The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from the Company's reporting accountant, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

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35/F One Pacific Place
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Hong Kong

20 February 2012

The Directors

Sunshine Oilsands Ltd.

Morgan Stanley Asia Limited

BOCI Asia Limited

Deutsche Bank AG, Hong Kong branch

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Sunshine Oilsands Ltd. (the "Company") and its subsidiary (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011 (the "Relevant Periods") for inclusion in the Prospectus of the Company dated 20 February 2012 (the "Prospectus").

The Company was incorporated under the laws of the Province of Alberta, Canada on 22 February 2007.

The Group is engaged in the exploration for, and the development of oil properties for the future production of bitumen in the Athabasca oil sands region in Alberta, Canada.

The detail of the corporate structure is explained in the section entitled "Corporate Structure and History" in the Prospectus (the "Corporate Structure and History").

The Company and its subsidiary have adopted 31 December as their financial year end date. As at the date of this report, the Company has a direct interest in the following subsidiary comprising the Group:

Name of subsidiary	Place of incorporation	Date of incorporation	Issued and fully paid-up share capital	Proportion of issued shares held by the Company				At date of this report	Principal activities
				At 31 December			At 30 September		
				2008	2009	2010	2011		
Fern Energy Ltd. ("Fern")	Alberta, Canada	3 February 2006	Canadian Dollar ("C$") 60,000	100%	100%	100%	100%	100%	Oil and gas exploration and production but inactive during the Relevant Periods

On 8 May 2007, the Company acquired all the issued and outstanding shares of Fern satisfied by issuance of 60,000 common shares at a deemed price of C$1.00 per common share.

The audited financial statements of the Company were prepared in accordance with Canadian generally accepted accounting principles ("C-GAAP") issued by the Canadian Accounting Standards Board. The financial statements of the Company were audited by Deloitte & Touche LLP, Chartered Accountants ("D&T Calgary") registered in Canada since its date of incorporation.

No audited financial statements have been prepared for Fern as Fern is not subject to an audit requirement.

For the purpose of preparing this report, the directors of the Company have prepared the consolidated financial statements of the Group for the three years ended 31 December 2008, 2009 and 2010 and for the nine months ended 30 September 2011 in accordance with International Financial Reporting Standards ("IFRS") (the "Underlying Financial Statements"). D&T Calgary has carried out an independent audit of the Underlying Financial Statements in accordance with Canadian Generally Accepted Auditing Standards issued by Canadian Auditing and Assurance Standards Board for the years ended 31 December 2008 and 2009 and in accordance with International Standards on Auditing issued by International Auditing and Assurance Standards Board ("IAASB") for the year ended 31 December 2010 and for the nine months ended 30 September 2011.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants. The Financial Information of the Group and the Company for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The directors of the Company are responsible for preparing the Underlying Financial Statements and the contents of the Prospectus in which the report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon, for the purpose of this report, give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2008, 2009 and 2010 and 30 September 2011 and of the consolidated results and consolidated cash flows of the Group for the Relevant Periods.

The comparative consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity of the Group for the nine months ended 30 September 2010 together with the notes thereon have been extracted from the Group's consolidated financial statements for the same period (the "30 September 2010 Financial Information") which were prepared by the directors of the Company solely for the purpose of this report. We conducted our review on the 30 September 2010 Financial Information in accordance with International Standards on Review Engagement 2400 "Engagements to Review Financial Statements" issued by the IAASB. A review consists of making inquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted with the International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 September 2010 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 September 2010 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information, which conform with IFRS.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
		2008	2009	2010	2010	2011
	Notes	C$	C$	C$	C$ (unaudited)	C$
Interest income from bank deposits		295,382	3,060	257,067	142,218	1,367,251
Other income		—	3,835	7,602	6,162	—
Interest and other income		295,382	6,895	264,669	148,380	1,367,251
General and administrative expenses	6	(2,611,861)	(2,829,716)	(5,789,076)	(4,108,856)	(9,511,491)
Depreciation	14	(80,393)	(105,589)	(111,551)	(77,949)	(132,724)
Share-based payments	27	(2,154,261)	(555,871)	(3,946,638)	(2,513,703)	(5,798,448)
Initial offering expenses		—	—	—	—	(1,694,883)
Fair value loss on warrants	25(e)(f)	—	—	—	—	(32,088,500)
Finance costs	7	(83,057)	(140,745)	(93,030)	(36,371)	(18,440,883)
Total expenses		(4,929,572)	(3,631,921)	(9,940,295)	(6,736,879)	(67,666,929)
Loss before tax		(4,634,190)	(3,625,026)	(9,675,626)	(6,588,499)	(66,299,678)
Income tax (expense) credit	8	(811,473)	777,009	(181,315)	240,993	1,380,674
Loss for the year/ period and comprehensive loss attributable to equity holders of the Company	9	(5,445,663)	(2,848,017)	(9,856,941)	(6,347,506)	(64,919,004)
Loss per share	13					
Basic		(0.01)	(0.00)	(0.01)	(0.00)	(0.04)
Diluted		(0.01)	(0.00)	(0.01)	(0.00)	(0.04)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 September
		2008	2009	2010	2011
	Notes	C$	C$	C$	C$
Non-current assets					
Property and equipment	14	354,586	301,847	474,051	623,383
Deferred initial public offering expenses	15	—	—	—	3,218,992
Exploration and evaluation assets	16	124,475,391	134,622,825	197,836,345	331,761,811
		124,829,977	134,924,672	198,310,396	335,604,186
Current assets					
Trade and other receivables	18	1,767,161	80,565	1,273,558	2,040,937
Prepaid expenses and deposits	19	376,207	234,152	1,910,487	760,547
Cash and cash equivalents	20	541,012	575,769	41,540,387	122,583,477
		2,684,380	890,486	44,724,432	125,384,961
Current liabilities					
Trade and other payables	21	1,925,449	1,292,426	17,521,798	18,695,438
Bank borrowings	22	25,200,000	5,328,200	—	—
Provision for decommissioning obligations	23	—	—	116,734	116,734
Provision for flow-through share obligations	23	147,000	250,075	19,914	—
Warrants	25(e)(f)	—	—	—	74,791,237
		27,272,449	6,870,701	17,658,446	93,603,409
Net current (liabilities) assets		(24,588,069)	(5,980,215)	27,065,986	31,781,552
Total assets less current liabilities		100,241,908	128,944,457	225,376,382	367,385,738
Non-current liabilities					
Redeemable shares	24	—	—	—	214,743,202
Provision for decommissioning obligations	23	373,872	354,833	2,052,330	5,383,892
Deferred tax liabilities	8	1,276,061	624,906	891,262	—
		1,649,933	979,739	2,943,592	220,127,094
		98,591,975	127,964,718	222,432,790	147,258,644
Capital and reserves					
Issued capital	25	100,019,452	130,745,650	224,526,472	219,210,310
Reserves		(1,427,477)	(2,780,932)	(2,093,682)	(71,951,666)
		98,591,975	127,964,718	222,432,790	147,258,644

STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 September
		2008	2009	2010	2011
	Notes	C$	C$	C$	C$
Non-current assets					
Property and equipment	14	354,586	301,847	474,051	623,383
Deferred initial public offering expenses	15	—	—	—	3,218,992
Exploration and evaluation assets	16	124,432,549	134,579,983	197,793,503	331,718,969
Interest in a subsidiary	17	60,000	60,000	60,000	60,000
		124,847,135	134,941,830	198,327,554	335,621,344
Current assets					
Trade and other receivables	18	1,767,161	79,917	1,273,073	2,040,058
Prepaid expenses and deposits	19	376,207	234,152	1,910,487	760,547
Cash and cash equivalents	20	523,854	568,789	41,533,456	122,576,640
		2,667,222	882,858	44,717,016	125,377,245
Current liabilities					
Trade and other payables	21	1,925,449	1,292,426	17,521,798	18,695,438
Bank borrowings	22	25,200,000	5,328,200	—	—
Provision for decommissioning obligations	23	—	—	116,734	116,734
Provision for flow-through share obligations	23	147,000	250,075	19,914	—
Warrants	25(e)(f)	—	—	—	74,791,237
		27,272,449	6,870,701	17,658,446	93,603,409
Net current (liabilities) assets		(24,605,227)	(5,987,843)	27,058,570	31,773,836
Total assets less current liabilities		100,241,908	128,953,987	225,386,124	367,395,180
Non-current liabilities					
Redeemable shares	24	—	—	—	214,743,202
Provision for decommissioning obligations	23	373,872	354,833	2,052,330	5,383,892
Deferred tax liabilities	8	1,276,061	624,906	891,262	—
		1,649,933	979,739	2,943,592	220,127,094
		98,591,975	127,974,248	222,442,532	147,268,086
Capital and reserves					
Issued capital	25	100,019,452	130,745,650	224,526,472	219,210,310
Reserves	26	(1,427,477)	(2,771,402)	(2,083,940)	(71,942,224)
		98,591,975	127,974,248	222,442,532	147,268,086

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Common shares		Preferred shares		Warrants						
	Number of Shares	Amount	Number of Shares	Amount	Number of Warrants	Amount	Total issued capital	Share-based payments reserve	Other reserve (Note)	Accumulated deficits	Total
		C$		C$		C$	C$	C$	C$	C$	C$
At 1 January 2008	36,486,327	65,953,388	2,778,022	—	1,537,068	134,966	66,088,354	5,716,413	—	(1,585,667)	70,219,100
Net loss and comprehensive loss for the year	—	—	—	—	—	—	—	—	—	(5,445,663)	(5,445,663)
Recognition of share-based payments											
— share options granted	—	—	—	—	—	—	—	4,273,523	—	—	4,273,523
— preferred shares granted	—	—	1,556,966	—	—	—	—	5,138,086	—	—	5,138,086
Issue of common shares	4,505,684	18,022,736	—	—	—	—	18,022,736	—	—	—	18,022,736
Common shares issued on a flow-through basis	842,033	3,368,131	—	—	—	—	3,368,131	—	—	—	3,368,131
Exercise of Purchase Warrants	1,537,068	2,671,130	—	—	(1,537,068)	(134,966)	2,536,164	—	—	—	2,536,164
Exercise of liquidity warrants	1,299,245	—	—	—	—	—	—	—	—	—	—
Conversion of preferred shares into common shares	4,334,988	9,503,271	(4,334,988)	—	—	—	9,503,271	(9,503,271)	—	—	—
Exercise of options	31,597	51,810	—	—	—	—	51,810	—	—	—	51,810
Share-based payments reserve transferred on exercise of share options	—	20,898	—	—	—	—	20,898	(20,898)	—	—	—
Share issue costs, net of deferred tax credit of C$862,008 (note 8)	—	428,088	—	—	—	—	428,088	—	—	—	428,088
At 31 December 2008 and 1 January 2009	49,036,942	100,019,452	—	—	—	—	100,019,452	5,603,853	—	(7,031,330)	98,591,975
Net loss and comprehensive loss for the year	—	—	—	—	—	—	—	—	—	(2,848,017)	(2,848,017)
Recognition of share-based payments											
— share options granted	—	—	—	—	—	—	—	1,503,293	—	—	1,503,293
Issue of common shares	5,523,809	28,999,997	—	—	—	—	28,999,997	—	—	—	28,999,997
Common shares issued on a flow-through basis	333,433	1,750,523	—	—	—	—	1,750,523	—	—	—	1,750,523
Exercise of options	13,334	25,001	—	—	—	—	25,001	—	—	—	25,001
Share-based payments reserve transferred on exercise of share options	—	8,731	—	—	—	—	8,731	(8,731)	—	—	—
Share issue costs, net of deferred tax credit of C$21,146 (note 8)	—	(58,054)	—	—	—	—	(58,054)	—	—	—	(58,054)
At 31 December 2009 and 1 January 2010	54,907,518	130,745,650	—	—	—	—	130,745,650	7,098,415	—	(9,879,347)	127,964,718
Net loss and comprehensive loss for the year	—	—	—	—	—	—	—	—	—	(9,856,941)	(9,856,941)
Recognition of share-based payments											
— share options granted	—	—	—	—	—	—	—	6,859,589	—	—	6,859,589
— preferred shares granted	—	—	3,098,500	30,985	—	—	30,985	1,698,614	—	—	1,729,599
— Fee Warrants granted as part of share issue costs (note 25(f))	—	—	—	—	—	—	—	2,277,223	—	—	2,277,223
Issue of common shares	15,056,075	66,595,006	—	—	—	—	66,595,006	—	—	—	66,595,006
Cancellation of preferred shares	—	—	(15,000)	(150)	—	—	(150)	—	—	—	(150)
Common shares issued on a flow-through basis	589,004	3,092,272	—	—	—	—	3,092,272	—	—	—	3,092,272
Issue of flow-through special and Purchase Warrants	—	—	—	—	7,517,353	28,312,361	28,312,361	—	—	—	28,312,361
Exercise of options	612,335	770,171	—	—	—	—	770,171	—	—	—	770,171
Share-based payments reserve transferred on exercise of share options	—	291,235	—	—	—	—	291,235	(291,235)	—	—	—
Share issue costs, net of deferred tax credit of C$1,060,815 (note 8)	—	(5,176,312)	—	—	—	(134,746)	(5,311,058)	—	—	—	(5,311,058)
At 31 December 2010 and 1 January 2011	71,164,932	196,318,022	3,083,500	30,835	7,517,353	28,177,615	224,526,472	17,642,606	—	(19,736,288)	222,432,790

	Common shares		Preferred shares		Warrants						
	Number of Shares	Amount	Number of Shares	Amount	Number of Warrants	Amount	Total issued capital	Share-based payments reserve	Other reserve (Note)	Accumulated deficits	Total
		C$		C$		C$	C$	C$	C$	C$	C$
Net loss and comprehensive loss for the period	—	—	—	—	—	—	—	—	—	(64,919,004)	(64,919,004)
Recognition of share-based payments											
— share options granted	—	—	—	—	—	—	—	5,566,194	—	—	5,566,194
— preferred shares granted	—	—	1,072,000	10,720	—	—	10,720	5,817,152	—	—	5,827,872
Issue of common shares	771,639	7,469,466	—	—	—	—	7,469,466	—	—	—	7,469,466
Cancellation of preferred shares	—	—	(23,000)	(230)	—	—	(230)	—	—	—	(230)
Common shares issued on a flow-through basis	668,541	6,471,476	—	—	—	—	6,471,476	—	—	—	6,471,476
Exercise of options	342,700	1,263,050	—	—	—	—	1,263,050	—	—	—	1,263,050
Exercise of flow-through special warrants	560,750	5,293,314	—	—	(560,750)	(5,293,314)	—	—	—	—	—
Reclassification of warrants upon modification	—	—	—	—	(6,235,995)	(20,513,800)	(20,513,800)	(2,277,223)	(13,533,477)	—	(36,324,500)
Share-based payments reserve transferred on exercise of share options	—	511,626	—	—	—	—	511,626	(511,626)	—	—	—
Share issue costs, net of deferred tax credit of C$178,988 (note 8)	—	(528,470)	—	—	—	—	(528,470)	—	—	—	(528,470)
At 30 September 2011	73,508,562	216,798,484	4,132,500	41,325	720,608	2,370,501	219,210,310	26,237,103	(13,533,477)	(84,655,292)	147,258,644
(Unaudited)											
At 1 January 2010 (audited)	54,907,518	130,745,650	—	—	—	—	130,745,650	7,098,415	—	(9,879,347)	127,964,718
Net loss and comprehensive loss for the period	—	—	—	—	—	—	—	—	—	(6,347,506)	(6,347,506)
Recognition of share-based payments											
— share options granted	—	—	—	—	—	—	—	5,270,755	—	—	5,270,755
— preferred shares granted	—	—	2,756,000	27,560	—	—	27,560	118,381	—	—	145,941
— Fee Warrants granted as part of share issue costs (note 25(f))	—	—	—	—	—	—	—	2,277,223	—	—	2,277,223
Issue of common shares	15,056,075	66,595,006	—	—	—	—	66,595,006	—	—	—	66,595,006
Cancellation of preferred shares	—	—	(15,000)	(150)	—	—	(150)	—	—		(150)
Common shares issued on a flow-through basis	589,004	3,092,272	—	—	—	—	3,092,272	—	—	—	3,092,272
Issue of Purchase Warrants	—	—	—	—	6,956,603	22,884,301	22,884,301	—	—	—	22,884,301
Exercise of options	604,000	750,000	—	—	—	—	750,000	—	—	—	750,000
Share-based payment reserve transferred on exercise of share options	—	283,611	—	—	—	—	283,611	(283,611)	—	—	—
Share issue costs, net of deferred tax of C$989,042	—	(5,106,881)	—	—	—	—	(5,106,881)	—	—	—	(5,106,881)
At 30 September 2010 (unaudited)	71,156,597	196,359,658	2,741,000	27,410	6,956,603	22,884,301	219,271,369	14,481,163	—	(16,226,853)	217,525,679

Note: Other reserve represents the difference between the fair value of the warrants measured on the date when such warrants were reclassified to a liability and the amount initially recognised at the date the warrants were issued.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
	C$	C$	C$	C$ (unaudited)	C$
OPERATING ACTIVITIES					
Loss before tax	(4,634,190)	(3,625,026)	(9,675,626)	(6,588,499)	(66,299,678)
Adjustments for:					
Finance costs	83,057	140,745	93,030	36,371	18,440,883
Fair value loss on warrants	—	—	—	—	32,088,500
Depreciation	80,393	105,589	111,551	77,949	132,724
Interest income	(295,382)	(3,060)	(257,067)	(142,218)	(1,367,251)
Initial offering expenses	—	—	—	—	1,694,883
Share-based payments	2,154,261	555,871	3,946,638	2,513,703	5,798,448
Operating cash flows before movements in working capital	(2,611,861)	(2,825,881)	(5,781,474)	(4,102,694)	(9,511,491)
Increase in trade and other receivables	(17,980)	(4,836)	(394,946)	(317,909)	(871,588)
Decrease (increase) in prepaid expenses and deposits	32,000	—	(312,569)	(509,559)	(447,978)
(Decrease) increase in trade and other payables	(38,476)	232,307	527,455	599,113	519,155
NET CASH USED IN OPERATING ACTIVITIES	(2,636,317)	(2,598,410)	(5,961,534)	(4,331,049)	(10,311,902)
INVESTING ACTIVITIES					
Payments for exploration and evaluation assets	(76,571,938)	(7,230,457)	(43,188,427)	(30,266,861)	(123,939,319)
Interest paid and capitalised into exploration and evaluation assets	(503,775)	(1,081,068)	(278,345)	(278,345)	—
Payments for acquisition of property and equipment	(381,412)	(52,850)	(283,755)	(205,672)	(282,056)
Proceeds from disposal of exploration and evaluation assets	3,900,000	—	—	—	—
Interest received	295,382	3,060	257,067	142,218	1,367,251
NET CASH USED IN INVESTING ACTIVITIES	(73,261,743)	(8,361,315)	(43,493,460)	(30,608,660)	(122,854,124)
FINANCING ACTIVITIES					
Proceeds from issue of common shares, common flow-through shares, preferred shares and warrants	22,056,485	31,000,595	98,855,868	93,335,243	14,599,917
Exercise of warrants	2,536,164	—	—	—	—
Exercise of options	51,810	25,001	770,171	750,000	1,263,050
Payment for share issue costs	(609,518)	(29,347)	(3,853,544)	(3,818,700)	(707,458)
Payment of initial offering expenses	—	—	—	—	(624,448)
Proceeds from borrowings	25,200,000	9,500,000	—	—	—
Proceeds from issue of redeemable shares	—	—	—	—	210,000,001
Issue costs of redeemable shares paid	—	—	—	—	(10,321,946)
Repayment of borrowings	—	(29,371,800)	(5,328,200)	(5,328,200)	—
Interest paid	(74,230)	(129,967)	(24,683)	(24,683)	—
NET CASH GENERATED FROM FINANCING ACTIVITIES	49,160,711	10,994,482	90,419,612	84,913,660	214,209,116
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(26,737,349)	34,757	40,964,618	49,973,951	81,043,090
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	27,278,361	541,012	575,769	575,769	41,540,387
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	541,012	575,769	41,540,387	50,549,720	122,583,477

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated under the laws of the Province of Alberta on 22 February 2007. The Company together with its subsidiary (collectively referred to as the "Group") is principally engaged in the exploration for, and the development of oil properties for the future production of bitumen in the Athabasca oil sands region in Alberta, Canada.

