# Western Plains Petroleum Ltd.

## Unaudited Interim Financial Statements
## For the Three and Six Months
## Ended June 30, 2011

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 Company's independent auditors have not performed a review of these financial statements.

## Western Plains Petroleum Ltd.
## Statement of Financial Position
### As at June 30, 2011 with comparative figures for 2010

| | Notes | June 30, 2011 | December 31, 2010 |
|---|---|---|---|
| | | *(Unaudited)* | *(Unaudited)* |
| | | $ | $ |
| **Assets** | | | |
| **Current assets** | | | |
| Cash | | - | 390,473 |
| Trade and other receivables | 5(b) | 1,180,532 | 1,394,777 |
| Subscriptions receivable | | - | 176,400 |
| Deposits and prepaid expenses | | 22,690 | 26,907 |
| **Total current assets** | | 1,203,222 | 1,988,557 |
| **Non-current assets** | | | |
| Property and equipment | 8 | 7,611,132 | 5,070,587 |
| Exploration & evaluation assets | 9 | - | 245,774 |
| **Total non-current assets** | | 7,611,132 | 5,316,361 |
| **Total assets** | | 8,814,354 | 7,304,918 |
| **Liabilities** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 5(c) | 2,951,263 | 1,784,756 |
| Bank debt | 11 | - | - |
| Total current liabilities | | 2,951,263 | 1,784,756 |
| **Non-current liabilities** | | | |
| Decommissioning provisions | 13 | 1,193,800 | 651,000 |
| **Total liabilities** | | 4,145,063 | 2,435,756 |
| **Equity** | | | |
| Share capital | 12(a) | 7,334,127 | 7,334,127 |
| Warrants | 12(d) | 54,000 | 54,000 |
| Contributed surplus | 12(b) | 615,845 | 615,845 |
| Deficit | | (3,334,681) | (3,134,810) |
| **Total equity** | | 4,669,291 | 4,869,162 |
| **Total liabilities and equity** | | 8,814,354 | 7,304,918 |

Basis of presentation – Note 1

Commitments – Note 15

Subsequent events – Note 11

See accompanying notes to the interim financial statements

## Western Plains Petroleum Ltd.
## Statement of Comprehensive Income
### For the three and six months ended June 30, 2011 with comparative figures for 2010

| | Notes | 3 Months Ended | | 6 Months Ended | |
|---|---|---|---|---|---|
| | 17 | **June 30, 2011** | **June 30, 2010** | **June 30, 2011** | **June 30, 2010** |
| **Revenue** | | | | | |
| Petroleum revenue | | 786,793 | 262,292 | 1,434,519 | 656,223 |
| **Expenses** | | | | | |
| Royalties | | 147,598 | 29,573 | 253,928 | 102,547 |
| Production and transportation | | 441,343 | 149,213 | 726,563 | 342,629 |
| General and administrative | 8(d),9(e) | 117,384 | 149,394 | 222,039 | 250,451 |
| Transaction | | 19,303 | 59,691 | 70,511 | 59,691 |
| Depletion | 8(b) | 196,000 | 36,000 | 347,000 | 74,000 |
| Stock-based compensation | | - | 144,200 | - | 144,200 |
| | | 921,628 | 568,071 | 1,620,041 | 973,518 |
| Operating loss | | (134,835) | (305,779) | (185,522) | (317,295) |
| Net finance expense | 6 | (65,993) | (35,600) | (75,349) | (42,800) |
| Loss before income taxes | | (200,828) | (341,379) | (260,871) | (360,095) |
| Income tax recovery - deferred | | - | - | (61,000) | (78,000) |
| **Total comprehensive loss attributable to equity holders** | 14 | (200,828) | (341,379) | (199,871) | (282,095) |
| **Earnings per share** | | | | | |
| Basic | 12(c) | (0.01) | (0.01) | (0.00) | (0.01) |
| Fully diluted | 12(c) | (0.01) | 0.00 | (0.00) | (0.01) |

See accompanying notes to the interim financial statements.

# Western Plains Petroleum Ltd.
# Statement of Changes in Equity

### For the three and six months ended June 30, 2011 with comparative figures for 2010

*Unaudited*

| | Notes | Common Shares (Note 12 (a)) # | Common Shares (Note 12 (a)) $ | Warrants (Note 12(d)) $ | Contributed Surplus $ | Deficit $ | Total Equity $ |
|---|---|---|---|---|---|---|---|
| Balance, January 1, 2010 | | 30,259,774 | 3,502,207 | 30,000 | 207,745 | (2,245,531) | 1,494,421 |
| Issue of common shares – private placement | | 1,877,500 | 150,200 | - | - | - | 150,200 |
| Share issue costs | | - | (3,675) | - | - | - | (3,675) |
| Total comprehensive income | | - | - | - | - | 59,284 | 59,284 |
| Balance, March 31, 2010 | | 32,137,274 | 3,648,732 | 30,000 | 207,745 | (2,186,247) | 1,700,230 |
| Issue of common shares – acquisition | 8(a) | 10,000,000 | 1,500,000 | - | - | - | 1,500,000 |
| Share issue costs | | - | (7,544) | - | - | - | (7,544) |
| Issue of common share options | 12(b) | - | - | - | 144,200 | - | 144,200 |
| Total comprehensive loss | | - | - | - | - | (341,379) | (341,379) |
| Balance, June 30, 2010 | | 42,137,274 | 5,141,188 | 30,000 | 351,945 | (2,527,626) | 2,995,507 |
| Issue of common shares – private placement | | 266,667 | 40,000 | - | - | - | 40,000 |
| Issue of common shares - acquisition | 8(a) | 3,328,363 | 499,254 | - | - | - | 499,254 |
| Total comprehensive loss | | - | - | - | - | (256,404) | (256,404) |
| Balance, September 30, 2010 | | 45,732,304 | 5,680,442 | 30,000 | 351,945 | (2,784,030) | 3,278,357 |
| Issue of common shares – flow through | 15 (b) | 4,280,909 | 941,800 | - | - | - | 941,800 |
| Issue of units - common shares and warrants | 12(d) | 1,735,000 | 258,300 | 54,000 | - | - | 312,300 |
| Issue of common shares - exercise of warrants | 12(d) | 3,352,940 | 532,941 | (30,000) | - | - | 502,941 |
| Share issue costs | | - | (79,356) | - | - | - | (79,356) |
| Issue of common share options | 12(b) | - | - | - | 263,900 | - | 263,900 |
| Total comprehensive loss | | - | - | - | - | (350,780) | (350,780) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Balance, December 31, 2010 | 55,101,153 | 7,334,127 | 54,000 | 615,845 | (3,134,810) | 4,869,162 |
| Total comprehensive income | - | - | - | - | 957 | 957 |
| Balance, March 31, 2011 | 55,101,153 | 7,334,127 | 54,000 | 615,845 | (3,133,853) | 4,870,119 |
| Total comprehensive loss | - | - | - | - | (200,828) | (200,828) |
| Balance, June 30, 2011 | 55,101,153 | 7,334,128 | 54,000 | 615,845 | (3,334,681) | 4,669,291 |

