Canoel International Energy Ltd.

Financial Statements

Third Quarter Ended December 31, 2009

(expressed in Canadian dollars)

Notice to the Reader

The accompanying unaudited interim financial statements of Canoel International Energy Ltd. for the three and nine months ended December 31, 2009 have been prepared by management and approved by the Board of Directors of the Company. These statements have not been reviewed by the Company's external auditors.

Approved on behalf of Canoel International Energy Ltd.,

Andrea Cattaneo	Stephen Austin
President and Chief Executive Officer	Chief Financial Officer

Dated February 17, 2010

Canoel International Energy Ltd.

Balance Sheets

As at December 31, 2009 and March 31, 2009

(Unaudited – expressed in Canadian dollars)

	December 31, 2009 $	March 31, 2009 $ (Audited)
Assets		
Current Assets		
Cash and cash equivalents	**652,134**	1,094,065
Accounts receivable	**49,208**	514,981
Prepaid expenditures	**22,895**	4,588
	724,237	1,613,634
Exploration deposit (note 11)	**490,000**	-
Property, plant and equipment (note 6)	**972,407**	894,847
	2,186,644	2,508,481
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**109,982**	121,627
	109,982	121,627
Shareholders' equity		
Share capital (note 7b)	**2,618,103**	2,331,344
Warrants (note 7c)	**415,093**	382,567
Contributed surplus (note 7e)	**180,405**	152,101
Deficit	**(1,136,939)**	(479,158)
	2,076,662	2,386,854
	2,186,644	2,508,481

Signed "Andrea Cattaneo"
Director

Signed "Jose Ramon Lopez Portillo"
Director

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

Canoel International Energy Ltd.

Interim Statement of Loss, Comprehensive Loss and Deficit

For the three months and nine months ended December 31, 2009 and 2008

(Unaudited – expressed in Canadian dollars)

	Three month period ended December 31, 2009 $	Three month period ended December 31, 2008 $	**Nine month period ended December 31, 2009 $**	Nine month period ended December 31, 2008 $
Revenue				
Interest income	**153**	469	**1,037**	6,127
	153	469	**1,037**	6,127
Expenses				
General and administrative	**244,048**	63,417	**623,148**	125,780
Foreign exchange loss	**2,814**	-	**7,366**	-
Stock-based compensation (note 7d)	**5,390**	-	**28,304**	49,200
	(252,252)	(63,417)	**(658,818)**	(174,980)
Net loss and comprehensive loss	**(252,099)**	(62,948)	**(657,781)**	(168,853)
Deficit, beginning of period	**(884,840)**	(117,905)	**(479,158)**	(12,000)
Deficit, end of period	**(1,136,939)**	(180,853)	**(1,136,939)**	(180,853)
Basic loss per share	**(0.02)**	(0.008)	**(0.04)**	(0.022)
Weighted average shares outstanding during the period	**16,637,258**	10,589,391	**16,200,732**	7,921,324

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

Canoel International Energy Ltd.

Interim Statement of Cash Flows

For the three and nine months ended December 31, 2009 and 2008

(Unaudited – expressed in Canadian dollars)

	Three month period ended December 31, 2009 $	Three month period ended December 31, 2008 $	**Nine month period ended December 31, 2009 $**	Nine month period ended December 31, 2008 $
Cash flows provided by (used in) operating activities:				
Net loss for the period	**(252,099)**	(62,948)	**(657,781)**	(168,853)
Items not affecting cash:				
Stock-based compensation	**5,390**	-	**28,304**	49,200
	(246,709)	(62,948)	**(629,477)**	(119,653)
Changes in non-cash working capital				
Change in accounts receivable	**(5,904)**	(24,801)	**(24,227)**	(34,021)
Change in deferred costs	**-**	118,837	**-**	-
Change in deposits	**-**	150,000	**-**	-
Change in prepaids	**3,458**	3,188	**(18,307)**	(6,375)
Change in accounts payable and accrued liabilities	**(20,964)**	(96,026)	**(11,645)**	(59,553)
	(270,119)	88,250	**(683,656)**	(219,602)
Cash flows provided by (used in) investing activities				
Investment in property and equipment	**-**	(603,945)	**(77,560)**	(721,408)
Investment in exploration deposit	**-**	-	**(490,000)**	-
Changes in non-cash working capital	**-**	(490,000)	**490,000**	(490,000)
	-	(1,093,945)	**(77,560)**	(1,211,408)
Cash flows provided by (used in) financing activities				
Proceeds from issuance of common shares, net of issue costs	**181,013**	1,721,783	**319,285**	1,721,783
Proceeds from issuance of warrants, net of issue costs	**-**	184,432	**-**	184,432
	181,013	1,906,215	**319,285**	1,906,215
Change in cash and cash equivalents	**(89,106)**	900,520	**(441,931)**	475,205
Cash and cash equivalents, beginning of period	**741,240**	469,464	**1,094,065**	894,779
Cash and cash equivalents, end of period	**652,134**	1,369,984	**652,134**	1,369,984

