WESTERN PLAINS PETROLEUM LTD.

INTERIM FINANCIAL STATEMENTS

SECOND QUARTER

For the three month and six month periods ended

JUNE 30, 2010 AND JUNE 30, 2009

UNAUDITED

NOTICE OF NO AUDITOR REVIEW

Pursuant to National Instrument 51-102 Part 4, subsection 4.3(3) (a), the accompanying unaudited interim financial statements have been prepared by management and the Corporation's independent auditors have not performed a review of these financial statements.

WESTERN PLAINS PETROLEUM LTD.

Balance Sheets

	As at June 30, 2010	As at December 31, 2009
Assets	$	$
Current		
Cash and cash equivalents	**6,867**	95,962
Accounts receivable (note 9)	**391,378**	159,454
Prepaid expenses and deposits	**12,000**	18,054
	410,245	273,470
Property, plant and equipment (Notes 3, 9, 10)	**3,831,829**	2,179,215
	4,242,074	2,452,685
Liabilities		
Current		
Accounts payable and accrued liabilities (note 9)	**744,644**	481,463
Asset retirement obligations (Note 4)	**375,550**	192,353
	1,120,194	673,816
Shareholders' equity		
Share capital (Note 5(b))	**5,280,188**	3,641,207
Contributed surplus (Note 5 (e))	**381,945**	237,745
Deficit	**(2,540,253)**	(2,100,083)
	3,121,880	1,778,869
	4,242,074	2,452,685

Basis of presentation (Note 1)

Commitment (Note 5 (b))

Subsequent events (Notes 9, 10)

Contingent Liability (Note 11)

See accompanying notes to the financial statements.

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

David Forrest
Director

Stephen Johnston
Director

WESTERN PLAINS PETROLEUM LTD.

Statements of Loss, Comprehensive Loss, and Deficit

Unaudited

	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	**June 30, 2010**	June 30, 2009
Revenue	**$**	$	**$**	$
Petroleum revenue	**288,625**	410,957	**682,558**	1,181,367
Expenses				
Royalties	**29,573**	94,384	**102,547**	266,792
Production and transportation	**175,546**	110,883	**368,963**	368,717
General and administrative	**149,394**	102,470	**250,451**	257,512
Interest	**-**	57,605	**-**	111,544
Depletion and accretion	**144,886**	101,010	**256,567**	802,084
Stock-based compensation	**144,200**	-	**144,200**	-
	643,599	466,352	**1,122,728**	1,806,649
Loss from operations	**(354,974)**	(55,395)	**(440,170)**	(625,282)
Gain on sale of property, plant and equipment	**-**	422,876	**-**	422,876
Net income (loss) and comprehensive income (loss)	**(354,974)**	367,481	**(440,170)**	(202,406)
Deficit, beginning of period	**(2,185,279)**	(2,397,703)	**(2,100,083)**	(1,827,816)
Deficit, end of period	**(2,540,253)**	(2,030,222)	**(2,540,253)**	(2,030,222)
Basic and diluted income (loss) per share (note 5(d))	**(0.011)**	0.017	**(0.13)**	(0.010)

See accompanying notes to the interim financial statements

WESTERN PLAINS PETROLEUM LTD.

