ABENTEUER RESOURCES CORP.

FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

MARCH 31, 2010

(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements.

ABENTEUER RESOURCES CORP.

BALANCE SHEETS

		March 31, 2010		December 31, 2009
ASSETS				
CURRENT				
Cash and cash equivalents	$	445,394	$	462,514
Accounts receivable		110,255		127,235
Prepaid expenses		22,504		2,504
Short-term deposits		800,000		800,000
		1,378,153		1,392,253
LONG TERM				
Property and equipment – Note 6		1,032,505		1,057,164
TOTAL ASSETS	**$**	**2,410,658**	**$**	**2,449,417**
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$	17,485	$	66,471
LONG TERM				
Asset retirement obligations – Note 7		82,729		82,729
Future income tax liability – Note 11		29,987		29,987
		112,716		112,716
SHAREHOLDERS' EQUITY				
SHARE CAPITAL – Note 8		2,109,940		2,105,559
WARRANTS – Note 8		96,502		97,133
CONTRIBUTED SURPLUS – Note 8		244,213		244,213
RETAINED EARNINGS (DEFICIT)		(170,198)		(176,675)
		2,280,457		2,270,230
TOTAL LIABILITIES AND EQUITY	**$**	**2,410,658**	**$**	**2,449,417**

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

Approved by:

"*Lewis Dillman*", Director

"*Sean McGrath*", Director

ABENTEUER RESOURCES CORP.

STATEMENT OF SHAREHOLDER'S EQUITY

FOR THE THREE MONTHS ENDED MARCH 31

(UNAUDITED)

	2010	2009
Number of common shares		
Balance – beginning of year	14,583,266	10,733,266
Issue of common shares in financing	25,000	3,850,000
Balance as of period end	14,608,266	14,583,266
Paid in share capital		
Balance – beginning of year	$ 2,105,559	$ 1,829,228
Issue of common shares in financing	3,750	285,000
Share issuance costs	-	(8,669)
Warrants	631	-
Balance as of period end	2,109,940	2,105,559
Warrants		
Balance – beginning of year	97,133	-
Issue of warrants in financing	-	100,000
Share issuance costs	-	(2,867)
Share capital	(631)	
Balance at end of period	96,502	97,133
Contributed Surplus		
Balance – beginning of year	244,213	217,963
Stock based compensation	-	26,250
Balance as of period end	244,213	244,213
Retained earnings		
Balance – beginning of year	(176,675)	62,171
Net income and comprehensive income (loss)	6,477	(238,846)
Balance as of period end	(170,198)	(176,675)
Total shareholder's equity	**$2,280,456**	**$ 2,270,230**

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

ABENTEUER RESOURCES CORP.

STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME (LOSS) AND RETAINED EARNINGS (DEFICIT)

FOR THE THREE MONTHS ENDED MARCH 31

(UNAUDITED)

	2010	2009
REVENUE		
Petroleum and natural gas sales	$ 126,897	$ 91,365
Less: Royalties and free hold mineral tax	(21,508)	(8,787)
	105,389	82,578
EXPENSES		
Operating	18,661	65,041
Depletion, accretion and amortization	24,657	32,303
General and administrative	55,764	45,783
	99,082	143,127
Other income	170	907
NET EARNINGS (LOSS) FOR THE PERIOD BEFORE INTEREST AND INCOME TAXES	6,477	(59,642)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	6,477	(59,642)
RETAINED EARNINGS (DEFICIT) – Start	(176,675)	62,171
RETAINED EARNINGS (DEFICIT) – End	(170,198)	2,529
Earnings (Loss) per share (basic and diluted)	$ (0.00)	$ (0.01)
Weighted average number of shares outstanding	14,589,516	10,733,266

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

ABENTEUER RESOURCES CORP.

