STRIKEWELL ENERGY CORP.

Interim Consolidated Financial Statements
March 31, 2011 and 2010

Index

Notice of No Auditor Review of Interim Financial Statements

Interim Consolidated Financial Statements

Interim Consolidated Statement of Financial Position

Interim Consolidated Statements of Operations and Deficit

Interim Consolidated Statement of Shareholders' Equity

Interim Consolidated Statements of Cash Flows

Notes to the Interim Consolidated Financial Statements

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3) released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited interim financial statements as at and for the three months ended March 31, 2011 and 2010.

Strikewell Energy Corp.

Interim Consolidated Statements of Financial Position

(Unaudited - Prepared by Management)

(Expressed in Canadian dollars)

	Notes	**As at March 31, 2011**	As at December 31, 2010 (Note 14)	As at January 1, 2010 (Note 14)
ASSETS				
Current Assets				
Cash		**$ 236,555**	$ 252,115	$ 1,382,109
Accounts receivable	12	**30,808**	34,861	103,877
		267,363	286,976	1,485,986
Non-Current Assets				
Mineral Properties		**-**	-	1
Petroleum and Natural Gas Interests	7, 13a&b	**445,943**	447,543	453,384
		$ 713,306	$ 734,519	$ 1,939,371
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	12	**$ 525,022**	$ 368,724	$ 341,371
Current portion of loan payable	8, 12c	**-**	-	1,128,444
		525,022	368,724	1,469,815
Non-Current Liabilities				
Loan Payable	8, 12c	**1,236,684**	1,215,036	-
Notes Payable	9	**4,538,624**	4,559,258	6,197,592
Decommissioning Obligation	10	**1,842**	1,842	1,939
		6,302,172	6,144,860	7,669,346
SHAREHOLDERS' DEFICIENCY				
Capital Stock	11	**16,771,855**	16,771,855	16,771,855
Deficit		**(22,360,722)**	(22,182,196)	(22,501,830)
		(5,588,867)	(5,410,341)	(5,729,975)
		$ 713,306	$ 734,519	$ 1,939,371

Nature of operations and going concern (note 1)

Approved on behalf of the Board:

"Chris Schultze" **Director**

"Peter Bryant" **Director**

The notes are an integral part of these interim consolidated financial statements.

Strikewell Energy Corp.

Interim Consolidated Statements of Operations

For the period ended March 31, 2011, with comparative figures for 2010

(Unaudited - Prepared by Management)

(Expressed in Canadian dollars)

	Notes		For the three months ended March 31, 2011		For the three months ended March 31, 2010 (Note 14)
Revenue					
Petroleum and natural gas		**$**	**35,469**	$	31,171
			35,469		31,171
Direct expenses					
Production			**1,494**		7,182
Royalties			**12,426**		11,052
Depreciation and accretion			**1,600**		1,875
			15,520		20,109
Operating income			**19,949**		11,062
General and administrative expenses					
Administration fees	12f		**30,000**		61,800
Directors' and Officers' fees	12b		**4,500**		4,500
Filing and transfer agent fees			**848**		6,839
Interest			**161,162**		193,261
Office and miscellaneous			**1,326**		3,764
Professional fees			**639**		944
			198,475		271,108
Loss and total comprehensive loss for period			**(178,526)**		(260,046)
Basic and diluted earnings per share		**$**	**(0.02)**	$	(0.03)
Weighted average number of common shares outstanding			**8,626,862**		8,626,862

See accompanying notes to consolidated financial statements

Strikewell Energy Corp.

Interim Consolidated Statement of Changes in Shareholders' Equity
For the period ended March 31, 2011

(Unaudited - Prepared by Management)

(Expressed in Canadian dollars)

	Share Capital	Deficit	Total
Balance as at January 1, 2011	16,771,855	(22,182,196)	(5,410,341)
Share-based compensation	-	-	-
Issue of share capital	-	-	-
Total comprehensive loss for the period	-	(178,526)	(178,526)
Balance as as March 31, 2011	**16,771,855**	**(22,360,722)**	**(5,588,867)**

	Share Capital	Deficit	Total
Balance as at January 1, 2010	16,771,855	(22,501,830)	(5,729,975)
Share-based compensation	-	-	-
Issue of share capital	-	-	-
Total comprehensive loss for the period	-	(260,046)	(260,046)
Balance as as March 31, 2010	**16,771,855**	**(22,761,876)**	**(5,990,021)**

Strikewell Energy Corp.