Statements of Cash Flows

Unaudited

	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	**June 30, 2010**	June 30, 2009
Operating activities	**$**	$	**$**	$
Net income (loss) and comprehensive income (loss)	**(354,974)**	367,481	**(440,170)**	(202,406)
Items not affecting cash:				
Depletion and accretion	**144,886**	101,010	**256,567**	802,084
Gain on sale of property, plant and equipment	**-**	(422,876)	**-**	(422,876)
Stock-based compensation	**144,200**	-	**144,200**	-
	(65,888)	45,615	**(39,403)**	176,802
Changes in non-cash working capital (note 6)	**98,841**	(207,785)	**81,449**	(464,738)
	32,953	(162,170)	**42,046**	(287,936)
Financing activities				
Issuance of share capital (net of issue costs)	**(7,544)**	-	**138,982**	-
Repayment of bank debt	**-**	(650,000)	**-**	(400,000)
Change in non-cash working capital (note 6)	**(25,000)**	-	**(26,500)**	-
	(32,544)	(650,000)	**112,482**	(400,000)
Investing activities				
Additions to property, plant and equipment	**(157,473)**	2,995	**(225,982)**	(46,545)
Disposal of property, plant and equipment	**-**	1,200,000	**-**	1,200,000
Change in non-cash working capital (note 6)	**111,268**	-	**(17,641)**	-
	(46,205)	1,202,995	**(243,623)**	1,153,455
(Decrease) increase in cash for period	**(45,796)**	**390,825**	**(89,095)**	**465,519**
Cash and cash equivalents, beginning of period	**52,663**	**(55,428)**	**95,962**	**(130,122)**
Cash and cash equivalents, end of period	**6,867**	**335,397**	**6,867**	**335,397**

See accompanying notes to the interim financial statements

1. BASIS OF PRESENTATION

Western Plains Petroleum Ltd. (the "Corporation" or "Western Plains") was incorporated under the Business Corporations Act (Alberta) on November 19, 2004 and is classified as a Tier 2 "oil and gas exploration and production" corporation. The common shares of the Corporation commenced trading on the TSX Venture Exchange ("TSXV") on August 11, 2006, and currently trade under the symbol "WPP".

The Corporation is based in Lloydminster, Alberta and engages in the exploration for and the development, production and acquisition of petroleum and natural gas reserves in Western Canada.

The interim Financial Statements have been prepared following the same accounting policies and methods of computation as the annual audited Financial Statements for the year ended December 31, 2009. The interim Financial Statements should be read in conjunction with the annual audited Financial Statements and the notes thereto for the year ended December 31, 2009.

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Corporation be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Corporation's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate sufficient cash from operating and financing activities to meet the Corporation's needs. As at June 30, 2010 the Corporation has a deficit of $2.4 million (December 31, 2009 - $2.1 million) and has a working capital deficiency of $0.3 million (December 31, 2009 - $0.2 million). These financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Corporation were unable to continue as a going concern and therefore be required to realize its assets and liabilities in other than the normal course of business and potentially at amounts significantly different from those recorded in these financial statements.

2. RECENT ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards

In February, 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") are to be followed by Canadian public companies effective January 1, 2011. The comparative financial information for 2010 within the 2011 financial statements will also be prepared in accordance with IFRS. This year the Corporation will finalize appropriate changes to accounting policies, financial disclosure, internal controls and systems.

Business Combinations

CICA Handbook Section 1582, "Business Combinations" establishes revised principles and requirements for the acquisition method for business combinations and related disclosures. This standard will be adopted prospectively for business combinations for which the acquisition date is after January1, 2011.

Consolidated Financial Statements

CICA Handbook Section 1601 "Consolidated Financial Statements", together with Section 1602 below, establishes revised principles and requirements for the preparation of consolidated financial statements. This standard will be adopted effective January1, 2011.

Non-controlling Interests

CICA Handbook Section 1602 "Non-controlling Interests" establishes revised principles and requirements for the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interests. This standard will be adopted effective January 1, 2011.

3. PROPERTY, PLANT AND EQUIPMENT

Petroleum and natural gas properties	Cost $	Accumulated Depletion & Depreciation $	Net book value $
At June 30, 2010	**6,364,286**	**(2,532,457)**	**3,831,829**
At December 31, 2009	4,463,183	(2,283,968)	2,179,215

In June 2010 the Corporation acquired property, plant and equipment consisting of 100% working interests in petroleum and natural gas rights located in the Lloydminster area of Saskatchewan for a total cost $1,675,119. An asset retirement obligation of $175,119 was assumed and the net consideration consisted of 10 million common shares valued at $0.15 per share for a total of $1,500,000. A related entity controlled by an officer and director of the Corporation held a 50% working interest in these assets and accordingly the transaction was subject to shareholder and TSX Venture Exchange approval, both of which were achieved in June 2010.

