



WESTERN PLAINS PETROLEUM LTD.

INTERIM FINANCIAL STATEMENTS

THIRD QUARTER

For the three month and nine month periods ended

SEPTEMBER 30, 2010 AND SEPTEMBER 30, 2009

UNAUDITED

NOTICE OF NO AUDITOR REVIEW

Pursuant to National Instrument 51-102 Part 4, subsection 4.3(3) (a), the accompanying unaudited interim financial statements have been prepared by management and the Corporation's independent auditors have not performed a review of these financial statements.

WESTERN PLAINS PETROLEUM LTD.

Balance Sheets

Unaudited

	As at September 30, 2010	As at December 31, 2009
Assets	\$	\$
Current		
Cash and cash equivalents	418,064	95,962
Accounts receivable (Note 8 (b))	353,616	159,454
Prepaid expenses and deposits	332,500	18,054
	1,104,180	273,470
Property, plant and equipment (Notes 3)	3,922,186	2,179,215
	5,026,366	2,452,685
Liabilities		
Current		
Accounts payable and accrued liabilities	1,184,069	481,463
Asset retirement obligations (Note 5)	289,000	192,353
	1,473,069	673,816
Shareholders' equity		
Share capital (Note 6(b))	5,819,443	3,641,207
Contributed surplus (Note 6 (e))	381,945	237,745
Deficit	(2,648,091)	(2,100,083)
	3,553,297	1,778,869
	5,026,366	2,452,685

Basis of presentation (Note 1)

Bank Facilities (Note 4)

Commitment (Note 6 (b))

Subsequent events (Notes 10)

Contingent Liability (Note 11)

See accompanying notes to the financial statements.

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

David Forrest
Director

Stephen Johnston
Director

WESTERN PLAINS PETROLEUM LTD.
Statements of Loss, Comprehensive Loss, and Deficit
Unaudited

	Three months ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Revenue	\$	\$	\$	\$
Petroleum revenue	222,289	276,890	878,514	1,458,257
Expenses				
Royalties	30,932	49,884	133,479	316,676
Production and transportation	103,608	148,086	446,237	516,803
General and administrative	136,361	135,554	386,812	412,443
Interest	-	-	-	92,168
Depletion and accretion	59,225	110,762	315,793	912,845
Stock-based compensation	-	-	144,200	-
	330,126	444,286	1,426,521	2,250,935
Loss from operations	(107,837)	(167,396)	(548,007)	(792,678)
Gain on settlement of debt	-	85,200	-	85,200
Gain on sale of property, plant and equipment	-	-	-	422,877
Net loss and comprehensive loss	(107,837)	(82,196)	(548,007)	(284,601)
Deficit, beginning of period	(2,540,254)	(2,030,221)	(2,100,084)	(1,827,816)
Deficit, end of period	(2,648,091)	(2,112,417)	(2,648,091)	(2,112,417)
Basic and diluted loss per share (note 6(d))	(0.002)	(0.003)	(0.015)	(0.012)

See accompanying notes to the interim financial statements

WESTERN PLAINS PETROLEUM LTD.
Statements of Cash Flows

Unaudited

	Three months ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Operating activities	\$	\$	\$	\$
Net loss and comprehensive loss	(107,837)	(82,196)	(548,007)	(284,601)
Items not affecting cash:				
Depletion and accretion	59,225	110,762	315,793	912,845
Gain on settlement of debt	-	(85,200)	-	(85,200)
Gain on sale of property, plant and	-	-	-	(422,877)
Stock-based compensation	-	-	144,200	
	(48,612)	(56,634)	(88,014)	120,167
Changes in non-cash working capital (note 7)	(158,102)	356,827	(76,654)	(107,911)
	(206,714)	300,193	(164,668)	12,256
Financing activities				
Issuance of share capital (net of issue costs)	40,000	-	178,982	-
Repayment of bank debt	-	-	-	(400,000)
Change in non-cash working capital (note 7)	-	50,000	(26,500)	50,000
	40,000	50,000	152,482	(350,000)
Investing activities				
Additions to property, plant and equipment	(1,353,845)	(777,674)	(1,579,832)	(824,216)
Disposal of property, plant and equipment	1,616,967	-	1,616,967	1,200,000
Change in non-cash working capital (note 7)	314,792	93,155	297,153	93,155
	577,914	(684,519)	334,288	468,939
Increase (decrease) in cash for period	411,200	(334,326)	322,102	131,195
Cash and cash equivalents, beginning of period	6,864	335,399	95,962	(130,122)
Cash and cash equivalents, end of period	418,064	1,073	418,064	1,073

