

ALTIMA RESOURCES LTD.

Q1

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended February 28, 2011

(Unaudited – Prepared by Management)

To the Shareholders of Altima Resource Ltd.

These interim consolidated financial statements for the three months ended February 28, 2011, comprised of the balance sheets and the statements of loss and deficit as well as changes in cash flows, have been compiled by management. These financial statements, along with the accompanying notes, have been reviewed and approved by the members of the Company's audit committee. In accordance with Canadian Securities Administrators National Instrument 51-102, the Company discloses that these unaudited financial statements have not been reviewed by the Company's auditors.

Vancouver, BC
April 29, 2011

ALTIMA RESOURCES LTD.
Consolidated Balance Sheets
(Unaudited – prepared by Management)

	February 28 2011 - \$ - <i>Unaudited</i>	November 30 2010 - \$ - <i>Audited</i>
ASSETS		
Current assets		
Cash	\$ 67,090	\$ 125,915
Amounts receivable	104,372	65,732
Deposit	43,296	43,790
	214,759	235,437
Restricted cash (Note 5)	187,945	187,592
Petroleum and natural gas properties (Note 6)	21,731,355	21,591,746
	\$ 22,134,059	\$ 22,014,775
LIABILITIES		
Current liabilities		
Loans payable (Note 7)	3,367,635	3,246,779
Accounts payable and accrued liabilities	1,240,115	1,455,107
Income taxes payable	150,000	150,000
Amounts payable to related parties (Note 11)	634,883	598,220
	5,392,633	5,450,106
Asset retirement obligation (Note 8)	102,242	101,742
	5,494,875	5,551,848
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	20,117,212	18,911,981
Share subscriptions	120,000	1,008,120
Shares issuable (Note 7(a))	613,500	613,500
Contributed surplus (Note 10)	1,139,813	1,139,813
Deficit	(5,351,341)	(5,210,487)
	16,639,184	16,462,927
	\$ 22,134,059	\$ 22,014,775

Nature of operations (Note 1)

Approved on Behalf of the Board:

"Jurgen Wolf" Director

"Joe DeVries" Director

- The accompanying notes are an integral part of these financial statements -

ALTIMA RESOURCES LTD.
Consolidated Statements of Comprehensive Loss and Deficit
Three Months Ended February 28
(Unaudited – Prepared by Management)

	2011	2010
EXPENSES		
Consulting	\$ -	\$ 132,743
Investor communications	905	2,959
Interest expense	75,471	68,442
Management fees (Note 11)	45,000	44,250
Office and miscellaneous	68,920	32,158
Professional fees	12,959	12,500
Transfer agent and filing fees	8,887	8,469
Travel	6,693	15,174
Foreign exchange (gain) loss	(78,481)	2,032
Accretion	500	-
LOSS BEFORE INCOME TAXES	(140,854)	(318,727)
Future income tax recovery	-	-
NET LOSS AND COMPREHENSIVE LOSS	(140,854)	(318,727)
Deficit, beginning of period	(5,210,487)	(4,205,860)
Deficit, end of period	\$ (5,351,341)	\$ (4,524,587)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding	167,584,191	89,983,831

- The accompanying notes are an integral part of these financial statements -

ALTIMA RESOURCES LTD.
Consolidated Statements of Cash Flows
Three Months Ended February 28
(Unaudited – Prepared by Management)

	2011	2010
OPERATING ACTIVITIES		
Net loss	\$ (140,856)	\$ (318,727)
Items not affecting cash:		
Accretion	500	-
Net change in non-cash working capital accounts	(216,474)	365,420
Cash (used in) provided by operating activities	(356,830)	46,693
INVESTING ACTIVITIES		
Oil and gas properties (net)	(139,609)	(834,581)
Change in restricted cash	(353)	-
Cash acquired on acquisition, net of costs	-	(244,193)
Cash used in investing activities	(139,962)	(1,078,774)
FINANCING ACTIVITIES		
Loans payable	120,856	-
Issuance of shares, net of share issue costs	1,205,231	978,913
Share subscriptions received	(888,120)	-
Related parties advances (repayments)	-	38,346
Cash (used in) provided by financing activities	437,967	1,017,259
(Decrease) increase in cash	(58,825)	(14,822)
Cash, beginning of period	125,915	99,634
Cash, end of period	\$ 67,090	\$ 84,812
Supplemental cash flow information:		
Cash paid for:		
Interest	\$ 75,471	\$ 68,442
Income taxes	-	-

Non-cash transactions (see Note 12)

ALTIMA RESOURCES LTD.
Notes to Consolidated Financial Statements
Three Months Ended February 28, 2011
(Unaudited – Prepared by Management)

1. NATURE OF OPERATIONS

Altima Resources Ltd. (the "Company") is engaged in the exploration for and the development of petroleum and natural gas in Canada. The Company was incorporated under the laws of British Columbia on November 14, 2003. The Company commenced trading on the TSX Exchange on May 9, 2006. These consolidated statements include subsidiary companies from the Unbridled Energy Corp. ("Unbridled") acquisition in February 2010.

At February 28, 2011 the Company had a working capital deficiency of \$5,177,874 and had incurred a loss of \$140,856 for the period. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon the continued support of its shareholders, obtaining additional financing and generating revenues sufficient to cover its operating costs. Specifically, the recovery of the Company's investment in petroleum and natural gas properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop the properties and establish future profitable production from the properties, or from the proceeds of their disposition. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The Company's consolidated financial statements are presented in Canadian dollars and prepared in accordance with Canadian generally accepted accounting principles for interim financial statements applicable to a going concern. They may not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Effective, February 11, 2010, these consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Unbridled Energy Corporation, Unbridled Energy USA Inc., Unbridled Energy New York LLC, Unbridled Energy PA LLC, and Unbridled Energy Ohio LLC, collectively referred to as "Unbridled". All inter-company balances and transactions have been eliminated on consolidation. To date, the Company's activities have consisted primarily of property evaluation, acquisition and assessment, in addition to its ongoing financing activities. In addition, the Company has not generated significant revenues from its planned principal operations, being the production of petroleum and natural gas, and its properties are still in the exploration and evaluation stage.