The address of the principal place of business of the Company is located at Suite 1020, 903 – 8th Ave SW, Calgary, Alberta T2P 0P7 and the address of registered office is Suite 3300, 421 – 7th Avenue SW, Calgary, Alberta T2P 4K9.

The Financial Information is presented in Canadian Dollars ("C$"), the currency of the primary economic environment in which the Company and its subsidiary operate (i.e. the functional currency of the Company and its subsidiary).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The International Accounting Standard Board (the "IASB") issued a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and related Interpretations ("IFRICs") (hereinafter collectively referred to as the "New IFRSs") which are effective for the Group's and the Company's financial year beginning on 1 January 2011. For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Group and the Company has consistently adopted all these New IFRSs throughout the Relevant Periods.

At the date of this report, the IASB has issued the following new and revised Standards and Amendments which are not yet effective during the Relevant Periods.

IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First- time Adopters[1]
IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
IFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
IFRS 9	Financial Instruments[3]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 July 2012
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2014

The directors of the Company anticipate that the application of new and revised Standards and Amendments will have no material impact on the financial information of the Group and the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The Financial Information has been prepared in accordance with IFRSs issued by the IASB. These policies have been consistently applied throughout the Relevant Periods. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3.2 Basis of preparation

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

The principal accounting policies are set out below.

3.3 Basis of consolidation

The consolidated financial information incorporates the financial information of the Company and the Company's wholly owned subsidiary, Fern.

Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiary are included in the consolidated financial statements from the date where control is achieved and until control is lost.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

3.4 Interest in joint ventures

Jointly controlled assets

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled assets, the Group's and the Company's share of the jointly controlled assets and share of any liabilities incurred jointly with other venturers are recognised in the statement of financial position and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

Income from the sale or use of the Group's and the Company's share of the output of the jointly controlled assets, together with its share of any expenses incurred, are recognised when it is probable that the economic benefits associated with the transaction will flow to / from the Group and the Company.

3.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of sales related tax.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from sale of goods is recognised when goods are delivered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.6 Exploration and evaluation Assets

Exploration and evaluation assets

All costs directly associated with exploration and evaluation are initially capitalised. Exploration and evaluation assets are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. These costs include unproved property acquisition costs, geological and geophysical costs, exploration and evaluation drilling, expenditures directly attributable to exploration and evaluation activities (including share-based payments), borrowing costs, annual rent expense for oil and gas leases, consequential operating costs net of incidental revenues, and the initial estimate of any decommissioning obligation associated with the assets.

Pre-acquisition costs for oil and gas assets are recognised in profit or loss when incurred. Acquisitions of undeveloped mineral leases are initially capitalised as exploration and evaluation assets and charged to profit or loss upon the expiration of the lease, impairment of the lease or management's determination that no further exploration or evaluation activities are planned on the lease, whichever comes first.

Expenditures incurred on the construction, installation or completion of infrastructure facilities such as processing and gathering facilities and pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within exploration and evaluation assets during exploration and evaluation stage.

The costs directly associated with an exploration well are capitalised as exploration and evaluation assets until the drilling of the well is completed and the results have been evaluated. These costs include employee remuneration, materials and fuels used, rig costs and other payments made to contractors, net of incidental revenue. Impairment is assessed and any resulting impairment loss is recognised in profit or loss.

Consideration received or receivable on farmout agreements entered during exploration and evaluation stage are treated as a reduction to the land and leaseholds cost based.

Incidental revenue arising from sale of oil during the exploration and evaluation stage are treated as reduction to the exploration and evaluation assets.

The decision to transfer assets from exploration and evaluation assets to property and equipment or intangible assets is based on the estimated economically recoverable reserves used in the determination of an area's technical feasibility and commercial viability.

Impairment

If no economically recoverable reserves are found upon evaluation, the exploration asset is tested for impairment and the amounts are charged to profit or loss. If extractable reserves are found and, subject to further appraisal activity which may include the drilling of additional wells, are likely to be developed commercially, the costs continue to be carried as exploration and evaluation assets while progress is made in assessing the commerciality of the reserves. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. Lack of intent to develop or otherwise extract value from such discovery would result in the relevant expenditures being charged to profit or loss. When economically recoverable reserves are determined and development is sanctioned, the relevant carrying value is transferred to property and equipment or intangible assets, as appropriate.

Exploration and evaluation assets are tested for impairment at least annually and prior to reclassification. To test for impairment, exploration and evaluation assets are allocated to individual cash generating unit ("CGU") or group of CGUs, that are expected to benefit from the exploration and evaluation activity. Impairment is assessed and measured using the higher of fair value less cost to sell or value in use. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from estimated recoverable reserves. After impairment is assessed, any carrying amounts which exceed recoverable amounts on the exploration and evaluation assets are written down to the recoverable amount and are recognised in profit or loss.

3.7 Property and equipment

Carrying value

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The initial cost of a property and equipment comprises of its purchase price or construction cost, any costs directly attributable to bringing the assets into operation, the initial estimate of the decommissioning obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Depletion and depreciation

Depletion of development and production costs, included in property and equipment, and depreciation of production equipment are measured on the unit-of-production method based upon estimated recoverable proved and probable oil and natural gas reserves in each cost centre as determined by independent engineers. For purposes of this calculation, reserves and production of natural gas are converted to common units based on their approximate energy content at six thousand cubic feet of natural gas to one barrel of oil.

In situ oil sands processing facilities and support equipment are depreciated on a straight-line basis over their estimated useful lives. Computers and office equipment are depreciated on a declining balance basis at 30 percent per year.

Maintenance and repairs

Major repairs and maintenance consists of replacing assets or parts of an asset. Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the replacement will flow to the Group and the Company, the expenditure is capitalised. All other maintenance costs are expensed as incurred.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment

At the end of each reporting period, the Group and the Company review its tangible and intangible assets for circumstances that indicate that the assets may be impaired. Assets are grouped together into CGUs for the purpose of impairment testing, which is the lowest level at which there are identifiable cash flow that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists, the Group and the Company make an estimate of its recoverable amount. An assets group's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an assets group exceeds its recoverable amount, the assets group is considered impaired and is written down. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current markets assessments of the time value of money and the risk specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves.

When the recoverable amount is less than the carrying amount, the asset or CGU is impaired. For impairment losses identified based on a CGU, or a group of CGUs, the loss is allocated on a pro rata basis to the assets within the CGU(s). This is first completed by reducing the carrying amount of any goodwill allocated to the CGU, or group of CGUs and then, reducing the carrying amount of other assets of the CGU, or group of CGUs, on a pro rata basis. The impairment loss is recognised as an expense in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the assets or CGU is increased to the revised estimate of its recoverable amount, with the increased carrying amount not exceeding the carrying amount that would have been determined had no impairment loss have been recognised for the asset or CGU in prior years/periods. A reversal of an impairment loss is recognised immediately in profit or loss.

Corporate assets are allocated to each CGU on the basis of proportionate future net revenue calculated consistent with the recoverable amount in the most recent impairment test.

3.8 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Decommissioning costs

Decommissioning costs and liabilities for statutory, contractual, constructive or legal obligations associated with site restoration and abandonment of tangible long-lived assets are initially measured at a fair value which approximates the cost a third party would incur in performing the tasks necessary to abandon the field and restore the site. The fair value is recognised in the statement of financial position at the present value of expected future cash outflows to satisfy the obligation as a liability with a corresponding increase in the related asset and is depleted or depreciated using the unit-of-production method over the life of the estimated remaining proved oil and gas reserves, or the straight-line method, as appropriate. Subsequent to the initial measurement, the effect of the passage of time on the liability for the decommissioning obligation (accretion expense) is recognised in profit or loss as finance costs. Actual costs incurred upon settlement of the obligation are charged against the obligation to the extent of the liability recorded. Any difference between the actual costs incurred upon settlement of the obligation and the recorded liability is recognised as profit or loss in the results of operations in the period in which the settlement occurs.

3.9 Share-based payments

Equity-settled share-based payments

Share options, preferred shares and warrants granted to employees

Equity-settled share-based payments to directors, officers and employees are measured at the fair value of the equity instruments at the grant date, less the fair value of proceeds received on granting the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 27.

The fair value of the equity instruments, including share options, warrants or preferred shares, expected to vest as determined at the grant date of the equity-settled share-based payments is expensed on graded vesting basis over the vesting period, based on the Group's and the Company's estimate of equity instruments, including share options, warrants and preferred shares, that will eventually vest, or when the equity instruments granted vest immediately, recognised as an expense in full at the grant date, unless the services are directly attributable to exploration and evaluation activities, of which the expenses will be capitalised in exploration and evaluation assets, with a corresponding increase in equity (share-based payments reserve).

At the end of each reporting period, the Group and the Company revise its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve.

Share options, preferred shares and warrants granted to non-employees

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair value of the goods or services received are recognised as expenses, unless the goods or services qualify for recognition as assets or directly attributable to exploration and evaluation activities, in which case the share-based payments are recognised in exploration and evaluation assets, with a corresponding increase in equity (share-based payments reserve) when the Group and the Company obtain the goods or when the counterparties render services.

At the time when the share options, preferred shares and warrants are exercised, the amount previously recognised in share-based payment reserve will be transferred to issued capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will continue to be held in this reserve.

Modification for equity-settlement share-based payments with a cash alternative subsequently offered

The Company reclassifies equity-settled share-based payments to liability at the date and to the extent the Company has incurred a liability to settle in cash.

Cash-settled share-based payment transactions

The fair value of the amount payable to employees and non-employees in respect of share appreciation rights which are settled in cash and warrants (with a cash settled alternative), is recognised as an expense, with a corresponding increase in liabilities, over the vesting period, if any. The liability is remeasured at each reporting date and at settlement date. Any changes in fair value of the liability are recognised in profit or loss.

3.10 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group and the Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

3.11 Retirement benefit costs

Payments to Canadian Pension Plan are charged as expenses when employees have rendered service entitling them on the contributions.

3.12 Financial instrument

Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for financial assets measured at fair value through profit or loss.

The Group's and the Company's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is expensed against the allowance account. Subsequent recoveries of amounts previously expensed are credited against the allowance account.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities, including borrowings, redeemable shares and trade and other payables, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Redeemable shares

A contract that contains an obligation for the Group to repurchase or redeem its own equity instruments for cash or another financial asset (i.e. redeemable shares) upon the subscriber of the redeemable shares exercising a Share Redemption Right (as defined in note 24) is classified as a financial liability. The redeemable shares are initially measured at fair value (after adjusting for initial direct cost) and subsequently measured at amortised cost using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Preferred Shares

Preferred shares are recorded based on the actual cash proceeds received upon issuance of the preferred shares. The difference between the fair value of the preferred shares estimated by management upon issuance, by reference to the fair value of common shares at the date of issue or based on option pricing model and the cash proceeds received is share based compensation expense and is amortised over the vesting period of the preferred shares.

Common flow-through shares

The equity portion of common flow-through shares are initially recorded at the fair value of the common shares without the flow-through feature at the date of issue. The residual of the fair value of the equity portion of the common flow-through shares from the actual cash proceeds received on the common flow-through share is recorded as an obligation to renounce the flow-through share expenditures and included in the provision of flow-through share obligations in the statement of financial position. This obligation is released as an income tax credit in profit or loss once the expenditures are renounced and the obligations in respect of the common flow-through shares are met.

Flow-through special warrants

Flow-through special warrants are recorded at their fair value of the warrants without the flow-through feature at the date of issue. The residual of the fair value of the equity portion of the flow-through warrant from the actual cash proceeds received on the flow-through special warrant is recorded as an obligation to renounce the flow-through warrant expenditure and included in the provision of flow-through share obligations in the statement of financial position. This obligation is released as an income tax credit in profit or loss once the expenditures are renounced and the obligation in respect of the flow-through warrants are met.

Purchase Warrants

Purchase Warrants are issued to holders in connection with Unit financing. A Unit consists of one Class "A" common share and one half of a Purchase Warrant; and its fair value is recorded as issued capital. The fair value of the Purchase Warrants are estimated using the Black-Scholes option pricing model based on assumptions of weighted average expected volatility, risk-free rate of return, expected life and potential dividends.

Fee Warrants

Fee Warrants are issued to certain finders as a service fee in connection with Unit financing. A Unit consists of one Class "A" common share and one half of a Purchase Warrant; and its fair value is recorded as share issue costs with a corresponding increase to share-based payments reserve for share-based compensation. The fair value of the Fee Warrants are estimated using the Black-Scholes option pricing model based on assumptions of weighted average expected volatility, risk-free rate of return, expected life and potential dividends.

Liquidity warrants

Liquidity warrants are issued to holders in connection with a potential liquidity event. The fair value of the liquidity warrants are determined by management's estimates based on factors available at the time of issuance. The fair value of the liquidity warrants is recorded under issued capital as warrants at date of issue. If the liquidity event does not occur, the liquidity warrants will be converted to common shares and the carrying amount of the liquidity warrant will transfer to common shares under issued capital.

Modification for equity-settled warrants with a cash alternative subsequently offered

For warrants with an amendment for the cash-settled alternative, the Company reclassifies the warrants from equity instruments to liabilities at the modification date, based on the fair value of the warrants at the modification date. The difference between the fair value of the warrants at the modification date and the amount initially recognised at the date the warrants were issued is credited (charged) to other reserve.

Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

3.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Tax payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with its investments in the subsidiary, except where the Group are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity.

3.14 Cash and cash equivalents

Cash and cash equivalents include short-term investments, such as money market deposits or similar type instruments, with an original maturity of ninety days or less when purchased.

3.15 Related party transactions

Parties are considered to be related if one party, directly or indirectly through one or more intermediate, control or joint control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common joint control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the year/period in which they are incurred.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's and the Company's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year/period in which the estimate is revised if the revision affects only that year/period or in the year/period of the revision and future periods if the revision affects both current and future periods.

Critical judgements and estimates in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Group's and the Company's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Oil and gas reserves

The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. Reserve estimates are based, among other things, on current production estimates, prices, costs estimation and economic conditions.

Reserve estimates are critical to many accounting estimates including:

- determining whether or not an exploratory well has found economically recoverable reserves. Such determinations involve the commitment of additional capital to develop the field based on current estimates of production estimates, prices and other economic conditions;
- calculating unit-of-production depletion rates. Proved plus probable reserves are used to determine rates that are applied to each unit-of-production in calculating depletion expense; and
- assessing development and production assets for impairment. Estimated future net cash flows used to assess impairment of the Group's and the Company's development and production assets are determined using proved and probable reserves.

Independent qualified reserves evaluators prepare reserve estimates for each property at least annually and issue a report thereon. The reserve estimates are reviewed by the Group's and the Company's engineers and operational management familiar with the property.

Recoverability of exploration and evaluation assets

Exploration and evaluation ("E&E") assets are capitalised by cash generating unit and are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable value. This assessment involves judgment as to: (i) the likely future commerciality of the asset and when such commerciality should be determined; (ii) future revenues based on forecasted oil and gas prices; (iii) future development costs and production expenses and (iv) the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value (v) potential value to future E&E activities of any geological and geographical data acquired.

At 31 December 2008, 2009 and 2010 and 30 September 2011, the carrying amount of the E&E assets of the Group was C$124,475,391, C$134,622,825, C$197,836,345 and C$331,761,811, respectively and the carrying amount of E&E assets of the Company was C$124,432,549, C$134,579,983, C$197,793,503 and C$331,718,969, respectively.

Decommissioning provision

A provision is required to be recognised for the future retirement obligations associated with property and equipment or E&E assets. The decommissioning provision is based on estimated costs, taking into account the anticipated method and extent of restoration consistent with legal, regulatory and constructive requirements, technological advances and the possible use of the site. Since these estimates are specific to the sites involved, there are many individual assumptions underlying the amount provided. These individual assumptions can be subject to change based on actual experience and a change in one or more of these assumptions could result in a materially different amount.

At 31 December 2008, 2009 and 2010 and 30 September 2011, the carrying amount of the provision for decommissioning obligations of the Group were C$373,872, C$354,833, C$2,169,064 and C$5,500,626, respectively and the carrying amount of the provision for decommissioning obligations of the Company were C$373,872, C$354,833, C$2,169,064 and C$5,500,626, respectively.

Share-based payments

The Group and the Company recognise compensation payments on options, share appreciation rights, warrants and preferred shares granted. Compensation payment is based on the estimated fair value of each option, warrant and preferred share at its grant date, the estimation of which requires management to make assumptions about the future volatility of the Company's share price, future interest rates and the timing with respect to exercise of the options and warrants. The effects of a change in one or more of these variables could result in a materially different fair value.

During the years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2010 and 2011, the Group recognised C$9,411,609, C$1,503,293, C$10,835,426, C$7,666,359 (unaudited) and C$17,761,583, respectively as share-based payments, of which C$2,154,261, C$555,871, C$3,946,638, C$2,513,703 (unaudited) and C$5,798,448, respectively were recognised directly in profit or loss, C$7,257,348, C$947,422, C$4,611,565, C$2,875,433 (unaudited), and C$5,584,898 were capitalised in E&E assets nil, nil, C$2,277,223, C$2,277,223 (unaudited) and nil were recorded as share issue costs and included in issued capital and remaining nil, nil, nil, nil (unaudited) and C$6,378,237 were recorded as direct cost on issuance of redeemable shares and net against the gross proceeds of the redeemable shares issued.