See accompanying notes to the interim financial statements

WESTERN PLAINS PETROLEUM LTD.

Notes to Financial Statements

September 30, 2010 and 2009

Unaudited

1. BASIS OF PRESENTATION

Western Plains Petroleum Ltd. (the “Corporation” or “Western Plains”) was incorporated under the Business Corporations Act (Alberta) on November 19, 2004 and is classified as a Tier 2 “oil and gas exploration and production” corporation. The common shares of the Corporation commenced trading on the TSX Venture Exchange (“TSXV”) on August 11, 2006, and currently trade under the symbol “WPP”.

The Corporation is based in Lloydminster, Alberta and engages in the exploration for and the development, production and acquisition of petroleum and natural gas reserves in Western Canada.

The interim Financial Statements have been prepared following the same accounting policies and methods of computation as the annual audited Financial Statements for the year ended December 31, 2009. The interim Financial Statements should be read in conjunction with the annual audited Financial Statements and the notes thereto for the year ended December 31, 2009.

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Corporation be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Corporation’s ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate sufficient cash from operating and financing activities to meet the Corporation’s needs. As at September 30, 2010 the Corporation has a deficit of \$2.7 million (December 31, 2009 - \$2.1 million) and has a working capital deficiency of \$0.1 million (December 31, 2009 working capital deficiency - \$0.2 million). These financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Corporation were unable to continue as a going concern and therefore be required to realize its assets and liabilities in other than the normal course of business and potentially at amounts significantly different from those recorded in these financial statements.

2. RECENT ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards

In February, 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards (“IFRS”) are to be followed by Canadian public companies effective January 1, 2011. The comparative financial information for 2010 within the 2011 financial statements will also be prepared in accordance with IFRS. This year the Corporation will finalize appropriate changes to accounting policies, financial disclosure, internal controls and systems.

Business Combinations

CICA Handbook Section 1582, “Business Combinations” establishes revised principles and requirements for the acquisition method for business combinations and related disclosures. This standard will be adopted prospectively for business combinations for which the acquisition date is after January 1, 2011.

Consolidated Financial Statements

CICA Handbook Section 1601 “Consolidated Financial Statements”, together with Section 1602 below, establishes revised principles and requirements for the preparation of consolidated financial statements. This standard will be adopted effective January 1, 2011.

Non-controlling Interests

CICA Handbook Section 1602 “Non-controlling Interests” establishes revised principles and requirements for the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interests. This standard will be adopted effective January 1, 2011.

3. PROPERTY, PLANT AND EQUIPMENT

Petroleum and natural gas properties	Cost \$	Accumulated Depletion & Depreciation \$	Net book value \$
At September 30, 2010	6,510,643	(2,588,457)	3,922,186
At December 31, 2009	4,463,183	(2,283,968)	2,179,215

In June 2010 the Corporation acquired property, plant and equipment consisting of 100% working interests in a petroleum and natural gas property located in the Lloydminster area of Saskatchewan. A related entity controlled by an officer and director of the Corporation held a 50% working interest in these assets and accordingly the transaction was subject to shareholder and TSX Venture Exchange approval, both of which were achieved in June 2010. The acquisition was recorded using the purchase method of accounting as follows:

Consideration:		\$
	Common shares issued – 10,000,000 shares	1,500,000
	Transaction costs	29,649
		<u>1,529,649</u>
Net assets acquired:		
	Property, plant and equipment	1,704,768
	Asset retirement obligation	(175,119)
		<u>1,529,649</u>