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31

(UNAUDITED)

	2010	2009
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net income (loss) and comprehensive income (loss) for the period	$ 6,477	$ (59,642)
Add items not requiring cash payment:		
Depletion, accretion and amortization	24,657	32,303
	31,134	(27,339)
Net Changes in non-cash working capital relating to operations	(52,004)	(60,230)
	(20,870)	(85,569)
FINANCING ACTIVITIES		
Issuance of share capital	3,750	-
	3,750	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(17,120)	(87,569)
CASH AND CASH EQUIVALENTS – Beginning	462,514	614,355
CASH AND CASH EQUIVALENTS – End	**$ 445,394**	**$ 526,786**

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

NOTE 1 **NATURE OF OPERATIONS**

The Company is engaged primarily in the exploration for, and the production of, petroleum reserves in a single cost centre being the Western Canadian Sedimentary basin; however, it does consider opportunities, which have an international aspect. .

NOTE 2 **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies followed by the Company are set out below and have been consistently followed in the preparation of these financial statements as compared to prior years, except that the Company has adopted certain new Canadian Institute of Chartered Accountants ("CICA") standards as described in Note 3.

a) Property and Equipment

Office equipment, other than petroleum and natural gas properties and production equipment, is recorded at cost. Amortization is recorded on a declining balance basis at the following annual rate:

Computer equipment	20%

b) Petroleum Properties and Production Equipment

Capitalized costs
The Company follows the full-cost method of accounting for oil and gas activities whereby all costs associated with the acquisition of, the exploration for and the development of oil reserves, whether productive or unproductive, are capitalized. Such costs include land and lease acquisitions, geological and geophysical expenditures, drilling of productive and non-productive wells, production and gathering equipment and facilities, carrying costs directly related to unproved properties, and corporate costs directly related to acquisition. The carrying value, based on a ceiling test calculation, is limited to a recoverable amount as determined by estimating the present value of future net revenue from proven properties based on forecast prices, costs and the value of unproven properties at the lower of cost and net realizable value.

The costs (including exploratory dry holes) related to cost centres from which there has been no commercial production are not subject to depletion until commercial production commences.

Proceeds from disposal of properties are normally applied as a reduction of the costs of the remaining assets unless the disposal would alter the rate of depletion by more than 20%, in which case a gain or loss on disposal is recorded.

NOTE 2 **SIGNIFICANT ACCOUNTING POLICIES -** CONTINUED

Depletion and deprecation
Capitalized costs are depleted and depreciated using the unit-of-production method based on gross proved reserves of petroleum and natural gas as determined by independent engineers. For purposes of this calculation, oil and natural gas reserves are converted to a common unit of measurement on the basis that six thousand cubic feet of gas equates to one barrel of oil. In determining its depletion base, the Company includes estimated future costs to be incurred in developing proved reserves and excludes estimated salvage values and the cost of unproved properties. Costs of acquiring and evaluating unproved properties are excluded from the depletion base until it is determined whether proved reserves are attributable to the properties or impairment occurs. Unproved properties are assessed for impairment at least annually.

Ceiling Test
Impairment is determined when the carrying amount of property and equipment exceeds the sum of the undiscounted cash flows expected to result from the Company’s proved reserves (determined pursuant to evaluation by independent engineers as dictated by National Instrument 51-101), based on future pricing. If the carrying value is impaired, the amount of impairment is measured by comparing the carrying amounts of property and equipment to an amount equal to the estimated net present value of future cash flows from proved plus probable reserves. This calculation incorporates risks and uncertainties in the expected future cash flows that are discounted using a risk-free rate. Any excess carrying value above the net present value of the future cash flows would be recorded as a permanent impairment and the cost centre is written down to its fair value.

The Company applies this test at least annually or more frequently as events or circumstances dictate.

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

NOTE 2 **SIGNIFICANT ACCOUNTING POLICIES -** CONTINUED

c) Asset Retirement Obligation

The Company recognizes the estimated liability associated with an asset retirement obligation (“ARO”) in the financial statements at the time the asset is acquired and the liability is incurred. The estimated fair value of the ARO liability is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a unit-of-production method over the life of the proved reserves. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. Differences between the actual costs incurred and the fair value of the liability recorded are recognized in earnings in the period incurred.

d) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The amounts recorded for depletion and amortization of property and equipment and the liability for retirement obligations are based on estimates. The impairment test is based on estimates of proved reserves, production rates, oil prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in estimates in future periods could be significant.