5. SEGMENT INFORMATION

IFRS 8 requires disclosures of operating segment information based on information reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment. From the perspective of the Company's Board of Directors, the chief operating decision maker of the Group, it is considered that assessment of operating performance is focused on the Group as a whole, as all of the Group's activities are considered to be primarily on oil exploration in Canada. Resources are allocated based on what is beneficial for the Group rather than any particular project. Therefore, management considers the Group continues to have one operating segment under the requirement of IFRS 8.

Entity-wide disclosures

Geographic Information

The Group's operations are located in Canada (country of domicile) and the geographic location of the Group's non-current assets is also in Canada.

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
	C$	C$	C$	C$ (unaudited)	C$
Salaries, consulting and benefits	594,591	1,358,143	3,002,087	2,366,888	5,629,969
Rent	139,250	221,373	213,743	183,016	333,808
Legal and audit	653,166	190,187	952,753	716,411	1,108,299
Others	1,224,854	1,060,013	1,620,493	842,541	2,439,415
	2,611,861	2,829,716	5,789,076	4,108,856	9,511,491

7. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
	C$	C$	C$	C$ (unaudited)	C$
Interest on bank loan	529,307	1,502,658	70,721	70,721	—
Effective interest on redeemable shares	—	—	—	—	22,513,049
Unwinding of discounts on provisions for decommissioning obligations (note 23)	8,827	10,778	68,346	11,688	92,110
Less: Amounts included in E&E assets	(455,077)	(1,372,691)	(46,037)	(46,038)	(4,164,276)
	83,057	140,745	93,030	36,371	18,440,883

The weighted average capitalisation rate on funds borrowed for the years ended 31 December 2008, 2009 and 2010 and for the nine months ended 30 September 2010 and 2011 was 5.6%, 5.8%, 9.3%, 9.3% and 17.1%, respectively.

8. INCOME TAX EXPENSE (CREDIT)/ DEFERRED TAX LIABILITIES

The Company and its subsidiary in Canada are subject to Canadian federal and provincial tax which are calculated at 29.5%, 29%, 28%, 28% and 26.5%, respectively, of the estimated assessable profit for the years ended 31 December 2008, 2009, 2010 and the nine months ended 30 September 2010 and 2011, respectively.

	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
	C$	C$	C$	C$ (unaudited)	C$
Deferred tax expense (credit)	2,138,069	(630,009)	1,327,171	491,573	(712,274)
Flow-through obligations renounced as tax credit (note 23)	(1,326,596)	(147,000)	(1,145,856)	(732,566)	(668,400)
Income tax expense (credit)	811,473	(777,009)	181,315	(240,993)	(1,380,674)

The income tax expense (credit) for the year/period can be reconciled to the loss before tax in the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
	C$	C$	C$	C$ (unaudited)	C$
Domestic income tax rate	29.5%	29.0%	28.0%	28.0%	26.5%
Loss before tax	(4,634,190)	(3,625,026)	(9,675,626)	(6,588,499)	(66,299,678)
Tax at the domestic income tax rate	(1,367,086)	(1,051,258)	(2,709,175)	(1,844,780)	(17,569,415)
Tax effect of expenses that are not deductible in determining taxable profit	635,507	161,203	1,105,059	703,837	14,340,092
Effect on deferred tax recognised at different tax rate	142,945	143,755	229,342	175,235	(119,581)
Effect of tax loss not recognised	—	—	—	—	601,002
Future tax deductible expenses forgo upon renouncement of flow-through obligations	2,726,703	61,250	2,703,582	1,457,281	1,935,565
Flow-through obligations renounced as tax credit	(1,326,596)	(147,000)	(1,145,856)	(732,566)	(668,400)
Others	—	55,041	(1,637)	—	100,063
Income tax expense (credit) for the year/period	811,473	(777,009)	181,315	(240,993)	(1,380,674)

The following are the Group's and the Company's deferred tax liabilities recognised and movement thereon during the Relevant Periods:

	Temporary differences on E&E assets	Accelerated tax depreciation	Temporary differences on share issue costs	Tax losses	Others (Note)	Total
	C$	C$	C$	C$	C$	C$
THE GROUP						
At 1 January 2008	49,294	332	—	(49,626)	—	—
Charge (credit) to profit or loss	9,766,310	(4,390)	225,510	(7,758,100)	(91,261)	2,138,069
Credit to equity	—	—	(862,008)	—	—	(862,008)
At 31 December 2008 and 1 January 2009	9,815,604	(4,058)	(636,498)	(7,807,726)	(91,261)	1,276,061
Charge (credit) to profit or loss	3,907,530	9,740	187,317	(4,744,745)	10,149	(630,009)
Credit to equity	—	—	(21,146)	—	—	(21,146)
At 31 December 2009 and 1 January 2010	13,723,134	5,682	(470,327)	(12,552,471)	(81,112)	624,906
Charge (credit) to profit or loss	8,104,120	39,177	406,055	(6,765,929)	(456,252)	1,327,171
Credit to equity	—	—	(1,060,815)	—	—	(1,060,815)
At 31 December 2010 and 1 January 2011	21,827,254	44,859	(1,125,087)	(19,318,400)	(537,364)	891,262
Charge (credit) to profit or loss	7,174,266	(12,700)	(202,920)	(6,833,128)	(837,792)	(712,274)
Credit to equity	—	—	(178,988)	—	—	(178,988)
At 30 September 2011	29,001,520	32,159	(1,506,995)	(26,151,528)	(1,375,156)	—
THE COMPANY						
At 1 January 2008	49,294	332	—	(49,626)	—	—
Charge (credit) to profit or loss	9,766,310	(4,390)	225,510	(7,758,100)	(91,261)	2,138,069
Credit to equity	—	—	(862,008)	—	—	(862,008)
At 31 December 2008 and 1 January 2009	9,815,604	(4,058)	(636,498)	(7,807,726)	(91,261)	1,276,061
Charge (credit) to profit or loss	3,907,530	9,740	187,317	(4,744,745)	10,149	(630,009)
Credit to equity	—	—	(21,146)	—	—	(21,146)
At 31 December 2009 and 1 January 2010	13,723,134	5,682	(470,327)	(12,552,471)	(81,112)	624,906
Charge (credit) to profit or loss	8,104,120	39,177	406,055	(6,765,929)	(456,252)	1,327,171
Credit to equity	—	—	(1,060,815)	—	—	(1,060,815)
At 31 December 2010 and 1 January 2011	21,827,254	44,859	(1,125,087)	(19,318,400)	(537,364)	891,262
Charge (credit) to profit or loss	7,174,266	(12,700)	(202,920)	(6,833,128)	(837,792)	(712,274)
Credit to equity	—	—	(178,988)	—	—	(178,988)
At 30 September 2011	29,001,520	32,159	(1,506,995)	(26,151,528)	(1,375,156)	—

Note: Others mainly comprise the temporary differences on provision for decommissioning obligations.

As at 31 December 2008, 2009, 2010 and 30 September 2011 the Group and the Company had unused tax losses of approximately C$31,230,000, C$50,453,000, C$77,250,000 and C$106,946,000, respectively, available for offset against future profits. A deferred tax asset has been recognised in respect of approximately C$31,230,000, C$50,453,000, C$77,250,000 and C$104,678,000 of such losses as at 31 December 2008, 2009 and 2010 and 30 September 2011 respectively. No deferred tax asset has been recognised in respect of the remaining tax loss of approximately C$2,268,000 at 30 September 2011 due to the unpredictability of future profit stream. The tax losses will be expired at various times within a period of twenty years from the year of losses incurred. The Group and the Company had no significant deductible temporary differences not recognised at 31 December 2008, 2009 and 2010.

9. LOSS FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
	C$	C$	C$	C$ (unaudited)	C$
Loss for the year/period has been arrived at after charging:					
Auditor's remuneration	110,471	63,070	111,247	98,580	282,248

10. STAFF COSTS

	Year ended 31 December			For the nine months ended 30 September	
	2008	2009	2010	2010	2011
	C$	C$	C$	C$ (unaudited)	C$
Director's emoluments					
Directors' Fees	—	—	120,000	120,000	—
Salaries and allowances	193,500	200,566	193,266	143,910	685,785
Contribution to retirement benefit scheme	—	—	4,085	4,085	—
Share-based payments	3,328,473	398,387	1,709,316	1,067,840	3,306,982
Performance related incentive payments	—	—	800,000	800,000	1,040,000
	3,521,973	598,953	2,826,667	2,135,835	5,032,767
Other staff costs					
Salaries and other benefits	1,401,150	2,677,228	4,178,299	2,710,623	6,759,169
Contribution to retirement benefit scheme	27,284	43,613	81,329	69,942	145,204
Share-based payments	6,083,136	1,104,906	6,848,887	4,603,718	8,076,364
Performance related incentive payments	—	51,500	872,643	872,643	1,650,000
Total other staff costs	7,511,570	3,877,247	11,981,158	8,256,926	16,630,737
Total staff costs, including director's emoluments	11,033,543	4,476,200	14,807,825	10,392,761	21,663,504
Less: staff costs capitalised in exploration and evaluation assets	8,284,691	2,562,186	7,859,100	5,512,170	10,235,087
	2,748,852	1,914,014	6,948,725	4,880,591	11,428,417

11. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments:

For the year ended 31 December 2008

Name of director	Directors' fees	Salaries and allowances	Contribution to retirement benefit scheme	Share-based payments	Performance related incentive payments	Total
	C$	C$	C$	C$	C$	C$
Mr. Michael John Hibberd	—	97,278	—	1,546,645	—	1,643,923
Mr. Songning Shen	—	96,222	—	1,546,645	—	1,642,867
Mr. Kevin Flaherty	—	—	—	25,692	—	25,692
Mr. Raymond Shengti Fong	—	—	—	23,968	—	23,968
Mr. Zhijan Qin	—	—	—	97,458	—	97,458
Mr. Wazir Chand Seth	—	—	—	56,143	—	56,143
Mr. Gregory George Turnbull	—	—	—	31,922	—	31,922
	—	193,500	—	3,328,473	—	3,521,973

For the year ended 31 December 2009

Name of director	Directors' fees	Salaries and allowances	Contribution to retirement benefit scheme	Share-based payments	Performance related incentive payments	Total
	C$	C$	C$	C$	C$	C$
Mr. Michael John Hibberd	—	100,119	—	172,464	—	272,583
Mr. Songning Shen	—	100,447	—	172,464	—	272,911
Mr. Kevin Flaherty	—	—	—	9,398	—	9,398
Mr. Raymond Shengti Fong	—	—	—	6,089	—	6,089
Mr. Zhijan Qin	—	—	—	15,988	—	15,988
Mr. Wazir Chand Seth	—	—	—	9,772	—	9,772
Mr. Gregory George Turnbull	—	—	—	12,212	—	12,212
	—	200,566	—	398,387	—	598,953

For the year ended 31 December 2010

Name of director	Directors' fees	Salaries and allowances	Contribution to retirement benefit scheme	Share-based payments	Performance related incentive payments	Total
	C$	C$	C$	C$	C$	C$
Mr. Michael John Hibberd	—	96,633	—	588,816	400,000	1,085,449
Mr. Songning Shen	—	96,633	—	588,816	400,000	1,085,449
Mr. Hok Ming Tseung	20,000	—	—	242,484	—	262,484
Mr. Kevin Flaherty	20,000	—	817	55,051	—	75,868
Mr. Raymond Shengti Fong	20,000	—	817	53,408	—	74,225
Mr. Zhijan Qin	20,000	—	817	55,275	—	76,092
Mr. Wazir Chand Seth	20,000	—	817	53,943	—	74,760
Mr. Gregory George Turnbull	20,000	—	817	71,523	—	92,340
	120,000	193,266	4,085	1,709,316	800,000	2,826,667

For the nine months ended 30 September 2010 (unaudited)

Name of director	Directors' fees	Salaries and allowances	Contribution to retirement benefit scheme	Share-based payments	Performance related incentive payments	Total
	C$	C$	C$	C$	C$	C$
Mr. Michael John Hibberd	—	71,955	—	333,613	400,000	805,568
Mr. Songning Shen	—	71,955	—	333,613	400,000	805,568
Mr. Hok Ming Tseung	20,000	—	—	148,159	—	168,159
Mr. Kevin Flaherty	20,000	—	817	50,033	—	70,850
Mr. Raymond Shengti Fong	20,000	—	817	48,623	—	69,440
Mr. Zhijan Qin	20,000	—	817	50,490	—	71,307
Mr. Wazir Chand Seth	20,000	—	817	49,158	—	69,975
Mr. Gregory George Turnbull	20,000	—	817	54,151	—	74,968
	120,000	143,910	4,085	1,067,840	800,000	2,135,835

For the nine months ended 30 September 2011

Name of director	Directors' fees	Salaries and allowances	Contribution to retirement benefit scheme	Share-based payments	Performance related incentive payments	Total
	C$	C$	C$	C$	C$	C$
Mr. Michael John Hibberd	—	342,893	—	765,612	520,000	1,628,505
Mr. Songning Shen	—	342,893	—	765,612	520,000	1,628,505
Mr. Hok Ming Tseung	—	—	—	1,111,818	—	1,111,818
Mr. Tingan Liu	—	—	—	—	—	—
Mr. Haotian Li	—	—	—	217,857	—	217,857
Mr. Kevin Flaherty	—	—	—	9,351	—	9,351
Mr. Raymond Shengti Fong	—	—	—	8,807	—	8,807
Mr. Zhijan Qin	—	—	—	8,807	—	8,807
Mr. Wazir Chand Seth	—	—	—	8,807	—	8,807
Mr. Gregory George Turnbull	—	—	—	46,413	—	46,413
Mr. Robert John Herdman	—	—	—	181,949	—	181,949
Mr. Gerald Franklin Stevenson	—	—	—	181,949	—	181,949
	—	685,786	—	3,306,982	1,040,000	5,032,768

Note: The performance related incentive payments are determined based on results of the Company's resource and reserve report and based on the Company's milestones being achieved for the Relevant Periods.

No directors waived any emoluments during the Relevant Periods.

(b) Five highest paid individuals

The five highest paid individuals included 2, 2, 2, 2 and 3 directors of the Company for the year ended 31 December 2008, 2009, 2010, and the nine months ended 30 September 2010 and 2011. The emoluments of the remaining 3, 3, 3, 3 and 2 individuals for the year ended 31 December 2008, 2009, 2010 and the nine months ended 30 September 2010, and 2011 are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
	C$	C$	C$	C$ (unaudited)	C$
Salaries and other benefits	190,255	561,945	494,609	427,314	207,865
Contributions to retirement benefit scheme	6,147	6,357	6,489	6,489	6,654
Share-based payments	2,389,759	321,296	1,029,252	770,513	564,472
Performance related incentive payments	—	—	513,000	400,000	475,000
	2,586,161	889,598	2,043,350	1,604,316	1,253,991

Note: The performance related incentive payments are determined based on results of the Company's resource and reserve report and based on Company milestones being achieved for the Relevant Periods.

Their emoluments were within the following bands:

	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
				(unaudited)	
HK$1,500,001 to HK$2,000,000	—	1	—	—	—
HK$2,000,001 to HK$2,500,000	—	2	—	—	—
HK$2,500,001 to HK$3,000,000	1	—	—	—	—
HK$3,000,001 to HK$3,500,000	—	—	—	1	—
HK$3,500,001 to HK$4,000,000	1	—	1	1	—
HK$4,000,001 to HK$4,500,000	—	—	—	1	—
HK$4,500,001 to HK$5,000,000	—	—	—	—	2
HK$5,500,001 to HK$6,000,000	—	—	2	—	—
HK$12,000,001 to HK$12,500,000	1	—	—	—	—
	3	3	3	3	2

12. DIVIDEND

No dividends have been paid or declared by the Company and its subsidiary during the Relevant Periods and up to the issuance date of this report.

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the common shareholders of the Company is based on the following data:

	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
	C$	C$	C$	C$ (unaudited)	C$
Loss for the purpose of basic and diluted loss per share	(5,445,663)	(2,848,017)	(9,856,941)	(6,347,506)	(64,919,004)

	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
				(unaudited)	
Number of shares					
Weighted average number of common shares for the purpose of basic and diluted loss per share	873,407,640	1,005,705,320	1,327,566,120	1,295,360,800	1,459,918,040

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares during the year/period. The diluted loss per share reflects the potential dilution of common share equivalents, such as preferred shares, outstanding share options and warrants, in the weighted average number of common shares outstanding during the year/period, if dilutive. All of the outstanding preferred shares, share options and warrants were anti-dilutive for the Relevant Periods, considering the Group was in a loss position in these periods.

The weighted average number of common shares for the purpose of calculating basic/diluted loss per share has been adjusted for the effect of the share split as disclosed in note (c) of Section C of this report.

14. PROPERTY AND EQUIPMENT

THE GROUP AND THE COMPANY

	Computer and office equipment
	C$
COST	
At 1 January 2008	58,951
Additions	381,412
At 31 December 2008 and 1 January 2009	440,363
Additions	52,850
At 31 December 2009 and 1 January 2010	493,213
Additions	283,755
At 31 December 2010 and 1 January 2011	776,968
Additions	282,056
At 30 September 2011	1,059,024
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
At 1 January 2008	5,384
Provided for the year	80,393
At 31 December 2008 and 1 January 2009	85,777
Provided for the year	105,589
At 31 December 2009 and 1 January 2010	191,366
Provided for the year	111,551
At 31 December 2010 and 1 January 2011	302,917
Provided for the period	132,724
At 30 September 2011	435,641
CARRYING VALUES	
At 31 December 2008	354,586
At 31 December 2009	301,847
At 31 December 2010	474,051
At 30 September 2011	623,383

15. DEFERRED INITIAL PUBLIC OFFERING EXPENSES

The deferred initial public offering expenses consist of costs incurred relating to the proposed issuance of new shares for the IPO have been recognised as deferred charges. For those costs not directly attributable to the issue of new equity instruments, these costs are recognised in profit or loss as incurred. Upon the issuance of the new shares, the allocated amount relating to the issuance of new shares under the IPO will be charged to share issue costs. In the event that the management decided to withdraw from the IPO, the deferred costs will be charged to profit or loss.