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

(Unaudited – expressed in Canadian dollars)

1 Nature of operations

Canoel International Energy Ltd. (the "Company") was incorporated pursuant to the provisions of the British Columbia Business Corporations Act on September 20, 2007. The Company was listed on the TSX Venture Exchange Inc ("TSXV") as a capital pool company on April 10, 2008. On November 21, 2008, the Company completed a Short Form Offering to the public and a non-broker Private Placement, which allowed the Company to complete its Qualifying Transaction in accordance with the applicable policies of the TSXV on December 8, 2008. The Company is a Tier 2 listed Issuer on the TSXV.

2 Significant accounting policies

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), using the same accounting policies and methods as per the annual financial statements for the year ended March 31, 2009, with the additions described in note 4. They do not include all of the disclosures required by Canadian GAAP, and should be read in conjunction with the most recent annual financial statements of the Company.

The results of operations for the three and nine months ended December 31, 2009 are not necessarily indicative of those to be expected for the entire year ending March 31, 2010.

3 Going Concern

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then the adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

As at December 31, 2009, the Company had not yet achieved profitable operations, has accumulated a deficit of $1,136,939 since its inception, and expects to incur further losses in the development of its business, which is typical of an oil and gas exploration company. Current oil and gas activities are in the exploration stage and have not identified oil and gas reserves. Current cash resources will not be sufficient to continue the exploration and development

(Unaudited – expressed in Canadian dollars)

activities. These matters raise doubt about the ability of the Company to continue to meet its obligations as they become due. Continuing operations are dependent on the ability to obtain adequate funding to finance existing operations, attain commercial production from its oil and gas properties and attain future profitable operations. Additional financing is subject to the global financial markets and economic conditions, which have recently been disrupted and volatile and the debt and equity markets have been distressed. These factors, together with the repricing of credit risk and current weak economic conditions, have made, and will likely continue to make, it challenging to obtain cost effective funding. There is no assurance this capital will be available and if it is not, the Company may be forced to curtail or suspend planned activity.

4 Adoption of new accounting standards

Goodwill and Intangible Assets – Section 3064

The CICA issued the new Handbook Section 3064, Goodwill and Intangible Assets, which replaced Section 3062, Goodwill and Other Intangible Assets. The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. There has been no impact upon adoption in the financial statements.

5 Future accounting and reporting changes

International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company has begun assessing the adoption of IFRS for 2011 including the financial reporting impact.

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Business Combinations, Consolidated Financial Statements and Non-controlling Interest

In January 2009, the CICA issued CICA Handbook Section 1582, Business Combinations, Section 1601, Consolidations, and Section 1602, Non-controlling Interest. These sections replace the former CICA Handbook Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies 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.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27, Consolidated and Separate Financial Statements (January 2008).

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year.

All three sections must be adopted concurrently.

6 Property and equipment

			December 31, 2009
	Cost $	Accumulated depletion & depreciation $	Net book value $
Oil and gas properties	972,407	-	972,407
	972,407	-	972,407

			March 31, 2009
	Cost	Accumulated depletion & depreciation $	Net book value
Oil and gas properties	894,847	-	894,847
	894,847	-	894,847

During fiscal 2008 the Company entered into a Farm-out and Participation Agreement (the "Farm-out and Participation Agreement"). Pursuant to the Farm-out and Participation Agreement, the Company has a right to an 11% participating interest in three production sharing contracts related to unproved oil and gas properties. At December 31, 2009 there has been no production and accordingly there has been no depletion or depreciation recorded against the assets.

Included in capital expenditures for the period ended December 31, 2009 is a Finder's Fee payment (the "Fee") of $77,560. This Fee was made in connection with the completion of the Qualifying Transaction, specifically for the acquisition of the Sud Touzer exploration block in Tunisia. The Fee was paid to a current director and officer of the Company for his consulting efforts prior to his becoming a director or an officer of the Company, and the agreement to pay the Fee was established prior to his becoming a director and officer. The Fee is considered a component of the cost of the acquisition of the exploration block.

