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Consolidated Interim Financial Statements of

THUNDERBIRD ENERGY CORP.

October 31, 2011

The accompanying unaudited interim financial statements of Thunderbird Energy Corp. for the three and nine months ended October 31, 2011 and 2010 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company's external auditors.

THUNDERBIRD ENERGY CORP
Consolidated Balance Sheets

(Unaudited) *(Cdn$)*	*Notes*		October 31, 2011		January 31, 2011
					(note 17)
ASSETS					
Current					
Cash		$	13,117,511	$	62,810
Amounts receivable			311,160		329,437
Prepaid expenses and deposits			974,245		116,765
			14,402,916		509,012
Restricted cash	*4*		119,604		120,180
Exploration and evaluation assets	*5*		956,679		949,630
Property and Equipment	*6*		9,693,840		7,495,850
		$	**25,173,039**	**$**	**9,074,672**
LIABILITIES					
Current					
Accounts payable and accrued liabilities		$	2,196,323	$	1,049,288
Due to related parties			8,713		299,674
Short-term debt	*7*		7,431		307,348
Convertible Debentures	*8*		-		515,000
			2,212,467		2,171,310
Decommissioning liabilities	*9*		311,516		303,810
Debentures	*10*		8,232,700		6,232,938
Production Loan	*11*		14,950,500		-
			25,707,183		8,708,058
SHAREHOLDERS' EQUITY					
Share Capital			20,339,942		19,249,903
Warrants			3,450,952		1,586,725
Other equity			-		42,292
Contributed surplus			4,014,300		3,885,296
Accumulated other comprehensive loss			(573,495)		(491,908)
Deficit			(27,765,843)		(23,905,694)
			(534,144)		366,614
		$	**25,173,039**	**$**	**9,074,672**

Approved on Behalf of the Board:

"Cameron White" — Cameron White, Director

"Stephen Cheikes" — Stephen Cheikes, Director

See accompanying notes to the consolidated financial statements

THUNDERBIRD ENERGY CORP

Consolidated Statements of Comprehensive Loss

(Unaudited) (Cdn$)	Notes	Three months ended October 31 2011	Three months ended October 31 2010 (note 17)	Nine months ended October 31 2011	Nine months ended October 31 2010 (note 17)
REVENUE					
Oil and gas sales		$ 250,447	$ 271,559	$ 718,429	$ 856,599
Royalties		(39,969)	(39,681)	(129,510)	(145,364)
		210,478	231,878	588,919	711,235
EXPENSES					
Operating and transportation		113,903	178,770	380,823	459,493
General and administrative		296,589	408,592	726,335	753,892
Interest, accretion and debt service costs		2,309,616	437,884	3,069,713	920,561
Depletion and depreciation		69,530	52,034	164,913	160,975
Accretion on decommissioning liablities	9	3,097	3,066	9,014	9,135
Share based compensation	12	23,183	38,297	82,885	191,482
Unrealized foreign exchange gain		52,823	(5,136)	17,259	(23,945)
Interest income		(1,593)	(167)	(1,874)	(599)
		2,867,148	1,113,340	4,449,068	2,470,994
NET LOSS		(2,656,670)	(881,462)	(3,860,149)	(1,759,759)
Other Comprehensive loss:					
Unrealized loss on translation of foreign subsidiary		(959,162)	(73,093)	(81,587)	(214,185)
COMPREHENSIVE LOSS		$ (3,615,832)	$ (954,555)	$ (3,941,736)	$ (1,973,944)
BASIC AND DILUTED NET LOSS PER SHARE		$ (0.03)	$ (0.01)	$ (0.05)	$ (0.03)

See accompanying notes to the consolidated financial statements

Thunderbird Energy Corp.
Consolidated Statements of Changes in Shareholders' Equity

(Unaudited) *(Cdn$)*	*Notes*	**Share Capital**	**Warrants**	**Other Equity**	**Contributed Surplus**	**Accumulated Other Comprehensive Loss**	**Deficit**	**Total Equity**
January 31, 2011		$ 19,249,903	$ 1,586,725	$ 42,292	$ 3,885,296	$ (491,908)	$ (23,905,694)	$ 366,614
Loss for the period		-	-	-	-	-	(3,860,149)	(3,860,149)
Shares issued on debentures	10, 12	588,758	-	-	-	-	-	588,758
Shares issued for cash	12	121,952	178,048	-	-	-	-	300,000
Shares issued for advisory services		333,333		-	-	-	-	333,333
Shares issued for warrants exercised		33,750	(8,573)	-	8,573	-	-	33,750
Stock options exercised		12,246		-	(4,746)	-	-	7,500
Stock-based compensation		-	-	-	82,885	-	-	82,885
Warrants issued with debentures		-	1,694,752	-	-	-	-	1,694,752
Repayment of convertible debentures		-	-	(42,292)	42,292	-	-	-
Unrealized loss on translation of foreign subsidiary		-	-	-	-	(81,587)	-	(81,587)
October 31, 2011		**$ 20,339,942**	**$ 3,450,952**	**$ -**	**$ 4,014,300**	**$ (573,495)**	**$ (27,765,843)**	**$ (534,144)**
February 1, 2010		$ 18,575,047	$ -	$ 164,241	$ 3,410,494	$ (158,755)	$ (21,210,707)	$ 780,320
Loss for the period		-	-	-	-	-	(1,759,759)	(1,759,759)
Shares issued for cash		725,000	-	-	-	-	-	725,000
Stock-based compensation		-	-	-	191,482	-	-	191,482
Fair value of lender's warrants		-	-	-	134,759	-	-	134,759
Repayment of convertible debentures		-	-	(121,949)	121,949	-	-	-
Unrealized loss on translation of foreign subsidiary		-	-	-	-	(214,185)	-	(214,185)
October 31, 2010		**$ 19,300,047**	**$ -**	**$ 42,292**	**$ 3,858,684**	**$ (372,940)**	**$ (22,970,466)**	**$ (142,383)**