The calculation of stock-based compensation involves using certain estimates and assumptions which are subject to management uncertainty.

The financial statements include accruals based on the terms of existing joint venture agreements. Due to varying interpretations of the definition of terms in these agreements, the accruals made by management in this regard may be significantly different from those determined by the Company’s joint venture partners. The effect on the financial statements resulting from such adjustments, if any, will be reflected prospectively.

NOTE 2 **SIGNIFICANT ACCOUNTING POLICIES -** CONTINUED

e) Income Taxes

The Company has adopted the liability method of accounting for future income taxes. Under the liability method, future income tax assets and liabilities are determined based on “temporary difference” (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the substantively enacted tax rates and laws expected to apply when these differences are expected to reverse.

f) Stock-Based Compensation

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For employees and non-employees, the fair value of the options is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

g) Revenue Recognition

Revenues associated with sales of petroleum and natural gas and all other items are recorded when reserves are produced and delivered to the purchaser.

h) Earnings (Loss) Per Share

Basic earnings (loss) per share are computed by dividing income (loss) by the weighted average number of common shares outstanding during the year. Diluted earnings per share amounts reflect the potential dilution (if any) that could occur if stock options or warrants to purchase common shares were exercised and converted to common shares. The treasury stock method of calculating diluted loss per share amounts is used whereby any proceeds from the exercise of stock options or warrants are assumed to be used to purchase common shares of the Company at the average market price during the year.

NOTE 2 **SIGNIFICANT ACCOUNTING POLICIES -** CONTINUED

j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, term deposits and short-term highly liquid investments with the original term to maturity of three months or less, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of changes in value.

k) Short-term deposits

Short term deposits include term deposits and short term highly liquid investments with the original term to maturity of greater than three months but less than one year, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of changes in value.

NOTE 3 **RECENT CANADIAN ACCOUNTING POLICIES**

(i) Goodwill and Intangible Assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued CICA Handbook Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The new Section will be applicable to the Company's consolidated financial statements for its fiscal year beginning January 1, 2009. The Company does not expect that the adoption of this section will have a material impact on its consolidated financial statements.

(ii) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2003, the CICA issued EIC – 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. The guidance requires that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company does not expect that the adoption of this section will have a material impact on its consolidated financial statements.

NOTE 3 **RECENT CANADIAN ACCOUNTING POLICIES -** CONTINUED

(iii) Financial Instruments - Disclosures

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosures about the inputs to fair value measurement, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of fair value hierarchy are:

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

The Company adopted this amended standard for the year ended December 31, 2009 and required disclosures are included in Note 14.

NOTE 4 **FUTURE ACCOUNTING PRONOUNCEMENTS**

(i) Business Combinations

In January 2009, the CICA issued Section 1582, *Business Combinations*, which replaces former guidance on business combinations. Section 1852 establishes principles and requirements of the acquisition method for business combinations and related disclosures. In addition, the CICA issued Sections 1601, *Consolidated Financial Statements*, and 1602, *Non-Controlling Interests*, which replaces the existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements, which section 1601 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

These statements apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 with earlier application permitted. The Company is currently evaluating the new sections to determine the potential impact on its consolidated financial statements.

NOTE 5 **SHORT TERM INVESTMENTS**

As of March 31st, 2010 the Company had $800,000 invested in a variable rate GIC, based on BMO's prime rate, with a maturity date of July 19, 2010.

