CROWN POINT VENTURES LTD.

Interim Consolidated Financial Statements
For the Nine Months Ended May 31, 2011
(Unaudited – Prepared by Management)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The interim consolidated financial statements of Crown Point Ventures Ltd. are the responsibility of the Company's management. The interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls through an audit committee, which is comprised of non-management directors. The Audit Committee reviews the results of the consolidated financial statements prior to their submission to the Board of Directors for approval.

"Murray McCartney"	*"Arthur J. G. Madden"*
Murray McCartney President	Arthur J.G. Madden CFO

Vancouver, British Columbia
July 27, 2011

CROWN POINT VENTURES LTD.
Interim Consolidated Balance Sheets
Unaudited – prepared by management

	May 31, 2011	August 31, 2010 (restated Note 2)
Assets		
Current		
Cash and cash equivalents	$ 32,731,590	$ 1,769,501
Accounts receivable	241,612	319,157
Inventory	138,715	-
Income tax receivable	70,000	29,000
Prepaid expenses	278,752	233,434
	33,460,669	2,351,092
Long-term assets		
Property and Equipment (note 6)	18,780,296	13,954,195
Future Income Taxes	41,000	41,000
	$ 52,281,965	$ 16,346,287
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 810,954	$ 2,537,161
Long-term liabilities		
Asset Retirement Obligation (note 7)	261,497	190,248
	1,072,451	2,727,409
Shareholders' Equity		
Capital Stock (note 9)	67,066,246	28,093,271
Contributed Surplus (note 9(b))	2,420,121	1,520,606
Deficit	(18,276,853)	(15,994,999)
	51,209,514	13,618,878
	$ 52,281,965	$ 16,346,287

Commitment (note 12)
Subsequent Event (note 13)

Approved on Behalf of the Board:

"Gordon Kettleson"
…………………………………………… Director
Gordon Kettleson

"Murray McCartney"
…………………………………………… Director
Murray McCartney

See notes to interim consolidated financial statements

CROWN POINT VENTURES LTD.
Interim Consolidated Statements of Operations, Comprehensive Income and Deficit
For the Three and Nine Month Period Ended May 31
Unaudited – prepared by management

	Three months ended May 31, 2011	Three months ended May 31, 2010 restated (note 2)	Nine months ended May 31, 2011	Nine months ended May 31, 2010 restated (note 2)
Revenues				
Oil and gas sales	$ 361,749	$ 29,595	$ 2,449,799	$ 262,711
Royalties	(77,933)	(2,602)	(539,177)	(19,148)
Operating expenses	(118,796)	(13,240)	(657,669)	(107,800)
Oil and gas, net	165,020	13,753	1,252,953	135,763
Expenses				
General and administrative	522,473	338,793	1,260,144	855,085
Stock-based compensation (note 9(f))	795,276	6,208	1,019,926	107,310
Warrant issuance (note 9(b)(d))	7,684	-	123,118	-
Financing fees and bank charges	47,984	3,072	149,176	63,644
Depletion, amortization and accretion	220,063	33,569	1,484,489	224,849
	1,593,480	381,642	4,036,853	1,250,888
Loss Before Other Items and Income Taxes	**(1,428,460)**	**(367,889)**	**(2,783,900)**	**(1,115,125)**
Other Items				
Gain on sale of property and equipment	-	-	244,558	396,320
Interest income	71,843	-	84,903	-
Foreign exchange gain (loss)	14,620	(90,557)	131,585	(222,065)
Loss before income taxes	**(1,341,997)**	**(458,446)**	**(2,322,854)**	**(940,870)**
Income Tax				
Current	-	(129,297)	(41,000)	-
Future (recovery)	-	(28,345)	-	(28,345)
	-	(157,642)	(41,000)	(28,345)
Net loss and Comprehensive loss for Period	**(1,341,997)**	**(300,804)**	**(2,281,854)**	**(912,525)**
Deficit, Beginning of Period	(16,934,856)	(15,011,459)	(15,994,999)	(14,399,738)
Deficit, End of Period	**$ (18,276,853)**	**$ (15,312,263)**	**$ (18,276,853)**	**$ (15,312,263)**
Loss per Share				
Basic and Diluted	(0.03)	(0.01)	(0.06)	(0.04)
Weighted Average Number of Common Shares Outstanding	44,699,565	25,479,219	40,846,084	24,661,112

