ARCTIC HUNTER ENERGY INC.

(formerly Arctic Hunter Uranium Inc.)

CONDENSED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2012 AND 2011

(Unaudited)

MANAGEMENT'S COMMENTS ON
UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim financial statements of Arctic Hunter Energy Inc. (formerly Arctic Hunter Uranium Inc.) (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgements based on information currently available.

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

ARCTIC HUNTER ENERGY INC. (formerly Arctic Hunter Uranium Inc.)
CONDENSED STATEMENTS OF FINANCIAL POSITION

	March 31, 2012	June 30, 2011
ASSETS		
Current		
Cash	$ 388,592	$ 429,097
Accounts receivable (Note 5)	95,983	120,623
Prepaid expense	1,683	15,263
	486,258	564,983
Property, plant and equipment (Note 3)	504,186	359,274
	$ 990,444	$ 924,257
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	$ 273,605	$ 166,877
Decommissioning liabilities (Note 3)	24,163	23,290
	297,768	190,167
Equity		
Share capital (Note 6)	1,381,989	1,381,989
Reserves	584,164	462,324
Deficit	(1,273,477)	(1,110,223)
	692,676	734,090
	$ 990,444	$ 924,257

Nature and continuance of operations (Note 1)
Commitment (Notes 5 and 7)
Subsequent events (Note 12)

Approved and authorized for issue by the Board on May 29, 2012

On behalf of the Board:

"Tim Coupland" Director *"Robert Hall"* Director

The accompanying notes are an integral part of these financial statements.

ARCTIC HUNTER ENERGY INC. (formerly Arctic Hunter Uranium Inc.)

CONDENSED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Nine Months Ended March 31, 2012	Nine Months Ended March 31, 2011
		(Note 11)		(Note 11)
PETROLEUM REVENUE	$ 207,124	$ 247,882	$ 614,953	$ 1,110,382
OPERATING EXPENSES				
Petroleum royalties	46,605	64,096	149,239	359,409
Petroleum production and transportation	45,189	75,719	113,919	170,210
Depletion and depreciation (Note 3)	51,258	49,082	154,983	237,032
	(143,052)	(188,897)	(418,141)	(766,651)
NET PETROLEUM PRODUCTION REVENUE	64,072	58,985	196,812	343,731
ADMINISTRATIVE EXPENSES				
Consulting fees (Note 5)	7,500	33,500	65,188	60,589
Director fees (Note 5)	6,000	-	18,000	-
Filing fees	9,138	13,058	22,824	23,068
Financing costs (Note 8)	157,341	-	157,923	-
General and administration	2,264	755	3,299	2,138
Management fees (Note 5)	19,500	19,500	58,500	43,500
Professional fees (Note 5)	23,111	38,137	37,377	57,585
Promotion	16,121	-	17,151	-
Rent	5,178	4,955	15,014	14,672
Share-based payments (Note 6c)	19,563	-	19,563	970
	(265,716)	(109,905)	(414,839)	(202,522)
INCOME (LOSS) BEFORE TAXES	(201,644)	(50,920)	(218,027)	141,209
Deferred tax recovery	-	16,400	-	16,400
NET AND COMPREHENSIVE INCOME (LOSS)	(201,644)	(34,520)	(218,027)	157,609
NET PROFIT (LOSS) PER SHARE				
Basic	$ (0.01)	$ (0.00)	$ (0.01)	$ 0.01
Diluted	$ (0.01)	$ (0.00)	$ (0.01)	$ 0.01
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic	14,985,000	14,625,500	14,985,000	13,363,778
Diluted	14,985,000	14,625,500	14,985,000	13,363,778

The accompanying notes are an integral part of these financial statements.

ARCTIC HUNTER ENERGY INC. (formerly Arctic Hunter Uranium Inc.)

