill his duties.

***Mark T. Brown – Chief Financial Officer, Corporate Secretary & Director***
***Vancouver, British Columbia (Age 43)***

Mr. Brown is currently the Chief Executive Officer, President and a director of the Company. Mr Brown is also the the President of Pacific Opportunity Capital Ltd. and acts as a Director and Chief Financial Officer of other Exchange listed Issuers, including Rare Element Resources Ltd. Mr. Brown has a Bachelor of Commerce from the University of British Columbia and qualified as a Chartered Accountant while working with PricewaterhouseCoopers in 1993.

Mr Brown will become Chief Financial Officer, Corporate Secretary and a director of the Resulting Issuer and will devote such time to the business and affairs of the Resulting Issuer as is required to effectively fulfill his duties.

***Sam Nastat – President***
***Mississauga, Ontario (Age 43)***

Mr. Nastat has been involved in the natural resource capital markets for 20 years. His professional experience includes oil and gas exploration and production as well as mineral exploration and development. Mr. Nastat has 14 years of oilfield project development experience with CodeAmerica Investments LLC.

Mr Nastat will become President of the Resulting Issuer and will devote such time to the business and affairs of the Resulting Issuer as is required to effectively fulfill his duties.

***Desmond Balakrishnan – Director***
***Vancouver, British Columbia (Age 44)***

Mr. Balakrishnan is a lawyer and has practiced law as a partner at a national law firm since February 2002. He received his Law degree from the University of Alberta in April 1997 and was called to the British Columbia Bar in May 1998. Mr. Balakrishnan acts as a director and officer of a number of public companies including Aroway Energy Inc., Great Canadian Gaming Corporation and Electric Metals Inc.

Mr Balakrishnan will become a director of the Resulting Issuer and will devote approximately 5% of his time to the business and affairs of the Resulting Issuer.

***George Robinson – Director***
***Lansing, Michigan, USA (Age 65)***

Since 1999 Mr. Robinson has been a managing partner in Robinson Oil and Gas LLC with principal offices in Billings Montana. Robinson Oil & Gas is an exploration and development and operating company with primary focus in the Williston Basin and Sweet Grass Arch in north central Montana. Prior to founding Robinson Oil & Gas Mr. Robinson had over 20 years of executive management experience with Major independent oil companies, Hunt Energy Corporation, Dart Oil & Gas Corporation, and Dominion Exploration Company.

Mr Robinson will become a director of the Resulting Issuer and will devote approximately 5% of his time to the business and affairs of the Resulting Issuer.

***Promoter***

Mark T. Brown is a promoter of the Company as he took the initiative in founding and organizing the Company; subsequently he may be considered a promoter of the Resulting Issuer. Upon Completion of the Acquisition, Mr. Brown will own 1,234,838 Fox Resources Shares, or approximately 2.0% of the issued and outstanding shares of the Resulting Issuer on an undiluted basis, and stock options to purchase an additional 343,333 Fox Resources Shares, all are more particularly described elsewhere in this Filing Statement. Except as disclosed in this Filing Statement, Mr. Brown has not and will not receive from or provide to the Resulting Issuer anything of value, including money, property, contracts, options or rights of any kind directly or indirectly.

No other person will be or has been within the two years preceding the date of this Filing Statement a Promoter of the Resulting Issuer.

***Cease Trade Orders and Bankruptcy***

Desmond M. Balakrishnan, a proposed director of the Resulting Issuer, was a director of Probe Resources Ltd. ("Probe") from November, 2007 until March, 2011. A management cease trade order was issued against the directors, officers and insiders of Probe by the British Columbia Securities Commission on January 3, 2008 for failure to timely file continuous disclosure materials as required pursuant to applicable securities laws. The management cease trade order remained in effect until February 29, 2008 by the British Columbia Securities Commission.

Mr. Balakrishnan, has been a director of Copacabana Capital Limited ("Copacabana") since June, 2005. A cease trade order was issued against Copacabana by the British Columbia Securities Commission on May 9, 2006 for failure to timely file continuous disclosure materials as required pursuant to applicable securities laws. In addition, a cease trade order was issued against Copacabana by the Alberta Securities Commission on September 13, 2006. These cease trade orders remain in effect as of the date hereof.

Other than Mr. Balakrishnan, as at the date of this Filing Statement and within the ten years before the date of this Filing Statement, no director, officer or promoter of the Resulting Issuer is or has been a director, officer or promoter of any person or company (including the Resulting Issuer), that while that person was acting in that capacity:

(a) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

(b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

***Penalties or Sanctions***

No proposed director, officer or promoter of the Resulting Issuer, or a securityholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has:

(a) been the subject of any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body that would be likely to be considered important to a reasonable securityholder making a decision about the Transaction.

***Personal Bankruptcies***

No proposed director, officer or promoter of the Resulting Issuer, or a securityholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of such persons, has, within the past ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager, or trustee appointed to hold the assets of that individual.

***Conflicts of Interest***

Conflicts of interest may arise as a result of the directors and officers of the Resulting Issuer holding positions as directors or officers of other companies. Some of the directors and officers have been and will continue to be engaged in the identification and evaluation of assets and businesses, with a view to potential acquisition of interests in businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers will be in direct competition with the Resulting Issuer. Conflicts, if any, will be subject to the procedures and remedies under the *Business Corporations Act* (British Columbia) or other applicable corporate legislation. See also "Part IV - Risk Factors – Conflicts of Interests".

***Other Reporting Company Experience***

The following table sets out the proposed directors, officers and Promoter(s) of the Resulting Issuer that are, or have been within the last five years, directors, officers or Promoters of other reporting issuers:

| **Name of Director, Officer or Promoter** | **Name of Reporting Company** | **Trading Market** | **Position** | **From/To** |
|---|---|---|---|---|
| Milton Cox | Gulf Western Petroleum Corp. | OTCBB | Director | June 2005 – June 2008 |
| Mark T. Brown | Rare Element Resources Ltd. | TSX NYSE Amex | Director (formerly President and CFO) | June 1999 – Present |
| | Avrupa Minerals Ltd. | TSXV | Director (formerly President) | January 2008 - Present |
| | Animas Resources Ltd. | TSXV | Director (formerly President) | June 2006 - Present |
| | Almaden Minerals Ltd. | TSX | Director (formerly CFO) | November 2007 - Present |
| | Tarsis Resources Ltd. | TSXV | CFO (formerly Director) | October 2005 - Present |
| | Sutter Gold Mining Inc. | TSXV | Director (formerly President & CFO) | October 2002 - Present |
| | Strategem Capital Corporation | TSXV | Director | March 2002 – Present |
| | Portal Resources Ltd. | TSXV | Director & CFO | May 2001 – Present |
| | Pitchstone Exploration Ltd | TSXV | CFO | May 2007 – Present |
| | Estrella Gold Corp. | TSXV | Director | July 2011 – Present |
| | Rye Patch Gold Ltd. | TSXV | CFO | September 2006 – |

| Name of Director, Officer or Promoter | Name of Reporting Company | Trading Market | Position | From/To |
|---|---|---|---|---|
| | | | | June 2011 |
| | Orosur Mining Corp. | TSXV | CFO | September 2006 – January 2010 |
| | International Bethlehem Mining Corp. | TSXV | Director | December 2005 – October 2008 |
| | G4G Resources Ltd. | TSXV | CFO & Director | December 2005 – September 2008 |
| | Mediterranean Resources Ltd. | TSX | Director | August 2005 – May 2009 |
| | BHR Buffalo Head Resources Ltd. | TSXV | Director & CFO | October 2007 – March 2008 |
| | Rockhaven Resources Ltd. | TSXV | Director | October 2005 – January 2008 |
| | Tatmar Ventures Ltd. | TSXV | CFO (formerly Director) | June 2004 – June 2008 |
| | Garibaldi Resources Corp. | TSXV | Director | July 2004 – November 2007 |
| | Ameriplas Holdings Ltd. | TSXV | Director (formerly President) | August 2002 – March 2008 |
| Sam Nastat | Star Gold Corp. | OTCBB | Director | December 2010 - August 2011 |
| | Razor Resources Inc. | OTCBB | Director | November 2010 - February 2011 |
| | Gulf Western Petroleum Corp. | OTCBB | Director | June 2005 - June 2008 |
| Desmond Balakrishnan | Aroway Minerals Inc. | TSXV | Corporate Secretary | July 2009 - Present |
| | Copacabana Capital Ltd. | TSXV | Director | June 2005 - Present |
| | Electric Metals Inc. | TSXV | Corporate Secretary | June 2009 - Present |
| | Evolving Gold Corp. | TSX | Corporate Secretary | May 2007 - September 2008 |
| | | | Assistant Corporate Secretary | December 2010 - Present |
| | Great Canadian Gaming Corporation | TSX | Corporate Secretary | October 2010 - Present |

| Name of Director, Officer or Promoter | Name of Reporting Company | Trading Market | Position | From/To |
|---|---|---|---|---|
| | | | Assistant Corporate Secretary | June 2006 - October 2010 |
| | Network Exploration Ltd. | TSXV | Corporate Secretary | May 2008 - Present |
| | Yankee Hat Minerals Ltd. | TSXV | Corporate Secretary | January 2005 - Present |
| | Probe Resources Ltd. | TSXV | Director | November 2007 - March 2011 |
| | Iciena Ventures Inc. | TSXV | Corporate Secretary | October 2006 - July 2008 |
| | | | Corporate Secretary | October 2008 - December 2009 |
| | AM Gold Ltd. | TSXV | Corporate Secretary | November 2001 - June 2009 |
| | Capella Resources Ltd. | TSXV | Corporate Secretary | July 2006 - January 2009 |

**Notes:**

(1) The information as to other reporting Companies has been furnished by each of the proposed directors, officers or Promoters or has been extracted from insider reports filed by each of the individuals and publicly available on the Canadian System for Electronic Disclosure by Insiders (SEDI) at www.sedi.ca.

## Executive Compensation

### *Summary Compensation Table*

The information below contains disclosure of anticipated compensation, to the extent known, for the proposed Named Executive Officers of the Resulting Issuer, being Milton Cox (CEO), Mark T. Brown (CFO) and Sam Nastat (President) for the 12 month period after giving effect to the Acquisition:

| | | | | Non-equity incentive compensation data compensation ($) | | | | |
|---|---|---|---|---|---|---|---|---|
| **Name and principal position** | **Salary ($)** | **Share-based awards ($)** | **Option-based awards ($)** | **Annual incentive plans** | **Long-term incentive plans** | **Pension value ($)** | **All other Compen-sation ($)** | **Total Compen-sation ($)** |
| Milton Cox[(1)] Chief Executive Officer and Director | US$120,000 | TBD | TBD | TBD | TBD | TBD | TBD | TBD |
| Mark T. Brown Chief Financial Officer and Director | TBD[(3)] | TBD | TBD | TBD | TBD | TBD | TBD | TBD |
| Sam Nastat[(2)] President | US$120,000 | TBD | TBD | TBD | TBD | TBD | TBD | TBD |

Notes:

(1) It is currently anticipated that Mr. Cox will enter into an employment agreement with the Resulting Issuer subsequent to the completion of the Transactions and will be paid US$10,000/month or US$120,000/year.

(2) It is currently anticipated that Mr. Nastat will enter into an employment agreement with the Resulting Issuer subsequent to the completion of the Transactions and will be paid US$10,000/month or US$120,000/year.

(3) "TBD" means "to be determined" by the board of the Resulting Issuer following completion of the Transactions.

***Options Granted to Executive Officers***

Except for 200,000 options to be issued to Milton Cox, 300,000 options to be granted to Mark T. Brown and 200,000 options to be granted to Sam Nastat on closing, the management of the Resulting Issuer does not currently anticipate any option grants to its CEO, CFO and President during the 12 month period following completion of the Transactions. See "Information Concerning the Resulting Issuer". The Company may, in the discretion of the board of directors, grant options from time to time to current and incoming executive officers.

***Termination of Employment, Change in Responsibilities and Employment Contracts***

It is not anticipated that there will be any compensatory plans, contract or arrangements between the Resulting Issuer and a Named Executive Officer in the 12 months following completion of the Acquisition with respect to: (a) the resignation, retirement or other termination of employment of the Named Executive Officer; (b) a change in control of the Resulting Issuer; or (c) a change in the Named Executive Officer's responsibilities following a change in control of the Resulting Issuer involving an amount, where the Named Executive Officer is entitled to receive more than $100,000, including periodic payments or instalments.

***Compensation of Directors***

Except for 200,000 options to be issued to Milton Cox, 300,000 options to be issued to Mark T. Brown, 100,000 options to be issued to Desmond Balakrishnan and 100,000 options to be issued to George Robinson on closing, it is not anticipated that there will be any options granted to directors of the Resulting Issuer during the 12 months following completion of the Transactions. The Resulting Issuer may, in the discretion of the board of directors, grant options from time to time to current or incoming directors.

It is not currently anticipated that any directors of the Resulting Issuer who are not Named Executive Officers, will receive, in the 12 months following completion of the Acquisition, compensation pursuant to:

(a) any standard arrangement for the compensation of directors for their services in their capacity as directors, including any additional amounts payable for committee participation or special assignments;

(b) any other arrangement, in addition to, or in lieu of, any standard arrangement, for the compensation of directors in their capacity as director; or

(c) any arrangement for the compensation of directors for services as consultants or experts.

| **Name** | **Fees ($)** | **Share-based awards ($)** | **Option-based awards ($)** | **Non-equity incentive compensation data compensation ($)** | **Pension value ($)** | **All other Compensation ($)** | **Total Compensation ($)** |
|---|---|---|---|---|---|---|---|
| Desmond Balakrishnan | TBD(1) | TBD | TBD | Nil | Nil | Nil | TBD |
| George Robinson | TBD(1) | TBD | TBD | Nil | Nil | Nil | TBD |

Notes:

(1) "TBD" means "to be determined" by the board of the Resulting Issuer following completion of Transactions. The compensation will be dependent on the services actually required to be provided to the Resulting Issuer, the extent of which has not yet been determined.

**Indebtedness of Directors and Officers**

No director, executive officer or other senior officer of the Resulting Issuer, or any Associate of any such director or officer is, or has been at any time since the beginning of the most recently completed financial year of the Company, indebted to the Company or Big Sky nor is, or at any time since the incorporation of the Company has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or Big Sky.

**Investor Relations Arrangement**

The Resulting Issuer has no investor relations or promotional arrangement.