See accompanying notes to the consolidated financial statements

THUNDERBIRD ENERGY CORP
Consolidated Cash Flow Statement

		Nine months ended October 31	
(Unaudited) (Cdn$)	*Notes*	**2011**	**2010**
OPERATING ACTIVITIES			
Net loss		$ (3,860,149)	$ (1,759,759)
Items not involving cash			
Share-based compensation		82,885	191,482
Interest, accretion and debt service costs		1,527,847	202,742
Depletion and depreciation		164,913	160,975
Accretion on decommissioning liabilities	*9*	9,014	9,135
Foreign exchange loss		17,259	(11,704)
Changes in non-cash working capital	*16*	(387,919)	(199,906)
		(2,446,150)	(1,407,035)
FINANCING ACTIVITIES			
Increase in amounts due to related parties		(329,873)	(681,027)
Proceeds from short term debt	*7*	2,031,008	304,830
Repayment of short term debt		(2,317,480)	(4,437,350)
Proceeds from Debentures	*10*	3,088,758	7,342,500
Proceeds from produciton loan	*11*	14,950,500	
Repayment of convertible debentures	*8*	(515,000)	(1,485,000)
Issuance of shares	*12*	300,000	725,000
Warrants exercised		33,750	-
Stock options exercised		7,500	-
Change in non-cash working capital	*16*	(150,370)	(124,086)
		17,098,793	1,644,867
INVESTING ACTIVITIES			
Acquisition of property & equipment		-	(206,482)
Change in non-cash working capital	*16*	(2,486,593)	-
		(2,486,593)	(206,482)
FOREIGN CURRENCY EFFECT OF FOREIGN CURRENCY DENOMINATED CASH		888,651	42,599
INCREASE IN CASH FOR THE PERIOD		13,054,701	73,949
CASH , BEGINNING OF PERIOD		62,810	24,783
CASH , END OF PERIOD		**$ 13,117,511**	**$ 98,732**

See accompanying notes to the consolidated financial statements

1. CORPORATE INFORMATION

Thunderbird Energy Corp. ("the Company") is primarily engaged in the acquisition and development of oil and gas properties and the production of oil and gas through participation agreements. Thunderbird Energy Corp. is a publicly traded company, incorporated in British Columbia, Canada. The Company's head office is located at 401-533 Smithe Street, Vancouver, British Columbia, V6B 6H1.

The interim Consolidated Financial Statements were approved and authorized for issuance by the Board of Directors ("the Board") on December 22, 2011.

2. BASIS OF PRESENTATION AND ADOPTION OF IFRS

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 (Interim Financial Reporting) and IFRS 1 (First-time Adoption of IFRS). Subject to certain transition elections disclosed in note 17, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at February 1, 2010 and throughout all periods presented, as if these policies have always been in effect. Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian generally accepted accounting principles ("previous GAAP").

Basis of measurement

The interim consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments and other financial assets which are carried at fair value.

Significant accounting estimates and judgments

The preparation of the interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and for the periods presented. Such estimates primarily related to unsettled transactions and events as at the date of the interim consolidated financial statements. Actual results may differ from thoses estimates. Significant estimates and judgments made by Management in the preparation of these interim consolidated financial statements are outlined below.

Fair value of oil and gas properties, depletion and depreciation and amounts used in impairment calculations are based on estimates of oil and natural gas reserves, future prices and future costs required to develop those reserves. By nature, estimates of reserves and the related future cash flows are subject to measurement uncertainty, and the impact of the differences between actual and estimated amounts on the consolidated financial statements of future periods could be material.

Petroleum and natural gas properties, exploration and evaluation assets and other corporate assets are aggregated into cash-generating-units ("CGUs") based on their ability to generate largely independent cash flows and are used for impairment testing. The determination of the Company's CGUs is subject to management's judgment.

The decision to transfer exploration and evaluation assts to property and equipment is based on management's determination of an area's technical feasibility and commercial viability based on proved and probable reserves.

Amounts recorded in decommissioning liabilities and the related accretion expense require the use of estimates including timing of asset retirements, site remediation, discount rate, inflation rate and related cash flows. Provisions are recognized in the period when it becomes probable that there will be a future cash outflow.

Compensation costs accrued for share-based compensation plans are subject to the estimated fair values, and forfeiture rates.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change and interpretation. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in theses interim consolidated financial statements, and have been applied consistently by the Company and its subsidiaries.

a) Consolidation

The interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Thunderbird Energy Inc. ("TEI") and Horse Bench Gathering LLC, both incorporated in the state of Nevada, Gordon Creek LLC, incorporated in the State of Utah, and MBA Energy Corp. ("MBA"), incorporated in Canada. All intercompany transactions and balances have been eliminated upon consolidation.

b) Foreign Currency

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars ("Cdn$"), unless otherwise indicated, which is the Company's functional currency.

Foreign operations

The Company has operations in the United States ("U.S.") transacted via U.S. subsidiaries. Transactions by foreign operations are translated into Canadian dollars at exchange rates in effect at the transaction date. The foreign currency denominated assets and liabilities are restated to Canadian dollars at exchange rates prevailing at the balance sheet date, while revenues and expenses are translated using the average rate during the period. Shareholders equity is translated at historical cost. The unrealized transaction gains and losses on the Company's net investment, including long-term intercompany advances, are accumulated in a separate component of shareholders' equity, reported in the balance sheet as part of other accumulated comprehensive loss.

Foreign transactions

Foreign currency transactions are translated into the functional currency at exchange rates in effect at the transaction dates. Foreign currency assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date and income and expenses are restated to Canadian dollars using the average exchange rate for the period. Translation gains and losses are included in net income.

c) Exploration and evaluation

Costs directly associated with the exploration and evaluation ("E&E") of oil and natural gas reserves are initially capitalized. Exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. These costs include unproved property acquisition costs, exploration costs, geological and geophysical costs, asset retirement costs, exploration and evaluation drilling, sampling and appraisals. Costs incurred prior to acquiring the legal rights to explore an area are charged directly to net income as exploration and evaluation expense.

When an area is determined to be technically feasible and commercially viable, the accumulated costs are transferred to property and equipment. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to net earnings as exploration and evaluation expense.

d) Property and Equipment

Costs directly associated with the development of oil and gas reserves are capitalized on an area by area basis. Development costs include expenditures for areas where technical feasibility and commercial viability has been

determined. These costs include proved property acquisitions, development drilling, completion, gathering and infrastructure, decommissioning liability costs and transfers of exploration and evaluation.

Costs accumulated within each CGU are depleted using the unit-of-production method based on proved plus probable reserves incorporating estimated future price and costs. Costs subject to depletion include estimated future costs to be incurred in developing proved plus probable reserves. Costs of major development projects are excluded from the costs subject to depletion until they are available for use.

Costs associated with corporate assets and production assets are carried at cost and depreciated on a straight-line basis over the estimated service lives of the assets, which range from 1 to 5 years.

e) Impairment of long-term assets

The carrying amounts of long-term assets, other than E&E assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators of impairment exists, the asset's recoverable amount is estimated. If the carrying value of the asset exceeds the recoverable amount, the asset is written down with an impairment loss recognized in net income.

E&E assets are assessed for impairment when they are reclassified to property & equipment, also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. E&E assets are allocated to related CGU's where they are assessed for impairment upon their eventual reclassification to property and equipment.

