Canoel International Energy Ltd.

Condensed Consolidated Financial Statements
As at and for the three months ended June 30, 2011 (unaudited)

In accordance with National Instrument 51-102 released by Canadian Securities Administrators, the Company discloses that its auditor have not reviewed the unaudited condenses consolidated interim financial statements for the period ended June 30, 2011

Managements's Responsibility for Financial Reporting

The accompanying unaudited interim condensed consolidated financial statements of Canoel International Energy Ltd. (the "Company") as at and for the three months ended June 30, 2011 have been prepared by and are the responsibility of the management of the Company and are approved by the board of directors of the of the Company. The condensed consolidated financial statements are prepared in accordance with International Financial Reporting standards ("IFRS") and reflect management's best estimates and judgments based on currently available information.

(signed)"Andrea Cattaneo"	(Signed)"John Arne Farstad"
President and Chief Executive Officer	Chief Financial Officer

September 28, 2011

Calgary, Alberta

Canoel International Energy Ltd.

Condensed Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

As at		June 30, 2011	March 31, 2011	April 1, 2010
		$	$	$
ASSETS	Note			
Current-assets				
Cash and cash equivalents		**607 992**	1 805 629	992 599
Account receivable		**346 913**	242 708	57 542
Other reveivable		**1 267 172**	908 517	490 000
Inventories	4	**46 118**	32 607	-
Prepaid expences		**10 000**	71 045	11 727
		2 278 195	3 060 506	1 551 868
Non-current assets				
Property and equipment	6	**5 040 940**	4 969 952	-
Exploration and evaluation assets	6	**691 218**	691 218	986 420
		5 732 158	5 661 170	986 420
Total assets		**8 010 353**	8 721 676	2 538 288
LIABILITIES				
Current liabilities				
Trade payable		**839 612**	1 002 017	261 566
Other payable		**797 009**	418 517	-
Note payable	5	**313 690**	969 800	-
		1 950 311	2 390 334	261 566
Non-current liabilites				
Oil share agreement	5	**529 369**	531 891	-
Decommissioning provisions	7	**2 263 656**	2 224 547	-
Long-term debt	8	**1 939 600**	1 939 600	-
Convertible notes	9	**62 034**	204 111	-
		6 744 970	7 290 483	261 566
EQUITY				
Capital and reserves attributable to shareholders				
Share capital	10	**5 294 264**	5 112 214	3 136 450
Other equity	10	**19 501**	69 424	-
Warrents	10	**117 598**	114 033	479 283
Contributed surpluss	10	**756 606**	750 221	195 535
Loss and comprehensive loss		**(75 729)**	(65 667)	
Deficit		**(4 846 857)**	(4 549 032)	(1 534 546)
Total equity		**1 265 383**	1 431 193	2 276 722
Total equity and liabilites		**8 010 353**	**8 721 676**	**2 538 288**

Going concern (note 2)

Commitments (note 15)

Subsequent events (note 18)

Approved by the Board of Directors

(Signed) *"Jose Ramon Lopez-Portillo"*
Director

(Signed) *"Andrea Cattaneo"*
Director

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

Canoel International Energy Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited - Expressed in Canadian dollars)

For the three months ended June 30		2011	2010
		$	$
Revenues	**Note**		
Oil and gas sales		**623 090**	-
Royalties		**(64 072)**	-
		559 018	-
Expenses			
Operating		**(369 231)**	-
G&A		**(288 072)**	(224 877)
Share-based payments		**-**	-
Depletion and depreciation	6	**(85 100)**	-
		(742 403)	(224 877)
Operating profit / (loss)		**(183 385)**	(224 877)
Interest income		**459**	13 818
Finance cost		**(114 900)**	-
Net finance income / (cost)		**(114 441)**	13 818
Profit / (loss) before tax		**(297 826)**	(211 059)
	16		
Income tax expense		**-**	-
Net(loss) for the period		**(297 826)**	(211 059)
Comprehensive loss		**(297 826)**	(211 059)
Net (loss) period		**(10 062)**	-
Foreign currency translation (loss)		**(307 888)**	(211 059)
Net(loss) for the period		**(297 826)**	(211 059)
Net loss per share		**(0.01)**	(0.01)
Weighted average shares outstanding during the period basic and diluted		**40 854 880**	21 618 715

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

Canoel International Energy Ltd.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

For the three months ended June 30,	**2011**	**2010**
Cash flows from operating acitivites		(Note 19)
Net loss for period	**(297 826)**	(211 059)
Items not involving cash		
Stockbased payment	**-**	-
Depletion and depreciation	**85 100**	-
Accretion	**44 833**	-
Change in operating assets and liabilities	**(207 597)**	(96 500)
	(375 490)	(307 559)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**-**	-
Acquisition of property, plant and equipment	**-156 088**	-
Proceeds from sale of other investments	**-**	-
Net cash used in investing activities	**-156 088**	**-**
Cash flow from financing activities		
Proceeds from issuance of convertible notes	**-**	500 000
Repayments of borrow ings	**-656 110**	-
Proceeds from issue of share capital	**-**	193 036
Proceeds frim issuance of w arrants	**-**	5 321
Change in non-cash w orking capital	**-9 950**	(219 036)
Net cash used in financing activities	**(666 060)**	479 321
Exchange gain / loss on cash and bank overdrafts		-
Change in cash and cash equivalents	**(1 197 638)**	171 762
Cash, cash equivalents at beginning of year	**1 805 629**	992 599
Cash, cash equivalents and bank overdrafts at end of year	**607 991**	1 164 361
Suplement cash flow disclosure	**459**	401