16. EXPLORATION AND EVALUATION ASSETS

THE GROUP

	Intangible assets	Tangible assets	Land and leaseholds (note ii)	Total
	C$	C$	C$	C$
COST				
At 1 January 2008	6,636,143	—	38,777,499	45,413,642
Additions	60,190,240	—	24,071,509	84,261,749
Disposal (note i)	—	—	(5,200,000)	(5,200,000)
At 31 December 2008 and 1 January 2009	66,826,383	—	57,649,008	124,475,391
Additions	6,629,452	—	2,217,982	8,847,434
Reversal of disposal (note i)	—	—	1,300,000	1,300,000
At 31 December 2009 and 1 January 2010	73,455,835	—	61,166,990	134,622,825
Additions	52,104,815	4,056,655	7,052,050	63,213,520
At 31 December 2010 and 1 January 2011	125,560,650	4,056,655	68,219,040	197,836,345
Additions	125,154,890	6,084,860	2,685,716	133,925,466
At 30 September 2011	250,715,540	10,141,515	70,904,756	331,761,811
CARRYING VALUES				
At 31 December 2008	66,826,383	—	57,649,008	124,475,391
At 31 December 2009	73,455,835	—	61,166,990	134,622,825
At 31 December 2010	125,560,650	4,056,655	68,219,040	197,836,345
At 30 September 2011	250,715,540	10,141,515	70,904,756	331,761,811

THE COMPANY

	Intangible assets	Tangible assets	Land and leaseholds (note ii)	Total
	C$	C$	C$	C$
COST				
At 1 January 2008	6,593,301	—	38,777,499	45,370,800
Additions	60,190,240	—	24,071,509	84,261,749
Disposal (note i)	—	—	(5,200,000)	(5,200,000)
At 31 December 2008 and 1 January 2009	66,783,541	—	57,649,008	124,432,549
Additions	6,629,452	—	2,217,982	8,847,434
Reversal of disposal (note i)	—	—	1,300,000	1,300,000
At 31 December 2009 and 1 January 2010	73,412,993	—	61,166,990	134,579,983
Additions	52,104,815	4,056,655	7,052,050	63,213,520
At 31 December 2010 and 1 January 2011	125,517,808	4,056,655	68,219,040	197,793,503
Additions	125,154,890	6,084,860	2,685,716	133,925,466
At 30 September 2011	250,672,698	10,141,515	70,904,756	331,718,969
CARRYING VALUES				
At 31 December 2008	66,783,541	—	57,649,008	124,432,549
At 31 December 2009	73,412,993	—	61,166,990	134,579,983
At 31 December 2010	125,517,808	4,056,655	68,219,040	197,793,503
At 30 September 2011	250,672,698	10,141,515	70,904,756	331,718,969

Notes:

(i) During the year ended 31 December 2008, the Group and the Company (the "farmor") entered into a farmout agreement with an arms-length third party corporation (the "farmee") in respect to a 50% operated working interest in the Wabiskaw formation in the Thickwood (Birchwood) area. The execution of this agreement, along with payment of C$650,000, entitled the farmee to select one section of land for which the farmee shall be deemed to have earned an undivided 50% participating interest. The farmee also had the right to elect to participate in additional lands in the area, covering up to seven additional sections, subject to a cash payment of C$650,000 per section. During 2008, the Group and the Company received notice from the farmee of its intention to participate in all eight sections. The Group and the Company received payments totalling C$3,900,000 (covering six sections) during the year ended 31 December 2008, with the remaining C$1,300,000 (covering the final two sections) recorded as a receivable on the Group's and the Company's statement of financial position. As the Group and the Company has not received this final payment, it has elected to retain its interest in the final two sections in the area and has removed the receivable from its statement of financial position during the year ended 31 December 2009. The Group's and the Company's policy on farmout agreements for E&E assets is to treat the payment received as a reduction of the E&E assets and not to record any gain or loss. Pursuant to the farmout agreement, the farmee's option to earn a participating interest in the final two sections through payment of C$650,000 per section expired on 31 May 2008.

(ii) The land and leaseholds interest as at 31 December 2008 and 2009 were pledged to banks to secure bank facilities granted to the Group and the Company. Details of the bank facilities are set out in note 22.

Exploration and evaluation expenditures include costs directly associated with an exploration well until the drilling of the well is completed and the results have been evaluated. These costs, shown as intangible assets, include expenditures incurred on the construction, installation or completion of infrastructure facilities such as processing and gathering facilities and pipelines and the drilling of development wells, including unsuccessful development or delineation wells, staff costs, materials and fuels used, rig costs and other payments made to contractors, net of incidental revenue. The tangible assets mainly included cost associated with the production equipment and facilities (including spare parts) related to pads and road constructions.

Since the Group and the Company is at the development stage, no depletion expense has been recorded for the Relevant Periods. During the Relevant Periods, the Group and the Company capitalised direct attributable share-based payments for the year ended 31 December 2008, 2009, 2010 and the nine months ended 30 September 2010, and 2011 were C$7,257,348, C$947,422, C$4,611,565, C$2,875,433 (unaudited) and C$5,584,898, respectively. The Group and the Company also capitalised the following expenditures that are directly attributable to exploration and evaluation activities:

	Year ended 31 December			Nine months ended 30 September	
	2008	**2009**	**2010**	**2010**	**2011**
	C$	**C$**	**C$**	**C$ (unaudited)**	**C$**
Salaries, consulting and benefits	1,027,343	1,614,764	3,247,535	2,354,315	4,650,189
Rent	200,384	312,665	420,871	261,395	367,448
Other	697,666	263,775	1,036,564	948,190	474,703
	1,925,393	2,191,204	4,704,970	3,563,900	5,492,340

17. INTEREST IN A SUBSIDIARY

THE COMPANY

	At 31 December			At 30 September
	2008	**2009**	**2010**	**2011**
	C$	**C$**	**C$**	**C$**
Unlisted shares	60,000	60,000	60,000	60,000

18. TRADE AND OTHER RECEIVABLES

The Group's and the Company's trade and other receivables mainly arise from oil sales and fuel charged back to vendors and goods and services tax ("GST") receivable due from government taxation authorities. These are analysed as follows:

	THE GROUP				THE COMPANY			
	At 31 December			At 30 September	At 31 December			At 30 September
	2008	2009	2010	2011	2008	2009	2010	2011
	C$	C$	C$	C$	C$	C$	C$	C$
Trade receivables	—	—	313,684	1,253,791	—	—	313,684	1,253,791
GST receivable	164,495	67,878	785,537	642,238	164,495	67,878	785,537	642,238
Farmout receivable	1,300,000	—	—	—	1,300,000	—	—	—
Other receivables	302,666	12,687	174,337	144,908	302,666	12,039	173,852	144,029
	1,767,161	80,565	1,273,558	2,040,937	1,767,161	79,917	1,273,073	2,040,058

The Group and the Company allow an average credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables perceived based on invoice date at the end of the reporting period.

	THE GROUP				THE COMPANY			
	At 31 December			At 30 September	At 31 December			At 30 September
	2008	2009	2010	2011	2008	2009	2010	2011
	C$	C$	C$	C$	C$	C$	C$	C$
0 – 30 days	—	—	—	618,706	—	—	—	618,706
31 – 60 days	—	—	201,829	635,085	—	—	201,829	635,085
61 – 90 days	—	—	111,855	—	—	—	111,855	—
	—	—	313,684	1,253,791	—	—	313,684	1,253,791

At 31 December 2008, 2009, 2010 and 30 September 2011, included in the Group's and the Company's trade receivable were debtors with aggregate carrying amount of nil, nil, C$313,684 and 635,085 and nil, nil, C$313,684 and 635,085, respectively, which were past due as at the reporting date for which the Group and the Company had not provided for impairment loss. The Group and the Company do not hold any collateral over these balances. At 31 December 2010 and 30 September 2011, the average age of these trade receivables were 56 days and 31 days, respectively.

Aging of trade receivables which are past due but not impaired

	THE GROUP				THE COMPANY			
	At 31 December			At 30 September	At 31 December			At 30 September
	2008	2009	2010	2011	2008	2009	2010	2011
	C$	C$	C$	C$	C$	C$	C$	C$
31 – 60 days	—	—	201,829	635,085	—	—	201,829	635,085
61 – 90 days	—	—	111,855	—	—	—	111,855	—
	—	—	313,684	635,085	—	—	313,684	635,085

19. PREPAID EXPENSES AND DEPOSITS

	THE GROUP				THE COMPANY			
	At 31 December			At 30 September	At 31 December			At 30 September
	2008	2009	2010	2011	2008	2009	2010	2011
	C$	C$	C$	C$	C$	C$	C$	C$
Prepaid expenses	312,837	192,227	823,890	307,297	312,837	192,227	823,890	307,297
Deposits	63,370	41,925	1,086,597	453,250	63,370	41,925	1,086,597	453,250
	376,207	234,152	1,910,487	760,547	376,207	234,152	1,910,487	760,547

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and deposits in banks. Cash and cash equivalents carried prevailing market interest rates which ranged from 0.3% to 3.9%, 0.0% to 0.3%, 0.2% to 1.1% and 0.0% to 1.3% for the years ended 31 December 2008, 2009 and 2010 and for the nine months ended 30 September 2011, respectively.

Cash and cash equivalents as at 31 December 2008, 2009 and 2010 and 30 September 2011 were as follows:

	THE GROUP				THE COMPANY			
	At 31 December			At 30 September	At 31 December			At 30 September
	2008	2009	2010	2011	2008	2009	2010	2011
	C$	C$	C$	C$	C$	C$	C$	C$
Bank balances and cash	491,012	524,766	41,489,384	3,394,810	473,854	517,786	41,482,453	3,387,973
Term deposits	50,000	51,003	51,003	119,188,667	50,000	51,003	51,003	119,188,667
	541,012	575,769	41,540,387	122,583,477	523,854	568,789	41,533,456	122,576,640

21. TRADE AND OTHER PAYABLES

Trade payables mainly represent payables to subcontractors of exploration and evaluations services. The average credit period is 90 days. The Group and the Company have financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. The following is aged analysis of trade payables based on invoice dates at the end of the reporting periods.

	THE GROUP				THE COMPANY			
	At 31 December			At 30 September	At 31 December			At 30 September
	2008	2009	2010	2011	2008	2009	2010	2011
	C$	C$	C$	C$	C$	C$	C$	C$
0 – 30 days	1,356,454	552,778	6,101,044	81,030	1,356,454	552,778	6,101,044	81,030
31 – 60 days	—	160,904	1,368,367	29,317	—	160,904	1,368,367	29,317
61 – 90 days	—	—	—	66,427	—	—	—	66,427
91 – 180 days	—	36,750	253,983	12,720	—	36,750	253,983	12,720
	1,356,454	750,432	7,723,394	189,494	1,356,454	750,432	7,723,394	189,494
Other payables and accruals	568,995	541,994	9,798,404	18,505,944	568,995	541,994	9,798,404	18,505,944
	1,925,449	1,292,426	17,521,798	18,695,438	1,925,449	1,292,426	17,521,798	18,695,438

22. BANK BORROWINGS

	THE GROUP				THE COMPANY			
	At 31 December			At 30 September	At 31 December			At 30 September
	2008	2009	2010	2011	2008	2009	2010	2011
	C$	C$	C$	C$	C$	C$	C$	C$
Secured and repayable within one year	25,200,000	5,328,200	—	—	25,200,000	5,328,200	—	—

In 2008, the Group negotiated a syndicated revolving credit facility with a commitment amount of C$35,000,000, from four Canadian banks. The credit agreement had a maturity date of 8 July 2009, and was subject to extension upon request by the Group and approval by the syndicate of lenders. The credit agreement was subsequently amended to allow for an extension, to 9 March 2010, (as requested by the Group and approved by the syndicate). In conjunction with this extension, periodic reductions to the commitment amount were added as an amendment to the credit agreement, with a final reduction to zero, and cancellation of the credit facility on 9 March 2010, unless further amended or extended. As at 31 December 2009, the commitment amount was C$12,500,000.

The aggregate principal amount of the credit facility, which is outstanding on the maturity date, will be payable in full by the Group, together with all accrued but unpaid interest and fees thereon, on the maturity date. The Group, through this credit facility, may draw funds in either Canadian or U.S. dollars. Collateral for the facility consists of a general security agreement, providing a security interest over all present and after acquired property and a floating charge on all present and after acquired land interests of the Group. At 31 December 2009, the Group had outstanding bank borrowings of C$5,328,200 which was repaid in full prior to 9 March 2010. The floating charge on all present and after acquired land interests of the Group has been discharged.

The Group's interest rates upon committing to the credit facility in 2008, was Canadian prime rate plus 2% on prime based loans and for bankers acceptances the stamping fee was 3%. On 9 July 2009, upon extension of the credit facility, these terms were changed to Canadian prime rate plus 7% on prime based loans and for bankers acceptances the stamping fee was 8%.

The effective interest rates of the bank borrowings for the years ended 31 December 2008, 2009 and 2010 and for the nine months ended 30 September 2011 were as follows:

	THE GROUP				THE COMPANY			
	Year ended 31 December			Nine months ended 30 September	Year ended 31 December			Nine months ended 30 September
	2008	2009	2010	2011	2008	2009	2010	2011
Bank borrowings	5.6%	5.8%	9.3%	n/a	5.6%	5.8%	9.3%	n/a

23. PROVISIONS

THE GROUP AND THE COMPANY

	At 31 December			At 30 September
	2008	2009	2010	2011
	C$	C$	C$	C$
Provision for decommissioning obligations				
— current	—	—	116,734	116,734
— non-current	373,872	354,833	2,052,330	5,383,892
	373,872	354,833	2,169,064	5,500,626
Provision for flow-through share obligations	147,000	250,075	19,914	—

	Decommissioning obligations	Flow-through share obligations
	C$	C$
At 1 January 2008	—	917,830
Additional provision recognised	365,045	—
Unwinding of discount rate (note 7)	8,827	—
Arise upon issuance of common flow-through shares (note 25(b)(i))	—	555,766
Release of flow-through obligations upon renouncement (note 8)	—	(1,326,596)
At 31 December 2008 and 1 January 2009	373,872	147,000
Unwinding of discount rate (note 7)	10,778	—
Effect of changes in the discount rate	(29,817)	—
Arise upon issuance of common flow-through shares (note 25(b)(ii))	—	250,075
Release of flow-through obligations upon renouncement (note 8)	—	(147,000)
At 31 December 2009 and 1 January 2010	354,833	250,075
Additional provision recognised	1,778,716	—
Unwinding of discount rate (note 7)	68,346	—
Effect of changes in the discount rate	(32,831)	—
Arise upon issuance of common flow-through shares and special warrants (notes 25(b)(iii) and 25(d))	—	915,695
Release of flow-through obligations upon renouncement (note 8)	—	(1,145,856)
At 31 December 2010 and 1 January 2011	2,169,064	19,914
Additional provision recognised	2,965,210	—
Unwinding of discount rate (note 7)	92,110	—
Effect of changes in the discount rate	274,242	—
Arise upon issuance of common flow-through shares (note 25(b)(iv))	—	648,486
Release of flow-through obligations upon renouncement (note 8)	—	(668,400)
At 30 September 2011	5,500,626	—

The estimated total undiscounted cash flows required to settle asset decommissioning obligations were C$442,500, C$442,500, C$2,890,000 and C$6,037,500 as at 31 December 2008, 2009 and 2010 and 30 September 2011, respectively. Expenditures to settle asset decommissioning obligations are estimated to be incurred between 2011 and 2059. The provision for decommissioning obligations recorded on the statements of financial position as at 31 December 2008, 2009, 2010, 30 September 2011 was based on estimated cash flows discounted using an annual risk-free interest rate and inflated using an inflation rate as follows.

	THE GROUP AND THE COMPANY			
	At 31 December			At 30 September
	2008	2009	2010	2011
Risk- free interest rate	1.11% to 4.14%	1.10% to 4.08%	1.4% to 4.1%	0.95% to 2.74%
Inflation rate	2.0%	2.0%	2.0%	2.0%

24. REDEEMABLE SHARES

In February 2011, the Company entered into subscription agreements with investors ("Subscription Agreements"). Pursuant to the terms of the Subscription Agreements, the Company issued at a subscription price of C$9.68 per share, a total of 21,694,215 common shares of the Company, of which 14,462,810 are Class "A" common shares and the remaining 7,231,405 are Class "B" common shares for gross proceeds of $210,000,001. Each subscriber also has a share repurchase right as per the terms and condition of the subscription agreements ("Share Repurchase Rights").

According to the terms and conditions of the Share Redemption Rights, in specific circumstances, at the option of the subscribers to require the Company to repurchase, for cancellation, all common shares issued under the Subscription Agreements (the "Redeemable Shares") at a redemption price equivalent to the subscription price plus a 15% return, compounded annually, if the Company does not complete a qualifying initial public offering ("Qualifying IPO"):

(a) On or before 31 December 2012, if the board of directors of the Company resolves, on or before 1 October 2012, that market and other factors affecting the successful launch of a Qualifying IPO are favourable and that the Company shall proceed to complete a Qualifying IPO by 31 December 2012; or

(b) In any event, by 31 December 2013.

In addition, in respect of the 7,231,405 Class "B" common shares issued with the Share Redemption Rights, to be a Qualified IPO, it also requires:

(c) the initial offering price per Class "A" common share will be at least 1.3 times the Hong Kong dollar equivalent of the subscription price (using the closing exchange rate between the Hong Kong dollar and the Canadian dollar as quoted by Bloomberg on the business day immediately preceding the date of the Qualifying IPO) of the Class "B" common share per the Subscription Agreements or C$12.58 per share.

If a Qualifying IPO is not completed on or before the applicable dates, the subscribers may exercise its right to have the Company repurchases the Redeemable Shares by delivering an irrevocable and unconditional notice in writing to the Company (the "Redemption Notice") on or before the 90th day after such date. If each subscriber does not deliver the Redemption Notice on or before the 90th day after such date, the right of the subscriber to sell the Redeemable Shares to the Company and to require the Company to purchase the Redeemable Shares as provided herein shall terminate automatically.

Within 90 days of receipt of the Redemption Notice, the Company shall repurchase the Redeemable Shares for cash at an aggregate purchase price equal to the aggregate subscription price plus an amount equal to a 15% return on the aggregate subscription price, compounded annually and calculated in Canadian dollars.

As a result, the Company has presented these subscriptions as financial liabilities. If the Company completes a Qualifying IPO before 31 December 2013, the Redeemable Shares will be reclassified as issued capital. If the Company does not complete a Qualifying IPO before 31 December 2013, and the Redemption Notice is presented; the Redeemable Shares will become due on 31 December 2013 along with the 15% return on the aggregate subscription price, compounded annually. The effective interest for the Redeemable Shares is 17.13% after adjusting for cash fees and Fee Warrants disclosed below.

Cash fees of C$11,391,611 for legal fees and to certain finders are in connection with the financings. In addition, a total of 1,084,711 Fee Warrants were issued to a finder. Each Fee Warrant has an exercise price of $9.68 and is exercisable at any time on or before the three years subsequent to the date of issuance of the shares upon which the finders were granted Fee Warrants. C$6,378,237 was assigned as fair value to the Fee Warrants issued to the finders on the C$210,000,001 redeemable share financing.

25. ISSUED CAPITAL

THE GROUP AND THE COMPANY

As at 30 September 2011, the following shares are authorised:

- an unlimited number of Class "A" and Class "B" common shares without par value; and
- an unlimited number of Class "C", Class "D", Class "E" and Class "F" non-voting common shares without par value; and
- the maximum number of Class "G" voting preferred shares to be issued shall not exceed 10% of the issued and outstanding number of Common Shares including any Common shares that have been authorised for issuance. The number of preferred shares shall not be considered a rolling 10% available number and any preferred shares that are redeemed or converted in accordance with their terms shall permanently reduce the number available; and
- an unlimited number of Class "H" non-voting preferred shares.