Interim Consolidated Statements of Cash Flows

For the period ended March 31, 2011, with comparative figures for 2010

(Unaudited - Prepared by Management)

(Expressed in Canadian dollars)

	Notes	**For the three months ended March 31, 2011**	For the three months ended March 31, 2010 (Note 14)
Operating activities			
Net income (loss) for the period		**$ (178,526)**	$ (260,046)
Items not involving cash:			
Depletion and accretion		**1,600**	1,875
Accretion of discount on notes payable		**(20,633)**	(370,859)
Accrued interest on loan payable		**21,648**	21,648
		(175,911)	(607,382)
Changes in non-cash working capital:			
Accounts receivable		**4,053**	8,500
Accounts payable and accrued liabilities		**156,298**	(72,827)
		160,351	(64,327)
Cash used in operating activities		**(15,560)**	(671,709)
Inflow (outflow) of cash		**(15,560)**	(671,709)
Cash, beginning of period		**252,115**	1,382,109
Cash, end of period		**$ 236,555**	$ 710,400

See accompanying notes to consolidated financial statements

---

1. NATURE OF OPERATIONS

Strikewell Energy Corp. (the "Company") is a petroleum and natural gas producer engaged in the exploration and development of natural gas properties in Alberta, Canada.

Strikewell Energy Corp. is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. The Company's shares are listed on the TSX Venture Exchange.

The head office, principal address and records office of the Company are located at 609 West Hastings Street, Suite 900, Vancouver, British Columbia, Canada, V6B 4W4. The Company's registered address is 885 West Georgia Street, Suite 800, Vancouver, British Columbia, Canada, V6H 3H1.

These interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, 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.

The Company has incurred significant operating losses over the past several fiscal years, is currently unable to self-finance operations, has a working capital deficiency of $257,659 (March 31, 2010 –$612,859), an accumulated deficit of $22,360,722 (December 31, 2010 - $22,182,196), limited resources, no source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and development of its petroleum and natural gas interests. The Company will require additional equity financing to meet its administrative overhead costs, and to continue exploration work on its petroleum and natural gas interests in 2011.

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations, raise additional capital through debt and/or equity financing and its debtors' continued forbearance on the Company's outstanding debt. Management is actively seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost cutting measures. There can be no assurance that management's plan will be successful.

These interim consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

(a) Statement of compliance:

These are the Company's first IFRS consolidated interim financial statements for the first quarter of the period covered by the first International Financial Reporting Standards ("IFRS") consolidated annual financial statements to be presented in accordance with IFRS for the year ending December 31, 2011 and IFRS 1 First-Time Adoption of IFRS has

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued):

been applied. The impact of the transition from Canadian Generally Accepted Accounting Principles ("GAAP") to IFRS is explained in notes 13 and 14.

These consolidated interim financial statements have been prepared on a historical cost basis except for the provision for reclamation, which is recorded at management's best estimate. In addition these consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated interim financial statements were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. They do not include all the information required for full annual financial statements.

The accounting policies set out below have been applied consistently to all periods presented in preparing the opening balance sheet at January 1, 2010 (note 14) for purposes of transition to IFRS. The accounting policies have been applied consistently by the Company and its subsidiary.

(b) Functional and presentation currency:

These interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency.

(c) Use of estimates and judgements:

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant areas requiring the use of estimates include the collectability of accounts receivable, the recoverability of petroleum and natural gas interest costs, the fair value of financial instruments, balance of accrued liabilities, the assumptions used to discount the notes payable to fair value, determination of decommissioning and environmental obligations, the rates of depletion and accretion of petroleum and natural gas interests, and the valuation allowance for future income tax assets. While management believes these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued):

Reserve estimates impact a number of the areas referred to above, in particular the valuation of property, plant and equipment and the calculation of depletion and depreciation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these interim consolidated financial statements, and have been applied consistently by the Company and its subsidiary.

(a) Basis of consolidation

(i) Subsidiaries:

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Jointly controlled operations and jointly controlled assets:

Many of the Company’s oil and natural gas activities involve jointly controlled assets. The interim consolidated financial statements include the Company’s share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

(iii) Transactions eliminated on consolidation:

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

(b) Financial instruments

(i) Non-derivative financial instruments:

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

(i) Non-derivative financial instruments (continued):

Cash and cash equivalents:

Cash and cash equivalents comprise cash on hand with original maturities of three months or less that are readily convertible into cash and which are subject to insignificant risk of changes in value.

