

ANTLER CREEK ENERGY CORP

FORM 51-102F1 MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTH PERIOD ENDED APRIL 30, 2010

The following sets out management's discussion and analysis of the financial condition and results of operations the ("MD&A") of Antler Creek Energy Corp. ("Antler Creek" or the "Corporation") and incorporates all relevant information and considerations to that date and should be read in conjunction with the audited financial statement of the Corporation and its predecessor corporations Testudo Oil & Gas Exploration Ltd. and Batoche Energy Corp together with the accompanying notes thereto. This management's discussion and analysis is dated June 28, 2010, and is in respect of the nine month period ended April 30, 2010 (the "Period Ended April 30, 2010").

Non-GAAP Financial Measurements

The Corporation has used certain measures of financial reporting that are commonly used benchmarks within the oil and gas industry in this MD&A that are considered non-GAAP measures. The measures used in this document include "funds from operations", "funds from operations per share" and "netback". The term funds from operations contained within the MD&A should not be considered as an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with GAAP. The Corporation believes that funds from operations are a useful supplementary measure as investors may use this information to analyze operating performance, leverage and liquidity. Funds from operations, if disclosed within this MD&A, represents cash flow from operating activities before changes in non-cash working capital. The Corporation believes that the term "netback" contained within the MD&A is also a useful supplementary measure as investors may use this information to analyze field level operating performance of the Corporation's oil and gas properties. Further supplemental indicators of performance common to the oil and gas industry are the measurement of costs and expenses on a per barrel of oil equivalent (boe). These non-GAAP measures may not necessarily be comparable to similarly titled measures used by other entities and readers of this MD&A are cautioned in attempting to make such comparisons.

Other Measurements

For the purposes of calculating unit costs, natural gas has been converted to a barrel of oil equivalent ("BOE" or "boe") using 6,000 cubic feet (6 Mcf) of natural gas equal to one barrel of oil (6:1), unless otherwise stated. The BOE conversion ratio of 6 Mcf to 1 barrel is based on an energy equivalency conversion method and does not represent a value equivalency. Therefore BOEs may be misleading if used in isolation. References to natural gas liquids ("NGL's") in this MD&A include condensate, propane, butane and ethane and one barrel of NGL's is considered to be equivalent to one barrel of crude oil equivalent (BOE).

Forward-looking Information and Statements

Certain information regarding Antler Creek Energy Corp. set forth in this report, including management's assessment of the Corporation's future plans, operations, properties, production and prospects contains forward looking information and statements that involve substantial known and unknown risks and uncertainties. Such forward-looking statements and information are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements and information. These factors include the inherent risks involved in the exploration and development of oil and gas properties, the uncertainties involved in interpreting drilling

results and other geological data, the possibility that royalties and other government levies or taxes could be increased, the possibility that laws relating to First Nations, environmental regulations, oil and gas conservation or production laws or protocols, other government regulations and laws could be amended or created in a manner that could adversely impact the Corporation's ability to develop any claims or mineral deposits held by the Corporation, fluctuating commodity prices, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and other factors including unforeseen delays. As a junior oil and gas exploration focused enterprise, the Corporation faces risks, including those associated with exploration, development, approvals and the ability to access sufficient capital from external sources. Anticipated exploration and development plans relating to the Corporation's properties are subject to change. Readers should be aware that historical results are not necessarily indicative of future performance. Antler Creek's actual results, performance or achievements could differ materially from those expressed in, or implied by, such forward-looking information and statements, and accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur. or if any of them do, what benefits Antler Creek can derive therefrom. In some cases, forward-looking information and statements can be identified by terminology such as "may", "will", "should", "intends", "expects", "projects", "plans", "anticipates", "targets", "believes", "strives", "estimates", "continues", "designed", "objective", "maintain", "schedule" and similar expressions or statements that certain events or conditions "may" or "will" occur. The Corporation undertakes no obligation to update such forward-looking statements or information if circumstances or management's estimates or opinions should change unless required by law.