See notes to interim consolidated financial statements

CROWN POINT VENTURES LTD.
Interim Consolidated Statements of Cash Flows
For the Three and Nine Month Period Ended May 31
Unaudited – Prepared by management

	Three months ended May 31, 2011	Three months ended May 31, 2010 restated (note 2)	Nine months ended May 31, 2011	Nine months ended May 31, 2010 restated (note 2)
Operating Activities				
Net loss for period	$ (1,341,997)	$ (300,804)	$ (2,281,854)	$ (912,525)
Items not affecting cash				
Gain on sale of property and equipment	-	-	(244,558)	(396,320)
Stock-based compensation	795,276	6,208	1,019,926	107,310
Warrant issuance	7,684	-	123,118	-
Depletion, amortization and accretion	220,063	33,569	1,484,489	224,849
Future income tax recovery	-	(28,345)	-	-
Foreign exchange	22,820	-	(3,793)	(28,345)
	(296,154)	(289,372)	97,328	(1,005,031)
Changes in non-cash working capital items				
Accounts receivable	445,501	807,569	77,545	(99,856)
Inventory	(138,715)	-	(138,715)	-
Prepaid expenses	164,555	(3,092)	(45,318)	(16,482)
Accounts payable and accrued liabilities	(170,859)	(79,048)	(2,311,087)	(406,677)
Income tax receivable	-	(205,561)	(41,000)	(146,235)
Cash Provided by (Used in) Operating Activities	**4,328**	**230,496**	**(2,361,247)**	**(1,674,281)**
Financing Activities				
Issuance of share capital (net)	24,002,917	4,184,759	38,252,026	7,369,359
Cash Provided by Financing Activities	**24,002,917**	**4,184,759**	**38,252,026**	**7,369,359**
Investing Activities				
Expenditures on property and equipment	(2,293,954)	(19,843)	(5,144,343)	(3,602,229)
Acquisition of CanAmericas (Argentina) Energy Limited	-	-	(73,901)	-
Cash acquired of CanAmericas (Argentina) Energy Limited	-	-	9,554	-
Proceeds from sale of Property and equipment	-	-	280,000	707,560
Cash Used in Investing Activities	**(2,293,954)**	**(19,843)**	**(4,928,690)**	**(2,894,669)**
Increase (Decrease) in Cash and Cash Equivalents	**21,713,291**	**(4,395,412)**	**30,962,089**	**2,800,409**
Cash and Cash Equivalents, Beginning of Period	11,018,299	443,127	1,769,501	2,038,130
Cash and Cash Equivalents, End of Period	**$ 32,731,590**	**$ 4,838,539**	**$ 32,751,590**	**$ 4,838,539**
Supplemental Information				
Income taxes paid	-	46,235	-	146,235
Shares issued onlieu of acquisition of CanAmericas (Argentina) Energy Limited	-	-	477,420	-
Property and equipment expenditures included in accounts payable	$ 560,049	$ 200,639	$ 560,049	$ 236,638

See notes to interim consolidated financial statements

1. NATURE OF OPERATIONS

Crown Point Ventures Ltd. (the "Company") was incorporated under the laws of British Columbia on March 16, 1966. The Company is a public company that trades on the TSX Venture Exchange ("TSX") and is engaged in the exploration for, and development and production of oil and gas in Canada and Latin America.

These financial statements have been prepared on a going concern basis, which contemplates the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's net loss for the nine month period ended May 31, 2011 was $2,281,854 (May 31, 2010 - $912,525). As at May 31, 2011, the Company had an accumulated deficit $18,276,853 (August 31, 2010 - $15,994,999) and working capital (deficiency) of $32,649,715 (August 31, 2010 - $(186,069)).