4. ASSET RETIREMENT OBLIGATIONS

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of petroleum and natural gas properties:

	Six months ended June 30, 2010 **$**	Year ended December 31, 2009 $
Asset retirement obligations, beginning of period	**192,353**	222,916
Liabilities incurred or acquired (note 3)	**175,119**	137,201
Liabilities settled or disposed	**-**	(111,780)
Change of estimates	**-**	(71,066)
Accretion	**8,078**	15,082
Asset retirement obligations, end of period	**375,550**	192,353

The total undiscounted amount of estimated cash flows required to settle the obligation as at June 30, 2010 was $0.97 million (December 31, 2009 - $0.6 million), which has been discounted using credit adjusted risk free rates of 8-10%. An inflation rate of two percent has been used throughout. All of these obligations are estimated to be incurred between 2018 and 2029 and will be funded from general corporate resources at that time of the retirement.

5. SHARE CAPITAL

(a) Authorized

Unlimited number of common voting shares
Unlimited number of Class A preferred shares, issuable in series
Unlimited number of Class B preferred shares, issuable in series

The Directors of the Corporation are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series.

(b) Issued and Outstanding

	Six months ended June 30, 2010		Year ended December 31, 2009	
	Number of Shares	**$**	Number of Shares	Amount $
Common shares, beginning of period	**30,259,774**	**3,641,207**	21,226,834	3,219,928
Private placement	**1,877,500**	**150,200**	3,352,940	255,000
Shares issued for acquisition (note 3)	**10,000,000**	**1,500,000**	-	-
Shares issued to settle debt	**-**	**-**	5,680,000	198,800
Share issue costs	**-**	**(11,219)**	-	(32,521)
Common shares, end of period	**42,137,274**	**5,280,188**	30,259,774	3,641,207

In June, 2010 the Corporation issued 10,000,000 common shares at a price of $0.15 as consideration for oil and natural gas interests in the Lloydminster area of Saskatchewan (note 3 & 8).

In January 2010 the Corporation issued 1,877,500 common shares at a price of $0.08 per share in a private placement, for gross proceeds of $150,200. No finders' fee was paid in connection with the private placement.

In December 2009, the Corporation issued 3,352,940 units at a price of $0.085 per Unit pursuant to a private placement for gross proceeds of $285,000. Each unit was comprised of one common share issued on a flow through basis under applicable tax law, and one common share purchase warrant, each warrant exercisable into one common share. Each of the 3,352,940 warrants has a term of 12 months from the date of issuance at an exercise price of $0.15 per share. The common shares were valued at $255,000 and the warrants were valued at $30,000 in total. In February 2010, the Corporation renounced $285,000 to the investors effective December 31, 2009.

In December 2008, the Corporation issued 2,777,777 flow-through shares for gross proceeds of $500,000, for which an officer and director subscribed for the entire offering. The Corporation incurred $280,000 of eligible expenses in 2009 and renounced that amount to the investor effective December 31, 2009. The Corporation has incurred $13,900 in the six months ended June 30, 2010 towards the remaining commitment of $220,000 to be incurred in 2010 and expects to renounce those expenditures to the investor effective December 31, 2010.

The Corporation is eligible to allocate up to $1 million of Canadian Development Expense as Canadian Exploration Expense to meet the flow through commitments.

(c) Stock option plan

The Corporation established a Stock Option Plan ("Plan") for directors, officers, employees and consultants. The maximum number of common shares which may be reserved under the Plan may not exceed 10% of the outstanding common shares at that time. Options granted under the plan generally have a term of five years and vest on the date of grant. The exercise price of each option equals or exceeds the market price of the Corporation's common shares on the date of grant.