In August 2010 the Corporation disposed of a 50% working interest in all of its petroleum and natural gas properties. The disposition was recorded as a reduction of the carrying value of property, plant and equipment. No gain or loss was recorded with the net proceeds credited against the carrying value of property, plant and equipment. Consideration consisted of the following:

Cash sales price	1,700,000
Settlement of related asset retirement obligation	187,775
Transaction costs and normal industry adjustments	<u>(83,033)</u>
Net proceeds credited to property, plant and equipment	<u>1,804,742</u>

Also in August 2010 Western Plains closed the acquisition of a 33 1/3% working interest in certain heavy oil properties in the Lloydminster area of Alberta.

The acquisition was recorded using the purchase method of accounting as follows:

Consideration:		\$
	Cash to vendor	629,924
	Trade payables assumed	
	3,328,363 Common shares to creditors	499,254
	Debt assumed	294,753
	Transaction costs and normal industry adjustments	181,653
		<u>1,605,584</u>
Net assets acquired:		
	Property, plant and equipment	1,703,584
	Asset retirement obligation	(98,000)
		<u>1,605,584</u>

The above amounts are estimates made by management based on currently available information. Revisions may be made to the purchase equations for these three transactions, as cost estimates and balances are finalized.

4. BANK DEBT

In August 2010 the Corporation entered into a credit facility agreement with a Canadian chartered bank, consisting of a demand revolving operating facility of \$800,000 with an interest rate of bank prime plus 1.5%, and a demand development facility of \$300,000 with an interest rate of bank prime plus 2.0%. The credit facilities are secured by a general security agreement and a \$25 million first floating charge debenture covering all of the Corporation's assets. The Corporation has not yet drawn on either credit facility.

5. ASSET RETIREMENT OBLIGATIONS

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of petroleum and natural gas properties:

	Nine months ended September 30, 2010 \$	Year ended December 31, 2009 \$
Asset retirement obligations, beginning of period	192,353	222,916
Liabilities incurred or acquired (note 3)	273,119	137,201
Liabilities settled or disposed (note 3)	(187,775)	(111,780)
Change of estimates	-	(71,066)
Accretion	11,303	15,082
Asset retirement obligations, end of period	<u>289,000</u>	192,353

The total undiscounted amount of estimated cash flows required to settle the obligation as at September 30, 2010 was \$0.4 million (December 31, 2009 - \$0.6 million), which has been discounted using credit adjusted risk free rates of 8-10%. An inflation rate of two percent has been used throughout. These obligations are estimated to be incurred between 2018 and 2029 and will be funded from general corporate resources at the time of the retirement.

6. SHARE CAPITAL

(a) Authorized

Unlimited number of common voting shares
Unlimited number of Class A preferred shares, issuable in series
Unlimited number of Class B preferred shares, issuable in series

The Directors of the Corporation are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series.

(b) Issued and Outstanding

	Nine months ended September 30, 2010		Year ended December 31, 2009	
	Number of Shares	\$	Number of Shares	Amount \$
Common shares, beginning of period	30,259,774	3,641,207	21,226,834	3,219,928
Private placements	2,144,167	190,200	3,352,940	255,000
Shares issued - acquisition June 2010 (note 3)	10,000,000	1,500,000	-	-
Shares issued - acquisition August 2010 (note 3)	3,328,363	499,254	-	-
Shares issued to settle debt	-	-	5,680,000	198,800
Share issue costs	-	(11,218)	-	(32,521)
Common shares, end of period	45,732,304	5,819,443	30,259,774	3,641,207

Private placements were completed in 2010 as follows:

- In January 2010 the Corporation issued 1,877,500 common shares at a price of \$0.08 per share in a private placement, for gross proceeds of \$150,200, with no finder's fees.
- In August 2010 the Corporation issued 2,666,667 common shares at a price of \$0.15 per share in a private placement, for gross proceeds of \$40,000 with no finder's fees.