Petroleum and natural gas properties – The Company follows CICA Accounting Guideline 16, *Oil and Gas Accounting-Full Cost* in applying full cost accounting for its petroleum and natural gas properties, whereby in the pre-production stage all costs (less revenues) associated with the acquisition of, exploration for and the development of petroleum and natural gas reserves are capitalized and accumulated into geographical cost centres. Capitalized costs include lease acquisition costs, the costs of geological and geophysical activities, the costs of drilling both productive and non-productive wells, carrying charges of non-producing properties and overhead costs directly related to exploration and development activities. Revenues are recognized from petroleum and natural gas properties based on the metered volume of gas and liquid shipped.

Costs of acquisition and evaluation of unproved properties are initially excluded from the depletion calculation. The Company periodically reviews costs associated with unproved properties to determine whether they are likely to be recovered. When such costs are not likely to be recovered, or when proved reserves are found to be attributable to the properties, the values of these properties are moved to the depletion pool.

The Company's unproved properties are evaluated, taking into account the following conditions:

- there are no future plans for further drilling for the property;
- negative results were obtained from studies;
- negative results were obtained from studies conducted on properties in the same geographical area; and
- the remaining term of the unproved property does not allow sufficient time for further studies or drilling.

ALTIMA RESOURCES LTD.
Notes to Consolidated Financial Statements
Three Months Ended February 28, 2011
(Unaudited – Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset retirement obligations – The Company's asset retirement obligations ("ARO") arise in the normal course of petroleum and natural gas exploration activities due to government controls and regulations relating to the closure and reclamation of petroleum and natural gas properties. The fair value of estimated ARO is recognized in the financial statements in the period in which they are identified and fair value is determined through a review of engineering studies, industry guidelines and management's estimate on a site-by-site basis. The liability is subsequently adjusted for the passage of time and is recognized as an accretion expense in the statements of operations. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. The ARO includes the costs of abandonment of petroleum and natural gas wells, dismantling and removing tangible equipment, and returning land to its original condition. The asset retirement cost, equal to the estimated fair value of the ARO, is capitalized as part of the cost of the petroleum and natural gas properties.

Cash and cash equivalents - The Company considers all highly liquid instruments or redeemable Guaranteed Investment Certificates that can be cashed before maturity without penalty to be cash equivalents.

Earnings per share - The Company utilizes the treasury stock method in computing earnings per share amounts. Under this method, basic loss per share is computed by dividing earnings available to common shareholders by the weighted average number of common shares outstanding during the period.

For the periods ended February 28, 2011 and 2010, the existence of warrants and options affects the calculation of loss per share on a fully diluted basis; however, as the effect of this dilution is to reduce the reported loss per share, fully diluted loss per share information has not been shown.

Use of estimates in the preparation of financial statements - The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amount of expenses for the period. Significant areas requiring the use of estimates are petroleum and natural gas properties, asset retirement obligations, and stock-based compensation. Management bases its estimates on historical experience and on other assumptions considered to be reasonable under the circumstances. However, actual results may differ from the estimates.

Income taxes - Future income taxes relate to the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future income tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates at the date of enactment or substantive enactment.

Flow-Through Shares – The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related exploration expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

The Company follows the recommendations of EIC-146 with respect to flow-through shares. The application of EIC-146 requires the recognition of the foregone tax benefit on the date the Company renounces the tax credits associated with the exploration expenditures, provided there is a reasonable assurance the expenditures will be made.

Stock-based compensation and stock option plan - The Company recognizes compensation cost for the fair value of options granted under its stock option plan and for agents' options and warrants issued in connection with financing activities. The Company uses the Black-Scholes option pricing model to estimate fair value. Any consideration received on the exercise of options and warrants is credited to share capital.

ALTIMA RESOURCES LTD.
Notes to Consolidated Financial Statements
Three Months Ended February 28, 2011
(Unaudited – Prepared by Management)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - recognition and measurement (CICA Handbook Section 3855) - In accordance with this standard the Company classifies all financial assets as either held-to-maturity, available-for-sale, held for trading or loans and receivables, and classifies all financial liabilities as held for trading or other financial liabilities. Financial assets held to maturity, loans and receivables and other financial liabilities are measured at amortized cost. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of loss and deficit.

The Company has classified its cash as held for trading, its amounts receivable as loans and receivables, and its accounts payable and loans payable as other financial liabilities. Due to the recent acquisition of certain properties, the Company has also classified specific Oil and Gas properties as available-for-sale. Transaction costs in respect of loans are immediately charged to operations.

Comprehensive income (CICA Handbook Section 1530) – Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. This standard includes guidance for reporting a statement of comprehensive loss and accumulated other comprehensive income in the shareholders' equity section of the balance sheet. The components of this category will include unrealized gains and losses on financial assets classified as available-for-sale, foreign exchange gains and losses on self-sustaining foreign operations and the effective portion of cash flow hedges, if any.

The Company's accumulated comprehensive income balance at February 28, 2011 is \$Nil (November 30, 2010 - \$Nil) and for the periods ended February 28, 2011 and February 29, 2010, the Company's comprehensive loss is equal to its net loss.

Hedges (CICA Handbook Section 3865) – The standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. The Company has not yet designated any hedging relationships.

Recent Accounting Pronouncements

In January 2009, the Accounting Standards Board ("AcSB") issued CICA Handbook Section 1582, *Business Combinations*, which replaces Section 1581, *Business Combinations*. The AcSB also issued Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*, which replace Section 1600, *Consolidated Financial Statements*. These new sections are based on the International Accounting Standards Board's ("IASB") International Financial Reporting Standard 3, *Business Combinations*. These new standards replace the existing guidance on business combinations and consolidated financial statements. These new standards require that most assets acquired and liabilities assumed, including contingent liabilities, to be measured at fair value and all acquisition costs to be expensed. These new standards also require non-controlling interests to be recognized as a separate component of equity and net earnings to be calculated without a deduction for non-controlling interests. The objective of these new standards is to harmonize Canadian accounting for business combinations with the international and U.S. accounting standards. The new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards will not be adjusted upon application of these new standards.

The *Non-Controlling Interests* standard should be applied retrospectively except for certain items. The Company does not expect that the adoption of these standards will have a material impact on its financial statements.