See accompanying notes to the interim financial statements.

## Western Plains Petroleum Ltd.
## Statement of Cash Flows
### For the six months ended June 30, 2011 with comparative figures for 2010

| | Notes | 6 Months Ended | |
|---|---|---|---|
| | | June 30, 2011 | June 30, 2010 |
| Cash inflow (outflow): | | | |
| **Operating activities** | | | |
| Net income (loss) | | (199,871) | (282,094) |
| Adjustments for: | | | |
| Depletion | 8 | 347,000 | 74,000 |
| Abandonment costs expenses | | 37,192 | - |
| Stock based compensation | | | 144,200 |
| Net finance expense | | 75,349 | 42,800 |
| Abandonment costs | | (55,792) | |
| Change in non-cash working capital | 7 | 621,109 | 3,449 |
| Cash inflow (outflow), operating activities | | 824,987 | (17,645) |
| **Investing activities** | | | |
| Additions to property and equipment | | (2,153,264) | (166,291) |
| Change in non-cash working capital | 7 | 799,114 | (17,641) |
| Cash outflow, investing activities | | (1,354,150) | (183,932) |
| **Financing activities** | | | |
| Issue of share capital | | - | 150,200 |
| Share issue costs | | - | (11,218) |
| Increase (decrease) in bank debt | | - | - |
| Net finance expense | | (2,456) | - |
| Change in non-cash working capital | 7 | 141,146 | (26,500) |
| Cash inflow (outflow), financing activities | | 138,690 | 112,482 |
| Change in cash | | (390,473) | (89,095) |
| Cash, beginning of period | | 390,473 | 95,962 |
| **Cash, end of period** | | - | 6,867 |

See accompanying notes to the interim financial statements.

1. General business description

Western Plains Petroleum Ltd. (the “Company” 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” issuer on the TSX Venture Exchange (“TSXV”), trading under the symbol “WPP”.

The Company’s head office and mailing address is 202, 5004 – 18 Street, Lloydminster, Alberta T9V 1V4, Canada, and engages in the exploration for and the development, production and acquisition of petroleum and natural gas reserves in Western Canada.

These interim 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 Company 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 Company’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 Company’s needs. As at June 30, 2011 the Company had a deficit of $3.3 million (December 31, 2010 - $3.1 million) and had net debt of $1.75 million (December 31, 2010 – working capital - $0.2 million). The Company had breached the working capital covenant (Note 11) prescribed in its agreement with the bank which further raises doubt about its ability to continue as a going concern. These interim financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company 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 interim financial statements.

2. Basis of preparation

(a) Statement of compliance

The interim financial statements for the period ended June 30, 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

The Company adopted IFRS in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") with a transition date to IFRS of January 1, 2010. Consequently, the comparative figures for 2010 and the Company's statement of financial position as at January 1, 2010 have been restated from accounting principles generally accepted in Canada ("Canadian GAAP") to comply with IFRS.

The reconciliations to IFRS from the previous Canadian GAAP financial statements are summarized in Note 17. In addition, IFRS 1 allows certain exemptions from retrospective application of IFRS in the opening statement of financial position. Where these have been used, they are explained in Note 17.

(b) Reporting entity

The interim financial statements of the Company as at and for the period ended June 30, 2011 comprise the Company only as it has no subsidiaries or other interests to be consolidated.

(c) Basis of measurement

The interim financial statements have been prepared on the historical cost basis.

The methods used to measure fair values are discussed in note 4.

(d) Functional and presentation currency

These interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

(e) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the interim financial statements is included in the following notes:

- Note 4 - valuation of financial instruments
- Note 8 - valuation of property and equipment

- Note 9 - valuation of intangible exploration and evaluation assets
- Note 13 – valuation of decommissioning liabilities

The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets, liabilities, and equity:

*Depletion and valuation of property and equipment*

The amounts recorded for depletion of property and equipment and the valuation of cash-generating units of property and equipment are based on estimates. These estimates include proved and probable reserves, production rates, future petroleum prices, future development costs, remaining lives and periods of future benefits of the related assets and other relevant assumptions.

The Company's reserve estimates are evaluated annually consistent with *National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities*.

*Decommissioning provisions*

The value of decommissioning liabilities depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the estimated timing of those expenditures.

*Valuation of accounts receivable*

The valuation of accounts receivable is based on management's best estimate of the provision for doubtful accounts.