Effective September 1, 2010, the Company achieved commercial production in Argentina. Upon the attainment of commercial production the Company started to record proceeds from the sale of crude oil as revenues and related expenses as royalties and operating costs instead of charging them against property and equipment.

2. CHANGES IN ACCOUNTING POLICY

Effective March 1, 2011, the Company retrospectively changed its accounting policy for recognition of stock-based compensation to more appropriately align itself with policies applied by other comparable companies. Prior to March 1, 2011, the Company used the straight-line approach to recognize the fair value of the options granted.

The Company elected to now recognize the fair value of options based on the graded-vesting method. The impact of this change on the previously reported August 31, 2010 consolidated financial statements is as follows:

	As previously reported $	**Restatement $**	**As restated $**
Consolidated Balance Sheet			
Deficit – August 31, 2010	(15,950,556)	(44,443)	(15,994,999)
Contributed surplus – August 31, 2010	1,476,163	44,443	1,520,606

For the three and nine months period ended May 31, 2011, an additional $ 94,531 (2010 - $6,208) and $ 172,344 (2010 - $15,757) stock-based compensation expense has been recorded respectively to reflect the change in accounting policy. Accordingly, the net loss and deficit have been adjusted to reflect that change.

3. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial information. They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation of the financial position, results of operations and cash flows have been included in these financial statements. The unaudited interim consolidated financial

3. BASIS OF PRESENTATION (Continued)

statements should be read in conjunction with the Company's audited consolidated financial statements including the notes thereto for the years ended August 31, 2010 and 2009.

New Accounting policy

Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602. "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for a non-controlling interest in a subsidiary.

Section 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as components of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual 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.

Future Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board ("AcSB") confirmed publicly-listed companies will use IFRS replacing Canadian GAAP, effective for the Company for interim and annual financial statements beginning on September 1, 2011. The change date will require the restatement for comparative purposes of amounts reported by the Company for interim periods and for the year ended August 31, 2011. The Company has commenced the process to transition from current Canadian GAAP to IFRS. The transition process consists of diagnostic phase; impact analysis, evaluation and design phase; and implementation and review phase. The Company has engaged a consultant to perform a diagnostic study on the significant differences and will assess its IFRS 1 exemptions and policy choices.

4. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. Financial instruments are classified as follows: cash and cash equivalents as held-for-trading; accounts receivable as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's accounts receivable are from joint venture partners in the oil and gas industry and are subject to normal industry credit risks. As at May 31, 2011, the Company's receivables consisted of $184,330 from joint venture partners and $57,282 from government agencies.

Joint venture receivables are typically collected within one to three months of the joint venture bill being issued to the partner. The Company mitigates the risk from joint venture receivables by obtaining partner approval of capital expenditures prior to starting a project. However, the receivables are from participants in the petroleum and natural gas sector, and collection is dependent on typical industry factors such as commodity price fluctuations, escalating costs and risk of unsuccessful drilling.

The Company's other financial assets that are exposed to credit risk consist of cash and cash equivalents. This risk is minimized as cash is placed with well-capitalized major financial institutions.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents as all amounts are held at a major Canadian and Argentinean financial institutions. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	May 31, 2011 $	**August 31, 2010 $**
Canada		
Cash	165,028	1,468,734
Cash equivalents	32,232,209	147,323
	32,397,237	1,616,057
Argentina		
Cash	334,353	153,444
	32,731,590	1,769,501

Included in cash equivalents at May 31, 2011 are money market mutual funds that are cashable at any time. The credit risk is minimized substantially by ensuring that these financial assets are placed with a major Canadian financial institution with a strong investment-grade rating by a primary ratings agency.

The Company's cash and cash equivalents are not subject to any externally imposed restrictions.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient cash available to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity Risk (continued)

At May 31, 2011, the Company has cash and cash equivalents of $32,731,590 (August 31, 2010 - $1,769,501), and accounts payable and accrued liabilities of $810,954 (August 31, 2010 - $2,537,161), due within 30 days.