**Stock Options & Stock Option Plan**

The Company has agreed to grant, upon Completion of the Transactions, incentive stock options to purchase an aggregate of 1,470,000 Fox Resources Shares at an exercise price of $0.35 per share which will be governed by the Stock Option Plan. The following table sets forth all options to purchase securities of the Resulting Issuer that will be held upon completion of the Acquisition:

| Persons who will Receive Options (as a group) | Number of Resulting Issuer Shares Under Option | Purchase Price of Resulting Issuer Shares Under Option | Expiration Date |
|---|---|---|---|
| Executive officers(1) | 43,333<br>700,000(2) | $0.30<br>$0.35 | May 21, 2013<br>5 years from closing |
| Directors (who are not also executive officers)(3) | 200,000(2) | $0.35 | 5 years from closing |
| Consultants and Employees | 80,000<br>50,000<br>570,000(2) | $0.30<br>$0.30<br>$0.35 | May 21, 2013<br>August 18, 2013<br>5 years from closing |
| **Total** | **1,643,333** | | |

Notes:

(1) Consists of Milton Cox (CEO and a director), Mark T. Brown (CFO and a director) and Sam Nastat (President).

(2) These options will be granted on Completion of the Transactions.

(3) Consists of Desmond Balakrishnan and George Robinson.

Following the closing of the Transactions, the Stock Option Plan as disclosed under the heading “Information Concerning the Company – Stock Option Plan” will remain in effect. The shareholders of the Resulting Issuer may approve a resolution at a meeting of the shareholders of the Resulting Issuer adopting a new Stock Option Plan or amending the existing Stock Option Plan.

**Escrowed Securities**

Upon Completion of the Transactions there is anticipated to be an aggregate of 27,765,667 Escrow Shares which are subject to the Escrow Agreement as a result of the Acquisition.

***Escrow Shares***

Upon Completion of the Transactions an aggregate of 27,765,667 Escrow Shares will be held in escrow with the Escrow Agent under the provisions of the Escrow Agreement. These securities are viewed by the Exchange as “value securities” and will be released as to 10% upon the date of issuance of the Final Exchange Bulletin respecting the Transactions and an additional 15% thereof on each of the 6, 12, 18, 24, 30 and 36 month anniversaries of the Completion of the Transactions.

If the Resulting Issuer meets the Tier 1 minimum listing requirements of the Exchange subsequent to the release of the Final Exchange Bulletin, the release of the Escrow Shares will be accelerated. An accelerated escrow release will not commence until the Resulting Issuer has made an application to the Exchange for listing as a Tier 1 Company and the Exchange has issued a bulletin that announces the acceptance for listing of the Fox Resources Shares on Tier 1 of the Exchange.

All holders of Escrow Shares must obtain Exchange consent to transfer Fox Resources Shares then subject to escrow, other than in specified circumstances set out in the Escrow Agreement.

The following table sets out, as of the date hereof and to the knowledge of the Company and Big Sky, the name and municipality of residence of the securityholders whose Fox Resources Shares will be Escrow Shares.

| | | **Prior to Completion of the Transactions[(1)]** | | **After Completion of the Transactions[(1)]** | |
|---|---|---|---|---|---|
| **Name and Municipality of Securityholder** | **Designation of Class** | **Number of Securities Held in Escrow** | **Percentage of Class** | **Number of Securities to be Held in Escrow** | **Percentage of Class** |
| Milton Cox[(2)]<br>Olive Branch, Mississippi<br>USA | Common Shares | Nil | 0.0% | 3,600,000 | 5.9% |
| Mark T. Brown[(3)]<br>Vancouver, B.C. | Common Shares | Nil | 0.0% | 765,667 | 1.3% |
| Sam Nastat[(4)]<br>Olive Branch, Mississippi<br>USA | Common Shares | Nil | 0.0% | 7,200,000 | 11.9% |
| Jeffrey Taylor[(5)]<br>Henderson, Nevada<br>USA | Common Shares | Nil | 0.0% | 3,600,000 | 5.9% |
| John Kevin Hyneman[(6)]<br>Memphis, Tennessee<br>USA | Common Shares | Nil | 0.0% | 3,600,000 | 5.9% |
| John Clair[(7)]<br>New York, New York<br>USA | Common Shares | Nil | 0.0% | 3,600,000 | 5.9% |
| George Robinson<br>Billings, Montana<br>USA | Common Shares | Nil | 0.0% | 2,700,000 | 4.4% |
| Charles D. Robinson<br>Lansing, Michigan<br>USA | Common Shares | Nil | 0.0% | 2,700,000 | 4.4% |

**Notes:**

(1) Based on a total of 60,676,665 Fox Resources Shares expected to be outstanding following completion of the Transactions, on an undiluted basis. Does not include options to purchase Resulting Issuer shares owned by such securityholders. See "Information Concerning the Resulting Issuer After Completion of the Transactions – Stock Options & Stock Option Plan".

(2) These shares will be held indirectly by Mr. Cox through CAI Holdings LLC.

(3) Certain of these shares will be held indirectly by Mr. Brown through Spartacus Management Ltd. and Pacific Opportunity Capital Ltd.

(4) These shares will be held indirectly by Mr. Nastat through LSN Asset Management LLC.

(5) These shares will be held indirectly by Mr. Taylor through Pioneer Shale Group Corp..

(6) These shares will be held indirectly by Mr. Hyneman through NDC Asset Management LLC.
(7) These shares will be held indirectly by Mr. Clair through Heel Valley Management LLC.

### Auditors

See "Information Concerning the Company - Auditors".

### Transfer Agent And Registrar

See "Information Concerning the Company - Transfer Agent and Registrar".

## PART IV – RISK FACTORS

An investment in Fox Resources' securities involves a high degree of risk. Potential investors should carefully consider the following information about these risks, together with the information contained in Fox Resources' continuous disclosure record available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com before any purchase or sale of such securities. If any of the following risks actually occurs, the business, financial condition and prospects of Fox Resources could be materially adversely affected. In that case, the value of any securities of Fox Resources could also decline and investors could lose all or part of their investment.

The risks and uncertainties described below are those that Fox Resources' and Big Sky's management believes are material, but these risks and uncertainties may not be the only ones that Fox Resources may face. Additional risks and uncertainties, including those that Fox Resources' and Big Sky's management currently are not aware of or deem immaterial, may also result in decreased operating revenues, increased operating expenses or other events that could result in a decline in the value of any securities of Fox Resources. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Filing Statement.

Generally an investment in the securities of the Resulting Issuer is highly speculative due to the nature of its involvement in the exploration for, and the acquisition, development and production of, oil and natural gas reserves. There is no assurance that commercial quantities of oil and natural gas will be discovered by the Resulting Issuer.

### Risks Relating to the Oil & Gas Industry

#### *General Conditions Relating to Oil Exploration and Production Operations*

The Resulting Issuer 's operations are subject to all the risks normally incident to the exploration for and production of oil including geological risks, operating risks, political risks, development risks, marketing risks, and logistical risks.

#### *Exploration, Development and Production Risks*

Oil and gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. Fox Resources' longterm commercial success depends on the Resulting Issuer's ability to find, acquire, develop and commercially produce oil reserves. Without the continual addition of new reserves, any existing reserves the Resulting Issuer may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Resulting Issuer's reserves will depend not only on the Resulting Issuer's ability to explore and develop any properties the Resulting Issuer may have from time to time, but also on the Resulting Issuer's ability to select and acquire suitable producing properties or prospects. No assurance can be given that the Resulting Issuer will be able to continue to locate satisfactory properties for acquisition or participation.

Moreover, if such acquisitions or participations are identified, the Resulting Issuer may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil will be discovered or acquired by us.

Future oil exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include: delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees. Oil exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to oil wells, production facilities, other property and the environment or in personal injury. In accordance with industry practice, the Resulting Issuer may not fully insured against all of these risks, nor are all such risks insurable. Although the Resulting Issuer anticipates maintaining liability insurance in an amount that the Resulting Issuer considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Resulting Issuer could incur significant costs that could have a material adverse effect upon the Resulting Issuer's financial condition.

Oil production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on future results of operations, liquidity and financial condition.

***Environmental***

All phases of the oil business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil operations.

The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require us to incur costs to remedy such discharge. Although the Company believes that Big Sky is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Resulting Issuer's financial condition, results of operations or prospects.

***Prices, Markets and Marketing***

The marketability and price of oil that may be acquired or discovered by Big Sky will be affected by numerous factors beyond the Resulting Issuer's control. The Resulting Issuer's ability to market may depend upon its ability to acquire space on pipelines that deliver to commercial markets. The Resulting Issuer may also be affected by deliverability uncertainties related to the proximity of the Resulting Issuer's reserves to pipelines and processing facilities, and related to operational problems with such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and many other aspects of the oil business.

Producers of oil negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. The price depends in part on oil quality, prices of competing fuels, distance to market, the value of refined products and the supply/demand balance. Oil prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of the Resulting Issuer's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of the Resulting Issuer's reserves. The Resulting Issuer might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Resulting Issuer's net production revenue causing a reduction in acquisition, development and exploration activities.

***Availability of Drilling Equipment and Access***

Oil exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Resulting Issuer and may delay exploration and development activities. To the extent the Resulting Issuer is not the operator of Big Sky's oil properties, the Resulting Issuer will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

***Competition***

The petroleum industry is competitive in all its phases. The Resulting Issuer will compete with numerous other participants in the search for, and the acquisition of, oil properties and in the marketing of oil. The Resulting Issuer's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than us. The Resulting Issuer's ability to increase reserves in the future will depend not only on the Resulting Issuer's ability to explore and develop Big Sky's present properties, but also on the Resulting Issuer's ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and include price and methods and reliability of delivery.

***Reserve Estimates***

There are numerous uncertainties inherent in estimating quantities of oil reserves and cash flows to be derived therefrom, including many factors beyond the Resulting Issuer's control. In general, estimates of economically recoverable oil reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. The Resulting Issuer's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves. Any recovery and reserves estimates on the properties are estimates only. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

There is no assurance that any forecast price and cost assumptions contained in a reserve report will be attained and variances could be material. Actual future net cash flows will be affected by other factors such as actual production levels, supply and demand for oil, curtailments or increases in consumption by oil purchasers, changes in governmental regulation or taxation and the impact of inflation on costs. Reserves data is therefore based on judgments regarding future events therefore, actual results will vary and variations may be material.

***Title to Assets***

Although title reviews may be conducted prior to the purchase of oil producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the Resulting Issuer's claim which could result in a reduction of any revenue to be received by the Resulting Issuer.

***Title Issues***

Fox Resources has investigated the rights to explore the various oil properties Big Sky holds or proposes to participate in and, to the best of its knowledge, those rights are in good standing. However, no assurance can be given that applicable governments will not revoke, or significantly alter the conditions of, the applicable exploration and development authorizations and that such exploration and development authorizations will not be challenged or impugned by third parties. There is no certainty that such rights or additional rights applied for will be granted or renewed on terms satisfactory to the Resulting Issuer. There can be no assurance that claims by third parties against Big Sky will not be asserted at a future date.

***Regulatory***

Oil operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. The Resulting Issuer's operations may require licenses from various governmental authorities. There can be no assurance that the Resulting Issuer will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at any of the Resulting Issuer's projects.

***Foreign Currency Rate Risk***

A significant amount of the Resulting Issuer's activities will be transacted in or referenced to US dollars. The Resulting Issuer's operating costs and certain of the Resulting Issuer's payments in order to maintain property interests are to be in the local currency of the jurisdiction where the applicable property is located. As a result, fluctuations in the US dollar against the Canadian dollar could result in unanticipated fluctuations in the Resulting Issuer's financial results which are denominated in Canadian dollars. Fox Resources does not manage its exposure to fluctuations in the US dollar to exchange rates.

***Multi-jurisdictional Legal Risks***

Fox Resources is incorporated under the laws of the Province of British Columbia, Canada, and all of the current directors and all of its current officers are residents of Canada. Consequently, it may be difficult for United States investors to effect service of process within the United States upon Fox Resources or upon those directors or officers, who are not residents of the United States, or to realize in the United States upon judgments of United States courts. Furthermore, it may be difficult for investors to enforce judgments of the U.S. courts based on civil liability provisions of the U.S. federal securities laws in a Canadian court against Fox Resources or any of Fox Resources' non-U.S. resident executive officers or directors. There is substantial doubt whether an original lawsuit could be brought successfully in Canada against any of such persons or Fox Resources predicated solely upon such civil liabilities.

***Substantial Capital Requirements***

The Company anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil reserves in the future. If the Resulting Issuer's revenues or reserves decline, it may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The Resulting Issuer's inability to access sufficient capital for operations could have a material adverse effect on the Resulting Issuer's financial condition, results of operations or prospects.

***Additional Funding Requirements***

The cash flow from the Resulting Issuer's operations may not be sufficient to fund the Resulting Issuer's ongoing activities at all times. From time to time, the Resulting Issuer may require additional financing in order to carry out acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause us to forfeit Big Sky's interest in certain properties, miss certain acquisition opportunities and reduce or terminate the Resulting Issuer's operations. If the revenues from the Resulting Issuer's operations decrease as a result of lower oil prices or otherwise, it will affect the Resulting Issuer's ability to expend the necessary capital to replace the Resulting Issuer's reserves or to maintain the Resulting Issuer's production. If the Resulting Issuer's cash flow from operations is not sufficient to satisfy capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to the Resulting Issuer.

### *Issuance of Debt*

From time to time the Resulting Issuer may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Resulting Issuer's debt levels above industry standards. Depending on future exploration and development plans, the Resulting Issuer may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. The Resulting Issuer's articles will not limit the amount of indebtedness that the Resulting Issuer may incur. The level of the Resulting Issuer's indebtedness from time to time could impair its ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

### *Hedging*

From time to time the Resulting Issuer may enter into agreements to receive fixed prices on the Resulting Issuer's oil production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Resulting Issuer will not benefit from such increases. Similarly, from time to time the Resulting Issuer may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, the Resulting Issuer will not benefit from the fluctuating exchange rate.

### *Reliance on Key Personnel*

The Resulting Issuer's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on the Resulting Issuer. The Resulting Issuer will not have key person insurance in effect for management. The contributions of these individuals to the Resulting Issuer's immediate operations are likely to be of central importance. In addition, the competition for qualified personnel in the oil industry is intense and there can be no assurance that the Resulting Issuer will be able to continue to attract and retain all personnel necessary for the development and operation of the Resulting Issuer's business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the Resulting Issuer's management.

### *Conflicts of Interest*

Certain of the Resulting Issuer's directors are also directors of other oil companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the *Business Corporations Act* (British Columbia).

### *Insurance*

The Resulting Issuer involvement in the exploration for and development of oil properties may result in the Resulting Issuer becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Any insurance obtained in accordance with industry standards to address certain of these risks has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, the Resulting Issuer may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Resulting Issuer. The occurrence of a significant event that the Resulting Issuer is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Resulting Issuer's financial position, results of operations or prospects.

## Risks Relating to Securities

### *Fluctuation in Market Value*

The market price of publicly-traded securities is affected by many variables not directly related to the corporate performance of the Resulting Issuer, including the market in which it is traded, the strength of the economy generally, the global economic situation and outlook, the availability and attractiveness of alternative investments, and the breadth of the public market for the securities. The effect of these and other factors on the market price of the common shares of the Resulting Issuer on the TSX Venture Exchange in the future cannot be predicted.