3. Significant accounting policies

The accompanying interim financial statements should be read in conjunction with Note 3 to the Company's unaudited interim financial statements for the period ended March 31, 2011, as the accounting policies applied by the Company in these interim financial statements are the same as those disclosed therein.

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property and equipment and intangible exploration and evaluation assets

The fair value of property and equipment recognized in a business combination is based on market values. The market value of property and equipment is the estimated amount for which property and equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of petroleum and natural gas interests (included in property and equipment) and intangible exploration and evaluation assets is estimated with reference to the discounted cash flows expected to be derived from petroleum and natural gas production based on external and Company reserve reports.

The market value of other items of property and equipment is based on the quoted market prices for similar items.

(ii) Cash and cash equivalents, accounts receivable, subscriptions receivable, accounts payable and accrued liabilities, bank debt.

The fair value of cash, accounts receivable, subscriptions receivable, accounts payable and accrued liabilities and bank debt approximates their carrying value due to their short term to maturity.

(iii) Share-based payment transactions

The fair value of share options is measured using a Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly and are based on valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable in quoted public listings but can be significant to the overall fair value measurement.

Cash and cash equivalents are measured at fair value based on a Level 1 designation.

5. Financial risk management

(a) Overview

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these interim financial statements.

The Company employs risk management strategies and polices to ensure that any exposure to risk are in compliance with the Company's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework, management has the responsibility to administer and monitor these risks.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Substantially all of the Company's accounts receivable are due from petroleum and natural gas marketers and are subject to normal credit risk.

The maximum exposure to credit risk follows:

| | June 30, 2011<br>$ | December 31, 2010<br>$ |
|---|---|---|
| Cash | - | 390,473 |
| Accounts and other receivables | 1,180,532 | 1,571,177 |
| Maximum exposure to credit risk | 1,180,532 | 1,961,650 |

*Trade and other receivables*

The majority of trade and other receivables relate to petroleum revenues and the Company subsequently collected this receivable.

All of the Company's operations are conducted in Canada. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Significant changes in industry conditions and risks that negatively impact customers' ability to generate cash flow will increase the risk of not collecting receivables. Management believes the risk is mitigated by the size and reputation of the companies to which they extend credit.

The Company markets its petroleum and natural gas to primarily one petroleum and natural gas marketer. Due to the small size of the Company, it is efficient to market all of its petroleum and natural gas to one marketer. Management monitors the credit rating with its marketer to ensure no collection issues arise. Receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production.

The Company does not have an allowance for doubtful accounts as at June 30, 2011 and did not provide for any doubtful accounts. Only minor amounts of receivables were written off during the period ended June 30, 2011. When determining whether past due accounts are collectible, the Company factors in the past credit history of the counterparties. The Company considers all amounts greater than 90 days as past due.

The Company's trade and other receivables were comprised of the following carrying amounts, of which $179,625 was over 90 days at June 30, 2011 but subsequently collected:

| | June 30, 2011<br>$ | December 31, 2010<br>$ |
|---|---|---|
| Petroleum revenue | 530,295 | 720,352 |
| Joint venture partners | 594,430 | 581,548 |
| Refundable GST | 53,099 | 92,877 |
| Trade and other | 2,708 | - |
| Total and other receivables | 1,180,532 | 1,394,777 |

*Cash and cash equivalents*

The Company manages the credit exposure related to cash by selecting financial institutions with high credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due. The Company's ongoing liquidity is impacted by various external events and conditions, including commodity price fluctuations and the global economic downturn.

The Company's financial liabilities consist of accounts payable and accrued liabilities. Accounts payable consists of invoices payable to trade suppliers for general, administrative, royalty, production and transportation expenditures and are paid within one year.

By nature, the petroleum and natural gas industry is very capital intensive. As a result, the Company prepares annual capital expenditure budgets and utilizes authorizations for expenditures to manage capital expenditures. Refer to note 5(e) for further disclosure on the management of capital. The Company's accounts payable and accrued liabilities are aged as follows:

| | June 30, 2011<br>$ | December 31, 2010<br>$ |
|---|---|---|
| 0 - 30 days | 1,387,406 | 648,827 |
| 31 to 60 days | 1,173,937 | 950,092 |
| 61 to 90 days | 274,159 | 33,662 |
| Greater than 90 days | 115,761 | 116,175 |
| Total accounts payable and accrued liabilities | 2,951,263 | 1,784,756 |

The Company expects to satisfy its obligations under accounts payable and accrued liabilities within the next year. The terms of certain property acquisitions in 2010 and 2011 included the assumption of selected trade accounts payable held by vendors with liens on the acquired property or vendors which the Company does or intends to do business. Several of these trade creditors agreed to extended payment terms of up to 6 months and which comprise a significant portion of the trade payables over 90 days.

(d) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, interest rates and foreign exchange rates will affect the Company's net earnings or the value of financial instruments. The objective of the Company is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

*Commodity price risk*

The nature of the Company's operations results in exposure to fluctuations in commodity prices. Commodity prices for petroleum and natural gas are impacted by global economic and political events that dictate the levels of supply and demand. Management continuously monitors commodity prices and may consider instruments to manage exposure to these risks when it deems appropriate. The Company did not enter into any derivative financial contracts during the periods presented in these interim financial statements nor does it currently have any derivative financial contracts. The Company does not utilize derivative financial instruments for speculative purposes.

Once petroleum production levels increase, the Company may economically hedge some petroleum and natural gas sales through the use of various financial derivative forward sales contracts and physical sales contracts when deemed appropriate. The Company will not apply hedge accounting for these contracts. The Company's production is usually sold using "spot" or near term contracts, with prices fixed at the time of transfer of custody or on the basis of a monthly average market price. The Company, however, may give consideration in certain circumstances to the appropriateness of entering into long term, fixed price marketing contracts.