In February 2008, the CICA Accounting Standards Board confirmed that public companies will be required to prepare interim and annual financial statements under International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Management is currently assessing the impact of adopting IFRS and it has not yet determined its affect on the Company's financial statements.

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Notes to Consolidated Financial Statements
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(Unaudited – Prepared by Management)

3. ACQUISITION OF UNBRIDLED ENERGY CORP.

On February 11, 2010, the Company acquired 100% of Unbridled Energy Corp.'s ("Unbridled") issued and outstanding shares in exchange for 69,933,618 common shares of the Company. Unbridled is a British Columbia corporation engaged in petroleum and natural gas exploration, evaluation and production. Unbridled holds interests in the Chambers and Ferrier West areas of west central Alberta and in the US. The US assets were sold subsequent to the acquisition (see Note 3) with the proceeds used to pay down Unbridled's US bank debt. The results of Unbridled's operations have been included in the consolidated financial statements beginning upon the February 11, 2010 acquisition date.

Total consideration includes shares of the Company, transaction costs and options, being options to acquire common shares of Unbridled that will be exercisable to acquire common shares of Altima on the same terms and conditions as the original option plan with Unbridled. The consideration for the acquisition was allocated based on fair values of the consideration given as outlined below. The estimated fair value of the common shares issued is based on the market trading prices for the Company's shares at the time of the acquisition.

Fair value of consideration paid:	
Common shares issued – 69,933,618	\$ 6,993,362
Transaction costs	207,656
Stock options issued	18,050
Total consideration	\$ 7,219,068

Net assets acquired, at fair value:	
Cash	\$ 48,737
Accounts receivable	1,324,395
Deposit	43,790
Oil and gas properties held for use	7,840,399
Oil and gas properties held for sale	3,117,946
Bank loan	(3,796,172)
Accounts payable and accrued liabilities	(988,249)
Income taxes payable	(28,000)
Asset retirement obligation	(343,778)
Net assets acquired	\$ 7,219,068

4. GAIN ON SALE OF OIL AND GAS INTERESTS

Disposition	Date of Sale	Sale Price	Gain (Loss)
Oil and gas interest in Chautauqua County	March 10, 2010	\$1,471,400 (US \$1,400,000)	\$ 266,840
Oil and gas interest in Lycoming County	July 15, 2010	\$3,281,057 (US \$3,283,682)	(82,995)
Total		\$4,752,457 (US \$4,683,682)	\$ 183,845

(i) Oil and gas interest in Chautauqua County, New York

On March 10, 2010, the Company sold its oil and gas interests located in Chautauqua County, New York for proceeds of US \$1,400,000. The Chautauqua County assets were acquired on the business acquisition of Unbridled (see Note 3). The proceeds from this sale were applied against Unbridled's secured loan (see Note 7(c)).

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Notes to Consolidated Financial Statements
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(Unaudited – Prepared by Management)

4. GAIN ON SALE OF OIL AND GAS INTERESTS (continued)

(ii) Oil and gas interest in Lycoming County, Pennsylvania

On July 15, 2010, the Company sold its oil and gas interests located in Lycoming County, Pennsylvania for proceeds of US \$3,283,682 and incurred sale costs totalling US \$1,720,700 for property lease extensions, commissions and financing fees. The Lycoming County assets were acquired on the business acquisition of Unbridled (see Note 3). The net US \$1,562,982 proceeds from this sale were applied against Unbridled's secured loan (see Note 7(b)).

Current US state taxes of \$122,000 are recorded for the sale of oil and gas interests in the Chautauqua and Lycoming Counties.

5. RESTRICTED CASH

The Company has cash on deposit with the Energy Resources Conservation Board ("ERCB") under the ERCB's Liability Management programs to cover potential liabilities relating to its wells. The required security deposit with the ERCB is determined based on a monthly licensee management rating assessment. The security deposit represents the difference between deemed liabilities and deemed assets of the Company's interest in petroleum and natural gas properties in Alberta.

6. PETROLEUM AND NATURAL GAS PROPERTIES

The Company's petroleum and natural gas properties and equipment are as follows:

	Alberta	Pennsylvania/ New York	Total
Balance at November 30, 2009	\$ 12,753,851	\$ -	\$ 12,753,851
Properties held for use acquired from acquisition (Note 3)	7,840,399		7,840,399
Properties held for sale acquired from acquisition	-	3,117,946	3,117,946
Acquired interests in the Ferrier west area	750,000	-	750,000
Capitalized exploration expenditures	345,045	-	345,045
Change in asset retirement costs (net)	(97,549)	-	(97,549)
Sale of properties (Note 4)	-	(3,117,946)	(3,117,946)
Balance at November 30, 2010	\$ 21,591,746	\$ -	\$ 21,591,746
Capitalized exploration expenditures Chambers area	59,658	-	59,658
Capitalized exploration expenditures Ferrier west area	79,951		79,951
Balance at February 28, 2011	\$ 21,731,355	\$ -	\$ 21,731,355

Chambers Area Gas Prospect, Alberta: During the year ended November 30, 2007 the Company purchased assets in the Chambers area. In December 2008, the Company purchased a further 100% interest in three sections.

On December 16, 2009, the Company entered into a participation arrangement with Crimson Energy Ltd. in the West Ferrier area in Alberta. Upon fulfilling their obligation under the participation agreement, the Company has been assigned working interests ranging from 11.736% to 19.3545% in two sections of joint lands and two wells. Such interest will bear their proportionate share of the 1.00% ORR payable to Penn West.

The acquisition of Unbridled on February 11, 2010 resulted in the combination of the Company's and Unbridled's interests in the Chambers and Ferrier West areas of west central Alberta. The Company's mostly contiguous land base totals twenty four sections (15,360 gross, 11,482 net acres) with an approximate average working interest of 88.8% in 19 of the 21 sections and varying interests in seven wells.

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Notes to Consolidated Financial Statements
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(Unaudited – Prepared by Management)

6. PETROLEUM AND NATURAL GAS PROPERTIES (continued)

As at February 28, 2011, principal operations have not yet commenced and the Chambers property is considered to be in the pre-production stage and all costs incurred, net of incidental revenues have been capitalized.