A summary of the options for the current period and for the year ended December 31, 2009 follows:

	Six months Ended June 30, 2010		Year Ended December 31, 2009	
	Number of Options	**Weighted Average Price $**	Number of Options	Weighted Average Price $
Options, beginning of period	**1,452,000**	**0.14**	1,702,000	0.14
Granted	**1,400,000**	**0.15**	-	-
Expired	**(400,000)**	**0.20**	(250,000)	0.17
Options, end of period	**2,452,000**	**0.14**	1,452,000	0.14

Expiry	Weighted Average Remaining Life (Years)	Exercise Price	Outstanding and Exercisable
August 11, 2011	**1.12**	**$0.30**	**42,000**
March 14, 2013	**2.70**	**$0.11**	**260,000**
July 23, 2013	**3.06**	**$0.14**	**150,000**
December 17, 2013	**3.47**	**$0.10**	**600,000**
June 4, 2015	**4.93**	**$0.15**	**1,200,000**
June 22, 2015	**4.98**	**$0.15**	**200,000**
			2,452,000

1,400,000 options were issued and vested in June 2010 with an exercise price of $0.15 and to expire in June 2015. These options had a fair value of $0.103 per option for a total expense in the second quarter of $144,200. Fair value was determined using the Black Scholes model with the following assumptions:

	2010	2009
Risk free interest rate (%)	**1.3 %**	1.3 %
Expected volatility (%)	**88 %**	88 %
Expected life (in years)	**5 years**	1 year
Expected dividends	**-**	-

(d) Per share amounts

The weighted average number of shares used in calculating the basic net loss per share follows:

	Three months ended June 30, 2010	Three months ended June 30, 2009	**Six months ended June 30, 2010**	Six months ended June 30, 2009
Basic weighted shares outstanding	**33,455,955**	21,226,836	**32,696,528**	21,226,836
Effect of dilutive securities	**-**	-	**-**	-
Diluted weighted shares outstanding	**33,455,955**	21,226,836	**32,696,528**	21,226,836

Diluted per share information is not presented as the result would decrease the loss per share.

(e) Contributed Surplus

Changes to contributed surplus are summarized as follows:

	Six months Ended June 30, 2010	Year Ended December 31, 2009
	$	$
Contributed surplus, beginning of the period	**237,745**	207,745
Options issued	**144,200**	-
Warrants issued	**-**	30,000
Contributed surplus, end of the period	**381,945**	237,745

6. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Changes in Non-Cash Working Capital	$	$	$	$
Accounts receivable	**(271,408)**	75,091	**(231,924)**	(107,512)
Prepaid expenses and deposits	**(1,400)**	-	**6,054**	4,554
Accounts payable and accrued liabilities	**457,916**	(282,876)	**263,179**	(361,780)
Changes in non-cash working capital relating to:	**185,108**	(207,785)	**37,309**	(464,738)
Operating activities	**98,841**	(207,785)	**81,449**	(464,738)
Financing activities	**(25,000)**	-	**(26,500)**	-
Investing activities	**111,268**	-	**(17,641)**	-
Interest paid	**-**	57,605	**-**	111,544

7. FINANCIAL RISK MANAGEMENT

(a) Overview

The Corporation has exposure to **credit risk, liquidity risk and market risk**. The board of directors of the Corporation has overall responsibility for the establishment and oversight of the Corporation's risk management framework.

(b) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables from joint venture partners and petroleum and natural gas marketers.

As at June 30, 2010 the Corporation's receivables consisted of the following:

	June 30, 2010	December 31, 2009
	$	$
Marketers	**248,079**	112,162
Joint venture partners	**1,184**	1,593
Due from Nordic Oil and Gas Ltd. (note 9)	**135,434**	-
Trade and other	**6,681**	45,699
	391,378	159,454

Receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production. The Corporation's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers. The Corporation historically has not experienced collection issues with its petroleum and natural gas marketers. Joint venture receivables relate primarily to properties for which the Corporation is the operator. The Corporation does not typically obtain collateral from petroleum and natural gas marketers. The carrying amount of accounts receivable represents the maximum credit exposure.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's objective is to maintain sufficient liquidity to meet its liabilities when due, under normal and stressed conditions.

The Corporation manages its liquidity risk by continuously monitoring forecasted cash flows, assessing prospects for raising additional equity, and may in the future utilize a line of credit, when appropriate.

