THUNDERBIRD
ENERGY

Thunderbird Energy Corp.
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Consolidated Financial Statements of

THUNDERBIRD ENERGY CORP.

January 31, 2012

Independent Auditor's Report

To the Shareholders of
Thunderbird Energy Corp.

We have audited the accompanying consolidated financial statements of Thunderbird Energy Corp. and its subsidiaries, which comprise the consolidated Balance Sheets as at January 31, 2012 and January 31, 2011 and February 1, 2010, and the consolidated statements comprehensive loss, changes in shareholders' equity and cash flows for the years ended January 31, 2012 and January 31, 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Thunderbird Energy Corp. and its subsidiaries as at January 31, 2012 and January 31, 2011 and February 1, 2010 and their financial performance and their cash flows for the years ended January 31, 2012 and January 31, 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes the matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Thunderbird Energy Corp.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
May 30, 2012

THUNDERBIRD ENERGY CORP
Consolidated Balance Sheets

(Cdn$)	Notes	January 31, 2012	January 31, 2011	February 1, 2010
			(note 25)	*(note 25)*
ASSETS				
Current				
Cash		$ 7,628,701	$ 62,810	$ 24,783
Amounts receivable	*5*	1,292,936	329,437	548,256
Prepaid expenses and advances	*6*	724,844	116,765	35,897
		9,646,481	509,012	608,936
Restricted cash	*7*	120,336	120,180	128,508
Exploration and evaluation assets	*8*	966,545	949,630	1,053,049
Property and Equipment	*9*	13,496,746	7,495,850	7,888,834
		$ 24,230,108	**$ 9,074,672**	**$ 9,679,327**
LIABILITIES				
Current				
Accounts payable and accrued liabilities	*10*	$ 2,150,317	$ 1,049,288	$ 1,053,652
Due to related parties	*19*	69,161	299,674	849,060
Short-term debt	*11*	-	307,348	4,759,716
Convertible Debentures	*12*	-	515,000	1,924,392
		2,219,478	2,171,310	8,586,820
Decommissioning liabilities	*13*	394,579	303,810	312,187
Debentures	*14*	8,403,646	5,968,899	-
Financing Deposit	*15*	14,978,631	-	-
		25,996,334	8,444,019	8,899,007
SHAREHOLDERS' EQUITY				
Share Capital	*16*	20,505,292	19,249,903	18,575,047
Warrants	*16*	3,115,677	1,520,025	-
Other equity		-	42,292	164,241
Contributed surplus	*16*	4,432,311	3,885,296	3,410,494
Accumulated other comprehensive loss		(455,168)	(491,908)	(158,755)
Deficit		(29,364,338)	(23,574,955)	(21,210,707)
		(1,766,226)	630,653	780,320
		$ 24,230,108	**$ 9,074,672**	**$ 9,679,327**

Going Concern (Note 2)
Commitments (Note 22)
Subsequent Events (Note 27)

Approved on Behalf of the Board:

"Cameron White"	"Stephen Cheikes"
Cameron White, Director	Stephen Cheikes, Director

See accompanying notes to the consolidated financial statements

THUNDERBIRD ENERGY CORP
Consolidated Statements of Comprehensive Loss

(Cdn$)	Notes		Year ended January 31 2012		2011 (note 25)
REVENUE					
Oil and gas sales		$	937,048	$	1,087,085
Royalties			(155,086)		(181,974)
			781,962		905,111
EXPENSES					
Direct operating and transportation			669,618		683,987
General and administrative	23		1,220,046		971,741
Finance Costs	24		3,912,962		1,215,145
Depletion and depreciation	9		202,400		209,738
Share based compensation	16, 23		549,469		218,093
Foreign exchange (gain)/loss			16,850		(29,345)
			6,571,345		3,269,359
NET LOSS			(5,789,383)		(2,364,248)
Other Comprehensive loss:					
Gain/(loss) on translation of foreign subsidiary			36,740		(333,153)
COMPREHENSIVE LOSS		$	(5,752,643)	$	(2,697,401)
BASIC AND DILUTED NET LOSS PER SHARE		$	(0.08)	$	(0.03)