***Price and Volume Volatility***

Trading volume in Fox Resources' shares has historically been limited with daily trading volumes varying significantly. The Resulting Issuer's shares may experience extreme price and volume volatility which may result in losses to shareholders. Accordingly, the trading price of the Resulting Issuer's shares could be subject to wide fluctuations in response to a variety of factors including announcement of material events such as changes relating to the management or interests in oil and gas properties, drilling and exploration results, political, legal and regulatory developments, changes in oil and gas prices and general and industry-specific economic conditions.

Additionally, the securities markets in Canada and the United States have recently experienced a high level of price and volume volatility. It is expected that such fluctuations in volume and price will continue to occur which may make it difficult for a shareholder to sell the Resulting Issuer's shares at a price equal to or above the price at which the shares were purchased.

***Dividends***

To date, the Company has not paid any dividends on the outstanding Fox Resources Shares. Any decision to pay dividends on its shares will be made by the board of directors on the basis of the Resulting Issuer's earnings, financial requirements and other conditions existing at such time.

***Dilution***

Future issuance of the Resulting Issuer's shares will result in dilution to the existing shareholders. Additionally, future sales of the Resulting Issuer's shares into the public market may lower the market price which may result in losses to the Resulting Issuer's shareholders. The Resulting Issuer may, from time to time, issue stock options to purchase additional common shares in accordance with the policies of the Exchange. Most of these common shares, including the common shares to be issued upon exercise of options, are freely tradable after a four-month restriction period. Sales of substantial amounts of the Resulting Issuer's shares into the public market, or even the perception by the market that such sales may occur, may lower the market price of its common shares.

## PART V – GENERAL MATTERS

### Sponsorship and Agents

The Company has not entered into any written or oral agreement or understanding with any other person or company to provide any sponsorship with respect to the Acquisition. The Company has not entered into any written or oral agreement or understanding with any other person or company to provide any corporate finance services, promotional or investor relation services for the Company or its securities either for now or in the future.

### Experts

The following is a list of persons or companies whose profession or business gives authority to a statement made by a person or company named in this Filing Statement as having prepared or certified a part of that document or report described in the Filing Statement:

(a) MHA Petroleum Consultants ("MHA") was retained by the Company to evaluate the reserves associated with the Glacier Prospects in accordance with standards contained in the Canadian Oil and Gas Evaluation Handbook. MHA are independent qualified reserves evaluators appointed pursuant to NI 51-101.

(b) Smythe Ratcliffe, Chartered Accountants, auditors of the Company; and

(c) Walls & Company, Certified Public Accountants, auditors of Big Sky.

To the knowledge of management of the Company, as of the date hereof, no expert, nor any Associate or Affiliate of such person has any beneficial interest, direct or indirect, in the securities or property of the Company or the Resulting Issuer or of an Associate or Affiliate of any of them, and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of the Resulting Issuer or of an Associate or Affiliate thereof.

### Expertised Reports

Other than as disclosed above, the Company has not entered into any written or oral agreement or understanding with any other person or company to provide an expertised report (i.e. an independent valuation, fairness opinion, appraisal etc.) prepared to support any recommendation(s) of the Board.

### Other Material Facts

To management's knowledge, there are no other material facts relating to the Acquisition that are not otherwise disclosed in this Filing Statement or are necessary for the Filing Statement to contain full, true and plain disclosure of all material facts relating to the Acquisition.

### Board Approval

The contents and sending of this Filing Statement have been approved by the Board of the Company and Big Sky. Where information contained in this Filing Statement rests particularly within the knowledge of a person other than the Company or Big Sky, the Company or Big Sky, as the case may be, has relied upon information furnished by such person.

**SmytheRatcliffe**
CHARTERED ACCOUNTANTS

## AUDITORS' CONSENT

We have read the filing statement of Fox Resources Ltd. (the "Company"), dated November 9, 2011 relating to the reverse takeover transaction involving the acquisition of Big Sky Operating LLC by the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with filing documents.

We consent to the use, through incorporation by reference in the above-mentioned filing statement, of our report to the board of directors and shareholders of the Company on the balance sheets of the Company as at December 31, 2010 and 2009 and the statements of operations and comprehensive loss, shareholders' equity and cash flows for the years ended December 31, 2010 and 2009. Our report is dated April 26, 2011.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
November 9, 2011



7th Floor 355 Burrard St
Vancouver, BC V6C 2G8

**Tel:** 604 687 1231
**Fax:** 604 688 4675
**smytheratcliffe.com**

**Walls & Company**

Certified Public Accountants
1862 Poplar Crest Cove
Memphis, Tennessee 38119
Phone (901) 684-1043
Fax (901) 684-1044

Member
Tennessee Society
Certified Public Accountants

Member
American Institute
Certified Public Accountants

## AUDITORS' CONSENT

We have read the Filing Statement of Fox Resources Ltd. ("the Company") dated November 9, 2011 relating to the reverse takeover transaction involving the acquisition of Big Sky Operating LLC ("Big Sky") by the Company. We have complied with United States generally accepted standards for an auditors' involvement with filing documents.

We consent to the use in the above-mentioned Filing Statement of our audit report to the member of Big Sky on the balance sheets of Big Sky as of December 31, 2010, 2009, and 2008 and the related statements of operations, changes in member's equity, and cash flows for the years then ended. Our audit report is dated August 18, 2011.

Walls & Company

Walls & Company
Memphis, Tennessee
November 9, 2011

**APPENDIX “A”**

Audited annual financial statements of Fox Resources Ltd. as at and for the years ended December 31, 2010, 2009 and 2008 and unaudited financial statements of Fox Resources Ltd. as at and for the six-month period ended June 30, 2011 and 2010

# FOX RESOURCES LTD.

*(An Exploration Stage Company)*

## FINANCIAL STATEMENTS
## FOR THE YEAR ENDED DECEMBER 31, 2010

410 - 325 Howe Street
Vancouver, British Columbia V6C 1Z7
Tel: (604) 687-3520   Fax: (604) 688-3392

**SmytheRatcliffe**
CHARTERED ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

## TO THE SHAREHOLDERS OF FOX RESOURCES LTD.
**(An Exploration Stage Company)**

We have audited the accompanying financial statements of Fox Resources Ltd. (an exploration stage company), which comprise the balance sheets as at December 31, 2010 and 2009, and the statements of operations and comprehensive loss, shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*
In our opinion, the financial statements present fairly, in all material respects, the financial position of Fox Resources Ltd. as at December 31, 2010 and 2009, and the results of its operations and comprehensive loss and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Smythe Ratcliffe LLP
Chartered Accountants

Vancouver, British Columbia
April 26, 2011





7th Floor 355 Burrard St
Vancouver, BC V6C 2G8

**Tel:** 604 687 1231
**Fax:** 604 688 4675
**smytheratcliffe.com**

# FOX RESOURCES LTD.

*(An Exploration Stage Company)*

**Balance Sheets**

December 31

| | 2010 | 2009 |
|---|---|---|
| **Assets** | | |
| Current: | | |
| Cash and cash equivalents | **$ 226,188** | $ 316,012 |
| Tax receivable | **1,324** | 3,323 |
| | **$ 227,512** | $ 319,335 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | **$ 8,566** | $ 16,575 |
| Due to related party (Note 5) | **3,360** | 3,150 |
| | **11,926** | 19,725 |
| Shareholders' equity: | | |
| Share capital (Note 4) | **660,395** | 660,395 |
| Contributed surplus | **55,971** | 55,971 |
| Deficit | **(500,780)** | (416,756) |
| | **215,586** | 299,610 |
| | **$ 227,512** | $ 319,335 |

Subsequent events (Note 10)

Approved by the Board of Directors:

*"James H. Elliott"* Director

James H. Elliott

*"Mark T. Brown"* Director

Mark T. Brown

The accompanying notes are an integral part of these financial statements

# FOX RESOURCES LTD.

*(An Exploration Stage Company)*

**Statements of Operations and Comprehensive Loss**

For the years ended December 31

| | 2010 | 2009 |
|---|---|---|
| **Expenses** | | |
| Accounting and audit (Note 5) | **$ 39,830** | $ 47,272 |
| Legal | **2,509** | 7,835 |
| Transfer agent, listing and filing fees | **20,722** | 23,355 |
| Rent (Note 5) | **6,000** | 6,000 |
| Investor relations | **537** | 1,266 |
| Office | **645** | 2,483 |
| Project investigation | **15,544** | - |
| | **85,787** | 88,211 |
| **Other Items** | | |
| Foreign exchange loss (gain) | **315** | (1,514) |
| Interest income | **(2,078)** | (2,102) |
| Write-off of mineral property interest (Note 3) | **-** | 225,328 |
| **Loss before income taxes** | **84,024** | 309,923 |
| Future income tax recovery (Note 7) | **-** | (45,000) |
| **Net loss and comprehensive loss for the year** | **$ 84,024** | $ 264,923 |
| Loss per share - basic and diluted | **$ 0.03** | $ 0.08 |
| Weighted average number of common shares outstanding | **3,156,667** | 3,156,667 |

The accompanying notes are an integral part of these financial statements

# FOX RESOURCES LTD.

*(An Exploration Stage Company)*

**Statements of Shareholders' Equity**

For the years ended December 31

| | Number of Shares | Share Capital | Contributed Surplus | Deficit | Total Shareholders' Equity |
|---|---|---|---|---|---|
| **Balance, December 31, 2008** | **3,156,667** | **$ 705,395** | **$ 55,971** | **$ (151,833)** | **$ 609,533** |
| Income tax effect of flow-through share renouncement (Note 7) | - | (45,000) | - | - | (45,000) |
| Net loss | - | - | - | (264,923) | (264,923) |
| **Balance, December 31, 2009** | **3,156,667** | **660,395** | **55,971** | **(416,756)** | **299,610** |
| Net loss | **-** | **-** | **-** | **(84,024)** | **(84,024)** |
| **Balance, December 31, 2010** | **3,156,667** | **$ 660,395** | **$ 55,971** | **$ (500,780)** | **$ 215,586** |

The accompanying notes are an integral part of these financial statements

**FOX RESOURCES LTD.**
*(An Exploration Stage Company)*
**Statements of Cash Flows**
For the years ended December 31

| | | 2010 | | 2009 |
|---|---|---|---|---|
| **Cash provided by (used in)** | | | | |
| **Operating activities:** | | | | |
| Net loss for the year | $ | (84,024) | $ | (264,923) |
| Items not involving cash: | | | | |
| Future income tax recovery | | - | | (45,000) |
| Write-off of mineral property interest | | - | | 225,328 |
| Changes in non-cash working capital items: | | | | |
| Tax receivable | | 1,999 | | 8,283 |
| Accounts payable and accrued liabilities | | (8,009) | | 840 |
| Due to related party | | 210 | | - |
| Net cash and cash equivalents used in operating activities | | (89,824) | | (75,472) |
| **Investing activity:** | | | | |
| Investment in mineral property | | - | | (113,554) |
| Net cash and cash equivalents used in investing activity | | - | | (113,554) |
| Change in cash and cash equivalents | | (89,824) | | (189,026) |
| Cash and cash equivalents, beginning of year | | 316,012 | | 505,038 |
| Cash and cash equivalents, end of year | $ | 226,188 | $ | 316,012 |
| **Represented by:** | | | | |
| Cash | $ | 226,188 | $ | 313,012 |
| Term investments | | - | | 3,000 |
| | $ | 226,188 | $ | 316,012 |

Supplemental disclosure with respect to cash flows (Note 6)

## 1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Fox Resources Ltd. (the "Company") was incorporated under the *Canada Business Corporations Act* on February 3, 2006 and, effective July 6, 2009, changed its continuance out of the federal jurisdiction into the British Columbia jurisdiction under the *Business Corporations Act* (British Columbia). The Company was classified as a capital pool company ("CPC") as defined in the TSX Venture Exchange (the "TSX-V" or "Exchange") Listings Policy 2.4. The Company completed an initial public offering ("IPO") and commenced trading on the TSX-V on May 5, 2006. On August 18, 2008, the Company completed its qualifying transaction, changed to its current name and resumed trading under the symbol "FAX.V" on August 19, 2008.

The Company is primarily engaged in the acquisition and exploration of mineral property interests and is in the process of identifying mineral property interests for acquisition.

To date, the Company has not earned significant revenues and is considered to be in the exploration stage. As at December 31, 2010, the Company has an accumulated deficit of $500,780. The Company's operations are funded from equity financing, which are dependent upon many external factors and may be difficult to raise when required.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Use of estimates

The preparation of financial statements in accordance with GAAP 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 financial statements, and the reported amount of expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of mineral property, accrued liabilities and the determination of the valuation allowance for future income tax assets. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

## 2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### (b) Cash and cash equivalents

Cash and cash equivalents consists of cash and term investments with original maturities of three months or less, deposited in a high-quality financial institution, together with accrued interest thereon. Term investments are readily convertible to known amounts of cash.

### (c) Mineral property interest

All costs related to the acquisition, exploration and development of mineral property interest, net of any recoveries, are capitalized on a property-by-property basis. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed, sold or the Company's mineral rights are allowed to lapse.

If economically recoverable ore reserves are developed, capitalized costs of the related property interest will be reclassified as mining assets and amortized using the unit-of-production method. When a property interest is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property interest is impaired, that property interest is written down to its estimated net realizable value. A mineral property interest is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as mineral property interest costs or recoveries when the payments are made or received.

### (d) Asset retirement obligations ("ARO")

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred and a reasonable estimate of fair value can be assessed. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount will be depleted on a straight-line basis over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to operations in the period. The ARO can also increase or decrease due to changes in the estimates of the timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present the Company has determined that it has no material AROs.

### (e) Equity instruments

Non-monetary consideration - Agent warrants, stock and unit options, and other equity instruments issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued is based on the trading price of those shares on the TSX-V on the date of the agreement to issue shares as determined by the Board of Directors and the issue of the shares is publicly announced. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair values.

## 2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### (f) Stock-based compensation

The Company accounts for stock-based compensation using a fair value-based method with respect to all stock-based payments to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For directors, employees and non-employees, the fair value of the options is accrued and charged to operations, with the offset credit to contributed surplus, over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital. The Company does not incorporate an estimated forfeiture rate for options that will not vest but rather accounts for forfeitures as they occur.

### (g) Flow-through shares

The Company may from time to time issue flow-through common shares to finance its mineral exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholder the income tax attributes of qualifying mineral exploration costs financed by such shares. The tax impact to the Company of the renouncement is recorded on the date the renunciation is filed with taxation authorities, through a decrease in share capital and the recognition of a future income tax liability. Where available, the Company offsets future income tax liabilities with future income tax assets, resulting in recognition of a future income tax recovery for previously unrecognized future income tax assets.

### (h) Future income taxes

The Company accounts for, and measures future tax assets and liabilities, in accordance with the assets and liability method. Under this method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the future benefit is taken and no asset is recognized.