7. LOANS PAYABLE

Details of the Company's loans outstanding for the period ended February 28, 2011 and year ended November 30, 2010:

	Feb. 28, 2011	Nov. 30, 2010
(a) Secured credit facility	\$ 2,725,762	\$ 2,578,706
(b) Secured loan	641,873	668,073
Total	\$ 3,367,635	\$ 3,246,779

- (a) In April 2010, the Company arranged for a secured credit facility of which \$4,090,000 bears interest at 12% per annum, compounded and payable monthly and is due on March 31, 2011. The Company agreed to pay a fee for entering into the agreement equal to 15% of the principal amount of \$4,090,000, payable in common shares of the Company and \$70,000 in cash. As at February 28, 2011, these common shares have not been issued. The Company's loan matured on March 31, 2011 and is currently undergoing negotiations to extend to the loan facility.

The security for the loan includes a promissory note in the principal amount of the loan, first charge debenture over the Company's domestic assets, first security interest in favour of the Company's present and after-acquired personal property and the signing of a share pledge agreement, in which the Company will pledge and grant a security interest in favour of the lender over all the common shares of the Company.

- (b) As a result of the acquisition of Unbridled, the Company assumed a secured loan of \$3,796,172 which bears interest at LIBOR plus 2.5% and is secured by oil and gas leases and other assets located in the County of Chautauqua, New York. In October 2010 the lender entered into a forbearance agreement to extend the due date of the loan to February 16, 2011. During the year ended November 30, 2010, the Company made principal payments totalling \$3,128,100 (US \$2,952,527) towards the outstanding balance, leaving a balance owing of US \$654,973. In February 2011, the lender agreed to extend the due date of the loan to August 16, 2011.

8. ASSET RETIREMENT OBLIGATION

The Company has previously recorded asset retirement obligations in connection with estimated reclamation costs on the Chambers Area Gas Prospect site. The obligation is recognized based on the estimated future reclamation costs using a discount rate of 6%. The Company estimates its obligations to be settled in approximately ten years.

ALTIMA RESOURCES LTD.
Notes to Consolidated Financial Statements
Three Months Ended February 28, 2011
(Unaudited – Prepared by Management)

9. SHARE CAPITAL

	# shares	- \$ -
Balance, November 30, 2009	69,346,933	10,674,607
Flow through shares issued at \$0.12 per share	2,593,000	311,160
Non-flow-through shares issued at \$0.12 per share	8,736,649	1,048,398
Shares issued for the acquisition of Unbridled Energy Corp.	69,933,618	6,993,362
Future income tax benefits on expenditures renounced to shareholders	-	(87,052)
Share issue costs	-	(28,494)
Balance, November 30, 2010	150,610,200	18,911,981
Flow through shares issued at \$0.05 per share	1,400,000	70,000
Non-flow-through shares issued at \$0.05 per share	23,462,394	1,173,120
Shares issued to agents	598,592	23,930
Share issue costs	-	(67,819)
Balance February 28, 2011	176,071,186	20,111,212

Period ended February 28, 2011:

On December 30, 2010, the Company closed a private placement financing for gross proceeds of \$1,243,120. The Company issued 1,400,000 flow-through units at \$0.05 per unit, with each unit consisting of one flow-through common share and one-half share purchase warrant, each whole warrant entitling the holder to purchase one additional common share at \$0.10 per share on or before December 29, 2011; 23,462,394 and non flow-through units (“NFT”) at \$0.05 per NFT Unit, each NFT Unit consisting of one common share and one share purchase warrant entitling the holder to purchase one additional common share at \$0.10 per share on or before December 29, 2011.

The Company also issued a total of 598,592 common shares at a deemed price of \$0.05 per share for finders' fees in connection with the NFT Unit private placement.

Year ended November 30, 2010:

On December 30, 2009, the Company closed a private placement financing for gross proceeds of \$1,359,558. The Company issued 2,593,000 flow-through units at \$0.12 per unit, with each unit consisting of one flow-through common share and one-half share purchase warrant, each whole warrant entitling the holder to purchase one additional common share at \$0.275 per share on or before December 29, 2010, and thereafter at \$0.40 per share on or before December 29, 2011; and 8,736,649 non flow-through units (“NFT”) at \$0.12 per NFT Unit, each NFT Unit consisting of one common share and one share purchase warrant entitling the holder to purchase one additional common share at \$0.20 per share on or before December 29, 2010, and thereafter at \$0.40 per share on or before December 29, 2011. The Company also paid a total of \$17,676 cash as finders' fees in connection with the private placements.

On February 11, 2010, the Company issued 69,933,618 common shares at \$0.10 per share relating to the acquisition of Unbridled Energy Corp. (Note 3).

On March 31, 2010, the Company renounced expenditures of \$310,901 to flow through shareholders, with a resulting future income tax recovery of \$87,052.

During fiscal 2010, the Company received share subscriptions for future issuances of common shares totalling \$1,008,120. These shares were issued subsequent to the year end.

ALTIMA RESOURCES LTD.
Notes to Consolidated Financial Statements
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9. SHARE CAPITAL (continued)

Stock Options

The Company has established a stock-option plan for directors, officers, consultants and administrative personnel. Under the plan, the number of options granted is limited to 10% of the Company's issued shares at the time the options are granted. Options expire two years (2006 – five years) after the date of the grant. The number of options granted to any individual director or officer is limited to 5% of the issued shares of the Company and the options granted to all consultants and administrative personnel is limited to 2% of the issued shares. Options granted in respect of investor relations activities vest over one year at a rate of 25% every three months.

Period ended February 28, 2011: There was no stock option activity during the current period.

Year ended November 30, 2010: In 2010 the Company did not grant any new stock options, but due to the acquisition of Unbridled, 2,080,000 stock options previously issued to Unbridled personnel were converted to Altima stock options with the same terms as previously existed with Unbridled's plan. The Company has recorded an estimated fair value of \$18,050 for the options as purchase consideration in the acquisition of Unbridled.