The Corporation

The Corporation is a junior oil and gas exploration company whose focus is to explore for and develop oil and gas assets in high netback oil resource plays in the Western Canada Sedimentary Basin using horizontal wells and multistage fracturing completion techniques designed to increase the recovery volumes and rates of recovery beyond conventional recovery methods.

Recent Corporate History

The Corporation is the resulting entity formed on May 31, 2009 upon the amalgamation of Antler Creek Energy Corp. ("ACEC") (after it had changed its name from Testudo Oil & Gas Exploration Ltd. on May 22, 2009) and Batoche Energy Corp ("BEC"). On May 25, 2009, ACEC acquired all of the issued and outstanding common shares of BEC.

No Comparative Data

Because the fiscal period of the Corporation (July 31) does not match the fiscal period of BEC (January 31), and because BEC, as a private corporation, did not prepare certain statistical information, it is not possible to report comparative figures for increases of net asset value ("NAV"), reserve volumes, finding development and acquisition costs ("FD&A"), changes to future development capital ("FDC"), recycle ratios (which measures the return potential for every dollar reinvested given stable netbacks). Certain operational data will be presented for the period from February 1, 2009 to April 30, 2009. Operational data for the period from February 1, 2009 to July 31, 2009 is available in the MD&A filed by the Corporation for the period ended July 31, 2009. Operational data for the period from August 1, 2009 to January 31, 2010 is available in the MD&A filed by the Corporation for the periods ended October 31, 2009, and January 31, 2010.

Overall Performance

The unaudited financial statements of the Corporation report a loss of \$188,273 for the three month period ended April 30, 2010 and a loss of \$432,390 for the nine months ended April 30, 2010. The financial statements reflect a deficit of \$814,354. The financial statements reflect a negative working capital of \$729,287 (current assets less current liabilities).

A summary of the balance sheet information is shown below:

	July 31, 2009 (Audited)	April 30, 2010 (Unaudited)
CURRENT ASSETS	\$676,105	98,414
Petroleum and Natural Gas Properties and Equipment	2,515,445	2,884,786
TOTAL ASSETS	\$3,191,550	2,983,200
CURRENT LIABILITIES (excluding amounts due to related party)	368,905	701,849
Due to Related Party	998,099	776,000
Future Income Taxes	296,018	191,362
Asset Retirement Obligation	66,549	81,198
TOTAL LIABILITIES	\$1,729,571	1,750,409
Shareholder Capital	1,843,943	2,047,145
Deficit	(381,964)	(814,354)
TOTAL LIABILITIES AND SHARE HOLDER EQUITY	3,191,550	2,983,200

A summary of the income statement information is shown below:

	Three Months Ended April 30,2009 (Unaudited)	Three Months Ended April 30, 2010 (Unaudited)	Nine Months Ended April 30, 2009 (Audited)	Nine Months Ended April 30,2010 (Unaudited)
REVENUE				
Petroleum and Natural Gas Sales	-	\$194,464	-	\$658,312
Royalties	-	(31,072)	-	(93,101)
Other Income	-	-	-	1,430
Interest Income	\$1,768	-	\$6,173	-
	1,768	163,392	6,173	566,641
Oil and Gas Production Costs	-	54,632	-	178,744
	1,768	108,760	6,173	387,897
EXPENSES				
General and Administrative	63,030	263,736	201,005	215,008
Interest on Related Party Debt	-	3,383	-	19,274
Depletion and Depreciation	-	263,736	-	693,107
Accretion	-	1,787	-	3,352
GAIN (LOSS) BEFORE INCOME TAXES	(63,030)	(218,956)	\$(194,832)	(542,844)
Future Income Tax (Reduction)	-	30,683	-	110,454
GAIN (LOSS)	(61,262)	(188,273)	\$(194,832)	432,390
Deficit at the Beginning of Period	(341,485)	(626,081)	(207,915)	(381,964)
Deficit — End of Period	\$(402,747)	\$(814,354)	\$(402,747)	\$(814,354)
Gain (Loss) Per Share Basic and Diluted	\$(0.011)	\$(0.046)	\$(0.037)	\$(0.108)
Weighted Number of Shares Outstanding	5,150,000	4,053,587	5,150,000	4,017,470

The Corporation's properties are located near Fillmore in Southeast Saskatchewan, Canada and consist of 4,960 gross acres (4,249 leased acres) (1,800 net acres) and interests ranging from 20% to 25% in eight Bakken light oil wells.

