

ANTLER CREEK ENERGY CORP.
(Formerly Testudo Oil and Gas Exploration Ltd.)
Financial Statements
Years Ended July 31, 2009 and 2008

ANTLER CREEK ENERGY CORP.
(Formerly Testudo Oil and Gas Exploration Ltd.)

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Years Ended July 31, 2009 and 2008

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Management Report

MANAGEMENT'S RESPONSIBILITY

To the Shareholders of
Antler Creek Energy Corp.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Corporation's external auditors.

Buchanan Barry LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and may meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

November 28, 2009

(Signed) "Gus. B Cooledge"
Gus B. Cooledge, Director

(Signed) "Gregory J. Leia"
Gregory J. Leia, Director



BUCHANAN BARRY LLP
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of Antler Creek Energy Corp. (Formerly Testudo Oil and Gas Exploration Ltd.)

We have audited the balance sheets of Antler Creek Energy Corp., formerly Testudo Oil and Gas Exploration Ltd., as at July 31, 2009 and 2008 and the statements of comprehensive loss and deficit and cash flows for each of the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at July 31, 2009 and 2008 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
November 27, 2009

CHARTERED ACCOUNTANTS

ANTLER CREEK ENERGY CORP.
(Formerly Testudo Oil and Gas Exploration Ltd.)

Balance Sheets

July 31, 2009 and 2008

	2009	2008
ASSETS		
CURRENT		
Cash	\$ 436,839	\$ 582,576
Accounts receivable	204,254	-
Goods and services tax recoverable	35,012	14,453
	676,105	597,029
PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT <i>(Note 7)</i>	2,515,445	-
	\$ 3,191,550	\$ 597,029
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 142,221	\$ 50,500
Income taxes payable	226,684	-
Current portion due to related party <i>(Note 6)</i>	347,951	-
	716,856	50,500
DUE TO RELATED PARTY <i>(Note 6)</i>	650,148	-
FUTURE INCOME TAXES <i>(Note 8)</i>	296,018	-
ASSET RETIREMENT OBLIGATIONS <i>(Note 9)</i>	66,549	-
	1,729,571	50,500
SHAREHOLDERS' EQUITY		
SHARE CAPITAL <i>(Note 10)</i>	1,718,132	733,844
WARRANTS <i>(Note 11)</i>	53,883	-
CONTRIBUTED SURPLUS <i>(Note 12)</i>	71,928	20,600
DEFICIT	(381,964)	(207,915)
	1,461,979	546,529
	\$ 3,191,550	\$ 597,029
CONTINGENT LIABILITY <i>(Note 14)</i>		
COMMITMENTS <i>(Notes 10, 15)</i>		

APPROVED ON BEHALF OF THE BOARD

(Signed) "Gus B. Cooledge" Director

(Signed) "Gregory J. Leja" Director

ANTLER CREEK ENERGY CORP.
(Formerly Testudo Oil and Gas Exploration Ltd.)

Statements of Comprehensive Loss and Deficit

Years Ended July 31, 2009 and 2008

	2009	2008
REVENUE		
Petroleum and natural gas sales	\$ 178,855	\$ -
Royalties	(22,891)	-
Interest income	4,900	20,852
	<u>160,864</u>	<u>20,852</u>
EXPENSES		
Accretion (Note 9)	581	-
Depletion and depreciation	123,050	-
General and administrative (Schedule 1)	357,100	145,281
Interest on related party debt (Note 6)	20,911	-
Oil and gas production costs	34,286	-
	<u>535,928</u>	<u>145,281</u>
LOSS AND COMPREHENSIVE LOSS BEFORE INCOME TAXES	(375,064)	(124,429)
FUTURE INCOME TAXES (REDUCTION) (Note 8)	(201,015)	-
NET LOSS AND COMPREHENSIVE LOSS	(174,049)	(124,429)
DEFICIT - Beginning of year	(207,915)	(83,486)
DEFICIT - End of year	\$ (381,964)	\$ (207,915)
LOSS PER SHARE - BASIC AND DILUTED	\$ (0.08)	\$ (0.08)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (Note 13)	2,090,849	1,648,000

ANTLER CREEK ENERGY CORP.
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Statements of Cash Flows