### (i) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

## 2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### (j) Revenue recognition

Interest income earned from cash and cash equivalents is recognized on an accrual basis.

### (k) Foreign currency translation

The functional currency of the Company is the Canadian dollar. Amounts recorded in foreign currency are translated into Canadian dollars as follows:

i. Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
ii. Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
iii. Interest income and expenses (excluding amortization, which is translated at the same rate as the related asset), at the rate of exchange on the transaction date.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss for the year.

### (l) Financial instruments

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition.

Material transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

### (m) Future accounting pronouncements

**Convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS")**

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover date to IFRS for Canadian profit-oriented publicly accountable entities ("PAEs") such as the Company.

The AcSB requires that IFRS-compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. For the Company, the first unaudited interim financial statements under IFRS will be the quarter ending March 31, 2011, with comparative financial information for the quarter ended March 31, 2010. The first audited annual financial statements will be for the year ending December 31, 2011, with comparative financial information for the year ended December 31, 2010. This also means that all the opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the January 1, 2010 opening balance sheet, which will be issued as part of the comparative financial information in each of the Company's 2011 interim and annual financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### (m) Future accounting pronouncements - continued

**Convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") - continued**

The Company's management assessed the impact of adoption to IFRS and concluded that there would be no significant impact or modification to financial reporting, accounting systems and the internal control process.

**Business Combinations**

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These new standards are harmonized with IFRS. Section 1582 specifies a number of changes, including: an expanded definition of a business, a requirement to measure all business acquisitions at fair value, the use of the date of exchange as the measurement date, the requirement to measure non-controlling interests at fair value and a requirement to recognize acquisition related costs that are not capital in nature, such as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. The new standards will become effective in 2011 but early adoption is permitted. The adoption of this standard will not have an impact on the Company's financial statements.

## 3. MINERAL PROPERTY INTEREST

**Otter Gold Property**

The Company first signed a three-year mining option agreement on May 27, 2008 to earn a 100% interest in the Otter Gold Property, located in the Spences Bridge Gold Belt near Princeton, British Columbia, by paying $25,000 in cash and issuing 50,000 common shares valued at $15,000.  On August 18, 2009, the Company paid $5,000 to the optionor to amend the original option agreement to postpone the first anniversary commitments of paying $50,000 in cash, issuing 75,000 common shares and incurring $200,000 in exploration expenditures until December 31, 2009.  On December 31, 2009, the Company abandoned the Otter Gold Property and wrote-off the entire balance.

## 4. SHARE CAPITAL

### (a) Authorized

The Company has authorized share capital of an unlimited number of common voting shares and an unlimited number of Class A voting common shares.

### (b) Escrow shares

The initial 956,667 seed shares issued by the Company are held in escrow in accordance with the escrow agreement dated April 28, 2006.

Under the escrow agreement, 10%, or 95,667, of the escrowed common shares were released from escrow on the issuance of the Final Exchange Bulletin and 287,000 common shares were released in fiscal 2010. Of the remaining escrow shares, 143,500 will be released on each of February 25, 2011 and August 25, 2011.

As of December 31, 2010, the Company had 287,000 common shares held in escrow. Subsequently, 143,500 common shares were released from escrow on February 25, 2011.

### (c) Options

The Company has established a stock option plan that is administered by the Board of Directors of the Company with stock options granted to directors, management, employees, management company employees, agents and consultants. The number of common shares reserved for issuance of stock options is limited to a maximum of 10% of the total number of issued and outstanding shares.

Options outstanding at December 31, 2010 and 2009 are as follows:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Options | Weighted average exercise price | Options | Weighted average exercise price |
| Outstanding and exercisable, beginning and end of year | 223,333 | $ 0.30 | 223,333 | $ 0.30 |
| Weighted average remaining contractual life | | 1.98 years | | 2.98 years |

As at December 31, 2010, the Company had the following options outstanding and exercisable. All options vested immediately upon granting.

| Expiry date | Number of options | Exercise price |
|---|---|---|
| April 28, 2011 | 50,000 | $ 0.30 |
| May 21, 2013 | 123,333 | $ 0.30 |
| August 18, 2013 | 50,000 | $ 0.30 |
| | 223,333 | |

## 5. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010, the Company incurred management and accounting services of $30,000 (2009 - $30,000) and rent of $6,000 (2009 - $6,000) to a private company controlled by a director and an officer of the Company. As at December 31, 2010, a total of $3,360 (2009 - $3,150) is owed to a private company controlled by a director and an officer of the Company.

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

## 6. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

| | 2010 | 2009 |
|---|---|---|
| Interest income | $ 2,078 | $ 2,102 |
| Interest paid | $ - | $ - |
| Income taxes paid | $ - | $ - |

## 7. INCOME TAXES

The significant components of the Company's future income tax assets are as follows:

| | 2010 | 2009 |
|---|---|---|
| Future income tax assets: | | |
| Non-capital loss carry-forwards | $ 100,700 | $ 71,600 |
| Mineral property interests | 11,500 | 11,300 |
| Share issue costs | 4,100 | 11,100 |
| Future income tax assets | 116,300 | 94,000 |
| Valuation allowance | (116,300) | (94,000) |
| Net future income tax assets | $ - | $ - |

The valuation allowance reflects the Company's estimate that the tax assets, more likely than not, will not be realized.

## 7. INCOME TAXES - CONTINUED

A reconciliation of the Canadian statutory rate to the income tax provision is as follows:

| | 2010 | 2009 |
|---|---|---|
| Canadian federal and provincial income taxes at 28.5% (2009 - 30.0%) | $ (23,900) | $ (93,000) |
| Temporary differences | | |
| Write-off of mineral property interest | - | 5,200 |
| Share issuance costs | (1,000) | (600) |
| Rate difference between current and future taxes | 2,500 | 17,600 |
| Change in valuation allowance | 22,400 | 25,800 |
| Future income tax recovery arising from flow-through share renouncement | $ - | $ (45,000) |

During the year ended December 31, 2010, the Company recognized $Nil (2009 - $45,000) as a reduction of share capital and corresponding future income tax recovery pursuant to the renunciations made for flow-through shares issued in 2008.

The Company has available approximate non-capital losses that may be carried forward to apply against future years' income for income tax purposes. The losses expire as follows:

| | |
|---|---|
| 2026 | $ 22,000 |
| 2027 | 40,000 |
| 2028 | 112,000 |
| 2029 | 112,000 |
| 2030 | 112,000 |
| | $ 398,000 |

## 8. FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents as held-for-trading; amounts due to related party and accounts payable and accrued liabilities as other financial liabilities.

The fair values of the Company's cash and cash equivalents and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of these instruments. The fair value of amounts due to related party has not been disclosed, as there is no market for such instruments.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and interest rate risk.

### (a) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial asset exposed to credit risk is cash and cash equivalents, which is minimized to the extent that it is placed with a major Canadian financial institution.

## 8. FINANCIAL INSTRUMENTS - CONTINUED

### (b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. As at December 31, 2010, the Company was holding cash and cash equivalents of $226,188 (2009 - $316,012). As at December 31, 2010, the Company's accounts payable excluding accrued liabilities of $566 (2009 - $1,575) and amounts due to related party of $3,360 (2009 - $3,150) are due within 30 days.

### (c) Interest rate risk

Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash and cash equivalents earn interest from its operating bank accounts, bearing interest of 1.25% per annum. Due to the nature of this financial instrument, fluctuations in market rates do not have a significant impact on net loss as of December 31, 2010. Future cash flows from interest income on cash will be affected by interest rate fluctuations. A 1% change in the interest rate, with other variables unchanged, would affect net loss by an annualized amount of interest equal to approximately $2,262.

## 9. MANAGEMENT OF CAPITAL

The Company considers its capital to be its shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing development efforts, the Company does not pay dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition, selected with regard to the expected timing of expenditures from continuing operations.

There were no changes to the Company's approach to capital management during the year and the Company is not subject to any externally imposed capital requirements.

**10. SUBSEQUENT EVENTS**

(a) On January 4, 2011, 50,000 stock options were exercised at $0.30 per option.

(b) On April 26, 2011, the Company announced that it closed the non-brokered private placement of 3,120,000 units (the "Unit") at $0.30 per Unit for gross proceeds of $936,000. Each Unit comprised of one common share and one-half of one non-transferable warrant. Each whole warrant entitled the holder to purchase one additional common share for a period of 18 months at a price of $0.45 per common share. In addition, Finder's Warrants, entitling the holder to purchase up to 198,000 Units for a period of 18 months from issue at $0.30 per Unit and cash finder's fees of $41,580 were paid. All securities issued are subject to a four-month hold period expiring on August 26, 2011. Insider participation amounts to 220,000 units.

**11. COMPARATIVE FIGURES**

Certain of the comparative figures have been reclassified to conform to the presentation used in the current year.

# FOX RESOURCES LTD.

*(An Exploration Stage Company)*

## CONDENSED FINANCIAL STATEMENTS
## FOR THE SIX MONTHS ENDED JUNE 30, 2011

410 - 325 Howe Street
Vancouver, British Columbia V6C 1Z7
Tel: (604) 687-3520   Fax: (604) 688-3392

**FOX RESOURCES LTD.**
*(An Exploration Stage Company)*
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Presented in Canadian dollars)
(UNAUDITED)

# FOX RESOURCES LTD.

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# FOX RESOURCES LTD.

*(An Exploration Stage Company)*
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Presented in Canadian dollars)
(UNAUDITED)

| | June 30, 2011 | December 31, 2010 | January 1, 2010 |
|---|---|---|---|
| | | (Note 9) | (Note 9) |
| **Assets** | | | |
| **Current assets** | | | |
| Receivables | $ 4,492 | $ 1,324 | $ 3,323 |
| Cash and cash equivalents | 1,095,836 | 226,188 | 316,012 |
| **Total assets** | $ 1,100,328 | $ 227,512 | $ 319,335 |
| **Equity** | | | |
| Share capital (Note 3) | $ 1,326,955 | $ 660,395 | $ 660,395 |
| Reserves | 293,401 | 55,971 | 55,971 |
| Deficit | (543,797) | (500,780) | (416,756) |
| | 1,076,559 | 215,586 | 299,610 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Due to related parties (Note 4) | 6,720 | 3,360 | 3,150 |
| Accounts payable and accrued liabilities | 17,049 | 8,566 | 16,575 |
| | 23,769 | 11,926 | 19,725 |
| **Total equity and liabilities** | $ 1,100,328 | $ 227,512 | $ 319,335 |

Subsequent event (Note 8)

These condensed financial statements are authorized for issue by the Board of Directors on August 22, 2011.
They are signed on the Company's behalf by:

/s/James H. Elliott
Director

/s/Mark T. Brown
Director

# FOX RESOURCES LTD.

*(An Exploration Stage Company)*

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

For the six months ended June 30

(Presented in Canadian dollars)

(UNAUDITED)

| | For the Three months ended June 30, | | For the Six months ended June 30, | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | | | | (Note 9) |
| **Expenses** | | | | |
| Accounting and legal | **$ 20,199** | $ 330 | **$ 28,328** | $ 18,629 |
| Office and administrative fees | **1,010** | 2,880 | **1,073** | 569 |
| Property investigation | **-** | 8,239 | **-** | 15,544 |
| Rent | **1,500** | 1,500 | **3,000** | 3,000 |
| Investor relations | **1,115** | - | **1,115** | 537 |
| Transfer agent, listing and filing fees | **5,005** | 5,787 | **13,466** | 15,712 |
| | **(28,829)** | (18,736) | **(46,982)** | (53,991) |
| **Other items** | | | | |
| Foreign exchange gain | **607** | 477 | **239** | 477 |
| Interest income | **3,040** | 364 | **3,726** | 744 |
| | **3,647** | 841 | **3,965** | 1,221 |
| **Loss before income tax** | **(25,182)** | (17,895) | **(43,017)** | (52,770) |
| Income tax | **-** | - | **-** | - |
| **Net loss and comprehensive loss for the period** | **$ (25,182)** | $ (17,895) | **$ (43,017)** | $ (52,770) |
| **Basic and diluted loss per share (Note 5)** | **$ (0.00)** | $ (0.01) | **$ (0.01)** | $ (0.02) |
| **Weighted average number of common shares outstanding** | **5,469,524** | 3,156,667 | **4,343,242** | 3,156,667 |

# FOX RESOURCES LTD.

*(An Exploration Stage Company)*

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Presented in Canadian dollars)

(UNAUDITED)

| | Share capital | | Reserves | | | | |
|---|---|---|---|---|---|---|---|
| | Number of shares | Amount | Equity settled employee benefits | Warrants | Finder's Unit Warrants | Deficit | Total Equity |
| **Balance as at December 31, 2009 (Note 9)** | 3,156,667 | $ 660,395 | $ 55,971 | $ - | $ - | $ (416,756) | $ 299,610 |
| Net loss and comprehensive loss | - | - | - | - | - | (52,770) | (52,770) |
| **Balance as at June 30, 2010 (Note 9)** | 3,156,667 | 660,395 | 55,971 | - | - | (469,526) | 246,840 |
| Net loss and comprehensive loss | - | - | - | - | - | (31,254) | (31,254) |
| **Balance as at December 31, 2010 (Note 9)** | 3,156,667 | 660,395 | 55,971 | - | - | (500,780) | 215,586 |
| Share issuance: | | | | | | | |
| Private placement | 3,120,000 | 729,036 | - | 206,964 | - | - | 936,000 |
| Exercise of options | 50,000 | 19,100 | (4,100) | - | - | - | 15,000 |
| Share issue costs | - | (81,576) | - | - | 34,566 | - | (47,010) |
| Net loss and comprehensive loss | - | - | | | | (43,017) | (43,017) |
| **Balance as at June 30, 2011** | 6,326,667 | $1,326,955 | $ 51,871 | $206,964 | $ 34,566 | $ (543,797) | $ 1,076,559 |

# FOX RESOURCES LTD.

*(An Exploration Stage Company)*

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

For the six months ended June 30

(Presented in Canadian dollars)

(UNAUDITED)

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | | | | (Note 9) |
| **Cash flows from operating activities** | | | | |
| Net loss and comprehensive loss for the period | **$ (25,182)** | $ (17,895) | **$ (43,017)** | $ (52,770) |
| Changes in non-cash working capital items: | | | | |
| Receivables | **(2,290)** | (827) | **(3,168)** | 1,550 |
| Accounts payables and accrued liabilities | **11,019** | (30,534) | **11,843** | (15,804) |
| Net cash used in operating activities | **(16,453)** | (49,256) | **(34,342)** | (67,024) |
| **Cash flows from financing activities** | | | | |
| Proceeds from exercise of options | **-** | - | **15,000** | - |
| Cash received from private placement | **936,000** | - | **936,000** | - |
| Share issue costs | **(47,010)** | - | **(47,010)** | - |
| Net cash provided by financing activities | **888,990** | - | **903,990** | - |
| **Change in cash and cash equivalents** | **872,537** | (49,256) | **869,648** | (67,024) |
| **Cash and cash equivalents, beginning of the period** | **223,299** | 298,244 | **226,188** | 316,012 |
| **Cash and cash equivalents, end of the period** | **$ 1,095,836** | $ 248,988 | **$ 1,095,836** | $ 248,988 |
| **Interest paid** | **$ -** | $ - | **$ -** | $ - |
| **Interest received** | **$ 3,040** | $ 364 | **$ 3,726** | $ 744 |
| **Taxes paid** | **$ -** | $ - | **$ -** | $ - |
| **Taxes received** | **$ -** | $ - | **$ -** | $ - |

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Fox Resources Ltd. (the "Company") was incorporated under the *Canada Business Corporations Act* on February 3, 2006 and, effective July 6, 2009, changed its continuance out of the federal jurisdiction into the British Columbia jurisdiction under the *Business Corporations Act* (British Columbia). The address of the Company's registered office is Suite 2610, 1066 West Hastings Street, Vancouver, BC, Canada, V6E 3X1. The Company was classified as a capital pool company ("CPC") as defined in the TSX Venture Exchange (the "TSX-V" or "Exchange") Listings Policy 2.4. The Company completed an initial public offering ("IPO") and commenced trading on the TSX-V on May 5, 2006. On August 18, 2008, the Company completed its qualifying transaction, changed to its current name and resumed trading under the symbol "FAX.V" on August 19, 2008.