Production

The Corporation has non-operated working interests in 8 producing Bakken wells producing from 1,280 gross acres (280 net acres). Six wells are operated by Crescent Point and two by Aldon. Production from the lands averaged 18 boe/d for the month of April 2010.

The average production for the Company for the period ending January 31, 2010 to April 30, 2010 was as follows:

	Three Months Ended April 30 2010	Nine Months Ended April 30 2010
Crude Oil (bbls/d)	31	34
Natural gas (mcf/d)	4	4
Natural gas liquids (bbls/d)	-	1
Total (boe/d) (6:1)	32	35
Crude oil (%)	97	97
Natural gas (%)	3	1
Natural gas liquids (%)	-	2
Total (%)	100	100

Average Sales Prices

The average sales price received by for the period from January 31, 2010 to April 30, 2010 was as follows:

	Three Months Ended April 30 2010	Nine Months Ended April 30 2010
Total (\$/boe)	76.85	68.72
Benchmark Prices		
Edmonton light crude (\$bbl)	79.35	74.23
AECO natural gas (average daily spot (\$/mmbtu)	4.66	4.07

Royalties

The royalties paid by the Corporation for the quarter are as follows:

(\$'s)	Three Months Ended April 30	Nine Months Ended April 30
	2010	2010
Total royalties	31,072	93,101
As a % of petroleum and natural gas revenue (before realized financial instrument gains)	16	14
\$ per boe	10.71	9.72

Operating Costs

The operating costs on a boe basis are relatively high compared to industry peer groups due to transporting and treating higher water cut production. It is anticipated the costs will decrease as more wells are tied into central operating facilities.

The following costs paid by the Corporation for the quarter are as follows:

(\$'s)	Three Months Ended April 30	Nine Months Ended April 30
	2010	2010
Operating Expenses	54,634	178,744
\$ per boe	19.00	18.66

Interest on Related Party Debt:

The interest expense is for the \$1,100,000 loan the Corporation has entered into with a related party who is a shareholder, director and officer of the Corporation. The debt bears interest at 4% annum.

During the quarter the Company incurred the following interest expense on related party debt:

(\$'s)	Three Months Ended April 30	Nine Months Ended April 30
	2010	2010
Interest on Related Party Debt	3,383	19,274
\$ per boe	1.17	2.01

General and Administrative Expenses

\$46,190 of the General and Administrative expense for the third quarter relates to payment of legal expenses for the day to day operation of the Corporation. In addition, the Corporation paid \$8,571 for rent.

The General and Administrative Expenses for the Third Quarter are:

(\$'s)	Three Months Ended April 30	Nine Months Ended April 30
	2010	2010
General and Administrative Expenses	58,808	215,008
\$ per boe	20.46	22.45

Netbacks

The operating and Corporate netbacks for the quarter are as follows:

(\$ per boe)	Three Months Ended April 30	Nine Months Ended April 30
	2010	2010
Average realized price	76.85	68.72
Royalty expenses	(10.71)	(9.72)
Operating expenses	(19.00)	(18.66)
Operating netback before realized financial instrument gains	47.14	40.34
Realized financial instrument gains	-	-
Operating netback	47.14	41.11
Other income	-	0.15
General and administrative expenses	(20.46)	(22.45)
Interest expense	(1.17)	(2.01)
Corporate netback	25.51	16.80

Drilling/Operational Results

The Corporation has non-operated working interests in 8 producing Bakken wells producing from 1,280 gross acres (280 net acres). Six wells are operated by Crescent Point and two by Aldon. Production from the lands averaged 18 boe/d for the month of April 2010.