Reversals of impairments are recognized when there has been a subsequent increase in the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does no to exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss has been recognized.

f) Decommissioning Liabilities

The Company recognizes the present value of a decommissioning obligation in the period in which it is incurred. The obligation is recorded as a liability on a discounted basis using the relevant risk free rate, with a corresponding increase to the carrying amount of the related asset. Over time, the liabilities are accreted for the change in their present value and the capitalized costs are depleted on a unit-of-production basis over the life of the underlying proved plus probable reserves. Accretion expense is recognized in net earnings. Revisions to the discount rate, estimated timing or amount of future cash flows would also result in an increase or decrease to the decommissioning liability and related asset.

g) Convertible Debenture

In accordance with IAS 39, the Company has separately valued the conversion option on each issuance from the convertible debentures. The liability component represents the present value of the principal payment of the debentures and the future interest payments and the equity component represents the fair value of the holder's conversion feature. The convertible debenture discount is accreted to interest expense over the term of the loan using the effective interest rate method.

h) Revenue Recognition

Revenues from the sale of oil and gas production are recognized when title passes, gross of royalties. The Company may have interests with other producers in certain properties, in which case the Company uses the sales method to account for gas imbalances. Under this method, revenue is recorded on the basis of gas actually sold by the Company.

i) Share based payments

Obligations for issuance of common shares under the Company's stock-based compensation plan are accrued over the vesting period using fair values. Fair values are determined at issuance using the Black-Scholes option-pricing model,

taking into account a nominal forfeiture rate, and are recognized as share-based compensation with a corresponding credit to contributed surplus.

j) Income Taxes

The Company follows the liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

k) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions that define the instrument. Financial assets and liabilities are initially recognized at fair value. This initial fair value is normally the transaction price plus, in the case of financial assets not at fair value through profit (loss), directly attributable transaction costs.

Subsequent measurement of the Company's financial instruments depends on their classification determined by the purpose for which the instruments were acquired, as follows:

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are measured at fair value with changes in fair value recognized in net income.

Available for sale investments

Available for sale financial assets are measured at fair value at the settlement date, with changes in the fair value recognized in other comprehensive income.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these assets are measured at amortized cost at the settlement date using the effective interest method of amortization. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Cash, restricted cash and accounts receivable are classified as loans receivables.

Other financial liabilities at amortized cost

These financial liabilities are measured at amortized cost at the settlement date using the effective interest method of amortization. Accounts payable and accrued liabilities, due to related parties, short term debt, convertible debentures and debentures are classified as financial liabilities at amortized cost.

l) Earnings Per Share

Basic income (loss) per share is calculated by dividing the net earnings (loss) for the period by the weighted-average number of common shares outstanding during the year.

Diluted earnings per share are computed by adjusting the weighted-average number of common shares for the effects of dilutive instruments such as stock options and warrants. Dilutive instruments are excluded from the computation if their effect is anti-dilutive.

m) Share and debt issue costs

Direct costs relating to the issuance of shares are charged directly to share capital. Direct costs relating to debt financing are charged directly to operations.

n) Comprehensive loss

Comprehensive loss is defined as the change in equity from transactions and other events from non-owner sources and other comprehensive income comprises of revenues, expenses, gains and losses that, in accordance with IFRS, are recognized in comprehensive loss but excluded from net loss.

o) Joint interests

Substantially all of the Company's exploration, development and production related to oil and gas activities are conducted jointly with others and, accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

p) New standards and interpretations not yet adopted

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

IFRS 9 - *Financial Instruments*

As of February 1, 2013, the Company will be required to adopt IFRS 9, which is the first step in the process to replace IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The adoption of this standard should not have a material impact on the Company's consolidated financial statements.

IFRS 10 – *Consolidation*

As of February 1, 2013, the Company will be required to adopt IFRS 10 which requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 – *Consolidation – Special Purpose Entities*, and parts of IAS 27 – *Consolidated and Separate Financial Statements*. The Company has yet to assess the full impact of IFRS 10.

IFRS 11 – *Joint Arrangements*

As of February 1, 2013, the Company will be required to adopt IFRS 11 which requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operations. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 – *Interests in Joint Ventures*, and SIC 13 – *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. The Company has yet to assess the full impact of IFRS 11.

IFRS 12 – *Disclosure of Interests in Other Entities*

As of February 1, 2013, the Company will be required to adopt IFRS 12 which establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The Company has yet to assess the full impact of IFRS 12.

IFRS 13 – *Fair Value Measurement*

As of February 1, 2013, the Company will be required to adopt IFRS 13, a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. This new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value

measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Company has yet to assess the full impact of IFRS 13.

Amendments to Other Standards
In addition, there have been amendments to existing standards, including IAS 27 – *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope to address the changes in IFRS 10 to 13. Both of the amended standards are not applicable until January 1, 2013. The Company has yet to assess the full impact of these amendments.

4. RESTRICTED CASH

In connection with the Utah State bonding requirements, the Company posted a letter of credit in the amount of U.S. $120,000 (Cdn $119,604) (January 31, 2011 – U.S. $ 120,000 (Cdn $120,180)) for which a short-term investment in the same amount is held as collateral.

5. EXPLORATION AND EVALUATION ASSETS

The following financial information represents the amounts relating to activity associated with the exploration for and evaluation of oil and natural gas resources.

	Nine months ended October 31, 2011	Year ended January 31, 2011
Balance, beginning of period	$ 949,630	$ 1,053,049
Capital expenditure	11,583	3,283
Disposition	-	(38,458)
Foreign exchange	(4,534)	(68,244)
Balance, end of period	$ 956,679	$ 949,630

Exploration and evaluation assets consist of the Company's undeveloped land and exploration projects which are pending the determination of technical feasibility.

6. PROPERTY AND EQUIPMENT

	Corporate Assets	Production Assets	Petroleum and Natural Gas Properties	Totals
Cost				
February 1, 2011	69,563	65,001	10,270,324	10,404,888
Additions	8,000	47,777	2,345,243	2,401,020
Disposals	(2,044)	-	-	(2,044)
Foreign currency translation	(69)	(311)	(49,180)	(49,560)
At October 31, 2011	75,450	112,467	12,566,387	12,754,304
Depreciation				
February 1, 2011	68,790	27,136	2,813,112	2,909,038
Charge for the year	5,540	11,945	147,428	164,913
Disposals	(2,044)	-	-	(2,044)
Foreign currency translation	(69)	17	(11,391)	(11,443)
At October 31, 2011	72,217	39,098	2,949,149	3,060,464
Net book value at October 31, 2011	3,233	73,369	9,617,238	9,693,840

