

ABENTEUER RESOURCES CORP.

FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

MARCH 31, 2004

(UNAUDITED)

ABENTEUER RESOURCES CORP.

BALANCE SHEET AS AT MARCH 31

	March 31, 2004	December 31 2003 (Audited-restated See Note 2)
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and term deposits	\$ 1,208	\$ 6,296
Accounts receivable	40,256	26,046
Prepaid expenses	7,725	10,610
Refundable deposits	<u>10,342</u>	<u>10,342</u>
	59,531	53,294
<b>PROPERTY AND EQUIPMENT</b>		
Property and equipment - Note 3	1,620,821	1,676,715
<b>TOTAL ASSETS</b>	<b>\$ 1,680,352</b>	<b>\$ 1,730,009</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Bank Loan – Note 4	\$ 240,000	\$ 230,000
Promissory note payable – Note 5	116,687	116,687
Accounts payable and accrued liabilities	73,560	91,511
Due to shareholders – Note 6	<u>212,570</u>	<u>207,700</u>
	642,817	645,898
<b>LONG TERM</b>		
Asset retirement obligation – Note 7	22,400	22,100
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL - Note 8	912,314	912,314
CONTRIBUTED SURPLUS	18,460	18,460
RETAINED EARNINGS	<u>84,361</u>	<u>131,237</u>
	1,015,135	1,062,011
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 1,680,352</b>	<b>\$ 1,730,009</b>

ABENTEUER RESOURCES CORP.

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

FOR THE THREE MONTHS ENDED MARCH 31

(UNAUDITED)

	2004	2003
<b>INCOME</b>		
Oil and gas sales, net of royalties	\$ 81,585	\$ 101,454
<b>EXPENSES</b>		
Depletion, amortization and accretion	77,403	20,352
Oil and gas operating	20,056	16,841
Administration	19,886	23,674
Interest	<u>11,116</u>	<u>-</u>
	128,461	60,867
<b>NET EARNINGS (LOSS) FOR THE PERIOD</b>	(46,876)	40,587
RETAINED EARNINGS – Beginning of the period	128,037	118,742
Adjustment for change in accounting policy (see note 2)	<u>3,200</u>	<u>-</u>
RETAINED EARNINGS – Restated	131,237	118,742
<b>RETAINED EARNINGS - End of the period</b>	<b>\$ 84,361</b>	<b>\$ 159,329</b>
Earnings (loss) per share	\$ (0.01)	\$ 0.01

ABENTEUER RESOURCES CORP.

STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31

(UNAUDITED)

	2004	2003
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net earnings (loss) for the year	\$ (46,876)	\$ 40,587
Add items not affecting cash		
Depletion, amortization and accretion	<u>77,403</u>	<u>20,352</u>
	30,527	60,939
Net change in non-cash working capital balances related to operations	<u>(24,406)</u>	<u>131,704</u>
	6,121	192,643
<b>FINANCING ACTIVITIES</b>		
Common share issuance (net of costs)	-	25,000
Increase in bank loan	10,000	70,000
Shareholder loan	<u>-</u>	<u>(100,000)</u>
	10,000	(5,000)
<b>INVESTING ACTIVITY</b>		
Purchase of property and equipment	(21,209)	(205,723)
<b>INCREASE (DECREASE) IN CASH</b>	<b>(5,088)</b>	<b>(18,080)</b>
CASH – Beginning of the period	6,296	53,996
<b>CASH - End of the period</b>	<b>\$ 1,208</b>	<b>\$ 35,916</b>

ABENTEUR RESOURCES CORP.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2004

(UNAUDITED)

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

The interim unaudited financial statements of Abenteur 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 financial statements for the fiscal year ended December 31, 2003. The interim financial statements should be read in conjunction with the financial statements and the notes thereto in the Company’s annual report for the year ended December 31, 2003.

**NOTE 2 CHANGE IN ACCOUNTING POLICIES**

a) Oil and gas operations

Capitalized costs are depleted and depreciated using the unit of production method based on gross reserves of petroleum and natural gas as determined by independent engineers. Effective January 1, 2004 the Company adopted Accounting Guideline 16, “Oil and Gas Accounting – Full Cost” which modifies how the ceiling test is performed. The recoverability of a cost centre is tested by comparing the carrying value of the cost centre to the sum of the undiscounted cash flows expected from that cost centre. If the carrying value is not recoverable, the cost centre is written down to its fair value.

There were no changes to net income, capital property or any other reported amounts in the financial statements as a result of adopting this guideline

b) Asset retirement obligation

Effective January 1, 2004 the Company retroactively adopted the Canadian Institute of Chartered Accountants section 3110 “Asset Retirement Obligations”. The new recommendations require the recognition of the fair value of the obligations associated with the retirement of tangible long-lived assets be recorded in the period in which the liability is incurred, with a corresponding increase to the carrying value of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through changes to accretion expense. The costs capitalized to the related assets are depleted to earnings in a manner consistent with the underlying asset.