(c) Market Risk

Market risk consists of interest rate risk, foreign currency risk and other price risk. The Company is exposed to foreign currency risk and other price risk as follows:

Foreign currency risk

The Company is exposed to foreign exchange risk with respect to cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities as a portion of these amounts are denominated in Argentinean pesos. The Company has not entered into any foreign currency contracts to mitigate this risk.

The sensitivity analysis of the Company's exposure to foreign exchange risk at the reporting date has been determined based upon hypothetical changes taking place at May 31, 2011 and August 31, 2010, which includes a hypothetical change in the foreign currency exchange rate between the Canadian dollar and Argentinean peso of 8%. At May 31, 2011, an 8% change in exchange rate would result in $16,701 (August 31, 2010 – $155,000) change in net loss and comprehensive loss.

Funds Held In Argentinean Peso	**May 31, 2011 $**	**August 31, 2010 $**
Held-for-trading (1)	334,353	153,444
Loans and receivables (2)	178,683	297,019
Other financial liabilities (3)	(721,803)	(2,388,208)
Total	(208,767)	(1,937,745)

(1) Includes cash and cash equivalents
(2) Includes accounts receivable
(3) Includes accounts payable and accrued liabilities

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to significant other price risk with respect to its cash equivalents. Assuming all other variables remain constant, a 1% decrease or increase in the market price of the Company's mutual funds would result in a $322,320 (August 31, 2010 - $1,467) decrease or increase, respectively, in the Company's net income or loss.

5. ACQUISITION

On January 12, 2011, the Company completed the acquisition of CanAmericas (Argentina) Energy Limited ("CanAmericas"). The acquisition resulted in the Company issuing 258,065 common shares at $1.85 per share based on the market price of the Company's common shares and $50,000 in cash for 100% of the outstanding common shares of CanAmericas. The acquisition has been accounted for as an acquisition of assets whereby all the assets acquired and liabilities assumed are recorded at fair value.

The following table summarizes the allocation of the purchase price to the estimated fair value of the net assets acquired at the date of acquisition.

	$
Consideration:	
Issue of 258,065 common shares	477,420
Cash	50,000
Transaction costs	23,901
Total consideration	551,321
Allocated to:	
Cash	9,554
Property and Equipment	822,905
Accounts payable	(261,469)
Asset retirement obligations	(19,669)
	551,321

The above amounts are preliminary estimates made by management based on currently available information. Revisions may be made to the purchase equation as cost estimates and balances are finalized.

6. PROPERTY AND EQUIPMENT

At May 31, 2011 and August 31, 2010, the Company's oil and gas interests are comprised of properties located in Canada and Argentina. Expenditures incurred are as follows:

	May 31, 2011		
	Cost $	Accumulated Depletion, Amortization, and Impairment $	Net $
Oil and gas interests	11,908,944	2,743,319	9,165,625
Wellhead equipment	609,036	272,661	336,375
Undeveloped oil and gas interests	9,182,398	-	9,182,398
Office equipment	148,991	53,093	95,898
	21,849,369	3,069,073	18,780,296

6. PROPERTY AND EQUIPMENT (Continued)

August 31, 2010	Cost $	Accumulated Depletion, Amortization, and Impairment $	Net $
Oil and gas interests	10,159,580	1,268,382	8,891,198
Wellhead equipment	661,382	265,987	395,395
Undeveloped oil and gas interests	4,576,000	-	4,576,000
Office equipment	119,948	28,346	91,602
	15,516,910	1,562,715	13,954,195

During the period ended May 31, 2011, the Company sold Canadian oil and gas properties for total proceeds of $280,000 resulting in a gain of $244,558.

During the year ended August 31, 2010, the Company sold Canadian oil and gas properties for total proceeds of $707,560 resulting in a gain of $587,879.

