United Hunter Oil & Gas Corp.

Condensed Interim Consolidated Financial Statements
June 30, 2011
(unaudited)

Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements

These unaudited condensed 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 condensed 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 June 30, 2011 $ (unaudited)	As at December 31, 2010 $ (unaudited) (note 3)
Assets			
Current			
Cash and cash equivalents		1,599,007	3,641,755
Accounts receivable		96,645	84,952
Due from joint venture partner		36,694	128,901
Prepaid expenses		194,081	68,617
		1,926,427	3,924,225
Exploration and evaluation	4	5,906,690	6,177,783
Property, plant and equipment	5	800,265	-
		8,633,383	10,102,008
Liabilities			
Current			
Accounts payable and accrued liabilities		281,959	875,656
Consideration payable	6	800,000	800,000
Warrants liability	7	341,969	453,828
		1,423,927	2,129,484
Future income tax liability		468,819	530,131
		1,892,746	2,659,615
Shareholders' equity			
Share capital	7	7,519,574	7,519,574
Contributed surplus		1,853,344	1,594,094
Deficit		(2,632,282)	(1,671,275)
		6,740,636	7,442,393
		8,633,382	10,102,008
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 June 30, 2011 $ (unaudited)	3 months ended June 30, 2010 $ (unaudited)	6 months ended June 30, 2011 $ (unaudited)	6 months ended June 30, 2010 $ (unaudited) (note 2)
Revenues					
Oil sales		68,640	-	110,332	-
Expenses					
Operating and transportation		148,513	-	187,429	-
Depletion	5	34,824	-	57,335	-
Professional fees		58,197	-	84,125	-
Management fees		24,375	40,625	48,750	40,625
Salaries and wages		126,009	2,879	285,629	2,879
Consulting fees		42,349	158,153	161,164	158,153
Stock-based compensation		118,860	43,593	259,855	43,593
Premises		10,003	8,703	31,885	8,703
General and administrative		12,251	12,380	26,078	12,380
Public company costs		8,448	10,711	17,324	10,711
Investor relations		39,286	14,147	110,360	14,147
Travel		16,587	9,121	32,014	9,121
Permitting		28,170	12,847	28,170	12,847
Transaction costs		-	1,226,384	-	1,226,384
Interest income		(5,635)	-	(12,506)	-
Gain on revaluation of warrant liablility	8	(335,676)	(1,255,817)	(106,478)	(1,255,817)
Foreign exchange gain		(13,199)	56,406	(78,436)	56,406
		313,361	340,132	1,132,699	340,132
Loss and comprehensive loss before income taxes		(244,722)	(340,132)	(1,022,367)	(340,132)
Future income tax reduction		30,815	-	61,312	-
Net loss and comprehensive loss		(213,907)	(340,132)	(961,055)	(340,132)
Deficit, beginning of period		(2,418,375)	(49,145)	(1,671,227)	(49,145)
Deficit, end of period		(2,632,282)	(389,277)	(2,632,282)	(389,277)
Basic and diluted loss per share		-	-	(0.01)	-
Weighted average number of shares outstanding - basic and diluted		120,302,722	101,524,128	120,302,722	74,399,036

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

	Share capital (unaudited)	Contributed surplus (unaudited)	Deficit (unaudited)	Total (unaudited)
Balance, December 31, 2010	7,519,574	1,593,489	(1,671,226)	7,441,836
Stock-based compensation	-	259,855	-	259,855
Loss	-	-	(961,055)	(961,055)
Balance, June 30, 2011	7,519,574	1,853,344	(2,632,281)	6,740,636
Balance, December 31, 2009	2,252	1,200,000	(49,145)	1,153,107
Acquisition of 4% membership interest in Excelaron	367,570	-	-	367,570
Corporate finance fee	937,606	-	-	937,606
Private placement of units	9,008,100	-	-	9,008,100
Fair value of warrants issued	(2,020,817)	-	-	(2,020,817)
Share issue costs	(775,137)	-	-	(775,137)
Stock-based compensation	-	43,593	-	43,593
Loss	-	-	(340,132)	(340,132)
Balance, June 30, 2010	7,519,574	1,243,593	(389,277)	8,373,890