Years Ended July 31, 2009 and 2008

	2009	2008
OPERATING ACTIVITIES		
Net loss and comprehensive loss	\$ (174,049)	\$ (124,429)
Items not affecting cash:		
Accretion	581	-
Depletion and depreciation	123,050	-
Future income taxes	(201,015)	-
Stock-based compensation	51,328	-
	<u>(200,105)</u>	<u>(124,429)</u>
Changes in non-cash working capital:		
Accounts receivable	28,850	-
Goods and services tax receivable	(15,949)	(7,908)
Accounts payable and accrued liabilities	(19,078)	36,901
Income taxes payable	3,561	-
	<u>(2,616)</u>	<u>28,993</u>
	<u>(202,721)</u>	<u>(95,436)</u>
INVESTING ACTIVITIES		
Purchase of petroleum and natural gas properties and equipment	(17,796)	-
Cash paid on business combination	(550,000)	-
Cash acquired on business combination	111,104	-
	<u>(456,692)</u>	<u>-</u>
FINANCING ACTIVITIES		
Advances to related parties	(45,764)	-
Proceeds from issuance of share capital and warrants	608,400	-
Share issue costs	(48,960)	-
	<u>513,676</u>	<u>-</u>
DECREASE IN CASH	(145,737)	(95,436)
CASH - Beginning of year	582,576	678,012
CASH - End of year	\$ 436,839	\$ 582,576
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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Notes to Financial Statements

Years Ended July 31, 2009 and 2008

1. DESCRIPTION OF BUSINESS

Antler Creek Energy Corp., formerly Testudo Oil & Gas Exploration Ltd., (the "Corporation" or "ACEC") was incorporated under the Business Corporations Act (Alberta) on March 24, 2006 as a capital pool corporation. On May 25, 2009, the Corporation completed its qualifying transaction by acquiring all of the issued and outstanding common shares of Batoche Energy Corp. ("BEC"), including its two wholly owned subsidiaries Batoche Energy (Griffen) Corp., ("BEC-Griffen") and Batoche Energy (Heward) Corp. ("BEC-Heward").

BEC was a private petroleum and natural gas exploration company incorporated October 18, 2006 pursuant to the provisions of the Alberta Business Corporations Act and registered under the Saskatchewan Business Corporations Act on August 27, 2007. BEC-Griffen and BEC-Heward were incorporated pursuant to the provisions of the Alberta Business Corporations Act on December 19, 2007 and January 24, 2008, respectively, and registered under the Saskatchewan Business Corporations Act.

On May 31, 2009, ACEC amalgamated with BEC and subsequently the two subsidiaries were wound up on June 1, 2009. These financial statements reflect the financial results from ACEC prior to the business combination on May 25, 2009, the consolidated results of ACEC, BEC, BEC-Griffen and BEC-Heward for the period May 25-31, 2009 and that of the amalgamated Corporation from June 1 - July 31, 2009.

2. BUSINESS COMBINATION

The balance sheet reflects the business combination with BEC, a private company, whereby all of the issued and outstanding shares of BEC were acquired by the Corporation with an effective date of May 25, 2009, which is when the Corporation obtained control of the assets of BEC. The acquisition was a related party transaction as BEC was controlled by a director and officer of the Corporation. The transaction was measured at the exchange amount and has been accounted for using the purchase method with the purchase price being allocated using the fair value of the assets and liabilities acquired with the allocation as follows:

Net assets acquired:	
Cash	\$ 111,104
Petroleum and natural gas properties and equipment ("PNG")	2,620,699
Future income tax liability on PNG assets	(525,764)
Net working capital	(40,071)
Asset retirement obligations	<u>(65,968)</u>
	\$ 2,100,000
Consideration given:	
Cash	\$ 550,000
Issuance of 1,000,000 common shares	450,000
Debt (Note 6)	<u>1,100,000</u>
	\$ 2,100,000

All transaction costs related to this business combination have been expensed.