During the year ended August 31, 2010, the Company performed a ceiling test on its property and equipment and an impairment charge of $180,876 was recorded. The impairment test is calculated using the data provided by the Company's independent engineering consultant for Canadian and Argentinean properties using future prices for the years 2010 to 2014 as follows:

	2010	2011	2012	2013	2014
Crude oil $/bbl (Canada)	$81.72	$84.20	$87.89	$91.41	$97.84
Crude oil $/bbl (Argentina)	$50.31	$54.00	$58.00	$62.00	$65.28

Subsequent to 2014 prices are estimated to increase by approximately 2% per year.

7. ASSET RETIREMENT OBLIGATIONS

The Company's property closure and abandonment provision relates to the restoration and closure of its oil and gas property interests. This ARO has been recorded as a liability at fair value, assuming a credit-adjusted risk-free discount rate of 10% and an inflation factor of 2%.

The following table summarizes the movements in the carrying amount of obligations associated with the ARO for the period ended May 31, 2011 and August 31, 2010:

	May 31, 2011 $	August 31, 2010 $
Balance, beginning of period	190,248	44,293
Additions	58,863	160,396
Disposals	(1,745)	(16,381)
Accretion	14,131	1,940
Balance, end of period	261,497	190,248

8. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its oil and gas interests. In the management of capital, the Company includes the components of shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, option its oil and gas interests for cash and/or expenditures, or dispose of assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary.

The Company's investment policy is to hold cash in interest-bearing bank accounts and highly liquid short-term interest-bearing investments with maturities of one year or less, which can be liquidated at any time without penalties. The Company is not subject to externally imposed capital requirements. The Company expects its current capital resources to be sufficient to carry its exploration programs and operating costs well into fiscal year 2012.

9. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares without par value
Unlimited number of Class "A" preferred shares of $1 each par value

(b) Issued and Outstanding

Common Shares	Number of Shares	Amount $	Contributed Surplus $
Balance, August 31, 2009	18,690,459	20,608,432	$ 987,789
Issued during the period			
For cash			
Exercise of warrants	5,187,500	3,112,498	-
Private placements	6,055,170	4,541,378	-
Exercise of options	420,000	121,600	-
Stock-based compensation	-	-	493,554
Share issue expenses	-	(371,573)	120,199
Transfer on exercise of stock options	-	80,936	(80,936)
Balance, August 31, 2010	30,353,129	28,093,271	1,520,606
Issued during the period			
For cash			
Exercise of warrants	1,444,485	1,550,015	-
Exercise of options	370,000	189,350	-
Exercise of finders options	203,312	152,484	-
Private placement	21,992,917	39,219,021	-
Purchase of CanAmericas	258,065	477,420	-
Stock-based compensation	-	-	1,143,044
Share issue expenses	-	(2,858,844)	-
Transfer on exercise of stock options and finders options	-	243,529	(243,529)
Balance, May 31, 2011	54,621,908	67,066,246	2,420,121

9. CAPITAL STOCK (Continued)

(b) Issued and Outstanding (continued)

On March 10, 2011 the Company issued 12,825,000 common shares pursuant to a bought deal financing at a price of $1.95 per share for gross proceeds of $25,008,750. Share issue costs of $1,669,406 were incurred as part of the financing.

During December 2010 the Company issued 9,167,917 common shares pursuant to a bought deal financing at a price of $1.55 per share for gross proceeds of $14,210,271. Share issue costs of $1,189,438 were incurred as part of the financing.