The fair value of the Unbridled options are based on the following weighted average assumptions to derive the weighted average fair value of \$0.01:

	2010
Risk free interest rate	1.90%
Expected dividend yield	0%
Expected stock price volatility	88.66%
Expected life in years	1.76

Year ended November 30, 2009: In 2009 the Company did not grant stock options, but recognized \$5,000 in stock-based compensation due to vesting of previously issued options.

Details of the Company's stock options outstanding and exercisable are as follows:

	Options Outstanding			Options exercisable	
	Options outstanding	Weighted average exercise price - \$ -	Weighted average remaining life	Options outstanding	Weighted average exercise price - \$ -
Balance, November 30, 2008	2,995,000	0.29	1.64 years	2,795,000	0.29
Granted	-	-		200,000	0.20
Expired	(995,000)	(0.30)		(995,000)	(0.30)
Balance, November 30, 2009	2,000,000	0.28	1.31 years	2,000,000	0.28
Options issued in the acquisition of Unbridled	2,080,000	0.53		2,080,000	0.53
Expired	(2,260,000)	(0.52)		(2,260,000)	(0.52)
Balance, November 30, 2010	1,820,000	0.37	0.97 years	1,820,000	0.37
Balance, February 28, 2011	1,820,000	0.37	0.72 years	1,820,000	0.37

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9. SHARE CAPITAL (continued)

Warrants

The Company had the following share purchase transactions and had warrants outstanding as follows:

	Number of warrants	Weighted average exercise price - \$ -	Weighted average remaining life
Balance, November 30, 2008	19,819,615	0.40	1.70 years
Expired	(175,000)	0.25	
Balance, November 30, 2009	19,644,615	0.40	0.72 years
Granted	10,033,149	0.30	
Expired	(19,644,615)	0.40	
Balance, November 30, 2010	10,033,149	0.30	1.08 years
Balance, February 28, 2011	10,033,149	0.30	0.83 years

10. CONTRIBUTED SURPLUS

The Company recorded the following transactions in its contributed surplus:

	- \$ -
Balance, November 30, 2008	1,116,763
Stock-based compensation	5,000
Balance, November 30, 2009	1,121,763
Stock-based compensation on issuance of stock options in Unbridled (Note 2)	18,050
Balance, November 30, 2010 and February 28, 2011	1,139,813

11. RELATED PARTY TRANSACTIONS AND BALANCES

During the three month period, the Company had the following transactions with related parties:

	Feb. 28, 2011	Feb. 28, 2010
	- \$ -	- \$ -
Management fees paid or accrued to directors or companies controlled by directors	45,000	44,250
Fees paid or accrued to directors or companies controlled by directors for development costs of its oil and gas properties	47,250	47,250
Capitalized exploration expenses paid or accrued to a company controlled by a director	87,538	-
Capitalized acquisition expenses paid or accrued to companies controlled by a director and an officer	-	39,000
Administrative services and occupancy charges paid or accrued to officers of the Company and company controlled by a director	33,410	29,142

These transactions were recorded at their exchange amounts which are the amounts agreed upon by the transacting parties on terms and conditions similar to non-related entities. The amounts due to related parties bear no interest and are due on demand.

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(Unaudited – Prepared by Management)

11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Amounts payable to related parties consists of:

	Feb. 28, 2011	Nov. 30, 2010
	- \$ -	- \$ -
Management, consulting, exploration and administrative fees payable	634,883	600,549

12. NON-CASH TRANSACTIONS

Non-cash activities for the period ended February 28, 2011 and year ended November 30, 2010 were as follows:

	Feb. 28, 2011	Nov. 30, 2010
	- \$ -	- \$ -
Shares issued as finder's fees (Note 9)	29,930	-
Shares issuable as financing fees (Note 7(a))	-	613,500
Shares issued for the acquisition of Unbridled Energy Corp. (Note 3)	-	6,993,362

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current presentation. Such re-classification is for presentation purposes only and has no effect on previously reported results.

14. FINANCIAL INSTRUMENTS AND RISKS

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following categories: held for trading, held-to-maturity investments, available-for-sale, loans and receivables and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments for the period ended February 28, 2011 and the year ended November 30, 2010:

	Feb. 28, 2011	Nov. 30, 2010
	- \$ -	- \$ -
Held for trading (1)	67,090	125,915
Loans and receivables (2)	104,372	65,732
Other financial liabilities (3)	5,392,633	5,300,106

- (1) Cash
- (2) Amounts receivable
- (3) Accounts payables, amounts due to related parties and loans payable

Fair Value

The estimated fair values of cash, amounts receivable, other receivables, accounts payable, amounts due to related parties and loans payable approximate their respective carrying values due to the immediate or short period to maturity.

The Company's financial instruments are exposed to a number of risks that are summarized below:

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14. FINANCIAL INSTRUMENTS AND RISKS (continued)

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Management evaluates credit risk on an ongoing basis and monitors activities related to amounts receivable including the amounts of counterparty concentrations. The primary sources of credit risk for the Company arise from its financial assets consisting of cash and amounts receivable. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. To minimize credit risk the Company only holds its cash with high credit chartered Canadian financial institutions. As at February 28, 2011, the Company has no financial assets that are past due or impaired due to credit risk defaults.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities consist of its accounts payable and loans payable. The Company handles its liquidity risk through the management of its capital structure as described in Note 18. The Company's accounts payable have contractual maturities of 30 days or are due on demand, do not generally bear interest and are subject to normal trade terms. The Company has a working capital deficit as described in Note 1.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading, available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company is not exposed to significant interest rate risk as the Company's loan payable bears a fixed rate of interest. The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in petroleum and natural gas prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the Canadian dollar. As at February 28, 2011, the Company held significant balances in US dollars in accounts payable and loans payable and a fluctuation of 1% in the US\$ exchange rate would result in a loss/gain of approximately \$1,500 on these balances. The Company's financial instruments are denominated in both United States and Canadian dollars but all planned exploration, and any resulting revenues, will occur within Canada.

15. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its petroleum and natural gas properties. The Company considers as its capital its shareholders' equity.

The Company manages and adjusts its capital structure when changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of certain of its assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets which are revised periodically based on the results of its exploration programs, availability of financing and industry conditions. Annual and materially updated budgets are approved by the Board of Directors.

