

ABENTEUER RESOURCES CORP.

FINANCIAL STATEMENTS

FOR THE PERIODS ENDED

JUNE 30, 2003 AND 2002

ABENTEUER RESOURCES CORP.
BALANCE SHEET
JUNE 30, 2003
(Unaudited)

	June 30 2003	December 31 2002
ASSETS		
CURRENT		
Cash and term deposits	\$ 605	\$ 53,996
Accounts receivable	149,119	39,246
Deposits	10,342	10,342
	160,066	103,584
CAPITAL ASSETS – Note 2	1,153,060	679,568
	\$ 1,313,126	\$ 783,152
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 63,203	\$ 15,381
DUE TO SHAREHOLDERS	200,000	100,000
BANK LOAN – Note 3	310,000	-
PROVISION FOR ABANDONMENT COSTS	2,350	1,600
SHAREHOLDERS' EQUITY		
SHARE CAPITAL – Note 4	582,429	547,429
CONTRIBUTED SURPLUS	7,700	-
RETAINED EARNINGS	147,444	118,742
	723,673	666,171
	\$ 1,313,126	\$ 783,152

ABENTEUER RESOURCES CORP.
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
(Unaudited)

	Three Month Period Ended June 30, 2003	Three Month Period Ended June 30, 2002	Six Month Period Ended June 30, 2003	Six Month Period Ended June 30, 2002
INCOME				
Net oil and gas sales	\$ 65,205	\$ 42,142	\$ 166,659	\$ 79,567
Other income	-	-	-	170
	65,205	42,142	166,659	79,737
EXPENSES				
Oil and gas operating	14,046	2,654	30,887	6,701
Administration	39,651	12,404	63,325	35,069
Depletion	23,393	13,298	43,745	28,039
	77,090	28,356	137,957	69,809
NET EARNINGS (LOSS) FOR THE PERIOD				
	(11,885)	13,786	28,702	9,928
RETAINED EARNINGS				
Beginning of period	159,329	85,790	118,742	89,648
RETAINED EARNINGS				
End of period	\$ 147,444	\$ 99,576	\$ 147,444	\$ 99,576
EARNINGS (LOSS) PER SHARE				
	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
WEIGHTED AVERAGE SHARES OUTSTANDING				
	5,301,758	5,200,000	5,287,624	5,200,000

ABENTEUER RESOURCES CORP.
COMPARATIVE STATEMENT OF CASH FLOWS
(Unaudited)

	Three Month Period Ended June 30, 2003	Three Month Period Ended June 30, 2002	Six Month Period Ended June 30, 2003	Six Month Period Ended June 30, 2002
CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net earnings (loss) for the year	\$ (11,885)	\$ 13,786	\$ 28,702	\$ 9,928
Add items not requiring cash payment				
Depletion	23,393	13,298	43,745	28,039
Stock based compensation	<u>7,700</u>	<u>-</u>	<u>7,700</u>	<u>-</u>
	19,208	27,084	80,147	37,967
Changes in non-cash working capital items relating to operations	(93,755)	604	37,949	(22,529)
	(74,547)	27,688	118,096	51,438
FINANCING ACTIVITY				
Common share issuance (net of costs)	10,000	-	35,000	-
Long term debt	240,000	-	310,000	-
Shareholder loan	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
	350,000	-	445,000	-
INVESTMENTS				
Capital Assets	(310,764)	(1,275)	(516,487)	(57,083)
CASH INCREASE (DECREASE)	(35,311)	26,413	(53,391)	(41,645)
CASH – beginning of period	35,916	77,000	53,996	145,058
CASH – end of period	\$ 605	\$103,413	\$ 605	\$103,413

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The interim unaudited financial statements of Abenteuer Resources Corp. (“the Company”) have been prepared by management in accordance with accounting policies generally accepted in Canada. The interim unaudited financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2002. The disclosures included below are incremental to those included with the annual consolidated financial statements. The interim financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in the Company’s annual report for the year ended December 31, 2002.

Stock Based Compensation

The Company has adopted the recommendations of the CICA Handbook Section 3870, Stock-Based Compensation and other Stock-Based Payments, effective January 1, 2002. This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. The standard requires that all stock-based awards made to non-employees be measured and recognized using a fair value based method. For stock options granted to employees, the Company has adopted the intrinsic value method of accounting. Under this method, no compensation expense will be recorded when stock options are granted, so long as the exercise price is equal to or greater than the market price of the common shares on the date of grant. The intrinsic value method does, however, require disclosure of pro-forma net income and pro-forma earnings per share in the notes to the financial statements, as if the fair value based method of accounting had been used.