Financial assets at fair value through profit or loss:

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in net income when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in net income. The Company has designated cash and cash equivalents at fair value.

Other:

Other non-derivative financial instruments, such as trade and other receivables, loans and borrowings, and trade and other payables, are measured at amortized cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments:

The Company is not engaged in any financial derivative contracts.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Additional disclosure on the measurement of fair value of financial instruments has been provided in note 4.

---

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue recognition

Revenue from the sale of petroleum and natural gas is recorded when title passes to an external party and is based on volumes delivered to customers at contractual delivery points, and rates and collectability are reasonably assured. The costs associated with the delivery, including operating and maintenance costs, transportation and production-based royalty expenses, are recognized during the same period in which the related revenue is earned and recorded.

(d) Petroleum and natural gas interests

Items of property, plant and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into Cost Generating Units ("CGU's") for impairment testing. The Company has one CGU: the Alberta, Garrington well. The Company has adopted the IRFS 1 exemption which allows the value of the exploration and evaluation assets to be consistent with the Canadian GAAP historical net book value.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in net income as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in net income as incurred.

Depletion and depreciation:

The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proven reserves. These estimates are reviewed by independent reserve engineers at least annually.

Proven reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a minimum of 90 percent statistical

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Petroleum and natural gas interests (continued)

Depletion and depreciation (continued):

probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and a maximum 10 percent statistical probability that it will be less. Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- a reasonable assessment of the future economics of such production;
- a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and
- evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Reserves may only be considered proven if future economic feasibility is supported by either actual production or conclusive formation test. The area of reservoir considered proven includes (a) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, or both, and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of oil and natural gas controls the lower proved limit of the reservoir.

(e) Impairment

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit” or “CGU”). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income. Impairment losses recognized in respect of CGU’s are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Impairment (continued)

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

(f) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in net income except to the extent that if the income tax expense related to items recognized directly in equity, the income tax expense would also be recognized in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the statement of financial position liability method. Under this method, deferred tax assets and liabilities are recognized in relation to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Earnings (loss) per share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that proceeds received from the exercise of stock options and warrants would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow other than where their release is subject to the passage of time, are excluded from the computation of loss per share until the conditions for their release are satisfied.

(h) Share based payments

The grant date fair value of options granted to employees is recognized over the vesting period as compensation expense, within general and administrative expenses, with a corresponding increase in contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. If the options expire unexercised, the recorded amount is transferred to deficit.

(i) Decommissioning obligations

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the balance sheet date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision.

4. FINANCIAL INSTRUMENTS

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect

4. FINANCIAL INSTRUMENTS

estimated fair values. At March 31, 2011, the Company's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, loan and notes payable.

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The two notes payable are due for repayment on January 1, 2014 and bear interest at 2% for years one and two, 3% for years three and four, 4% for year five and 15% for years six through eight, compounded and payable semi-annually. The interest rates on the notes payable for years one through five are considered to be below market for financial instruments with similar risk profile and above market for years six through eight. Management has determined that an interest rate of 12% per annum over the term of the loan would be a closer approximation to a fair value interest rate. Accordingly, the carrying value of the promissory notes has been valued to reflect an interest rate of 12%. A change in the interest rate to 18% would result in additional charges of approximately $612,000 to the statement of operations over the remaining duration of the notes payable.

The loan payable is due for repayment on June 1, 2012 and bears interest at 10% per annum. A change in the interest rate to 18% would result in an additional charge of approximately $98,000 to the statement of operations over the remaining duration of the loan.

5. FINANCIAL RISK MANGEMENT

(a) Overview

The Company’s activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- market risk
- credit risk
- liquidity risk

This note presents information about the Company’s exposure to each of the above risks, the Company’s objectives, policies and processes for measuring and managing risk.

The Board of Directors oversees managements’ establishment and execution of the Company’s risk management framework. Management has implemented and monitors compliance with risk management policies. The Company’s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and the Company’s activities on an ongoing basis.

5. FINANCIAL RISK MANGEMENT (continued)

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

The Company's cash is held in bank accounts and due to the short-term nature of these financial instruments, fluctuations in market interest rates do not have an impact on the fair value as at March 31, 2011.

The Company's loan and notes payable are at fixed interest rates and, therefore, the Company's exposure to interest rate cash flow risk on the debt is minimal.

The Company manages interest rate risk by maintaining an investment policy that focuses on preservation of capital and liquidity.