A 10% difference in oil prices for the six months ended June 30, 2011 would have increased or decreased petroleum revenue by 10% depending on the direction of the difference. Royalties would also have increased or decreased accordingly for a net impact on the loss before income taxes and total comprehensive loss of approximately $115,000.

*Foreign currency risk*

Prices for petroleum are determined in global markets and generally denominated in United States dollars. The Company had no forward exchange rate contracts in place nor any working capital items denominated in foreign currencies as at or during the periods presented in these interim financial statements. An increase in the value of the Canadian dollar relative to the U.S. dollar will decrease the revenues received from the sale of petroleum and natural gas commodities. Correspondingly, a decrease in the value of the Canadian dollar relative to the U.S. dollar will increase the revenues received from the sale of petroleum and natural gas commodities. The impact of such exchange rate fluctuations cannot be accurately quantified.

*Interest rate risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has no interest bearing debt outstanding. Consequently the Company is not directly exposed to interest rate risk. However, inherently, changes in interest rates may affect the general economy. The Company had no interest rate swaps or financial contracts in place as at or during the periods presented in these interim financial statements. A 1% change in interest rate will have no material impact on net income.

(e) Capital management

The Company's capital is defined to be share holders' equity, credit facilities and other debt and cash. The Company's objective in managing capital is to ensure it has adequate working capital to meet day to day needs and access to sources of capital sufficient to finance its operations and to make planned capital expenditures or capital acquisitions as opportunities present themselves. The Company manages its capital structure and makes changes to it in light of changes in economic conditions, anticipated or planned capital expenditures, opportunities for acquisitions and the risk characteristics of the underlying investments.

The Company monitors its working capital closely, which is determined on the following basis:

| Balance sheet component | June 30, 2011<br>$ | December 31, 2010<br>$ |
|---|---|---|
| Cash | - | 390,473 |
| Accounts and subscriptions receivable | 1,180,522 | 1,571,177 |
| Prepaid expenses | 22,690 | 26,907 |
| Accounts payable and accrued liabilities | (2,951,263) | (1,784,756) |
| Bank debt | - | - |
| Working capital (net debt) | (1,748,051) | 203,801 |

The Company is not subject to any externally imposed capital requirements. Subsequent to the period end the bank commenced its annual review of the facility limits for which the results have not yet been determined (Note 11).

6. Finance expenses

| | 3 Months Ended | | 6 Months Ended | |
|---|---|---|---|---|
| | June 30, 2011 | June 30, 2010 | June 30, 2011 | June 30, 2010 |
| Finance expenses | | | | |
| Bank interest | 2,238 | - | 2,238 | - |
| Other financing costs (recovery) | (2,245) | - | 211 | - |
| Accretion, decommissioning provision | 66,000 | 35,600 | 72,900 | 42,800 |
| Net finance expense recognized in loss | 65,993 | 35,600 | 75,349 | 42,800 |

7. Supplemental cash flow information

Changes in non-cash working capital are comprised of:

| | 6 Months Ended | |
|---|---|---|
| | June 30, 2011 | June 30, 2010 |
| Cash inflows from (outflows to): | | |
| Accounts receivable | 214,245 | (231,924) |
| Subscriptions receivable | 176,400 | - |
| Prepaid expenses | 4,217 | 6,054 |
| Accounts payable & accrued liabilities | 1,166,507 | 185,178 |
| | 1,561,369 | (40,692) |
| Related to: | | |
| Operating activities | 621,109 | 3,449 |
| Investing activities | 799,114 | (17,641) |
| Financing activities | 141,146 | (26,500) |
| Changes in non-cash working capital | 1,561,369 | (40,692) |

In 2010 property and equipment acquired through the issuance of common shares amounting to $1,999,254 has been excluded from the statement of cash flows as a non-cash transaction.

8. Property and equipment

| | Equipment<br>$ | Other<br>$ | Total<br>$ |
|---|---|---|---|
| **Cost** | | | |
| Balance, January 1, 2010 | 445,308 | 1,733,907 | 2,179,215 |
| Additions | 1,142,007 | 3,492,449 | 4,634,455 |
| Decommissioning provision | - | 553,470 | 553,470 |
| Decommissioning settlement | - | (319,100) | (319,100) |
| Dispositions | (339,091) | (1,356,363) | (1,695,454) |
| Balance, December 31, 2010 | 1,248,224 | 4,104,363 | 5,352,587 |
| Additions | 752,955 | 1,645,090 | 2,398,045 |
| Decommissioning provision | - | 488,500 | 488,500 |
| Balance, June 30, 2011 | 2,001,179 | 6,237,953 | 8,239,132 |
| **Accumulated depletion** | | | |
| Balance, January 1, 2010 | - | - | - |
| Depletion | (65,000) | (217,000) | (282,000) |
| Balance, December 31, 2010 | (65,000) | (217,000) | (282,000) |
| Depletion | (57,000) | (289,000) | (346,000) |
| Balance June 30, 2011 | (122,000) | (506,000) | (628,000) |
| **Net book value** | | | |
| Balance, January 1, 2010 | 445,308 | 1,733,907 | 2,179,215 |
| Balance, December 31, 2010 | 1,183,224 | 3,877,363 | 5,070,587 |
| Balance, June 30, 2011 | 1,879,179 | 5,731,953 | 7,611,132 |

(a) Acquisitions

During the three months ended March 31, 2011, the Company acquired petroleum and natural gas assets, consisting of one producing well and several non-producing wells on a petroleum property, near Lloydminster, Alberta. The acquisition is comprised of the following which have been accounted for as a business combination using the purchase method of accounting:

| | $ |
|---|---|
| Net assets: | |
| Property and equipment | 1,010,300 |
| Asset retirement obligation | (410,300) |
| | 600,000 |
| Consideration: | |
| Cash | 163,000 |
| Vendor debt assumed | 437,000 |
| | 600,000 |