	Corporate Assets	Production Assets	Petroleum and Natural Gas Properties	Totals
Cost				
February 1,2010	63,971	69,505	11,714,759	11,848,235
Transfer to E&E upon transition to IFRS	-	-	(1,070,876)	(1,070,876)
Additions	6,600	-	316,221	322,821
Disposals	-	-	-	-
Foreign currency translation	(1,008)	(4,504)	(689,780)	(695,292)
At January 31, 2011	69,563	65,001	10,270,324	10,404,888
Depreciation				
February 1,2010	51,599	17,700	1,736,560	1,805,859
Impairments upon transition to IFRS	-	-	1,004,280	1,004,280
Charge for the year	17,801	10,584	186,700	215,085
Disposals	-	-	-	-
Foreign currency translation	(610)	(1,148)	(114,428)	(116,186)
At January 31, 2011	68,790	27,136	2,813,112	2,909,038
Net book value at January 31, 2011	773	37,865	7,457,212	7,495,850

7. SHORT-TERM DEBT

As at October 31, 2011, the Company owes $7,431 (January 31, 2011 - $6,898) pursuant to an unsecured shareholder loan that bears interest at 10% per annum and is repayable on demand.

During the second quarter the Company repaid $108,226 pursuant to an unsecured promissory note bearing interest at 12% per annum.

Pursuant to a joint venture letter of intent, Artola Energy, LLC provided the Company with a U.S. $300,000 (January 31, 2011 - U.S. $300,000 (Cdn $300,450)) advance bearing 8% interest in order to acquire additional oil and gas rights in Carbon County Utah and for corporate purposes. As the joint venture was terminated, the advance plus interest was repaid during the second quarter.

During the quarter the Company repaid U.S. $2,058,843 (Cdn $2,023,843) pursuant to an unsecured loan bearing interest at 15% per annum.

8. CONVERTIBLE DEBENTURES

In fiscal 2009 the Company issued a private placement of two year, 12% convertible debentures in the principal amount of $1,737,500. In fiscal 2010 the Company completed this private placement of two year, 12% convertible debentures with additional principal amount of $262,500, bringing the total convertible debenture issued to $2,000,000.

In October 2010, the Company completed financing of long-term debentures (note 10), partial proceeds of which were used to redeem existing convertible debentures of $1,485,000. The remaining convertible debentures were extended until June 2011 and were convertible to common shares at a rate of $0.15 per share. As at October 31, 2011 all of the convertible debentures have been redeemed.

	Nine months ended October 31, 2011	Year ended January 31, 2011
Balance, beginning of period	$ 515,000	$ 1,924,392
Accretion	-	75,608
Liability portion of convertible debentures	515,000	2,000,000
Redemption of convertible debentures	(515,000)	(1,485,000)
Balance, end of period	$ -	$ 515,000

9. DECOMMISSIONING LIABILITIES

Upon retirement of its oil and gas assets, the Company anticipates incurring costs associated with decommissioning. The total undiscounted amounts of the estimated obligations are approximately $361,304 (U.S. $362,500) (January 31, 2011 - $363,044 (U.S. $362,500)) and are expected to be incurred in fifteen years. The estimated future cash flows have been discounted using the average risk free rate of approximately 4% and an inflation rate of 2.5%.

The following table reconciles the decommissioning liability:

	Nine months ended October 31, 2011	Year ended January 31, 2011
Balance, beginning of period	$ 303,810	$ 312,187
Accretion expense	9,014	12,155
Foreign exchange translation adjustment	(1,308)	(20,532)
Balance, end of period	**$ 311,516**	**$ 303,810**

10. DEBENTURES

In fiscal 2011, the Company issued three year, secured, natural gas linked debentures totalling $7,500,000. During fiscal 2012, the Company issued an additional $2,500,000 of these debentures. The debentures bear interest at a base rate of 15% per annum with an adjustment provision whereby a 1% interest premium is added each quarter for every US$0.50 by which the price of natural gas as published by the Henry Hub exceeds US$5.00, capped at 25% per annum. One-half of each quarterly interest payment will be paid in fully paid common shares of the Company at a deemed price per interest share equal to the greater of (i) a 10% discount to the volume weighted average trading price of the Company's common shares on the TSX Venture Exchange over the quarter and (ii) the discounted market price of the Company's common shares. The purchasers of the gas linked debentures were also issued two detachable transferable warrants (note 12) for every $1.00 of principal amount to purchase up to 20,000,000 common shares of the Company at escalating prices between $0.30 and $0.50 per share until October 31, 2013. The Company paid a 7.5% finder's fee in respect of a portion of the debenture issuance and issued non-transferable finder's warrants (note 12) to purchase up to 1,381,250 common shares of the Company at a price of $0.20 per share until October 31, 2013.

11. PRODUCTION LOAN

On August 29, 2011 the Company closed a US$25 million commodity stream production payment agreement with Sandstorm Metals & Energy Ltd. ("Sandstorm") whereby Sandstorm advanced US$15 million to the Company and will advance a further US$10 million in fiscal 2013 in exchange for the right to purchase 35% of the Company's Gordon Creek natural gas production at a price of US$1.00 per Mcf plus 20% of the amount by which the Gordon Creek field gate price exceeds US$4.00.

Pursuant to the agreement, the Company will drill 50 wells and workover 5 standing wells during fiscal 2012 and 2013.

The Company has provided Sandstorm with minimum annual cash flows guarantees earned through the sale of their 35% share of natural gas produced in Gordon Creek. The guarantee is the lesser of US$2.3 million or 790mmcf in 2013, US$5.1 million or 1740mmcf in 2014, US$4.6 million or 1560mmcf in 2015, US$4.2 million or 1410mmcf in 2016, US$3.8 million or 1260mmcf in 2017, US$3.3 million or 1140mmcf in 2018 and US$1.7 million or 590mmcf in 2019.

12. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Issued:

	Number of Shares	Amount
Balance, January 31, 2010	67,079,492	$ 18,575,047
Shares issued for cash, net of issue costs	4,833,334	692,500
Allocated to warrants	-	(179,797)
Shares issued on debentures [note 10]	1,247,327	162,153
Balance, January 31, 2011	73,160,153	$ 19,249,903
Shares issued on debentures [note 10]	2,976,863	588,758
Shares issued for cash, net of issue costs	2,000,000	300,000
Shares issued for cash on exercise of stock options	50,000	7,500
Shares issued for warrant exercise	112,500	33,750
Shares issued for advisory services	1,666,667	333,333
Allocated to warrants	-	(178,048)
Transfer from contributed surplus	-	4,746
Balance, October 31, 2011	**79,966,183**	**$ 20,339,942**

Private placement

On June 22, 2011, the Company completed a brokered private placement of 2,000,000 units at a price of $0.15 per unit. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant is exercisable to purchase one common share of the Company at a price of $0.20 per share until July 18, 2012.