The Company is not exposed to significant interest rate risk as the Company's debt is primarily at fixed interest rates.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and accounts receivable. The credit risk associated with cash is minimized substantially by ensuring these financial assets are placed with a major financial institution with strong investment-grade ratings by a primary ratings agency. Trade receivables included in accounts receivable primarily consists of revenues due from continuing customers for the sale of petroleum and natural gas.

Concentration of credit risk exists with the Company's accounts receivable. The Company's concentration of credit risk and maximum exposure thereto is as follows:

5. FINANCIAL RISK MANGEMENT (continued)

(c) Credit risk (continued)

	2011	2010
Trade receivables	$ 23,756	$ 27,312

The Company believes there is minimal exposure to credit risk in regard to the accounts receivable as trade receivables are due from an oil and gas marketer.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying obligations as they become due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated financing activities. The Company has a cash balance at March 31, 2011 of $236,555 (December 31, 2010 - $252,115) and accounts receivable of $30,808 (December 31, 2010 - $34,861). At March 31, 2011, the Company had accounts payable and accrued liabilities of $525,022 (December 31, 2010 - $368,724) and a working capital deficiency of $257,659 (December 31, 2010 –$81,748). Based on the current funds held, the Company will need to rely upon financing from shareholders and/or debt holders to obtain sufficient working capital. There is no assurance that such financing will be available on terms and conditions acceptable to the Company.

The amounts listed below are the remaining undiscounted contractual maturities for financial liabilities held by the Company as at March 31, 2011.

Due Date	Accounts Payable and Accrued Liabilities	Loan Payable	Note Payable	Total
		(note 8)	(note 9)	
0 – 90 days	$ 426,500	$ -	$ -	$ 426,500
90 – 365 days	98,522	-	-	98,522
More than 1 year	-	1,236,684	4,538,624	5,775,308
	$ 525,022	$ 1,236,684	$ 4,538,624	$ 6,300,330

5. FINANCIAL RISK MANGEMENT (continued)

(d) Liquidity risk (continued)

The amounts listed below are the remaining undiscounted contractual maturities for financial liabilities held by the Company as at December 31, 2010.

Due Date	Accounts Payable and Accrued Liabilities	Loan Payable (note 7)	Notes Payable (note 8)	Total December 31, 2010
0 – 90 days	$ 270,202	$ -	$ -	$ 270,202
90 – 365 days	98,522	-	-	98,522
More than 1 year	-	1,215,036	4,270,667	5,485,703
	$ 368,724	$ 1,215,036	$ 4,270,667	$ 5,854,427

6. CAPITAL MANAGEMENT

The Company defines its capital as debt and shareholders' equity (deficit). Capital requirements are driven by the Company's exploration activities on its petroleum and natural gas interests. Management's objective is to ensure there are adequate capital resources to safeguard the Company's ability to continue as a going concern. Management reviews its capital management approach on an ongoing basis and believes its approach given the relative size of the Company is reasonable.

Although the Company has been successful at raising funds in the past through obtaining debt financing from current shareholders, it is uncertain whether it can continue this financing methodology.

The board of directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company's capital stock and debt is not subject to any externally imposed capital requirements and the Company did not change its approach to capital management during the year.

7. PETROLEUM AND NATURAL GAS INTERESTS

	March 31, 2011	December 31, 2010
Oil and natural gas interests	$ 455,722	$ 454,761
Accumulated depletion and depreciation	(9,779)	(7,218)
Net carrying amount	$ 444,943	$ 447,543

7. PETROLEUM AND NATURAL GAS INTERESTS (continued)

Included in the Company's petroleum and natural gas interests are amounts totaling $1,842 net of accumulated depletion, representing the decommissioning liability.

Security:

At March 31, 2011 and 2010 all of the Company's properties are pledged as security for the loan and notes payable.

Contingencies:

Although the Company believes that it has title to its oil and natural gas properties, it cannot control or completely protect itself against the risk of title disputes or challenges.

8. LOAN PAYABLE

	March 31, 2011	December 31, 2010
Unsecured loan payable, with interest at 10% per annum, due June 1, 2012	$ 1,236,684	$ 1,215,036

Included in the loan payable is accrued interest of $370,760 (2010 - $349,112).

In May 2010, the lender amended terms of the original loan agreement to extend the maturity date of the loan from June 1, 2010 to June 1, 2012. All other terms of the loan remained the same.