In December 2009, the Corporation issued 3,352,940 units at a price of \$0.085 per Unit pursuant to a private placement for gross proceeds of \$285,000. Each unit was comprised of one common share issued on a flow through basis under applicable tax law, and one common share purchase warrant, each warrant exercisable into one common share. Each of the 3,352,940 warrants has a term of 12 months from the date of issuance at an exercise price of \$0.15 per share. The common shares were valued at \$255,000 and the warrants were valued at \$30,000 in total. In February 2010, the Corporation renounced \$285,000 to the investors effective December 31, 2009. Eligible expenditures totally \$226,000 have been incurred in the nine months ended September 30, 2010 and subsequent to the period end, the Corporation incurred eligible expenditures sufficient to meet the remaining commitment of \$59,000.

In December 2008, the Corporation issued 2,777,777 flow-through shares for gross proceeds of \$500,000, for which an officer and director subscribed for the entire offering. The Corporation incurred \$280,000 of eligible expenses in 2009 and renounced that amount to the investor effective December 31, 2009. The Corporation expects to incur sufficient eligible expenditures totaling \$220,000 in 2010 and will renounce those eligible expenditures to the investor effective December 31, 2010.

The Corporation is eligible to allocate up to \$1 million of Canadian Development Expense as Canadian Exploration Expense to meet the flow through commitments.

(c) Stock option plan

The Corporation established a Stock Option Plan (“Plan”) for directors, officers, employees and consultants. The maximum number of common shares which may be reserved under the Plan may not exceed 10% of the outstanding common shares at that time. Options granted under the plan generally have a term of five years and vest on the date of grant. The exercise price of each option equals or exceeds the market price of the Corporation’s common shares on the date of grant.

A summary of the options for the current period and for the year ended December 31, 2009 follows:

	Nine months Ended September 30, 2010		Year Ended December 31, 2009	
	Number of Options	Weighted Average Price \$	Number of Options	Weighted Average Price \$
Options, beginning of period	1,452,000	0.14	1,702,000	0.14
Granted	1,400,000	0.15	-	-
Expired	(400,000)	0.20	(250,000)	0.17
Options, end of period	2,452,000	0.14	1,452,000	0.14

Expiry	Weighted Average Remaining Life (Years)	Exercise Price	Outstanding and Exercisable
August 11, 2011	0.87	\$0.30	42,000
March 14, 2013	2.45	\$0.11	260,000
July 23, 2013	2.81	\$0.14	150,000
December 17, 2013	3.22	\$0.10	600,000
June 4, 2015	4.68	\$0.15	1,200,000
June 22, 2015	4.73	\$0.15	200,000
			2,452,000

1,400,000 options were issued and vested in June 2010 with an exercise price of \$0.15 and to expire in June 2015. These options had a fair value of \$0.103 per option for a total expense in the second quarter of \$144,200. Fair value was determined using the Black Scholes model with the following assumptions:

	2010	2009
Risk free interest rate (%)	1.3 %	1.3 %
Expected volatility (%)	88 %	88 %
Expected life (in years)	5 years	1 year
Expected forfeiture	None	None
Expected dividends	-	-

(d) Per share amounts

The weighted average number of shares used in calculating the basic net loss per share follows:

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Basic weighted shares outstanding	43,544,025	21,226,836	36,352,095	21,226,836
Effect of dilutive securities	-	-	-	-
Diluted weighted shares outstanding	43,544,025	21,226,836	36,352,095	21,226,836

Diluted per share information is not presented as the result would decrease the loss per share.