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15. MANAGEMENT OF CAPITAL (continued)

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest any excess cash in liquid short-term interest-bearing instruments. When utilized, these instruments are selected with regard to the expected timing of expenditures from continuing operations. The Company requires additional capital resources to meet its planned operations and administrative overhead expenses. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activities. The Company believes it will be able to raise capital as required, but recognizes there will be risks involved that may be beyond its control.

16. COMMITMENTS AND SUBSEQUENT EVENTS

- (a) The Company's loan described in Note 7 (a) matured on March 31, 2011. The total balance at February 28, 2011 was \$2,725,762. The Company is currently undergoing negotiations for an extension to the loan facility.
- (b) The Company is committed to making the following lease payments as follows:

Year	Payment
2011	\$185,780
2012	\$158,112
2013	\$158,112
2014	\$ 13,176

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Date prepared: April 29, 2011

GENERAL

The following management discussion and analysis (“MDA”) of the financial position of Altima Resources Ltd. (“Company”) should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended November 30, 2010 and the interim unaudited consolidated financial statements for the three months ended February 28, 2011. The financial statements together with this MDA are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com, or by requesting further information from the Company’s head office in Vancouver.

FORWARD LOOKING STATEMENTS

This MDA may contain certain forward looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company’s actual results, levels of activity, performance, and/or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward looking statements.

NATURE OF BUSINESS

The Company was incorporated under the Company Act of British Columbia and is engaged in the acquisition, exploration and development of petroleum and natural gas properties in Canada and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of amounts shown for petroleum and natural gas properties is dependent upon the discovery of economically recoverable reserves of the Company’s interest in the petroleum and natural gas properties, the ability of the Company to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof.

The Company is a public company listed on the TSX Venture Exchange under the symbol ARH.

OVERVIEW

Corporate development

During the current period, the Company continued with the expansion, exploration and development of its Chambers Area Project in west central Alberta, Canada. To this end, management put effort into raising additional funds for expansion efforts, exploration costs, development costs and working capital.

Petroleum and natural gas properties

The Company’s exploration program is focused on both conventional and resource based deeper multi-zone gas and gas condensate targets in the Chambers-Ferrier Area of the west central Alberta Deep Basin. The Chambers-Ferrier Area lies immediately west of the multiple producing pools in the Ferrier Field which continues to see significant industry drilling activity. From 2006 through 2010, there were thirty nine wells drilled within a nine Township block surrounding Altima Company lands. Of these, only two wells were abandoned, showing a 95% success rate.

Thirteen wells are adjacent to or within approximately 4 kilometers of Company held lands. These drillings include EnCana’s six well, 26 Billion Cubic Feet multi-pool discovery adjacent to Altima’s holdings on the northwest portion of the Chambers Area.

The Company’s initial earning Well GEEL ET AL CHAMB 3-17-41-11 W5M (“3-17”) was spud on March 14, 2006, and reached a depth of 3,349 meters and production casing was set. Upon completion of the 3-17 well, the Company elected to purchase an interest in the 7-18-41-11 W5M well which tested water free gas and associated condensate.

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During fiscal 2007, the Company drilled and completed an option well on Conoco Phillips lands located at 16-21-41-11 W5M. The 16-21 well spud on August 26, 2007 and drilled to its total depth of 3289 meters. In fiscal 2008, the Company completed and tested the well at commercial rates. During the first quarter of fiscal 2009, the Operator conducted a large volume frac in the Elkton formation. The frac operation was successful with a final gas rate of 2.3MMSCF/D at a flowing tubing pressure of 1,335psia and a final shut in pressure of 4,014psia. The well is currently suspended waiting on a lateral gas gathering line.

On August 30, 2007 the Company acquired the Golden Eagle Energy Inc assets in the Chambers Area for subject to a 50% Net Overriding Royalty ("NORR") on 33.334% of the 100% interest. On October 1, 2008, the Company terminated the above NORR for a cash payment.

In December 2008, the Company purchased further Alberta Crown Petroleum and Natural Gas Rights in the Chambers Project Area. The Company purchased a 100% interest in three sections thus increasing the Company's gross landholdings in the Chambers area to 24 sections (15,360 acres, 6,144 hectares) with Altima holding an approximate average 64% in 21 of the 24 sections, and 56% overall.

On August 31, 2009, in an effort to maximize the potential of the project and to move the development forward on the Chambers properties, the Company entered into an agreement with Unbridled Energy Corp. whereby the Company would acquire Unbridled's interests in the Chambers and west Ferrier areas subject to a number of conditions. The consolidated property interests include a total of twenty four sections with an approximate 93% average working interest in twenty one of the sections and a minor interest in three sections. In addition, the Company would hold interests in five wells with an average weighted revenue interest of approximately 86% in three of the five wells.

In December 2009, the Company and Unbridled entered into a participation agreement with Crimson Energy Ltd. ("Crimson") in the West Ferrier area of west central Alberta. The arrangement provides for the fracture stimulation, completion and testing of multiple zones in Crimson's well in 41-10 W5M that are indicated to be gas bearing based upon log and initial test information. The fracture stimulations were completed and tested and the well is waiting on a pipeline tie-in. Altima and Unbridled will be assigned a working interest to the base of the Mannville formation of 12.375% and 6.9795% respectively, and also assigned a working interest of 7.5% and 4.23% respectively below the base of the Mannville in three sections of joint lands and two wells.

On February 11, 2010, the Company acquired all of the common shares of Unbridled under a plan of arrangement under the Business Corporations Act (BC) by issuing 69,933,618 shares of the Company for the entire outstanding share of Unbridled. In March 2010, the Company concluded the sale of Unbridled's assets in New York for US\$1,400,000, with all proceeds paid toward Unbridled's secured creditor, Huntington Bank. On July 15, 2010, the Company sold certain oil and gas producing properties located in Lycoming County, Pennsylvania, for net proceeds of US\$1,563,000. These proceeds were also applied against the Huntington Bank debt.

Including the assignment of the Crimson working interests and the acquisition of Unbridled, the Company's mostly contiguous land base totals twenty four sections (15,360 gross, 11,482 net acres) with an approximate average working interest of 88.8% in 19 of the 21 sections and varying interests in seven wells.