The Company is primarily engaged in the acquisition and exploration of mineral property interests and is in the process of identifying mineral property interests for acquisition.

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. To date, the Company has not earned significant revenues and is considered to be in the exploration stage. As at June 30, 2011, the Company has an accumulated deficit of $543,797. The Company has no source of operating revenues and its capacity to operate as a going concern in the near-term will likely depend on its ability to continue raising equity financing.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statement of financial position. The condensed interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that IFRS will replace Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises for financial periods beginning on or after January 1, 2011.

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first IFRS condensed interim financial statements for part of the period covered by the first IFRS annual financial statements to be presented in accordance with IFRS for the year ending December 31, 2011. Previously, the Company prepared its annual and interim financial statements in accordance with GAAP.

**2. SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

**(b) Basis of preparation**

These condensed interim financial statements have been prepared on a historical cost basis. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed interim financial statements do not include all of the information required for full annual financial statements.

These condensed interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective or available for early adoption on December 31, 2011, the Company's first annual reporting date.

The standards that will be effective or available for voluntary early adoptions in the annual financial statements for the year ending December 31, 2011 are subject to change and may be affected by additional interpretation(s). Accordingly, the accounting policies for the annual period that are relevant to these condensed interim financial statements will be determined only when the first IFRS financial statements are prepared for the year ending December 31, 2011.

The preparation of these condensed interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, *First Time Adoption of International Financial Reporting Standards (*IFRS 1). The impact of the transition from GAAP to IFRS is explained in Note 9.

**(c) Foreign currencies**

The functional and presentation currency of the Company is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**(d) Cash and cash equivalents**

Cash and cash equivalents consists of cash and term investments with original maturities of three months or less, deposited in a high-quality financial institution, together with accrued interest thereon. Term investments are readily convertible to known amounts of cash.

**2. SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

**(e) Exploration and evaluation**

The Company is in the exploration stage with respect to its investment in mineral properties and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all revenues received against the cost of the related claims. Such costs include, but not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Upon transfer of "Exploration and evaluation costs" into "Mine Development", all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised within "Mine development". After production starts, all assets included in "Mine development" are transferred to "Producing Mines".

All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

**(f) Financial instruments**

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

**2. SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

**(f) Financial instruments** (cont'd...)

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive loss.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

*Other financial liabilities:* This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

**(g) Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales tax or duty. The following specific recognition criteria must also be met before revenue is recognized:

*Interest income*
Revenue is recognized as interest accrues (using the effective interest rate, that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

**2. SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

**(h) Share-based payment transactions**

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

**(i) Loss per share**

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

**(j) Income taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

**2. SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

**(j) Income taxes** (cont'd...)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**(k) Assets retirement obligations ("ARO")**

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount will be depleted on a straight-line basis over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to operations in the period. The ARO can also increase or decrease due to changes in the estimates of the timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present the Company has determined that it has no material AROs.

**(l) Significant accounting judgments and estimates**

The preparation of these condensed financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed financial statements include estimates which, by their nature, are uncertain. The impacts 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 the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

<u>Critical judgments</u>

The Company does not have any critical judgments as of June 30, 2011.

<u>Estimates</u>

- the recoverability of receivables which are included in the condensed interim statement of financial position;
- the inputs used in accounting for share purchase option expense in the condensed interim statement of comprehensive loss; and
- the provision for income taxes which is included in the condensed interim statements of comprehensive loss and composition of deferred income tax assets and liabilities included in the condensed interim statement of financial position at June 30, 2011.

**2. SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

**(m) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for the June 30, 2011 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

- IAS 24, Related Party Disclosure: effective for accounting periods commencing on or after January 1, 2011;
- IFRS 9, Financial Instruments: effective for accounting periods commencing on or after January 1, 2013; and
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments: effective for accounting periods commencing on or after July 1, 2010.

## 3. CAPITAL AND RESERVES

(a) Authorized

At June 30, 2011, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

(b) Private Placements

On April 26, 2011, the Company announced that it closed the non-brokered private placement of 3,120,000 units (the "Unit") at $0.30 per Unit for gross proceeds of $936,000. Each Unit comprised of one common share and one-half of one non-transferable warrant. Each whole warrant entitled the holder to purchase one additional common share for a period of 18 months at a price of $0.45 per common share. In addition, Finder's Warrants, entitling the holder to purchase up to 198,000 Units for a period of 18 months from issuance at $0.30 per Unit and cash finder's fees of $41,580 were paid. All securities issued are subject to a four-month hold period expiring on August 26, 2011. Insider participation amounts to 220,000 Units. Other share issue costs amounted to $5,430.

(c) Escrow shares

The initial 956,667 seed shares issued by the Company are held in escrow in accordance with the escrow agreement dated April 28, 2006.

Under the escrow agreement, 10%, or 95,667, of the escrowed common shares were released from escrow on the issuance of the Final Exchange Bulletin. As at June 30, 2011, the Company had 143,500 common shares held in escrow which will be released on August 25, 2011.

(d) Share Purchase Option Compensation Plan

The Company has established a stock option plan that is administered by the Board of Directors of the Company with stock options granted to directors, management, employees, management company employees, agents and consultants. The number of common shares reserved for issuance of stock options is limited to a maximum of 10% of the total number of issued and outstanding shares. On March 31, 2011, 50,000 options at price of $0.30 were exercised.

(Presented in Canadian dollars)

**3. CAPITAL AND RESERVES** (cont'd...)

(d) Share Purchase Option Compensation Plan (cont'd...)

Stock option transaction and the number of stock options are summarized as follows:

| Expiry date | Exercise price | December 31, 2010 | Issued | Exercised | Expired/ cancelled | June 30, 2011 |
|---|---|---|---|---|---|---|
| April 28, 2011 | $ 0.30 | 50,000 | - | (50,000) | - | - |
| May 21, 2013 | $ 0.30 | 123,333 | - | - | - | 123,333 |
| August 18, 2013 | $ 0.30 | 50,000 | - | - | - | 50,000 |
| Options outstanding | | 223,333 | - | (50,000) | - | 173,333 |
| Option exercisable | | 223,333 | - | (50,000) | - | 173,333 |
| Weighted average exercise price | | $0.30 | - | $0.30 | - | $0.30 |

(e) Warrants

The continuity of warrants for the period ended June 30, 2011 is as follows:

| Expiry date | Exercise price | December 31 ,2010 | Issued | Exercised | Expired/ Cancelled | June 31 ,2011 |
|---|---|---|---|---|---|---|
| October 25, 2012 | $ 0.45 | - | 1,560,000 | - | - | 1,560,000 |
| Warrants outstanding | | - | 1,560,000 | - | - | 1,560,000 |
| Weighted average exercise price | | - | $ 0.45 | - | - | $ 0.45 |

The weighted average grant date fair value of the 1,560,000 warrants was $0.13, totalling $206,964 (2010 - $Nil). The weighted average assumptions used to estimate the fair value of warrants for the periods ended June 30, 2011 and 2010 were:

| | Six months ended June 30 | |
|---|---|---|
| | 2011 | 2010 |
| Risk-free interest rate | 1.98% | Nil |
| Expected life | 1.5 years | Nil |
| Expected volatility | 91% | Nil |
| Expected dividend yield | 0% | Nil |

(Presented in Canadian dollars)

**3. CAPITAL AND RESERVES (cont'd...)**

(f) Finder's Unit Warrants

The Company issued 198,000 finder's unit warrants on April 25, 2011. Each finder's unit warrant consists of one common share and one-half of one common share purchase warrant exercisable at $0.45 until October 25, 2012.

The continuity of finder's unit warrants for the period ended June 30, 2011 is as follows:

| Expiry date | Exercise price | December 31 ,2010 | Issued | Exercised | Expired/ Cancelled | June 31 ,2011 |
|---|---|---|---|---|---|---|
| October 25, 2012 | $ 0.30 | - | 198,000 | - | - | 198,000 |
| Finder's unit warrants outstanding | | - | 198,000 | - | - | 198,000 |
| Weighted average exercise price | | - | $ 0.30 | - | - | $ 0.30 |

The weighted average grant date fair value of the 198,000 finder's unit warrant was $0.17, totalling $34,566 (2010 - $Nil). The weighted average assumptions used to estimate the fair value of finder's unit warrants for the periods ended June 30, 2011 and 2010 were:

| | Six months ended June 30 | |
|---|---|---|
| | 2011 | 2010 |
| Risk-free interest rate | 1.98% | Nil |
| Expected life | 1.5 years | Nil |
| Expected volatility | 91% | Nil |
| Expected dividend yield | 0% | Nil |

(Presented in Canadian dollars)

## 4. RELATED PARTY TRANSACTIONS AND BALANCES

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

For the six months ended June 30, 2011

| | Short-term employee benefits | Post - employment benefits | Other long-term benefits | Termination benefits | Share-based payments | Total |
|---|---|---|---|---|---|---|
| Mark T. Brown, Chief Executive Officer | $Nil | $Nil | $Nil | $Nil | $Nil | $Nil |
| Winnie Wong, Chief Financial Officer | $Nil | $Nil | $Nil | $Nil | $Nil | $Nil |

For the six months ended June 30, 2010

| | Short-term employee benefits | Post - employment benefits | Other long-term benefits | Termination benefits | Share-based payments | Total |
|---|---|---|---|---|---|---|
| Mark T. Brown, Chief Executive Officer | $Nil | $Nil | $Nil | $Nil | $Nil | $Nil |
| Winnie Wong, Chief Financial Officer | $Nil | $Nil | $Nil | $Nil | $Nil | $Nil |

Related party assets / liabilities

| | Services | Six months ended June 30 | | As at June 30, 2011 | As at December 31, 2010 |
|---|---|---|---|---|---|
| | | 2011 | 2010 | | |
| Amounts due to: | | | | | |
| Pacific Opportunity Capital Ltd. [(a)] | Rent and accounting services | $18,000 | $18,000 | $6,720 | $3,360 |
| TOTAL: | | | | $6,720 | $3,360 |
| | | | | | |
| Amounts due from: | | | | | |
| Nil | | | | | |

(a) Pacific Opportunity Capital Ltd., a company controlled by the Chief Executive Officer of the Company.

## 5. LOSS PER SHARE

*Basic and diluted loss per share*

The calculation of basic and diluted loss per share for the six months ended June 30, 2011 was based on the loss attributable to common shareholders of $43,017 (2010 – $52,770) and a weighted average number of common shares outstanding of 4,343,242 (2010 – 3,156,667).

**5. LOSS PER SHARE** (cont'd...)

Diluted loss per share did not include the effect of 173,333 (2010 - 223,333) share purchase options, 1,560,000 (2010 - Nil) warrants and 198,000 (2010 - Nil) finder's unit warrants as they are anti-dilutive.

**6. FINANCIAL INSTRUMENTS**

The fair values of the Company's cash and cash equivalents and accounts payable are determined based on Level 1 inputs, and approximate their carrying values due to the short-term maturity of these instruments.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and interest risk.

(a) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial asset exposed to credit risk is cash and cash equivalents, which is minimized to the extent that it is placed with a major Canadian financial institution.

(b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

As at June 30, 2011, the Company had a cash and cash equivalent balance of $1,095,836 (December 31, 2010 - $226,188) to settle down current liabilities of $23,769 (December 31, 2010 - $11,926).

Accounts payable and accrued liabilities are due within the current operating period.

(c) Interest rate risk

Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash and cash equivalents earn interest from its operating bank accounts, bearing interest of 1.25% per annum. Due to the nature of this financial instrument, fluctuations in market rates do not have a significant impact on net loss as of June 30, 2011. Future cash flows from interest income on cash will be affected by interest rate fluctuations. A 1% change in the interest rate, with other variables unchanged, would affect net loss by an annualized amount of interest equal to approximately $10,958.

**6. FINANCIAL INSTRUMENTS** (cont'd...)

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Cash and cash equivalents | $ 1,095,836 | $ - | $ - | $ 1,095,836 |
| | $ 1,095,836 | $ - | $ - | $ 1,095,836 |

## 7. MANAGEMENT OF CAPITAL

The Company considers its capital to be its shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition and exploration of mineral properties and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing development efforts, the Company does not pay dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition, selected with regard to the expected timing of expenditures from continuing operations.

There were no changes to the Company's approach to capital management during the year and the Company is not subject to any externally imposed capital requirements.

## 8. SUBSEQUENT EVENT

On August 3, 2011, the Company signed a letter of intent to acquire all of the issued and outstanding membership interests of in Big Sky Operating LLC. ("Big Sky") (the "**Acquisition**"). Big Sky, a Montana limited liability company, is the legal and beneficial owner of certain oil and gas interests comprising approximately 100,000 net acres in Toole and Glacier counties, Montana, USA, of which Big Sky has a 33.3% working interest. In connection with the acquisition of Big Sky, the Company will undertake a concurrent private placement to raise minimum gross proceeds of $8,500,000. The funds will be used to fund the development of Big Sky's property interests, retire a $4 million debt of Big Sky as well as provide the required working capital to Big Sky to fund the oil exploration in Montana through 2011-2012.

The Company will issue 27 million shares to the members of Big Sky and 1,350,000 common shares to the lenders of Big Sky, subject to applicable TSX Venture Exchange ("TSXV") escrow requirements and applicable hold periods pursuant to securities legislation.

The Company and Big Sky are arm's length parties.

## 9. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 2, these are the Company's first condensed interim financial statements for the period covered by its first annual financial statements prepared in accordance with IFRS.

The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1). The first date at which IFRS was applied was January 1, 2010 ("Transition Date"). IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS.

