United Hunter Oil & Gas Corp.

Consolidated Financial Statements
March 31, 2012
(expressed in US dollars)
(unaudited)

Management's Comments on Unaudited Interim Consolidated Financial Statements

These unaudited interim consolidated financial statements of United Hunter Oil & Gas Corp. (the "Company") have been prepared by management and approved by the Board of Directors of the Company.

These unaudited interim consolidated financial statements have not been reviewed by the Company's external auditors.

United Hunter Oil & Gas Corp.
Consolidated Statements of Financial Position
(expressed in US dollars)

	Note	As at March 31, 2012 $ (unaudited)	As at December 31, 2011 $ (unaudited)
Assets			
Current			
Cash and cash equivalents		228,062	413,967
Accounts receivable		139,609	118,587
Prepaid expenses		127,490	145,015
		495,161	677,569
Exploration and evaluation	5	4,737,334	4,745,297
Property, plant and equipment	6	579,344	717,879
		5,811,839	6,140,745
Liabilities			
Current			
Accounts payable and accrued liabilities		328,670	347,021
Due to joint venture partner		26,005	25,507
Consideration payable	7	800,000	800,000
		1,154,675	1,172,528
Decommissioning liabilities		53,779	52,749
		1,208,454	1,225,277
Shareholders' equity			
Share capital	8	7,519,574	7,519,574
Warrants	8	403,783	403,783
Contributed surplus		2,025,653	1,959,250
Deficit		(5,345,626)	(4,967,139)
		4,603,384	4,915,468
		5,811,839	6,140,745
Going-concern	2		

Approved by the Board:

Arthur Halleran	Daniel Bloch
Director	**Director**

See accompanying notes to consolidated financial statements

United Hunter Oil & Gas Corp.
Consolidated Statements of Loss and Comprehensive Loss
(expressed in US dollars)

	Note	3 months ended March 31, 2012 $ (unaudited)	2011 $ (unaudited)
Revenues			
Oil sales		226,927	41,692
Expenses			
Operating and transportation		88,946	38,917
Depletion	7	146,541	22,511
Impairment losses	7	10,119	-
Professional fees		18,753	25,928
Management fees		-	24,375
Salaries and wages		141,148	159,620
Consulting fees		11,988	118,815
Share-based compensation		66,403	140,995
Premises		5,236	21,882
General and administrative		7,100	13,827
Public company costs		9,673	8,876
Investor relations		11,947	71,074
Travel		17,604	15,427
Permitting		32,226	-
Loss on reduction in interest in joint venture	7	44,000	-
Loss on revaluation of warrant liablility		-	229,198
Foreign exchange loss		(5,928)	(65,237)
Interest income		(342)	(6,871)
		605,414	819,337
Loss and comprehensive loss before income taxes		(378,487)	(777,645)
Deferred income tax reduction		-	30,498
Net loss and comprehensive loss		(378,487)	(747,147)
Basic and diluted loss per share		-	(0.01)
Weighted average number of shares outstanding - basic and diluted		120,302,722	120,302,722

United Hunter Oil & Gas Corp.
Consolidated Statements of Changes in Equity

(expressed in US dollars)

	Share capital $ (unaudited)	Warrants $ (unaudited)	Contributed surplus $ (unaudited)	Deficit $ (unaudited)	Total $ (unaudited)
Balance, December 31, 2011	7,519,574	403,783	1,959,250	(4,967,139)	4,915,468
Share-based compensation	-	-	66,403	-	66,403
Loss	-	-	-	(378,487)	(378,487)
Balance, March 31, 2012	7,519,574	403,783	2,025,653	(5,345,625)	4,603,384
Balance, December 31, 2010	7,519,574	-	1,594,094	(1,671,273)	7,442,395
Share-based compensation	-	-	140,995	-	140,995
Loss	-	-	-	(747,147)	(747,147)
Balance, March 31, 2011	7,519,574	-	1,735,089	(2,418,420)	6,836,243

United Hunter Oil & Gas Corp.
Consolidated Statements of Cash Flows
(expressed in US dollars)

	3 months ended March 31, 2012	2011
	$	$
	(unaudited)	(unaudited)
Cash flow from operating activities		
Loss	(378,487)	(747,148)
Items not affecting cash		
Depletion	146,541	22,511
Share-based compensation	66,403	140,995
Loss on reduction in interest in joint venture	44,000	
Gain on revaluation of warrant liablility	-	229,198
Deferred income tax reduction	-	(30,498)
Changes in non-cash working capital	1,030	
Accounts receivable	(21,022)	(77,454)
Due to joint venture partner	498	(24,903)
Prepaid expenses	17,525	(15,465)
Accounts payable and accrued liabilities	(18,332)	(279,038)
	(141,844)	(781,802)
Cash flow from investing activities		
Exploration and evaluation expenditures	(36,037)	(441,002)
Property, plant and equipment	(8,024)	-
	(44,061)	(441,002)
Net change in cash and cash equivalents	(185,905)	(1,222,804)
Cash and cash equivalents, beginning of period	413,967	3,641,755
Cash and cash equivalents, end of period	228,062	2,418,951
Cash and cash equivalents consist of the following:		
Cash	228,062	444,889
Short-term investments	-	1,974,062
	228,062	2,418,951
Supplementary information		
Interest paid	-	-
Income taxes paid	-	-

1. Nature of operations

United Hunter Oil & Gas Corp. (the "Company") is a public company engaged in the exploration and development of oil and gas properties. The Company owns a 65% indirect joint venture interest in Excelaron, LLC ("Excelaron"), an exploration stage company based in San Luis Obispo, California; a 25% joint venture interest in Alamo Creek Oil LLC ("Alamo"), an exploration stage company based in San Luis Obispo, California; and interests in oil and gas properties in Alberta.