NOTE 6 EQUIPMENT AND DEFERRED PROPERTY COSTS

	Cost	Accumulated Amortization & Depletion	2010 Net Book Value
Computer Equipment	$ 10,504	$ 9,939	$ 565
Wells[1]			
Well # 1	$ 389,150	$ 184,206	$ 204,944
Well # 2	77,661	36,841	40,820
Well # 3	719,000	340,781	378,219
Well # 4	329,850	156,576	173,274
Well # 5	437,311	202,628	234,683
	$ 1,952,972	$ 921,032	1,031,940
	$ 1,963,476	$ 930,971	$ 1,032,505

[1]For additional information on the wells, please see the MD&A accompanying these statements.

	Cost	Accumulated Amortization & Depletion	2009 Net Book Value
Computer equipment	$ 10,504	$ 9,412	$ 1,092
Petroleum properties & equipment	1,952,972	896,900	1,056,072
	$ 1,963,476	$ 906,312	$ 1,057,164

No general and administrative costs were capitalized during the year (2008 - $nil). The Company applied the ceiling test to its capitalized assets at December 31, 2009 and determined that no write down of capitalized costs was required (2008 - $nil write down).

The following table outlines the benchmark prices used in the impairment test at December 31, 2009:

Year	Oil Price
2009	$ 58.50
2010	62.25
2011	64.09
2012	75.85
2013	85.26
2014	85.35

Prices were escalated at 3% per annum to 2015 and then escalating at 1.5% thereafter.

NOTE 7 ASSET RETIREMENT OBLIGATIONS

The asset retirement obligations for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Asset retirement obligations - beginning of the year	$ 78,795	$ 75,043
Net decrease in liabilities during the year	-	-
Accretion expense	3,934	3,752
Asset retirement obligations - end of the year	$ 82,729	$ 78,795

As at March 31, 2010, the Company has recorded no change to the asset retirement obligation as it believes this is sufficient given that the Province only requires a $20,000 bond for the clean up of an orphaned well and the above set aside is for partial working interests in four wells.

In addition to the liability, which is indicated in the above table, the Company also has a reclamation bond having a value of $32,506 ($20,000 Well & $12,506 Battery) that is held by the Saskatchewan Industry and Resources in the event that well King 03-27-004-07 W2 becomes orphaned.. This is included in the value of the property and equipment. Interest is paid at 0.85% on the reclamation bond.

The Company has calculated the fair value of the asset retirement obligation using a discount rate of 5% and an inflation rate of 1.5%. The estimated total future undiscounted cash flows to settle the asset retirement obligations are $203,476 (2008 - $203,476) and are expected to be incurred over a period of approximately 7 to 13 years.

NOTE 8 SHARE CAPITAL

Authorized share capital:

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

Issued share capital - common shares:

	Number of Shares	Value
Balance December 31, 2008	10,733,266	$ 1,829,228
Private Placement October 2009	3,850,000	285,000
Issuance costs	-	(8,669)
Balance at December 31, 2009	14,583,266	2,105,559
Issue of shares & exercise of warrants Feb. 2010	25,000	4,381
Balance at March 31, 2010	14,608,266	$ 2,109,940

NOTE 8 **SHARE CAPITAL -** CONTINUED

In February 2010, a shareholder who participated in the October 2009 private Placement exercised the warrants attached to his shares.

Warrants

Balance December 31, 2008	$ Nil	$ Nil
Private Placement October 2009	385,000	100,000
Issuance Costs	-	(2,867)
Balance at December 31, 2009	385,000	97,133
Exercise of warrants Feb. 2010	(25,000)	(631)
Balance March 31, 2010	$ 360,000	$ 96,502

Warrants value was calculated using the Black Scholes option pricing model with risk free interest rate of (1.36%), expected life of (2 yrs) and expected volatility of (62.294%).

Contributed surplus

Balance December 31, 2008	$ 217,963
Stock-based compensation (Note 9)	26,250
Balance December 31, 2009 and March 31, 2010	$ 244,213

ii) Stock Options

The following tables summarize information about stock options outstanding at March 31, 2010.