	Common shares		Preferred shares		Warrants		
	Number of shares	Amount	Number of shares	Amount	Number of warrants	Amount	Total
		C$		C$		C$	C$
At 1 January 2008	36,486,327	65,953,388	2,778,022	—	1,537,068	134,966	66,088,354
Issue of common shares	4,505,684	18,022,736	—	—	—	—	18,022,736
Issue of preferred shares as share-based payments	—	—	1,556,966	—	—	—	—
Common shares issued on a flow-through basis	842,033	3,368,131	—	—	—	—	3,368,131
Exercise of Purchase Warrants	1,537,068	2,671,130	—	—	(1,537,068)	(134,966)	2,536,164
Exercise of liquidity warrants	1,299,245	—	—	—	—	—	—
Conversion of preferred shares into common shares	4,334,988	9,503,271	(4,334,988)	—	—	—	9,503,271
Exercise of options	31,597	51,810	—	—	—	—	51,810
Share-based payment reserve transferred on exercise of share options	—	20,898	—	—	—	—	20,898
Share issue costs, net of deferred tax (note 8)	—	428,088	—	—	—	—	428,088

	Common shares		Preferred shares		Warrants		
	Number of shares	Amount	Number of shares	Amount	Number of warrants	Amount	Total
		C$		C$		C$	C$
At 31 December 2008 and 1 January 2009	49,036,942	100,019,452	—	—	—	—	100,019,452
Issue of common shares	5,523,809	28,999,997	—	—	—	—	28,999,997
Common shares issued on a flow-through basis	333,433	1,750,523	—	—	—	—	1,750,523
Exercise of options	13,334	25,001	—	—	—	—	25,001
Share-based payment reserve transferred on exercise of share options	—	8,731	—	—	—	—	8,731
Share issue costs, net of deferred tax (note 8)	—	(58,054)	—	—	—	—	(58,054)
At 31 December 2009 and 1 January 2010	54,907,518	130,745,650	—	—	—	—	130,745,650
Issue of common shares	15,056,075	66,595,006	—	—	—	—	66,595,006
Issue of preferred shares as share-based payment	—	—	3,098,500	30,985	—	—	30,985
Cancellation of preferred shares	—	—	(15,000)	(150)	—	—	(150)
Common shares issued on a flow- through basis	589,004	3,092,272	—	—	—	—	3,092,272
Issue of flow-through special and Purchase Warrants	—	—	—	—	7,517,353	28,312,361	28,312,361
Exercise of options	612,335	770,171	—	—	—	—	770,171
Share-based payment reserve transferred on exercise of share options	—	291,235	—	—	—	—	291,235
Share issue costs, net of deferred tax (note 8)		(5,176,312)	—	—	—	(134,746)	(5,311,058)
At 31 December 2010 and 1 January 2011	71,164,932	196,318,022	3,083,500	30,835	7,517,353	28,177,615	224,526,472
Issue of common shares	771,639	7,469,466	—	—	—	—	7,469,466
Issue of preferred shares as share-based payment	—	—	1,072,000	10,720	—	—	10,720
Cancellation of preferred shares	—	—	(23,000)	(230)	—	—	(230)
Common shares issued on a flow-through basis	668,541	6,471,476	—	—	—	—	6,471,476
Exercise of flow-through special warrants	560,750	5,293,314	—	—	(560,750)	(5,293,314)	—
Exercise of options	342,700	1,263,050	—	—	—	—	1,263,050
Share-based payment reserve transferred on exercise of share options	—	511,626	—	—	—	—	511,626
Share issue costs, net of deferred tax (note 8)	—	(528,470)	—	—	—	—	(528,470)
Reclassification of warrants upon modification	—	—	—	—	(6,235,995)	(20,513,800)	(20,513,800)
At 30 September 2011	73,508,562	216,798,484	4,132,500	41,325	720,608	2,370,501	219,210,310

Issued capital

	At 31 December							
	2008		2009		2010		At 30 September 2011	
	Number in issue	Amount	Number in issue	Amount	Number in issue	Amount	Number in issue	Amount
		C$		C$		C$		C$
Common shares	49,036,942	100,019,452	54,907,518	130,745,650	71,164,932	196,318,022	73,508,562	216,798,484
Class "G" preferred shares	—	—	—	—	2,723,500	27,235	3,022,500	30,225
Class "H" preferred shares	—	—	—	—	360,000	3,600	1,110,000	11,100
Flow-through special warrants	—	—	—	—	560,750	5,293,314	—	—
Purchase Warrants	—	—	—	—	6,956,603	22,884,301	720,608	2,370,501
At end of the year/ period	49,036,942	100,019,452	54,907,518	130,745,650	81,765,785	224,526,472	78,361,670	219,210,310

(a) Class "A" Common Shares

Between 22 February 2008, and 31 March 2008, the Company raised proceeds of C$18,022,736 through non-brokered multi-tranche private placements of 4,505,684 Class "A" common shares at a price of $4.00 per common share.

In September 2008, 4,334,988 Class "G" preferred shares of the Company amounting to C$9,503,271 were converted into 4,334,988 Class "A" common shares. Details of the Class "G" preferred shares is detailed in the "Preferred Shares" section as below.

During the year ended 31 December 2008, 1,537,068 of Purchase Warrants and 31,597 share options of the Company were exercised. The exercise price of the Purchase Warrants was C$1.65 per Class "A" common share and the weighted average exercise price of the exercised share option was C$1.64 per Class "A" common share, resulting in proceeds to the Company of C$2,536,164 and C$51,810 respectively.

On 12 August 2009, the Company entered into a private placement financing agreement for gross proceeds of approximately C$35,000,000. The issuance price was set at C$5.25 per Class "A" common share. In accordance with the agreement, the proceeds were to be received in tranches. In 2009, gross proceeds of C$28,999,997 were received and 5,523,809 Class "A" common shares were issued. The final tranche, totalling C$5,999,999 was received in the first quarter of 2010 and 1,142,857 Class "A" common shares of the Company were issued.

During the year ended 31 December 2009, 13,334 share options of the Company were exercised. The weighted average exercise price of the exercised share option was C$1.87 per Class "A" common share, resulting in proceeds to the Company of C$25,001.

The Company raised gross proceeds of C$83,479,308 through a number of private placement unit agreements between 4 January 2010 and 31 May 2010. Each unit consisted of one Class "A" common share of the Company and one half of a Purchase Warrant (a "Unit"). A total of 13,913,218 Units of the Company were issued at a price per Unit of C$6.00. Each full Purchase Warrant has an exercise price of C$8.00 and is exercisable at any time during the three years subsequent to the date of issuance of the Units acquired. The Purchase Warrants were allocated a total fair value of C$22,884,301 of the proceeds received on the Unit subscriptions.

During the year ended 31 December 2010, 612,335 share options of the Company were exercised. The weighted average exercise price of the exercised share option was C$1.26 per Class "A" common share, resulting in proceeds to the Company of C$770,171. Fully paid Class "A" common shares, which have no par value, carry one vote per share and carry a right to dividends.

During the nine months ended 30 September 2011, the Company had received gross proceeds of $7,469,466 from the issuance of 771,639 Class "A" common shares at a price of $9.68 per share.

During the nine months ended 30 September 2011, 342,700 share options of the Company were exercised. The weighted average exercise price of these exercised share options for this period was $3.69 per Class "A" common share, resulting in gross proceeds to the Company of $1,263,050.

Cash fees of $707,458 were paid for legal fees and to certain finders in connection with the common shares issue. The deferred tax benefit of these fees was estimated to be $178,988.

(b) Common flow-through shares

The flow-through shares ("FTS") mechanism allows the issuer companies to transfer the resource expenses to the investor, who typically would be in a current cash taxable position for financing purposes.

The FTS program provides tax incentives to investors who acquire FTSs by allowing:

- deductions for resource expenses renounced by eligible companies; and
- investment tax credits for individuals (excluding trusts) on resource expenses in the mining sector that qualify as flow-through mining expenditures.

(i) During the year ended 31 December 2008, the Company raised gross proceeds of C$3,923,897 of 842,033 Class "A" common flow-through shares at a weighted average price of C$4.66 per common flow-through share. The required eligible exploration expenses are to be expended prior to 31 December 2009. At 31 December 2008, the Group had incurred eligible exploration expenses in the amount of C$3,678,897, reducing the outstanding obligation to C$245,000. The net amount included in issued capital is C$3,368,131, represents the fair value of the common shares in issue. The residual of C$555,766 reflects the flow-through share obligations on the new flow-through issuances for the year and recorded as provision of flow-through share obligations. Of this obligation, C$147,000 was still outstanding at year ended 31 December 2008.

(ii) During the year ended 31 December 2009, the Group issued 333,433 Class "A" common shares on a flow-through basis at a price of $6.00 per Class "A" common share for gross proceeds of C$2,000,598. The required eligible exploration expenses are to be expended prior to 31 December 2010. At 31 December 2009, the Group had not incurred eligible exploration expenses with outstanding obligation of C$2,000,598. The net amount included in issued capital is C$1,750,523, represents the fair value of the common shares in issue. The residual of C$250,075 reflects the flow-through obligations on the new flow-through issuances for the year and recorded as provision of flow-through share obligations. Of this obligation, C$250,075 was still outstanding at year ended 31 December 2009.

(iii) During the year ended 31 December 2010, the Company raised gross proceeds of C$3,828,527 and issued to subscribers a total of 589,004 Class "A" common shares, on a flow-through basis. The price per Class "A" common share was C$6.50. The Group is required to incur and renounce eligible exploration expenses in this amount on or before 31 December 2011. By 31 December 2010, the Group had incurred sufficient eligible exploration expenses to meet this obligation. The net amount included in issued capital is C$3,092,272, represents the fair value of the common shares in issue. The residual of C$736,255 reflects the flow-through share obligations on the new flow-through issuances for the year and recorded as provision of flow-through share obligations. The entire amount of this obligation was met by 31 December 2010.

(iv) During the nine months ended 30 September 2011, the Company issued 668,541 Class "A" common shares on a flow-through basis at a price of C$10.65 per share for gross proceeds of C$7,119,962. Eligible exploration expenses, totalling the full gross proceeds amount are to be expended prior to 31 December 2012. The net amount included in share capital is C$6,471,476, represent the fair value of the common share in issue. The residual of C$648,486 reflects the flow-through obligations on the flow-through issuance for the period and recorded as a provision for flow-through share obligations. The entire amount of the flow-through obligation was met at 30 September 2011.

(c) Class "G" and Class "H" Preferred Shares

	Class "G" Preferred Shares		Class "H" Preferred Shares	
	Number of shares	Amount	Number of shares	Amount
		C$		C$
At 1 January 2008	2,778,022	4,365,185	—	—
Granted as share-based payments	1,556,966	5,138,086	—	—
Conversion to common shares	(4,334,988)	(9,503,271)	—	—
At 31 December 2008 and 2009	—	—	—	—
Granted as share-based payments	2,738,500	27,385	360,000	3,600
Cancelled	(15,000)	(150)	—	—
At 31 December 2010	2,723,500	27,235	360,000	3,600
Granted as share-based payments	322,000	3,220	750,000	7,500
Cancelled	(23,000)	(230)	—	—
At 30 September 2011	3,022,500	30,225	1,110,000	11,100

The Company is authorised to issue Class "G" preferred shares to the directors, officers, employees or consultants of the Group as the Board of Directors may determine.

Class "G" Preferred Shares-2007

From 22 February 2007 (date of incorporation) to 31 December 2007, the Company has granted 2,778,022 Class "G" Preferred Shares-2007 to directors, officers, employees, consultants and advisers of the Group. During the year ended 31 December 2008, the Company has further granted 1,556,966 Class "G" Preferred Shares-2007 to directors, officers, employees, consultants and advisers of the Group.

The Class "G" Preferred Shares-2007 conditions include a provision that, prior to the earlier of: a) the date on which the Group files a preliminary Prospectus in respect of an initial public offering; and b) 31 December 2008, the Group is required to determine the original oil in place ("OOIP") acquisition cost per barrel of the Group based upon an assessment by an independent petroleum engineering firm of the OOIP divided into the aggregate acquisition cost of all Oil Sands Leases of the Group acquired prior to the evaluation date. Each Class "G" Preferred Shares-2007 is convertible, at the option of the holder, into one Class "A" common share of the Group, for no additional consideration, or redeemed by the Group for nominal consideration of $0.0001 each and cancelled, based on the following performance benchmarks (the "OOIP acquisition cost per barrel calculation"):

OOIP acquisition cost per barrel	Percentage of Class "G" preferred charges redeemed	Percentage of Class "G" preferred shares convertible into Class "A" common shares
Less than or equal to $0.05	0%	100%
Over $0.05 up to and including $0.075	25%	75%
Over $0.075 up to and including $0.10	50%	50%
Over $0.10 up to and including $0.125	75%	25%
Over $0.125	100%	0%

The fair value of the Class "G" Preferred Shares-2007 was estimated using the Black-Scholes option pricing model, with the following assumptions:

	Year ended 31 December 2008	From 22 February 2007 to 31 December 2007
Weighted average expected volatility (%)	50%	50%
Risk-free rate of return (%)	3%	4%
Expected life (years)	0.5 – 1.0 years	1.0 – 1.8 years
Weighted average fair value ($/share)	C$3.30	C$1.57

The grant of Class "G" Preferred Shares-2007 is accounted for as share-based payments expenses. During the year ended 31 December 2008, the Group recognised share-based payments in respect of the grant of Class "G" Preferred Shares-2007 amounting to C$5,138,086. (See note 27(i))

In September 2008, management of the Group performed the OOIP acquisition cost per barrel calculation and determined the percentage of Class "G" preferred shares convertible into common shares to be 100%. On 16 September 2008, the 4,334,988 outstanding Class "G" Preferred Shares-2007 were converted into 4,334,988 Class "A" common shares of the Company.

Class "G" Preferred Shares-2010 and Class "H" Non-voting Preferred Shares

The Class "G" Preferred Shares-2010 are entitled to one vote per share and were issued at $0.01 per Class "G" preferred share and are convertible into Class "A" common shares at the option of the holder at any time in accordance with the conversion schedule outlined below.

During the year ended 31 December 2010, the Company raised gross proceeds of C$27,385 from the issuance of 2,738,500 Class "G" Preferred Shares-2010 to directors, officers, employees, consultants and advisers of the Group. The Group cancelled 15,000 Class "G" Preferred Shares-2010 during the year ended 31 December 2010, resulting in a closing balance at 31 December 2010, of 2,723,500 Class "G" Preferred Shares-2010 and net proceeds of C$27,235. As at 31 December 2010, the Company had 3,250,000 Class "G" preferred shares authorised for issuance.

During the nine months ended 30 September 2011, the Company raised gross proceeds of C$3,220 from the issuance of 322,000 Class "G" Preferred Shares-2010 to employees of the Company. The Company cancelled 23,000 Class "G" Preferred Shares-2010 during the nine months ended 30 September 2011, resulting in a closing balance at 30 September 2011, of 3,022,500 Class "G" Preferred Shares-2010 and net proceeds of C$30,225. As at 30 September 2011, the Company had 3,250,000 Class "G" Preferred Shares-2010 authorised for issuance.

The Class "H" Non-voting Preferred Shares were issued at C$0.01 per Class "H" Non-voting Preferred Share and are convertible into Class "A" common shares at the option of the holder at any time in accordance with the conversion schedule outlined below.

During the year ended 31 December 2010, the Group raised gross proceeds of C$3,600 from the issuance of 360,000 Class "H" Non-voting Preferred Shares to directors and advisers of the Group. As at 31 December 2010, the Company had 1,250,000 Class "H" preferred shares authorised for issuance.

During the nine months ended 30 September 2011, the Company raised gross proceeds of $7,500 from the issuance of 750,000 Class "H" Non-voting Preferred Shares to directors and advisers of the Company, resulting in a closing balance at 30 September 2011 of 1,110,000 Class "H" Non-voting Preferred Shares and net proceeds of C$11,100. At 30 September 2011, the Company had 1,250,000 Class "H" preferred shares authorised for issuance.

The term, conversion rights and conversion schedule are the same for both the Class "G" Preferred Shares-2010 and the Class "H" Non-voting Preferred Shares. The preferred shares have a term commencing from the date of issue until the date ("expiry date") that is the earlier of:

(i) the date that is 24 months after the date that the Company completes an initial public offering and listing on the Stock Exchange of Hong Kong Limited, or such other going public transaction or listing as the Board of Directors of the Company may determine in its sole discretion;

(ii) the date upon which a change of control occurs; and

(iii) in the event the initial public offering does not occur by the end of 2011, the expiry date is 31 December 2013.

The Class "G" Preferred Shares-2010 and Class "H" Non-voting Preferred Shares are convertible into Class "A" common shares, at the option of the holder, at any time prior to the expiry date for no additional consideration to the Company. The number of Class "A" common shares the holder is entitled to receive upon conversion, is determined based on the following conversion schedule. The Class "G" Preferred Shares-2010 and Class "H" Non-voting Preferred Shares shall automatically convert on the expiry date for the number of Class "A" common shares the holder is entitled to as set out in the following conversion schedule.

	Class "G" Preferred Shares-2010 and Class "H" Non-voting Preferred Shares		
	Conversion Schedule		
Time period	**Preferred shares conversion schedule %**	**Class "G" and Class "H" Preferred Shares outstanding**	**Class "A" common shares issuable on conversion**
Date of issuance to initial public offering (IPO) less a day	0%	4,132,500	—
IPO date to 6 months after IPO date less a day	30%	4,132,500	1,239,750
6 months after IPO date to 12 months after IPO date less a day	46%	4,132,500	1,900,950
12 months after IPO date to 18 months after IPO date less a day	62%	4,132,500	2,562,150
18 months after IPO date to 21 months after IPO date less a day	78%	4,132,500	3,223,350
21 months after IPO date to 24 months after IPO date	100%	4,132,500	4,132,500
Expiry Date	100%	4,132,500	4,132,500

Prior to the IPO, the holders of Class "G" Preferred Shares-2010 and Class "H" Non-voting Preferred Shares are only entitled to a redemption amount of $0.01 per Class "G" and "H" preferred share.

The Class "G" Preferred Shares-2010 are redeemable by the Company at any time for the number of Class "A" common shares the holder is entitled to on the date of redemption as set out in the above conversion schedule. The Class "H" Non-voting Preferred Shares are redeemable by the Company for C$0.01 each on or after the date that is 21 months after an initial public offering, upon 30 days' notice to the holder.

The preferred shares are retractable at the option of the holder commencing on the date that is 21 months after an initial public offering for the number of Class "A" common shares the holder is entitled to on the date of retraction as set out in the above conversion schedule for C$0.01 each.

In the event that a holder of preferred shares ceases to be eligible to hold preferred shares (e.g. ceases to be a director, officer, employee, consultant or adviser of the Group), the preferred shares held by such holder shall terminate and be cancelled on the date that is 30 days after such holder ceases to be eligible and, to the extent the holder requests such preferred shares be converted or redeemed, shall only be convertible or redeemable for the number of Class "A" common shares the holder is then entitled to on the date the person ceases to be an eligible as set out in the above conversion schedule.