IFRS 1 requires that the same policies are applied for all periods presented in the first IFRS financial statements and that those policies comply with IFRSs in effect as at the end of the first IFRS annual reporting period. Accordingly, the opening IFRS statement of financial position, 2010 comparatives and current period financial statements have been prepared using the same policies. The previously presented 2010 Canadian GAAP financial information has been reconciled to the IFRS information as part of this transition note in accordance with the requirements of IFRS 1. Further, the policies applied have been done so on a full retrospective basis unless an alternative treatment is permitted or required by an IFRS 1 election or exception. These are discussed below.

### Elections upon first-time adoption of IFRS

The IFRS 1 exemptions applied by the Company in the conversion from Canadian GAAP to IFRS are as follows:

(a) Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 (2008) *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 (2008) to only those business combinations that occurred on or after the Transition Date and such business combinations have not been restated. As a result of this election, no adjustments were required to the Company's statement of financial position as at the Transition Date.

**9. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS** (cont'd...)

**Elections upon first-time adoption of IFRS** (cont'd...)

(b) Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 *Share-based Payment* to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to the Transition Date.

(c) IAS 27 – Consolidated and Separate Financial Statements

In accordance with IFRS 1, if a company elects to apply IFRS 3 *Business Combinations* retrospectively, IAS 27 *Consolidated and Separate Financial Statements* must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

**Mandatory exceptions under IFRS**

The IFRS 1 mandatory exception applied by the Company in the conversion from Canadian GAAP to IFRS is as follows:

(d) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP unless those estimates were in error. The Company's IFRS estimates as at the Transition Date are consistent with its Canadian GAAP estimates as at that date.

**Reconciliations of Canadian GAAP to IFRS**

IFRS 1 requires an entity to reconcile equity and comprehensive income for prior periods presented under Canadian GAAP to IFRSs as of the same date. In addition, an explanation is required for any material adjustments to cash flows to the extent that they exist. The analysis below and the tables following represent the reconciliations from Canadian GAAP to IFRS for the respective periods noted:

(e) Reclassification within Equity section

Under Canadian GAAP, a balance within contributed surplus existed to record the issuance of equity settled employee benefits. Upon adoption of IFRS, the balance in this account has been reclassified to "Reserves – Equity settled employee benefits".

**9. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS** (cont'd...)

**Reconciliations of Canadian GAAP to IFRS** (cont'd...)

(f) Flow-through shares

Flow-through shares are a unique Canadian tax incentive which is the subject of specific guidance under Canadian GAAP. Under Canadian GAAP the Company accounted for the issue of flow-through shares in accordance with the provisions of CICA Emerging Issues Committee Abstract 146, *Flow-Through Shares*. At the time of issue, the funds received are recorded as share capital. At the time of the filing of the renunciation of the qualifying flow-through expenditures to investors, the Company recorded a future income tax liability with a charge directly to shareholders' equity. Also under Canadian GAAP the Company recorded any deferred tax recovery eligible to be recognized to offset the deferred tax charge to equity as a tax recovery in the statement of operations. During fiscal 2009, the Company renounced qualifying expenditures and as a result recorded a charge to equity and corresponding income tax recovery in income in the amount of $45,000.

IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is credited to other liabilities and recognized in income at the time the qualifying expenditures are made.

The Company's 2008 flow-through shares were issued at a $0.10 premium per flow-through share. Under Canadian GAAP, this $0.10 premium was recognized as the future income tax recovery in fiscal 2009. Under IFRS, this $0.10 premium would have been recognized as income in fiscal 2009. Consequently, the reclassification between future income tax recovery and income during fiscal 2009 would have no impact to the Statement of Financial Position or to the balance of the Deficit or related reserves as at the Transition Date and December 31, 2010.

## 9. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd...)

### Reconciliation of Assets, Liabilities and Equity

| | Notes | As at January 1, 2010 Canandian GAAP | Effect of transition of IFRS | IFRS | As at June 30, 2010 Canandian GAAP | Effect of transition of IFRS | IFRS | As at December 31, 2010 Canandian GAAP | Effect of transition of IFRS | IFRS |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| **Current assets** | | | | | | | | | | |
| Receivables | | $ 3,323 | $ - | $ 3,323 | $ 1,773 | $ - | $ 1,773 | $ 1,324 | $ - | $ 1,324 |
| Cash and cash equivalents | | 316,012 | - | 316,012 | 248,988 | - | 248,988 | 226,188 | - | 226,188 |
| **Total assets** | | $ 319,335 | $ - | $ 319,335 | $ 250,761 | $ - | $ 250,761 | $ 227,512 | $ - | $ 227,512 |
| **Equity** | | | | | | | | | | |
| Share capital | | $ 660,395 | $ - | $ 660,395 | $ 660,395 | $ - | $ 660,395 | $ 660,395 | $ - | $ 660,395 |
| Reserves | | | | | | | | | | |
| Equity settled employee benefits | 9e | | 55,971 | 55,971 | | 55,971 | 55,971 | | 55,971 | 55,971 |
| Contributed surplus | 9e | 55,971 | (55,971) | - | 55,971 | (55,971) | - | 55,971 | (55,971) | - |
| Deficit | | (416,756) | - | (416,756) | (469,526) | - | (469,526) | (500,780) | - | (500,780) |
| | | 299,610 | - | 299,610 | 246,840 | - | 246,840 | 215,586 | - | 215,586 |
| **Liabilities** | | | | | | | | | | |
| **Current liabilities** | | | | | | | | | | |
| Due to related parties | | 3,150 | - | 3,150 | 3,150 | - | 3,150 | 3,360 | - | 3,360 |
| Accounts payable and accrued liabilities | | 16,575 | - | 16,575 | 771 | - | 771 | 8,566 | - | 8,566 |
| | | 19,725 | - | 19,725 | 3,921 | - | 3,921 | 11,926 | - | 11,926 |
| **Total equity and liabilities** | | $ 319,335 | $ - | $ 319,335 | $ 250,761 | $ - | $ 250,761 | $ 227,512 | $ - | $ 227,512 |

(Presented in Canadian dollars)

## 9. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd...)

### Reconciliation of Loss and Comprehensive Loss

| | Notes | Six months ended June 30, 2010 | | | Year ended December 31, 2010 | | |
|---|---|---|---|---|---|---|---|
| | | Canandian GAAP | Effect of transition of IFRS | IFRS | Canandian GAAP | Effect of transition of IFRS | IFRS |
| **Expenses** | | | | | | | |
| Accounting and legal | | $ 18,629 | $ - | $ 18,629 | $ 42,339 | $ - | $ 42,339 |
| Investor relations | | 537 | - | 537 | 537 | - | 537 |
| Office and administrative fees | | 569 | - | 569 | 645 | - | 645 |
| Property investigation | | 15,544 | - | 15,544 | 15,544 | - | 15,544 |
| Rent | | 3,000 | - | 3,000 | 6,000 | - | 6,000 |
| Transfer agent, listing and filing fees | | 15,712 | - | 15,712 | 20,722 | - | 20,722 |
| | | (53,991) | - | (53,991) | (85,787) | - | (85,787) |
| **Other items** | | | | | | | |
| Foreign exchange gain (loss) | | 477 | - | 477 | (315) | - | (315) |
| Interest income | | 744 | - | 744 | 2,078 | - | 2,078 |
| | | 1,221 | - | 1,221 | 1,763 | - | 1,763 |
| **Loss before income tax** | | (52,770) | - | (52,770) | (84,024) | - | (84,024) |
| Income tax | | - | - | - | - | - | - |
| **Net loss and comprehensive loss for the period** | | $ (52,770) | $ - | $ (52,770) | $ (84,024) | $ - | $ (84,024) |

(Presented in Canadian dollars)

**9. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS** (cont'd...)

**Reconciliation of Cash Flows**

| | Notes | **Six months ended June 30, 2010** | | | **Year ended December 31, 2010** | | |
|---|---|---|---|---|---|---|---|
| | | **Canandian GAAP** | **Effect of transition of IFRS** | **IFRS** | **Canandian GAAP** | **Effect of transition of IFRS** | **IFRS** |
| **Cash flows from operating activities** | | | | | | | |
| Net loss and comprehensive loss for the period | | $ (52,770) | $ - | $ (52,770) | $ (84,024) | $ - | $ (84,024) |
| Changes in non-cash working capital items: | | | | | | | |
| Receivables | | 1,550 | - | 1,550 | 1,999 | - | 1,999 |
| Accounts payables and accrued liabilities | | (15,804) | - | (15,804) | (8,009) | - | (8,009) |
| Due to related parties | | - | - | - | 210 | - | 210 |
| Net cash used in operating activities | | (67,024) | - | (67,024) | (89,824) | - | (89,824) |
| **Increase (decrease) in cash and cash equivalents** | | (67,024) | - | (67,024) | (89,824) | - | (89,824) |
| **Cash and cash equivalents, beginning of the period** | | 316,012 | - | 316,012 | 316,012 | - | 316,012 |
| **Cash and cash equivalents, end of the period** | | $ 248,988 | $ - | $ 248,988 | $ 226,188 | $ - | $ 226,188 |

**APPENDIX "B"**

Audited annual financial statements of Big Sky Operating LLC as at and for the years ended December 31, 2010 and 2009 and unaudited financial statements of Big Sky Operating LLC as at and for the six-month period ended June 30, 2011

# BIG SKY OPERATING LLC

BILLINGS, MONTANA

REPORT OF FINANCIAL EXAMINATION

YEARS ENDED DECEMBER 31, 2010, 2009, AND 2008

Walls & Company
Certified Public Accountants
Memphis, Tennessee

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**Walls & Company**
Certified Public Accountants
1862 Poplar Crest Cove
Memphis, Tennessee 38119
Phone (901) 684-1043
Fax (901) 684-1044

Member
Tennessee Society
Certified Public Accountants

Member
American Institute
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To the Member
Big Sky Operating LLC
Billings, Montana

We have audited the accompanying balance sheets of Big Sky Operating LLC as of December 31, 2010, 2009, and 2008, and the related statements of operations, changes in member's equity, and cash flows for the years then ended. These financial statements are the responsibility of Big Sky Operating LLC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Sky Operating LLC as of December 31, 2010, 2009, and 2008, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Walls & Company

Walls & Company
August 18, 2011

Big Sky Operating LLC
Balance Sheets
December 31, 2010, 2009, and 2008

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | $ - | $ 1,140 | $ - |
| Receivable from member | | 438,808 | - |
| Total current assets | - | 439,948 | - |
| Total assets | $ - | $ 439,948 | $ - |
| LIABILITIES AND MEMBER'S EQUITY | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable | $ 2,662 | $ 15,705 | $ - |
| Payable to member | 222,643 | - | - |
| Total current liabilities | 225,305 | 15,705 | - |
| LONG-TERM DEBT: | - | - | - |
| Total liabilities | 225,305 | 15,705 | - |
| MEMBER'S EQUITY: | (225,305) | 424,243 | - |
| Total liabilities and member's equity | $ - | $ 439,948 | $ - |

The accompanying notes are an integral part of these financial statements

Big Sky Operating LLC
Statements of Operations and Changes in Member's Equity
For the Years Ended December 31, 2010, 2009, and 2008

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Operating Revenues | $ - | $ - | $ - |
| Administrative Expenses | 9,164 | 10,129 | - |
| Engineering & Geological Expenses | 199,408 | 3,599 | - |
| Travel Expenses | 46,307 | - | - |
| | 254,879 | 13,728 | - |
| Net Operating Loss | (254,879) | (13,728) | - |
| Other Income/Expense | | | |
| Gain on Sale of Leases | 29,574 | 435,795 | |
| Net Income/(Loss) | $ (225,305) | $ 422,067 | $ - |
| Member's Equity, beginning of year | 424,243 | - | - |
| Capital Contribution | - | 2,176 | - |
| Capital Distribution | (424,243) | - | - |
| Member's Equity, end of year | $ (225,305) | $ 424,243 | $ - |

The accompanying notes are an integral part of these financial statements

Big Sky Operating LLC
Statements of Cash Flows
For the Years Ended December 31, 2010, 2009, and 2008

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net Income (Loss) for the year | $ (225,305) | $ 422,067 | $ - |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| (Increase) decrease in: | | | |
| Receivable from member | 438,808 | (438,808) | - |
| Increase (decrease) in: | | | |
| Accounts payable | (13,043) | 15,705 | - |
| Payable to member | 222,643 | - | - |
| Net cash provided (used) by operating activities | 423,103 | (1,036) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES: | - | - | - |
| Net cash provided (used) by investing activities | - | - | - |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Capital Contribution | - | 2,176 | - |
| Capital Distribution | (424,243) | - | - |
| Net cash provided (used) by financing activities | (424,243) | 2,176 | - |
| Net increase (decrease) in cash and cash equivalents | (1,140) | 1,140 | - |
| Cash and cash equivalents at beginning of year | 1,140 | - | |
| Cash and cash equivalents at end of year | $ - | $ 1,140 | $ - |

The accompanying notes are an integral part of these financial statements

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Operations

Big Sky Operating LLC (the Company) was formed on January 17, 2008. Operations commenced in January of 2009 as an oil and gas exploration and development company based in Billings, Montana. The Company is focused primarily on the exploration and development of oil and gas in Montana's Alberta Basin, commonly referred to as the Bakken source system.

### Basis of Reporting

The Company prepares its financial statements in accordance with generally accepted accounting principles in the United States of America (U S GAAP) involving the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

### Cash and Cash Equivalents

The Company has defined cash equivalents as short-term, highly liquid investments, with original maturities of less than 90 days. Management believes that the carrying value of these assets approximate their fair market value because of the short maturity of these financial instruments.

### Income Taxes

The Company is a Limited Liability Company and is treated as a disregarded entity pursuant to Treasury Regulation Section 301.7701-3 for federal income tax purposes. Generally, disregarded entities are not subject to entity-level federal or state income taxation and, as such, the Company is not required to provide for income taxes under SFAS No. 109, *Accounting for Income Taxes*. The Company's taxable income becomes taxable to the respective members of the Company due to the treatment of Big Sky Operating LLC as a non-taxable flow-through partnership entity for federal income tax purposes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make a number of estimates and assumptions related to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those reported estimates.

Subsequent Events

Events occurring after the date of the Balance Sheet but before the issuance of the financial statements included in this report have been evaluated through the date of report issuance.

## NOTE B – SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid or received for interest and income taxes for each of the years ended December 31 was as follows:

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Interest received | $ - | $ - | $ - |
| Interest paid | $ - | $ - | $ - |
| Income taxes paid | $ - | $ - | $ - |

## NOTE C – RELATED PARTY TRANSACTIONS

At December 31, 2010 the Company had a payable to the owner in the amount of $222,643 for direct expenses such as travel, engineering, and geological expenses incurred in the exploration of the Alberta Bakken area. The owner of Big Sky Operating LLC covered many of the administrative and indirect overhead costs of the Company.