Capital Expenditures

	February 1, 2009 to July 31, 2009	Three months ended April 30, 2010	Nine months ended April 30, 2010
Property Acquisitions	\$ -	\$ -	\$ -
Exploration	-	-	-
Development	21,871	254,904	1,034,849
Equipment	36,404	41,735	-
Dispositions	-	-	-
Total capital expenditures	\$ 58,275	\$ 296,639	\$ 1,034,849

Contractual Commitments, Contingencies and Drilling Plans

As of April 30, 2010, the only commitment of the Corporation was a \$100,000 performance penalty payable to ConocoPhillips (BRC) Partnership ("Conoco") if the Corporation failed to drill 2 Bakken wells on SE, NE and SW Section 13-9-9-W2M by the summer of 2010. The Corporation would do so by seeking to drill two 1400m Bakken wells. As operator, in order to complete the well prior to mineral lease expiry dates, the Corporation may be obligated to pay 100% of the estimated \$3,400,000 capital cost to drill, case and complete the wells.

The following table sets forth the contractual commitment of the Corporation as of April 30, 2010:

Contractual Obligations	Payments Due By Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long Term Debt ⁽¹⁾	776,000	125,852	444,804	205,344	0
Capital Lease Obligations	0	0	0	0	0
Operating Leases	0	0	0	0	0
Purchase Obligations	0	0	0	0	0
Other Obligations ⁽²⁾	100,000	100,000	0	0	0
Total Contractual Obligations	876,000	225,852	444,804	205,344	0

Notes:

- (1) Related party loan.
- (2) This is the performance penalty which would be payable to Conoco if the Corporation fails to drill 2 Bakken well on Section 13-9-9W2M before July 2010. To meet its obligation and to earn its interest, the Corporation would be required to commit to \$2 - \$4,000,000 depending on the nature and scope of the operations and who was the operator. This would increase the Year 1 commitments to between \$3 - \$5,000,000.

Liquidity

The junior oil and gas business is inherently risky and capital intensive and can require significant capital resources to grow reserves and cashflow. Given the nature of the oil and gas business and the size of the Corporation, it will need to access capital markets to raise funds to meet its commitments and expand its production and reserve base.

As at April 30, 2010, the Corporation had a working capital deficiency of \$729,287. The Corporation does not have any line of credit or any bank debt.

The Corporation expects to rely on internally generated cash flows to finance the remainder of the capital program and as such the program could be reduced if the business environment weakens further in the second half of 2010.

Capitalization Transaction

By agreement dated April 25, 2010 with 4 individuals ("II Group"), the II Group will subscribe for up to a maximum of 53.5 million common shares of the Corporation (the "Common Shares") in a private placement ("Private Placement"). The 53.5 million Common Shares will be issued as Common Shares and will also form part of a combination of up to 23,325,000 units (the "Units") and up to 13,375,000 flow-through units (the "FT Units"). Each of the Units, the FT Units and the Common Shares will be issued at a price of \$0.375 per security for gross aggregate proceeds of \$20 million. Each Unit shall be comprised of one Common Share and one Common Share purchase warrant (a "Warrant") and each FT Unit shall be comprised of one Common Share being issued on a flow-through basis pursuant to the provisions of the Income Tax Act (Canada), and one Warrant. In any combination of the Common Shares, Units and FT Units, no more than 53.5 million Common Shares and 36.7 million Warrants will be issued pursuant to the private placement.

Each Warrant will entitle the holder to purchase one Common Share at a price of \$0.50 over the next five years with 1/3 of the Warrants vesting when the 20 day weighted average share price (the "Market Price") meets or exceeds \$0.65 per Common Share, 1/3 of the Warrants vesting when Market Price equals or exceeds \$0.85 per Common Share and the final 1/3 of the Warrants vesting when the Market Price equals or exceeds \$1.00 per Common Share.

Proceeds from the private placement will initially be applied to the reduction of bank debt and other debt of the Corporation. All other monies will be used for general corporate purposes. Gross proceeds from the

sale of the flow-through shares will be used to incur expenditures that will be renounced to subscribers as Canadian development expenses.

Each director, officer or employee of the Corporation who subscribes for Units and/or FT Units will be required, at closing of the transaction, to enter into an escrow agreement which will provide that the Common Shares comprising the Units and FT Units, and any Common Shares issued upon exercise of the Warrants, shall be subject to a 24 month escrow wherein 25% of such securities shall be released on each of the 6, 12, 18 and 24 month anniversaries of closing of the private placement.