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3. GOING CONCERN

These financial statements have been prepared on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business. As at the date of these financial statements, the Corporation is in a deficit position. The deficit does not reflect the profitability of BEC prior to acquisition. The deficit reflects the transactional costs of going public and completing the qualifying transaction. The Corporation does not have sufficient cash to meet certain commitments and may not generate sufficient operating cash flows to meet these commitments in the near future, which places doubt on the ability of the Corporation to continue as a going concern. The Corporation's continued existence as a going concern is dependent upon its ability to obtain adequate financing arrangements to continue with exploration, complete development and/or achieve profitable oil and gas operations. There is no certainty that these matters will be achieved. These financial statements do not reflect the adjustments that would be necessary if the Corporation does not continue and such adjustments may be significant.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Cash and cash equivalents

Cash consists of cash on hand and bank deposits. Highly liquid investments with maturities of three months or less at date of purchase are considered to be cash equivalents.

Petroleum and natural gas properties and equipment

The Corporation uses the successful efforts method of accounting for petroleum and natural gas activities. Costs to acquire mineral interests in petroleum and natural gas properties, to drill and equip exploratory wells that find proved reserves and to drill and equip development wells are capitalized. Costs to drill exploratory wells that do not find proved reserves are expensed at the time that the exploratory drilling proves to be unsuccessful. Geological and geophysical costs and costs of carrying and retaining unproved properties are expensed as they are incurred.

Unproved oil and gas properties are periodically assessed for impairment after considering the remaining term of the lease, drilling results, and the evaluation of geological data and other information. A loss is recognized at the time of impairment by providing an impairment allowance.

Capitalized costs of producing petroleum and natural gas properties, after considering estimated salvage values, are depleted over their estimated useful life on a declining balance basis of 30%. Capitalized costs of producing petroleum and natural gas equipment, after considering estimated salvage values, are depreciated over their estimated useful life on a declining balance basis of 25%.

Some portion of the exploration, development and production activities of the Corporation are conducted jointly with others and, accordingly, the financial statements reflect only the Corporation's proportionate interest in such activities.

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ANTLER CREEK ENERGY CORP.
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Notes to Financial Statements

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Asset retirement obligations

The Corporation calculates and records the estimated fair value of each asset retirement obligation in the period a well or related asset is drilled, constructed or acquired. Fair value is determined using the present value of the estimated future cash outflows to abandon the asset and restore the site discounted at the Corporation's credit adjusted risk-free interest rate. The obligation is reviewed regularly by the Corporation's management based on the current regulations, costs, technologies and industry standards. The discounted obligation is initially capitalized as part of the carrying amount of the related petroleum and natural gas properties and a corresponding liability is recognized. The increase in petroleum and natural gas properties is depleted on the same basis as the remainder of the petroleum and natural gas properties. The liability is accreted against income until it is settled or the property is sold. Actual restoration expenditures are charged as reductions to the accumulated obligation when incurred.

Income taxes

The Corporation follows the liability method of income tax allocation. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Revenue recognition

Revenue associated with the sale of petroleum and natural gas are recorded when title passes to the customer. Revenue from petroleum and natural gas production from properties in which the Corporation has an interest with other producers is recognized on the basis of the Corporation's net working interest.

Interest income is recognized as it is earned on a time proportion basis.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Stock-based compensation

The Corporation has established a stock option plan for officers, employees, directors and service providers (*Note 12*). In order to calculate the compensation expense, the fair value of the stock options is estimated using the Black-Scholes option-pricing model that takes into account, as of the grant date: exercise price, expected life, current price, expected volatility, expected dividends and risk-free interest rates.

Consideration paid to the Corporation upon the exercise of the stock options is recorded as an increase to share capital, and an adjustment is made to transfer to share capital the compensation expense previously recognized in contributed surplus for the specific stock options exercised.

The Corporation does not incorporate an estimated forfeiture rate for stock options in determining the stock option fair value in order to calculate its compensation expense, as the Corporation has assumed that all stock options granted will vest. Accordingly, forfeitures are accounted for as they occur and are treated as a change in estimate. The cumulative effect of the change on current and prior periods is recognized in the period of the change in estimate. In the event that vested options expire without being exercised, previously recognized compensation costs associated with such stock options are not reversed.

Per share calculations

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. The Corporation applies the treasury stock method for the calculation of diluted net loss per share whereby the effect of in-the-money instruments such as stock options and warrants affect the calculation. The treasury stock method assumes that the proceeds from the exercise of in-the-money stock options and warrants plus the unamortized portion of stock-based compensation are used to purchase common shares of the Corporation at the weighted average market price during the period.