9. NOTES PAYABLE

	Vendor Note	Second Note	Total
Face value of notes payable	$ 2,715,295	$ 3,816,854	$ 6,532,149
Discount to effective rate	(818,908)	(1,268,290)	(2,087,198)
Carrying amount, January 1, 2006	1,896,387	2,548,564	4,444,951
Accretion of discount	178,458	254,279	432,737
Carrying amount, December 31, 2006	2,074,845	2,802,843	4,877,688
Accretion of discount	200,516	287,507	488,023
Carrying amount, December 31, 2007	2,275,361	3,090,351	5,365,712
Accretion of discount	197,332	285,700	483,032
Carrying amount, December 31, 2008	2,472,693	3,376,051	5,848,744
Accretion of discount	221,722	324,054	545,776
Payment of principal	-	(284,330)	(284,330)
Carrying amount, December 31, 2009	2,694,415	3,415,775	6,110,190
Accretion of discount	221,160	205,062	426,222
Payment of principal	-	(1,977,152)	(1,977,152)
Carrying amount, December 31, 2010	$ 2,915,575	$ 1,643,685	$ 4,559,260
Amortization of discount	(14,357)	(6,277)	(20,634)
Carrying amount, March 31, 2011	2,901,218	1,637,407	4,538,624

Notes payable consist of two notes arising from the purchase consideration for the acquisition of Strikewell Capital and the restructuring of certain accounts payable and loans payable of the Company. The notes were issued January 1, 2006.

The principal owing under the Vendor Note and the Second Note are due for repayment on January 1, 2014 and bear interest at 2% for years one and two, 3% for years three and four, 4% for year five and 15% for years six through eight, compounded and payable semi-annually.

The interest rates on the notes payable for years one through five are considered to be below market for financial instruments with similar risk profile and above market for years six through eight. Management has determined that an interest rate of 12% per annum over the term of the loan would be a closer approximation to a fair value interest rate. Accordingly, the carrying value of the promissory notes has been valued to reflect an interest rate of 12%.

All assets of the Company have been pledged as security for the loan and notes payable. The Vendor Note is due to a significant shareholder of the Company. The Second Note is due to a company owned by a significant shareholder of the Company. Both notes are carried at amortized cost using the effective interest method.

9. NOTES PAYABLE (continued)

Included in accounts payable and accrued liabilities is accrued interest of $280,904 (2010 - $120,754). As at March 31, 2011 and December 31, 2010, the face value of the Second Note is $1,555,372.

10. DECOMMISSIONING OBLIGATIONS

The Company's decommissioning obligations result from its net ownership interest in its oil and gas property including the well site, gathering system and processing facility. The Company estimates the total undiscounted amount of cash flows required to settle its decommissioning obligations is approximately $4,600. The majority of the costs will be incurred after 2025. An inflation factor of 2.2% has been applied to the estimated asset retirement cost. A risk free discount rate of 3.8% was used to calculate the fair value of the decommissioning obligations.

A reconciliation of the decommissioning obligations is provided below:

March 31, 2011 and December 31, 2010	**Mar. 31, 2011**	**Dec. 31, 2010**(note 14)
Balance, beginning of period	$ 1,842	$ 1,842
Depletion	-	-
Balance, end of period	$ 1,842	$ 1,842

11. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value
Unlimited number of Class "A" preferred shares without par value

(b) Issued

	Number of Shares	Amount
Balance, March 31, 2011 and December 31, 2010	8,626,862	$ 16,771,855

(c) The Class "A" preferred shares are issuable in series; each series to have rights and restrictions as determined by the board of directors. The issuance of preferred shares of any series is subject to regulatory approval. There are no preferred shares outstanding.

11. SHARE CAPITAL (continued)

(d) During 2007, the Company adopted a new incentive stock option plan under which the Company may issue up to a maximum of 10% of the issued shares of the Company as stock options to acquire common shares in the capital of the Company as an incentive to officers, directors, employees and consultants. There were no stock options issued or outstanding during 2010 or 2011.

12. RELATED PARTY TRANSACTIONS

As at March 31, 2011, the amount of transactions made with parties not at arm's length to the Company not otherwise disclosed consists of the following:

(a) Included in accounts receivable is $23,756 (2010 - $14,532) due from a company with a shareholder who is also a significant shareholder of the Company.

(b) Directors' fees of $4,500 (2010 - $4,500) were paid to directors.

(c) The loan payable of $1,236,684 (2010 - $1,215,036) is payable to a significant shareholder of the Company.

(d) Included in accounts payable is $7,999 (2010 - $7,999) in trade payables due to a significant shareholder of the Company.