The Private Placement was completed in two separate tranches with the first one being completed on May 7, 2010 and the second one completed on May 25, 2010. Over the two tranches of the Private Placement the Corporation issued a total of 53,042,340 shares and 34,258,529 Warrants for the gross aggregate proceeds of approximately \$19.9 million.

Bought Deal Financing

On June 16, 2010 the Company announced that it has entered into an agreement with a syndicate of underwriters to issue on a bought deal basis 24,050,000 common shares ("Common Shares") at a price of \$1.04 per Common Share for aggregate gross proceeds of approximately \$25,012,000.

The Company has also granted the underwriters an option (the "Over-Allotment Option") to purchase up to an additional 3,607,500 Common Shares to cover over allotments, if any, at a price of \$1.04 per Common Share for additional gross proceeds of approximately \$3,751,800. The Over-Allotment Option is exercisable in whole or in part for a period of 30 days following the closing of the offering.

Closing is expected to occur on or about July 7, 2010 and is subject to certain conditions including, but not limited to, the receipt of all necessary approvals including the approval of the TSX Venture Exchange.

Capital Resources

The capital resources of the Corporation have been discussed above.

Off Balance Sheet Arrangements

There are no off balance sheet arrangements.

Transactions with Related Parties

As part of the consideration paid to acquire BEC, 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 bears 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 \$19,274 (Nil as at April 30, 2009) of interest payable during the year on this loan. Related party loan balance repayment terms are approximately:

2010	\$	125,852
2011		217,962
2012		226,842
2013		205,344
Total	\$	<u>776,000</u>

Included in general and administrative expenses are legal expenses of \$92,858 as of April 30, 2010 (\$53,082 as at April 30, 2009) and rent expenses of \$8,571 (Nil as at January 31, 2009) paid to Gregory J. Leia Professional Corporation, a company related by virtue of a common shareholder. Included in accounts payable and accrued liabilities is \$23,500. (\$Nil as of April 30, 2009) 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.

As part of the recapitalization of the Corporation this loan was paid off in whole on May 7, 2010.

Two directors own percentage working interests in the Fillmore Lands. Another director owns shares in Testudo Resources Ltd. which has a gross overriding royalty over parts of the Fillmore Lands. The gross overriding royalty is 2.5% with a bonus 1% if the productions from the Red River or Winnipeg zones exceed 1,000 boe/d in any 640 acre spacing unit.

Contingent Liabilities

The Corporation is named as defendant in a lawsuit in Saskatchewan, which has been commenced by a party which had sold mineral rights to the Corporation and farmout mineral rights to the Corporation. 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 the Corporation and farmed out to the Corporation. 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 believes the claim to be without merit. 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 January 31, 2010 would be: (a) reduction in gross revenues; (b) reduction in royalties; (c) reduction in operating expenses; (d) reduction in capitalized costs; (e) recovery of the capital costs advanced to drill 4 wells; and (f) recovery of some general and administrative expenses related to the 4 wells.

Third Quarter

Because the transaction with BEC concluded May 25, 2009, third quarter results cannot be compared with prior periods and all relevant information has been provided in the disclosure above.

Proposed Transactions

The Corporation intends to acquire mineral rights in Southeast Saskatchewan. Further details will be press released in accordance with timing prescribed by securities laws.