CONDENSED STATEMENTS OF EQUITY

	Common shares	Amount	Stock options reserve	Warrants reserve	Deficit	Total
Balance – 1 July 2010	12,700,000	$ 1,013,221	$ 152,594	$ 192,740	$ (1,128,287)	$ 230,268
Flow-through share private placements (Note 6b)	560,000	126,965	-	13,035	-	140,000
Common share private placements (Note 6b)	1,425,000	243,262	-	41,738	-	285,000
Share issuance costs (Note 6b)	-	(28,400)	-	-	-	(28,400)
Share-based payments (Note 6c)	-	-	970	-	-	970
Income for the period	-	-	-	-	157,609	157,609
Balance – 31 March 2011 (Note 11)	14,685,000	1,355,048	153,564	247,513	(970,678)	785,447
Common share private placements (Note 6b)	300,000	61,941	-	13,059	-	75,000
Flow-through share liability (Note 6b)	-	(27,200)	-	-	-	(27,200)
Fair value of warrants extended (Note 6d)	-	-	-	48,188	-	48,188
Share issuance costs (Note 6b)	-	(7,800)	-	-	-	(7,800)
Loss for the period	-	-	-	-	(139,545)	(139,545)
Balance – 30 June 2011	14,985,000	1,381,989	153,564	308,760	(1,110,223)	734,090
Warrants expired (Note 6d)	-	-	-	(54,773)	54,773	-
Fair value of warrants extended (Note 6d)	-	-	-	157,050	-	157,050
Share-based payments (Note 6c)	-	-	19,563	-	-	19,563
Loss for the period	-	-	-	-	(218,027)	(218,027)
Balance – 31 March 2012	14,985,000	$ 1,381,989	$ 173,127	$ 411,037	$ (1,273,477)	$ 692,676

The accompanying notes are an integral part of these financial statements.

ARCTIC HUNTER ENERGY INC. (formerly Arctic Hunter Uranium Inc.)
CONDENSED STATEMENTS OF CASH FLOWS

	Nine Months Ended March 31, 2012	Nine Months Ended March 31, 2011 (Note 11)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (218,027)	$ 157,609
Non-cash items		
Share-based payments	19,563	970
Deferred tax recovery	-	(16,400)
Depletion and depreciation	154,983	237,032
Financing costs	157,923	-
Change in non-cash working capital items:		
Accounts receivable	24,640	(94,303)
Prepaid expense	13,580	(6,500)
Accounts payable and accrued liabilities	(64,909)	(25,556)
Net cash provided by operating activities	87,753	252,852
CASH FLOWS USED IN INVESTING ACTIVITIES		
Petroleum and natural gas properties	(128,258)	(636,467)
Net cash used in investing activities	(128,258)	(636,467)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued	-	425,000
Share issuance costs	-	(28,400)
Net cash provided by financing activities	-	396,600
INCREASE (DECREASE) IN CASH	(40,505)	12,985
CASH, BEGINNING	429,097	363,402
CASH, ENDING	$ 388,592	$ 376,387
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for:		
Interest	$ -	$ -
Income taxes	$ -	$ -

The accompanying notes are an integral part of these financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Arctic Hunter Energy Inc. (the "Company") was incorporated under the Business Corporations Act of British Columbia on February 21, 2006 under the name "Arctic Hunter Uranium Inc.". The Company changed its name to Arctic Hunter Energy Inc effective December 15, 2011. The Company was listed on the Canadian National Stock Exchange ("CNSX") under the trading symbol "AHU" from July 9, 2008 to June 10, 2011, when the Company voluntarily delisted its shares on the CNSX and began trading on the TSX Venture Exchange ("TSX-V") under the trading symbol "AHU". The Company is a Canadian resource exploration and development company that is involved in the acquisition, exploration and development of oil and gas properties in Western Canada.

The head office, principal address and registered and records office of the Company is 501 – 675 West Hastings Street, Vancouver, British Columbia, Canada V6B 1N2.

Going Concern

These financial statements have been prepared on a going concern basis which assumes the Company will realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2012, the Company had working capital of $212,653 (June 30, 2011 - $398,106) and has incurred losses since inception of $1,273,477. Should the Company be unable to continue as a going concern, significant adjustments to asset values may be necessary. The ability of the Company to continue as a going concern is dependent upon the Company raising sufficient financing to complete exploration and development activities, the discovery of economically recoverable oil and gas reserves, and upon future profitable operations or proceeds from disposition of resource property interests. These uncertainties represent a liquidity risk and may impact the Company's ability to continue as a going concern in the future.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

These condensed financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", 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 third condensed financial statements prepared in accordance with IAS 34 and IFRS using accounting policies consistent with IFRS. The accounting policies have been selected to be consistent with IFRS as is expected to be effective on June 30, 2012, the Company's first annual IFRS reporting date. These condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's first condensed financial statements prepared in accordance with IAS 34 and IFRS dated September 30, 2011 as well as the Company's annual financial statements for the year ended June 30, 2011 prepared in accordance with previous Canadian generally accepted accounting principles ("Canadian GAAP").

b) Basis of Preparation

These condensed financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value. These financial statements are presented in Canadian dollars.