See accompanying notes to the consolidated financial statements

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

(Cdn$)	*Notes*	Share Capital	Warrants	Other Equity	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total Equity
January 31, 2011		$ 19,249,903	$ 1,520,025	$ 42,292	$ 3,885,296	$ (491,908)	$ (23,574,955)	$ 630,653
Loss for the year		-	-	-	-	-	(5,789,383)	(5,789,383)
Shares issued on debentures	14, 16	589,642	-	-	-	-	-	589,642
Shares issued for cash and consideration	16	222,090	-	-	-	-	-	222,090
Shares issued for advisory services	16	333,333		-	-	-	-	333,333
Shares issued for warrants exercised	16	58,078	(13,603)	-	-	-	-	44,475
Stock options exercised		12,246	-	-	(4,746)	-	-	7,500
Stock-based compensation	16	40,000	-	-	509,469	-	-	549,469
Warrants issued with debentures	14	-	1,609,255	-	-	-	-	1,609,255
Repayment of convertible debentures	12	-	-	(42,292)	42,292	-	-	-
Unrealized loss on translation of foreign subsidiary		-	-	-	-	36,740	-	36,740
January 31, 2012		**$ 20,505,292**	**$ 3,115,677**	**$ -**	**$ 4,432,311**	**$ (455,168)**	**$ (29,364,338)**	**$ (1,766,226)**
February 1, 2010		$ 18,575,047	$ -	$ 164,241	$ 3,410,494	$ (158,755)	$ (21,210,707)	$ 780,320
Loss for the year		-	-	-	-	-	(2,364,248)	(2,364,248)
Shares issued for cash		674,856	-	-	-	-	-	674,856
Stock-based compensation		-	-	-	218,093	-	-	218,093
Warrants issued with debentures	14	-	1,520,025	-	-	-	-	1,520,025
Fair value of lender's warrants		-		-	134,760	-	-	134,760
Repayment of convertible debentures	12	-	-	(121,949)	121,949	-	-	-
Unrealized loss on translation of foreign subsidiary		-	-	-	-	(333,153)	-	(333,153)
January 31, 2011		**$ 19,249,903**	**$ 1,520,025**	**$ 42,292**	**$ 3,885,296**	**$ (491,908)**	**$ (23,574,955)**	**$ 630,653**

See accompanying notes to the consolidated financial statements

THUNDERBIRD ENERGY CORP
Consolidated Cash Flow Statement

(Cdn$)	Notes	Year ended January 31 2012	2011
OPERATING ACTIVITIES			
Net loss		$ (5,789,383)	$ (2,364,248)
Items not involving cash			
Share-based compensation	16	549,469	218,093
Finance Costs	24	2,894,632	193,803
Depletion and depreciation		202,400	209,738
Foreign exchange loss		16,850	(29,345)
Changes in non-cash working capital	20	1,097,143	138,639
		(1,028,889)	(1,633,320)
FINANCING ACTIVITIES			
Change in amounts due to related parties		(230,513)	(588,298)
Proceeds from short term debt	11	2,144,694	325,450
Repayment of short term debt		(2,445,534)	(4,484,716)
Proceeds from Financing Deposit	15	15,000,000	-
Repayment of Financing Deposit	15	(21,369)	
Proceeds from Debentures	14	2,500,000	7,500,000
Debt issue costs		(120,000)	
Repayment of convertible debentures	12	(515,000)	(1,485,000)
Issuance of shares	16	220,974	692,500
Warrants exercised		44,475	-
Stock options exercised		7,500	-
Change in non-cash working capital	20	(220,460)	(62,299)
		16,364,767	1,897,637
INVESTING ACTIVITIES			
Additions to property and equipment		(5,715,882)	(287,645)
Change in non-cash working capital	20	(1,975,992)	69,797
		(7,691,874)	(217,848)
FOREIGN CURRENCY EFFECT OF FOREIGN CURRENCY DENOMINATED CASH		(78,113)	(8,442)
INCREASE IN CASH FOR THE YEAR		7,565,891	38,027
CASH , BEGINNING OF YEAR		62,810	24,783
CASH , END OF YEAR		**$ 7,628,701**	**$ 62,810**

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. Thunderbird Energy Corp. is a publicly traded company, incorporated in British Columbia, Canada. The Company's head office is located at 800-555 4th Avenue SW, Calgary, AB, T2P 3E7.

The Consolidated Financial Statements were approved and authorized for issuance by the Board of Directors ("the Board") on May 29, 2012.

2. GOING CONCERN

The Company has interests in oil and gas production and exploration properties in the United States of America.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business.

For the year ended January 31, 2012 the Company reported a loss of $5,789,383 and an accumulated deficit of $29,364,338. In addition as outlined in note 15, the Company entered into a US$25 million commodity stream production payment agreement with Sandstorm Metals & Energy Ltd. ("Sandstorm") whereby Sandstorm has the right to purchase 35% of the Company's Gordon Creek natural gas production at a price of $1.00 per Mcf plus 20% of the amount by which the Gordon Creek field gate price exceeds $4.00. Pursuant to the agreement, the Company is contractually obligated to drill 50 additional wells and workover 5 standing wells on the Gordon Creek Property. Sandstorm advanced $15 million to the Company and will advance a further US$10 million in fiscal 2013. In order to secure the further advance of US$10 million the Company must drill 15 wells and complete 5 workovers by December 31, 2012. The remaining 35 wells are to be drilled by December 31, 2013. If these obligations are not met the Company would be in default and owe Sandstorm amounts advanced or recovered from Sandstorm less production provided to Sandstorm, a value of $14,978,631 as at January 31, 2012. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due, and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

Subsequent to year-end, the Company and Sandstorm amended the commodity stream production payment agreement whereby all minimum cash flow guarantees and drilling commitments at Gordon Creek will be deferred by one year, however the ability of the Company to continue as a going concern is uncertain and dependent upon obtaining the financing necessary to meet its future exploration commitments and to complete the development of its properties. The Company anticipates raising additional capital to complete its commitments to Sandstorm, by way of debt and/or equity. These funding arrangements are not yet in place, but given its external reserve engineer proved plus probable value discounted at 10% of approximately $70.0 million, the Company is optimistic that additional funding can be secured. There is no assurance that the initiatives undertaken by management will be successful.

