

**ANTLER CREEK ENERGY CORP**  
**(formerly Testudo Oil & Gas Exploration Ltd.)**  
**Interim Unaudited Financial Statements**  
**Nine Months Ended April 30, 2010**

**Antler Creek Energy Corp.  
Balance Sheet  
Nine Months Ended April 30, 2010**

	April 30, 2010 Unaudited	July 31, 2009 Audited
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 13,274	\$ 436,839
Accounts receivable	37,814	204,254
Goods and services tax recoverable	47,326	35,012
	<u>98,414</u>	<u>676,105</u>
<b>PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT (Note 3)</b>	<b>2,884,786</b>	<b>2,515,445</b>
	<u>\$ 2,983,200</u>	<u>\$ 3,191,550</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 4)	\$ 676,036	\$ 142,221
Income taxes payable	25,813	226,684
Current portion due to related party (Note 5)	125,852	347,951
	<u>827,701</u>	<u>716,856</u>
<b>DUE TO RELATED PARTY (Note 5)</b>	<b>650,148</b>	<b>650,148</b>
<b>FUTURE INCOME TAXES</b>	<b>191,362</b>	<b>296,018</b>
<b>ASSET RETIREMENT OBLIGATIONS</b>	<b>81,198</b>	<b>66,549</b>
	<u>1,750,409</u>	<u>1,729,571</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL (Note 6)</b>	<b>1,971,434</b>	<b>1,718,132</b>
<b>WARRANTS (Note 7)</b>	<b>43,375</b>	<b>53,883</b>
<b>CONTRIBUTED SURPLUS</b>	<b>32,336</b>	<b>71,928</b>
<b>DEFICIT</b>	<b>(814,354)</b>	<b>(381,964)</b>
	<u>1,232,791</u>	<u>1,461,979</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 2,983,200</b>	<b>\$ 3,191,550</b>

**CONTINGENT LIABILITY (Note 10)**

**COMMITMENTS (Notes 11)**

**APPROVED ON BEHALF OF THE BOARD**

*(Signed) "Rob Zakresky", Director*

*(Signed) "David Fitzpatrick", Director*

**Antler Creek Energy Corp.**  
**Statements of Comprehensive Loss and Deficit**  
**Nine Months Ended April 30, 2010**

	<b>Three months Ended April 30, 2010 Unaudited</b>	<b>Three months Ended April 30, 2009 Unaudited</b>	<b>Nine months Ended April 30, 2010 Unaudited</b>	<b>Nine months Ended April 30, 2009 Unaudited</b>
<b>REVENUE</b>				
Petroleum and natural gas sales	\$ 194,464	\$ -	\$ 658,312	\$ -
Royalties	(31,072)	-	(93,101)	-
Other income	-	-	1,430	-
Interest income	-	1,768	-	6,173
	<u>163,392</u>	<u>1,768</u>	<u>566,641</u>	<u>6,173</u>
<b>EXPENSES</b>				
Accretion	1,787	-	3,352	-
Depletion and depreciation	263,736	-	693,107	-
General and administrative	58,808	63,030	215,008	201,005
Interest on related party debt (Note 5)	3,383	-	19,274	-
Oil and gas production costs	54,634	-	178,744	-
	<u>382,348</u>	<u>63,030</u>	<u>1,109,485</u>	<u>201,005</u>
<b>NET INCOME (LOSS) BEFORE TAXES</b>	<b>(218,956)</b>	<b>(61,262)</b>	<b>(542,844)</b>	<b>(194,832)</b>
<b>Future Income Tax Recovery</b>	<b>30,683</b>	<b>-</b>	<b>110,454</b>	<b>-</b>
<b>NET INCOME (LOSS)</b>	<b>(188,273)</b>	<b>(61,262)</b>	<b>(432,390)</b>	<b>(194,832)</b>
<b>DEFICIT - Beginning of period</b>	<b>(626,081)</b>	<b>(341,485)</b>	<b>(381,964)</b>	<b>(207,915)</b>
<b>DEFICIT - End of period</b>	<b>\$ (814,354)</b>	<b>\$ (402,747)</b>	<b>\$ (814,354)</b>	<b>\$ (402,747)</b>
<b>NET INCOME (LOSS) PER SHARE – BASIC AND DILUTED</b>	<b>\$ (0.046)</b>	<b>\$ (0.011)</b>	<b>\$ (0.108)</b>	<b>\$ (0.037)</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (Note 9)</b>	<b>4,053,587</b>	<b>5,150,000</b>	<b>4,017,470</b>	<b>5,150,000</b>