Effective April 1, 2010 the Alberta Energy Resources Conservation Board announced through Bulletin 2010-07, that land in the Chambers area are included in Development Entity No.2 which provides for a drilling density of up to four wells per section (640 acres) per pool (zone) and the comingling of certain formations. This directive provides for potentially many years of drilling at Chambers with focus on fully developing the economic potential of the area.

In August 2010, the company entered into a Farm-out and Participation Agreement whereby the farmee has agreed to drill a 3,100 meter Rock Creek test well on Altima lands by paying 100% of the costs through completion to earn 60% in the well and farm-out lands. The farm-out well is to test the multiple,

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liquids-rich, natural gas zones generally present in the area. The Company retains the right to participate in a portion of the test well costs, which would result in Altima holding a 50% working interest in the farm-out lands. Permitting and licensing of the well was completed, but due to unseasonably wet weather the well was not "spud" within the time frame contemplated. Extensions have now been granted which will allow the drilling of the well to commence by June 30, 2011.

In March 2011 the 14-6-41-10 W5M well was fully connected, and the production and metering systems have been commissioned into the newly constructed regional gathering system. Construction was completed on the new 4.35 mile 4.5 inch diameter line in late February. The new gathering line runs through Altima lands in both sections 5 and 6 of Twp 41 Range 10 W5M. Start-up for the 14-6 is currently waiting on the facility operator to provide line and compression capacity to the operator.

The Chambers play continues to grow toward an opportunity to drill a significant number of wells over a large acreage position and contains significant potential to rapidly grow cash flow and reserves.

SELECTED ANNUAL INFORMATION

	Years ended November 30		
	2010	2009	2008
	-\$ -	-\$ -	-\$ -
Revenue	-	-	-
Net loss	(1,004,627)	(1,074,740)	(264,281)
Loss per share	(0.01)	(0.02)	(0.01)
Total assets	22,014,775	12,950,691	13,642,850

Year ended November 30, 2010:

The Company's investing activities during the year consisted of \$1,095,045 for exploration and development in the Chambers area and sales of acquired Unbridled properties for \$3,033,132.

Financing activities consisted of loan payments of \$3,128,100 on the Unbridled loan, \$1,008,120 in share subscriptions for private placements, loans from related parties of \$281,670 and share issuances of \$771,945. The Company had a net loss of \$1,004,627 compared to a net loss of \$1,074,740 in 2009.

Significant variances between the two years included:

1. consulting fees of \$226,873 (2009 - \$77,875) due to increased usage of consultants for financing, exploration, and development activities,
2. office and administrative of \$233,805 (2009 - \$144,020) due to the office rental and administrative obligations assumed with the acquisition of Unbridled,
3. professional fees of \$92,143 (2009 - \$189,750) due to prior year legal disputes and audit of the Operator's books, which were not repeated in the current year,
4. gains of sales of properties of \$183,845 (2009 - \$Nil) due to the disposal of certain non-core assets of Unbridled,
5. gains of debt settlements of \$581,933 (2009 - \$Nil) due to considerable reductions to billing amounts allowed as a result of a third party audit of Unbridled,
6. current income tax of \$122,000 (2009 - \$Nil) due to the gain on sale of properties, and
7. future income tax recovery of \$87,052 (2009 - \$553,200) due to the result of selling flow-through shares.

In order to manage the Company's working capital deficiency, continue operations, fund its expenditure commitments, and provide adequate working capital for ongoing activities, the Company will continue to depend on equity financing through existing and new shareholders, third party financing, continued support from its trade creditors, and cost sharing arrangements to fund its work programs and operations.

Year ended November 30, 2009:

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The Company's investing activities during the year consisted of \$666,840 for exploration and development in the Chambers area and deferred acquisition costs of \$82,033 relating to the subsequent acquisition of Unbridled Energy Corp. in February 2010.

At November 30, 2009, the Company had received \$559,119 in share subscriptions for private placements that closed on December 30, 2009. During the year, the Company repaid loans totaling \$837,713. The Company had a net loss of \$1,074,740 compared to a net loss of \$264,281 in 2008. The primary reason for the increased loss was finance fees of \$648,159 compared to only \$13,474 in the prior year. Another major factor was a decrease in future income tax recovery to \$553,200 compared to \$659,529 in 2008. These two factors alone accounted for about \$750,000 of the difference in net loss between the two years.

SUMMARY OF QUARTERLY RESULTS

	Feb 28/11	Nov 30/10	Aug 31/10	May 31/10
Revenue	-	-	-	-
Net income (loss)	(140,856)	(64,783)	(426,130)	(194,987)
Net income (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)
	Feb 28/10	Nov 30/09	Aug 31/09	May 31/09
Revenue	-	-	-	-
Net income (loss)	(318,727)	(314,930)	(195,831)	(225,951)
Net income (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)

Comparison of operating results

In the period ended February 28, 2011, the Company had a net loss of \$140,854 compared to \$318,727 in the comparative period in 2010. The significant variances in the results for the two periods are outlined in the following table:

	Feb 28, 2011	Feb 28, 2010
<i>Three months ended</i>	- \$ -	- \$ -
Consulting fees	-	132,743
The decrease in consulting fees from 2010 is attributable to the significant use of consultants in 2010 to assist in financing, exploration, and development activities. There were no corresponding costs in 2011.		
Office and administrative	68,920	32,158
Office and miscellaneous expenses includes billings for rent, telephone and administrative services provided by third parties which are not classifiable more appropriately elsewhere. The increase in 2011 relates to the office and administrative obligations assumed with the acquisition of Unbridled.		
Foreign exchange (gain) loss	(78,481)	2,032
Foreign exchange gains and losses arise from exchange differences in the value of US dollars against Canadian dollars as the Company is obliged to re-value US dollar debt obligations at the end of each reporting period. The Canadian dollar has strengthened significantly against the US dollar in this period.		
Net income (loss)	(140,854)	(318,727)

LIQUIDITY AND CAPITAL RESOURCES

At February 28, 2011 the Company had \$214,759 (November 30, 2010 - \$235,437) in cash, receivables, and deposits, a working capital deficiency of \$5,177,874 (November 30, 2010 - \$5,214,669) and had recorded a cumulative deficit of \$5,351,341.