In 2010, the Company acquired petroleum and natural gas assets, consisting of petroleum producing properties, near Lloydminster, Alberta. The acquisitions comprised the following which have been accounted for as business combinations using the purchase method of accounting:

| Net assets: | Acquisition 1<br>$ | Acquisition 2<br>$ |
|---|---|---|
| Property and equipment | 1,757,600 | 1,626,902 |
| Asset retirement obligation | (257,600) | (147,000) |
| | 1,500,000 | 1,479,902 |
| Consideration: | | |
| Cash | - | 685,895 |
| Common shares issued | 1,500,000 | 499,254 |
| Vendor debt assumed | - | 294,753 |
| | 1,500,000 | 1,479,902 |

(b) Depletion and impairment charge

The depletion and impairment of property and equipment, and any eventual reversal thereof, are recognized as depletion in the statement of comprehensive income (see also note 9). No impairment was recognized during the periods presented in these interim financial statements.

(c) Contingencies

Although the Company believes that it has title to its petroleum and natural gas interests, it cannot control or completely protect itself against the risk of title disputes or challenges.

(d) Capitalized general and administrative and financing costs

The Company has not capitalized any general and administrative expenses or interest during the periods.

9. Exploration and evaluation assets

| | $ |
|---|---|
| **Cost** | |
| Balance, January 1, 2010 | - |
| Additions | 245,774 |
| Balance, December 31, 2010 | 245,774 |
| Additions | 780,992 |
| Decommissioning provision | 410,300 |
| Balance, March 31, 2011 | 1,437,066 |
| Transfers to property and equipment | (1,437,066) |
| Balance, June 30, 2011 | - |

Intangible exploration and evaluation assets at December 31, 2010 and March 31, 2011 consist of the Company's projects which are pending production or the determination of proved reserves. During the three months ended June 30, 2011 production commenced on these properties and therefore the amounts were transferred to property and equipment and are included in additions for that period.

(a) Acquisition

During the three months ended March 31, 2011, the Company acquired petroleum and natural gas assets, consisting of one producing well and several non-producing wells on a petroleum property, near Lloydminster, Alberta. The purchase price was allocated between property and equipment for the producing well and exploration and evaluation assets for the non-producing wells. The Company reactivated several of the non-producing wells during the three months ended June 30, 2011; the assets were reclassified as property and equipment and are included as additions and decommissioning provision in property and equipment (Note 8) for that period.

(b) Depletion and impairment charge

Intangible exploration and evaluation assets are not depleted or amortized. Intangible exploration and evaluation assets are aggregated into groups of cash-generating units for the purpose of assessing for impairment. Any impairment of intangible exploration and evaluation assets, and any eventual reversal thereof, is recognized as additional depletion expense in the statement of comprehensive income. No impairment was recognized during the periods presented in these interim financial statements.

(c) Recoverability of exploration and evaluation assets

The Company assesses the recoverability of intangible exploration and evaluation assets, before and at the moment of reclassification to property and equipment, using cash-generating units. The cash-generating unit includes both the exploration and evaluation cash-generating unit and the property and equipment cash-generating units related to petroleum and natural gas interests for that area that the exploration and evaluation assets are being transferred into.

(d) Contingencies

Although the Company believes that it has title to its petroleum and natural gas interests, it cannot control or completely protect itself against the risk of title disputes or challenges.

(e) Capitalized general and administrative and financing costs

The Company has not capitalized any general and administrative expenses or interest in the period presented in these interim financial statements.

10. Impairment

Petroleum and natural gas cash-generating units.

The Company tests its cash-generating units for impairment at each period end.

The recoverable amount of the cash-generating unit was estimated based on the higher of the value in use and the fair value less costs to sell. The estimate of fair value less costs to sell was determined using a discount rate of 10 percent and forecasted cash flows, with escalating prices and future development costs, as obtained from an externally prepared reserve estimate. The forecast prices used to estimate the fair value less cost to sell are those used by independent industry reserve engineers. No petroleum and natural gas property cash-generating units were considered impaired as at or during the periods presented in these interim financial statements

The future prices used in the impairment test of the Company cash-generating units at June 30, 2011, were:

| Period | Petroleum Heavy oil - Bow River at Hardisty ($CDN/bbl.) |
|---|---|
| 9 months, 2011 | 64.80 |
| 2012 | 68.80 |
| 2013 | 71.95 |
| 2014 | 73.85 |
| 2015 | 79.20 |
| 2016 | 85.70 |

Increases after 2016 approximate 2% per year. Adjustments were made to the benchmark prices, for purposes of the impairment test, to reflect varied delivery points and quality differentials in the products delivered.

11. Bank debt

In October 2010 the Company entered into an agreement with a Canadian chartered bank for lines of credit, which are payable on demand and secured by a $25,000,000 debenture and general security agreement on all assets of the Company.

The revolving line of credit is for an amount up to $800,000 and is subject to various standard covenants. This demand credit facility bears interest at prime plus 1.5%. As at June 30, 2011, the Company had drawn $nil (2010 - $nil) and was in compliance with all covenants except the requirement to maintain a working capital ratio as defined by the bank of at least 1:1. The actual ratio at June 30, 2011 was 0.68:1. The bank commenced its annual review of the Company’s facilities subsequent to the period end. That review has not yet been completed. The Company has requested that the bank waive this breach of covenant in addition to

increasing the facility limits.

The development line of credit is for an amount up to $300,000 and is subject to various standard covenants. This demand credit facility bears interest at prime plus 2.0%. The Company has not drawn on the available facility but intends to do should the review of the revolver limit not result in an increase.

12. Common shares

(a) Authorized - Unlimited number of Common shares

Each shareholder is entitled to one vote and shall be entitled to receive non-cumulative dividends if, and when, declared by the Board of Directors.