The realization of the Company's investment in oil and gas properties is dependent upon various factors, including the existence of economically recoverable oil and gas reserves, the ability to obtain the necessary financing to complete the exploration and development of the properties, future profitable operations, or, alternatively, upon disposal of the investment on an advantageous basis. These financial statements do not reflect any adjustments related to the carrying values and classifications of assets and liabilities and the reported revenues and expenses that would be necessary should the Company be unable to continue as a going concern. Any adjustments necessary to the financial statements if the Company ceases to be a going concern could be material.

3. BASIS OF PRESENTATION AND ADOPTION OF IFRS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of financial statements, including IFRS 1 (First-time Adoption of IFRS). Subject to certain transition elections disclosed in note 25, 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 financial statements in accordance with Canadian generally accepted accounting principles (“previous GAAP”).

Basis of measurement

The 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 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 consolidated financial statements. Actual results may differ from thoses estimates. Significant estimates and judgments made by Management in the preparation of these 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 assets 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.

If the Company is able to obtain financing necessary to meet its full future exploration commitments under the agreement with Sandstorm (note 15) the Company will recognize a sale of working interest to sandstorm. The timing and measurement of a sale require management’s judgment.

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.

4. SIGNIFICANT ACCOUNTING POLICIES

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

a) Consolidation

The 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 other 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 not 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) Financing Deposit

The Company recognizes the fair value of the financing deposit as it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the expenditure expected to settle the obligation. At such point in time that the Company is able to remove the uncertainty that it can meet its future exploration commitments the financing deposit accounting recognition will be revaluated.

h) 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.

i) Debenture

In accordance with IAS 39, the Company has separately valued the present value of the principal payment of the debentures and the future interest payments.

j) 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.

k) 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.

l) Income Taxes

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used are those that are substantively enacted by the end of the reporting date.

Deferred Income Tax

Deferred income taxes are provided using the liability method, on the temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for accounting. The change in the net deferred income tax asset or liability is included in income except for deferred income tax relating to equity items which is recorded directly in equity. Deferred income tax assets and liabilities are measured using the substantively enacted statutory income tax rates which are expected to apply to taxable income in the years in which the assets are realized or the liabilities settled. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

m) 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 amounts 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, debentures and financing deposit are classified as financial liabilities at amortized cost.

n) 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.

o) 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.

p) 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.

q) 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.

r) 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*

The IASB intends to replace IAS 39, Financial Instruments: Recognition and Measurements, with IFRS 9, Financial Instruments. IFRS 9 will be published in six phases, of which the first phase has been published.

For financial assets, IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. For financial liabilities, the approach to the fair value option may require different accounting for changes to the fair value of a financial liability as a result of changes to an entity's own credit risk.

IFRS 9 is effective for annual periods beginning on or after January 1, 2015, but is available for early adoption. The Corporation has yet to assess the full impact of IFRS 9.

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.

5. AMOUNTS RECEIVABLE

Amounts receivable are non-interest bearing and are generally on 30 to 60 day terms. As at January 31, 2012 and 2011 none of the receivables have been assessed as impaired. In determining the recoverability of amounts receivables, the Company considers the type and age of the outstanding receivables, the credit risk of the counterparties, and the recourse available to the Company.

	January 31, 2012	January 31, 2011	February 1, 2010
Natural gas sales and processing income receivable	$ 205,161	$ 284,133	$ 540,840
Trade receivables	54,041	45,304	7,416
Project reimbursement	1,033,734	-	-
	$ 1,292,936	**$ 329,437**	**$ 548,256**

The Company's receivables are all current to 90 days.

Project reimbursement
During the year, the Company commenced operations at the previously announced Gordon Creek Carbon Sequestration Phase III: Deep Saline Sequestration Deployment. This project was to be funded approximately 80% by the US. Department of Energy and 20% by the other participants, including Thunderbird, The University of Utah through the Utah Science Technology And Research initiative and the New Mexico Tech – Petroleum Recovery Research Center. Initial

operations included a substantial workover on one of the Company's well in order to significantly enhance the Company's ability to inject both water and CO_2 into this well. During the fourth quarter, the US Department of Energy announced that due to internal policy changes, unrelated to the specific SWP CO_2 project, they were terminating a number of Deep Saline injection projects, including the Gordon Creek project. The project reimbursement is recorded at approximately 80% of the costs incurred on the project at year-end.

6. PREPAID EXPENSES AND ADVANCES

	January 31, 2012	January 31, 2011	February 1, 2010
Prepaid Expenses	$ 59,777	$ 116,765	$ 35,897
Advances on production equipment & services	584,779	-	-
Deposit on future land acquisitions	80,288	-	-
	$ 724,844	**$ 116,765**	**$ 35,897**

7. 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 $120,336) (January 31, 2011 – U.S. $ 120,000 (Cdn $120,180)) for which a short-term investment in the same amount is held as collateral.

8. 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.