Share-based compensation plan

The Company has established a Share Option Plan (the "option plan") which provides for options to purchase common shares to be granted by the Company to directors, officers, employees and consultants of the Company. Options typically vest over a period of 12 to 18 months. The maximum number of common shares issuable under the option plan is 8,000,000.

The fair value of each option granted during the period is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Nine months ended October 31, 2011	Year ended January 31, 2011
Fair value per share	$ 0.15	$ 0.15
Dividend yield	0%	0%
Interest rate	2.39%	1.94%
Expected life	4.8 years	3 years
Forfeiture Rate	17.13%	9.88%
Volatility	135%	155%

The following table summarizes the changes in stock options outstanding:

	Number of Options		Weighted Average Exercise Price
Balance, February 1, 2010	5,415,000	$	0.23
Issued	250,000		0.15
Forfeited and expired	(500,000)		0.32
Balance, January 31, 2011	5,165,000	$	0.22
Issued	1,000,000		0.15
Exercised	(50,000)		0.15
Forfeited and expired	(1,350,000)		0.26
Balance, October 31, 2011	**4,765,000**	**$**	**0.19**

The following table summarizes the stock options outstanding at October 31, 2011:

Options outstanding					Options exercisable	
Exercise price	Number of shares	Expiry Date	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 0.15	1,200,000	Jan 2014 - Jun 2016	2.51	$ 0.15	662,500	$ 0.15
$ 0.20	3,425,000	Jun 2013 - Dec 2014	2.60	$ 0.20	3,425,000	$ 0.20
$ 0.30	140,000	Feb 2013	1.29	$ 0.30	140,000	$ 0.30
	4,765,000		**2.02**	**$ 0.19**	**4,227,500**	**$ 0.20**

Share purchase warrants:

The following table summarizes the warrants outstanding:

	Exercise Price	Number of warrants	Weighted average exercise price
Balance, February 1, 2010		13,000,000	$ 0.654
Issued	$ 0.15 - $ 0.30	21,469,584	$ 0.269
Expired	$ 0.50 - $ 1.00	(13,000,000)	$ 0.654
Balance, January 31, 2011		21,469,584	$ 0.269
Issued	$ 0.20 - $ 0.40	14,513,000	$ 0.246
Exercised	$0.30	(112,500)	$ 0.300
Balance, October 31, 2011		**35,870,084**	**$ 0.297**

During the quarter, 112,500 warrants were exercised to purchase 112,500 shares at a price of $0.30 per share.

During the quarter, the Company issued 6,738,000 warrants to purchase 6,738,000 common shares, at $0.15 per share until October 31, 2013. These warrants were issued pursuant to the agreement to retire the revolving credit facility in the prior year.

In the second quarter the Company completed a brokered private placement which included 2,000,000 non-transferable share purchase warrant. Each warrant is exercisable to purchase one common share of the Company at a price of $0.20 per share until July 18, 2012.

In the prior fiscal year, pursuant to debenture financing completed the Company issued warrants to purchase 15,000,000 common shares, at escalating prices between $0.30 and $0.50 per share until October 31, 2013. The Company issued non-transferable finder's warrants to purchase up to 1,386,250 common shares of the Company at a price of $0.20 per share until October 31, 2013. In the current fiscal year, the Company completed additional debenture financing (note 10) in which it issued warrants to purchase 5,000,000 common shares at escalating prices between $0.30 and $0.50 per share until October 31, 2013. Non-transferable finder's warrants were also issued to purchase up to 775,000 common shares of the Company at a price of $0.20 per share until October 31, 2013.

Pursuant to a private placement completed in September 11, 2010 the Company issued warrants to purchase 4,833,334 common shares at a price of $0.20 per share until September 11, 2012. If the closing price of the Company's shares exceeds $0.30 for 20 consecutive trading days, the term of the warrants will be automatically reduced to a period of 30 days following the issuance of a press release announcing the reduced exercise term. The selling brokers received warrants to purchase 250,000 units at a price of $0.15 per share.

Pursuant to the debenture financing completed during fiscal 2011 (note 10), the company retired their revolving credit facility. Upon retirement of the debt on October 29, 2011, the 13,000,000 warrants granted to the lender on this revolving credit facility expired.

The fair value of each warrant granted during the year is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	October 31, 2011	January 31, 2011
Weighted average fair value per warrant	$ 0.25	$ 0.40
Interest rate	1.48%	2.31%
Expected life	1.83 years	2.53 years
Volatility	108%	200%

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments recognized in the balance sheet consist of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, due to related parties, short term debt, debentures and production loan.

a) *Fair value of financial instruments*

The carrying value of the financial instruments approximates fair value due to their short term to maturity with the exception of other financial liabilities, which may be significantly less than carrying value due to credit risk of the Company.

All of the Company's cash and risk management contracts are transacted in active markets. The Company classifies the fair value of these transactions according to a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

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

The Company's cash and risk management contracts have been assessed on the fair value hierarchy described above as Level 2.

b) *Credit risk*

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

The carrying amount of the accounts receivable represents the maximum credit exposure. The Company has an allowance for doubtful accounts as at October 31, 2011 and January 31, 2011 in the amount of US$72,940.

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, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company expects to satisfy obligations under accounts payable, amounts due to related parties, and short-term debt in less than one year through cash flows from operations and new financing. The timing of cash outflows relating to the financial liabilities is outlined below:

	Within 1 Year	After 1 Year	Total
Accounts payable and accrued liabilities	$ 2,194,437	$ -	$ 2,194,437
Due to related parties (note 15)	4,777	-	4,777
Short-term debt (note 7)	7,431	-	7,431
Debentures (note 10)	-	8,242,700	8,242,700
Production loan (note 11)		14,950,500	14,950,500
Total	**$ 2,206,645**	**$ 23,193,200**	**$ 25,399,845**

The Company's capital programs are primarily funded by cash obtained through operations, equity issuances, and debentures (note 10) and the production loan (note 11). The Company requires sufficient cash to fund capital programs necessary to maintain or increase production and develop reserves and to potentially acquire strategic assets.

d) Market risk

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

i. Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange risks. The Company is exposed to foreign currency fluctuations on transactions conducted in foreign currencies and in the carrying value of its foreign subsidiary. As of October 31, 2011, if the Canadian dollar had changed five percent against the United States dollar with all other variables held constant, the effect on net income for the quarter would have been insignificant, while the effect on comprehensive income for the quarter would have been approximately $1,600,000.