(b) Stock option plan

The Company established a Stock Option Plan ("Plan") for directors, officers, employees and service providers. 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 Company's common shares on the date of grant.

A reconciliation of the option transactions for the periods presented in these interim financial statements follows:

| | Six months ended June 30, 2011 | | Year end December 31, 2010 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Price $ | Number of Options | Weighted Average Price $ |
| Options, beginning of year | 4,152,000 | 0.16 | 1,452,000 | 0.14 |
| Granted | - | - | 3,100,000 | 0.18 |
| Expired | - | - | (400,000) | 0.20 |
| Options, end of year | 4,152,000 | 0.16 | 4,152,000 | 0.16 |

| Expiry | Weighted Average Remaining Life (Years) | Exercise Price | Outstanding and Exercisable |
|---|---|---|---|
| August 2011 | 0.11 | $0.30 | 42,000 |
| March 2013 | 1.70 | $0.11 | 260,000 |
| July 2013 | 2.06 | $0.14 | 150,000 |
| December 2013 | 2.46 | $0.10 | 600,000 |
| June 2015 | 3.93 | $0.15 | 1,400,000 |
| December 2015 | 4.46 | $0.21 | 1,700,000 |
| | | | 4,152,000 |

No options were granted in the six months ended June, 2011. In 2010, 3,100,000 options were granted and all options vested immediately. The fair value of options granted in 2010 was $408,100, determined using the following assumptions:

| | 2010 options |
|---|---|
| Risk free interest rate (%) | 1.28% |
| Expected volatility (%) | 88% |
| Expected life (in years) | 5 years |
| Expected dividends | - |
| Forfeiture rate | 0% |

(c) Per share amounts

The weighted average number of common shares used in calculating the basic and fully diluted earnings per share for the three and six months ended June 30, 2011 was 55,101,153. The weighted average number of common shares used in calculating the basic and fully diluted earnings per share for the three and six months ended June 30, 2010 was 33,455,955 and 32,696,528 respectively. Dilutive securities were not included in computing fully diluted earnings per share as the Company experienced losses in all periods presented in these interim financial statements.

(b) Warrants

Changes to warrants are summarized as follows:

| | Number of Warrants | Weighted Average Exercise Price | $ |
|---|---|---|---|
| Warrants, January 1, 2010 | 3,352,940 | 0.15 | 30,000 |
| Exercised | (3,352,940) | 0.15 | (30,000) |
| Granted | 867,500 | 0.25 | 54,000 |
| Warrants, December 31, 2010 & June 30, 2011 | 867,500 | 0.25 | 54,000 |

The fair value of the warrants was estimated to be $54,000 in 2010 using the Black-Scholes option pricing model assuming a risk free interest rate of 1.25%, volatility of 88%) for the one year life and with no expected dividends. The warrants were issued as part of a unit which also included common shares, carry an exercise price of $0.25 per common share and expire in December 2011.

13. Decommissioning provisions

The future decommissioning obligations were determined by management and were based on the Company's net ownership interest, the estimated future costs to reclaim and abandon the wells, and the estimated timing of when the costs will be incurred. The following table presents the decommissioning liability:

| | $ |
|---|---|
| Balance, January 1, 2010 | 337,800 |
| Liabilities incurred or acquired | 512,600 |
| Liabilities settled or disposed | (319,100) |
| Change of estimate | 40,870 |
| Accretion | 78,830 |
| Balance, December 31, 2010 | 651,000 |
| Liabilities incurred or acquired | 488,500 |
| Accretion | 72,900 |
| Liabilities settled | (18,600) |
| Balance, June 30, 2011 | 1,193,800 |

The total undiscounted amount of estimated cash flows required to settle the obligation as at June 30, 2011 was $1.9 million (December 31, 2010 - $1.1 million) which has been discounted using a risk free rate of 3.55% at June 30, 2011. An inflation rate of two percent has been used throughout. All of these obligations are estimated to be incurred in 2021 to 2024 and will be funded from general Company resources at that time of retirement.

14. Income tax

The recovery of income taxes in 2011 and 2010 relates to the income tax effect of renouncing the Company’s income tax expenditures to investors as a condition of issuing flow through shares. The income tax recovery in 2011 and 2010 varies from the amounts that would be computed by applying the effective Canadian federal and provincial income tax rates to the income before income taxes as follows:

| | 2011<br>$ | 2010<br>$ |
|---|---|---|
| Loss before income taxes | (260,871) | (18,716) |
| | | |
| Expected income tax rate | 27% | 28% |
| Expected income tax recovery | (70,000) | (5,000) |
| Differences resulting from: | | |
| Non-deductible and other items | 5,000 | 1,000 |
| Deferred tax asset not recognized | (4,000) | (74,000) |
| Income tax recovery - deferred | (61,000) | (78,000) |

The major components of the unrecognized deferred income tax asset (liabilities) follow:

| **Temporary differences related to:** | 2011<br>$ | 2010<br>$ |
|---|---|---|
| Property and equipment | (525,000) | (90,000) |
| Decommissioning provisions | 298,000 | 93,000 |
| Share issue costs | 20,000 | 23,000 |
| Non-capital loss carry forward | 352,000 | 300,000 |
| | 145,000 | 326,000 |
| Deferred tax asset not recognized | (145,000) | (326,000) |
| Deferred income tax asset (liability) | - | - |

The non-capital losses of $1,406,000 for income tax purposes carried forward from the current and prior years expire as follows:

| Year | Loss Carry Forward $ | Year | Loss Carry Forward $ |
|---|---|---|---|
| 2025 | 302,000 | 2029 | - |
| 2026 | 110,000 | 2030 | 707,000 |
| 2027 | 1,000 | 2031 | 206,000 |
| 2028 | 80,000 | | - |

15. Commitments

(a) Office lease

In June 2011 the Company leased office space in Lloydminster, Alberta. The lease expires in 2013 and requires minimum annual payments of $8,000 per year.