Included in oil and gas properties is an amount of $190,000 paid for an agreement which provides the Company an option to increase their participating interest from 11% up to 45% in two exploration blocks in Tunisia, Bazma and Sud Touzer. The Company must commit to participate in the drilling of the wells proposed under the permits. Pursuant to the Option

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Agreement, the payment is non-refundable and the original expiry date on the option was April 30, 2009 for Bazma and on June 30, 2009 for Sud Touzer. Such deadlines have been extended by the operator and will remain valid until the Authorization for Expenditure for the first well on each block is issued. If another party commits to earn an interest prior to the Company exercising their option, then the option will be decreased by the interest assumed by the other party. If the option on either block expires unexercised or another party commits to earn an interest, the Company may need to recognize an impairment in future periods.

On October 14, 2009 the operator of the Bazma exploration block announced that it had signed an Option and Farm-in Agreement with a large U.S. independent oil and natural gas company. In the event the U.S. Company drills a deep well on the Bazma exploration block prior to the operator drilling the Triassic TAJI test well, and the U.S. Company commits to earn an interest in the Triassic TAJI well prior to the Company exercising their option, then the option will be decreased by the interest assumed by the U.S. Company.

7 Share Capital

a) Authorized

Unlimited number voting common shares without par value.
Unlimited number of preferred shares issuable in series and without par value.

b) Issued

	Number of Common Shares	Amount $
Balance, March 31, 2009	15,801,600	2,331,344
Non-brokered private placement (i)	657,615	170,980
Non-brokered private placement (ii)	1,260,000	214,200
Fair value of share purchase warrants ((ii) and note 7(c))	-	(26,925)
Share issue costs	-	(71,496)
Balance, December 31, 2009	17,719,215	2,618,103

(i) On August 11, 2009 the Company completed a non-brokered private placement, issuing 657,615 common shares for total proceeds of $170,980 ($0.26 per share).

(ii) On December 18, 2009 the Company completed a non-brokered private placement, issuing 1,260,000 units for total proceeds of $214,200 ($0.17 per unit). Each unit consists of one common share, one-half of one common share purchase warrant (“Year 1 Warrant”) and one-half of one common share purchase warrant (“Year 2 Warrant”).

(Unaudited – expressed in Canadian dollars)

Each whole Year 1 Warrant entitles the holder to purchase one additional common share of the Company at $0.30 per share, exercisable for 1 year. Each whole Year 2 Warrant entitles the holder to purchase one additional common share of the Company at $0.40 per share, exercisable for 2 years. If at any time following four months and one day from the grant of the Year 1 Warrants and Year 2 Warrants, the closing price of the Company's listed shares exceeds $0.40 and $0.50, respectively, for 15 consecutive trading days, the Company may give notice to the holders of the warrants that such unexercised warrants will be terminated 30 days following notice.

The fair value of the share purchase warrants are estimated at the grant date using the Black-Scholes pricing model and have been credited to warrants within shareholders' equity. A weighted average of the assumptions used in the calculation is noted below:

Risk-free rate	1.31%
Expected life	1.5 years
Expected volatility	60%
Fair value per warrant	$0.02

c) Warrants

Warrants to acquire common shares outstanding at December 31, 2009 are as follows:

	Number of warrants	Weighted Average Exercise price ($)	Amount ($)
Balance, March 31, 2009	9,399,330	0.39	382,567
Finder's Warrants (i)	59,031	0.26	4,767
Share purchase warrants (note 7b(ii))	1,260,000	0.35	26,925
Finder's Warrants (ii)	45,000	0.30	834
Balance, December 31, 2009	10,763,361	0.39	415,093

(i) In relation to the non-brokered private placement on August 11, 2009, Finder's Warrants totaling 59,031 were issued to two separate parties for introducing to the Company subscribers of the private placement. Each Finder's Warrant is exercisable for one common share at a price of $0.26 per share, exercisable for 2 years.

(ii) In relation to the non-brokered private placement on December 18, 2009, Finder's Warrants totaling 45,000 were issued to an arm's length party for introducing to the

(Unaudited – expressed in Canadian dollars)

Company subscribers to the private placement. Each Finder's Warrant is exercisable for one common share at a price of $0.30 per share, exercisable for 1 year.

The fair value of the Finder's Warrants issued is estimated at the grant date using the Black-Scholes option pricing model. A weighted average of the assumptions used in the calculation for the Finder's Warrants granted during the period ended December 31, 2009 are noted below:

Risk-free interest rate	1.26%
Expected life	1.57 years
Expected volatility	60%
Fair value per option	0.05

d) Stock options

The Company established a stock option plan (the "Plan") for the benefit of directors, officers, key employees and consultants. The maximum number of shares available under the Plan is limited to 10% of the issued common shares at the time of granting the options. The full amount of the grant becomes exercisable on the grant date.