During the year ended August 31, 2010 the Company issued 5,924,850 units ("Units") at a price of $0.75 per unit for gross proceeds of $4,443,638. The Company issued 130,320 units in consideration of finder's fees and commissions. Each Unit consists of one common share in the capital of the Company and one-half of one non-transferable share purchase warrant (each whole warrant a "Series A Warrant"), with each Series A Warrant entitling the holder to purchase one additional common share at a price of $1.00 for a period of 2 years from the date of closing of the Private Placement, provided that, in the event the closing price of the Company's shares as traded on the TSX Venture Exchange is $1.50 or greater for a period of 20 consecutive trading days, the Company may give notice of an earlier expiry of the Series A Warrants, in which case they would expire 30 calendar days from the giving of such notice; provided further that, in the event a subscriber exercises any Series A Warrants during the term thereof, the Company will issue to that subscriber that number of Series B Warrants equal to the number of Series A Warrants exercised, with each Series B Warrant entitling the holder to purchase one additional common share at a price of $1.50 for a period of 3 years from the date of closing of the private placement, provided further that, in the event the closing price of the Company's shares as traded on the TSX Venture Exchange is $2.00 or greater for a period of 20 consecutive trading days, the Company may give notice of an earlier expiry of the Series B Warrants, in which case they would expire 30 calendar days from the giving of such notice. The units are subject to regulations governing private placement distributions, and are being sold with a four-month plus one day restriction period, during which time the shares will be restricted from trading. Finder's fees of $114,135 and 203,707 finders options valued at $120,199 where each finders option entitles the holder to purchase one finders unit at a price of $0.75 per finders unit for a period of two years from the closing date. Each finders unit has the same terms as the Units noted above. The fair value of the finders option is estimated using the Black-Scholes option pricing model assuming a risk free interest rate of 1.43%, expected dividend yield of 0%, expected stock volatility of 119.57%, and an expected option life of two years. In addition, share issue costs of $39,500 were incurred as part of the private placement.

(c) Stock Options

The Company's stock option plan provides for the granting of options to directors, officers, employees and consultants. Under the terms of the option plan, options issued will not exceed 10% of the issued and outstanding shares from time to time. The option price under each option is not less than the discounted market price on the grant date. A total of 1,820,000 of the options granted are vested and the remainder generally vest in equal tranches on the first and second year anniversaries of the date of grant. The expiry date for each option is set by the Board of Directors at the time of issue and cannot be more than five years after the grant date.

9. CAPITAL STOCK (Continued)

(c) Stock Options (Continued)

Stock option activity is summarized as follows:

	May 31, 2011		August 31, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance outstanding and exercisable, beginning of period	2,440,000	$ 0.85	1,720,000	$ 0.55
Granted	1,205,000	$ 1.96	1,140,000	$ 1.12
Expired	(60,000)	$ 1.22	-	$ -
Exercised	(370,000)	$ 0.51	(420,000)	$ 0.29
Balance outstanding, end of period	3,215,000	$ 1.30	2,440,000	$ 0.85
Balance exercisable, end of period	1,820,000	$ 1.03	1,792,500	$ 0.72

At May 31, 2011, the weighted average remaining contractual life of the Company's 3,215,000 stock options outstanding is 3.5 years.

Stock options outstanding are as follows:

Expiry Date	Exercise Price	May 31, 2011	August 31, 2010
December 15, 2011	$ 0.70	100,000	100,000
March 6, 2012	$ 0.89	100,000	100,000
August 24, 2012	$ 0.63	275,000	400,000
July 9, 2013	$ 0.60	360,000	360,000
July 18, 2013	$ 0.60	150,000	190,000
May 19, 2014	$ 0.25	-	150,000
October 7, 2014	$ 0.70	150,000	150,000
February 23, 2015	$ 0.86	25,000	75,000
June 9, 2015	$ 1.22	800,000	865,000
June 24, 2015	$ 1.22	50,000	50,000
March 18, 2016	$ 1.96	1,205,000	-
		3,215,000	2,440,000

9. CAPITAL STOCK (Continued)

(d) Finders Options

A summary of the finders' options issued during the period ended May 31, 2011 is as follows:

	Number of Options	Weighted Average Exercise Price
Balance outstanding and exercisable, August 31, 2010	203,707	$ 0.75
Exercised	(203,312)	$ 0.75
Balance outstanding and exercisable, May 31, 2011	395	$ 0.75

During the period ended May 31, 2011 the Company issued 203,312 common shares pursuant to the exercise of finders options for gross proceeds of $ 152,484. Each option contained one common share issued and one-half of one non-transferable Series A warrant. Each whole Series A warrant entitles the holder to purchase one additional common share at a price of $1.00 for a period of 2 years. Finders warrants were valued at $123,118 estimated using the Black-Scholes option pricing model assuming a risk free interest rate of 1.72%, expected dividend yield of 0%, expected stock volatility of 141%, and an expected option life of 2 years.