(b) Flow through share commitments

The Company is eligible to allocate Canadian Development Expense as Canadian Exploration Expense to meet its flow through commitments. The Company's remaining commitment to incur eligible expenditures in 2011 under the look back rule was met by June 30, 2011.

## 16. Related party transactions

The Company 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 an associate:
    - $108,602 was incurred to the date of these interim financial statements (2010 - $232,876) of which $48,696 (2010 - $40,272) 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 transaction expense depending on the activity for which legal services were provided;
- Various oil field services and products provided by corporations in which an officer and director of the Company is an officer and a director:
    - $nil was incurred to the date of these interim financial statements (2010 - $190,633) of which $nil (2010 - $nil) 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;
- Oil sold to a corporation in which an officer and director of the Company is an officer and a director:
    - $nil was earned in 2011 (2010 - $36,808) of which $nil (2010 - $nil) was in accounts receivable at the period end;
    - Proceeds were recorded as petroleum revenue.
- Executive services provided by a corporation in which an officer and a director of the Company is an officer and director:
    - $87,480 was incurred to the date of these interim financial statements (2010 - $140,000) of which $nil (2010 - $nil) was in accounts payable and accrued liabilities at the period end;
    - Costs were recorded as general and administrative expense.
- Consulting services related to prospective oil and natural gas prospects in Colombia provided by a corporation in which a director of the Company is an officer and director amounting to $4,000 (2010 - $nil) which was paid prior to June 30, 2011 and recorded as general and administrative expense;
- In 2010 $696,187 of oil and natural gas properties were acquired from a corporation in which an officer and director of the Company is an officer and a director. No oil properties were acquired from a related party in 2011.

17. Transition from Canadian GAAP to IFRS

The effect of the Company's transition to IFRS, described in Note 1, is summarized in this note. In accordance with IFRS 1, "First-time adoption of IFRS", certain disclosures and exemptions relating to the transition are also described in this note.

**Reconciliation - Statement of Financial Position - At June 30, 2010:**

| | Notes | Canadian GAAP | Effect of transition to IFRS | IFRS |
|---|---|---|---|---|
| Assets | | $ | $ | $ |
| Current Assets: | | | | |
| Cash and cash equivalents | | 6,867 | - | 6,867 |
| Trade and other receivables | | 391,378 | - | 391,378 |
| Deposits and prepaid expenses | | 12,000 | - | 12,000 |
| | | 410,245 | - | 410,245 |
| Non-current assets: | | | | |
| Property and equipment | 17(a), (b),(d) | 3,831,829 | 197,276 | 4,029,105 |
| | | 4,242,074 | 197,276 | 4,439,350 |
| Liabilities and Equity | | | | |
| Current Liabilities: | | | | |
| Accounts payable & accrued liabilities | 17(g) | 744,644 | 61,000 | 805,644 |
| Non-current liabilities: | | | | |
| Decommissioning provision | 17(b) | 375,550 | 262,650 | 638,200 |
| | | 1,120,194 | 323,650 | 1,443,844 |
| Equity: | | | | |
| Share capital | 17(h) | 5,280,188 | (139,000) | 5,141,188 |
| Contributed surplus | | 381,945 | - | 381,945 |
| Deficit | 17(i) | (2,540,253) | 12,626 | (2,527,627) |
| | | 3,121,880 | (126,374) | 2,995,506 |
| | | 4,242,074 | 197,276 | 4,439,350 |

17. Transition from Canadian GAAP to IFRS (continued):

**Reconciliation of statements of income for the 3 and 6 months ended June 30, 2010:**

| | Notes | Canadian GAAP | Effect of transition to IFRS | IFRS |
|---|---|---|---|---|
| **For the three months ended June 30, 2010** | | $ | $ | $ |
| Revenue: | | | | |
| Petroleum revenue | | 262,292 | - | 262,292 |
| Expenses: | | | | |
| Royalties | | 29,573 | - | 29,573 |
| Production and transportation | | 149,213 | - | 149,213 |
| General and administrative | | 149,394 | - | 149,394 |
| Transaction | 17(e) | - | 59,691 | 59,691 |
| Stock based compensation | | 144,200 | - | 144,200 |
| Depletion | 17(d) | 140,805 | (104,805) | 36,000 |
| Finance | 17(b) | 4,081 | 31,519 | 35,600 |
| Loss before income tax | | (354,974) | (13,595) | (341,379) |
| **For the six months ended June 30, 2010** | | | | |
| Revenue: | | $ | $ | $ |
| Petroleum revenue | | 656,223 | - | 656,223 |
| Expenses: | | | | |
| Royalties | | 102,547 | - | 102,547 |
| Production and transportation | | 342,629 | - | 342,629 |
| General and administrative | | 250,451 | - | 250,451 |
| Transaction | | - | 59,691 | 59,691 |
| Stock-based compensation | | 144,200 | - | 144,200 |
| Depletion | 17(d) | 248,488 | (174,488) | 74,000 |
| Finance | 17(b) | 8,078 | 34,722 | 42,800 |
| Loss before income tax | | (440,170) | (80,075) | (360,095) |
| Income tax (recovery) | 17(g) | - | (78,000) | (78,000) |
| Income (loss) and comprehensive income (loss) | | (440,170) | (158,075) | (282,095) |

17. Transition from Canadian GAAP to IFRS (continued):

**Notes to reconciliations**

(a) Property and equipment - IFRS 1 election for full cost oil and gas entities

The Company elected an IFRS 1 exemption whereby the Canadian GAAP full cost pool was measured upon transition to IFRS as follows:

(i) The Company had no exploration and evaluation assets at the transition date under Canadian GAAP and thus no part of the Property and Equipment at that date were reclassified from the full cost pool to exploration and evaluation assets; and

(ii) The entire full cost pool was allocated to the producing/development assets and components pro rata using reserve values.