(e) Included in accounts payable is $1,200 (2010 - $2,583) of trade payables which are payable to a company with a shareholder who is also a significant shareholder of the Company.

(f) Administration fees of $30,000 (2010 - $61,800) were paid or payable to a company controlled by a significant shareholder of the Company.

The amounts due to related parties (aside from the loan and notes payable, as stated in notes 7 and 8) are non-interest bearing, unsecured and due on demand.

13. IFRS

IFRS 1 *First-time Adoption of International Reporting Standards* sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied.

The Company has applied the following exemptions to its opening statement of financial position dated January 1, 2010.

(a) Property, Plant and Equipment:

In July 2009, the International Accounting Standards Board approved amendments and released 'Additional Exemptions for First-time Adopters' which prescribes transitional

13. IFRS (continued)

(a) Property, Plant and Equipment (continued):

exemptions for oil and gas companies following full cost accounting. The amendment allows an entity that used full cost accounting under Canadian GAAP to elect, at its time of adoption, to measure exploration and evaluation assets at the amount determined under Canadian GAAP and to measure oil and natural gas assets in the development or production phases by allocating the amount determined under Canadian GAAP for those assets to the underlying assets pro rata using reserve volumes or reserve values as of the date of transition, subject to an impairment test as prescribed under IFRS. This exemption allows the Company to apply IFRS to its full cost pools on a prospective basis, from date of transition to IFRS.

(b) Decommissioning Provision:

The major difference between the current Canadian standard and IFRS is the discount rate used to measure the Company's reclamation liabilities ("asset retirement obligations" or "ARO" under Canadian GAAP) Under the current Canadian standard, a credit adjusted risk free rate is used, whereby the IFRS allows the use of a risk free rate when risks are factored into the expected cash flows.

(c) Impairment:

Under IFRS, if indication of impairment is identified, the asset's carrying value is compared to the asset's discounted cash flows. If the discounted cash flows are less than the carrying value, the asset is impaired by an amount equal to the difference between the discounted cash flows and the carrying value. Under Canadian GAAP, if indication of impairment is identified, the asset's carrying value is compared to the asset's undiscounted cash flows. The Company completed an impairment review of its assets at January 1, 2010 and December 31, 2010 and concluded that the assets were not impaired in accordance with IFRS.

(d) Contributed Surplus:

Included in contributed surplus are amounts relating to stock based compensation. When warrants or stock options were exercised, amounts in contributed surplus relating to the exercise of instruments were transferred to capital stock, Under Canadian GAAP, amounts relating to expired warrants or stock options remained in contributed surplus indefinitely. Under IFRS, such amounts are transferred to deficit.

14. RECONCILIATIONS FROM CANADIAN GAAP TO IFRS

The January 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	Notes	Canadian GAAP	January 1, 2010 Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Cash		**$ 1,382,109**	$	$ **1,382,109**
Accounts receivable		**103,877**		**103,877**
		1,485,986		**1,485,986**
Non-current assets				
Mineral Properties		**1**		**1**
Petroleum and Natural Gas Interests	13 a&b	**452,307**	1,077	**453,384**
		$ 1,938,294	$ 1,077	$ **1,939,371**
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		**$ 341,371**		**341,371**
Current portion of loan payable		**1,128,444**		**1,128,444**
		1,469,815		**1,469,815**
Non-current liabilities				
Notes Payable		**6,197,592**		**6,197,592**
Asset Retirement Obligation	13b	**862**	1,077	**1,939**
		7,668,269	1,077	**7,669,346**
SHAREHOLDERS' DEFICIENCY				
Capital Stock		**16,771,855**		**16,771,855**
Contributed Surplus	13d	**309,143**	(309,143)	**-**
Deficit	13d	**(22,810,973)**	309,143	**(22,501,830)**
		(5,729,975)		**(5,729,975)**
		$ 1,938,294	$ 1,077	$ **1,939,371**

14. RECONCILIATIONS FROM CANADIAN GAAP TO IFRS (continued)

The Canadian GAAP statement of financial position at March 31, 2010 has been reconciled to IFRS as follows:

	Notes	March 31, 2010 Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Cash		**$ 710,400**	$	$ **710,400**
Accounts receivable		**95,377**		**95,377**
		805,777		**805,777**
Non-current assets				
Mineral Properties		**1**		**1**
Petroleum and Natural Gas Interests	13a&b	**450,432**	1,077	**451,509**
		$ 1,256,210	$ 1,077	$ **1,257,287**
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		**$ 268,544**		**268,544**
Current portion of loan payable		**1,150,092**		**1,150,092**
		1,418,636		**1,418,636**
Non-current liablities				
Notes Payable		**5,826,731**		**5,826,731**
Asset Retirement Obligation	13b	**862**	1,077	**1,939**
		7,246,229		**7,247,306**
SHAREHOLDERS' DEFICIENCY				
Capital Stock		**16,771,855**		**16,771,855**
Contributed Surplus	13d	**309,143**	(309,143)	**-**
Deficit	13d	**(23,071,017)**	309,143	**(22,761,874)**
		(5,990,019)		**(5,990,019)**
		$ 1,256,210	$ 1,077	$ **1,257,287**

14. RECONCILIATIONS FROM CANADIAN GAAP TO IFRS (continued)

The Canadian GAAP statement of financial position at December 31, 2010 has been reconciled to IFRS as follows:

		December 31, 2010		
	Notes	**Canadian GAAP**	**Effect of transition to IFRS**	**IFRS**
ASSETS				
Current assets				
Cash		**$ 252,115**	$	$ 252,115
Accounts receivable		**34,861**		34,861
Non-current assets		**286,976**		286,976
Mineral Properties		**-**		-
Petroleum and Natural Gas Interests	13a&b	**446,582**	961	447,543
		$ 733,558	$ 961	$ 734,519
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		**$ 368,724**		368,724
Current portion of loan payable		**-**		-
		368,724		368,724
Non-current liabilities				
Loan Payable		**1,215,036**		1,215,036
Notes Payable		**4,559,258**		4,559,258
Asset Retirement Obligation	13b	**881**	961	1,842
		6,143,899	961	6,144,860
SHAREHOLDERS' DEFICIENCY				
Capital Stock		**16,771,855**		16,771,855
Contributed Surplus	13d	**309,143**	(309,143)	-
Deficit	13d	**(22,491,339)**	309,143	(22,182,196)
		(5,410,341)		(5,410,341)
		$ 733,558	$ 961	$ 734,519

14. RECONCILIATIONS FROM CANADIAN GAAP TO IFRS (continued)

The Company has reviewed all changes required under IFRS and determined that there are no adjustments required to the prior period statements of operations or the statements of cash flows.

The Canadian GAAP statement of loss and comprehensive loss for the three months ended March 31, 2010 has been reconciled to IFRS as follows:

		3 Months ended March 31, 2010		
	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue				
Petroleum and natural gas		$ **31,171**	$	$ 31,171
		31,171	-	31,171
Direct expenses				
Production		**7,182**		7,182
Royalties		**11,052**		11,052
Depreciation and accretion		**1,875**		1,875
		20,109	-	20,109
Operating income		**11,062**	-	11,062
General and administrative expenses				
Administration fees		**61,800**		61,800
Directors' and Officers' fees		**4,500**		4,500
Filing and transfer agent fees		**6,839**		6,839
Interest		**193,261**		193,261
Office and miscellaneous		**3,764**		3,764
Professional fees		**944**		944
		271,108	-	271,108
Loss before other items and income tax recovery		**(260,046)**	-	(260,046)
Net loss and comprehensive loss		**(260,046)**	-	(260,046)
Basic and diluted loss per share		$ **(0.03)**	$	$ (0.03)
Weighted average number of common shares outstanding		**8,626,862**		8,626,862

14. RECONCILIATIONS FROM CANADIAN GAAP TO IFRS (continued)

The Canadian GAAP statement of income and comprehensive income for the year ended December 31, 2010 has been reconciled to IFRS as follows:

		For the Year Ended December 31, 2010		
	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue				
Petroleum and natural gas	**$**	**121,490**	$	$ 121,490
Miscellaneous		**-**		-
		121,490	-	121,490
Direct expenses				
Production		**66,535**		66,535
Royalties		**23,713**		23,713
Depreciation and accretion		**6,084**		6,084
		96,332	-	96,332
Operating income		**25,158**	-	25,158
General and administrative expenses				
Administration fees (note 13(f))		**194,200**		194,200
Directors' and Officers' fees (note 13(b))		**18,000**		18,000
Filing and transfer agent fees		**18,066**		18,066
Interest		**607,720**		607,720
Office and miscellaneous		**13,565**		13,565
Professional fees		**64,894**		64,894
		916,445	-	916,445
Loss before other items and income tax recovery		**(891,287)**	-	(891,287)
Other items				
Gain on sale of property (note 6)		**1,199,999**		1,199,999
		1,199,999	-	1,199,999
Income before income tax recovery		**308,712**	-	308,712
Income tax recovery		**10,922**		10,922
Net income and comprehensive income for year		**319,634**	-	319,634
Basic and diluted earnings per share	**$**	**0.04**	$	$ 0.04
Weighted average number of common shares outstanding		**8,626,862**		8,626,862