(e) Contributed Surplus

Changes to contributed surplus are summarized as follows:

	Nine months Ended September 30, 2010	Year Ended December 31, 2009
	\$	\$
Contributed surplus, beginning of the period	237,745	207,745
Options issued	144,200	-
Warrants issued	-	30,000
Contributed surplus, end of the period	381,945	237,745

7. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended September 30		Nine months Ended September 30	
	2010	2009	2010	2009
Changes in Non-Cash Working Capital	\$	\$	\$	\$
Accounts receivable	37,763	248,861	(194,162)	141,349
Prepaid expenses and deposits	(320,500)	(38,557)	(314,446)	(34,003)
Accounts payable and accrued liabilities	439,427	289,678	702,607	(72,102)
Changes in non-cash working capital relating to:	156,690	499,982	193,999	35,244
Operating activities	(158,102)	356,827	(76,654)	(107,911)
Financing activities	314,792	50,000	(26,500)	50,000
Investing activities	-	93,155	297,153	93,155
Interest paid	-	-	-	92,168

8. FINANCIAL RISK MANAGEMENT

(a) Overview

The Corporation has exposure to **credit risk, liquidity risk and market risk**. The board of directors of the Corporation has overall responsibility for the establishment and oversight of the Corporation's risk management framework.

(b) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables from joint venture partners and petroleum and natural gas marketers.

As at September 30, 2010 the Corporation's receivables consisted of the following:

	September 30, 2010	December 31, 2009
	\$	\$
Marketers	256,703	112,162
Joint venture partners	33,151	1,593
Refundable GST	56,570	-
Trade and other	7,192	45,699
	353,616	159,454

Receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production. The Corporation's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers. The Corporation historically has not experienced collection issues with its petroleum and natural gas marketers. Joint venture receivables relate primarily to properties for which the Corporation is the operator. The Corporation does not typically obtain collateral from petroleum and natural gas marketers. The carrying amount of accounts receivable represents the maximum credit exposure.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's objective is to maintain sufficient liquidity to meet its liabilities when due, under normal and stressed conditions.

The Corporation manages its liquidity risk by continuously monitoring forecasted cash flows, assessing prospects for raising additional equity, and may in the future utilize a line of credit, when appropriate.

(d) Market risk

Market risk is the risk that changes in market prices, such as oil prices, foreign exchange rates, interest rates and equity prices will affect the Corporation's income or value of its financial instruments. The Corporation is not exposed to currency risk. The Corporation does not have any contracts in place to protect against

commodity price changes.

The Corporation is not subject to interest rate risk since interest bearing debt was repaid by July 2009.

(e) Capital management

The Corporation's objective is to maintain access to sources of capital, defined to be shareholders' equity, credit facilities and other debt (long term debt and working capital) and cash, with which to finance its operations. The Corporation maintains a capital structure of equity and debt where appropriate. In the past it has utilized a line of bank credit and a note payable. All bank debt and the note payable were retired by July 2009. The Corporation manages its capital structure and makes changes to it in light of changes in economic conditions, opportunities for accretive acquisitions and the risk characteristics of the underlying investments. The Corporation balances its overall capital structure through share issues and the use of debt as deemed appropriate in the circumstances.

The Corporation monitors net debt closely. The net debt includes the working capital deficiency and is a non-GAAP measure which is determined on the following basis:

Balance sheet component	September 30, 2010	December 31, 2009
	\$	\$
Cash and cash equivalents	418,064	95,962
Accounts receivable	353,616	159,454
Prepaid expenses and deposits	332,500	18,054
Accounts payable and accrued liabilities	(1,184,069)	(481,463)
Net debt	(79,889)	(207,993)

Accounts payable and accrued liabilities includes the trade debt assumed on the property acquisition for which the Corporation as arranged payment over a period up to August 2011.

(f) Fair value of financial instruments

The Corporation has determined the fair values of its financial instruments which consist of cash and cash equivalents, accounts receivable, bank debt, and accounts payable and accrued liabilities, approximate carrying amounts because of the short-term nature of these instruments, initially measured at fair value with subsequent periodic revaluations recorded at their amortized cost using the effective interest rate method. Fair value represents the Corporation's estimate of the price at which a financial instrument could be exchanged between knowledgeable and willing parties in an orderly arm's length transaction motivated by normal business considerations.

The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1 – inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology included quoted prices for identical assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – inputs to the valuation methodology are not based on observable market data.