	Year ended January 31, 2012	Year ended January 31, 2011
Balance, beginning of year	$ 949,630	$ 1,053,049
Capital expenditure	15,493	3,283
Disposition	-	(38,458)
Foreign exchange	1,422	(68,244)
Balance, end of year	$ 966,545	$ 949,630

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

9. PROPERTY AND EQUIPMENT

	Corporate Assets	Production Assets	Petroleum and Natural Gas Properties	Totals
Cost				
February 1, 2011	67,519	65,001	8,965,098	9,097,618
Additions	8,000	475,102	5,644,129	6,127,231
Disposals	-	-	-	-
Foreign currency translation	19	84	20,621	20,724
At January 31, 2012	75,538	540,187	14,629,848	15,245,573
Depreciation				
February 1, 2011	66,746	27,136	1,507,885	1,601,767
Charge for the year	7,470	17,556	177,226	202,252
Disposals	-	-	-	-
Foreign currency translation	18	302	(55,512)	(55,192)
At January 31, 2012	74,234	44,994	1,629,599	1,748,827
Net book value at January 31, 2012	1,304	495,193	13,000,249	13,496,746

	Corporate Assets	Production Assets	Petroleum and Natural Gas Properties	Totals
Cost				
February 1,2010	63,971	69,505	9,248,210	9,381,686
Additions	6,600	-	316,221	322,821
Disposals	(2,044)	-	-	(2,044)
Foreign currency translation	(1,008)	(4,504)	(599,333)	(604,845)
At January 31, 2011	67,519	65,001	8,965,098	9,097,618
Depreciation				
February 1,2010	51,599	17,700	1,423,553	1,492,852
Charge for the year	17,801	10,584	181,353	209,738
Disposals	(2,044)	-	-	(2,044)
Foreign currency translation	(610)	(1,148)	(97,020)	(98,778)
At January 31, 2011	66,746	27,136	1,507,886	1,601,768
Net book value at January 31, 2011	773	37,865	7,457,212	7,495,850

The Company has pledged assets with the carrying value of $13,000,248 (2011 - $7,457,212) as security on the gas linked debentures (note 14).

Capitalized costs amounting to $0.4 million were excluded from the depletable base at January 31, 2012, relating to production equipment that was in the construction phase and not on location at Gordon Creek.

Upon conversion to IFRS, the Company determined that one of its CGU, the Rush County oil property, was impaired and an impairment provision was made for the full carrying amount of $1,004,280 (US$ 1,002,775). At January 31, 2012, there were no further asset impairments noted.

10. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	January 31, 2012	January 31, 2011	February 1, 2010
Trade payables	$ 1,473,681	$ 722,530	$ 868,736
Debenture Interest Payable	403,897	158,692	-
Accrued liabilities	272,739	168,066	184,916
	$ 2,150,317	**$ 1,049,288**	**$ 1,053,652**

Accounts payables and accrued liabilities are non-interest bearing and are generally settled within 30 to 90 days.

11. SHORT-TERM DEBT

During the year the Company repaid $7,431 pursuant to an unsecured shareholder loan bearing interest at 10% 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 letter of intent was terminated, the advance plus interest was repaid during the year.

12. 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 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 14), 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. During the year, all of the convertible debentures have been redeemed through cash disbursements.

	Year ended January 31, 2012	Year ended January 31, 2011
Balance, beginning of year	$ 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 year	$ -	$ 515,000

13. 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 $488,865 (U.S. $487,500) (January 31, 2011 - $363,044 (U.S. $362,500)) and are expected to be incurred in twenty-nine years. The estimated future cash flows have been discounted using the average risk free rate of approximately 3.845% and an inflation rate of 3.02% (January 31, 2011 – approximately 4.0% and 2.5%, respectively).

The following table reconciles the decommissioning liability:

	Year ended January 31, 2012	Year ended January 31, 2011
Balance, beginning of year	$ 303,810	$ 312,187
Increase in liability relating to development activities	99,682	-
Increase in liability relating to change in estimate and discount rate	(22,278)	-
Accretion expense	12,833	12,155
Foreign exchange translation adjustment	532	(20,532)
Balance, end of year	**$ 394,579**	**$ 303,810**

14. 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 are due October 31, 2013 and 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 16) 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 16) to purchase up to 1,381,250 common shares of the Company at a price of $0.20 per share until October 31, 2013. The debentures are secured against the Company's U.S. property and equipment (note 9). The Company may redeem the debentures before they come due at a price of 115% of the principal amount being redeemed together with accrued and unpaid interest.

	January 31, 2012	January 31, 2011
Balance, beginning of year	$ 5,968,899	$ -
Face value of debentures issued during the year	2,500,000	7,500,000
Fair value allocated to warrants	(418,951)	(1,267,062)
Transaction cost allocated to debentures	(190,143)	(358,206)
Liability portion of debentures	7,859,805	5,874,732
Accretion and transaction costs	543,841	94,167
Balance, end of year	$ 8,403,646	$ 5,968,899

15. FINANCING DEPOSIT

On August 29, 2011, the Company entered into a US$25 million commodity stream production payment agreement with Sandstorm Metals & Energy Ltd. ("Sandstorm") whereby Sandstorm has the right to purchase 35% of the Company's Gordon Creek natural gas production at a price of $1.00 per Mcf plus 20% of the amount by which the Gordon Creek field gate price exceeds $4.00. Pursuant to the agreement, the Company is contractually obligated to drill 50 additional wells and workover 5 standing wells on the Gordon Creek Property, while Sandstorm advanced $15 million to the Company and will advance a further US$10 million in fiscal 2013. In order to secure the further advance of US$10 million the Company must drill 15 wells and complete 5 workovers by December 31, 2012. The remaining 35 wells are to be drilled by December 31, 2013.

