United Hunter Oil & Gas Corp.

Condensed Interim Consolidated Financial Statements
September 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 September 30, 2011 $ (unaudited)	As at December 31, 2010 $ (unaudited) (note 3)
Assets			
Current			
Cash and cash equivalents		407,994	3,641,755
Accounts receivable		150,318	84,952
Due from joint venture partner		33,764	128,901
Prepaid expenses		154,078	68,617
		746,154	3,924,225
Exploration and evaluation	4	6,648,701	6,177,783
Property, plant and equipment	5	758,224	-
		8,153,079	10,102,008
Liabilities			
Current			
Accounts payable and accrued liabilities		210,525	875,656
Consideration payable	6	800,000	800,000
Warrants liability	7	51,149	453,828
		1,061,674	2,129,484
Future income tax liability		445,007	530,131
		1,506,681	2,659,615
Shareholders' equity			
Share capital	7	7,519,574	7,519,574
Contributed surplus		1,956,266	1,594,094
Deficit		(2,829,441)	(1,671,275)
		6,646,398	7,442,393
		8,153,079	10,102,008

Going-concern 2

Approved by the Board:

Arthur Halleran
Director

Daniel Bloch
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 September 30, 2011	3 months ended September 30, 2010	9 months ended September 30, 2011	9 months ended September 30, 2010
		$	$	$	$
		(unaudited)	(unaudited)	(unaudited)	(unaudited) (note 2)
Revenues					
Oil sales		159,253	-	269,585	-
Expenses					
Operating and transportation		110,123	-	297,552	-
Depletion	5	94,183	-	151,519	-
Professional fees		11,782	-	95,907	-
Management fees		-	24,375	48,750	65,000
Salaries and wages		129,183	139,880	414,812	142,759
Consulting fees		20,430	317,387	181,594	475,540
Stock-based compensation		102,317	217,560	362,172	261,153
Premises		13,687	12,891	45,572	21,594
General and administrative		17,595	36,436	43,673	48,815
Public company costs		1,341	5,302	18,665	16,013
Investor relations		40,864	37,387	151,224	51,533
Travel		17,232	28,489	49,246	37,610
Permitting		43,227	8,043	71,397	20,890
Transaction costs		-	-	-	1,226,384
Interest income		(2,508)	-	(15,014)	-
Gain on revaluation of warrant liablility	8	(291,349)	(119,000)	(397,827)	(1,374,817)
Recovery of loan		-	(100,000)	-	(100,000)
Foreign exchange gain		72,118	(148)	(6,318)	56,258
		380,225	608,602	1,512,924	948,733
Loss and comprehensive loss before income taxes		(220,971)	(608,602)	(1,243,338)	(948,733)
Future income tax reduction		23,812	-	85,124	-
Net loss and comprehensive loss		(197,160)	(608,602)	(1,158,214)	(948,733)
Deficit, beginning of period		(2,632,282)	(389,276)	(1,671,227)	(49,145)
Deficit, end of period		(2,829,442)	(997,878)	(2,829,442)	(997,878)
Basic and diluted loss per share		-	-	(0.01)	(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	1,594,094	(1,671,226)	7,442,441
Stock-based compensation	-	362,172	-	362,172
Loss	-	-	(1,158,214)	(1,158,214)
Balance, September 30, 2011	7,519,574	1,956,266	(2,829,441)	6,646,399
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	-	261,153	-	261,153
Loss	-	-	(948,733)	(948,733)
Balance, September 30, 2010	7,519,574	1,461,153	(997,878)	7,982,849

United Hunter Oil & Gas Corp.
Consolidated Statements of Cash Flows

(expressed in US dollars)

	9 months ended September 30, 2011	2010
	$	$
	(unaudited)	(unaudited) (note 2)
Cash flow from operating activities		
Loss	(1,158,214)	(537,142)
Items not affecting cash		
Depletion	151,519	-
Stock-based compensation	362,172	46,593
Gain on revaluation of warrant liablility	(397,827)	(1,374,817)
Transaction costs settled in common shares	-	937,606
Future income tax reduction	(85,124)	-
Changes in non-cash working capital	(720,820)	(580,631)
	(1,848,295)	(1,508,391)
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	(1,380,661)	(54,648)
	(1,380,661)	(1,833,380)
Unrealized foreign exchange gain on cash held in foreign operations	(4,804)	-
Net change in cash and cash equivalents	(3,233,760)	4,891,192
Cash and cash equivalents, beginning of period	3,641,755	2,101
Cash and cash equivalents, end of period	407,995	4,893,293
Supplementary information		
Interest paid	-	-
Income taxes paid	-	-