The fair value of the Class "G" Preferred Shares-2010 and Class "H" Non-voting Preferred Shares was estimated by reference to the fair value of common share at the date of issue.

The preferred shares granted are accounted for as share-based payments. During the year ended 31 December 2010 and nine months ended 30 September 2011, the Group recognised share-based payments in respect of the grant of Class "G" Preferred Shares-2010 and Class "H" Non-voting Preferred Shares, in aggregate, amounting to C$1,698,614 and C$5,817,152, respectively (see note 27(i)).

(d) Flow-through Special Warrants

	Number of warrants	Amount
		C$
At 1 January 2008 and 31 December 2008 and 2009	—	—
Issued for cash	560,750	5,428,060
Share issue costs, net of deferred tax	—	(134,746)
At 31 December 2010	560,750	5,293,314
Exercised during the period	(560,750)	(5,293,314)
At 30 September 2011	—	—

During the year ended 31 December 2010, the Group raised gross proceeds of C$5,607,500 through the issuance of 560,750 flow-through special warrants. The price per flow-through special warrant was C$10.00. The Group is required to incur and renounce eligible exploration expenses in this amount on or before 31 December 2011. At 31 December 2010, the Group had incurred eligible exploration expenses in the amount of C$4,985,204, reducing the outstanding obligation to C$622,296. The fair value of the flow-through special warrants issued at the date of issue is C$5,428,060. The residual of C$179,440 reflects the flow-through share obligations on the new flow-through issuances for the year and recorded as provision of flow-through share obligations, of this obligation, C$19,914 was still outstanding at 31 December 2010.

The flow-through special warrants are exercisable into Class "A" common shares of the Company based upon the following exercise criteria:

(i) In the event that a common share offering is completed by the Group on or before 5:00 p.m. (Calgary time) on 20 January 2011, then each flow-through special warrant held is exercisable, at no additional cost, into such number of common shares that are equal to C$10.00 divided by 110% of the price per Common Share sold in such Common Share offering; or

(ii) In the event that the Group does not complete a common Share offering on or before 5:00 p.m. (Calgary time) on 20 January 2011, each flow-through special warrant held is exercisable into one (1) common Share at no additional cost.

On 20 January 2011, the flow-through special warrants were exercised and converted into an equal number of Class "A" common shares. There was no further obligation under these flow-through special warrants as at 30 September 2011.

(e) Purchase Warrants

	Number of warrants	Amount
		C$
At 1 January 2008	1,537,068	134,966
Exercised	(1,537,068)	(134,966)
At 31 December 2008 and 2009	—	—
Issued for cash	6,956,603	22,884,301
At 31 December 2010	6,956,603	22,884,301
Reclassification upon modification	(6,235,995)	(20,513,800)
At 30 September 2011	720,608	2,370,501

During the year ended 31 December 2007, the Company issued Purchase Warrants to purchase 4,100,024 Class "A" common shares at exercise price ranging from C$1.50 to C$1.65, of which 2,562,956 were exercised in 2007 with an exercise price of C$1.50. At 31 December 2007, the Company had 1,537,068 Purchase Warrants at exercise price of C$1.65 issued and outstanding. During the year ended 31 December 2008, the 1,537,068 Purchase Warrants outstanding were exercised, generating net proceeds of C$2,536,164.

At 31 December 2010, the Group had 6,956,603 Purchase Warrants issued and outstanding from Unit subscriptions described in the section (a) entitled "common shares" above. Each Unit consisted of one Class "A" common share of the Company and one half of a Purchase Warrant. Each full Purchase Warrant has an exercise price of C$8.00 and is exercisable at any time during the three years after the date of issuance of Units acquired. During the year ended 31 December 2010, no Purchase Warrants were exercised. The fair value of the 6,956,603 Purchase Warrants outstanding at the date of issue is estimated to be C$22,884,301.

During the year ended 31 December 2010, the fair value of Purchase Warrants at the date of issue was determined using the Black Scholes pricing model with the following assumptions:

	Purchase Warrants
Spot price	C$6.00
Weighted average expected volatility (%)	96.00%
Risk-free rate of return (%)	1.86%-2.50%
Expected life (years)	3.00
Dividends	Nil
Weighted average fair value ($/warrant)	C$3.29

During the nine months ended 30 September 2011, no Purchase Warrants were issued or exercised.

Modification with a cash alternative subsequently offered

During the nine months ended 30 September 2011, holders of 6,235,995 Purchase Warrants agreed with the Company to amend the Purchase Warrants as follows:

Upon exercise of each Purchase Warrant through delivery of an exercise notice and payment of the exercise price the holder will be entitled to receive, within 10 days after the exercise date, a cash payment in Canadian dollars equal to the market value of one common share in the Company determined at the exercise date of each Purchase Warrant. Such market value shall be determined by reference to the closing trading price of the common shares on the principal stock exchange on which the common shares are listed and traded, and if the common shares are not listed on a stock exchange on the date of exercise, such market value of the common shares as determined by the Board of Directors of the Company acting reasonably. At the sole option and discretion of the Company determined at the time of each exercise of Purchase Warrants, upon each exercise of a warrant, the Company may satisfy the cash payment by the issuance of one common share.

The holders of 720,608 Purchase Warrants who did not sign the amending agreement continue to be entitled to receive one common share on exercise of each Purchase Warrant.

Accordingly, at the date of amendment, the Company reclassified 6,235,995 warrants at a fair value of C$32,626,500 and presented a liability in the statement of financial position. For the nine months ended 30 September 2011, the Company recognised a fair value loss on the Purchase Warrants for C$25,062,500 with a fair value of C$57,689,000 or C$9.25 per Purchase Warrant at 30 September 2011.

During the nine months ended 30 September 2011, the fair value of Purchase Warrants at the date of amendment was determined using the Black Scholes pricing model with the following assumptions:

	Purchase Warrants
Spot price	C$9.68
Weighted average expected volatility (%)	91%
Risk-free rate of return (%)	2.19%
Expected life (years)	2.00
Dividends	Nil
Fair value ($/warrant)	C$5.23

At 30 September 2011, the fair value of Purchase Warrants was determined using the Black Scholes pricing model with the following assumptions:

	Purchase Warrants
Spot price	C$15.50
Weighted average expected volatility (%)	91%
Risk-free rate of return (%)	2.02%
Expected life (years)	1.25
Dividends	Nil
Fair value ($/warrant)	C$9.25

In October 2011, the Company agreed with all Purchase Warrants holders to repurchase and cancel all issued and outstanding Purchase Warrants. Please refer to note 28 for details.

(f) Fee Warrants

	Number of warrants
At 1 January 2010	—
Issued for share issue cost	624,996
At 31 December 2010	624,996
Reclassification upon modification	(624,996)
At 30 September 2011	—

Fee Warrants-2010

At 31 December 2010, the Group had 624,996 Fee Warrants issued and outstanding. Each Fee Warrant has an exercise price of C$6.00 and is exercisable at any time during the three years after the date of issuance of the Units upon which finders were granted Fee Warrants ("Fee Warrants-2010"). During the year ended 31 December 2010 and the nine months ended 30 September 2011, no Fee Warrants-2010 were exercised. The Fee Warrants-2010, which were issued to two finders, Far East Enterprise Investment Foundation Limited and Allan Bezanson, each holding less than 1% of the shares of the Company, in connection with the Unit financing, are recorded at fair value and charged to share issue costs associated with the Unit offering, with an offsetting credit to share-based payments reserve in capital and reserves. The fair value of the 624,996 Fee Warrants-2010 outstanding at the date of grant was estimated to be C$2,277,223. The fair value of the Fee Warrants-2010 was estimated to be C$3.64 per Fee Warrants-2010.

Modification with a cash alternative subsequently offered

During the nine months ended 30 September 2011, all holders of Fee Warrants-2010 agreed with the Company to amend the Fee Warrants-2010 as follows:

Upon exercise of each Fee Warrant through delivery of an exercise notice and payment of the exercise price the holder will be entitled to receive, within 10 days after the exercise date, a cash payment in Canadian dollars equal to the market value of one common share in the Company determined at the exercise date of each Fee Warrant. Such market value shall be determined by reference to the closing trading price of the common shares on the principal stock exchange on which the common shares are listed and traded, and if the common shares are not listed on a stock exchange on the date of exercise, such market value of the common shares as determined by the Board of Directors of the Company acting reasonably. At the sole option and discretion of the Company determined at the time of each exercise of Fee Warrants, upon each exercise of a warrant, the Company may satisfy the cash payment by the issuance of one common share.

Accordingly, at the amendment date when the Company had a cash obligation, the Company had reclassified all Fee Warrants-2010 at a fair value of C$3,698,000 and presented as liability in the statement of financial position. For the nine months ended 30 September 2011, the Company recognised a fair value loss on the Fee Warrants-2010 of C$2,837,000 with a fair value of C$6,535,000 or C$10.46 per Fee Warrant-2010 at 30 September 2011.

Fee Warrants-2011

During the nine months ended 30 September 2011, the Company issued 1,084,711 Fee Warrants ("Fee Warrants-2011"). Each Fee Warrant-2011 has an exercise price of C$9.68 and is exercisable at any time during the three years subsequent to the date of the C$210,000,001 redeemable share financing (see note 24). Upon exercise of each Fee Warrant through delivery of an exercise notice and payment of the exercise price the holder will be entitled to receive, within 10 days after the exercise date, a cash payment in Canadian dollars equal to the market value of one common share in the Company determined at the exercise date of each Fee Warrant. Such market value shall be determined by reference to the closing trading price of the common shares on the principal stock exchange on which the common shares are listed and traded, and if the common shares are not listed on a stock exchange on the date of exercise, such market value of the common shares as determined by the Board of Directors of the Company acting reasonably. At the sole option and discretion of the Company determined at the time of each exercise of Fee Warrants, upon each exercise of a warrant, the Company may satisfy the cash payment by the issuance of one common share. At the date of issue, the Company determined that it had a present obligation due to the cash settlement option on the Fee Warrant. Therefore, the Fee Warrants-2011 are accounted for as a cash settled share-based payment transaction.

During the nine months ended 30 September 2011, no Fee Warrants-2011 were exercised. The Fee Warrants-2011, which were issued to a finder, in connection with financing activities of the Group, who held less than 1% of the shares of the Company in connection with the C$210,000,001 financing are recorded at their fair value estimated to be C$6,378,237. Since the C$210,000,001 is classified as redeemable shares, the fair value of the Fee Warrants-2011 is charged against the fair value of the redeemable shares as part of issuance costs with a corresponding credit to warrants presented in current liabilities as a result of the cash settlement option. The fair value of the Fee Warrants-2011 at the date of issue was estimated to be C$5.88 per Fee Warrant-2011. For the nine months ended 30 September 2011, the Company recognised a fair value loss on the Fee Warrants-2011 of C$4,189,000 with a fair value of C$10,567,237 or C$9.74 per Fee Warrants-2011.

At the respective date of issue, the fair value of the Fee Warrants-2010 and Fee Warrants-2011 were estimated using the Black-Scholes option pricing model with the following assumptions:

	Fee Warrants-2011	**Fee Warrants-2010**
Spot price	C$9.68	C$6.00
Weighted average expected volatility (%)	91-96%	96.00%
Risk-free rate of return (%)	2.02-2.19%	1.86% – 2.50%
Expected life (years)	3.00 years	3.00 years
Dividends	Nil	Nil
Fair value ($/warrant)	C$5.88	C$3.64

At the date of amendment, during the nine months ended 30 September 2011 the fair value of the Fee Warrants-2010 was estimated using the Black-Scholes option pricing model with the following assumptions:

	Fee Warrants-2010
Spot price	C$9.68
Weighted average expected volatility (%)	91%
Risk-free rate of return (%)	2.02%
Expected life (years)	2 years
Dividends	Nil
Fair value ($/warrant)	C$5.92

At 30 September 2011, the fair value of the Fee Warrants-2010 and Fee Warrants-2011 were estimated using the Black-Scholes option pricing model with the following assumptions:

	Fee Warrants-2011	Fee Warrants-2010
Spot price	C$15.50	C$15.50
Weighted average expected volatility (%)	91%	91%
Risk-free rate of return (%)	2.02%	2.02%
Expected life (years)	2.25 years	1.25 years
Dividends	Nil	Nil
Fair value ($/warrant)	C$9.74	C$10.46

In October 2011, the Company agreed with all Fee Warrants-2010 and Fee Warrants-2011 holders to repurchase and cancel all issued and outstanding Fee Warrants. Please refer to note 28 for details.

(g) Liquidity warrants

At 31 December 2008, 2009 and 2010, and 30 September 2011 the Group had no liquidity warrants issued and outstanding.

At 1 January 2007, the Group had 12,992,191 liquidity warrants issued and outstanding. Each liquidity warrant was exercisable, for no additional consideration, into 0.10 Class "A" common shares (a total of 1,299,245 Class "A" common shares) of the Company should one of the following events not occur on or before 30 May 2008:

- an initial public offering whereby the common shares are listed and posted for trading on the TSX Venture Exchange, the Toronto Stock Exchange (or any successor to them that is satisfactory to the lead agent acting reasonably) (each a "Recognised Exchange"), or

- a transaction that results in all holders of common shares receiving a cash payment for each common share held (as a result of the sale of all of the common shares or the sale of all or substantially all of the assets of the Group), or

- a transaction that results in the acquisition of all of the common shares by a person (or all or substantially all of the assets of the Group) and the issuance to each holder of common shares of securities that are listed on a Recognised Exchange.

On 9 June 2008, the liquidity warrants became exercisable into 1,299,245 Class "A" common shares of the Company and were exercised. Management determined that there was no value upon initial issuance. No additional value was recorded upon the exercise of the liquidity warrants.

In summary, the following table details the Group's outstanding warrants included in equity at end of each reporting period:

	At 31 December			At 30 September
	2008	2009	2010	2011
Flow- through warrants	—	—	560,750	—
Purchase Warrants	—	—	6,956,603	720,608
Fee Warrants	—	—	624,996	—
Liquidity warrants	—	—	—	—

26. RESERVES

THE COMPANY

	Share-based payments reserves	Other reserve (Note)	Accumulated deficits	Total
	C$	C$	C$	C$
At 1 January 2008	5,716,413	—	(1,585,667)	4,130,746
Loss for the year	—	—	(5,445,663)	(5,445,663)
Recognition of share-based payments	9,411,609	—	—	9,411,609
Conversion of preferred shares into common shares	(9,503,271)	—	—	(9,503,271)
Transferred out upon exercise of share options	(20,898)	—	—	(20,898)
At 31 December 2008 and 1 January 2009	5,603,853	—	(7,031,330)	(1,427,477)
Loss for the year	—	—	(2,838,487)	(2,838,487)
Recognition of share-based payments	1,503,293	—	—	1,503,293
Transferred out upon exercise of share options	(8,731)	—	—	(8,731)
At 31 December 2009 and 1 January 2010	7,098,415	—	(9,869,817)	(2,771,402)
Loss for the year	—	—	(9,856,729)	(9,856,729)
Recognition of share-based payments	10,835,426	—	—	10,835,426
Transferred out upon exercise of share options	(291,235)	—	—	(291,235)
At 31 December 2010 and 1 January 2011	17,642,606	—	(19,726,546)	(2,083,940)
Loss for the period	—	—	(64,919,304)	(64,919,304)
Recognition of share-based payments	11,383,346	—	—	11,383,346
Transferred out upon exercise of share options	(511,626)	—	—	(511,626)
Reclassification of warrants upon modification	(2,277,223)	(13,533,477)	—	(15,810,700)
At 30 September 2011	26,237,103	(13,533,477)	(84,645,850)	(71,942,224)

Note: Other reserve represents the difference between the fair value of the warrants measured on the date when such warrants were reclassified to a liability and the amount initially recognised at the date the warrants were issued.

27. SHARE-BASED PAYMENTS

(a) Employee share option plan

The Company has share option plan for its directors, officers, employees, consultants and advisers.

The options are exercisable for a period of five years and vest over a period ranging up to three years from the date of grant. Options granted under the Company's share option plan will have a price that is not less than the price of the most recent private placement, or, if the common shares are listed on a stock exchange, the price which is, from time to time, permitted under the rules of any stock exchange or exchanges on which the Class "A" common shares are then listed.

On 12 June 2009, at the annual general meeting of the Company, the Shareholders of the Company ratified and approved the 2009 Stare Option Plan amended and adopted by the Board of Director of the Company on 7 May 2009. The aggregate number of Class "A" common shares reserved for issuance under the 2009 Share Option Plan and any other share compensation arrangement of the Company, including the Company's prior share option plan dated 30 April 2008 shall be set at the higher of: (i) a fixed number approved by Shareholders, (8,464,458 was approved on 26 May 2008); or (ii) 10% of the total number of issued and outstanding shares.

On 9 September 2010, the 2009 Share Option Plan dated 7 May 2009, was amended, approved, ratified and adopted by Shareholders at the Company's Annual General Meeting. The amendment increased the maximum number of Class "A" common shares that may be reserved for issuance pursuant to the 2009 Share Option Plan from 8,464,458 to the greater of 10,500,000 or 10% of the total number of issued and outstanding shares.