Flow-through shares

The Corporation, from time to time, finances a portion of its exploration activities through the issuance of flow-through shares. The related resource expenditure deductions normally available for income tax purposes are renounced to investors in accordance with income tax legislation. Share capital is reduced and the future income tax liability is recorded for the estimated tax benefits transferred to investors when the resource expenditure deductions are renounced and the tax filings are prepared and filed.

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Notes to Financial Statements

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

The Corporation has designated its financial instruments as follows:

(a) Cash and cash equivalents are classified as "Held for Trading" and are measured at fair value, with fair value of cash equivalents being determined by the market value plus accrued interest. Transaction costs are expensed.

(b) Accounts receivable are classified as "Loans and Receivables". These financial assets are recorded at values that approximate their amortized cost using the effective interest method. Transaction costs are expensed.

(c) Accounts payable and accrued liabilities and due to related party are classified as "Other Financial Liabilities". These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method. Transaction costs are expensed.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Estimates and assumptions include the estimated outcome of contingent liabilities, the estimated useful life of petroleum and natural gas properties and equipment for depletion and depreciation purposes, the timing and cost of future well abandonments used to calculate the asset retirement obligation, the future cash flow models developed in applying asset impairment tests, the fair value of stock options and warrants, the estimated current portion of related party debt, the net recoverable amount of accounts receivable and petroleum and natural gas properties and equipment, and the tax rates at which temporary differences between the tax bases and accounting bases of assets and liabilities are expected to reverse. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates in future periods could be significant.

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5. CHANGES IN ACCOUNTING POLICIES

(i) General Standards of Financial Statement Presentation

Effective August 1, 2008 the Corporation adopted the recommendations pertaining to Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1400, General Standards of Financial Statement Presentation. Adoption of this revised standard has resulted in additional disclosure under "Going Concern" (*Note 3*).

(ii) Capital Disclosures

Effective August 1, 2008 the Corporation adopted Section 1535, Capital Disclosures, requiring publicly accountable enterprises to disclose additional information in the notes to the financial statements about the Corporation's capital and the manner in which it is managed. This additional disclosure includes qualitative and quantitative information regarding an the Corporation's objectives, policies and processes for managing capital. Adoption of this standard has resulted in additional disclosure under "Capital Disclosures" (*Note 16*).

(iii) Financial Instruments

Effective August 1, 2008 the Corporation adopted Section 3862, Financial Instruments – Disclosures; and Section 3863, Financial Instruments – Presentation. These standards prescribe the criteria for disclosures that enable users to evaluate the significance of financial instruments for the entity's financial position and performance; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. These standards also establish the criteria for presentation of financial instruments and non-financial derivatives and provide guidance on the the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. Adoption of these standards has resulted in additional disclosure under "Financial Instruments" (*Note 17*).

(iv) Business Combinations

CICA Handbook Section 1582, Business Combinations is required to be applied to fiscal years beginning on or after January 1, 2011 and harmonizes current GAAP with International Financial Reporting Standards. Effective August 1, 2008 the Corporation early adopted this section on a prospective basis. As a result of adoption, the business combination described in Note 2 has been accounted for in accordance with this section.

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Notes to Financial Statements

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6. RELATED PARTY BALANCES AND TRANSACTIONS

As part of the consideration paid to acquire BEC, on May 22, 2009 the Corporation entered into a loan agreement for \$1,100,000 with a related party, who is a shareholder, director and officer of the Corporation. The debt will bear interest at 4% per annum and is due within 48 months of the closing of the transaction, or by May 25, 2013. The loan shall be repaid from cash flow from all operations at the rate of 75% of gross monthly cash flow. If cash flow is withheld by operators to pay capital or operational authorization for expenditures ("AFE"), then the non-payment of the loan shall not be considered as an event of default. Commencing January 1, 2010, there shall be a minimum monthly blended payment of \$20,000 per month. The debt is secured by a general security agreement, being a first charge on all assets of the Corporation. Any new advances to the related party will bear interest at 7% per annum. Included in interest on related party debt is \$20,911 (2008 - \$Nil) of interest payable during the year on this loan.