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

The Company is in the exploration stage and has minimal revenues. As at September 30, 2011, the Company had working capital deficit of $315,520, loss of $1,158,214, accumulated deficit of $2,829,442 and cash flow used in operating activities of $1,848,296. 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 November 25, 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 ending 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 $	September 30, 2011 $
Huasna	5,319,341	40,312	–	5,359,653
Atlee Buffalo	476,300	329,216	(805,516)	–
Atlee Buffalo	–	649,141	–	649,141
Leduc Woodbend	332,142	190,904	–	523,046
Porter Ranch	50,000	66,861	–	116,861
	6,177,783	1,276,435	(805,516)	6,648,701

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 $	September 30, 2011 $
Atlee Buffalo	–	909,742	(151,519)	758,223

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 September 30, 2011	120,302,722	7,519,574

Warrants

	Number of warrants	$
Balance, December 31, 2010	26,100,000	453,828
Change in fair value of warrants	–	(397,827)
Balance, September 30, 2011	26,100,000	51,149

A summary of the Company's outstanding warrants at September 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 September 30, 2011, the fair value of the outstanding warrants of $51,149 was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.86%
Expected volatility	100%
Expected life of warrants	0.6 years
Expected dividend yield	Nil

The decrease in fair value of the warrants of $397,827 was recognized as a gain in the consolidated 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 September 30, 2011, 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, 2010	9,775,000	0.15
Granted	1,600,000	0.15
Cancelled	(1,000,000)	0.15
Balance, September 30, 2011	10,375,000	0.15
Options exercisable	3,983,332	0.15

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

Exercise price	Expiry date	Options outstanding	Options exercisable
C$0.15	May 12, 2015	7,350,000	2,450,000
C$0.15	July 20, 2015	1,000,000	1,000,000
C$0.15	August 31, 2015	425,000	141,666
C$0.15	January 18, 2016	650,000	216,666
C$0.15	May 5, 2016	600,000	200,000
C$0.15	September 19, 2016	350,000	116,666
		10,375,000	4,124,998

A summary of the stock options granted and the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model is presented below:

	January 18, 2011	May 5, 2011	September 19, 2011
Options granted	650,000	600,000	350,000
Exercise price	C$0.15	C$0.15	C$0.15
Expiry date	January 18, 2016	May 5, 2016	September 19, 2016
Fair value	$35,000	$54,000	$20,000
Risk-free interest rate	2.58%	2.50%	1.43%
Expected volatility	100%	100%	100%
Expected life of options	5 years	5 years	5 years
Expected dividend yield	Nil	Nil	Nil
Vesting	1/3 on date of grant and 1/3 each in 2 annual instalments		

8. Financial instruments

Currency risk

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

	C$
Assets	
Cash and cash equivalents	417,809
Accounts receivable	156,742
Due from joint venture partner	33,764
	608,315
Liabilities	
Accounts payable and accrued liabilities	81,630
	526,685

As at September 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 $26,334.

9. Related party transactions

	9 months ended September 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 9 months ended September 30, 2010 is set out in the following tables.