(d) Market risk

Market risk is the risk that changes in market prices, such as oil prices, foreign exchange rates, interest rates and equity prices will affect the Corporation's income or value of its financial instruments. The Corporation is not exposed to currency risk. The Corporation does not have any contracts in place to protect against commodity price changes.

The Corporation is not subject to interest rate risk since interest bearing debt was repaid by July 2009.

(e) Capital management

The Corporation's objective is to maintain access to sources of capital, defined to be shareholders' equity, credit facilities and other debt (long term debt and working capital) and cash, with which to finance its operations. The Corporation maintains a capital structure of equity and debt where appropriate. In the past it has utilized a line of bank credit and a note payable. All bank debt and the note payable were retired by July 2009. The Corporation manages its capital structure and makes changes to it in light of changes in economic conditions, opportunities for accretive acquisitions and the risk characteristics of the underlying investments. The Corporation balances its overall capital structure through share issues and the use of debt as deemed appropriate in the circumstances.

The Corporation monitors net debt closely. The net debt includes the working capital deficiency and is a non-GAAP measure which is determined on the following basis:

Balance sheet component	**June 30, 2010** **$**	December 31, 2009 $
Cash and cash equivalents	**6,867**	95,962
Accounts receivable	**391,378**	159,454
Prepaid expenses and deposits	**12,000**	18,054
Accounts payable and accrued liabilities	**(744,644)**	(481,463)
Net debt	**(322,399)**	(207,993)

(f) Fair value of financial instruments

The Corporation has determined the fair values of its financial instruments which consist of cash and cash equivalents, accounts receivable, bank debt, and accounts payable and accrued liabilities, approximate carrying amounts because of the short-term nature of these instruments, initially measured at fair value with subsequent periodic revaluations recorded at their amortized cost using the effective interest rate method. Fair value represents the Corporation's estimate of the price at which a financial instrument could be exchanged between knowledgeable and willing parties in an orderly arm's length transaction motivated by normal business considerations.

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

8. Related Party Transactions

The Corporation entered into the following related party transactions, all of which were in the normal course of operations and have been valued at the exchange amount that is the amount of consideration established and agreed to by the related parties:

- Legal services provide by a law firm in which an officer and director is a partner:
  - $79,404 was incurred in the six months ended June 30, 2010 ($104,479 during the year ended December 31, 2009) of which $69,163 ($32,402 at December 31, 2009) was in accounts payable and accrued liabilities at the period end;
  - Costs were recorded as general and administrative expense, share issue costs or as a capital expenditure depending on the activity for which legal services were provided;

- Various oil field services and products purchased from corporations in which an officer and director of the Corporation is an officer and a director:
  - $91,573 was incurred in the six months ended June 30, 2010 ($278,358 during the year ended December 31, 2009) of which $85,051 ($13,723 at December 31, 2009) was in accounts payable and accrued liabilities at the period end;
  - Costs were recorded as either production expense or capital expenditures depending on the nature of the expenditure;

- Executive services provided by a corporation in which an officer and a director of the Corporation is an officer and director:
  - $60,000 was incurred in the six months ended June 30, 2010 ($120,000 during the year ended December 31, 2009) of which $nil ($nil at December 31, 2009) was in accounts payable and accrued liabilities at the period end;
  - Costs were recorded as general and administrative expense;

- Property, plant and equipment acquired from a corporation in which an officer and a director of the Corporation is an officer and director:
  - Petroleum and natural gas interests (non producing) were acquired in January, 2010 ($nil during the year ended December 31, 2009) for consideration of $30,000 paid in cash in this period;
  - Petroleum and natural gas interests (producing) were acquired in June, 2010 ($nil during the year ended December 31, 2009) for consideration of 5,000,000 common shares valued at $0.15 per share for a total of $750,000. This transaction was for 50% working interest in these properties and the assumption of the related asset retirement obligation, with the other 50% acquired from an arms length party.
  - Costs were recorded as additions to property, plant and equipment;

- Certain related party transactions occurred in 2009 but those arrangements terminated during 2009 and no further costs were incurred. Interest of $80,436 was incurred and paid in 2009 to a corporation in which a continuing officer and director of the Corporation is an officer and a director. Payments totalling $53,609 were paid in 2009 for accounting services, to entities controlled by former officers.