The preparation of condensed financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from those estimates.

c) Accounting Changes

These condensed financial statements follow the same accounting policies and methods of their application as the Company's first condensed financial statements prepared in accordance with IAS 34 and IFRS and as such should be read in conjunction with the Company's condensed financial statements for the three months ended September 30, 2011.

IFRS Standards issued but not yet effective:

IFRS 9, "Financial Instruments"
IFRS 10, "Consolidated Financial Statements"
IFRS 11, "Joint Arrangements"
IFRS 12, "Disclosure of Interests in Other Entities"
IFRS 13, "Fair Value Measurement"
IAS 1 (Amendment), "Presentation of Financial Statements"
IAS 19 (Amendment), "Employee Benefits"
IAS 27 (Amendment), "Separate Financial Statements"
IAS 28 (Amendment), "Investments in Associates and Joint Ventures"
IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine"

The Company anticipates that the application of these standards and amendments will not have a material impact on the results and financial position of the Company.

3. PROPERTY, PLANT AND EQUIPMENT

			Net book value	
	Cost	**Accumulated depletion and depreciation**	**March 31, 2012**	**June 30, 2011**
	$	**$**	**$**	**$**
Petroleum and natural gas properties	1,032,116	(527,930)	504,186	359,274

Pursuant to an agreement dated July 5, 2010, the Company entered into a farm-out agreement with Western Plains Petroleum Ltd. ("Western Plains"). Under the agreement, the Company agreed to spud one test well in the Lloydminster area of western Saskatchewan, Canada. The Company pays 100% of the costs to drill, complete and equip or abandon the test well to earn a 100% working interest before payout subject to a 10% convertible overriding royalty and a 50% working interest after payout, upon conversion of the overriding royalty. The Company has no option to drill post-earning wells under the farm-out agreement. Western Plains is the operator of the test well. The well reached payout at the end of April 2011.

Pursuant to an agreement dated October 15, 2010, the Company entered into a sub-participation agreement with Alberta Star Development Corp. ("Alberta Star"), a company with common directors, to participate in two producing wells in Landrose, Saskatchewan, Canada. Alberta Star holds a 50% working interest in these two wells. The Company agreed to pay 100% of Alberta Star's share of the cost to drill complete, and equip or abandon the test wells to earn a 50% net before payout, reserving to Alberta Star a convertible overriding royalty of 10% until payout. The Company has no option to drill post-earning wells under the sub-participation agreement. Western Plains will be the operator of the test wells. One of the two wells reached payout at the end of March 2011.

Pursuant to an agreement dated December 6, 2011, the Company announced it had entered into a farm-out agreement with Sahara Energy Ltd., Forent Energy Ltd. (as Farmors) and Petrocapita Oil and Gas L.P. (as Farmee together with the Company).

Under the terms of agreement, the Company and Petrocapita have agreed to spud one test well by December 13, 2011 on LSD 4, Section 2-50-2W4M in the Lloydminster area of eastern Alberta. Arctic Hunter and Petrocapita will pay 100% of the costs (50% to Arctic Hunter and 50% to Petrocapita) to drill, complete and equip or abandon the test well to earn a 100% working interest (50% to Arctic Hunter and 50% to Petrocapita) subject to an overriding royalty in favour of Forent equal to 6% of gross monthly production from the well until payments of $43,781.85 have been made pursuant to the royalty, afterwhich the royalty will be reduced to 5% and split equally between Forent and Sahara (as to 2.5% each). Arctic Hunter has no option to drill post-earning wells under the farm-out agreement. Petrocapita will be the operator of the test well.

Pursuant to an agreement dated December 20, 2011, the Company entered into a sub-participation agreement with Alberta Star, a company with common directors, to participate in the drilling of one test well in Landrose, Saskatchewan, Canada. Alberta Star holds a 50% working interest in the test well. The Company agreed to pay 50% of Alberta Star's share of the cost to drill complete, and equip or abandon the test well to earn a 25% working interest (being 50% of Alberta Star's pre-participation 50% working interest) in the well. The Company has no option to drill post-earning wells under the sub-participation agreement. Western Plains will be the operator of the test well.