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

	Note	Canadian GAAP $	Effect of transition to IFRS $	IFRS $
Assets				
Current				
Cash and cash equivalents		4,627,127	–	4,627,127
Accounts receivable		53,340	–	53,340
Prepaid expenses		73,407	–	73,407
		4,753,874	–	4,753,874
Exploration and evaluation	11(a)	4,775,446	800,000	5,575,446
Capital assets		1,931	–	1,931
		9,531,250	800,000	10,331,250
Liabilities				
Current				
Accounts payable and accrued liabilities		350,830	–	350,830
Consideration payable	11(a)	–	800,000	800,000
Warrant liability	11(b)	–	667,439	667,439
		350,830	1,467,439	1,818,269
Future income tax liability		530,131	–	530,131
		880,961	1,467,439	2,348,400
Shareholders' equity				
Share capital		7,519,574	–	7,519,574
Warrants	11(b)	2,042,256	(2,042,256)	–
Contributed surplus	11(c)	1,294,199	166,955	1,461,154
Deficit	11(b), 11(c)	(2,205,740)	1,207,862	(997,878)
		8,650,288		7,982,849
		9,531,249	800,000	10,331,249

Reconciliation of comprehensive loss for the comparative financial statements – 9 months ended September 30, 2010

	Note	Canadian GAAP $	Effect of transition to IFRS $	IFRS $
Expenses				
Management fees		65,000	–	65,000
Salaries and wages		142,759	–	142,759
Consulting fees		475,540	–	475,540
Stock-based compensation	11(c)	94,198	166,955	261,153
Premises		21,594	–	21,594
General and administrative		48,815	–	48,815
Public company costs		16,013	–	16,013
Investor relations		51,533	–	51,533
Travel		37,610	–	37,610
Permitting		20,890	–	20,890
Transaction costs		1,226,384	–	1,226,384
Gain on revaluation of warrant liability	11(b)	–	(1,374,817)	(1,374,817)
Recovery of loan		(100,000)	–	(100,000)
Foreign exchange gain		56,258	–	56,258
		2,156,595	(1,207,862)	948,733
Loss and comprehensive loss before income taxes		(2,156,595)	1,207,862	(948,733)
Basic and diluted loss per share		(0.01)		(0.01)

Reconciliation of comprehensive loss for the comparative financial statements – 3 months ended September 30, 2010

	Note	Canadian GAAP $	Effect of transition to IFRS $	IFRS $
Expenses				
Management fees		24,375	–	24,375
Salaries and wages		139,880	–	139,880
Consulting fees		317,387	–	317,387
Stock-based compensation	11(c)	71,420	146,140	217,560
Premises		12,891	–	12,891
General and administrative		36,436	–	36,436
Public company costs		5,302	–	5,302
Investor relations		37,387	–	37,387
Travel		28,489	–	28,489
Permitting		8,043	–	8,043
Gain on revaluation of warrant liability	11(b)	–	(119,000)	(119,000)
Recovery of loan		(100,000)	–	(100,000)
Foreign exchange gain		(148)	–	(148)
		581,462	27,140	608,602
Loss and comprehensive loss before income taxes		(581,462)	(27,140)	(608,602)
Basic and diluted loss per share		–		–

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:

	September 30, 2010 $
Consolidated statement 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:

	September 30, 2010 $
Consolidated statement of financial position	
Warrant liability	667,439
Warrants	(2,042,256)
Deficit	1,374,817

	3 months ended September 30, 2010	**9 months ended September 30, 2010 $**
Consolidated statement of loss and comprehensive loss		
Gain on revaluation of warrant liability	119,000	1,374,817

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:

	September 30, 2010 $
Consolidated statement of financial position	
Contributed surplus	166,955
Deficit	(166,955)

	3 months ended September 30, 2010 $	9 months ended September 30, 2010 $
Consolidated statement of loss and comprehensive loss		
Stock-based compensation	146,140	166,955

11. Subsequent event [NTD: to discuss disclosure in light of non-disclosure covenant in settlement agreement]

On November 2, 2011, the Company sold its interest in Leduc Woodbend for cash of C$300,000 and a 12% gross overriding royalty ("GOR") on the production from the test well completed by the Company. The purchaser has agreed to tie in the test well and attempt production. To the extent that the tie in costs exceed C$200,000, the purchaser will be entitled to recover up to $150,000 of the costs as a reduction to the GOR payable to the Company.

In the event that the purchaser has not tied in the test well and attempted production within 8 months of the sale, the purchaser will pay C$150,000 to the Company as an advance royalty, which will be deducted from the GOR payable to the Company. Provided that the purchaser has tied in the test well and pursued production for 6 months after the tie-in and the test well is not capable of economic production, the purchaser's obligation to continue production will terminate.