Related party loan balance:

Balance at July 31, 2009	\$ 998,099
Amount payable within one year	<u>(347,951)</u>
Long term portion	<u>\$ 650,148</u>

Principal repayment terms are approximately:

2010	\$ 347,951
2011	217,962
2012	226,842
2013	205,344
Total	<u>\$ 998,099</u>

Included in general and administrative expenses are legal expenses of \$207,660 (2008 - \$95,700) and rent expenses of \$5,859 (2008 - \$Nil) paid to Gregory J. Leia Professional Corp., a company related by virtue of a common shareholder. Included in accounts payable and accrued liabilities is \$7,850 (2008 - \$36,930) related to these transactions. These transactions were conducted in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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7. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

	Cost	Accumulated depletion and depreciation	2009 Net book value	2008 Net book value
Petroleum and natural gas properties	\$ 2,500,685	\$ 117,308	\$ 2,383,377	\$ -
Petroleum and natural gas equipment	137,810	5,742	132,068	-
	\$ 2,638,495	\$ 123,050	\$ 2,515,445	\$ -

At January 31, 2009, petroleum and natural gas properties and equipment included \$154,589 (2008 - \$Nil) relating to unproved properties which have been excluded from the depletion and depreciation calculation. In management's opinion, these properties have potential to develop future reserves and therefore retain their value at year-end.

The Corporation performed an impairment test on its capitalized petroleum and natural gas properties and equipment subject to depletion and depreciation to ensure the carrying values are not in excess of fair value. Fair value is calculated using undiscounted cash flows from proved reserves. No impairment loss was recorded as a result of the impairment test.

The prices used in the impairment test evaluating the Corporation's oil and gas reserves were:

	2010	2011	2012	2013	2014	2015	2016
Oil (\$ / barrel)	\$ 74.08	\$ 79.43	\$ 84.80	\$ 90.16	\$ 95.56	\$ 97.45	\$ 99.30
Gas (\$ / Mcf)	\$ 6.13	\$ 6.95	\$ 7.76	\$ 8.30	\$ 8.47	\$ 8.64	\$ 8.81

The prices subsequent to 2016 have been adjusted for annual estimated inflation at an estimated annual rate of 2.0 percent.

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8. INCOME TAXES

The current and future income tax recorded differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate income tax rate of 31.00% (2008 - 29.50%) to income before income taxes. The major components of these differences are explained as follows:

	2009	2008
Loss before income taxes	<u>\$ (375,064)</u>	<u>\$ (124,429)</u>
Expected income tax provision (recovery)	\$ (116,270)	\$ (36,707)
Increase (decrease) resulting from:		
Stock based compensation	15,912	-
Effect of future rate changes and other	52,488	-
Change in valuation allowance	<u>(153,145)</u>	<u>36,707</u>
Provision for income taxes	<u>\$ (201,015)</u>	<u>\$ -</u>

The components of the future income tax assets classified by the source of temporary differences that give rise to the asset are as follows:

Future income tax assets:

Capital assets	\$ (499,599)
Non-capital losses	156,037
Asset retirement obligation	18,813
Share issue costs	28,731
	<u>\$ (296,018)</u>

The Corporation has incurred capital and non-capital losses for income tax purposes of approximately \$551,960 (2008 - \$283,161). The related benefit of these losses has been recognized in these financial statements. Unless sufficient taxable income is earned in future periods, these losses will expire as follows:

2016	\$ 20
2017	127,481
2028	155,660
2029	<u>268,799</u>
	<u>\$ 551,960</u>

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9. ASSET RETIREMENT OBLIGATIONS

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ -	\$ -
Obligations assumed on business combination (Note 2)	65,968	-
Accretion expense	581	-
Balance, end of year	<u>\$ 66,549</u>	<u>\$ -</u>

At July 31, 2009, the estimated total undiscounted amount required to settle the asset retirement obligations, adjusted for inflation, is \$118,773 (2008 - \$Nil). The asset retirement obligations have been recorded in the financial statements at estimated values discounted at 7% with a 2% inflation rate. The majority of the costs are expected to be incurred between 2013 - 2020.