The following table summarizes information about the Company's stock options outstanding at December 31, 2009:

			Option outstanding
Range of exercise prices	**Number of options outstanding**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price $**
0.10 – 0.23	1,445,000	4.24	0.126

During the three and nine month period ended December 31, 2009, the Company granted 70,000 and 320,000 options to directors, respectively, (nil and 525,000 for the same period during 2008). The terms of the grant are consistent with the Plan and are exercisable at an average price of $0.17 per option. The fair value of the share options granted during the period are estimated as at the grant date using the Black-Scholes option pricing model. The weighted average assumptions used in the calculation are noted below:

Risk-free interest rate	2.10%
Expected life	5 years
Expected volatility	60%
Fair value per option	0.09

(Unaudited – expressed in Canadian dollars)

Compensation expense was $5,390 and $28,304 for the three and nine months ended December 31, 2009, respectively, ($nil and $49,200 for the same periods during 2008), all of which has been recorded as a non-cash stock-based compensation. The total amount has been recorded as an offsetting credit to contributed surplus.

e) Contributed surplus

Balance, March 31, 2009	152,101
Stock-based compensation	28,304
Balance, December 31, 2009	180,405

f) Capital Management

The Company's objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages its common shares, options and warrants as capital. As the Company is in the development stage its principal source of funds is from the issuance of common shares. It is the Company's objective to safeguard its ability to continue as a going concern, so that it can continue to explore and develop its projects for the benefit of its stakeholders. The Company's ability to raise future capital through equity is subject to uncertainty and our inability to raise such capital may have an adverse impact over the Company's ability to continue as a going concern.

As part of the capital management program the Company monitors its working capital ratio. The Company's objective is to maintain a working capital ratio of greater than 1:1 defined as the ratio of currents assets divided by current liabilities. At December 31, 2009, the working capital ratio was 6.6:1.

8 Related Parties

Related party transactions not disclosed elsewhere in these financial statements are as follows:

During the three months ended December 31, 2009:

a) Aggregate consulting fees of $40,630 (December 31, 2008 - $nil) were charged by directors and officers of the Company and recorded in the statement of loss, comprehensive loss and deficit.

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During the nine months ended December 31, 2009:

b) Aggregate consulting fees of $148,368 (December 31, 2008 - $nil) were charged by directors and officers of the Company and recorded in the statement of loss, comprehensive loss and deficit.

c) Aggregate legal fees of $15,806 (December 31, 2008 - $nil) were charged by a director of the Company.

d) Included in accounts payable and accrued liabilities at December 31, 2009 was $7,548 payable to related parties. These amounts are non-interest bearing and have no specific terms of repayment.

e) Included in accounts receivable at December 31, 2009 was $11,623 receivable from related parties relating to expense advances.

Transactions with related parties are recorded at the exchange amount, being the price agreed between the parties.

9 Financial Instruments and Risk Management

The Company's risk management policies are established by the Board of Directors to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's policy.

a) Fair values

(Unaudited – expressed in Canadian dollars)

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying value due to their short-term nature.

b) Credit risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its commercial obligations. This arises principally from joint venture partners.

Virtually all of the Company's accounts receivable are with companies in the petroleum and natural gas industry within Canada and are subject to normal industry credit risks. The Company generally extends unsecured credit to these companies and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by the size and reputation of the companies to which they extend credit. The Company's maximum credit risk exposure is limited to the carrying value of its accounts receivable and exploration deposit of $539,208.

As the Company has not entered into any derivative financial instruments, it is not exposed to credit risk associated with possible non-performance by counterparties to any such derivative financial instrument contracts.

c) 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. The nature of the Company's operations will result in exposure to fluctuations in commodity prices.

d) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at December 31, 2009, the Company has interest bearing cash accounts held with an investment grade institutions. A change of one percent on the interest rate for the year would not have a material impact on the Company.

e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company ensures, as far as possible, that it will have sufficient liquidity to

(Unaudited – expressed in Canadian dollars)

meet its liabilities when due, without incurring unacceptable losses or harm to the Company's reputation.

As at December 31, 2009, the Company's financial liabilities totaled $109,982, and are comprised of accounts payable and accrued liabilities and amounts due to related parties. $7,548 of the financial liabilities are owed to related individuals and these amounts are subject to the forbearance of the related individuals.

The Company prepares authorization for expenditures on its non-operated projects manage capital expenditures.

f) Currency risk

Foreign currency exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. To date the Company has focused on the international market for petroleum and natural gas opportunities where many of the anticipated future expenses will be denominated in United States dollars. Fluctuations in the exchange rates may have a material impact on the Company.