The following share-based payment arrangements were in existence during the Relevant Periods:

	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
				C$	C$
Series 1	640,000	15 May 2007	15 May 2012	1.10	261,117
Series 2	215,000	15 June 2007	15 June 2012	1.10	87,719
Series 3	1,156,000	20 July 2007	20 July 2012	1.30	557,395
Series 4	724,000	24 August 2007	24 August 2012	1.50	402,802
Series 5	626,999	9 October 2007	9 October 2012	3.00	697,670
Series 6	1,933,000	9 January 2008	9 January 2013	2.75	1,919,142
Series 7	29,800	1 February 2008	1 February 2013	2.75	29,586
Series 8	575,300	31 March 2008	31 March 2013	4.00	830,801
Series 9	225,000	1 April 2008	1 April 2013	4.00	324,926
Series 10	155,000	30 April 2008	30 April 2013	4.00	223,838
Series 11	650,400	13 June 2008	13 June 2013	4.00	939,254
Series 12a	222,000	1 August 2008	1 August 2013	4.00	320,594
Series 12b	765,500	1 August 2008	1 August 2013	4.00	1,105,472
Series 13	40,000	16 September 2008	16 September 2013	4.00	57,765
Series 14	3,500	29 September 2008	29 September 2013	4.00	5,054
Series 15	67,000	1 November 2008	1 November 2013	4.00	96,756
Series 16	7,500	30 March 2009	30 March 2014	9.09	24,613
Series 17a	171,070	1 October 2009	1 October 2014	5.25	536,692
Series 17b	171,430	22 January 2010	21 January 2015	5.25	539,164
Series 18	431,000	2 March 2010	1 March 2015	5.50	1,420,086
Series 19	995,000	9 September 2010	1 March 2015	5.50	3,278,388
Series 20	50,000	2 March 2010	1 March 2015	5.50	164,743
Series 21	135,000	22 March 2010	21 March 2015	5.50	444,806
Series 22	122,500	14 May 2010	13 May 2015	5.50	405,158
Series 23a	52,500	31 May 2010	30 May 2015	5.50	173,639
Series 23b	22,500	28 June 2010	27 June 2015	5.50	74,417
Series 23c	14,000	5 July 2010	4 July 2015	5.50	46,169
Series 23d	17,500	12 July 2010	11 July 2015	5.50	57,711
Series 23e	35,000	31 August 2010	30 August 2015	5.50	115,422
Series 24a	20,000	20 December 2010	14 July 2015	9.68	116,081
Series 24b	12,500	20 December 2010	2 August 2015	9.68	72,551
Series 24c	95,000	20 December 2010	31 August 2015	9.68	551,386
Series 24d	35,000	20 December 2010	11 October 2015	9.68	202,347
Series 24e	40,000	20 December 2010	31 October 2015	9.68	231,253
Series 24f	195,000	20 December 2010	5 December 2015	9.68	1,127,361
Series 25	200,000	17 February 2011	17 February 2016	9.68	1,152,149
Series 26	152,500	14 April 2011	14 April 2016	9.68	843,795
Series 27	107,500	27 May 2011	27 May 2016	9.68	594,807
Series 28a	60,000	9 June 2011	9 June 2016	9.68	331,985
Series 28b	10,000	9 June 2011	1 July 2016	9.68	55,224
Series 29	22,500	14 July 2011	14 July 2016	9.68	124,253
Series 30	100,000	14 July 2011	14 July 2016	9.68	552,237
Series 31a	72,500	26 August 2011	22 August 2016	9.68	400,372
Series 32a	221,177	16 September 2011	16 September 2016	9.68	1,221,420
Series 32b	40,000	25 September 2011	25 September 2016	9.68	220,895

(b) Fair value of share options granted during the Relevant Periods

The weighted average fair value of the share options granted during the years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011 is C$1.25, C$3.14, C$3.69 and C$5.57. Options were priced using the Black-Scholes option pricing model.

Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise conditions (including the probability of the market price meeting exceeding the exercise price of the option), and behavioural considerations.

Expected volatility is based on the historical share price volatility from a peer group of listed companies.

It was assumed that executives and senior employees would exercise the options on average three years from the grant date. It was assumed that the other option holders will exercise the options on average three years from the grant date, with an expected forfeiture rate of 1.0%.

The table below details the input variables used in the Black-Scholes option pricing model to determine fair value for share-based compensation.

	Series 6	Series 7	Series 8	Series 9	Series 10
2008					
Grant date share price (C$)	2.75	2.75	4.00	4.00	4.00
Exercise price (C$)	2.75	2.75	4.00	4.00	4.00
Expected volatility (%)	50.00	50.00	50.00	50.00	50.00
Option life (years)	3.00	3.00	3.00	3.00	3.00
Dividend yield (%)	—	—	—	—	—
Risk-free interest rate (%)	3.00	3.00	3.00	3.00	3.00

	Series 11	Series 12a	Series 12b	Series 13	Series 14	Series 15
Grant date share price (C$)	4.00	4.00	4.00	4.00	4.00	4.00
Exercise price (C$)	4.00	4.00	4.00	4.00	4.00	4.00
Expected volatility (%)	50.00	50.00	50.00	50.00	50.00	50.00
Option life (years)	3.00	3.00	3.00	3.00	3.00	3.00
Dividend yield (%)	—	—	—	—	—	—
Risk-free interest rate (%)	3.00	3.00	3.00	3.00	3.00	3.00

	Series 16	Series 17a
2009		
Grant date share price (C$)	9.09	5.25
Exercise price (C$)	9.09	5.25
Expected volatility (%)	50.00	96.00
Option life (years)	3.00	3.00
Dividend yield (%)	—	—
Risk-free interest rate (%)	3.00	1.86

	Series 17b	Series 18	Series 19	Series 20	Series 21	Series 22
2010						
Grant date share price (C$)	5.25	5.50	5.50	5.50	5.50	5.50
Exercise price (C$)	5.25	5.50	5.50	5.50	5.50	5.50
Expected volatility (%)	96.00	96.00	96.00	96.00	96.00	96.00
Option life (years)	3.00	3.00	3.00	3.00	3.00	3.00
Dividend yield (%)	—	—	—	—	—	—
Risk-free interest rate (%)	1.86	1.86	1.86	1.86	1.86	2.25

	Series 23a	Series 23b	Series 23c	Series 23d	Series 23e	Series 24a
Grant date share price (C$)	5.50	5.50	5.50	5.50	5.50	9.68
Exercise price (C$)	5.50	5.50	5.50	5.50	5.50	9.68
Expected volatility (%)	96.00	96.00	96.00	96.00	96.00	96.00
Option life (years)	3.00	3.00	3.00	3.00	3.00	3.00
Dividend yield (%)	—	—	—	—	—	—
Risk-free interest rate (%)	2.25	2.25	1.95	1.95	1.95	1.95

	Series 24b	Series 24c	Series 24d	Series 24e	Series 24f
Grant date share price (C$)	9.68	9.68	9.68	9.68	9.68
Exercise price (C$)	9.68	9.68	9.68	9.68	9.68
Expected volatility (%)	96.00	96.00	96.00	96.00	96.00
Option life (years)	3.00	3.00	3.00	3.00	3.00
Dividend yield (%)	—	—	—	—	—
Risk-free interest rate (%)	1.95	1.95	1.55	1.55	1.55

	Series 25	Series 26	Series 27	Series 28a	Series 28b
2011					
Grant date share price (C$)	9.68	9.68	9.68	9.68	9.68
Exercise price (C$)	9.68	9.68	9.68	9.68	9.68
Expected volatility (%)	96.00	91.00	91.00	91.00	91.00
Option life (years)	3.00	3.00	3.00	3.00	3.00
Dividend yield (%)	—	—	—	—	—
Risk-free interest rate (%)	1.82-2.50	1.82-2.50	1.82-2.50	1.82-2.50	1.71-2.27

	Series 29	Series 30	Series 31a	Series 32a	Series 32b
Grant date share price (C$)	9.68	9.68	9.68	9.68	9.68
Exercise price (C$)	9.68	9.68	9.68	9.68	9.68
Expected volatility (%)	91.00	91.00	91.00	91.00	91.00
Option life (years)	3.00	3.00	3.00	3.00	3.00
Dividend yield (%)	—	—	—	—	—
Risk-free interest rate (%)	1.71-2.27	1.71-2.27	1.71-2.27	1.71-2.27	1.71-2.27

All options from Series 1 to Series 12a vest within two years from grant date. Options granted from Series 12b to Series 17a vest within three years from grant date. Options granted from 17b to Series 32b vest within two years from grant date. All options granted expire five years from grant date or 30 days subsequent to the resignation of an employee, whichever is the earlier.

(c) Movements in shares options during the Relevant Periods

The following reconciles the share options outstanding at the beginning and end of each reporting period:

	Year ended 31 December						Nine months ended 30 September 2011	
	2008		2009		2010			
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		C$		C$		C$		C$
At beginning of the year/period	3,361,999	1.61	7,600,368	2.67	7,669,604	2.71	9,486,199	3.69
Granted during the year/period	4,666,500	3.47	178,570	5.41	2,443,930	6.16	986,177	9.68
Forfeited during the year/period	(396,534)	3.32	(96,000)	4.40	(15,000)	4.00	(92,438)	7.57
Exercised during the year/period	(31,597)	1.64	(13,334)	1.87	(612,335)	1.26	(342,700)	3.69
Balance at end of year/period	7,600,368	2.67	7,669,604	2.71	9,486,199	3.69	10,037,238	4.24
Exercisable at end of year/period	3,402,679	2.23	5,894,967	2.41	7,475,889	3.11	8,342,190	3.57

(d) Share options exercised during the Relevant Periods

The following share options were exercised during period:

	Number exercised	Exercise date	Share price at exercise date
			C$
For the year ended 31 December 2008			
Series 1	16,666	20 July 2008	4.00
Series 3	6,666	20 July 2008	4.00
Series 6	3,333	20 July 2008	4.00
Series 7	3,266	13 May 2008	4.00
Series 8	1,666	20 July 2008	4.00
	31,597		
For the year ended 31 December 2009			
Series 1	8,334	15 May 2009	9.09
Series 6	3,333	15 May 2009	9.09
Series 8	1,667	15 May 2009	9.09
	13,334		

	Number exercised	Exercise date	Share price at exercise date
			C$
For the year ended 31 December 2010			
Series 1	45,000	31 March 2010	5.50
Series 1	10,000	31 March 2010	5.50
Series 1	150,000	6 May 2010	5.50
Series 1	30,000	28 May 2010	5.50
Series 1	30,000	18 June 2010	5.50
Series 1	10,000	9 August 2010	5.50
Series 1	150,000	11 August 2010	5.50
Series 1	30,000	7 September 2010	9.68
Series 1	30,000	7 September 2010	9.68
Series 2	10,000	3 August 2010	5.50
Series 3	25,000	31 March 2010	5.50
Series 3	20,000	7 September 2010	9.68
Series 3	3,334	31 December 2010	9.68
Series 4	5,000	7 September 2010	9.68
Series 4	30,000	23 September 2010	9.68
Series 5	15,000	7 September 2010	9.68
Series 6	10,000	7 September 2010	9.68
Series 6	3,334	31 December 2010	9.68
Series 8	1,667	31 December 2010	9.68
Series 22	4,000	12 August 2010	9.68
	612,335		
For nine months ended 30 September 2011			
Series 3	15,000	17 February 2011	9.68
Series 8	5,000	8 April 2011	9.68
Series 10	150,000	6 April 2011	9.68
Series 11	25,000	6 April 2011	9.68
Series 12b	13,200	6 April 2011	9.68
Series 19	49,500	6 April 2011	9.68
Series 3	20,000	6 July 2011	9.68
Series 4	5,000	6 July 2011	9.68
Series 6	60,000	22 July 2011	9.68
	342,700		

(e) Share options outstanding at the end of the year/period

The share options outstanding at the end of the year/period had a weighted average exercise price of C$2.67, C$2.71, C$3.69 and C$4.24 and a weighted average remaining contractual life of 3.96 years, 3.00 years, 2.62 years and 2.15 years as at 31 December 2008, 2009 and 2010 and 30 September 2011, respectively.

(f) Share appreciation rights

During the year ended 31 December 2010, the Company granted 995,000 share appreciation rights ("SAR") at a price of $5.50 per SAR. The amount to be paid by the Company to the grantees for each SAR exercised was to be the price at which the Class "A" common shares in the capital of the Company were issued in the most recently completed financing of the Company, prior to the date of the exercise, less the grant price per SAR.

The Company also granted an equal number of share options to the SAR's grantees conditional upon the Company receiving Shareholder approval to increase the number of options that may be outstanding pursuant to the Company's share option plan. With the increase to the share option plan, as approved by the Company's Shareholders on 9 September 2010, the SAR's were cancelled.

The fair value of the SARs granted is estimated using the Black-Scholes option pricing model. Each quarter the original Black-Scholes inputs including: share price, strike price, option life to exercise, volatility, dividend rate and discount rate were re-examined and re-calculated for any changes.

On 9 September 2010, a resolution was approved and ratified by Shareholders granting to certain directors, officers, and employees of the Company a total of 995,000 share options. These options were granted on 2 March 2010, subject to Shareholder approval, and were over and above the 8,464,458 share option limit set out in the 2009 Share Option Plan of the Company dated 7 May 2009. With the approval of the share options, the SARs were cancelled and ceased to exist. The options had the same terms, conditions and inputs as the SARs and therefore there were no fair value differences between the SARs and the options. As a result, no further share-based compensation expense was recorded upon replacement.

(g) Class "G" Preferred Shares-2010

The Company issued 2,738,500 Class "G" Preferred Shares-2010 during the year ended 31 December 2010, at a price of C$0.01 per preferred share. A weighted average fair value of C$6.13 is based on management's estimated fair value of common shares at the date of issuance.

The Company issued 322,000 Class "G" Preferred Shares-2010 during the nine months ended 30 September 2011, at a price of C$0.01 per preferred share. A weighted average price of C$9.68 is based on management's estimated fair value of common shares at the date of issuance.

The Class "G" Preferred Shares-2010 convert to Class "A" common shares according to the conversion schedule in note 25. The following table sets out the Class "G" Preferred Shares-2010 issuances and cancellations for the year ended 31 December 2010 and for the nine months ended 30 September 2011.

	Class "G" Preferred Shares-2010	Weighted average price
	C$	C$
At 1 January 2010	—	—
Issued	2,738,500	6.13
Cancelled	(15,000)	5.50
At 31 December 2010	2,723,500	6.13
Issued	322,000	9.68
Cancelled	(23,000)	9.68
At 30 September 2011	3,022,500	6.48
Convertible, end of period	—	—

The weighted average fair value of Class "G" Preferred Shares issued in 2010 and 2011 were estimated to be C$6.13 and C$9.68, respectively per Class "G" Preferred Share-2010 by reference to the fair value of common share at date of issue.

Total compensation expense is amortised over the vesting period of the Class "G" preferred shares.

(h) Class "H" Non-voting Preferred Shares

The Company issued 360,000 Class "H" Non-voting Preferred Shares during the year ended 31 December 2010, at a price of C$0.01 per preferred share. A weighted average price of C$5.50 is based on management's estimated fair value of common shares at the date of issuance.

The Company issued 750,000 Class "H" Non-voting Preferred Shares during the nine months ended 30 September 2011, at a price of C$0.01 per preferred share. A weighted average price of C$9.68 is based on management's estimated fair value of common shares at the date of issuance.

The Class "H" Non-voting Preferred Shares convert to Class "A" common shares according to the conversion schedule in note 25. The following table sets out the balance of Class "H" Non-voting Preferred Shares for the year ended 31 December 2010 and for the nine months ended 30 September 2011.

	Class "H" preferred shares	Weighted average price
		C$
At 1 January 2010	—	—
Issued	360,000	5.50
At 31 December 2010	360,000	5.50
Issued	750,000	9.68
At 30 September 2011	1,110,000	8.32
Convertible, end of the period	—	—

The weighted average fair value of Class "H" Non-voting Preferred Shares issued in 2010 and 2011 was estimated to be C$5.50 and C$9.68, respectively per Class "H" Non-voting Preferred Share by reference to the fair value of the common share at the date of issue.

Total compensation expense is amortised over the vesting period of the Class "H" Non-voting Preferred Shares.

(i) Shares to be granted in relation to an advisory agreement

In January 2010, the Company entered into an advisory agreement with Orient Financial Holdings Limited ("Orient Financial"), an entity controlled by a shareholder with 14.01% interest in the Company and a director of the Company, whereby Orient Financial will provide services in connection with the filing of an initial public offering listing on a recognised stock exchange in Asia by the Company ("Advisory Agreement"). Under the terms of the Advisory Agreement, Orient Financial has agreed to facilitate the Company with its IPO and listing process.

In consideration, the Company will issue to Orient Financial as consideration for the services in connection with the initial public offering and listing, common shares equal to 0.75% of the number of common shares of the Company issued and outstanding at the time of the initial filing of an initial public offering prospectus (or similar document) with the applicable regulatory body in connection with the initial public offering and listing.

In January 2011, the Company and Orient Financial signed an amending agreement to the Advisory Agreement. The amendment revised the form of consideration to be paid. Pursuant to the January 2011 amendment to the Advisory Agreement, the Company is required to pay the consideration in cash, payable in Canadian dollars, equal to the product obtained by multiplying 0.75% of the number of common shares of the Company issued and outstanding at the time of the initial filing of the initial public offering prospectus (or similar document) by the per share subscription price of the common share of the Company offered under the initial public offering. However, the Company may at its sole option and discretion, elect to satisfy up to 95% of the consideration by the issuance of such number of common shares of the Company offered under the initial public offering.

In October 2011, the Company and Orient Financial signed a further amending agreement to the Advisory Agreement. The amendment revised the date on which the number of Shares was calculated. Pursuant to the October 2011 amendment to the Advisory Agreement, the Company is required to pay the consideration in cash, payable in Canadian dollars, equal to the product obtained by multiplying 0.75% of the number of Class A common shares and Class B common shares of the Company issued and outstanding at the time of pricing of the initial public offering by the per share subscription price of the common shares of the Company offered under the initial public offering. However, the Company may at its sole option and discretion, elect to satisfy up to 95% of the consideration by the issuance of shares. In February 2012, the Company elected to satisfy 95% of the consideration through the issue of shares to Orient Financial, which based on the number of shares issued and outstanding at the time of pricing the initial public offering would be equal to 13,566,395 shares. The amending agreement further provided that the Advisory Agreement would terminate upon listing on a recognised stock exchange in Asia by the Company.

During the Relevant Periods, the terms and conditions of the services to be provided under the Advisory Agreement have not been fulfilled. As such, no share based payment has been recognised during the Relevant Periods.

(j) Share-based payments

Share-based payments have been recorded in the Financial Information for the Relevant Periods presented as follows:

	Expensed	Capitalised in E&E assets	As share issue costs	Total
	C$	C$ (note 15)	C$	C$
Year ended 31 December 2008				
Share options	1,389,781	2,883,742	—	4,273,523
Preferred shares	764,480	4,373,606	—	5,138,086
	2,154,261	7,257,348	—	9,411,609
Year ended 31 December 2009				
Share options	555,871	947,422	—	1,503,293
Year ended 31 December 2010				
Share options and share appreciation rights	3,160,194	3,699,395	—	6,859,589
Preferred shares	786,444	912,170	—	1,698,614
Fee Warrants (note 25(f))	—	—	2,277,223	2,277,223
	3,946,638	4,611,565	2,277,223	10,835,426

	Expensed	Capitalised in E&E assets	As share issue costs	Total
	C$	C$	C$	C$
Nine months ended 30 September 2010 (unaudited)				
Share options and share appreciation rights	2,457,642	2,813,113	—	5,270,755
Preferred shares	56,061	62,320	—	118,381
Fee Warrants (note 25(f))	—	—	2,277,223	2,277,223
	2,513,703	2,875,433	2,277,223	7,666,359

	Expensed	Capitalised in E&E assets	As issue costs of redeemable shares	Total
	C$	C$	C$	C$
Nine months ended 30 September 2011				
Share options	2,640,909	2,925,285	—	5,566,194
Preferred shares	3,157,539	2,659,613	—	5,817,152
Fee Warrants (note 25(f))	—	—	6,378,237	6,378,237
	5,798,448	5,584,898	6,378,237	17,761,583

28. WARRANTS

At 30 September 2011, the amount represents the fair value of 6,235,995 Purchase Warrants (excluding 720,608 warrants not with cash alternative) and 1,709,707 Fee Warrants to be settled by cash. The intrinsic value of these Purchase Warrants and Fee Warrants are approximately C$46,769,963 and C$12,250,480 respectively.