Number of Stock Options	Exercise Price	Expiry Date
700,000	$0.20	Nov. 2010
300,000	$0.10	Dec. 2011
250,000	$0.23	Oct. 2012

NOTE 8 **SHARE CAPITAL -** CONTINUED

	Options Outstanding	**Weighted Average Exercise Price Per Share**	**Weighted Average Grant Date Fair Value**	**Weighted Average Time to Expiry**
Balance Dec. 31, 2007	1,000,000	$0.20	$0.08	2.90 yrs
Expired	(300,000)	$0.20	-	-
Granted	300,000	$0.10	$0.02	3.00 yrs
Balance Dec. 31, 2008	1,000,000	$0.17	$0.07	2.23 yrs
Granted	250,000	$0.23	$0.11	3.00 yrs
Balance Dec. 31, 2009	1,250,000	$0.18	$0.08	1.58 yrs
Balance Mar. 31, 2010	1,250,000	$0.18	$0.08	1.50 yrs

NOTE 9 **STOCK BASED COMPENSATION**

The Company has used the Black-Scholes option pricing model to determine a fair value for stock options in order to determine the stock option compensation expense. During the prior year, the Company recorded $26,250 of compensation expense in the statement of operations, comprehensive income and retained earnings (deficit) in relation to the 250,000 options issued on October 16, 2009, with a corresponding increase to contributed surplus on the balance sheet.

The fair value of each option granted was estimated using the following assumptions:

- Risk-free interest rate (1.46%)
- Expected life (3 years)
- Expected volatility (68.294%)
- Expected dividend yield (0.00%)

NOTE 10 **KINGSFORD SASK. WELLS – CGU's**

	Well #1	**Well #2**	**Well #3**	**Well #4**	**Well #5**
Sales	$ 33,677	$ 9,396	$ 29,785	$ 23,828	$ 30,210
Royalties & Tax					
FH Royalty	5,156	-	4,539	5,431	3,908
OR Royalty	-	-	-	-	634
Crown Royalty	-	240	-	-	-
Mineral Tax	-	-	-	1,600	-
Gross Margin	28,521	9,156	25,246	16,797	25,668
Operating Exp.					
Hauling Water	-	-	-	-	2,506
Vehicles	62	37	43	-	-
Labour	920	261	1,115	97	-
Consulting	18	5	18	-	-
Charts	8	3	8	33	1,350
Maintenance	109	31	109	41	1,800
Tank Repair	-	345	-	-	-
Electrical Repair	-	-	-	12	-
Fuel & Power	1,075	422	730	553	1,238
Chemicals	168	202	253	233	605
Field Office	60	17	60	-	
Property Tax	-	-	-	-	250
Licences	-	-	-	-	300
Supplies	6	11	249	55	
Hauling Oil	-	-	-	-	635
Miscellaneous	140	40	140	1	7
	25,953	7,782	22,523	15,770	16,977
Depletion	4,826	965	8,929	4,102	5,309
Net Operating Revenue	$ 21,127	$ 6,817	$ 13,594	$ 11,668	$ 11,668

NOTE 11 **INCOME TAXES**

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before taxes. These differences result from the following items:

	2009	2008
Earnings (Loss) before income taxes	$ (304,372)	$ 237,026
Canadian federal and provincial income tax rates	31.00%	32.00%
Income tax recovery based on the above rates	(94,355)	75,848
Increase (decrease) due to:		
Non-deductible items and other	8,825	2,966
Change in long term tax rates	(7,306)	(10,908)
Change in valuation allowance	12,699	-
Income tax expense (recovery)	$ (65,526)	$ 67,907

The components of future income taxes are as follows:

	2009	2008
Future income tax assets		
Share issue costs	$ 6,954	$ 12,180
Asset retirement obligation	22,337	21,275
Asset retirement obligation	12,699	-
Total future tax assets	41,989	33,454
Valuation allowance	(12,699)	-
Net future income tax asset	29,290	33,454
Future income tax liabilities (long term)		
Property and equipment	59,277	98,967
Future income tax liabilities	59,277	98,967
Future income tax liability	$ 29,987	$ 65,512

In assigning the realization of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will be realized. The ultimate realization of future assets is depend upon the generation of future taxable income during the periods in which those temporary differences become deductible.