ANTLER CREEK ENERGY CORP.
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10. SHARE CAPITAL

Authorized:

Unlimited Common voting shares
 Unlimited Preferred shares, issuable in series, with rights and privileges to be determined at time of issue

Issued:

	<u>Shares</u>		<u>Amount</u>
Common shares:			
July 31, 2007	5,150,000	\$	733,844
No activity during fiscal 2008	-		-
July 31, 2008	5,150,000	\$	733,844
Share consolidation (3.125:1)	(3,502,000)	\$	-
Issued in private placement	748,334		294,251
Issued in private placement on flow-through basis	603,666		271,650
Issued on business combination (Note 2)	1,000,000		450,000
Share issuance costs, cash consideration	-		(48,960)
Share issuance costs, non-cash consideration	-		(11,384)
Future tax effect on share issue costs	-		28,731
July 31, 2009	4,000,000	\$	1,718,132

On May 22, 2009, the Corporation consolidated its common shares on the basis of one new for 3.125 old common shares.

On May 25, 2009, the Corporation closed a private financing wherein PI Financial Corp ("PI Financial") acted as selling agent, on a commercially reasonable efforts basis, in connection with the sale of common shares of the Corporation. The private placement raised gross proceeds of \$608,400 ("the Offering"). The Offering was comprised of 603,666 flow-through common shares at \$0.45 per share and 748,334 Units at \$0.45 per Unit. Each Unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share of the Corporation at \$0.60 per share at any time up to two years after closing. The value of the warrants was recorded at \$42,499. In connection with the private placement, PI Financial received a cash commission of \$48,960 and was granted 108,800 warrants which entitle the holders to purchase one common share of the Corporation at a price of \$0.45 per common share for a period of 24 months from the date of closing.

In accordance with the terms of the flow-through share agreements and pursuant to certain provisions of the Income Tax Act, the Corporation will renounce to the holders of the flow-through shares in the amount of \$271,650 effective no later than December 31, 2009. The Corporation is committed to expend \$271,650 in eligible expenditures prior to December 31, 2010.

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ANTLER CREEK ENERGY CORP.
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Notes to Financial Statements

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10. SHARE CAPITAL *(continued)*

Escrowed Shares

Prior to the consolidation on May 22, 2009, 1,400,000 of the 5,150,000 issued and outstanding common shares were deposited with the Trustee under the Escrow Agreement. The common shares currently held in escrow were released from escrow at 10% on completion of the qualifying transaction, May 25, 2009, with the remainder at 15% every six months thereafter for three years.

1,000,000 of the common shares issued to the shareholders, in respect to consideration of the acquisition of BEC, were deposited with the Trustee under the Escrow Agreement. The common shares currently held in escrow were released from escrow at 25% on completion of the qualifying transaction, May 25, 2009, with the remainder at 25% every six months thereafter.

11. WARRANTS

The following table summarizes information about the Corporation's warrants:

	2009		2008	
	Number	Stated Value	Number	Stated Value
Outstanding at beginning of year	\$ -	\$ -	\$ -	\$ -
Private placement common share purchase warrants	748,334	42,499	-	-
Agent's warrants	108,800	11,384	-	-
Outstanding at end of year	\$ 857,134	\$ 53,883	\$ -	\$ -

The fair value of the private placement common share purchase warrants and agent's warrants issued during the year, of an aggregate of \$53,883, was estimated on the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected life, in months:	24 months
Risk free interest rate:	1.25%
Forecast volatility	60%
Dividend yield	0%

At July 31, 2009, 784,334 warrants are outstanding at an exercise price of \$0.60 and 108,800 warrants are outstanding at an exercise price of \$0.45.

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12. STOCK BASED COMPENSATION

Directors' and Officers' Stock Options

The Corporation has adopted an incentive stock option plan whereby options may be granted from time to time to directors, officers, employees and consultants of the Corporation with shares to be reserved for issuance as options not to exceed 10% of the issued and outstanding common shares.