9. RELATED PARTY TRANSACTIONS

The Corporation entered into the following related party transactions, all of which were in the normal course of operations and have been valued at the exchange amount that is the amount of consideration established and agreed to by the related parties:

- Legal services provide by a law firm in which an officer and director is a partner:
 - \$163,506 was incurred in the nine months ended September 30, 2010 (\$104,479 during the year ended December 31, 2009) of which \$56,204 (\$32,402 at December 31, 2009) was in accounts payable and accrued liabilities at the period end;
 - Costs were recorded as general and administrative expense, share issue costs or as a capital expenditure depending on the activity for which legal services were provided;
- Various oil field services and products purchased from or sold to corporations in which an officer and director of the Corporation is an officer and a director:
 - \$149,048 was incurred in the nine months ended September 30, 2010 (\$278,358 during the year ended December 31, 2009) of which \$4,476 (\$13,723 at December 31, 2009) was in accounts payable and accrued liabilities at the period end;
 - Costs were recorded as either production expense or capital expenditures depending on the nature of the expenditure;
 - Oil valued at \$36,808 was sold in the nine months ended September 30, 2010 (\$nil during the year ended December 31, 2010) of which \$nil was in accounts receivable;
- Executive services provided by a corporation in which an officer and a director of the Corporation is an officer and director:
 - \$90,000 was incurred in the nine months ended September 30, 2010 (\$120,000 during the year ended December 31, 2009) of which \$nil (\$nil at December 31, 2009) was in accounts payable and accrued liabilities at the period end;
 - Costs were recorded as general and administrative expense;
- Property, plant and equipment acquired from a corporation in which an officer and a director of the Corporation is an officer and director:
 - Petroleum and natural gas interests (non producing) were acquired in January, 2010 (\$nil during the year ended December 31, 2009) for consideration of \$30,000 paid in cash in this period;
 - Petroleum and natural gas interests (producing) were acquired in June 2010 (\$nil during the year ended December 31, 2009) for consideration of 4,441,250 common shares valued at \$0.15 per share for a total of \$666,187. The transaction was valued at \$750,000 with the difference being an offset for amounts owed by this vending company to the other third party vending company. This transaction was for 50% working interest in these properties and the assumption of the related asset retirement obligation, with the other 50% acquired from an arms length party.
 - Costs were recorded as additions to property, plant and equipment;
- Certain related party transactions occurred in 2009 but those arrangements terminated during 2009 and no further costs were incurred. Interest of \$80,436 was incurred and paid in 2009 to a corporation in which a continuing officer and director of the Corporation is an officer and a director. Payments totalling \$53,609 were paid in 2009 for accounting services, to entities controlled by former officers.

10. SUBSEQUENT EVENTS

In November 2010 the Corporation issued 2,222,222 units at a price of \$0.18 per unit pursuant to a private placement for gross proceeds of \$400,000 and finders fees of \$20,000. Each unit consists of one common share and one-half of one common share warrant. Each whole warrant is exercisable into one common share at an exercise price of \$0.25 per share for a period of one year from the date of issuance.

In addition 4,090,909 common shares were issued on a flow through basis for gross proceeds of \$900,000 with a requirement that eligible capital expenditures be incurred by December 31, 2011 under the look back rules of the Income Tax Act of Canada. Finders' fees of \$45,000 were paid.

In November 2010, 117,647 warrants, issued in December 2009 and maturing in December 2010, were exercised for proceeds of \$17,647 by an officer of the Corporation.

11. CONTINGENT LIABILITY

In 2006 Corporation issued a guarantee in the amount of USD\$110,000 (CAD\$127,000) as security in favor of National Hydrocarbons Agency, the Colombian oil and gas governmental agency. During the year ended December 31, 2007, the purchaser of the assets in Colombia issued a letter of credit replacing the Corporation's guarantee and therefore, the restricted cash of USD\$110,000 (CAD\$127,000) was released by the bank to the Corporation. However, the bank holding the letter of credit from the purchaser has not yet fully removed the Corporation's guarantee and therefore the Corporation's guarantee remains outstanding. It is the position of the Corporation that it is very unlikely this guarantee will result in a liability and the Corporation is taking steps to have it removed.