At December 31, 2009 the Company had a receivable from the owner in the amount of $438,808, which was paid off in 2010.

## NOTE D – SUBSEQUENT EVENTS

### Operating Agreements Executed in 2011

In January 2011, the Operating Agreement of Big Sky Operating LLC was amended and the number of members was increased from one to seven.

In January 2011, the Company entered a Lease Acquisition Agreement and an Area of Mutual Interest Agreement with Americana Explorations LLC and American Eagle Inc.

In January 2011, the Company signed a Farm-out Agreement with Somont Oil Company, Inc.

In February 2011, the Company acquired 49,000 net acres in Toole County, Montana.

Effective February 2011, the Company signed a Joint Participation Agreement and an Operating Agreement with FX Producing Company, Inc. and American Eagle Energy Inc. to explore approximately 75,000 net acres in the Alberta Bakken region of Montana with an undivided 33 1/3 interest each.

In July 2011, the Company signed a letter of intent for Fox Resources Ltd. to acquire all of the issued and outstanding membership interests in Big Sky Operating LLC.

### Financing Agreements Executed in 2011

In January 2011, the Company borrowed $64,000 at 10% interest. The loan and all accrued interest was paid in full in May of 2011.

In February 2011, the Company borrowed $1,100,000 at 10% interest. The loan and all accrued interest was paid in full in May of 2011.

In May 2011, the Company borrowed $4,000,000 at 18% interest. The loan matures November 30, 2011 and is secured by the Company's interest in oil and gas properties in Montana.

NOTE E – DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES AND CANADA

These financial statements have been prepared in accordance with US generally accepted accounting principles (US GAAP) which are substantially the same as principles in accordance with Canadian generally accepted account principles (Canadian GAAP), except for the following:

**Mineral Property Costs**
In the attached Statements of Operations and Changes in Member's Equity engineering and geological costs have been expensed under the successful efforts method of accounting consistent with US GAAP. Under Canadian GAAP, mineral exploration expenditures can be expensed or deferred on prospective mineral rights until such time as it is determined that further exploration work is not warranted, at which time the mineral exploration expenditures would be written-off. Big Sky expensed the engineering and geological costs; therefore there is no adjustment to reconcile between US GAAP and Canadian GAAP.

# BIG SKY OPERATING LLC

BILLINGS, MONTANA

FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

Walls & Company
Certified Public Accountants
Memphis, Tennessee

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**Walls & Company**
Certified Public Accountants
1862 Poplar Crest Cove
Memphis, Tennessee 38119
Phone (901) 684-1043
Fax (901) 684-1044

Member
Tennessee Society
Certified Public Accountants

Member
American Institute
Certified Public Accountants

# INDEPENDENT ACCOUNTANTS' REPORT

To the Members
Big Sky Operating LLC
Billings, Montana

We have reviewed the accompanying balance sheets of Big Sky Operating LLC (a limited liability company) as of June 30, 2011 and 2010, and the related statements of operations and changes in members' equity, and cash flows for the six months then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Big Sky Operating LLC.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Walls & Company

Walls & Company
November 9, 2011

Big Sky Operating LLC
Balance Sheets
June 30, 2011 and 2010

| | 6/30/2011 | 6/30/2010 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 2,472,449 | $ 8 |
| Trade receivables | 399,630 | 23,316 |
| Receivable from member | 3,707 | - |
| Prepaid expenses | 1,445 | - |
| Total current assets | 2,877,231 | 23,324 |
| PROPERTY | | |
| Oil & natural gas properties, unproved | 885,770 | - |
| Start-up costs | 10,000 | - |
| Total assets | $ 3,773,001 | $ 23,324 |
| LIABILITIES AND MEMBERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 550,602 | - |
| Accrued interest | 84,000 | - |
| Payable to member | - | 212,697 |
| Notes payable | 4,000,000 | - |
| Total current liabilities | 4,634,602 | 212,697 |
| LONG-TERM DEBT: | - | - |
| Total liabilities | 4,634,602 | 212,697 |
| MEMBERS' EQUITY: | (861,601) | (189,373) |
| Total liabilities and members' equity | $ 3,773,001 | $ 23,324 |

The accompanying notes are an integral part of these financial statements

Big Sky Operating LLC
Statement of Operations and Changes in Members' Equity
For the Six Months Ended June 30, 2011 and 2010

| | 6/30/2011 | 6/30/2010 |
|---|---|---|
| Oil & Gas Revenue | $ - | $ - |
| | | |
| Administrative Expenses | 93,971 | 7,058 |
| Engineering & Geological Expenses | 42,229 | 165,582 |
| Intangible Drilling Costs | 534,495 | - |
| Travel Expenses | 50,985 | 46,307 |
| | 721,680 | 218,947 |
| | | |
| Net Operating Loss | (721,680) | (218,947) |
| | | |
| Other Income/Expense | | |
| Other Income | 44,000 | 29,574 |
| Interest Income | 386 | - |
| Interest Expense | (185,394) | - |
| | | |
| Net Loss | $ (862,688) | $ (189,373) |
| | | |
| Members' Equity, beginning of period | (225,305) | 424,243 |
| Capital Contribution | 226,392 | - |
| Capital Distribution | - | (424,243) |
| Members' Equity, end of period | $ (861,601) | $ (189,373) |

The accompanying notes are an integral part of these financial statements

Big Sky Operating LLC
Statement of Cash Flows
For the Six Months Ended June 30, 2011 and 2010

| | 6/30/2011 | 6/30/2010 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Loss for the year | $ (862,688) | $ (189,373) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| (Increase) decrease in: | | |
| Trade receivable | (399,630) | (23,316) |
| Receivable from member | (3,707) | 438,808 |
| Prepaid expenses | (1,445) | - |
| Increase (decrease) in: | | |
| Accounts payable | 547,940 | (15,705) |
| Accrued interest | 84,000 | - |
| Payable to member | (222,643) | 212,697 |
| Net cash provided (used) by operating activities | (858,173) | 423,111 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Start-up costs | (10,000) | - |
| Property Purchased | (885,770) | - |
| Net cash provided (used) by investing activities | (895,770) | - |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds of notes payable | 5,164,000 | - |
| Repayment of notes payable | (1,164,000) | - |
| Capital contribution | 226,392 | - |
| Capital distribution | 226,392 | (424,243) |
| Net cash provided (used) by financing activities | 4,452,784 | (424,243) |
| Net increase (decrease) in cash and cash equivalents | 2,698,841 | (1,132) |
| Cash and cash equivalents at beginning of year | - | 1,140 |
| Cash and cash equivalents at end of period | $ 2,698,841 | $ 8 |

The accompanying notes are an integral part of these financial statements

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Operations

Big Sky Operating LLC (the Company) was formed on January 17, 2008. Operations commenced in January of 2009 as an oil and gas exploration and development company based in Billings, Montana. The Company is focused primarily on the exploration and development of oil and gas in Montana's Alberta Basin, commonly referred to as the Bakken source system.

### Basis of Reporting

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) involving the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

### Cash and Cash Equivalents

The Company has defined cash equivalents as short-term, highly liquid investments, with original maturities of less than 90 days. Management believes that the carrying value of these assets approximate their fair market value because of the short maturity of these financial instruments. Due to the balances being greater than $250,000, the Company does not have FDIC coverage on the entire amount of bank deposits. The Company believes this risk is minimal.

Accounts Receivable

Accounts receivable are recorded at invoiced amount and do not bear interest. No allowance for doubtful accounts is recorded at June 30, 2011 or 2010 based on the Company's best estimate that all receivables are fully collectible at this time. The Company determines the allowance based on management's estimate of probable credit losses, historical write-off experience and industry and local economic data. The Company reviews its allowance for doubtful accounts monthly. Past due balances meeting specific criteria are reviewed individually for collectability. All other balances are reviewed on a pooled basis. When necessary, an allowance will be established and account balances will be charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Oil & Gas Properties

The method of accounting we use to account for our crude oil and natural gas investments determines what costs are capitalized and how these costs are ultimately matched with revenues and expensed.

We utilize the successful efforts method to account for our crude oil and natural gas investments. The successful efforts method allows a company to capitalize only those expenses associated with successfully locating new oil and natural gas reserves. For unsuccessful (or "dry hole") results, the associated operating costs are immediately charged against revenues for that period.

Geological and geophysical costs are expensed under the successful efforts method. Exploratory dry hole costs are initially capitalized and classified as unproved properties pending determination of proved reserves. If no proved reserves are discovered, these costs are then expensed. If proved reserves are discovered, the capitalized amounts will be depleted using the units of production method. The depletion expense per unit of production would be the ratio of the sum of our unamortized historical costs and estimated future development costs to our proved reserve volumes. Estimation of hydrocarbon reserves relies on professional judgment and use of factors that cannot be precisely determined. Subsequent reserve estimates materially different from those reported would change the depletion expense recognized during the future reporting periods.

Income Taxes

The Company is a Limited Liability Company and is treated as a disregarded entity pursuant to Treasury Regulation Section 301.7701-3 for federal income tax purposes. Generally, disregarded entities are not subject to entity-level federal or state income taxation and, as such, the Company is not required to provide for income taxes under SFAS No. 109, *Accounting for Income Taxes*. The Company's taxable income becomes taxable to the respective members of the Company due to the treatment of Big Sky Operating LLC as a non-taxable flow-through partnership entity for federal income tax purposes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make a number of estimates and assumptions related to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those reported estimates.

Subsequent Events

Events occurring after the date of the Balance Sheet but before the issuance of the financial statements included in this report have been evaluated through the date of report issuance.

NOTE 2 – ASSETS PLEDGED

Substantially all assets of the Company are pledged as security for the $4,000,000 note payable.

NOTE 3 – NOTES PAYBLE

In May 2011, the Company borrowed $4,000,000 at 18% interest. The loan matures November 30, 2011 and is secured by the Company's interest in oil and gas properties in Montana. Two previous notes payable of $64,000 and $1,100,000, both at 10% interest, were paid in full during the six month period ended June 30, 2011.

## NOTE 4 - SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid or received for interest and income taxes for the six months ended June 30, 2011 and 2010 was as follows:

| | 6/30/2011 | 6/30/2010 |
|---|---|---|
| Interest received | $ 386 | $ - |
| Interest paid | $ 101,394 | $ - |
| Income taxes paid | $ - | $ - |

## NOTE 5 - RELATED PARTY TRANSACTIONS

At June 30, 2011 the Company had a receivable from a member of the Company in the amount of $3,707 for miscellaneous administrative expenses. At June 30, 2010 Big Sky Operating LLC owed a member of the Company $212,697 for unsecured advances to cover travel, engineering, and geological expenses.

One of the owners of Big Sky Operating LLC covered many of the administrative and indirect overhead costs of the Company.

## NOTE 6 - OIL AND GAS PROPERTIES

In January 2011, the Company entered a Lease Acquisition Agreement and an Area of Mutual Interest Agreement with Americana Explorations LLC and American Eagle Inc.

In January 2011, the Company signed a Farm-out Agreement with Somont Oil Company, Inc.

In February 2011, the Company acquired 49,000 net acres in Toole County, Montana.

Effective February 2011, the Company signed a Joint Participation Agreement and an Operating Agreement with FX Producing Company, Inc. and American Eagle Energy Inc. to explore approximately 75,000 net acres in the Alberta Bakken region of Montana. The three companies agreed to pool their leasehold interests and equalize working interest in the play such that each company has an undivided 33 1/3 interest.

## NOTE 7 – CONCENTRATIONS OF RISK

Financial instruments, which potentially subject the Company to concentrations of risk, primarily consist of cash in bank. The Company maintains several accounts at one commercial bank. At June 30, 2011 and at various times during the period, balances on account exceeded federally insured limits. Due to the balances being greater than $250,000, the Company does not have FDIC coverage on the entire amount of bank deposits. The Company believes this risk is minimal.

## NOTE 8 – SUBSEQUENT EVENTS

In July 2011, the Company signed a letter of intent for Fox Resources Ltd to acquire all of the issued and outstanding membership interests in Big Sky Operating LLC.

## NOTE 9 – DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES AND CANADA

These financial statements have been prepared in accordance with US generally accepted accounting principles (US GAAP) which are substantially the same as principles in accordance with Canadian generally accepted accounting principles (International Financial Reporting Standards), except for the following:

**Mineral Property Costs**

In the attached Statements of Operations and Changes in Members' Equity intangible drilling costs and engineering and geological costs have been expensed under the successful efforts method of accounting consistent with US GAAP. Unproved oil and natural gas properties have been capitalized on the attached Balance Sheets until an independent feasibility study determines whether the mineral rights are capable of economic commercial production. Under International Financial Reporting Standards, mineral exploration expenditures can be expensed or deferred on prospective mineral rights until such time as it is determined that further exploration work is not warranted, at which time the mineral exploration expenditures would be written-off.

Big Sky has expensed the exploration expenditures and deferred, or capitalized, the property cost pending feasibility outcome; therefore there is no adjustment to reconcile between US GAAP and International Financial Reporting Standards.