A summary of the status of the Corporation's stock option plan as at July 31, 2009 and 2008 is as follows:

	Number	Weighted Average Exercise Price 2009	Number	Weighted Average Exercise Price 2008
Outstanding at beginning of year	890,000	\$ 0.20	890,000	\$ 0.20
Expired	(375,000)	0.20	-	-
Consolidation (3.125:1)	(350,200)	-	-	-
Granted	200,000	0.45	-	-
Outstanding at end of year	364,800	\$ 0.53	890,000	\$ 0.20
Exercisable at year end	364,800	\$ 0.53	890,000	\$ 0.20

The 515,000 options granted during 2006 were consolidated on May 22, 2009 on the basis of one new for 3.125 old options. The 164,800 options are exercisable at a price of \$0.625 per share and expire on October 26, 2011. The fair value of these options was estimated on the date of grant at a weighted average fair value of \$0.04 per option using the Black-Scholes option pricing model with the following assumptions:

Expected life, in months:	60 months
Risk free interest rate:	3.96%
Forecast volatility	10%
Dividend yield	0%

(continues)

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12. STOCK BASED COMPENSATION *(Continued)*

The fair value of the 200,000 options granted during 2009, expiring May 25, 2019, was estimated on the date of grant at a weighted average fair value of \$0.26 per option using the Black-Scholes option pricing model with the following assumptions:

Expected life, in months:	120 months
Risk free interest rate:	3.75%
Forecast volatility	60%
Dividend yield	0%

For the year ending July 31, 2009, \$51,328 of stock based compensation has been expensed and is included in contributed surplus. Contributed surplus at July 31, 2009 is \$71,928 (2008 - \$20,600).

Agent's Options

On October 30, 2008, the 375,000 options granted in favour of an arm's length entity to purchase 375,000 common shares of the Corporation at an exercise price of \$0.20 per common share expired.

13. PER SHARE AMOUNTS

Basic loss per share has been calculated using the weighted average number of common shares outstanding during the year. There was no change in the numerator or denominator in calculating diluted loss per share. The effect of all stock options and warrants has been excluded from the calculation as they are anti-dilutive.

The earnings per share calculation for the year ended July 31, 2008 has been recomputed using adjusted weighted average number of shares. The weighted average number of shares were adjusted to consider the retroactive application of the 3.125:1 consolidation that occurred on May 22, 2009. Weighted average number of shares prior to consolidation were 5,150,000 and 1,648,000 post consolidation.

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14. CONTINGENT LIABILITY

The Corporation is named as defendant in a lawsuit in Saskatchewan, which has been commenced by a party which had sold mineral rights to BEC-Heward and farmout mineral rights to BEC-Griffen. The action seeks a declaration confirming that a consultant of the vendor/farmor did not have a right of first refusal or any rights to the mineral interests sold or farmed out because the consulting agreement was terminated. The consultant filed a defence and counterclaim against the vendor/farmor alleging that the consultant is entitled to a 10% gross working interest (5% net) in the mineral rights sold to BEC-Heward and farmed out to BEC-Griffen. The consultant admits that the consulting agreement was terminated, but notwithstanding claims that the contractual obligation to offer the right of first refusal continued after the termination of the consulting agreement. In the alternative, the consultant claims that the vendor/farmor was in a position of trust and confidence and owed the consultant a fiduciary duty. In breach of the fiduciary duty, the party entered into specified oil and gas mineral leases.

The Corporation does not believe the lawsuit will be successful. In the event that the consultant is successful in the counterclaim, then: (a) the Corporation will likely be required to assign to the consultant an undivided 5% net working interest in the Bakken formation in the Mississippian period underlying the West 31 8-9 W2M; (b) the Corporation will be required to assign an undivided 5% net working interest in the Bakken formation in the Mississippian period underlying the South 5 9-9 W2M; and (c) the Corporation will likely have to account to the consultant for any net revenues (net of capital costs advanced) relating to the 5% net working interest. The effect on the financial statements of the Corporation as of July 31, 2009 and 2008 would be: (a) reduction in gross revenues of \$18,333 (2008 - \$Nil); (b) reduction in royalties of \$2,583 (2008 - \$Nil); and (c) reduction in operating expenses of \$4,529 (2008 - \$Nil), (d) reduction in capitalized costs of \$119,462 (2008 - \$Nil). It is likely the Corporation could recover the capital costs advanced to drill 2 wells totaling approximately \$169,000 plus some general and administrative expenses.