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

Canoel International Energy Ltd.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited - Expressed in Canadian dollars)

		Share capital							
		Number	Amounts	Other equity	Warrants	Contributed surpluss	Comprehensive loss	Deficit	Total equity
	Note								
Balance at 1 April, 2010		21 618 715	3 136 450	-	479 283	195 535	-	(1 534 546)	2 276 722
Non-brokered private placement		1 825 300	219 036	-	-	-	-	-	219 036
Fair Value of share purchase w arrants		-	(5 321)	-	5 321	-	-	-	-
Share Issue cost		-	(21 743)	-		-	-	-	(21 743)
Issuens of convertible notes		-	-	123 482	11 687	-	-	-	135 169
Finders w arrants		-	-	-	1 064	-	-	-	1 064
Comprehensive loss for the period		-	-	-	-	-	-	(211 059)	(211 059)
Balance June 30, 2010		**23 444 015**	**3 328 422**	**123 482**	**497 355**	**195 535**		**(1 745 605)**	**2 399 189**
Non-brokered private placement		1 805 917	216 710	-	-	-	-	-	216 710
Norw egian private placement		9 110 730	1 093 288	-	-	-	-	-	1 093 288
Share Issue cost		-	(86 347)	-	-	-	-	-	(86 347)
Stock based compensation		-	-	-	-	69 625	-	-	69 625
Issuens of convertible notes		-	-	18 798	1 170	-	-	-	19 968
Finders w arrants		-	-	-	96	-	-	-	96
Fair Value of share purchase w arrants		-	(6 881)	-	6 881	-	-	-	-
Oren Oil share acquisition		602 413	72 290	-	-	-	-	-	72 290
Warrants expired		-	-	-	(422 237)	422 237	-	-	-
Shares of Oren Oil ASA debt		1 813 051	217 500	-	-	-	-	-	217 500
Debt converting		2 566 067	308 000	(72 856)	-	-	-	-	235 144
Stock based compensation		-	-	-	-	62 824	-	-	62 824
Fair Value of share purchase w arrants		-	(30 768)	-	30 768	-	-	-	-
Comprehensive loss for the period		-	-	-	-	-	(65 667)	(2 803 427)	(2 869 094)
Balance March 31, 2011		**39 342 193**	**5 112 214**	**69 424**	**114 033**	**750 221**	**(65 667)**	**(4 549 032)**	**1 431 193**
Debt converting		1 600 000	192 000	(49 923)	-	-	-	-	142 077
Fair Value of share purchase w arrants		-	(9 950)	-	9 950	-	-	-	-
Warrants expired		-	-	-	(6 385)	6 385	-	-	-
Comprehensive loss for the period		-	-	-	-	-	(10 062)	(297 826)	(307 888)
Balance June 30, 2011		**40 942 193**	**5 294 264**	**19 501**	**117 598**	**756 606**	**(75 729)**	**(4 846 857)**	**1 265 383**

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

(Unaudited - Expressed in Canadian dollars)

1 Nature of operations

Canoel International Energy Ltd. ("Canoel" or the "Company") was incorporated pursuant to the provisions of the British Columbia Business Corporations Act on September 20, 2007. The Company is involved in the exploration for, development of and production of petroleum and natural gas properties in Argentina and Tunisia.

On March 10, 2010, the Company formed Ingenieria Petrolera del Rio de la Plata S.R.L. ("IPRP"), a wholly owned subsidiary of the Company. IPRP was established to negotiate management agreements to operate existing producing properties on behalf of other companies; and at present, has no assets and liabilities.

On July 22, 2010, the Company acquired 100% of Central Patagonia SRL ("Central Patagonia"), a subsidiary of two U.S. based companies, thereby acquiring two adjacent oil producing properties in Argentina (the "Argentina Acquisition"). In anticipation of the completion of the Argentina Acquisition, on July 20, 2010 the Company formed a wholly owned U.S subsidiary, Ingenieria Petrolera Patagonia Ltd. ("IPP") to act as the acquirer of the two US companies controlling Central Patagonia.