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In the period, the Company issued 25,460,986 shares providing net cash proceeds of \$1,205,230.

To date, the Company's ongoing operations have been financed predominantly by private placements, the exercise of warrants and stock options, and loans. Additional financing will be required to conduct further development work on the Company's projects and to place any project, if feasible, into production. While the Company has been successful in raising the necessary funds in the past, there can be no assurance it can continue to do so.

TRANSACTIONS WITH RELATED PARTIES

During the period, the Company had the following transactions with related parties:

	Feb. 28, 2011 - \$ -	Feb. 28, 2010 - \$ -
Management fees paid or accrued to directors or companies controlled by directors	45,000	44,250
Fees paid or accrued to directors or companies controlled by directors for development costs of its oil and gas properties	47,250	47,250
Capitalized exploration expenses paid or accrued to a company controlled by a director	87,538	-
Capitalized acquisition expenses paid or accrued to companies controlled by a director and an officer	-	39,000
Administrative services and occupancy charges paid or accrued to officers of the Company and company controlled by a director	33,410	29,142

These transactions were recorded at their exchange amounts which are the amounts agreed upon by the transacting parties on terms and conditions similar to non-related entities. The amounts due to related parties bear no interest and are due on demand.

Amounts payable to related parties consists of:

	Feb. 28, 2011 - \$ -	Nov. 30, 2010 - \$ -
Management, consulting, exploration and administrative fees payable	634,883	600,549

ADDITIONAL INFORMATION

At April 29, 2011:

Legal proceedings: Management is not aware of any legal proceedings involving the Company.

Contingent liabilities: Management was not aware of any outstanding contingent liabilities relating to the Company's activities.

Outstanding Share Data: As of April 29, 2011, the Company had 176,071,186 common shares outstanding.

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DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of February 28, 2011, that our disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Company, is made known to them by others within those entities. It should be noted that disclosure controls and procedures cannot prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. We have designed controls for this process and have conducted an evaluation which has identified potential weaknesses in such controls. Due to the limited number of staff, it is not feasible to attain complete segregation of incompatible duties. Weaknesses in the Company's internal controls over financial reporting allow for a greater likelihood that a material misstatement would not be prevented or detected.

Management and the Board of Directors mitigate the risk of material misstatement in financial reporting by performing a detailed review of operational and financial reports. It is not possible to provide absolute assurance that this risk can be eliminated.

FINANCIAL INSTRUMENTS

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following categories: held for trading, held-to-maturity investments, available-for-sale, loans and receivables and other financial liabilities. The estimated fair values of cash, amounts receivable, other receivables, accounts payable, amounts due to related parties and loans payable approximate their respective carrying values due to the immediate or short period to maturity.

The Company's financial instruments are exposed to a number of risks that are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Management evaluates credit risk on an ongoing basis and monitors activities related to amounts receivable including the amounts of counterparty concentrations. The primary sources of credit risk for the Company arise from its financial assets consisting of cash and amounts receivable. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. To minimize credit risk the Company only holds its cash with high credit chartered Canadian financial institutions. As at February 28, 2011, the Company has no financial assets that are past due or impaired due to credit risk defaults.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities consist of its accounts payable and loans payable. The Company handles its liquidity risk through the management of its capital structure as described in Note 14 in the financial statements. The Company's accounts payable have contractual maturities of 30 days or are due on demand, do not generally bear interest and are subject to normal trade terms. The Company has a working capital deficit.

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Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading, available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company is not exposed to significant interest rate risk as the Company's loan payable bears a fixed rate of interest. The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in petroleum and natural gas prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the Canadian dollar. As at February 28, 2011, the Company held significant balances in US dollars in accounts payable and loans payable and a fluctuation of 1% in the US\$ exchange rate would result in a loss/gain of approximately \$1,500 on these balances. The Company's financial instruments are denominated in both United States and Canadian dollars but all planned exploration, and any resulting revenues, will occur within Canada.

RISKS

The Company is engaged in the exploration for and development of petroleum and natural gas properties. These activities involve significant risks which careful evaluation, experience and knowledge may not eliminate. The commercial viability of any petroleum and natural gas properties depends on many factors not all of which are within the control of management. Operationally the Company faces risks that are associated with and affect the financial viability of a given petroleum and natural gas property. These include risks associated with finding, developing and producing these petroleum and natural gas reserves. In addition, Government regulations, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations, have an impact on the economic viability of a petroleum and natural gas property.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon the continued support of its shareholders, obtaining additional financing and generating revenues sufficient to cover its operating costs. The accompanying financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying audited financial statements.

Any forward-looking information in the MDA is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the company and other factors.

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RECENT ACCOUNTING PRONOUNCEMENTS

The recent accounting pronouncements that have been issued as new sources of GAAP but are not yet effective are described below:

In January 2009, the Accounting Standards Board ("AcSB") issued CICA Handbook Section 1582, Business Combinations, which replaces Section 1581, Business Combinations. The AcSB also issued Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests, which replace Section 1600, Consolidated Financial Statements. These new sections are based on the International Accounting Standards Board's ("IASB") International Financial Reporting Standard 3, Business Combinations. These new standards replace the existing guidance on business combinations and consolidated financial statements. These new standards require that most assets acquired and liabilities assumed, including contingent liabilities, to be measured at fair value and all acquisition costs to be expensed. These new standards also require non-controlling interests to be recognized as a separate component of equity and net earnings to be calculated without a deduction for non-controlling interests. The objective of these new standards is to harmonize Canadian accounting for business combinations with the international and U.S. accounting standards. The new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards will not be adjusted upon application of these new standards.

The Non-Controlling Interests standard should be applied retrospectively except for certain items. The Company does not expect that the adoption of these standards will have a material impact on its financial statements.

In February 2008, the CICA Accounting Standards Board confirmed that public companies will be required to prepare interim and annual financial statements under International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Management is currently assessing the impact of adopting IFRS and it has not yet determined its affect on the Company's financial statements.

DIRECTORS

Certain directors of the Company are also directors, officers and/or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploring oil and gas properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any directors in a conflict will disclose their interests and abstain from voting in such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.