Decommissioning Liabilities

The total decommissioning liabilities was estimated by management based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of the estimated cash flows required settling the decommissioning liabilities is estimated to be $25,000 (June 30, 2011 - $25,000, July 1, 2010 - $Nil) and is expected to be incurred between 2018 to 2029 and will be funded from general corporate resources at the time of the retirement. The present value of the decommissioning liabilities was calculated using an inflation rate of 2% and discounted using a rate of 5%.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the decommissioning liabilities related to the Company's petroleum and natural gas properties:

	March 31, 2012	**June 30, 2011**
	$	**$**
Decommissioning liabilities, beginning	23,290	-
Liabilities incurred	-	22,181
Accretion	873	1,109
Decommissioning liabilities, ending	24,163	23,290

4. EXPLORATION AND EVALUATION PROPERTIES

Pursuant to an agreement dated May 25, 2006, the Company acquired a 100% interest in certain mineral exploration claims, located near Great Bear Lake, Northwest Territories, known as the Lever Lake Uranium Property. During the year ended June 30, 2010, the Company wrote off $230,753 in mineral property costs as it did not intend to pursue further exploration.

Pursuant to an agreement dated December 9, 2009, the Company has the right to earn a 60% interest in certain mineral exploration claims, located near Sonora, Mexico, known as the Santa Lucia Gold and Silver Property. In order to earn this interest, the Company had to pay US$25,000 (paid), issue an aggregate of 750,000 (150,000 issued) common shares and spend US$1,000,000 on the Property within a four year period. On September 14, 2010, the Company terminated the agreement and related costs of $142,436 were written off during the year ended June 30, 2010.

5. RELATED PARTY TRANSACTIONS

At March 31, 2012, the Company had a receivable of $28,947 (June 30, 2011 - $33,669) from a company with common directors for the net production revenue in two producing wells in Landrose, Saskatchewan. The amount receivable is unsecured, non-interest bearing and has no fixed term of repayments. The Company received the $28,947 subsequent to March 31, 2012.

Key management personnel compensation:

On April 1, 2006, the Company entered into a management agreement with a director of the Company. The management agreement was for an initial term of one year with a monthly remuneration of $3,500, commencing April 1, 2006 and continuing thereafter from month to month until terminated. Effective December 1, 2010, the Company increased the monthly remuneration to $6,500 per month. Management fees of $58,500 (March 31, 2011 - $43,500) have been recorded for the period ended March 31, 2012. During the period, 100,000 options to purchase shares at $0.10 per share were granted with an estimated fair value of $4,603.

Effective December 1, 2010, the Company agreed to pay $1,500 per month to the Chief Financial Officer for accounting services. Professional fees of $13,500 (March 31, 2011 - $6,000) have been recorded for the period ended March 31, 2012. During the period, 100,000 options to purchase shares at $0.10 per share were granted with an estimated fair value of $4,603.

Effective December 1, 2010, the Company agreed to pay $2,500 per month to the Vice-President of Corporate Development. Consulting fees of $22,500 (March 31, 2011 - $10,000) have been recorded for the period ended March 31, 2012. During the period, 75,000 options to purchase shares at $0.10 per share were granted with an estimated fair value of $3,452.

Effective April 1, 2011, the Company agreed to pay $2,000 per month to a director. Director fees of $18,000 (March 31, 2011 - $Nil) have been recorded for the period ended March 31, 2012. During the period, 75,000 options to purchase shares at $0.10 per share were granted with an estimated fair value of $3,452.

During the period, 75,000 options to purchase shares at $0.10 per share were granted to a director with an estimated fair value of $3,452.

During the period ended March 31, 2012, the Company paid consulting fees of $Nil (March 31, 2011 - $10,000) to a former director.

6. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding

In December 2010, the Company completed a flow-through private placement for 560,000 units at a price of $0.25 per unit. Each unit comprises of one flow-through common share and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one additional non flow-through common share at a price of $0.35 per share for a period of one year. The Company received gross proceeds of $140,000 in connection with this placement. The fair value of the warrants was estimated to be $13,035 and recorded separately (Note 6d). This issuance of flow-through shares resulted in a flow-through share liability of $27,200 at the date of issue.

In December 2010 and January 2011, the Company completed a private placement for 1,425,000 units at a price of $0.20 per unit. Each unit comprises of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of $0.25 per share for a period of one year. The Company received gross proceeds of $285,000 in connection with this placement. Share issuance costs of $34,400 were paid during the period ended June 30, 2011 relating to this private placement. The fair value of the warrants was estimated to be $41,738 and recorded separately (Note 6d).