**Antler Creek Energy Corp.**  
**Statements of Cash Flows**  
**Nine Months Ended April 30, 2010**

	Three months Ended April 30, 2010 Unaudited	Three months Ended April 30, 2009 Unaudited	Nine months Ended April 30, 2010 Unaudited	Nine months Ended April 30, 2009 Unaudited
<b>OPERATING ACTIVITIES</b>				
<b>Net income (loss)</b>	<b>\$ (188,273)</b>	<b>\$ (61,262)</b>	<b>\$ (432,390)</b>	<b>\$ (194,832)</b>
Items not affecting cash:				
Accretion	1,787	-	3,352	-
Depletion and depreciation	263,736	-	693,107	-
Future income tax	(30,683)	-	(110,454)	-
	<u>46,567</u>	(61,262)	<u>153,615</u>	(194,832)
Changes in non-cash working capital:				
Accounts receivable	(28,478)	(3,405)	166,440	(10,068)
Goods and services tax recoverable	(4,501)	(571)	(12,314)	(571)
Accounts payable and accrued liabilities	43,735	(35,000)	537,199	(50,500)
Income taxes payable	(2,076)	-	(200,871)	-
	<u>55,247</u>	(38,970)	<u>644,069</u>	(61,139)
<b>INVESTING ACTIVITIES</b>				
Petroleum and natural gas properties	(296,639)	-	(1,034,849)	-
<b>FINANCING ACTIVITIES</b>				
Advances to related parties	-	-	(241,785)	-
Issuance of Common Shares	98,000	-	98,000	-
Issuance of Warrants	111,000	-	111,000	-
	<u>209,000</u>	-	<u>(32,785)</u>	-
<b>DECREASE IN CASH</b>	<b>(32,392)</b>	<b>(100,238)</b>	<b>(423,565)</b>	<b>(255,971)</b>
<b>CASH - Beginning of period</b>	<b>45,666</b>	<b>426,843</b>	<b>436,839</b>	<b>582,576</b>
<b>CASH - End of period</b>	<b>\$ 13,274</b>	<b>\$ 326,605</b>	<b>\$ 13,274</b>	<b>\$ 326,605</b>

**ANTLER CREEK ENERGY CORP.**  
**Notes to Financial Statements**  
**Nine Months Ended April 30, 2010**

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**1. DESCRIPTION OF BUSINESS**

Antler Creek Energy Corp., formerly Testudo Oil & Gas Exploration Ltd., ("ACEC") was incorporated under the Business Corporations Act (Alberta) on March 24, 2006. On May 25, 2009, pursuant to a share purchase agreement dated April 30, 2009 ("Batoche SPA"), the Corporation acquired all of the issued and outstanding common shares of Batoche Energy Corp. ("BEC") from the shareholders of BEC ("Batoche Shareholders"). On May 31, 2009, ACEC and BEC amalgamated to form Antler Creek Energy Corp (the "Corporation").

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These interim financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles and follow the same accounting policies as the most recent annual audited financial statements for the fiscal year ended July 31, 2009. The results of operations for the interim period are not necessarily indicative of the operating results for the full year. The interim financial statements should be read in conjunction with the audited financial statements and the notes thereto in the Corporation's annual report for the year ended July 31, 2009.

**3. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT**

	<b>Cost</b>	<b>Accumulated depletion and depreciation</b>	<b>April 30, 2010</b>	<b>July 31, 2009</b>
Petroleum and natural gas properties	\$ 3,521,405	\$ 781,968	\$ 2,739,437	\$ 2,383,377
Petroleum and natural gas equipment	179,537	34,188	145,349	132,068
	<b>\$ 3,700,942</b>	<b>\$ 816,156</b>	<b>\$ 2,884,786</b>	<b>\$ 2,515,445</b>

**4. ACCOUNTS PAYABLE – OIL AND GAS PRODUCTION COSTS**

The sum of \$136,355 is owing as of April 30, 2010 (\$93,202 as of July 31, 2009) to Aldon Oils Ltd., ("Aldon") a joint venture operator. The sum does not reflect claims by the Corporation against the operator for charges not permitted under the terms of the joint operating agreement. The Corporation has commenced a joint operating audit and the Corporation has claimed sums in excess of the amounts shown as owing on the account payable.

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**Notes to Financial Statements**  
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**5. 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, 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 \$3,383 as of April 30, 2010 (\$Nil as of April 30, 2009) of interest payable during the period on this loan.

Related party loan balance:

	April 30, 2010	July 31, 2009
Balance	\$ 776,000	\$ 998,099
Amount payable within one year	(125,852)	(347,951)
Long term portion	\$ 650,148	\$ 650,148

Principal 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 – April 30, 2009) and rent expenses of \$8,571 (\$Nil – April 30, 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 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.

**ANTLER CREEK ENERGY CORP.**  
**Notes to Financial Statements**  
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**6. 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:

	<b>Shares</b>	<b>Amount</b>
Common shares:		
July 31, 2008	<b>5,150,000</b>	<b>\$ 733,844</b>
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	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	<b>4,000,000</b>	<b>\$ 1,718,132</b>
Future tax effect on share issue costs	-	(5,798)
Exercise of Stock Options	190,400	98,000
Exercise of Warrants	185,000	111,000
Transfer to common share capital on exercise of stock options	-	39,592
Transfer to common share capital on exercise of warrants	-	10,508
	<b>4,735,400</b>	<b>\$ 1,971,434</b>

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

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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**Notes to Financial Statements**  
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**Escrowed Shares**

Of the 4,375,400 issued and outstanding common shares, 180,000 common shares are deposited with the Trustee under a CPC Seed Escrow Agreement. The 180,000 common shares currently held in escrow will be released from escrow as follows: 36,000 common shares on May 25, 2010, 36,000 common shares on November 25, 2010, 36,000 common shares on May 25, 2011, 36,000 common shares on November 25, 2011 and 36,000 common shares on May 25, 2012.