14. RECONCILIATIONS FROM CANADIAN GAAP TO IFRS (continued)

The Canadian GAAP statement of cash flows for the three-months ended March 31, 2010 has been reconciled to IFRS as follows:

		3 Months ended March 31, 2010		
	Notes	**Canadian GAAP**	**Effect of transition to IFRS**	**IFRS**
Operating activities				
Net income (loss) for the period		**$ (260,046)**	$	$ (260,046)
Items not involving cash:				
Depletion and accretion		**1,875**		1,875
Accretion of discount on notes payable		**(370,859)**		(370,859)
Accrued interest on loan payable		**21,648**		21,648
		(607,382)	-	(607,382)
Changes in non-cash working capital:				
Accounts receivable		**8,500**		8,500
Prepaid expenses		**-**		-
Accounts payable and accrued liabilities		**(72,827)**		(72,827)
Due to joint venture participants		**-**		
		(64,327)	-	(64,327)
Cash provided by operating activities		**(671,709)**	-	(671,709)
Inflow (outflow) cash		**(671,709)**	-	(671,709)
Cash, beginning of period		**1,382,109**		1,382,109
Cash, end of period		**$ 710,400**	$ -	710,400

STRIKEWELL ENERGY CORP.

Notes to Consolidated Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

For the Three Months Ended March 31, 2011 and 2010

14. RECONCILIATIONS FROM CANADIAN GAAP TO IFRS (continued)

The Canadian GAAP statement of cash flows for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
		For the Year Ended December 31, 2010		
Operating activities				
Net income (loss) for the period		**$ 319,634**	$ -	$ 319,634
Items not involving cash:				
Depletion and accretion		**6,084**		6,084
Accretion of discount on notes payable		**338,818**		338,818
Accrued interest on loan payable		**86,592**		86,592
Gain on sale of mineral property		**(1,199,999)**		(1,199,999)
		(448,871)	-	(448,871)
Changes in non-cash working capital:				
Accounts receivable		**69,016**		69,016
Accounts payable and accrued liabilities		**68,224**		68,224
		137,240	-	137,240
Cash provided by operating activities		**(311,631)**	-	(311,631)
Investing activities				
Petroleum and natural gas interests		**(41,211)**		(41,211)
Cash used in investing activities		**(41,211)**	-	(41,211)
Financing activities				
Repayment on notes payable		**(777,152)**		(777,152)
Proceeds on issuance of shares		**-**		550,000
Cash used in financing activities		**(777,152)**	-	(227,152)
Inflow (outflow) cash		**(1,129,994)**		(1,129,994)
Cash, beginning of year		**1,382,109**		1,382,109
Cash, end of year		**$ 252,115**	$ -	$ 252,115

14. RECONCILIATIONS FROM CANADIAN GAAP TO IFRS (continued)

The Canadian GAAP statement of Shareholders' equity at January 1, 2010 has been reconciled to IFRS as follows:

		January 1, 2010			
	Notes	Share Capital	Contributed Surplus	Deficit	Total
Beginning balance		16,771,855	309,143	22,810,973	(5,729,975)
Effect of transition to IFRS	13d	-	(309,143)	309,143	-
Balance as at January 1, 2010		**16,771,855**	**-**	**22,501,830**	**(5,729,975)**

The Canadian GAAP statement of Shareholders' equity at March 31, 2010 has been reconciled to IFRS as follows:

		March 31, 2010			
	Notes	Share Capital	Contributed Surplus	Deficit	Total
Beginning balance		16,771,855	309,143	23,071,017	(5,990,019)
Effect of transition to IFRS	13d	-	(309,143)	309,143	-
Balance as at March 31, 2010		**16,771,855**	**-**	**22,761,874**	**(5,990,019)**

The Canadian GAAP statement of Shareholders' equity at December 31, 2010 has been reconciled to IFRS as follows:

		December 31, 2010			
	Notes	Share Capital	Contributed Surplus	Deficit	Total
Beginning balance		16,771,855	309,143	22,491,339	(5,410,341)
Effect of transition to IFRS	13d	-	(309,143)	309,143	-
Balance as at December 31, 2010		**16,771,855**	**-**	**22,182,196**	**(5,410,341)**