

ABENTEUER RESOURCES CORP.

FINANCIAL STATEMENTS

FOR THE PERIODS ENDED

SEPTEMBER 30, 2003 AND 2002

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

	September 30 2003	December 31 2002
<b>ASSETS</b>		
CURRENT		
Cash and term deposits	\$ 395	\$ 53,996
Accounts receivable	69,072	39,246
Deposits	<u>10,342</u>	<u>10,342</u>
	79,809	103,584
CAPITAL ASSETS – Note 2	1,520,827	679,568
<b>TOTAL ASSETS</b>	<b>\$ 1,600,636</b>	<b>\$ 783,152</b>
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	\$ 55,011	\$ 15,381
DUE TO SHAREHOLDERS	200,000	100,000
BANK LOAN – Note 3	270,000	-
PROVISION FOR ABANDONMENT COSTS	2,600	1,600
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL – Note 4	912,314	547,429
CONTRIBUTED SURPLUS	7,700	-
RETAINED EARNINGS	153,011	118,742
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,073,025</b>	<b>666,171</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 1,600,636</b>	<b>\$ 783,152</b>

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

	Three Month Period Ended Sept 30, 2003	Three Month Period Ended Sept 30, 2002	Nine Month Period Ended Sept 30, 2003	Nine Month Period Ended Sept 30, 2002
<b>INCOME</b>				
Net oil and gas sales	\$ 66,463	\$ 43,806	\$ 233,122	\$ 123,373
Other income	<u>-</u>	<u>-</u>	<u>-</u>	<u>170</u>
	65,463	43,806	233,122	123,543
<b>EXPENSES</b>				
Oil and gas operating	16,495	5,291	47,382	11,992
Administration	21,204	13,178	84,529	48,247
Depletion	<u>23,197</u>	<u>12,424</u>	<u>66,942</u>	<u>40,463</u>
	60,896	30,893	198,853	100,702
<b>NET EARNINGS FOR THE PERIOD</b>	5,567	12,913	34,269	22,841
<b>RETAINED EARNINGS</b> Beginning of period	147,444	99,576	118,742	89,648
<b>RETAINED EARNINGS</b> End of period	\$ 153,011	\$ 112,489	\$ 153,011	\$ 112,489
<b>EARNINGS PER SHARE</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>	6,017,174	5,200,000	5,533,480	5,200,000

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

	Three Month Period Ended Sept 30, 2003	Three Month Period Ended Sept 30, 2002	Nine Month Period Ended Sept 30, 2003	Nine Month Period Ended Sept 30, 2002
<b>CASH PROVIDED BY (USED IN)</b>				
<b>OPERATING ACTIVITIES</b>				
Net earnings for the period	\$ 5,567	\$ 12,913	\$ 34,269	\$ 22,841
Add items not requiring cash payment				
Depletion	23,197	12,424	66,942	40,463
Stock based compensation	-	-	7,700	-
	<u>28,764</u>	<u>25,337</u>	<u>108,911</u>	<u>63,304</u>
Changes in non-cash working capital items relating to operations	<u>71,855</u>	<u>(63,083)</u>	<u>9,804</u>	<u>(85,613)</u>
	<u>100,619</u>	<u>(37,746)</u>	<u>118,715</u>	<u>(22,309)</u>
<b>FINANCING ACTIVITIES</b>				
Common share issuance (net of costs)	329,885	-	364,885	-
Long term debt	(40,000)	-	270,000	-
Shareholder loan	-	-	100,000	-
	<u>289,885</u>	<u>-</u>	<u>734,885</u>	<u>-</u>
<b>INVESTING ACTIVITY</b>				
Capital Assets	(390,714)	(2,908)	(907,201)	(59,990)
<b>CASH INCREASE (DECREASE)</b>	<b>(210)</b>	<b>(40,654)</b>	<b>(53,601)</b>	<b>(82,229)</b>
<b>CASH – beginning of period</b>	<b>605</b>	<b>103,413</b>	<b>53,996</b>	<b>145,058</b>
<b>CASH – end of period</b>	<b>\$ 395</b>	<b>\$ 62,759</b>	<b>\$ 395</b>	<b>\$ 62,759</b>

**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>Sept 2003 Net Book Value</u>	<u>December 2002 Net Book Value</u>
Computer equipment	\$ 3,155	\$ 1,632	\$ 1,523	\$ 1,965
Petroleum & natural gas properties	<u>1,713,104</u>	<u>193,800</u>	<u>1,519,304</u>	<u>677,603</u>
	<u>\$ 1,716,259</u>	<u>\$ 195,432</u>	<u>\$ 1,520,827</u>	<u>\$ 679,568</u>

At September 30, 2003, petroleum and natural gas properties included \$792,960 (2002 – nil) relating to unproved properties which have been excluded from the depletion calculation.

At September 30, 2003 future site restoration and abandonment costs are estimated in aggregate to be \$12,000 of which \$1,000 (2002 - \$468) has been charged to operations in the nine-month period.

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

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**NOTE 3      BANK LOAN**

At September 30, 2003 the Company had available a \$300,000 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. At September 30, 2003 the Company had drawn \$270,000 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	\$ 547,429
Exercise of options	140,000	35,000
Private placement	700,000	350,000
Share issue costs	-	(20,115)
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As at September 30, 2003	6,040,000	\$ 912,314

Contributed surplus

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

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 TSX Venture Exchange (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 TSX Venture Exchange less the permissible discount allowed by that exchange.

ABENTEUER RESOURCES CORP.  
 NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
 FOR THE PERIODS ENDED SEPTEMBER 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>	\$ 0.25	2006
Outstanding at June 30, 2003	490,000	\$ 0.25	2006
Options granted	<u>40,000</u>	\$ 0.45	2008
Outstanding at September 30, 2003	530,000		

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

NOTE 5      **STOCK BASED COMPENSATION**

Of the total 40,000 incentive stock options granted during the period, all were granted to 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:

	<u>Nine Months</u>	<u>Three Months</u>
Stock based compensation costs	\$ 10,760	\$ 6,360
Net earnings		
As reported	34,269	5,567
Pro forma	27,909	(793)
Net earnings per share – basic and diluted		
As reported	\$ 0.00	\$ 0.00
Pro forma	\$ 0.00	\$ 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)	\$ 0.04 to 0.16
Risk-free interest rate (%)	3.60 to 3.63
Expected life (months)	46 to 60
Expected volatility (%)	33 to 54
Expected dividend yield (%)	0.00