In 2010 certain investments in oil and gas interests were recorded as exploration and evaluation assets under IFRS amounting to $245,774 which under Canadian GAAP were recorded as property and equipment. Under neither accounting policy were these assets depleted.

(b) Decommissioning provision and accretion expense:

Under Canadian GAAP asset retirement obligations were discounted at a credit adjusted risk fee rate of 8 percent. Under IFRS the estimated cash flow to abandon and remediate the wells and facilities has been discounted at a risk free rate of 4% percent at the IFRS transition date. This resulted in a $145,447 increase in the decommissioning obligations with a corresponding increase in the deficit. Also under IFRS the obligation is discounted at each period end at the current risk free discount rate.

For the three and six months ended June 30, 2010 computing accretion under IFRS resulted in an increase to accretion expense of $31,519 and $34,722, respectively, with a corresponding change in the decommissioning liability, as compared to Canadian GAAP. The increase related to reductions in the risk free discount rate. In addition, under Canadian GAAP accretion of the obligation was included in depletion and accretion. Under IFRS it is included in finance expenses and for the Company, is the sole component to finance expense in 2010.

(c) Share-based payments:

Under Canadian GAAP, the Company recognized an expense related to their share-based payments on a straight-line basis through the date of full vesting and did not incorporate a forfeiture multiple. Under IFRS, the Company is required to recognize the expense over the individual vesting periods for the graded vesting awards and estimate a forfeiture rate. Because all of the Company's options vested immediately upon granting, this change in accounting policy had no impact on the statement of financial position at the transition date or on the 2010 financial statements.

(d) Depletion policy:

Upon transition to IFRS, the Company adopted a policy of depleting oil and natural gas interests on a unit of production basis over proved plus probable reserves. The depletion policy under Canadian GAAP was based on units of production over proved reserves. In addition depletion was done on the Canadian cost centre under Canadian GAAP. IFRS requires depletion and depreciation to be calculated based on individual areas (fields or combinations thereof). The Company has chosen two areas (which are also the cash

generating units) being Alberta heavy oil assets and Saskatchewan heavy oil assets. Equipment is also depleted on the same basis as oil and natural gas interests as the useful life of the equipment is dependent on the life of the related reserves. There was no impact of this difference on adoption of IFRS at January 1, 2010 as a result of the IFRS 1 election as discussed above.

For the three and six months ended June 30, 2010 computing depletion on the larger proved plus probable reserves resulted in a decrease to depletion of $104,805 and $174,489, respectively, with a corresponding change to property and equipment.

(e) Transaction costs incurred for business combinations:

Under Canadian GAAP transaction costs were capitalized as a component of the cost of the acquisition. Under IFRS transaction costs are expensed. This resulted in transaction expenses of $59,691 being expensed in the three and six months ended June 30, 2010 under IFRS which were capitalized and depleted under Canadian GAAP. There were corresponding changes to depletion expense and property and equipment.

(f) Disposition of property and equipment

Under Canadian GAAP the proceeds on the disposition of oil and natural gas interests and equipment were recorded as a reduction of the full cost pool unless the impact on depletion expense was greater than 20%. If the latter was the case than a gain or loss was recorded. The Company disposed of certain oil and natural gas interests in the three months ended September 30, 2010 for which no gain or loss was recorded under Canadian GAAP. Under IFRS a gain or loss will be recorded in that future period with corresponding changes to depletion expense and property and equipment.

(g) Flow through shares

Under Canadian GAAP the entire proceeds from issuing flow through shares is recorded as equity at the time of receipt. This form of investment allows the investor to claim income tax deductions for the flow through of certain resource deductions renounced to the investor by the Company. Under Canadian GAAP the cost of the forgone income tax deductions is recorded as a reduction of equity by the Company at the time it files the renouncement with the income tax authorities and the impact on deferred tax assets or liabilities is also recorded at that time as income tax recovery on the statement of income. Under IFRS, at the time of the issue, the proceeds are classified in part as equity based on the fair value of the share price at the date of issue of the flow through shares and in part as a liability based on the excess of the issue price over the fair value of the share price, if any, at the issue date. The resulting liability is reduced at the time the renouncement is filed with the income tax authorities and the impact on deferred tax assets or liabilities is also recorded at that time as income tax recovery on the statement of income. At the transition date to IFRS the Company was impacted by this change with an increase of $139,000 in accounts payable and accrued liabilities and a corresponding decrease to share capital in equity. The filing of renouncements in 2010 and 2011 on the flow through shares with outstanding commitments at the transition date resulted in an income tax recovery of $78,000 and $61,000 respectively and the corresponding impact on the loss for the period.

(h) Share Capital

The following is a summary of the transition adjustments to the Company's share capital from Canadian GAAP to IFRS:

| Statement of financial position-Share Capital | June 30, 2010<br>$ |
|---|---|
| Adjustment for flow-through share premium | (139,000) |
| Adjustment for income tax effect of flow-through shares | - |
| | (139,000) |

(i) Deficit

The following is a summary of the transition adjustments to the Company's deficit from Canadian GAAP to IFRS:

| Statement of financial position - Deficit | June 30, 2010<br>$ |
|---|---|
| Decommissioning provision | (180,172) |
| Deferred tax | 78,000 |
| Transaction costs | (59,691) |
| Adjustment to depletion | 174,489 |
| | 12,626 |

(j) Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Company except that under IFRS, cash flows relating to interest are classified as operating, investing or financing in a consistent manner each period which has resulted in all cash flows for interest being classified as financing activity under IFRS. Under Canadian GAAP, cash flows relating to interest were classified as operating activities.