Subsequent to year-end, the Company and Sandstorm amended the commodity stream production payment agreement whereby all minimum cash flow guarantees and drilling commitments at Gordon Creek will be deferred by one year. As

consideration for this deferral, in March 2013, Thunderbird will issue to Sandstorm $2.55 million of Thunderbird shares determined at a deemed price equivalent to 50 day volume weighted average trading price prior to issuance. Under the amended agreement, the Company has provided Sandstorm with minimum annual before tax cash flows guarantees earned through the sale of their 35% share of natural gas produced in Gordon Creek. The guarantee is the lesser of $2.3 million or 790mmcf by December 31, 2013, $5.1 million or 1740mmcf in calendar 2014, $4.6 million or 1560mmcf in calendar 2015, $4.2 million or 1410mmcf in calendar 2016, $3.8 million or 1260mmcf in calendar 2017, $3.3 million or 1140mmcf in calendar 2018 and $1.7 million or 590mmcf in calendar 2019.

As the ability of the Company to obtain the financing necessary to meet its full future exploration commitments under the agreement is uncertain, the Company has accounted for the $US15 million advance from Sandstorm as a financing deposit liability. In the event the Company should default on its future commitments, the default fee due to Sandstorm is amounts advanced or recovered from Sandstorm less production provided to Sandstorm and is due within 60 days of being in default.

Until December 31, 2013, the Company has the option to repurchase 50% of the commodity stream by making a $US16.25 million payment to Sandstorm, upon receipt of which, the percentage of natural gas Sandstorm will be entitled to purchase will decrease to 17.5%. If the Company drills additional wells on the Gordon Creek Property over and above the minimum 50 net wells, the Sandstorm has the option to have production from the additional net wells form a part of the commodity stream by providing additional production payment advances to the Company at an agreed amount per well.

16. 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 14)	1,247,327	162,153
Balance, January 31, 2011	73,160,153	$ 19,249,903
Shares issued on Debentures (note14)	2,980,020	589,642
Shares issued for private placement to related party	2,000,000	262,090
Shares issued for cash on exercise of stock options	50,000	7,500
Shares issued for warrant exercise	166,125	58,078
Shares issued for advisory services	1,666,667	333,333
Transfer from contributed surplus	-	4,746
Balance, January 31, 2012	**80,022,965**	**$ 20,505,292**

Private placement to related party

On June 22, 2011, the Company completed a brokered private placement of 2,000,000 units at a price of $0.15 per unit. On the date of issue the shares were trading at $0.17, therefore an additional expense of $40,000 was recognized in share-based compensation. 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. Compensation for the shares was received through cash, settlement of invoices for past services performed. Concurrent with the placement, the purchaser was provided with a loan in the amount of $77,910. This loan corresponded with the purchase of 519,400 of the 2,000,000 common shares issued through the

private placement. As at January 31, 2012 the full amount remains outstanding. The loan is considered to be under the scope of IFRS 2 – Share-based payment, and accordingly no financial asset is recognized on the balance sheet.

The fair value of the loan option is determined using the Black-Scholes valuation model was $0.17 per option. The significant inputs into the model were the share price of $0.17 at the date of grant, exercise price of $0.15 (determined based on the principal due on the notes), volatility of 125.91%, dividend yield of 0%, an expected life of 7.5 years and a risk free rate of 2.60%. The expense of $81,945 recognized on issuance of the option is included in share based compensation.

Advisory Services
Pursuant to the closing of the financing deposit with Sandstorm, the Company issued 1,666,667 common shares with a fair value of $0.20 per share as payment for advisory services rendered with respect to the agreement.

Earnings per share
The following table summarizes the weighted average shares used in calculating net income per share:

	January 31, 2012	January 31, 2011
Weighted average shares outstanding	76,753,298	69,003,001
Dilutive effect of options and warrants	-	-
Diluted weighted average shares outstanding	76,753,298	69,003,001

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 fair value of the options issued is recognized in share-based compensation over the vesting period, with a corresponding charge to contributed surplus. 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:

	Year ended January 31, 2012	Year ended January 31, 2011
Fair value per share	$ 0.23	$ 0.15
Dividend yield	0%	0%
Interest rate	1.80%	1.94%
Expected life	5 years	3 years
Forfeiture Rate	17.60%	9.88%
Volatility	133%	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	2,750,000		0.23
Exercised	(50,000)		0.15
Forfeited and expired	(1,350,000)		0.26
Balance, January 31, 2012	**6,515,000**	**$**	**0.22**

The following table summarizes the stock options outstanding at January 31, 2012:

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	3.76	$ 0.15	662,500	$ 0.15
$ 0.20	3,425,000	Jun 2013 - Dec 2014	2.35	$ 0.20	3,425,000	$ 0.20
$ 0.22	100,000	Dec 2014	2.88	$ 0.22	25,000	$ 0.22
$ 0.30	1,790,000	Feb 2013 – Nov 2016	4.50	$ 0.30	552,500	$ 0.30
	6,515,000		**3.16**	**$ 0.22**	**4,665,000**	**$ 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	14,538,000	$ 0.245
Exercised	$0.30	(166,125)	$ 0.268
Balance, January 31, 2012		**35,841,459**	**$ 0.297**

During the year, 112,500 warrants were exercised to purchase 112,500 shares at a price of $0.30 per share and 53,625 warrants were exercised to purchase 53,625 shares at a price of $0.20 per share.