SUBSEQUENT EVENTS

Settlement of Lawsuit

On April 14, 2010, the Corporation entered into an agreement with the Coast Consultant (as defined in Note 11), wherein the Coast Consultant, agreed not to pursue any claim or any interest in the undivided 10% gross (5% net) working interest in the Bakken formation in the Mississippian period underlying the West 31-8-9 W2M; (b) the 10% gross (5% net) working interest in the Bakken formation in the Mississippian period underlying the South 5-9-9 W2M; and (c) not to claim any compensation for any net revenues (net of capital costs advanced) relating to the 10 % gross (5% net) working interest in either property. The Corporation had entered into two trust agreement with the vendor/farmor to hold the 5% working interests in trust pending settlement of that part of the lawsuit which dealt with Bakken formation in the Mississippian period under the two parcels. As a result of the settlement, the Corporation has transferred a gross 4.5% (net 2.25%) working interest in the Bakken formation in the Mississippian period underlying the West 31-8-9 W2M to the vendor/farmor. The Corporation retains a gross 5.5% (net 2.75%) working interest in the Bakken formation in the Mississippian period underlying the West 31-8-9-W2M. The Corporation retain a 10% gross (net 5%) working interest in the Bakken formation in the Mississippian period under South 5-9-9-W2M. The Corporation will no longer be a part of the lawsuit. The trust agreement in relation to the South 5-9-9-W2M will be terminated without any further accounting to the vendor/farmor. The Corporation and the vendor/farmor will have to agree on the final accounting in relation to the accounts relating to the gross 4.5% (net 2.25%)(West 31-8-9-W2M). The Corporation is of the view that no funds are owing to the vendor/farmor.

Release of Related Party of Batoche SPA Indemnity

Pursuant to a provision in the Batoche SPA, the Batoche Shareholders had warranted the title to the mineral interest subject to the lawsuit described in Note 11. The Batoche Shareholders pledged common shares of the Corporation pending resolution of the lawsuit. Upon settlement of the part of the lawsuit dealing with 10% gross (5% net) working interest in the Bakken formation in the Mississippian period, the Corporation released the Batoche Shareholder of the indemnity provisions and released the shares pledged as security for breach of the title warranty.

Capitalization Transaction

By agreement dated April 25, 2010 with 4 individuals ("II Group"), the II Group will subscribe for up to a maximum of 53.5 million common shares of the Corporation (the "Common Shares") in a private placement ("Private Placement"). The 53.5 million Common Shares will be issued as Common Shares and will also form part of a combination of up to 23,325,000 units (the "Units") and up to 13,375,000 flow-through units (the "FT Units"). Each of the Units, the FT Units and the Common Shares will be issued at a price of \$0.375 per security for gross aggregate proceeds of \$20 million. Each Unit shall be comprised of one Common Share and one Common Share purchase warrant (a "Warrant") and each FT Unit shall be comprised of one Common Share being issued on a flow-through basis pursuant to the provisions of the Income Tax Act (Canada), and one Warrant. In any combination of the Common Shares, Units and FT Units, no more than 53.5 million Common Shares and 36.7 million Warrants will be issued pursuant to the private placement.

Each Warrant will entitle the holder to purchase one Common Share at a price of \$0.50 over the next five years with 1/3 of the Warrants vesting when the 20 day weighted average share price (the "Market Price") meets or exceeds \$0.65 per Common Share, 1/3 of the Warrants vesting when Market Price equals or exceeds \$0.85 per Common Share and the final 1/3 of the Warrants vesting when the Market Price equals or exceeds \$1.00 per Common Share.

Proceeds from the private placement will initially be applied to the reduction of bank debt and other debt of the Corporation. All other monies will be used for general corporate purposes. Gross proceeds from the sale of the flow-through shares will be used to incur expenditures that will be renounced to subscribers as Canadian development expenses.

Each director, officer or employee of the Corporation who subscribes for Units and/or FT Units will be required, at closing of the transaction, to enter into an escrow agreement which will provide that the Common Shares comprising the Units and FT Units, and any Common Shares issued upon exercise of the Warrants, shall be subject to a 24 month escrow wherein 25% of such securities shall be released on each of the 6, 12, 18 and 24 month anniversaries of closing of the private placement.

The Private Placement was completed in two separate tranches with the first one being completed on May 7, 2010 and the second one completed on May 25, 2010. Over the two tranches of the Private Placement the Corporation issued a total of 53,042,340 shares and 34,258,529 Warrants for the gross aggregate proceeds of approximately \$19.9 million.

As part of the Capitalization Transaction, the entire Related Party Balance of \$776,000 was paid in full by the Corporation on May 7, 2010.