Of the 4,375,400 common shares issued and outstanding, 750,000 common shares are deposited with the Trustee under the Qualifying Transaction Escrow Agreement. The common shares currently held in escrow will be released from escrow as follows: 150,000 common shares on May 25, 2010, 150,000 common shares on November 25, 2010, 150,000 common shares on May 25, 2011, 150,000 common on November 25, 2011 and 150,000 common shares on May 25, 2012.

**7. WARRANTS**

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

	April 30, 2010		July 31, 2009	
	Number	Stated Value	Number	Stated Value
Private placement common share purchase warrants	563,334	\$ 31,991	748,334	\$ 42,499
Agent's warrants	108,800	11,384	108,800	11,384
Outstanding	672,134	\$ 43,375	857,134	\$ 53,883

At April 30, 2010, 563,334 warrants (748,334 as of July 31, 2009) are outstanding at an exercise price of \$0.60 and 108,800 warrants (108,800 as of July 31, 2009) are outstanding at an exercise price of \$0.45.

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**Notes to Financial Statements**  
**Nine Months Ended April 30, 2010**

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**8. 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 April 30, 2010 and July 31, 2009 is as follows:

	April 30, 2010		July 31, 2009	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding at beginning of period	364,800	\$ 0.53	890,000	\$ 0.20
Expired	-	-	(375,000)	0.20
Consolidation (3.125:1)	-	-	(350,200)	0.20
Granted	-	-	200,000	0.45
Exercised	(190,400)	0.51	-	-
Outstanding at end of period	<b>174,400</b>	<b>\$ 0.54</b>	364,800	\$ 0.53
Exercisable at end of period	<b>174,400</b>	<b>\$ 0.54</b>	364,800	\$ 0.53

**9. PER SHARE AMOUNTS**

Basic loss per share has been calculated using the weighted average number of common shares outstanding during the nine month period ended April 30, 2010. 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 nine months ended April 30, 2010 has been recomputed using adjusted weighted average number of shares. The weighted average number of shares was 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 was 5,150,000 and 1,648,000 post consolidation.

**ANTLER CREEK ENERGY CORP.**  
**Notes to Financial Statements**  
**Nine Months Ended April 30, 2010**

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**10. 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 the Corporation and farmout mineral rights to the Corporation. The action seeks a declaration confirming that a consultant of the vendor/farmor ("Coast Consultant") did not have a right of first refusal or any rights to the mineral interests sold or farmed out because the Coast Consulting Agreement was terminated. The Coast Consultant filed a defence and counterclaim against the vendor/farmor alleging that the consultant is entitled to a 10% gross working interest in four lease contracts (5% net) in the mineral rights sold to the Corporation and farmed out to the Corporation. The Coast Consultant admitted that the Coast Consulting Agreement was terminated, but notwithstanding claims that the contractual obligation to offer the right of first refusal continued after the termination of the Coast Consulting Agreement. In the alternative, the Coast Consultant claims that the vendor/farmor was in a position of trust and confidence and owed the Coast Consultant a fiduciary duty. In breach of the fiduciary duty, the vendor/farmor entered into specified oil and gas mineral leases.

In the event that the Coast Consultant is successful in the counterclaim, then: (a) the Corporation will likely be required to assign to the Cost Consultant an undivided 10% gross (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 10% gross (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 Coast Consultant for any net revenues (net of capital costs advanced) relating to the 10% gross (5% net) working interest.

**11. COMMITMENTS**

On January 1, 2009, the Corporation 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. The Corporation 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. The farmout agreement provides for a 60 day extension if an application has been made to the Government of Saskatchewan for a pooling order. The Corporation is unable to develop the lands because a voluntary pooling arrangement has not been reached with the owner of the 25% interest and no pooling order has been granted by the Government of Saskatchewan.

**12. 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

**ANTLER CREEK ENERGY CORP.**  
**Notes to Financial Statements**  
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their financial obligations. The maximum exposure of the Corporation to credit risk at April 30, 2010 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 April 30, 2010 the sum of approximately \$34,000 of the total trade accounts receivable was with one operator which could be offset against payables.

**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.

### **13. FUTURE CHANGES IN ACCOUNTING POLICIES**

#### **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.

**ANTLER CREEK ENERGY CORP.**  
**Notes to Financial Statements**  
**Nine Months Ended April 30, 2010**

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**14. SUBSEQUENT EVENTS**

**Settlement of Lawsuit (described in Note 11)**

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; (a) the 10% gross (5% net) working interest in the Bakken formation in the Mississippian period underlying the South 5-9-9 W2M; and (b) 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

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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.

**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.