During the year, 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.

During the year, 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 14) 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 800,000 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 14), the company retired their revolving credit facility. Upon retirement of the debt on October 29, 2010, 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:

	January 31, 2012	January 31, 2011
Weighted average fair value per warrant	$ 0.25	$ 0.40
Interest rate	1.48%	2.31%
Expected life	1.57 years	2.53 years
Volatility	108%	200%

17. 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, and debentures.

a) Fair value of financial instruments

The Company's financial assets and liabilities are comprised of cash, amounts receivable, prepaid expenses and advances, restricted cash, accounts payable and accrued liabilities, due to related parties, short-term debt, debentures and the financing deposit.

The Company classifies the fair value of these transactions according to the following fair value hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – Values are based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Values are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.

- Level 3 – Values are based on prices or valuation techniques that are not based on observable market data.

Accordingly, all the Company's financial assets and liabilities are classified as Level 1. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

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 January 31, 2012 of nil and January 31, 2011 in the amount of US$72,940.

c) Liquidity risk

The Company is exposed to liquidity risk from the possibility that it will encounter difficulty meeting its financial obligations, note 2. 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	$ 2,150,317	$ -	$ 2,150,317
Due to related parties (note 19)	69,161	-	69,161
Debenture (note 14) and estimated interest	1,500,000	11,125,000	12,625,000
Financing Deposit (note 15)	-	14,978,631	14,978,631
Total	**$ 3,719,478**	**$ 26,106,631**	**$ 29,823,109**

The Company's capital programs are primarily funded by cash obtained through operations, equity issuances, debentures (note 14) and a financing deposit (note 15). 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 January 31, 2012, 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 year would have changed by approximately $180,000, while the effect on comprehensive income for the year would have been approximately $900,000.

The Company had no forward exchange rate contracts in place as at or during the period ended January 31, 2012.

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 year, 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 approximately $205,000 while a $1.00 change in the price of oil would insignificantly affect the loss for the year ended January 31, 2012.

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 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 year by approximately $87,500 based on the average amount of debt outstanding during the year. The Company has no interest rate hedges or swaps outstanding at January 31, 2012.

18. 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:

		January 31 2012		January 31 2011
Debentures	$	8,403,646	$	5,968,899
Financing Deposit		14,978,631		-
Convertible Debentures		-		515,000
Short Term Debt		-		307,348
Less: Cash		(7,628,701)		(62,810)
Net Debt[1]		15,753,576		6,728,437
Total Shareholder's Equity (Deficit)		(1,766,226)		630,653
	$	**17,519,802**	**$**	**6,097,784**

[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.

19. RELATED PARTY TRANSACTIONS

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

		Year ended January 31, 2012	2011
Consulting fees paid or accrued to companies controlled by directors	$	246,800	$ 233,375
General and administrative expenses reimbursed to companies with common directors		174,967	106,373

Amounts due to related parties includes $69,161 (January 31, 2011 - $211,174) due to officers and directors and companies with common directors. Amounts due to related parties include an unsecured short-term loan payable and accrued interest to directors of the Company for $nil (2011 - $88,500). Included in the debentures is $2,629,000 held by related parties.

During the year, the Company completed a brokered private placement with a related party in which was partially settled through a related party loan in the amount of $77,910. The transaction is considered under the scope of IFRS 2 – Share-based payment, and no financial asset is recognized on the balance sheet. The fair value of the loan was determined using the Black-Scholes valuation model and an expense was is included in share based compensation (note 16).

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

Key Management Personnel Compensation

The remuneration of directors, President, CEO and CFO is as follows:

		January 31, 2012		January 31, 2011
Short-term contractor fees	$	266,600	$	233,375
Amortization of share-based payment awards		150,324		118,386
	$	416,924	$	351,761

20. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Year ended January 31 2012	2011
Operating activities		
Changes in non-cash working capital:		
Amounts receivable	$ 69,644	$ 189,404
Prepaid expenses and deposits	53,721	(82,756)
Accounts payable & accrued liabilities	973,778	31,991
	1,097,143	**138,639**
Financing activities		
Changes in non-cash working capital:		
Accounts payable & accrued liabilities	**(220,460)**	**(62,299)**
Investing activities		
Changes in non-cash working capital:		
Amounts receivable	(1,021,260)	-
Prepaid expenses and deposits	(1,075,613)	-
Accounts payable & accrued liabilities	120,881	69,797
	(1,975,992)	**69,797**
Interest paid	**875,458**	**300,250**

21. INCOME TAXES

The following table reconciles the income tax expense/(recovery) calculated using the statutory tax rates to the income tax expense/(recovery) per the statement of earnings.