Finders options outstanding are as follows:

Expiry Date	Exercise Price	May 31, 2011	August 31, 2010
May 5, 2012	$0.75	-	176,907
May 31, 2012	$0.75	395	26,800
		395	203,707

9. CAPITAL STOCK (Continued)

(e) Share Purchase Warrants

Share purchase warrants activity is summarized as follows:

2011	**Class A Warrant**	**Exercise Price**	**Class B Warrant**	**Exercise Price**
Balance outstanding August 31, 2010	3,027,585	$1.00	-	-
Issued	101,656	$1.00	1,233,425	$ 1.50
Exercised	(1,233,425)	$1.00	(211,060)	$ 1.50
Balance outstanding, May 31, 2011	1,895,816	$1.00	1,022,365	$ 1.50

* Upon exercise of a class A warrant, a common share and a class B warrant will be issued entitling the holder to acquire a common share of the Company at $1.50 until dates ranging from May 5, 2013 to April 15, 2013.

Share purchase warrants outstanding are as follows:

Expiry Date	**Exercise Price**	**May 31, 2011**	**August 31, 2010**
May 5, 2012	$ 1.00	1,261,977	2,200,977
May 31, 2012	$ 1.00	599,839	792,608
June 11, 2012	$ 1.00	34,000	34,000
May 5, 2013	$ 1.50	886,994	-
May 31, 2013	$ 1.50	135,371	-
		2,918,181	3,027,585

(f) Stock-Based Compensation

During the period ended May 31, 2011 the Company granted 1,205,000 options to directors, officers and consultants of the Company at an average exercise price of $1.96 per share. For the year ended August 31, 2010 1,140,000 options were granted at an average exercise price of $1.12 per share. During the period ended May 31, 2011, the Company recorded stock-based compensation expense on options vested during the period of $1,019,926.

During the period ended May 31, 2010, the Company granted 225,000 options to officers of the Company at an average exercise price of $0.75 per share. The fair value of stock-based compensation was in the amount $107,310.

The fair value at grant date of stock-based compensation is estimated using the Black-Scholes option pricing model with the following assumptions:

	2011	**2010**
Risk-free interest rate	2.51%	2.53%
Expected dividend yield	0	0
Expected stock price volatility	95.81%	104.45%
Expected option life in years	5	5
Fair value at grant date	$ 1.44	$ 0.58

10. RELATED PARTY TRANSACTIONS

(a) The Company paid or accrued $ Nil (2010 - $32,000) for management fees and $ Nil (2010 - $3,200) for office rent to a company controlled by the Company's chairman.

(b) The Company has entered into participation agreements with other parties that include a company controlled by the Company's chairman for the exploration and development of certain oil and gas prospects.

(c) The Company has farmed-in certain lands acquired by a company controlled by the Company's chairman to drill an oil and gas well.

The above 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.

11. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition and exploration of oil and gas properties. Geographic information is as follows:

	May 31, 2011 $	**August 31, 2010 $**
Assets		
Canada	32,578,924	1,869,673
Argentina	19,703,041	14,476,614
	52,281,965	16,343,287
Revenue		
Canada	87,205	233,116
Argentina	2,362,594	-
	2,449,799	233,116
Net Loss		
Canada	1,439,901	801.410
Argentina	841,953	793,851
	2,281,854	1,595,261

12. COMMITTMENT

As at May 31, 2011 the Company is committed to future payments for office space rental and a proportionate share of operating costs through 2012 as follows:

	$
2011	53,250
2012	35,500
Total	88,750

13. SUBSEQUENT EVENT

(a) The Company issued 16,500 common shares for total consideration of $16,500 pursuant to the exercise of Series A Warrants. In addition 36,500 common shares were issued for total consideration of $54,750 for the exercise of Series B Warrants. The Company issued 16,500 Series B Warrants expiring on May 5, 2013.