The Company was incorporated under the Business Corporations Act of Ontario on February 22, 2008 and its registered office is located at 181 Bay Street, Suite 1800, Toronto, ON M5J 2T9.

2. Going concern

These interim consolidated financial statements were prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has financed its operations through the issue of equity. At March 31, 2012, the Company had a working capital deficit of $659,515 (December 31, 2011 – working capital of $494,959) and for the 3 months ended March 31,2012, the Company incurred losses of $378,487 (2011 - $747,147) and negative cash flows from operations of $142,892 (2011 - $781,802). The working capital deficiency and losses limit the Company's ability to fund operations and the exploration and development of oil and gas properties. In addition, there is uncertainty whether the Company will secure conditional use permits for its planned exploration and development of the Huasna property and in the event the conditional use permits are secured, the Company is committed to make a payment of $800,000. As a result, there is significant doubt about the Company's ability to continue as a going concern.

The continuation of the Company as a going concern is dependent on completing an equity financing and securing conditional use permits for its Huasna property. The Company will work to raise the necessary financing and secure the conditional use permits, but the outcome of these efforts cannot be predicted at this time.

These interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate.

3. Basis of presentation

Statement of compliance
These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*.

Significant accounting policies
The accounting policies applied in these interim financial statements are consistent with those applied in the preparation of the Company's annual financial statements for the year ended December 31, 2011. These interim financial statements do not include all of the information and footnotes required by IFRS for annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2011. The policies applied in these interim financial statements are based on IFRS issued and current as of May •, 2012, the date the Board of Directors approved the interim financial statements.

4. Accounting estimates
The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Judgments
The key judgments made in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements include the identification of cash generating units and the fair value of warrant liability.

Estimates
The key estimates that have a significant risk of resulting in a material adjustment within the next financial year are the impairment of exploration and evaluation, estimates of oil and natural gas reserves, recoverable amounts of CGUs, decommissioning liabilities, deferred income taxes and the warrant liability and share-based compensation.

5. Exploration and evaluation

	Huasna $	Porter Ranch $	Total $
Balance, December 31, 2011	4,688,437	56,860	4,745,297
Reduction due to reduction in joint venture interest	–	(7,963)	(7,963)
Balance, March 31, 2012	4,688,437	48,897	4,737,334

Exploration and evaluation consists of the Company's exploration projects which are pending the determination of proved or probable reserves. Additions represent the Company's share of costs incurred on exploration and evaluation during the period.

Porter Ranch
Effective March 31, 2012, the Company declined to pay its share of a cash call and its joint venture interest in Alamo was reduced from 45% to 25% and the Company recorded a loss of $44,000 on the reduction of its interest in Porter Ranch.

6. Property, plant and equipment

Cost

	$
Balance, December 31, 2011	1,663,851
Additions	8,024
Balance, March 31, 2012	1,671,875

Accumulated depletion and impairment losses

	$
Balance, December 31, 2011	945,990
Depletion	146,541
Balance, March 31, 2012	1,092,531

Carrying amounts

	$
At March 31, 2012	579,344

7. Consideration payable

Pursuant to its acquisition of Excelaron, the Company is committed to pay US$800,000 when Excelaron secures its permits for its planned operations on its oil and gas properties. In the event that Excelaron does not secure such permits or the Company does not pay the US$800,000, the Company’s 65% Membership Interest in Excelaron will be reduced to a 40% Membership Interest.

8. Share capital

Authorized
An unlimited number of common shares
Unlimited number of preference shares, issuable in series.

Outstanding

	Share capital		Warrant	
	Number of shares	Amount $	liability $	Warrants $
Balance, December 31, 2011 and March 31, 2012	120,302,722	7,519,574	–	403,783

Warrants
A summary of the Company's warrants is presented below:

	Number of warrants	Weighted-average exercise price C$
Balance, December 31, 2011 and March 31, 2012	33,525,000	0.38

A summary of the Company’s outstanding warrants at March 31, 2012 is presented below:

Exercise price	Expiry date	Options outstanding
C$0.20	April 23, 2012	3,600,000
C$0.40	August 31, 2012	29,925,000
		33,525,000

In the event that the Company’s common shares trade at or above C$0.80 for more than 20 consecutive days, the 29,925,000 warrants must be exercised after written notice is provided by the Company or they will expire.