	2012			2011		
	Canada	**U.S.**	**Total**	**Canada**	**U.S.**	**Total**
Canadian statutory income tax rate		**26.46%**			**28.33%**	
Expected income tax expense/(recovery)	(800,581)	(712,281)	(1,512,862)	(244,725)	(425,399)	(670,124)
Permanent differences	401,686	-	401,686	112,798	-	112,798
Change in valuation allowance	(10,482)	1,035,632	1,025,150	(55,974)	550,586	494,612
Rate reduction	3,510	-	3,510	4,518	(37,613)	(33,095)
Provision to return true ups	48,006	(35,548)	12,458	183,383		183,383
Expiration of Non Capital Loss	228,560		228,560	-		
Rate differential (U.S.)		(291,713)	(291,713)	-	(132,280)	(132,280)
Asset previously unrecognized	110,498		110,498	-	-	-
Change in effective tax rates	(40,352)	(1,115)	(41,467)	-	-	-
Other	59,155	5,025	64,180	-	44,706	44,706
	-	-	-	-	-	-

Effective January 1, 2011, the Canadian Federal corporate tax rate decreased from 18% to 16.5% and the British Columbia provincial tax rate decreased from 10.5% to 10%. The overall reduction in rates has resulted in a decrease in the Company's statutory tax rate from 28.33% to 26.46%.

In assessing the realization of the Company's future income tax assets, management considers whether it is more likely than not that some portion or all of the Company's future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. It is management's opinion that the Company's future tax assets are unlikely to be realized. Based upon this assessment, the Company has provided a full valuation allowance against these assets.

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

	2012		
	Canada	**US**	**Total**
Future Income Tax Assets:			
Non-Capital Losses	640,435	1,427,674	2,068,109
Capital Losses	426,948	-	426,948
Resource Pools	313,902	(2,442,777)	(2,128,875)
Property, equipment and other	15,969	5,097,877	5,113,846
Share issuance cost & Loan acquisition Costs	338,862	27,797	366,659
Debentures	(412,998)	-	(412,998)
Total gross future income tax asset	1,323,118	4,110,571	5,433,689
Asset not recognized			(5,433,689)
Net Future Tax Asset			-

	2011		
	Canada	**US**	**Total**
Future Income Tax Assets:			
Non-Capital Losses	685,298	4,037,035	4,722,333
Capital Losses	414,409	-	414,409
Resource Pools	304,683	(675,159)	(370,476)
Property, equipment and other	13,111	(362,000)	(348,889)
Share issuance cost & Loan acquisition Costs	300,583	-	300,583
Debentures	(384,483)	58,757.00	(325,726)
Total gross future income tax asset	1,333,601	3,058,633	4,392,234
Asset not recognized			(4,392,234)
Net Future Tax Asset			-

	February 1, 2010		
	Canada	US	Total
Future Income Tax Assets:			
Non-Capital Losses	674,662	3,274,787	3,949,449
Capital Losses	416,463	-	416,463
Resource Pools	306,194	(383,543)	(77,349)
Property, equipment and other	10,640	(291,003)	(280,363)
Share issuance cost & Loan acquisition Costs	248,958	96,003	344,961
Debentures	-	-	-
Total gross future income tax asset	1,656,917	2,696,244	4,353,161
Asset not recognized			(4,353,161)
Net Future Tax Asset			-

As at January 31, 2012, the Company has non-capital loss carry-forwards in Canada and the U.S. of approximately $6,507,676 (2011 - $13,128,000), which are available to offset future taxable income. These non-capital loss carry-forwards expire as follows:

	CDN	U.S.	Total
2015	126,205	-	126,205
2028	148,723	-	148,723
2029	366,733	-	366,733
2030	338,996	1,199,415	1,538,411
2031	679,356	2,640,816	3,320,172
2032	815,450	-	815,450
	2,475,463	3,840,231	6,315,694

a) Canadian exploration expenditures of $543,336 (2011 - $543,336) can be deducted against future years' taxable income.
b) Foreign exploration and development expenses of $667,783 (2011 - $667,783) are fully deductible against foreign mineral profits or 10% of taxable income in any given year.
c) U.S. resource property expenditures of US$4,227,097 (2011 – US$4,618,164).
d) The Company has a capital loss of $3,300,000 (2011 - $3,300,000) available to reduce future years' capital gains.

The value of these tax assets has been reduced to $Nil because of an asset not recognized.

22. COMMITMENTS

The Company is contractually obligated to complete 50 additional wells (48 as at January 31, 2012) and workover 5 standing wells on the Gordon Creek Property under the terms of its commodity stream production payment agreement with Sandstorm. Under the terms of the amended the commodity stream production payment agreement with Sandstorm the Company is obligated to drill 15 wells and complete 5 workovers by December 31, 2012 with the remaining 35 wells to be drilled by December 31, 2013. The Company leases its office premises for which minimum lease payments are due.

The following table summarizes the Company's outstanding obligations subsequent to signing the amended the commodity stream production payment agreement with Sandstorm.