On May 30, 2011, the Company completed a private placement for 300,000 units at a price of $0.25 per unit. Each unit comprises of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of $0.35 per share for a period of two years. The Company received gross proceeds of $75,000 in connection with this placement. Share issuance costs of $1,800 were paid during the year ended June 30, 2011 relating to this private placement. The fair value of the warrants was estimated to be $13,059 and recorded separately (Note 6d).

c) Stock options

Under the Company's stock option plan, the Company may grant options to employees, consultants, officers and directors when the number of shares that may be purchased under that option and all previously granted options, does not exceed 10% of the Company's issued shares at the time of grant. The exercise price of the options granted will be no less than the fair market value per share of common shares on the option grant date; and the maximum term of the options will be five years measured from the option grant date.

A summary of the Company's stock options at March 31, 2012, June 30, 2011 and July 1, 2010 is presented below:

	Number of shares	Weighted average exercise price - $ -
Balance, July 1, 2010	1,105,000	0.23
Expired	(100,000)	0.20
Cancelled	(100,000)	0.20
Balance, June 30, 2011	905,000	0.24
Granted	525,000	0.10
Balance, March 31, 2012	1,430,000	0.19

Additional information regarding options outstanding as at March 31, 2012 is as follows:

Options outstanding - # -	Options exercisable - # -	Weighted average exercise contractual life - years -	Expiry date	Exercise price - $ -
755,000	755,000	1.24	June 25, 2013	0.25
150,000	150,000	0.78	January 7, 2013	0.20
525,000	425,000	2.77	January 9, 2015	0.10
1,430,000	1,330,000	1.75		

The fair value of $19,563 (March 31, 2011 - $970) estimated using the Black-Scholes option pricing model with an expected life of three years, interest rate of 0.96%, a dividend yield of 0% and expected volatility of 100%, was expensed during the nine month period ended March 31, 2012.

d) Warrants

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of shares	Weighted average exercise price - $ -	Expiry date
Balance, July 1, 2010	4,500,000	0.27	
Issued with private placement	130,000	0.35	December 22, 2011
Issued with private placement	150,000	0.35	December 30, 2011
Issued with private placement	330,000	0.25	December 22, 2011
Issued with private placement	382,500	0.25	January 7, 2012
Issued with private placement	300,000	0.35	May 30, 2013
Balance, June 30, 2011	5,792,500	0.28	
Expired	(130,000)	0.35	December 22, 2011
Expired	(330,000)	0.25	December 22, 2011
Expired	(150,000)	0.35	December 30, 2011
Expired	(382,500)	0.25	January 7, 2012
Balance, March 31, 2012	4,800,000	0.28	

Additional information regarding warrants outstanding as at March 31, 2012 is as follows:

Number of shares	Weighted average exercise price - $ -	Expiry date	Weighted average contractual life - years -
1,000,000	0.30	May 14, 2013	1.12
3,000,000	0.25	October 5, 2014	2.50
500,000	0.35	December 23, 2012	0.738
300,000	0.35	May 30, 2013	1.17
4,800,000	0.28		1.95

On February 16, 2012, the Company extended the expiry date of 1,000,000 share purchase warrants exercisable to purchase one common share of the Company at an exercise price of $0.30 per share from the original expiry date of May 14, 2012 to May 14, 2013. The warrants were issued in May 2008 in connection with a non-brokered private placement financing with an original term of three years. A fair value increase of $25,800 was recorded as financing cost resulting from this extension estimated using the Black-Scholes option pricing model with an expected life of one year, interest rate of 1.02%, a dividend yield of 0% and expected volatility of 151%.

On February 16, 2012, the Company extended the expiry date of 3,000,000 share purchase warrants exercisable to purchase one common share of the Company at an exercise price of $0.25 per share from the original expiry date of October 5, 2012 to October 5, 2014. The warrants were issued in October 2009 in connection with a non-brokered private placement financing with an original term of three years. A fair value increase of $131,250 was recorded as financing cost resulting from this extension estimated using the Black-Scholes option pricing model with an expected life of two years, interest rate of 1.13%, a dividend yield of 0% and expected volatility of 140%.

On May 3, 2011, the Company extended the expiry date of 1,000,000 share purchase warrants exercisable to purchase one common share of the Company at an exercise price of $0.30 per share from the original expiry date of May 14, 2011 to May 14, 2012. The warrants were issued in May 2008 in connection with a non-brokered private placement financing with an original term of three years. A fair value increase of $48,188 was recorded as financing cost resulting from this extension estimated using the Black-Scholes option pricing model with an expected life of one year, interest rate of 1.41%, a dividend yield of 0% and expected volatility of 100%.