The Company had no forward exchange rate contracts in place as at or during the period ended October 31, 2011.

ii. Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar, as outlined above, but also world economic events that dictate the levels of supply and demand. The Company may enter into oil and natural gas contracts to protect its cash flow on future sales. The contracts reduce the volatility in sales revenue by locking in prices with respect to future deliveries of oil and natural gas. During the quarter the Company had a fixed price contract to sell 200 Mcf/day at a fixed price of $3.98 per Mcf from April 1, 2011 until October 31, 2011. The Company's exposure to changes in natural gas prices to a plus or minus $1.00 change would affect the loss by $42,000 while a $1.00 change in the price of oil would insignificantly affect the loss for the quarter ended October 31, 2011.

iii. 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 is exposed to interest rate risk on its debentures which bears an interest rate with at a base rate of 15% per annum with an adjustment provision whereby a 1% interest is added each quarter for every US$0.50 by which the price of natural gas as published by the Henry Hub exceeds US$5.00, capped at 25% per annum. The short-term debt does not bear interest rate risk as it carries a fixed interest rate. The Company estimates that a one percent change in the interest rate on the debentures would impact the net loss and cash flows from operations for the quarter by approximately $19,000 based on the average amount of debt outstanding during the quarter. The Company has no interest rate hedges or swaps outstanding at October 31, 2011.

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to ensure that the Company and its subsidiaries' will be able to continue as a going concern in order to pursue the exploration and development of its oil and gas properties and acquisitions while attempting to maximize the return to shareholders though the optimization of a reasonable debt and equity balance commensurate with current operating requirements.

The capital structure consists of the following:

		October 31, 2011		January 31 2011
Debentures	$	8,232,700	$	6,232,938
Production Loan		14,950,500		-
Convertible Debentures		-		515,000
Short Term Debt		7,431		307,348
Less: Cash		(13,117,511)		(62,810)
Net Debt[1]		10,073,120		6,992,476
Total Shareholder's Equity (Deficit)		(534,144)		366,614
	$	**9,538,976**	**$**	**7,359,090**

[1] Net debt as calculated above is a non-IFRS measure and is not standard terms/measures used by others.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares and adjust its capital spending to manage current and projected debt levels.

15. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in these financial statements include the following:

	Nine months ended October 31, 2011	2010
Consulting fees paid or accrued to companies controlled by directors	$ 208,300	$ 183,825
General and administrative expenses reimbursed to companies with common directors	117,660	106,373

Amounts due to related parties include unsecured short-term loans payable and accrued interest to directors of the Company for $30,204 (January 31, 2011 - $88,500). The loans carry a 12% interest rate and are payable on demand. Also included is $(21,491) (January 31, 2011 - $211,174) due to/(from) officers and directors and companies with common directors. Included in the debentures is $2,629,000 held by related parties.

All of the above noted transactions have been in the normal course of operations and are recorded at the exchange amount.

16. SUPPLEMENTAL CASH FLOW INFORMATION

The following table reconciles the changes in non-cash working capital as disclosed in the consolidated statement of cash flows:

	Nine months ended October 31 2011	2010
Operating activities		
Changes in non-cash working capital:		
Amounts receivable	$ (899,869)	$ (104,480)
Prepaid expenses and deposits	(834,141)	(247,334)
Accounts payable & accrued liabilities	1,346,091	151,908
	(387,919)	**(199,906)**
Financing activities		
Changes in non-cash working capital:		
Accounts payable & accrued liabilities	**(150,370)**	**(124,086)**
Investing activities		
Changes in non-cash working capital:		
Acquisition of property and equipment	(2,410,619)	(206,482)
Accounts payable & accrued liabilities	(75,974)	-
	(2,486,593)	**(206,482)**
Interest paid	**583,107**	**300,250**

17. TRANSITION TO IFRS

As disclosed in note 2, the Company's consolidated financial statements for the year ending January 31, 2012 will be the first annual consolidated financial statements that comply with IFRS. As a result, these interim consolidated financial statements have been prepared in accordance with IFRS 1 - First-*time Adoption of International Financial Reporting Standards* and with IAS 34 - *Interim Financial Reporting*, as issued by the International Accounting Standards Board. Previously, the Company prepared its interim and annual Consolidated Financial Statements in accordance with Canadian GAAP.

IFRS 1 requires the presentation of comparative information as at the February 1, 2010 transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transactions, the provision of IFRS 1 allow for certain mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of all IFRSs. The Company has applied the following optional exemptions:

1. Full cost oil and gas accounting – IFRS 1 provides the option for entities using full cost accounting for oil and gas activities under previous GAAP to measure oil and gas assets at the Transition Date at the historical net book value or at fair value, rather than applying IFRS rules retrospectively. The Company elected to measure its oil and gas assets at the net book value determined under previous GAAP, resulting in undeveloped property costs being reclassified to exploration and evaluation assets. The remaining development and production assets that were accumulated in country cost centers under previous GAAP were allocated at the CGU level based on the net book value of CGU measured under previous GAAP.

2. Decommissioning liabilities – For entities taking the full cost oil and gas accounting exemption above, IFRS 1 requires that entities measure decommissioning liabilities in accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets,* as at the Transition Date and that any difference between this amount and the carrying amount of those liabilities determined under the Company's previous GAAP, be recognized directly in retained earnings.

3. Share-based payments – IFRS 2 – *Share-based Payments*, requires retrospective application of its provision to equity instruments granted after November 7, 2002. The IFRS 1 exemption allows first-time adopters to not apply IFRS 2 to equity instruments that were granted prior to November 7, 2002. It also allows the first-time adopter to not apply IFRS 2 to equity instruments granted after November 7, 2002 that vested before the transition date. The Company elected to use these exemptions provided under IFRS 1.

The following reconciliations present the adjustments made to the Company's previous GAAP financial results of operations and financial position to comply with IFRS. A summary of significant accounting policy changes and applicable exemptions are discussed following the reconciliations. Reconciliations include the Company's Consolidated Balance Sheets as at February 1, 2010, October 31, 2010 and January 31, 2011 and Consolidated Statements of Comprehensive Loss for the three and nine months ended October 31, 2010 and for the year ended January 31, 2011.