10 Commitments and contingencies

The Company has entered into a farm-out and participation agreement giving it the right to participate in production sharing contracts which will provide the Company with a participating interest in the respective properties. Should the Company elect to participate in these production sharing contracts, it will be required to participate in the drilling of one exploratory well in each of the Jorf, Bazma and Sud Touzer properties. The current production sharing contracts expire in 2016 for Bazma and 2011 for Jorf and 2017 for Sud Touzer. The operator may renew the production sharing contracts for Bazma and Sud Touzer, although it anticipates undertaking the exploration activities prior to renewal of the production sharing contracts. Further renewals of the blocks will be discussed on a case by case basis with the Energy State Authority of Tunisia. Should the Company elect to participate, its estimated share of the expenditures is: $1,084,000 in Bazma, of which $490,000 has already been advanced to the operator resulting in a net remaining amount of $594,000, $638,000 for Jorf, and $1,844,000 for Sud Touzer.

11 Comparative figures

As at March 31, 2009, the exploration deposit was included in accounts receivable as a current asset. For the period ended December 31, 2009, the exploration deposit has been reclassified to a long term asset based on the operators anticipated drill date of mid-2010.

12 Subsequent events

The Company entered into the following transactions subsequent to December, 2009:

a) Through a private placement, the Company issued 3,545,000 units for total proceeds of $602,650 ($0.17 per unit). Each unit consists of one common share, one-half of one

(Unaudited – expressed in Canadian dollars)

common share purchase warrant (“Year 1 Warrant”) and one-half of one common share purchase warrant (“Year 2 Warrant”). Each whole Year 1 Warrant entitles the holder to purchase one additional common share of the Company at $0.30 per share, exercisable for 1 year. Each whole Year 2 Warrant entitles the holder to purchase one additional common share of the Company at $0.40 per share, exercisable for 2 years. If at any time following four months and one day from the grant of the Year 1 Warrants and Year 2 Warrants, the closing price of the Company’s listed shares exceeds $0.40 and $0.50, respectively, for 15 consecutive trading days, the Company may give notice to the holders of the warrants that such warrants will be terminated 30 days following notice.

In connection with the private placement, the Company issued 354,500 common shares at a deemed value of $60,265 ($0.17 per share) to parties involved in the identification of subscribers.

b) During May 2009, and updated in August 2009, the Company entered into an agreement to become the controlling shareholder of a Mongolian company, holder of exploration license for Block XXIII (as such block is designated by the Mongolian Petroleum Authority). The agreement allowed a due diligence period until December 31, 2009 including clarification of legislative and contractual terms with the Mongolian Company and local authorities. As part of its closing due diligence, the Company requested that the Mongolian Company provide evidence that the Mongolian government and regulatory authorities have consented to or approved the transaction. The Company has not been provided with such evidence, and therefore has delivered a Notice of Default with the intentions of initiating legal proceedings to enforce the agreement, if the Mongolian Company is not able to meet its commitments. At this time, management does not believe there will be any significant monetary impact to the Company as a result of pursing legal proceedings.

c) 170,000 stock options were issued to a member of the Advisory Committee and a member of the Board of Directors. The options are exercisable for 5 years at a price of $0.17 per share.

d) On February 12, 2009, the Company signed a Share Purchase Agreement (the “Agreement”) with a U.S. based company for the purchase of two adjacent oil producing properties in Argentina. The transaction was previously announced during September 2009 with the signing of a Memorandum of Understanding. The properties are located in the San Jorge basin in the Patagonia region in southern Argentina, licensed by authorities to produce oil, and are able to produce 55,000 barrels of sweet oil having an API gravity of 18.5 and being

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non paraffinic. The acquisition is contemplated to be completed through the acquisition of the shares of the companies which own the properties. The purchase price is anticipated to be U.S. $2.4 million for the purchase of the shares of the companies who own the two producing properties, the assets of the companies include the ongoing businesses, the two concessions and the existing production equipment to ensure the Company will be able to continue the existing income stream immediately upon closing. Pursuant to the Agreement, for a period of three years from the closing date, the Company will provide the U.S. company with the following: (i) 50% of the annual gross revenue derived from the sale of barrels of oil at a per barrel invoice price that exceeds USD $42.00, but is less than or equal to USD $52.00; and (ii) 25% of the annual gross revenue derived from the sale of barrels of oil at a per barrel invoice price that exceeds USD $52.00. The Company is currently conducting due diligence procedures with the intention to complete the acquisition by the contractual closing date of April 30, 2010. Closing of the transaction is subject to completion of satisfactory due diligence, financing, and regulatory approval, until which the Company is not committed to any spending.