See accompanying notes to consolidated financial statements

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

	6 months ended June 30, 2011	2010
	$	$
	(unaudited)	(unaudited) (note 2)
Cash flow from operating activities		
Loss	(961,055)	(537,142)
Items not affecting cash		
Depletion	57,335	-
Stock-based compensation	259,855	46,593
Gain on revaluation of warrant liablility	(106,478)	(1,255,817)
Transaction costs settled in common shares	-	937,606
Future income tax reduction	(61,312)	-
Changes in non-cash working capital	(638,647)	(580,631)
	(1,450,302)	(1,389,391)
Cash flow from financing activities		
Issue of common shares	-	9,008,100
Share issue costs	-	(775,137)
	-	8,232,963
Cash flow from investing activities		
Cash acquired upon amalgamation with Vesta	-	10,810
Acquistion of membership interest in Excelaron	-	(1,789,542)
Exploration and evaluation	(586,508)	(54,648)
	(586,508)	(1,833,380)
Unrealized foreign exchange gain on cash held in foreign operations	(5,938)	-
Net change in cash and cash equivalents	(2,042,747)	5,010,192
Cash and cash equivalents, beginning of period	3,641,755	2,101
Cash and cash equivalents, end of period	1,599,008	5,012,293
Supplementary information		
Interest paid	-	-
Income taxes paid	-	-

United Hunter Oil & Gas Corp.
Notes to Condensed Consolidated Financial Statements
June 30, 2011
(expressed in US dollars)
(unaudited)

1. Nature of operations

United Hunter Oil & Gas Corp. (the “Company”) is engaged in the exploration and development of oil and gas properties. The Company owns a 65% indirect Membership Interest in Excelaron, LLC (“Excelaron”), an exploration stage company based in San Luis Obispo, California. The Company also owns other interests in oil and gas properties in Alberta and California.

The Company was incorporated under the Business Corporations Act of Ontario on February 22, 2008 and its registered office is located at 47 Colborne Street, Suite 201, Toronto, Ontario, M5E 1P8.

2. Going concern

As at June 30, 2011, the Company had working capital of $502,500, cash flow used in operating activities of $1,450,302, loss of $961,055, and accumulated deficit of $2,632,282. While the Company has sufficient funds to meet its current commitments, the Company will require additional funding to fund its operations and for the exploration of its oil and gas properties. Without additional funding, there is substantial doubt as to the Company’s ability to continue as a going concern. Within the next 12 months, the Company will be seeking to raise the necessary capital to meet its funding requirements. Although the Company has been successful in raising funds to date, there can be no assurance that additional funding will be available. These funds will be required to finance capital and operating expenditures in Huasna if the permits are approved.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to 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. These 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, and these adjustments could be material.

3. Basis of presentation and adoption of International Financial Reporting Standards ("IFRS")

Statement of compliance
These interim financial statements are prepared in accordance with IAS 34, *Interim Financial Reporting*, using accounting policies consistent with IFRS.

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of August 26, 2011, the date on which the Board of Directors approved these interim financial statements. Any subsequent changes to IFRS that are reflected in the annual financial statements for the year ended December 31, 2011 could result in the restatement of these interim financial statements, including the transition adjustments recognized on the changeover to IFRS.

These interim financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2010 that were prepared in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”).

New standards and interpretations not adopted
A number of new standards, amendments to standards and interpretations are effective for periods beginning on or after January 1, 2013. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 9, Financial Instruments ("IFRS 9")
IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments - Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 10, Consolidation ("IFRS 10")
IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11, Joint Arrangements ("IFRS 11")
IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12")
IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13, Fair Value Measurement ("IFRS 13")
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement.

Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards
In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10-13.

4. Exploration and evaluation

	December 31, 2010 $	Additions $	Transfer to property, plant and equipment $	June 30, 2011 $
Huasna	5,319,341	40,312	–	5,359,653
Atlee Buffalo	476,300	329,216	(805,516)	–
Leduc Woodbend	332,142	98,034	–	430,176
Porter Ranch	50,000	66,861	–	116,861

	6,177,783	534,424	(805,516)	5,906,691

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.