During the year ended June 30, 2011, 130,000 warrants were issued pursuant to a private placement of 260,000 Units. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.35 per share on or prior to December 22, 2011. The fair value of these warrants at the date of grant were estimated to be $4,708, using the Black-Scholes option pricing model with an expected life of one year, interest rate of 1.66%, a dividend yield of 0% and expected volatility of 100%. These warrants expired on December 22, 2011.

During the year ended June 30, 2011, 150,000 warrants were issued pursuant to a private placement of 300,000 Units. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.35 per share on or prior to December 30, 2011. The fair value of these warrants at the date of grant was estimated to be $8,327, using the Black-Scholes option pricing model with an expected life of one year, interest rate of 1.70%, a dividend yield of 0% and expected volatility of 100%. These warrants expired on December 30, 2011.

During the year ended June 30, 2011, 330,000 warrants were issued pursuant to a private placement of 660,000 Units. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.25 per share on or prior to December 22, 2011. The fair value of these warrants at the date of grant was estimated to be $17,220, using the Black-Scholes option pricing model with an expected life of one year, interest rate of 1.66%, a dividend yield of 0% and expected volatility of 100%. These warrants expired on December 22, 2011.

During the year ended June 30, 2011, 382,500 warrants were issued pursuant to a private placement of 765,000 Units. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.25 per share on or prior to January 7, 2012. The fair value of these warrants at the date of grant was estimated to be $24,518, using the Black-Scholes option pricing model with an expected life of one year, interest rate of 1.69%, a dividend yield of 0% and expected volatility of 100%. These warrants expired on January 7, 2012.

During the year ended June 30, 2011, 300,000 warrants were issued pursuant to a private placement of 300,000 Units. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.35 per share on or prior to May 30, 2013. The fair value of these warrants at the date of grant was estimated to be $13,059, using the Black-Scholes option pricing model with an expected life of two years, interest rate of 1.51%, a dividend yield of 0% and expected volatility of 100%.

7. COMMITMENT

On December 1, 2008, the Company entered into a five year lease for office premises with the following lease payments to the expiration of the lease on November 30, 2013:

	- $ -
June 30, 2012	4,860
June 30, 2013	19,440
June 30, 2014	8,100
Total	32,400

8. FINANCING COSTS

The Company's financing costs for the period ended March 31, 2012 and 2011 are as follows:

	Three months ended March 31, 2012 $	Three months ended March 31, 2011 $	Nine months ended March 31, 2012 $	Nine months ended March 31, 2011 $
Accretion of decommissioning liability (Note 3)	291	-	873	-
Warrant modification (Note 6d)	157,050	-	157,050	-
Decommissioning liabilities, ending	157,341	-	157,923	-

9. CAPITAL MANAGEMENT

The Company manages its capital structure, which is substantially represented by its cash resources and share capital, and makes adjustments to it depending on the funds available to the Company for acquisition, exploration and development of resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is dependent on external financing to fund its activities. In order to carry out its planned exploration, production activities and pay for on-going general and administrative expenses, the Company will use existing working capital and expects to raise additional amounts through related party loans or private placements of its common shares as needed. The Company will continue to assess new properties and seek to acquire interests in additional properties if sufficient geologic or economic potential is established and adequate financial resources are available.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the small size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and there were no significant changes in its approach to capital management during the period ended March 31, 2012.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair values

As at March 31, 2012, the Company's carrying values of cash, accounts receivable and accounts payable approximat e their fair values due to their short term maturity.

	Fair value hierarchy	FVTPL, at fair value	Loans and receivables, at amortized cost	Other liabilities, at amortized cost
As at March 31, 2012				
Cash	Level 1	388,592	-	-
Accounts receivable	N/A	-	85,396	-
Accounts payable	N/A	-	-	273,605
As at June 30, 2011				
Cash	Level 1	429,097	-	-
Accounts receivable	N/A	-	120,623	-
Accounts payable	N/A	-	-	166,877

Disclosure of a three-level hierarchy for fair value measurements based upon transparency of inputs to the valuation of financial instruments carried on the balance sheet at fair values is as follows:

Level 1: inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability.
Level 3: inputs to the valuation methodology are unobservable and significant to the fair value measurement.

b) Management of financial risks

The Company is engaged in the oil and gas exploration and development business and manages related industry risk directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity-based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements. There is no certainty that all environmental risks and contingencies have been addressed.