**APPENDIX “C”**

Pro forma balance sheet of the Resulting Issuer as at June 30, 2011 and as at December 31, 2010

**PROFORMA FINANCIAL STATEMENTS OF RESULTING ISSUER**

**FOX RESOURCES LTD.**

**PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**JUNE 30, 2011**

**Fox Resources Ltd.**
**Pro Forma Consolidated Statement of Financial Position**
**June 30, 2011**
**(Unaudited)**
(in Canadian dollars)

| | Fox Resources Ltd. | Big Sky Operating LLC | Adjustments Dr: | Adjustments Cr: | Notes | Fox Resources Ltd. Proforma |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Total non current assets** | | | | | | |
| Property plant and equipment | $ - | $ 874,719 | | | | $ 874,719 |
| | - | 874,719 | | | | 874,719 |
| **Current assets** | | | | | | |
| Prepaid expenses | - | 3,619 | | | | 3,619 |
| Due from related parties | - | 1,411 | | | | 1,411 |
| Accounts receivable | 4,492 | 390,238 | | | | 394,730 |
| Cash and cash equivalents | 1,095,836 | 2,414,346 | 5,011,171 | 412,420 | 2, 3(b) | 8,108,933 |
| | 1,100,328 | 2,809,614 | | | | 8,508,693 |
| **Total assets** | $ 1,100,328 | $ 3,684,333 | | | | $ 9,383,412 |
| **Equity** | | | | | | |
| Share capital | $ 1,326,955 | $ 221,071 | 1,326,955 | | 2 | |
| | | | 693,436 | | 3(d) | |
| | | | 412,420 | 472,500 | 3(a), (b) | |
| | | | | 6,061,559 | 3(b) | $ 5,616,624 |
| | | | 32,649 | | 3(b) | |
| Reserve - equity settled employment benefit | 51,871 | - | 51,871 | | 2 | - |
| Reserve - warrants | 206,964 | - | 206,964 | 2,938,441 | 2, 3(b) | 2,938,441 |
| Reserve - finder's units warrants | 34,566 | - | 34,566 | 693,436 | 2, 3(b) | 726,085 |
| | | | | 32,649 | 3(b) | |
| Reserve - exchange | - | 5,187 | | | 3(d) | 5,187 |
| Deficit | (543,797) | (1,067,613) | 82,829 | 1,620,356 | 2, 3(b) | |
| | | | 200,000 | | 3(c) | |
| | | | 472,500 | | 3(a) | (746,383) |
| | 1,076,559 | (841,355) | | | | 8,539,955 |
| **Current liabilities** | | | | | | |
| Accounts payable and accrued liabilities | 17,049 | 619,688 | | 200,000 | 3(c) | 836,737 |
| Due to related parties | 6,720 | - | | | | 6,720 |
| Loans payable | - | 3,906,000 | 3,906,000 | | 2 | - |
| | 23,769 | 4,525,688 | | | | 843,457 |
| **Total equity and liabilities** | $ 1,100,328 | $ 3,684,333 | $ 12,431,361 | $ 12,431,361 | | $ 9,383,412 |

*See accompanying notes to pro forma consolidated financial statements*

**Fox Resources Ltd.**
**Pro Forma Consolidated Statement of Operations and Comprehensive Loss**
**For the six months ended June 30, 2011**
**(Unaudited)**
(in Canadian dollars)

| | Fox Resources Ltd. | Big Sky Operating LLC | Adjustments Dr: | Adjustments Cr: | Notes | Fox Resources Ltd. Proforma |
|---|---|---|---|---|---|---|
| **Expenses** | | | | | | |
| Accounting and legal | $ 28,328 | $ - | 200,000 | | 3(c) | $ 228,328 |
| Engineering and geological expenses | - | 41,253 | | | | 41,253 |
| Intangible drilling costs | - | 522,148 | | | | 522,148 |
| Investor relations | 1,115 | - | | | | 1,115 |
| Office and administrative fees | 1,073 | 91,800 | | | | 92,873 |
| Rent and leasehold expenses | 3,000 | - | | | | 3,000 |
| Transfer agent, listing and filing fees | 13,466 | - | | | | 13,466 |
| Travel | - | 49,807 | | | | 49,807 |
| | 46,982 | 705,008 | | | | 951,990 |
| **Other items** | | | | | | |
| Foreign exchange | 239 | - | | | | 239 |
| Interest income | 3,726 | 377 | | | | 4,103 |
| Gain on sale of leases | - | 42,983 | | | | 42,983 |
| Interest expense | - | (181,111) | 472,500 | | 3(a) | (570,782) |
| | | | 82,829 | | 2 | |
| | 3,965 | (137,751) | | | | (523,457) |
| **Loss before taxes** | 43,017 | 842,759 | | | | 1,475,447 |
| Income tax | - | - | | | | - |
| **Net and comprehensive loss for the period** | **$ 43,017** | **$ 842,759** | | | | **$ 1,475,447** |
| **Loss per share - basic and fully diluted** | | | | | | **$ 0.03** |
| **Weighted average number of shares outstanding - basic and fully diluted** | | | | | | **54,349,998** |

**Fox Resources Ltd.**
**Pro Forma Consolidated Statement of Operations and Comprehensive Loss**
**For the year ended December 31, 2010**
**(Unaudited)**
(in Canadian dollars)

| | Fox Resources Ltd. | Big Sky Operating LLC | Adjustments Dr: | Adjustments Cr: | Notes | Fox Resources Ltd. Proforma |
|---|---|---|---|---|---|---|
| **Expenses** | | | | | | |
| Accounting and legal | $ 42,339 | $ - | 200,000 | | 3(c) | $ 242,339 |
| Engineering and geological expenses | - | 205,470 | | | | 205,470 |
| Intangible drilling costs | - | - | | | | - |
| Investor relations | 537 | - | | | | 537 |
| Office and administrative fees | 645 | 9,442 | | | | 10,087 |
| Project investigation | 15,544 | - | | | | |
| Rent and leasehold expenses | 6,000 | - | | | | 6,000 |
| Transfer agent, listing and filing fees | 20,722 | - | | | | 20,722 |
| Travel | - | 47,714 | | | | 47,714 |
| | 85,787 | 262,626 | | | | 532,869 |
| **Other items** | | | | | | |
| Foreign exchange | (315) | - | | | | (315) |
| Interest income | 2,078 | - | | | 2 | 2,078 |
| Gain on sale of leases | - | 30,473 | | | | 30,473 |
| Interest expense | - | - | 472,500 | | 3(a) | (389,671) |
| | | | 82,829 | | 2 | |
| | 1,763 | 30,473 | | | | (357,435) |
| **Loss before taxes** | 84,024 | 232,153 | | | | 890,304 |
| Income tax | - | - | | | | - |
| **Net and comprehensive loss for the period** | **$ 84,024** | **$ 232,153** | | | | **$ 890,304** |
| **Loss per share - basic and fully diluted** | | | | | | **$ 0.02** |
| **Weighted average number of shares outstanding - basic and fully diluted** | | | | | | **54,349,998** |

## 1. BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated financial statements of Fox Resources Ltd. ("Fox" or the "Company") have been prepared by management for inclusion in the Filing Statement of Fox dated November 9, 2011 in connection with the acquisition of 100% interest in Big Sky Operating LLC ("Big Sky").

The pro forma consolidated statement of financial position has been prepared assuming the acquisition of Big Sky had occurred on June 30, 2011. The pro forma consolidated statements of operations and comprehensive loss for each of the year ended December 31, 2010 and the six months ended June 30, 2011 have been prepared as if the acquisition of Big Sky had occurred on January 1, 2010. Certain items on Big Sky's statements of operations have been reclassified to conform to Fox's accounting policies as disclosed in Fox's 2010 audited financial statements. These pro forma consolidated financial statements of the Company have been compiled from and include:

a) An unaudited pro forma consolidated statement of financial position as at June 30, 2011 combining the unaudited statement of financial position of Fox as at June 30, 2011 with the unaudited statement of financial position of Big Sky as at June 30, 2011.

b) An unaudited pro forma consolidated statement of operations and comprehensive loss for the six months ended June 30, 2011 combining the unaudited statement of operations and comprehensive loss of Fox and the unaudited statement of operations and comprehensive loss of Big Sky for the six months ended June 30, 2011.

c) An unaudited pro forma consolidated statement of operations and comprehensive loss for the year ended December 31, 2010 combining the audited statement of operations and comprehensive loss of Fox and the audited statement of operations and comprehensive loss of Big Sky for the year ended December 31, 2010.

The unaudited pro forma consolidated financial statements should be read in conjunction with the financial statements and notes included therein, as referred to above or available at www.sedar.com.

It is management's opinion that these pro forma consolidated financial statements include all adjustments necessary for the fair presentation of the transactions described herein and are in accordance with International Financial Reporting Standards. The pro forma consolidated financial statements are not intended to reflect the results of operations or the financial position of Fox which would have actually resulted had the transactions been effected on the dates indicated. Furthermore, the unaudited pro forma financial information is not necessarily indicative of the results of operations that may be obtained in the future. Actual amounts recorded upon consummation of the transactions will differ from those recorded in the unaudited pro forma consolidated financial statements and the differences may be material.

## 2. ACQUISITION OF BIG SKY

On September 30, 2011, Fox entered a Share Exchange Agreement ("the Agreement") with Big Sky to acquire 100% interest in Big Sky (the "Acquisition"). On approval of the Acquisition by the shareholders of Fox, the members of Big Sky and the TSX Venture Exchange, Fox will issue 27,000,000 common shares to the members of Big Sky. The combined company will continue under the name "Big Sky Petroleum Corporation".

In addition, Fox will also issue 1,350,000 common shares to the lenders of Big Sky in conjunction with retiring the US$4 million ($3,906,000) loan and the related interest of US$84,821 ($82,829) using the proceeds from the private placement (Note 3a). The US$4 million loan has a fixed interest rate of 18% per annum.

Fox is the legal parent of Big Sky. However, as a result of the share exchange described above, control of the combined companies will pass to the former shareholders of Big Sky. This type of share exchange is referred to as a "reverse takeover". A reverse takeover involving a non-public enterprise and a non-operating public enterprise is a capital transaction in substance, rather than a business combination. That is, the transaction is equivalent to the issuance of shares by Big Sky for the net assets of the Company, accompanied by a recapitalization of Big Sky. The net assets of the Company totaled $1,076,559 at the date of acquisition, based upon the Company's capital and accumulated deficit as at June 30, 2011, which was transferred to the continuing deficit, and has been allocated as follows:

| | | |
|---|---|---|
| Assets acquired: | | |
| Cash and cash equivalents | $ | 1,095,936 |
| Accounts receivable | | 4,492 |
| | | 1,100,428 |
| Less liabilities assumed: | | |
| Accounts payable and accrued liabilities | | (17,049) |
| Due to related parties | | (6,720) |
| Net assets acquired | $ | 1,076,559 |

The number of common shares outstanding as at June 30, 2011 is that of the Company.

## 3. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

The following are the pro forma assumptions and adjustments relating to the Acquisition of Big Sky.

a) The pro forma consolidated statement of financial position includes the 1,350,000 common shares at a fair value of $0.35 issued to the lenders of Big Sky, representing an interest expense of $472,500.

## 3. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS (Continued)

b) The pro forma consolidation statement of financial position includes a $9,000,000 financing of 25,714,285 units ("Units") at $0.35 per Unit with each Unit consisting of one common share and one share-purchase warrant, exercisable at $0.66 for the first twelve months and $0.80 for the remaining twelve months. Finder's Warrants, entitling the holder to purchase up to 1,830,070 Units for a period of 24 months from issue at $0.35 per Unit would be paid.

A cash finder's fee of $512,420 would be paid and the finder had elected to receive $100,000 of this amount in Units for a total of 285,713 Units with each Unit consisting of one common share and one share-purchase warrant, exercisable at $0.66 for the first twelve months and $0.80 for the remaining twelve months.

Fair values of $2,938,441, $693,436 and $32,649 have been assigned to the 25,714,285 warrants, the 1,830,070 Finder's Warrants and the 285,713 warrants associated with the finder's Units, respectively. The assumptions used in the Black-Scholes option pricing model were: risk-free interest rate of 1.58%, an expected life of 2 years, annualized volatility of 107.83%, and a dividend rate of 0%.

c) The pro forma financial statements include an accrual of $200,000 in transaction cost to complete the Acquisition.

d) Foreign currency translation
Big Sky's assets and liabilities have been translated at the closing rate at the reporting date. Income and expenses have been translated at the average rate over the reporting period. Exchange differences are recognized as Reserve – Exchange.

## 4. PRO FORMA LOSS PER SHARE

The pro forma basic and diluted loss per share for the six months ended June 30, 2011 and for the year-ended December 31, 2010 is based on common shares issuable upon the completion of the Acquisition and the private placement as follows:

| | | |
|---|---|---|
| Issuance of common shares to Big Sky | | 27,000,000 |
| Issuance of common shares to the lenders of Big Sky | | 1,350,000 |
| Fox private placement issuance including finder's shares | | 25,999,998 |
| Weighted average number of common shares outstanding | | 54,349,998 |
| Pro forma net loss for the six months ended June 30, 2011 | $ | 1,558,276 |
| Pro forma basic and diluted loss per share | $ | 0.03 |
| Pro forma net loss for the six months ended December 31, 2010 | $ | 973,133 |
| Pro forma basic and diluted loss per share | $ | 0.02 |

## 5. PRO FORMA SHARE CAPITAL

The issued common shares of Fox at the completion of the proposed transaction are expected to be:

| | Number of shares | Share capital | Reserve - equity settled employment benefit | Reserve - warrants | Reserve - finder's Unit Warrants | Reserve - Exchange | Deficit | Total |
|---|---|---|---|---|---|---|---|---|
| Balance, Big Sky prior to reverse acquisition | - | $ 221,071 | $ - | $ - | $ - | $ 5,187 | $ (1,067,613) | $ (841,355) |
| Balance, Fox, prior to reverse acquisition | 6,326,667 | 1,326,955 | 51,871 | 206,964 | 34,566 | - | (543,797) | 1,076,559 |
| | | | | | | | | - |
| Reversal on Reverse-Takeover | - | (1,326,955) | (51,871) | (206,964) | (34,566) | - | 1,620,356 | - |
| Shares of Fox issued in exchange for shares of Big Sky | 27,000,000 | - | - | - | - | - | - | - |
| Shares of Fox issued to the lenders of Big Sky | 1,350,000 | 472,500 | - | - | - | - | (472,500) | - |
| Interest on Big Sky's loan | - | - | - | - | - | - | (82,829) | (82,829) |
| Private placement | 25,714,285 | 6,061,559 | - | 2,938,441 | - | - | - | 9,000,000 |
| Shares issued for finder's fees | 285,713 | (32,649) | - | - | 32,649 | - | - | - |
| Finder's fees | - | (412,420) | - | - | | - | (200,000) | (612,420) |
| Finder's warrant units issued to agents | - | (693,436) | - | - | 693,436 | - | - | - |
| | 60,676,665 | $ 5,616,624 | $ - | $ 2,938,441 | $ 726,085 | $ 5,187 | $ (746,383) | $ 8,539,955 |

**CERTIFICATE OF THE COMPANY**

The foregoing document constitutes full true and plain disclosure of all material facts relating to the securities of Fox Resources Ltd., assuming completion of the Acquisition.

DATED: November 9, 2011.

| | |
|---|---|
| *"Mark T. Brown"* | *"Winnie Wong"* |
| Mark T. Brown<br>President & Chief Executive Officer | Winnie Wong<br>Chief Financial Officer |

**ON BEHALF OF THE BOARD OF DIRECTORS**

| | |
|---|---|
| *"Alastair Sinclair"* | *"Jim Elliott"* |
| Alastair Sinclair<br>Director | Jim Elliott<br>Director |

**CERTIFICATE OF THE TARGET**

The foregoing document as it relates to Big Sky Operating LLC constitutes full true and plain disclosure of all material facts relating to the securities of Big Sky Operating LLC.

DATED: November 9, 2011.

*“Milton Cox”*

Milton Cox
Manager

**ON BEHALF OF THE MEMBERS**

*“Milton Cox”*

Milton Cox
Member

**ACKNOWLEDGMENT - PERSONAL INFORMATION**

"**Personal Information**" means any information about an identifiable individual, and includes information contained in any items in the attached filing statement that are analogous to Items 4.2, 11, 13.1, 16, 18.2, 19.2, 24, 25, 27, 32.3, 33, 34, 35, 36, 37, 38, 39, 41 and 42 of Exchange Form 3D1/3D2, as applicable.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

(a) the disclosure of Personal Information by the undersigned to the Exchange (as defined in Appendix 6B) pursuant to Exchange Form 3D1/3D2; and

(b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.

Dated: November 9, 2011.

*"Mark T. Brown"*
Mark T. Brown
President & Chief Executive Officer