On March 4, 2011, production commenced at Atlee Buffalo and the related costs were transferred to property, plant and equipment.

5. Property, plant and equipment

	December 31, 2010 $	Additions $	Depletion $	June 30, 2011 $
Atlee Buffalo	–	857,600	(57,335)	800,265

6. Consideration payable

The Company is committed to pay $800,000 at such time as Excelaron secures its conditional use 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 $800,000, the 65% Membership Interest that the Company acquired will be reduced to a 40% Membership Interest in Excelaron.

7. Share capital

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

Outstanding

	Common shares	
	Number of shares	Amount $
Balance, December 31, 2010 and June 30, 2011	120,302,722	7,519,574

Warrants

	6 months ended June 30, 2011		6 months ended June 30, 2010	
	Number of warrants	$	Number of warrants	$
Balance, beginning of period	26,100,000	453,828	–	21,439
Fair value of warrants issued	–		26,100,000	2,020,817
Change in fair value of warrants	–	229,198	–	(1,255,817)
Balance, end of period	26,100,000	683,026	26,100,000	786,439

A summary of the Company's outstanding warrants at June 30, 2011 is presented below:

Exercise price	Expiry date	Warrants outstanding	Warrants exercisable
C$0.40	April 23, 2012	22,500,000	22,500,000
C$0.20	April 23, 2012	3,600,000	3,600,000
		26,100,000	26,100,000

In the event that the Company's common shares trade at or above C$0.80 for more than 20 consecutive days, the 22,500,000 warrants must be exercised after written notice is provided by the Company or they will expire.

Under IAS 32, *Financial Instruments Presentation*, warrants having a strike price in a currency other than the functional currency of the Company, are a derivative liability, which are measured at fair value at each balance sheet date with change in fair value recognized in the statement of loss and comprehensive loss.
At June 30, 2011, the fair value of the outstanding warrants of $341,969 was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.14%
Expected volatility	100%
Expected life of warrants	0.8 years
Expected dividend yield	Nil

The decrease in fair value of the warrants of $106,478 was recognized as a gain in the statement of loss and comprehensive loss.

Stock options
Under its stock option plan, the Company may grant options to its directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares at the time of the grant. As at June 30, 2011, there were 12,030,272 common shares available for issuance under the stock option plan.

A summary of the Company's outstanding stock options at June 30, 2011 is presented below:

Exercise price	Expiry date	Options outstanding	Options exercisable
C$0.15	May 12, 2015	8,350,000	2,783,333
C$0.15	July 20, 2015	1,000,000	1,000,000
C$0.15	August 31, 2015	425,000	–
		9,775,000	3,783,333

8. Financial instruments

Currency risk
The Company's expenditures are denominated in both US and Canadian dollars. As at June 30, 2011, the Company had the following monetary assets and liabilities denominated in Canadian dollars:

	C$
Assets	
Cash and cash equivalents	1,495,474
Accounts receivable	92,456
Due from joint venture partner	36,694
	1,624,625
Liabilities	
Accounts payable and accrued liabilities	173,850
	1,450,775

As at June 30, 2011, a 5% change in the exchange rate between the US dollar and Canadian dollar would have resulted in an impact on operations of $72,539.

9. Related party transactions

	6 months ended June 30	
	2011	2010
	$	$
Rent		
Paid to a company controlled by a director for office premises	12,648	–
Paid to a company controlled by an officer for office premises	7,050	–
Office		
Paid to a person related to a director for administration services	2,535	–
Paid to a company controlled by an officer for office services	2,525	–

10. First-time adoption of IFRS

These interim financial statements are prepared in accordance with IAS 34, *Interim Financial Reporting*, using accounting policies consistent with IFRS.
An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows for the comparative 6 months ended June 30, 2010 is set out in the following tables.