Reconciliation of Consolidated Balance Sheet as at February 1, 2010

	Previous GAAP	IFRS Adjustments				IFRS
		E&E (2)	DL (3)	P&E (4)	SBC (5)	
		(note 17a)	*(note 17b)*	(note 17c)	*(note 17d)*	
ASSETS						
Current						
Cash	$ 24,783					24,783
Amounts receivable	548,256					548,256
Prepaid expenses and deposits	35,897					35,897
	608,936					608,936
Restricted cash	128,508					128,508
Exploration and evaluation assets	-	1,053,049				1,053,049
Property and Equipment	10,042,377	(1,070,876)		(1,082,667)		7,888,834
	$ 10,779,821					**9,679,327**
LIABILITIES						
Current						
Accounts payable and accrued liabilities	$ 1,053,652					1,053,652
Due to related parties	849,060					849,060
Short-term debt	4,759,716					4,759,716
	6,662,428					6,662,428
Decommissioning liabilities (1)	212,394		99,793			312,187
Convertible Debentures	1,924,392					1,924,392
	8,799,214					8,899,007
SHAREHOLDERS' EQUITY						
Share Capital	18,575,047					18,575,047
Other equity	164,241					164,241
Contributed surplus	3,425,973				(15,479)	3,410,494
Accumulated other comprehensive loss	(158,755)					(158,755)
Deficit	(20,025,899)	(17,827)	(99,793)	(1,082,667)	15,479	(21,210,707)
	$ 10,779,821					**9,679,327**

(1) Caption has been renamed to comply with the financial statement presentation under IFRS.

(2) Exploration and evaluation assets has been abbreviated to "E&E"

(3) Decommissioning libailities has been abbreviated to "DL"

(4) Property & Equipment has been abbreviated as "P&E"

(5) Share based compensation has been abbreviated to "SBC"

Reconciliation of Consolidated Balance Sheet as at October 31, 2010

	Previous GAAP	IFRS Adjustments				IFRS
		E&E [2]	DL [3]	P&E [4]	SBC [5]	
		(note 17a)	*(note 17b)*	*(note 17c)*	*(note 17d)*	
ASSETS						
Current						
Cash	$ 98,732					$ 98,732
Amounts receivable	625,200					625,200
Prepaid expenses and deposits	281,731					281,731
	1,005,663					1,005,663
Restricted cash	121,932					121,932
Exploration and evaluation assets		1,000,460				1,000,460
Property and Equipment	9,417,382	(1,017,375)		(870,242)		7,529,765
	$ 10,544,977					**$ 9,657,820**
LIABILITIES						
Current						
Accounts payable and accrued liabilities	$ 1,047,143					$ 1,047,143
Due to related parties	206,945					206,945
Convertible Debentures	507,375					507,375
Short-term debt	391,053					391,053
	2,152,516					2,152,516
Decommissioning liabilities [1]	213,860		91,327			305,187
Long-term debt	7,342,500					7,342,500
	9,708,876					9,800,203
SHAREHOLDERS' EQUITY						
Share Capital	19,300,047					19,300,047
Other equity	42,292					42,292
Contributed surplus	3,850,667				8,017	3,858,684
Accumulated other comprehensive loss	(431,221)	912	8,466	48,903		(372,940)
Deficit	(21,925,684)	(17,827)	(99,793)	(919,145)	(8,017)	(22,970,466)
	$ 10,544,977					**$ 9,657,820**

(1) Caption has been renamed to comply with the financial statement presentation under IFRS.

(2) Exploration and evaluation assets has been abbreviated to "E&E"

(3) Decommissioning libailities has been abbreviated to "DL"

(4) Property & Equipment has been abbreviated as "P&E"

(5) Share based compensation has been abbreviated to "SBC"

Reconciliation of Consolidated Balance Sheet as at January 31, 2011

	Previous GAAP	IFRS Adjustments E&E [2]	DL [3]	P&E [4]	SBC [5]	IFRS
		(note 17a)	*(note 17b)*	*(note 17c)*	*(note 17d)*	
ASSETS						
Current						
Cash	$ 62,810					$ 62,810
Amounts receivable	329,437					329,437
Prepaid expenses and deposits	116,765					116,765
	509,012					509,012
Restricted cash	120,180					120,180
Exploration and evaluation assets		949,631				949,631
Property and Equipment	9,277,087	(966,302)		(814,935)		7,495,850
	$ 9,906,279					**$ 9,074,673**
LIABILITIES						
Current						
Accounts payable and accrued liabilities	$ 1,049,288					$ 1,049,288
Due to related parties	299,674					299,674
Convertible Debentures	515,000					515,000
Short-term debt	307,348					307,348
	2,171,310					2,171,310
Decommissioning liabilities [1]	215,003		88,807			303,810
Long-term Debt	6,232,938					6,232,938
	8,619,251					8,708,058
SHAREHOLDERS' EQUITY						
Share Capital	19,249,903					19,249,903
Warrants	1,586,725					1,586,725
Other equity	42,292					42,292
Contributed surplus	3,902,983				(17,687)	3,885,296
Accumulated other comprehensive loss	(563,973)	1,156	10,986	59,923		(491,908)
Deficit	(22,930,902)	(17,827)	(99,793)	(874,858)	17,687	(23,905,693)
	$ 9,906,279					**$ 9,074,673**

(1) Caption has been renamed to comply with the financial statement presentation under IFRS.

(2) Exploration and evaluation assets has been abbreviated to "E&E"

(3) Decommissioning libailities has been abbreviated to "DL"

(4) Property & Equipment has been abbreviated as "P&E"

(5) Share based compensation has been abbreviated to "SBC"

Reconciliation of the Consolidated Statement of Loss and Comprehensive Loss for the three months ended October 31, 2010

	Previous GAAP	IFRS Adjustments				IFRS
		E&E [2]	DL [3]	P&E [4]	SBC [5]	
		(note 17a)	*(note 17b)*	*(note 17c)*	*(note 17d)*	
REVENUES						
Oil and gas	$ 271,559					$ 271,559
Royalties	(39,681)					(39,681)
	231,878					231,878
EXPENSES						
Operating costs	178,770					178,770
General and administrative	408,592					408,592
Interest, accretion and debt service costs	437,884					437,884
Depletion and depreciation	111,958		(4,256)	(55,668)		52,034
Accretion on decommissioning liablities	-		3,066			3,066
Share-based compensation [1]	55,995				(17,698)	38,297
Unrealized gain on foreign exchange	(5,136)					(5,136)
Interest income	(167)					(167)
	1,187,896					1,113,340
NET LOSS FOR THE PERIOD	$ (956,018)					$ (881,462)
Other Comprehensive loss:						
Unrealized loss on translation of foreign subsidiary	(84,592)	202	2,283	9,014		(73,093)
COMPREHENSIVE LOSS	$ (1,040,610)					$ (954,555)
BASIC AND DILUTED NET LOSS PER SHARE	$ (0.0137)					$ (0.0126)

(1) Caption has been renamed to comply with the financial statement presentation under IFRS.