Purchase of Aldon Audit from Related Party

Pursuant to Paragraph 4 of the Batoche SPA, prior to closing BEC assigned to the Batoche Shareholders the following receivables: (a) debts owing by Aldon to BEC upon collection of any monies due by SEM Canada. The recovery was \$8,000 (4% of a gross claim of \$196,000); (b) any credits/adjustments arising in favor of BEC with respect to unauthorized/improper capital or operating charges of two operators; and (c) 50% of any credit adjustments arising in favour of BEC arising from the sale of oil in storage as of January 31, 2009 or accounting for sales of petroleum substances prior to January 31, 2009 but not reported to or accounted to BEC in reports dated prior to January 31, 2009 (collectively the "January 31, 2009 BEC Receivables"). Because the Corporation is indebted to the operators, the sums as they are being collected are being offset against the debts of the Corporation and are not being paid to the BEC Shareholders. As part of the Capitalization transaction, the Corporation agreed to purchase the January 31, 2009 BEC Receivables from the Batoche Shareholders for \$115,000.

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.

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.

Stock-based compensation

The Corporation has established a stock option plan for officers, employees, directors and service providers. 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.

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.

CHANGES IN ACCOUNTING POLICIES**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.

International Financial Reporting Standards (IFRS) Conversion

During 2008, the CICA Accounting Standards Board ("ACSB") confirmed the changeover to IFRS from Canadian GAAP will be required for publically accountable enterprises interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011. The changeover to IFRS is a significant undertaking that may materially affect the Corporations' reported financial position and operations.

To date, the CFO, the primary sponsor of the project, has prepared a summary level changeover plan for IFRS conversion that has been presented to the Audit Committee of the Board of Directors. Hallmarks of the changeover plan include initial definition of the tasks required for conversion, a timetable for completion of the tasks, an estimate of the effort and duration associated with the conversion, prioritization of the tasks and the assignment of key personnel within the organization. The conversion plan has been divided into two distinct phases. The first is the identification of the significant accounting policies that relate to each of the major conversion items within the firm. Management is at this phase. In the next phase, management of the dual reporting under Canadian GAAP and IFRS as required. This phase determines the mapping between the different accounts identified in our chart of accounts and applies the mapping to generate the IFRS reporting. Dual reporting capability will be required as of April 1, 2010, so that the Corporation can prepare comparative information for IFRS reporting which will begin in the first quarter of 2011.

Other Information

Summary of Quarterly Results

A summary of selected financial information for the eight most recently completed quarters is as follows:

	Year-End Combined Twelve Months Ended July 31, 2008 Audited	Q1 Three Months Ended Oct 31, 2008 Unaudited	Q2 Three Months Ended Jan 31, 2009 Unaudited	Q3 Three Months Ended April 30, 2009 Unaudited	Q4 Three Months Ended April 30, 2009 Unaudited	Year-End Combined Twelve Months Ended July 31, 2009 Audited	Q1 Three Months Ended Oct 31, 2009 Unaudited (as restated)	Q2 Three Months Ended Jan 31, 2010 Unaudited (as restated)	Q3 Three Months Ended April 30, 2010 Unaudited
Total Net Revenue	\$20,852	\$2,923	\$1,481	\$1,768	\$154,592	\$160,864	\$147,457	\$255,792	\$163,392
Net Loss	\$(124,428)	\$(71,138)	\$(62,432)	\$(61,262)	\$(180,232)	\$(375,064)	\$(118,459)	\$(125,658)	\$(188,273)
Net Loss Per Share	\$(0.08)	\$(0.013)	\$(0.12)	\$(0.01)	\$(0.04)	\$(0.08)	\$(0.29)	\$(0.032)	\$(0.046)
Total Assets	\$597,029	\$540,725	\$447,959	\$351,697	\$3,191,550	\$3,191,550	\$2,895,306	\$2,949,710	\$2,983,200
Long-term Liabilities	Nil	Nil	Nil	Nil	\$1,012,715	\$1,012,715	\$980,255	\$951,604	\$922,708

For the Period Ended April 30, 2010, the Corporation reported no discontinued operations and declared no cash dividends.