Subsequent to March 31, 2012, the 3,600,000 warrants expired. On March 23, 2012, the expiry date of the 29,925,000 warrants was extended from April 23, 2012 to August 31, 2012.

Stock options
Under its stock option plan, the Company may grant options to its employees to acquire up to 10% of the issued and outstanding common shares at the time of the grant. As at March 31, 2012, there were 12,030,272 common shares available for issuance under the stock option plan.

A summary of the Company's stock options is presented below:

	Number of options	Weighted-average exercise price C$
Balance, December 31, 2011 and March 31, 2012	10,375,000	0.15
Options exercisable	4,341,667	0.15

A summary of the Company’s outstanding stock options at March 31, 2012 is presented below:

Exercise price	Expiry date	Options outstanding	Options exercisable
C$0.15	May 12, 2015	6,350,000	2,116,667
C$0.15	July 28, 2012	1,000,000	333,333
C$0.15	July 20, 2015	1,000,000	1,000,000
C$0.15	August 31, 2015	425,000	141,667
C$0.15	January 18, 2016	650,000	433,333
C$0.15	May 5, 2016	600,000	200,000
C$0.15	September 19, 2016	350,000	116,666
		10,375,000	4,341,666

The weighted average remaining contractual life of outstanding stock options is 3.29 years.

9. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash and cash equivalents, accounts receivable, due from joint venture partner, accounts payable and accrued liabilities, due to joint venture partner and consideration payable
The fair values of cash and cash equivalents, accounts receivable, due from joint venture partner, accounts payable and accrued liabilities, due to joint venture partner and consideration payable are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At March 31, 2012, the fair value of these balances approximated their carrying value due to their short term to maturity.

Exploration and evaluation and property, plant and equipment
The Company estimated the VIU to determine the recoverable amounts of the Company's CGUs for impairment testing based on consideration of the following:

- net present value of proved plus probable reserves using a pre-tax discount rate of 10% as determined by independent qualified reserves evaluators;
- management's estimate of the fair value of undeveloped land; and
- a review of the values indicated by the metrics of recent market transactions of similar assets within the oil and gas industry.

The market value of other items of exploration and evaluation and property, plant and equipment is based on the quoted market prices for similar items.

Warrant liability and stock options
The fair value of warrant liability and employee stock options is measured using a Black-Scholes option pricing model. Measurement inputs include share price on grant date, exercise price, expected volatility (based on historical volatility of securities of comparable companies), weighted average expected life and forfeiture rate (both based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

Classification of fair value of financial instruments
The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 - quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 - inputs for the asset or liability that are not based on observable market data

The carrying value of cash and cash equivalents, due from joint venture partner, accounts payable and accrued liabilities, due to joint venture partner and consideration payable approximate fair value due to their short-term nature.

10. Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company’s cash balances and receivables. The maximum exposure to credit risk is equal to the balances of cash and cash equivalents and due from joint venture partner.

The Company’s limits its exposure to credit risk on its cash and cash equivalents by holding its cash balances in deposits with a high credit quality Canadian chartered bank.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company’s approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet is liabilities as they come due. The amounts for accounts payable and accrued liabilities, due to joint venture partner and consideration payable are due in less than one year.

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company’s income or the value of its financial instruments.

Equity price risk

Equity risk arises from the effect of changes in the market value of the Company’s common shares on the determination of fair value of the warrant liability as calculated using the Black-Scholes option pricing model.

Currency risk

Currency risk arises from the Company’s financial instruments and purchases that are denominated in a currency other than the US dollar, the Company’s functional currency. As at March 31, 2012, the Company had the following monetary assets and liabilities denominated in Canadian dollars:

	C$
Assets	
Cash and cash equivalents	203,812
Accounts receivable	138,477
	342,289
Liabilities	
Accounts payable and accrued liabilities	166,349
Due to joint venture partner	25,940
	192,289

As at March 31, 2012, a 5% change in the exchange rate between the US dollar and Canadian dollar would have resulted in an impact on operations of $7,500.

Interest rate risk

The Company’s exposure to interest rate risk is limited due to the short-term nature of its financial instruments.

Capital management
Capital of the Company consists of share capital, warrants, contributed surplus and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can acquire, explore and develop oil and gas properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's principal source of capital is from the issue of common shares. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

11. Related party transactions

	3 months ended March 31,	
	2012	**2011**
	$	**$**
Legal fees		
Payable to a firm, of which, a director is a partner	10,000	–
Rent		
Paid to a company controlled by a director for office premises	–	10,648
Paid to a company controlled by an officer for office premises	–	3,550
Office		
Paid to a person related to a director for administration services	8,991	2,535
Paid to a company controlled by an officer for office services	–	2,525

These transactions were in the normal course of business and recorded at fair value.

Compensation of key management personnel
The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	3 months ended March 31,	
	2012	**2011**
	$	**$**
Salaries	116,881	118,656
Short-term employee benefits	–	–
Share-based payments, representing amortization of share-based compensation	47,377	95,816
	164,258	214,472