(2) Exploration and evaluation assets has been abbreviated to "E&E"

(3) Decommissioning libailities has been abbreviated to "DL"

(4) Property & Equipment has been abbreviated as "P&E"

(5) Share based compensation has been abbreviated to "SBC"

Reconciliation of the Consolidated Statement of Loss and Comprehensive Loss for the nine months ended October 31, 2010

	Previous GAAP	IFRS Adjustments E&E [2]	DL [3]	P&E [4]	SBC [5]	IFRS
		(note 17a)	*(note 17b)*	*(note 17c)*	*(note 17d)*	
REVENUES						
Oil and gas	$ 856,599					$ 856,599
Royalties	(145,364)					(145,364)
	711,235					711,235
EXPENSES						
Operating costs	459,493					459,493
General and administrative	753,892					753,892
Interest, accretion and debt service costs	920,561					920,561
Depletion and depreciation	333,633		(12,555)	(160,103)		160,975
Accretion on decommissioning liablities	-		9,135			9,135
Share-based compensation [1]	167,985				23,497	191,482
Unrealized gain on foreign exchange	(23,945)					(23,945)
Interest income	(599)					(599)
	2,611,020					2,470,994
NET LOSS FOR THE PERIOD	$ (1,899,785)					$ (1,759,759)
Other Comprehensive loss:						
Unrealized loss on translation of foreign subsidiary	(272,466)	912	8,466	48,903		(214,185)
COMPREHENSIVE LOSS	$ (2,172,251)					$ (1,973,944)
BASIC AND DILUTED NET LOSS PER SHARE	$ (0.0279)					$ (0.0259)

(1) Caption has been renamed to comply with the financial statement presentation under IFRS.

(2) Exploration and evaluation assets has been abbreviated to "E&E"

(3) Decommissioning libailities has been abbreviated to "DL"

(4) Property & Equipment has been abbreviated as "P&E"

(5) Share based compensation has been abbreviated to "SBC"

Reconciliation of the Consolidated Statement of Loss and Comprehensive Loss for the year ended January 31, 2011

	Previous GAAP	IFRS Adjustments E&E [2]	DL [3]	P&E [4]	SBC [5]	IFRS
		(note 17a)	*(note 17b)*	*(note 17c)*	*(note 17d)*	
REVENUES						
Oil and gas	$ 1,087,085					$ 1,087,085
Royalties	(181,974)					(181,974)
	905,111					905,111
EXPENSES						
Operating costs	683,987					683,987
General and administrative	971,741					971,741
Interest, accretion and debt service cost	1,534,945					1,534,945
Depletion and depreciation	429,701		(16,787)	(203,176)		209,738
Accretion on decommissioning liablitie	-		12,155			12,155
Share-based compensation [1]	220,301				(2,208)	218,093
Unrealized gain on foreign exchange	(29,345)					(29,345)
Interest income	(1,216)					(1,216)
	3,810,114					3,600,098
NET LOSS FOR THE PERIOD	$ (2,905,003)					$ (2,694,987)
Other Comprehensive loss:						
Unrealized loss on translation of foreign subsidiary	(405,218)	1,156	10,986	59,923		(333,153)
COMPREHENSIVE LOSS	$ (3,310,221)					$ (3,028,140)
BASIC AND DILUTED NET LOSS PER SHARE	$ (0.0404)					$ (0.0375)

(1) Caption has been renamed to comply with the financial statement presentation under IFRS.

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(3) Decommissioning libailities has been abbreviated to "DL"

(4) Property & Equipment has been abbreviated as "P&E"

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IFRS Adjustments

a) Exploration and evaluation assets

Exploration and evaluation assets as February 1, 2010 were deemed to be US$999,977 (Cdn $1,070,876), representing the unproved properties balance under previous GAAP. This balance included US$16,647 (Cdn $17,827) in previously capitalized legal costs incurred in setting up the acquisition of property. As these expenditures were incurred prior to obtaining legal rights to explore the property, under IFRS the Company is required to expenses pre-license costs. Therefore at February 1, 2010, the Company reclassified US$983,330 (Cdn $1,053,049) from property and equipment to exploration and evaluation assets and US$16,647 (Cdn $17,827) to the deficit as at February 1, 2010.

b) Decommissioning liability

To conform to the statement of loss presentation under IFRS, the amount relating to accretion on decommissioning obligation has been presented separately; whereas, under previous GAAP, these amounts were included in depletion, depreciation and amortization.

In accordance with IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets* and IFRS 1, the Company revalued its decommissioning liabilities, known as asset retirement obligation under previous GAAP, on February 1, 2010 using a risk free rate and recognized the difference directly in accumulated deficit. Under previous GAAP, the Company's asset retirement obligation was discounted using and average credit-adjusted risk free rate of 8 percent, whereas under IFRS, the Company discounted its decommissioning liability using an average risk free rate of 4 percent. As a result, on transition, the value of the Company's decommissioning liability increased by US$93,187 (Cdn $99,793), with a corresponding decrease to accumulated deficit.

Consistent with the change in risk free rate applied above, accretion on decommissioning liability is calculated based on the relevant risk free rate.

c) Property and equipment

i. Depreciation and depletion

Under previous GAAP, development costs were depleted using unit-of-production method based on proved reserves for each country cost centre. Under IFRS, development costs are depleted using the unit-of-production method based on proved and probable reserves at the established CGU. This resulted in a $155,466 and $202,209 decrease to the Company's depreciation and depletion expense for the nine months ended October 31, 2010 and year ended January 31, 2011, respectively.

ii. Impairment

Under IFRS, the Company is required to test for impairment at the CGU level. Upon review of impairment on the date of transition, February 1, 2010, the Company determined that one asset was impaired resulting in a charge against the accumulated deficit in the amount of US$1,002,775 (Cdn $1,073,872). At January 31, 2011, there were no further asset impairments noted.

iii. Change in estimates

Under IAS 16 - *Property, Plant and Equipment* the depreciation method applied to an asset must be reviewed at least at each financial year-end and any significant change in the expected pattern of consumption should be accounted for as a change in an accounting estimate in accordance with IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*. Therefore upon transition to IFRS the Company reviewed its depreciation method and determined that a straight line depreciation policy for corporate and production assets was more appropriate. The change in estimate resulted in a decrease to Property and Equipment of $8,875 with a corresponding increase to accumulated deficit.

Consistent with the change in depreciation applied above, depletion and depreciation expense decreased by $4,637 and by $967 for the nine months ended October 31, 2010 and year ended January 31, 2011, respectively. The change in estimate is not expected to have a significant impact in future periods as the current carrying amount of corporate and production assets is not significant.

d) Share-Based Compensation

In accordance with IFRS 2 - *Share-Based Payment*, as at the transition date the Company revalued its contributed surplus arising from share-based compensation to recognize the impact of estimating forfeitures and changing to graded vesting whereby each traunche is individually valued with greater costs recognized up front instead of equally over the vesting period, as was the case under previous GAAP.

e) Adjustments to the Cash flows

The transition from previous 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. Under previous GAAP, cash flows relating to interest payments were classified as operating.