9. NORDIC OIL AND GAS LTD

During the current period the Corporation entered into a contract operating agreement ("COA") with Nordic Oil and Gas Ltd. ("Nordic") whereby Western Plains became the contract operator of a property, for which Nordic owns 100% of the working interests. This property was not producing at the time of the COA which was effective April 12, 2010. The property is located in the Lloydminster area of Alberta and Saskatchewan. The Corporation earns $10,500 per month as a management fee and which is included in petroleum revenue in the Statement of Operations.

The following transactions occurred in the three months ended June 30, 2010 related to this property. The revenue, expense and capital expenditures apply 100% to Nordic unless the potential acquisition described below is closed. If Western Plains acquires a working interest in this property then Western Plains will be responsible for that working interest portion of these transactions with Nordic responsible for balance. These revenues, expenses and capital expenditures are not included in the statements of operations or cash flows of the Corporation. If the acquisition is successfully concluded the Corporation's working interest portion of these amounts will be recorded as adjustments to the acquisition cost.

	$
Petroleum revenue	**260,388**
Royalty expense	**1,062**
Production and transportation expense	**118,576**
Net operating revenue	**140,750**
Capital expenditures	**161,585**
Deficiency of net revenue to cover capital costs	**20,835**
Amount in accounts receivable (includes June 2010 revenue from the property)	**289,945**
Amount in accounts payable and accrued liabilities	**261,194**

At the same time as the COA was signed, the Corporation announced a non binding letter of intent for the acquisition of a 50% working interest in this property for a purchase price of $2.2 million. On May 21, 2010 a purchase and sale agreement was also signed. Consideration was to be a combination of cash, common shares and the assumption of debt. This purchase and sale agreement terminated on July 31, 2010 as certain conditions were not met. The Corporation has continued negotiations by way of several drafts of a purchase and sale agreement with Nordic whereby the Corporation would acquire 66 2/3% working interests in these petroleum and natural gas rights for a purchase price of $2.933 million with consideration expected to be a combination of cash, shares and debt assumption. A non refundable deposit of $100,000 was paid in May 2010 and transaction costs amounting to approximately $31,000 were incurred during the period. These costs were capitalized as property, plant and equipment and subjected to depletion in the period. If the acquisition proceeds, the Corporation will immediately spin off 50% of its acquisition to the same third party purchaser that acquired a 50% working interest in the Corporation's existing oil and gas properties and which is disclosed in Note 10.

10. Subsequent Events

In August 2010, the Corporation disposed of property, plant and equipment pursuant to a purchase and sale agreement. This disposition was for 50% of all working interests in petroleum and natural gas interests for cash consideration of $1.7 million reduced for normal industry adjustments for transactions back to the effective date of July 1, 2010. It is not anticipated this transaction will result in the recording of a gain or loss as the impact on depletion is less than 20%.

In August 2010 the Corporation entered into a credit facility agreement with a Canadian charted bank, consisting of a revolving operating facility of $800,000 with an interest rate of bank prime plus 1.5%, and a development facility of $300,000 with an interest rate of bank prime plus 2.0%. The Corporation has not yet drawn on either credit facility.

11. Contingent Liability

In 2006 Corporation issued a guarantee in the amount of USD$110,000 (CAD$127,000) as security in favor of National Hydrocarbons Agency, the Colombian oil and gas governmental agency. During the year ended December 31, 2007, the purchaser of the assets in Colombia issued a letter of credit replacing the Corporation's guarantee and therefore, the restricted cash of USD$110,000 (CAD$127,000) was released by the bank to the Corporation. However, the bank holding the letter of credit from the purchaser has not yet fully removed the Corporation's guarantee and therefore the Corporation's guarantee remains outstanding. It is the position of the Corporation that it is very unlikely this guarantee will result in a liability and the Corporation is taking steps to have it removed.