In 2011, in conjunction with the Company's preliminary prospectus filing for an initial public offering (the "IPO") and pursuant to certain conditions and requirements of the filing for a public listing on the Mainboard of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company commenced negotiations with significant warrant holders, who are also shareholders of the Company, to repurchase and cancel all issued and outstanding Purchase and Fee Warrants as set out in notes 25(e) and (f). Approval and consent from all warrant holders for this transaction was pending as at 30 September 2011. Subsequent to 30 September 2011, approval was obtained. Timing for payment is at the Company's discretion. The repurchase offer will lapse should the Company's planned IPO on the Stock Exchange is not successful on or before 31 December 2013. The reference price for the repurchase of all warrants was determined by a committee of independent directors of the Company by reference to the share price of a comparable company, discounted cash flow analysis and precedent share issue transactions. On 4 January 2012, the Company completed the repurchase of all warrants for a total consideration of approximately C$68.9 million.

The repurchase price of the warrants are set out below:

	Repurchase price
Purchase Warrants (with an exercise price of C$8.00)	C$7.93
Fee Warrants - 2010 (with an exercise price of C$6.00)	C$9.61
Fee Warrants - 2011 (with an exercise price of C$9.68)	C$7.09

29. CAPITAL RISK MANAGEMENT

The Group can be exposed to financial risks on its financial instruments and in the way that it finances its capital requirements. The Group manages these financial and capital structure risks by operating in a manner that minimises its exposure to volatility of the Group's financial performance.

The Group's policy is to access capital, through equity issuances and the utilisation of debt, in order to maintain a strong capital base for the objectives of maintaining financial flexibility and to sustain the future development of the business. The Group manages its capital structure and makes adjustments relative to changes in economic conditions and the Group's risk profile. In order to maintain the capital structure, the Group may from time to time issue shares and adjust its capital spending to manage current working capital levels. The Group monitors its working capital in order to assess capital efficiency. The Group's capital structure currently includes Shareholders' equity, bank borrowings, redeemable shares and working capital. The Group is not subject to any externally imposed covenants. There is no change in the Group objectives and policies of capital management over the three-year period ended 31 December 2010 and the nine months ended 30 September 2011.

The Group's capital structure is described below:

	Year ended 31 December			Nine months ended 30 September 2011
	2008	2009	2010	
	C$	C$	C$	C$
Working capital deficiency (surplus)	(611,931)	652,015	(27,065,986)	(31,781,552)
Bank borrowings	25,200,000	5,328,200	—	—
Redeemable shares	—	—	—	214,743,202
Shareholders' equity	98,591,975	127,964,718	222,432,790	147,258,644
Total	123,180,044	133,944,933	195,366,804	330,220,294

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP				THE COMPANY			
	At 31 December			Nine months ended 30 September	At 31 December			Nine months ended 30 September
	2008	2009	2010	2011	2008	2009	2010	2011
	C$	C$	C$	C$	C$	C$	C$	C$
Financial assets								
Cash and cash equivalents	541,012	575,769	41,540,387	122,583,477	523,854	568,789	41,533,456	122,576,640
Loans and receivables	1,767,161	80,565	1,273,558	2,040,937	1,767,161	79,917	1,273,073	2,040,057
Financial liabilities, at amortised cost:								
Trade and other payables	1,925,449	1,292,426	17,521,798	18,695,438	1,925,449	1,292,426	17,521,798	18,695,438
Bank borrowings	25,200,000	5,328,200	—	—	25,200,000	5,328,200	—	—
Redeemable shares	—	—	—	214,743,202	—	—	—	214,743,202
Derivative instruments								
Warrants	—	—	—	74,791,237	—	—	—	74,791,237

Financial risk management objectives and policies

The Group's and the Company's major financial instruments include cash and cash equivalents, trade and other receivables, bank borrowings, redeemable shares, trade and other payables and warrants. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including interest rate risk and other price risk), credit risk, liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group and the Company do not use any derivative financial instruments to mitigate these risk exposures. The Group and the Company do not enter into any trade financial instruments, including derivative financial instruments, for speculative purposes.

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Market risk

Market risk is the risk that changes in market prices, such as currency risk, equity price risk, commodity price risk and interest rate risk will affect the Group's and the Company's net loss. The objective of market risk management is to manage and control market risk exposures within acceptable limits. There have been no changes over the Relevant Periods to the Group's and the Company's objectives, policies or processes to manage market risks.

Although the Group and the Company do not currently sell or transact in foreign currencies, the United States dollar influences the price of petroleum sold in Canada. Furthermore, exchange rate fluctuations can affect the fair value of future cash flows. The Group and the Company had no forward exchange rate contracts in place as at or during the Relevant Periods.

Commodity price risk is the risk that the value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum are impacted by world economic events that dictate the levels of supply and demand. The Group and the Company are a development stage entity and have no current production for commercial operations. The Group and the Company has not attempted to mitigate commodity price risk through the use of various financial derivative and physical delivery sales contracts.

Equity price risk management

The Group is exposed to equity price risk through its issuance of warrants with cash-settled alternative during the nine months ended 30 September 2011 and the addition of a cash-settled alternative to its warrants during the nine months ended 30 September 2011.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the respective reporting date.

If the prices of the Company's common share had been 5% higher/lower, the Group's loss for the nine months ended 30 September 2011 would increase/decrease by approximately C$5,400,000/(C$5,400,000). This is mainly attributable to the Group's exposure to fair value on its common shares.

Interest rate risk management

The Group and the Company are exposed to fair value interest rate risk in relation to the redeemable shares. The Group and the Company currently do not enter into any hedging instrument for fair value interest rate risk.

The Group and the Company are exposed to cash flow interest rate risk in relation to its cash and cash equivalents (see note 20) warrants (see note 25(e)(f)) and variable bank borrowings (see note 22). The Group's and the Company's cash flow interest rate risk is mainly concentrated on the fluctuation of Canadian Prime Rate arising from the Group's and the Company's borrowings and the Canadian deposits rate from the Group's and the Company bank balances and term deposits.

Sensitivity analysis

As the impact on the profit or loss of the Group and the Company is insignificant, no sensitivity analysis is presented.

Credit risk management

Credit risk is the risk of financial loss to the Group and the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group and the Company's cash, trade receivables, deposits and receivables from joint venture partners and GST receivables. However, as at 30 September 2011, the Group and the Company's trade and other receivables consisted of 31% from GST receivables, 62% of trade receivables and 7% of other receivables.

The Group and the Company are exposed to credit risk on amounts held in individual banking institutions for balances that are above nominal guaranteed amounts. The Group and the Company periodically monitor published and available credit information of all its banking institutions.

The Group and the Company are exposed to credit risk from the Group and the Company's receivables from purchasers of the Group and the Company's crude oil and deposits. At 30 September 2011, there was no allowance for impairment of trade and other receivables and the Group and the Company did not provide for any doubtful accounts nor was it required to write-off any receivables, as no receivables were considered impaired. The Group and the Company consider any amounts in excess of 30 days past due.

Liquidity risk management

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they become due. The Group's and the Company's approach to managing liquidity is to plan that it will have sufficient liquidity to meet its liabilities when due, using either equity or bank debt proceeds. The Group and the Company expect to settle all trade and other payables within 90 days.

The Group and the Company utilise authorisations for expenditures to manage its planned capital expenditures and actual expenditures are regularly monitored and modified as considered necessary.

The following tables detail the Group's and the Company's expected contractual maturities for it non-derivative financial liabilities, which based on the undiscounted cash flows of financial liabilities to the earliest date on which the Group and the Company can be required to satisfy the liabilities.

THE GROUP

	Weighted average interest rate	On demand	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount
	%	C$	C$	C$	C$	C$	C$	C$
As at 31 December 2008								
Non-derivative financial liabilities								
Trade and other payables	—	—	1,925,449	—	—	—	1,925,449	1,925,449
Bank borrowings	5.6	—	—	26,611,200	—	—	26,611,200	25,200,000
		—	1,925,449	26,611,200	—	—	28,536,649	27,125,449
As at 31 December 2009								
Non-derivative financial liabilities								
Trade and other payables	—	—	1,292,426	—	—	—	1,292,426	1,292,426
Bank borrowings	5.8	—	5,405,459	—	—	—	5,405,459	5,328,200
		—	6,697,885	—	—	—	6,697,885	6,620,626
As at 31 December 2010								
Non-derivative financial liabilities								
Trade and other payables	—	—	17,521,798	—	—	—	17,521,798	17,521,798
As at 30 September 2011								
Non-derivative financial liabilities								
Trade and other payables	—	—	18,695,438	—	—	—	18,695,438	18,695,438
Redeemable shares (Note)	17.1	—	—	—	261,861,041	—	261,861,041	214,743,202
Derivative financial liabilities								
Warrants	—	74,791,237	—	—	—	—	74,791,237	74,791,237
		74,791,237	18,695,438	—	261,861,041	—	355,347,716	308,229,877

THE COMPANY

	Weighted average interest rate	On demand	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount
	%	C$	C$	C$	C$	C$	C$	C$
As at 31 December 2008								
Non-derivative financial liabilities								
Trade and other payables	—	—	1,925,449	—	—	—	1,925,449	1,925,449
Bank borrowings	5.6	—	—	26,611,200	—	—	26,611,200	25,200,000
		—	1,925,449	26,611,200	—	—	28,536,649	27,125,449
As at 31 December 2009								
Non-derivative financial liabilities								
Trade and other payables	—	—	1,292,426	—	—	—	1,292,426	1,292,426
Bank borrowings	5.8	—	5,405,459	—	—	—	5,405,459	5,328,200
		—	6,697,885	—	—	—	6,697,885	6,620,626
As at 31 December 2010								
Non-derivative financial liabilities								
Trade and other payables	—	—	17,521,798	—	—	—	17,521,798	17,521,798
As at 30 September 2011								
Non-derivative financial liabilities								
Trade and other payables	—	—	18,695,438	—	—	—	18,695,438	18,695,438
Redeemable shares (Note)	17.1	—	—	—	261,861,041	—	261,861,041	214,743,202
Derivative instruments								
Warrants	—	74,791,237	—	—	—	—	74,791,237	74,791,237
		74,791,237	18,695,438	—	261,861,041	—	355,347,716	308,229,877

Note: The redeemable shares would be redeemed at the option of the subscribers if the Company does not complete a Qualifying IPO as stipulated in the terms and conditions of the Share Redemption Rights (see note 24 for details).

Fair value of financial instruments

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

- The fair value of share appreciation rights and warrants with cash-settled alternative are measured using the Black-Scholes option pricing model where the main assumptions including the volatility of the share price and the life of share appreciation rights and warrants.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Reconciliation of Level 3 fair value measurements of financial liabilities

	Warrants
	C$
At 1 January 2008, 31 December 2008, 2009 and 2010	—
Issue	(6,378,237)
Reclassification of warrants upon modification	(36,324,500)
Total loss in profit or loss	(32,088,500)
At 30 September 2011	(74,791,237)

The fair value of financial assets and financial liabilities carried at amortised costs approximate to their carrying amounts.

31. RELATED PARTY DISCLOSURES

Balances and transactions between the Company and its subsidiary, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Other than the service agreement entered with Orient Financial in note 27(i), details of transactions between the Group and other related parties are disclosed below.

During the Relevant Periods, the Group entered into the following transactions with related parties:

THE GROUP

			Year ended 31 December			Nine months ended 30 September	
Name of related company	**Note**	**Nature of transactions**	**2008**	**2009**	**2010**	**2010**	**2011**
			C$	**C$**	**C$**	**C$** (unaudited)	**C$**
McCarthy Tétrault	(i)	Legal services	597,323	104,447	225,243	102,454	914,520

The following balances were outstanding at the end of the reporting periods:

THE GROUP AND THE COMPANY

			At 31 December			At 30 September
Amounts owed to related parties	**Note**	**Nature of transactions**	**2008**	**2009**	**2010**	**2011**
			C$	**C$**	**C$**	**C$**
McCarthy Tétrault	(i)	Legal services payable	176,437	24,171	29,619	356,352

Note:

(i) One of the directors of the Company is a partner of a law firm, the related company.

The above transactions are in the normal course of business and have been valued at the exchange amount which is the amount of consideration established and agreed to by the related parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Compensation of key management of personnel

The remuneration of the two Co-Chairmen, the two Co-Chief Executive Officers, the Chief Financial Officer and the Executive Vice-President Corporate Operations during the Relevant Periods was as follows:

	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
	C$	C$	C$	C$ (unaudited)	C$
Directors' fees	—	—	120,000	120,000	—
Performance related incentive payments(Note)	—	—	1,413,000	1,413,000	1,650,000
Consulting fees	193,500	200,566	193,266	143,910	685,785
Salaries and other benefits	221,567	741,075	686,093	455,722	656,514
Share-based payments	5,646,320	723,916	2,456,454	1,437,739	2,506,400
	6,061,387	1,665,557	4,868,813	3,570,371	5,498,699

The remuneration of directors and key executives is determined by the Compensation Committee having regard to the performance of individuals and market trends.

Note: The performance related incentive payments represent compensation paid to Mr. Michael John Hibberd and Mr. Songning Shen for the management services provided by the directors pursuant to the consultancy agreements between the Company and the companies controlled by the directors.

32. COMMITMENTS FOR EXPENDITURE

	THE GROUP				THE COMPANY			
	At 31 December			At 30 September	At 31 December			At 30 September
	2008	2009	2010	2011	2008	2009	2010	2011
	C$	C$	C$	C$	C$	C$	C$	C$
Contracted but not provided for								
Flow-through share and special warrant obligations	245,000	2,000,598	622,296	—	245,000	2,000,598	622,296	—
E&E expenditure(Note)	—	—	12,983,369	41,470,000	—	—	12,983,369	41,470,000
	245,000	2,000,598	13,605,665	41,470,000	245,000	2,000,598	13,605,665	41,470,000
Approved but not contracted								
E&E expenditure	—	—	—	—	—	—	—	—

Note: The Group's commitments in E&E expenditures are related to the services of various drilling rigs and other equipment and services of its ongoing drilling programmes. At 31 December 2008, 2009 and 2010 and 30 September 2011, the Group's commitments for these services are nil, nil, C$12,983,369 and C$41,470,000, respectively. These commitment are expected to fulfil within the next twelve months.

33. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
	C$	C$	C$	C$ (unaudited)	C$
Minimum lease payments under operating leases during the Relevant Periods in respect of office premises . . .	310,448	534,038	548,995	329,530	621,489

Lease Rentals

The Group has lease arrangement commitments in its current office space for approximately C$208,000 from 30 September 2011, to the end of 2011. The Group has also signed a new lease for office space. The new lease term is from 1 October 2011, to 30 March 2019, with a total commitment of approximately C$12,794,000.

The Group and the Company have an annual obligation of approximately C$1,615,000 for oilsands mineral lease rentals and approximately $10,752 for petroleum and natural gas lease rentals. Each oilsands mineral lease has an initial fifteen year term from the date of acquisition. Each petroleum and natural gas lease has an initial four year term from the date of acquisition.

At the end of each reporting period, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of equipment, office and oilsand mineral lease which fall due as follows:

	THE GROUP				THE COMPANY			
	At 31 December			At 30 September	At 31 December			At 30 September
	2008	2009	2010	2011	2008	2009	2010	2011
	C$	C$	C$	C$	C$	C$	C$	C$
Within one year . .	1,923,620	1,896,362	1,951,006	3,304,232	1,923,620	1,896,362	1,951,006	3,304,232
In the second to fifth year inclusive	6,402,308	5,933,848	6,112,984	14,372,269	6,402,308	5,933,848	6,112,984	14,372,269
Over five years . . .	12,456,962	11,056,080	10,728,898	15,919,641	12,456,962	11,056,080	10,728,898	15,919,641
	20,782,890	18,886,290	18,792,888	33,596,142	20,782,890	18,886,290	18,792,888	33,596,142

34. JOINTLY CONTROLLED ASSETS

The Group has a 50 per cent working interest covering six sections in an unincorporated joint venture with a third party corporation under a farmout agreement (see note 16). The Group is entitled to a 50% share of all assets, liabilities, income and expenses arising from the operation of this venture. There has been no activity on this joint controlled asset since inception and no activity is expected in the near term. There has been no change in the Company's ownership or voting interest in this jointly controlled asset since inception in 2008.

Other than the part of the exploration and evaluation asset, the Group did not have any liabilities, income and expense in relation to the jointly controlled asset.

35. RETIREMENT BENEFIT PLANS

Defined contribution plans

The employees of the Group in Canada are members of the Canada Pension Plan operated by the Canadian government. The Group is required to contribute 4.95% of payroll costs to retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

For the years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2010 and 2011, the total cost charged to income of C$27,284, C$43,613, C$81,613, C$74,510 (unaudited) and C$154,076 respectively represents contributions payable to the Canada Pension Plan by the Group. As at 31 December 2008, 2009 and 2010 and 30 September 2010 and 2011, there was no unpaid contributions due in respect of the reporting period over to the plan.

36. CONTINGENT LIABILITIES

There were no contingent liabilities for the years ended 31 December 2008, 2009 and 2010 and 30 September 2011.

B. DIRECTORS' REMUNERATION

Save as disclosed in the Section A note 11 above, no other remuneration has been paid or payable by the Group to the directors for the Relevant Periods. Under the arrangement presently in force, the aggregate amount of the directors' fees and other emoluments excluding bonus payable, if any, for the year ended 31 December 2011 is estimated to be approximately C$6.7 million.

C. EVENTS AFTER THE REPORTING PERIOD

(a) Credit facility between the Company and Orient International Resources Group Limited

On 18 October 2011, the Company entered into a two-year credit facility commencing on the date of the first drawdown with Orient International Resources Group Limited, a shareholder with 14.01% interest in the Company, in the principal amount of C$100 million, for general corporate purposes. The facility is unsecured and may be subordinated if another lender requires the facility to be subordinated, with no penalty chargeable upon early repayment or cancellation of the facility. The facility is interest-free until 31 May 2012, and commencing on 1 June 2012 an annual interest rate charged at 5% per annum on the outstanding principal will be payable on a semi-annual basis to Orient International Resources Group Limited. The Company had drawn down C$30 million of the facility subsequent to 30 September 2011.

(b) Repurchase and simultaneous cancellation of Warrants

In October 2011, the Group reached agreement with all warrant holders to terminate all outstanding Purchase Warrants and Fee Warrants by repurchasing and cancelling them. The aggregate consideration to repurchase and cancel the warrants is approximately C$68.9 million.

On 4 January 2012, the Company paid C$68.9 million in full to the warrant holders in cash, upon which the Warrants were cancelled and extinguished in full. Subsequent to 30 September 2011, upon the repurchase and cancellation of the warrants, a fair value gain of approximately C$11.1 million is recognised in profit or loss.

(c) Share split

On 26 January 2012, the Company passed a shareholder resolution to effect a split of the issued and outstanding shares of the Company (in all classes) whereby twenty shares would be issued in exchange for every one share, at the Company's Board of Directors (the "Board") discretion. The share split was implemented on 10 February 2012 pursuant to a resolution of the Board dated 9 February 2012.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of the companies of the Group subsequent to 30 September 2011.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 February 2012