Reconciliation of equity at the date of comparative financial statements – June 30, 2010

	Note	Canadian GAAP $	Effect of transition to IFRS $	IFRS $
Assets				
Current				
Cash and cash equivalents		5,012,293	–	5,012,293
Accounts receivable		47,278	–	47,278
Prepaid expenses		58,259	–	58,259
		5,117,830	–	5,117,830
Due from Excelaron LLC		187,674		187,674
Exploration and evaluation	11(a)	4,521,204	800,000	5,321,204
Capital assets		2,555	–	2,555
		9,829,263	800,000	10,629,263
Liabilities				
Current				
Accounts payable and accrued liabilities		138,802	–	138,802
Consideration payable	11(a)	–	800,000	800,000
Warrant liability	11(b)	–	786,439	786,439
		138,802	1,586,439	1,725,241
Future income tax liability		530,131	–	530,131
		668,933	1,586,439	2,255,372
Shareholders' equity				
Share capital		7,519,574	–	7,519,574
Warrants	11(b)	2,042,256	(2,042,256)	–
Contributed surplus	11(c)	1,222,778	20,815	1,243,593
Deficit	11(b), 11(c)	(1,624,278)	1,235,002	(389,276)
		9,160,329		8,373,890
		9,829,263	800,000	10,629,263

Reconciliation of comprehensive loss for the date of comparative financial statements – For the 6 months and 3 months ended June 30, 2010

	Note	Canadian GAAP $	Effect of transition to IFRS $	IFRS $
Expenses				
Management fees		40,625	–	40,625
Salaries and wages		2,879	–	2,879
Consulting fees		158,153	–	158,153
Stock-based compensation	11(c)	22,778	20,815	43,593
Premises		8,703	–	8,703
General and administrative		12,380	–	12,380
Public company costs		10,711	–	10,711
Investor relations		14,147	–	14,147
Travel		9,121	–	9,121
Permitting		12,847	–	12,847
Transaction costs		1,226,384	–	1,226,384
Gain on revaluation of warrant liability	11(b)	–	(1,255,817)	(1,255,817)
Foreign exchange gain		56,406	–	56,406
		1,575,134	1,235,002	340,132
Loss and comprehensive loss before income taxes		(1,575,134)	1,235,002	(340,132)
Basic and diluted loss per share		(0.03)		(0.01)

Reconciliation notes

a) Contingent liability

The Company is committed to pay $800,000 at such time as Excelaron secures its conditional use permits for its planned operations on its oil and gas properties.

Under IFRS, a contingent liability, a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, is recognized as of the acquisition date if it is a present obligation that arises from past events and its fair value can be measured reliably.

Under Canadian GAAP, when the outcome of a contingency cannot be determined without reasonable doubt, a contingent liability is not recognized until the contingency is resolved and the consideration is issued.

The following table summarizes the adjustments resulting from the recognition of the contingent liability:

	June 30, 2010 $
Consolidated statements of financial position	
Exploration and evaluation	800,000
Consideration payable	800,000

b) Warrants

The Company has outstanding common share purchase warrants denominated in Canadian dollars.

Under IFRS, an obligation to issue shares for a price that is not in the Company's functional currency, and that does not qualify as a rights offering to all shareholders of that class, must be classified as a derivative liability and measured at fair value at each balance sheet date with changes recognized in the statement of comprehensive income.

Under Canadian GAAP, warrants were classified as a equity and changes in fair value were not recognized.

The following table summarizes the adjustments resulting from the reclassification and revaluation the warrants:

	June 30, 2010 $
Consolidated statements of financial position	
Warrant liability	786,439
Warrants	(2,042,256)
Deficit	1,255,817

	6 months and 3 months ended June 30, 2010 $
Consolidated statements of loss and comprehensive loss	
Gain on revaluation of warrant liability	1,255,817

c) Share based payments

Under IFRS, the Company is required to recognize the expense over the individual vesting periods for the graded vesting awards and estimate a forfeiture rate.

Under Canadian GAAP, the Company recognized stock-based compensation related to issue of stock options on a straight-line basis through the date of full vesting and did not incorporate a forfeiture multiple.

The following table summarizes the adjustments resulting from the recognition of the stock-based compensation in accordance with IFRS:

	June 30, 2010 $
Consolidated statements of financial position	
Contributed surplus	20,815
Deficit	(20,815)

	6 months and 3 months ended June 30, 2010 $
Consolidated statements of loss and comprehensive loss	
Stock-based compensation	20,815