NOTE 12 RELATED PARTY TRANSACTIONS

During the three months ended, the Company:

a) paid management fees of $7,500 (2009 - $7,500) to a company controlled by an officer and director of the Company;
b) paid legal fees of $Nil (2009 - $1,070) to an advisor who is an officer of the Company;
c) paid accounting services of $7,060 (2009 - $6,028) to a proprietorship owned by a director of the Company;
d) paid $15,000 (2009 – $15,000) in Directors' fees.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

NOTE 13 COMMITMENTS

The Company has a lease commitment totaling $24,900 for its office premises expiring in 2010.

NOTE 14 CONTINGENCIES

The Company is subject to various regulatory and statutory requirements relating to the protection of the environment. These requirements, in addition to contractual agreements and management decisions, result in the accrual of estimated asset retirement obligations. Any changes in these estimates will affect future earnings.

Costs attributable to these commitments and contingencies are expected to be incurred over an extended period of time and are to be funded mainly from the Company's cash provided by operating activities. Although the ultimate impact of these matters on net earnings or loss cannot be determined at this time, it could be material for any one quarter or year.

The Company has third-party insurance coverage for the oil and gas wells in which it has an interest the operating partners are insured for the joint interest wells.

NOTE 15 CAPITAL DISCLOSURE

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the exploration and development of petroleum and natural gas property. The Board of Directors has not established quantitative capital structure criteria for management, but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The property in which the Company currently has interest is in the development stage and the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

In order to facilitate the management of capital and maintenance and development of future oil producing sites, the Company prepares annual expenditure budgets, which are updated as necessary and are reviewed and approved by the Company's Board of Directors. In addition, the Company may issue new equity, incur additional debt, option its properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. The Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends. The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

There were no changes in the Company's approach to capital management during the period ended March 31, 2010. The Company is not subject to externally imposed capital requirements.

NOTE 16 FINANCIAL INSTRUMENTS

Fair Value

Upon adoption of this new standard, the Company designated its financial instruments as follows:

- Cash is classified as held-for-trading;
- Receivables are classified as loans and receivables; and
- Accounts payable and accrued liabilities as other financial liabilities.

The fair value of accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments.

NOTE 16 **FINANCIAL INSTRUMENTS -** CONTINUED

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial instruments. Fair values are determined directly by reference to published price quotations in an active market, when available, or by using a valuation technique that uses inputs observed from the markets.

Accounts Receivable		**Accounts Payable**	
Operating Partners	110,255	Trade	5,000
Net GST	1,263	Audit	11,500
		2009 Tax Prep	985
Total	**$ 111,518**	**Total**	**$ 17,485**

Financial risk management

The Company's activities expose it to a variety of financial risks including credit risk, foreign exchange risk, interest rate risk and liquidity risk.

Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada. Management believes that the credit risk with respect to receivables is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient capital to meet liabilities when due after taking into account the Company's holdings of cash, marketable securities and cash that might be raised from equity financings. As at March 31, 2010, the Company had a cash balance of $445,394 (2009 - $462,514), and current liabilities of $17,485 (2009 - $66,471). All of the Company's accounts payable and accrued liabilities have contractual maturities of less than 60 days and are subject to normal trade terms. The Company believes that these sources will be sufficient to cover the expected short and long term cash requirements.

NOTE 16 **FINANCIAL INSTRUMENTS -** CONTINUED

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. With respect to financial assets, the Company's practice is to invest cash in cash equivalents in order to maintain liquidity. Fluctuations in interest rates affect the fair value of cash equivalents.

b) Foreign currency risk

The Company is not exposed to foreign currency risk on fluctuations considering that its assets and liabilities are stated in Canadian dollars.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity price of Oil, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. An increase (decrease) of 10% in the price of oil would cause an increase (decrease) in gross petroleum sales of $10,537 based upon the average selling price of oil during the first three months of 2010.

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