**NOTE 3 PROPERTY AND EQUIPMENT**

	<u>Cost</u>	<u>Accumulated Depletion and Amortization</u>	<u>2004 Net Book Value</u>	<u>2003 Net Book Value</u>
Computer equipment	\$ 3,155	\$ 1,883	\$ 1,272	\$ 1,375
Petroleum & natural gas properties	<u>1,919,349</u>	<u>299,800</u>	<u>1,619,549</u>	<u>1,675,340</u>
	<u>\$ 1,922,504</u>	<u>\$ 301,683</u>	<u>\$ 1,620,821</u>	<u>\$ 1,676,715</u>

At March 31, 2004, petroleum and natural gas properties included \$nil (2003 - \$104,687) relating to unproved properties which have been excluded from the depletion calculation.

No general and administrative costs were capitalized during the quarter (2003 – nil).

ABENTEUER RESOURCES CORP.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2004

(UNAUDITED)

**NOTE 4 BANK LOAN**

At March 31, 2004, the Company had available a \$240,000 Revolving Reducing Demand Loan (LOC). The LOC is permanently reduced by \$10,000 per month, requires no additional principal repayments, and bears interest at the bank's prime lending rate plus one per cent. 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 5 PROMISSORY NOTE PAYABLE**

During 2003 the Company borrowed US \$90,000 from a corporation associated with a director of the Company. Interest at 10% per annum (US \$9,000) as been prepaid on this loan. The principal amount is repayable on November 27, 2004 or earlier, if at any time any party acquires 25% or more of the Company's issued and outstanding shares. The loan is unsecured.

**NOTE 6 DUE TO SHAREHOLDERS**

The amounts due to shareholders are unsecured and bear interest at 8% per annum. Principal in the amount of \$100,000 is repayable on May 26, 2004 and the remaining \$100,000 is repayable on July 14, 2004.

**NOTE 7 ASSET RETIREMENT OBLIGATION**

The Company retroactively adopted the new recommendations on the recognition of the obligations to retire long-lived tangible assets. The change was effective January 1, 2004 and the revision was applied retroactively. The impact on December 31, 2003 was as follows:

	<u>As reported</u>	<u>Change</u>	<u>As restated</u>
Assets			
Capital assets net of depletion	\$ 1,654,615	\$ 22,100	\$ 1,676,715
Liabilities			
Asset retirement obligation	3,200	18,900	22,100
Retained earnings	128,037	3,200	131,237

Changes to the asset retirement obligation for the three months ended March 31, 2004 are as follows:

Asset retirement obligation at the beginning of the period	\$ 22,100
Liabilities incurred during the period	-
Accretion	<u>300</u>
Asset retirement obligation at March 31, 2004	\$ 22,400

ABENTEUER RESOURCES CORP.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE THREE MONTHS ENDED MARCH 31, 2004

(UNAUDITED)

NOTE 8 **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	\$ 547,429
Exercise of stock options	140,000	35,000
Private placement	700,000	350,000
Share issue costs	<u>-</u>	<u>(20,115)</u>
As at December 31, 2003 and March 31, 2004	<u>6,040,000</u>	<u>\$ 912,314</u>

Contributed Surplus

As at December 31, 2002	\$ -
Stock based compensation	<u>18,460</u>
As at December 31, 2003 and March 31, 2004	<u>\$ 18,460</u>

Per share amounts were calculated using the weighted average number of common shares outstanding of 6,040,000 (2003 – 5,234,444). 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 Directors' 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 proprietary interest in the Company. All of the options which have been issued to date by the Corporation 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 DDNX (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 THREE MONTHS ENDED MARCH 31, 2004

(UNAUDITED)

NOTE 8 **SHARE CAPITAL – CONTINUED**

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

	Number of <u>Shares</u>	Exercise <u>Price</u>	Expiry <u>Date</u>
Balance December 31, 2002	520,000	\$ 0.25	2006
Options exercised	(140,000)	\$ 0.25	2006
Options granted	110,000	\$ 0.25	2006
Options granted	<u>40,000</u>	\$ 0.45	2008
Balance December 31, 2003 and March 31, 2004	530,000		

Warrants

On July 9, 2003 the Company issued 700,000 units at \$0.50 per unit for gross proceeds of \$350,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.75. The warrants expire on July 9, 2005.

As at March 31, 2004 there were 1,077,216 common shares held in escrow.

NOTE 9 **RELATED PARTY TRANSACTIONS**

During the period the Company paid management fees of \$7,500 to a company controlled by a director of the company.

NOTE 10 **FINANCIAL INSTRUMENTS**

The company's financial instruments that are included in the balance sheet are comprised of cash, accounts receivable and accounts payable. The fair values of financial instruments that are included in the balance sheet approximate their carrying values due to the short-term maturity of those instruments.

a) Fair Value

Fair value estimates are made at a specific point in time, are subjective in nature and involve uncertainties and matters of significant judgment. Changes in assumptions could significantly affect these estimates.