The Company is exposed in varying degrees to a variety of financial instrument related risks as follows:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash accounts and accounts receivable. This risk is managed through the use of a major financial institution which has high credit quality as determined by the rating agencies. Accounts receivable mainly consists of receivables on sale of oil and gas from a national drilling company. Management believes that the credit risk concentration with respect to its accounts receivables is minimal.

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company operates primarily in Canada and is consequently not exposed to foreign exchange risk arising from transactions denominated in foreign currency.

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash account affected by changes in short term interest rates is minimal.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and raising capital through debt and equity financing.

11. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has adopted IFRS with a transition date of July 1, 2010 (the "Transition Date"), the details of which are described in the condensed financial statements for the three months ended September 30, 2011. Under IFRS 1, "First-time adoption of International Financial Reporting Standards", the IFRS are applied retrospectively at the Transition Date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to deficit unless certain exemptions are applied.

a) Share-based payments

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 Transition Date. The Company elected not to apply IFRS 2 to equity instruments that vested prior to the Transition Date. This resulted in no difference in share-based payments as at the Transition Date and for the year ended June 30, 2011.

b) Full cost accounting

IFRS 1 provides an exemption for entities that have used the full cost method of accounting under Canadian GAAP. The Company elected to measure oil and gas assets at the Transition Date on the following basis:

(1) Exploration and evaluation assets at the amount determined under Canadian GAAP; and
(2) Assets in the development or production phases at the amount determined for the cost center under Canadian GAAP, allocated to the cost center's underlying assets pro rata using reserve values as at the Transition Date.

The Company had no exploration and evaluation assets as at the Transition Date and for the year ended June 30, 2011.

An impairment test was completed for each cash-generating unit as at the Transition Date and no impairment loss was recorded.

c) Decommissioning provision

IFRS 1 requires entities that have taken advantage of the full cost accounting election discussed in Note 11(b) to measure their decommissioning liabilities on transition under IAS 37, "Provision, contingent liabilities and contingent assets" and to treat any difference between this amount and the amount recognized under Canadian GAAP as an adjustment to retained earnings or deficit.

Under Canadian GAAP, "asset retirement obligations" were measured based on the estimated cost of decommissioning, discounted to their net present value, using credit-adjusted risk-free rate, upon initial recognition.

Under IAS 37, decommissioning liabilities will continue to be discounted using a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the obligation. The liability is required to be re-measured based on changes in estimates including discount rates.

There were no differences in decommissioning liabilities as at the Transition Date and for the year ended June 30, 2011.

d) 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 deferred tax liability with a charge directly to shareholders' equity. Also under Canadian GAAP, a portion of the deferred tax assets that were not recognized in previous years, due to the recording of a valuation allowance, are recognized as a recovery of income taxes.

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 initially recorded as a flow-through liability. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through liability is reversed, with any difference recorded as deferred tax expense. A portion of the deferred tax assets that were not recognized in previous years, due to the recording of a valuation allowance, will reduce the deferred tax liability and record a deferred tax recovery.

The change in accounting policy related to flow-through shares resulted in an increase in share capital and an increase in deficit of $12,500 as at the Transition Date and a further increase in share capital and a decrease in deferred tax recovery of $12,540 for the year ended June 30, 2011.

In addition, during the year ended June 30, 2010, the Company accrued an indemnification loss of $37,500 for the loss of tax credits to the flow-through investors as a reduction in share capital. During the year ended June 30, 2011, the Company recorded an adjustment to the indemnification loss by increasing the share capital by $16,400. On transition to IFRS, the Company reclassified its indemnification loss to deferred tax expense.

e) Depletion and depreciation

Under Canadian GAAP, the full cost pool was depleted as one unit on a unit-of-production basis over proven reserves. Under IFRS, the Company depletes petroleum and natural gas interests on a unit of production basis over proven plus probable reserves. In addition, depletion is calculated at an individual component level.

The change in accounting policy related to depletion and depreciation resulted in an increase in petroleum and natural gas properties with a corresponding decrease in depletion and depreciation of $53,717 for the year ended June 30, 2011, of which $4,561 was adjusted for the three months ended March 31, 2011 and $43,716 for the nine months ended March 31, 2011.

f) Reclassification within equity

Under Canadian GAAP, "Contributed surplus" was used to record the issuance of warrants and stock options for the year ended June 30, 2011. Upon adoption of IFRS, the balances in "Contributed surplus" as at June 30, 2011 have been reclassified to "Stock option reserve" and "Warrants reserve".