Fiscal		Amount
2013	$	12,886,854
2014		29,829,616
Thereafter		-
	$	**42,716,470**

23. GENERAL AND ADMINISTRATIVE

		January 31, 2012		January 31, 2011
Investor relations & filing fees		132,341		70,089
Office & miscellaneous expenses		139,332		83,101
Salaries and contractor fees		590,037		387,661
Professional fees		268,032		394,246
Travel, meals & entertainment		90,304		36,644
	$	1,220,046	$	971,741

24. FINANCE COSTS

		January 31, 2012		January 31, 2011
Interest on Debt (note 14)	$	1,577,012	$	812,667
Fair value of warrants issued on debt retirement		1,087,330		-
Debt issue costs (note 14)		583,333		315,931
Accretion on debentures and transaction costs (note 14)		576,672		75,608
Accretion on decommissioning liability (note 13)		91,627		12,155
Interest income		(3,012)		(1,216)
	$	3,912,962	$	1,215,145

Fair value of warrants issued on debt retirement

During the year, 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 which occurred during the prior year in the amount of US$2,843,732. The Company received approvals for issuance of the warrants in the current fiscal year and therefore recorded a loss for the fair value of warrants issued as calculated using the Black-Scholes option-pricing model.

25. TRANSITION TO IFRS

As disclosed in note 3, 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 consolidated financial statements have been prepared in accordance with IFRS 1 - First-*time Adoption of International Financial Reporting Standards* as issued by the International Accounting Standards Board. Previously, the Company prepared its 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. <u>Full cost oil and gas accounting</u> – 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. <u>Decommissioning liabilities</u> – 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. <u>Share-based payments</u> – 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 and January 31, 2011 and Consolidated Statements of Comprehensive Loss 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 25a)	*(note 25b)*	*(note 25c)*	*(note 25d)*	
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
Convertible Debentures	1,924,392					1,924,392
	8,586,820					8,586,820
Decommissioning liabilities [1]	212,394		99,793			312,187
	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 January 31, 2011

	Previous GAAP	IFRS Adjustments					IFRS
		E&E [2]	DL [3]	P&E [4]	SBC [5]	TC[6]	
		(note 25a)	*(note 25b)*	*(note 25c)*	*(note 25d)*	*(note 25e)*	
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
Debentures	6,232,938					(264,039)	5,968,899
	8,619,251						8,444,019
SHAREHOLDERS' EQUITY							
Share Capital	19,249,903						19,249,903
Warrants	1,586,725					(66,700)	1,520,025
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	330,739	(23,574,954)
	$ 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"

(6) Transaction costs has been abbreviated to "TC"

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

	Previous GAAP	E&E [2]	DL [3]	P&E [4]	SBC [5]	TC [6]	IFRS
		IFRS Adjustments					
		(note 25a)	*(note 25b)*	*(note 25c)*	*(note 25d)*	*(note 25e)*	
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
Finance Costs	1,533,729		12,155			(330,739)	1,215,145
Depletion and depreciation	429,701		(16,787)	(203,176)			209,738
Share-based compensation [1]	220,301				(2,208)		218,093
Unrealized gain on foreign exchange	(29,345)						(29,345)
	3,810,114						3,269,359
NET LOSS FOR THE PERIOD	$ (2,905,003)						$ (2,364,248)
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)						$ (2,697,401)
BASIC AND DILUTED NET LOSS PER SHARE	$ (0.04)						$ (0.03)

(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"

(6) Transaction costs has been abbreviated to "TC"

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 $203,176 decrease to the Company's depreciation and depletion expense for the year ended January 31, 2011, respectively.

ii. ***Impairment***

Under IFRS, the Company is required to test for impairment at the CGU level. Impairment tests are carried out by comparing the asset's carrying amount with its recoverable amount, which is the higher of (a) the asset's fair value less selling costs and (b) its value in use, with the excess of the carrying amount over recoverable amount being recorded as impairment loss. 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 $967 for the year ended January 31, 2011. 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 tranche is individually valued with greater costs recognized up front instead of equally over the vesting period, as was the case under previous GAAP.

e) Transaction Costs

In accordance with IAS 39 – *Financial Instruments –recognition and measurement*, transaction costs are directly attributable to the issuance of the debentures are initially recognized against the financial liability and are expensed over the term of the life debt instrument. Therefore under IFRS, transaction costs incurred in fiscal 2011 on the debenture financing have been charged against the debenture liability and corresponding accretion charged to the income statement.

f) 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.

26. GEOGRAPHIC INFORMATION

The Company operates in two geographic regions, being Canada and the United States. The United States operations is primarily the acquisition and development of oil and gas properties and the production of oil and gas through participation agreements, while the Canadian operation is corporate support. The accounting policies of the regions are the same as those described in note 4.

	Canada	United States	Total
2012			
Revenue	$ -	$ 937,048	$ 937,048
Property and equipment	1,304	13,068,408	13,069,712
2011			
Revenue	$ -	$ 1,087,085	$ 1,087,085
Property and equipment	8,514	7,487,336	7,495,850

27. SUBSEQUENT EVENTS

On February 12, 2012, The Company and Sandstorm agreed to amend the natural gas purchase agreement whereby all minimum cash flow guarantees and drilling commitments at Gordon Creek will be deferred by one year. As consideration for this deferral, in March 2013, the Company will issue to sandstorm $2.55 million of Thunderbird shares at a deemed price equivalent to the 50 day volume weighted average trading price prior to issuance. In addition, the US$10 million that Sandstorm was to remit to Thunderbird in May 2012 will now be remitted in May 2013.