NOTE 2 PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Depletion and Amortization</u>	<u>June 2003 Net Book Value</u>	<u>December 2002 Net Book Value</u>
Computer equipment	\$ 3,155	\$ 1,485	\$ 1,670	\$ 1,965
Petroleum & natural gas properties	<u>1,322,390</u>	<u>171,000</u>	<u>1,151,390</u>	<u>677,603</u>
	<u>\$ 1,325,545</u>	<u>\$ 172,485</u>	<u>\$ 1,153,060</u>	<u>\$ 679,568</u>

At June 30, 2003, petroleum and natural gas properties included \$516,488 (2002 – nil) relating to unproved properties which have been excluded from the depletion calculation.

At June 30, 2003 future site restoration and abandonment costs are estimated in aggregate to be \$12,000 of which \$700 (2002 - \$325) has been charged to operations in the six-month period.

No general and administrative costs were capitalized during the period (2002 – nil).

NOTE 3 **BANK LOAN**

At June 30, 2003 the Company had available a \$330,000 Revolving Reducing Demand Loan (LOC). The LOC is permanently reduced by \$10,000 per month commencing May 1, 2003, requires no additional principal repayments, and bears interest at the bank's prime lending rate plus one per cent. At June 30, 2003 the Company had drawn \$310,000 of this facility.

The loan is secured by a \$1 million fixed and floating charge debenture and a general security agreement covering all present and after-acquired property of the Company.

NOTE 4 **SHARE CAPITAL**

Authorized:

Unlimited number of voting common shares without nominal or par value
 Unlimited number of preferred shares without nominal or par value

Issued:

As of December 31, 2002	5,200,000	\$598,971
Exercise of options	140,000	35,000
Share issue costs	-	(52,542)
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As at June 30, 2003	5,340,000	582,429

Contributed surplus

Balance December 31, 2002	\$	0
Stock based compensation		<u>7,700</u>
Balance June 30, 2003	\$	<u><u>7,700</u></u>

Per share amounts were calculated using the weighted average number of common shares outstanding of 5,287,624 (2002 – 5,200 000). The stock options were not included in the diluted earnings per share calculation because to do so would be anti-dilutive.

Stock Options

The Company has a Director's and Management Stock Option Plan (the "Plan") that allows the Company's board of directors to grant options as an additional incentive for directors, officers, employees and consultants to invest in the Company's common shares and thereby increase their equity and propriety interest in the Company. All of the options which have been issued to date by the Company have been issued according to the Plan.

Under the Plan, options may be granted to purchase the Company's common shares up to the maximum number of shares permitted under the rules of the CDNX (currently 10% of the total outstanding common shares, with a maximum number of common shares optioned to any one optionee of no more than 5% of the total outstanding common shares). The exercise price of such options on the date of the grant cannot be less than the market price of the common shares on the CDNX less the permissible discount allowed by that exchange.

ABENTEUER RESOURCES CORP.
 NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
 FOR THE PERIODS ENDED JUNE 30, 2003 AND 2002
 (Unaudited)

NOTE 4 **CAPITAL STOCK – CONTINUED**

Stock option activity with respect to the Company's stock option plan is as follows:

	<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Outstanding at December 31, 2002	520,000	\$ 0.25	2006
Options exercised	(140,000)	\$ 0.25	2006
Options granted	<u>110,000</u>	<u>\$ 0.25</u>	2006
Outstanding at June 30, 2003	490,000	\$ 0.25	2006

As at June 30, 2003 there were 1,615,824 shares held in escrow.

NOTE 5 **STOCK BASED COMPENSATION**

Of the total 110,000 incentive stock options granted during the period, 40,000 options were granted to employees and 70,000 options were granted to non-employees.

When stock-based compensation awards are granted to employees, no compensation cost is recognized when their exercise price equals or exceeds the fair value of the Company's common shares at the date of grant. Accordingly, no compensation cost has been recognized for the 40,000 options granted to employees. Had the Company adopted the fair value method of accounting for options granted to employees, the compensation costs, along with pro-forma net earnings and pro-forma earnings per share would be as follows:

Stock based compensation costs	\$ 4,400
Net earnings	
As reported	28,702
Pro forma	24,302
Net per share – basic and diluted	
As reported	\$ 0.00
Pro forma	\$ 0.00

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

Fair value of options granted (per share)	\$ 0.11
Risk-free interest rate (%)	3.63
Expected life (months)	46
Expected volatility (%)	54
Expected dividend yield (%)	0.00

NOTE 6 **SUBSEQUENT EVENT**

Subsequent to June 30, 2003 the Company issued 700,000 units for gross proceeds of \$350,000. Each unit is composed of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.75 until July 1, 2005.