15. COMMITMENTS

On January 1, 2009, BEC entered into a farmout agreement with a mineral owner which owned a 75% interest in the freehold mineral rights under three quarter sections in SE Saskatchewan. BEC agreed to drill on or before July 1, 2010 and continuously drill Test Well #1 to the specifications set out in the farmout agreement and agreed to drill on or before July 1, 2010 and continuously drill Test Well #2 to the specifications set out in the farmout agreement. If the Corporation drills Test Well #1 and Test Well #2, the Corporation shall be entitled to a lease on the lands. If the Corporation fails to drill Test Well # 1 and Test Well #2 for any reason other than: (a) failure to obtain a forced pooling order; or (b) failure of the farmor to provide title; or (c) other force majeure as defined, the Corporation shall be obliged to pay the farmer the sum of \$100,000. Payment of the monies shall not constitute earnings.

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16. CAPITAL DISCLOSURES

The Corporation defines capital as its net assets. The Corporation's overall objective with its capital is to continue as a going concern and fund capital expenditures, future projects, and ongoing operations of the Corporation, so that it can continue to provide returns for its shareholders. The Corporation is subject to an externally imposed capital requirement in respect to the repayment of the related party debt (*Note 6*). By virtue of payments made after July 31, 2009, the Corporation has met its obligations to the lender as of July 31, 2009. In order to manage the obligation to the lender, the Corporation will have to raise capital by way of equity issues or debt financing in 2010 in order to meet the terms of the loan repayment schedule, or seek an indulgence from the lender.

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17. FINANCIAL INSTRUMENTS

The Corporation's financial instruments included in the balance sheets are comprised of cash, accounts receivable, accounts payable and accrued liabilities, and due to related party.

a) Fair values

The fair value of a financial instrument is the estimated amount that the Corporation would receive or pay to settle a financial asset or liability as at the reporting date. The fair values of the Corporation's financial instruments do not differ significantly from their carrying values.

b) Credit risk

The Corporation is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The maximum exposure of the Corporation to credit risk at July 31, 2009 and 2008 is limited to the cash and accounts receivable balances as reported on the balance sheets. The Corporation's accounts receivable are subject to concentration of credit risk as all of the Corporation's customers are in the oil and gas sector. Management is of the opinion that any risk of loss is reduced due to the financial strength of its operators, and therefore concentration of credit risk is mitigated by having concentrations with credit worthy operators. As at July 31, 2009, approximately 90% of the total trade accounts receivable was with one operator (2008 - Nil). The Corporation's credit risk exposure on cash is minimized substantially by ensuring that cash is held with credible financial institutions.

c) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate price risk to the extent that the related party loan is at a fixed rate of interest of 4%.

d) Currency rate risk

The Corporation is not exposed to currency rate risk, the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

e) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the Corporation not being able to liquidate assets in a timely manner at a reasonable price. The Corporation meets its liquidity requirements by anticipating operating, investing and financing activities and ensuring there are enough funds to cover these activities. Liquidity risks may necessitate the need for the Corporation to conduct equity issues or obtain debt financing.

f) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market price. The Corporation is not exposed to significant market risk.

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18. FUTURE CHANGES IN ACCOUNTING POLICIES

(i) International Financial Reporting Standards ("IFRS")

In January 2006, the Accounting Standards Board ("AcSB") announced that accounting standards in Canada are to converge with IFRS. Under IFRS, there is significantly more disclosure required, specifically for interim reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy that must be addressed.

On February 13, 2008, the AcSB confirmed that the use of IFRS will be required for public entities interim and annual financial statements on January 1, 2011 with appropriate comparative financial data for 2010. The impact of this transition on the Corporation's financial statements has not yet been determined, however, management continues to monitor these developments.

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General and Administrative Expenses

(Schedule 1)

Year Ended July 31, 2009 and 2008

	2009	2008
Bank charges and interest	\$ 4,502	\$ 434
Investor relations	24,859	21,726
Office	23,785	12,003
Professional fees	246,767	111,118
Rent	5,859	-
Stock-based compensation	51,328	-
	<u>\$ 357,100</u>	<u>\$ 145,281</u>