Reconciliation of the Statement of Financial Position as at March 31, 2011

	Notes	Canadian GAAP	Adjustments	IFRS
ASSETS				
Current				
Cash		376,387	-	376,387
Accounts receivable		97,253	-	97,253
Prepaid expense		14,182	-	14,182
		487,822	-	487,822
Property, plant and equipment	10(e)	380,719	43,716	424,435
		868,541	43,716	912,257
LIABILITIES AND EQUITY				
Current				
Accounts payable and accrued liabilities		101,811	-	101,811
		101,811	-	101,811
Decommissioning liabilities		25,000	-	25,000
		126,811	-	126,811
Equity				
Share capital	10(d)	1,321,448	33,600	1,355,048
Stock options reserve		153,563	-	153,563
Warrants reserve		247,513	-	247,513
Deficit	10(d),(e)	(980,794)	10,116	(970,678)
		741,730	43,716	785,446
		868,541	43,716	912,257

Reconciliation of the Statement of Loss and Comprehensive Loss for the Three Months Ended March 31, 2011

	Notes	Canadian GAAP	Adjustments	IFRS
Petroleum revenue		247,882	-	247,882
Operating expenses				
Petroleum royalties		64,096	-	64,096
Petroleum production and transportation		75,719	-	75,719
Depletion and depreciation	10(e)	53,643	(4,561)	49,082
		(193,458)	4,561	(188,897)
Net petroleum production revenue		54,424	4,561	58,985
Administrative expenses				
Consulting fees		33,500	-	33,500
Filing fees		13,058	-	13,058
General and administration		755	-	755
Management fees		19,500	-	19,500
Professional fees		38,137	-	38,137
Rent		4,955	-	4,955
		(109,905)	-	(109,905)
Income (loss) before income taxes		(55,481)	4,561	(50,920)
Deferred tax recovery	10(d)	-	16,400	16,400
Net and comprehensive income (loss)		(55,481)	20,961	(34,520)

Reconciliation of the Statement of Loss and Comprehensive Loss for the Nine Months Ended March 31, 2011

	Notes	Canadian GAAP	Adjustments	IFRS
Petroleum revenue		1,110,382	-	1,110,382
Operating expenses				
Petroleum royalties		359,409	-	359,409
Petroleum production and transportation		170,210	-	170,210
Depletion and depreciation	10(e)	280,748	(43,716)	237,032
		(810,367)	43,716	(766,651)
Net petroleum production revenue		300,015	43,716	343,731
Administrative expenses				
Consulting fees		60,589	-	60,589
Filing fees		23,068	-	23,068
General and administration		2,138	-	2,138
Management fees		43,500	-	43,500
Professional fees		57,585	-	57,585
Rent		14,672	-	14,672
Share-based payments		970	-	970
		(202,522)	-	(202,522)
Income (loss) before income taxes		97,493	43,716	141,209
Deferred tax recovery	10(d)	-	16,400	16,400
Net and comprehensive income (loss)		97,493	60,116	157,609

Reconciliation of the Statement of Cash Flows for the Nine Months Ended March 31, 2011

	Notes	Canadian GAAP	Adjustments	IFRS
Cash flows from operating activities				
Net profit (loss)	10(d),(e)	97,493	60,116	157,609
Non-cash items				
Share-based payments		970	-	970
Deferred tax recovery	10(d)	-	(16,400)	(16,400)
Petroleum depletion and accretion	10(e)	280,748	(43,716)	237,032
Change in non-cash working capital items:				
Accounts receivable		(94,303)	-	(94,303)
Prepaid expense		(6,500)	-	(6,500)
Accounts payable and accrued liabilities		(25,556)	-	(25,556)
Net cash provided by operating activities		252,852	-	252,852
Cash flows used in investing activities				
Purchase of petroleum and natural gas properties		(636,467)	-	(636,467)
Net cash used in investing activities		(636,467)	-	(636,467)
Cash flows from financing activities				
Shares issued		425,000	-	425,000
Share issuance costs		(28,400)	-	(28,400)
Net cash from financing activities		396,600	-	396,600
Increase (Decrease) in cash		12,985	-	12,985
Cash, beginning		363,402	-	363,402
Cash, ending		376,387	-	376,387

12. SUBSEQUENT EVENTS

There were no subsequent events occurred from March 31, 2012 to the date the financial statements were authorized for issuance by the Board of Directors on May 29, 2012.