2 Going Concern

As at June 30, 2011, the Company had not yet achieved profitable operations, has accumulated a deficit of $4,846,857 (June 30, 2010 - $1,745.605) since its inception, and expects to incur further losses in the development of its business. Current cash resources will not be sufficient to continue the exploration and development activities. These matters raise doubt about the ability of the Company to continue to meet its obligations as they become due. Continuing operations are dependent on the ability to obtain adequate funding to finance existing operations, attain commercial production from its Tunisian oil and gas properties and attain future profitable operations in Argentina. Additional financing is subject to the global financial markets and economic conditions, and volatility in the debt and equity markets. These factors have made, and will likely continue to make, it challenging to obtain cost effective funding. There is no assurance this capital will be available and if it is not, the Company may be forced to curtail or suspend planned activity.

These condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and meet its obligations and continue its operations for the foreseeable future. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these consolidated financial statements, then the adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

(Unaudited - Expressed in Canadian dollars)

3 Summary of significant accounting policies and statement of compliance

The Company has adopted International Financial Reporting Standards ("IFRS) for the year ending March 31, 2012. These unaudited condensed consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS"), 34 "Interim Financial Reporting" using accounting policies consistent with IFRS, as issued by the International Financial Standards Board. These condensed consolidated financial statements do not include all of the information required for full annual financial statements.

The Company's consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") until March 31, 2011. Canadian GAAP differs in some areas from IFRS. In preparing the Company's condensed consolidated interim financial statements for the three months ended June 30, 2011, managements recorded transition adjustments on applying IFRS as disclosed in Note 19.

The Company's presentations currency is Canadian dollars ($).

Measurement uncertainty

The Company calculates depreciation, depletion and accretion expense and assesses impairment in long-lived assets and unproven properties using management estimates of oil and gas reserves remaining in oil and gas properties, commodity prices and capital costs required to develop those reserves. Estimates of volumes and the related future cash flows are subject to measurement uncertainty. Such reserve estimates are subject to change as additional information becomes available.

Numerous assumptions and judgments are required in the fair value calculation of the asset retirement obligation ("ARO") including the ultimate settlement amounts, inflation factors, credit adjusted discount rates, timing of settlement, and changes in the legal, regulatory, environment and political environments. To the extent future revisions to these assumptions impact the fair value of any existing ARO liability, a corresponding adjustment is made to the oil and gas property.

The Company uses the Black-Scholes option valuation model to value the stock options granted. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable and takes into account on the date of grant: the exercise price and expected life of the option; the price of the underlying security; the expected volatility and dividends (if any) on the underlying security; and the risk-free interest rate. The model requires management to make estimates which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

Future income taxes are based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted.

(Unaudited - Expressed in Canadian dollars)

By their nature, these estimates are subject to measurement uncertainty, and the impact of differences between actual and estimated amounts on the consolidated financial statements of future periods could be material.

Principles of consolidation

These condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries IPRP and IPP. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing these condensed consolidated financial statements

Foreign currency translation

The US subsidiaries and their Argentinean operation have US dollars and Argentinean Pesos as their functional currency, as the Company reports its result in Canadian dollars, its therefore uses the current rate method of foreign currency translation. Under the current rate method, accounts are translated to Canadian dollars from their U.S dollar and Argentinean Pesos functional currency as follows: assets and liabilities are translated at the exchange rate in effect at the balance sheet date, shareholders' equity is translated at historical rates at the date of each transaction, and revenues and expenses are translated at the average exchange rate for the period. Gains and losses resulting from the translation of Argentinean operations to Canadian dollars are included in the foreign currency translation account within other comprehensive income.

Transactions in foreign currencies other than the functional currencies are translated at the rates in effect on the transaction date. Exchange gains or losses arising on translation or settlement of foreign currency denominated monetary items are charged to earnings in the period they arise.

Joint interests operations

The Company's oil and gas operations are conducted jointly with other parties and accordingly, the consolidated financial statements reflect only the Company's proportionate interest in these assets and operations.

Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments held in the form of high quality commercial paper, treasury bills, bankers' acceptances, money market investments and certificates of deposit with investment terms that are less than three months at the time of acquisition. These investments are stated at fair value, which approximates cost plus accrued interest.

Inventory

Inventories consist of oil and condensate, which are recorded at the lower of cost and net realizable value. Cost is comprised of operating expenses that have been incurred in bringing inventories to their present location and condition and the portion of depletion expense associated with the oil and condensate production. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. The Company assigns the cost of inventory using the first-in-first out method. All inventory outstanding at the beginning of the period is sold during the period.

Property, plant and equipment

(i) Petroleum and natural gas properties

Cost incurred before acquiring the legal right to explore are recognized in the statements of operations and incurred.

The Company follows the full cost method of accounting whereby all costs related to the acquisition are initially capitalized on a country by country cost centre basis. Costs capitalized include land acquisition costs, geological and geophysical expenditures, lease rentals, costs of drilling productive and non-productive wells, together with overhead and interest directly related to exploration and development activities, and lease and well equipment. These capitalized costs will be depleted following the unit-of-production method based on proved and probable reserves.

As the Company’s Tunisian oil and gas activities are in the pre-production stage, these cost are evaluated in each reporting period determine if the cost recorded are recoverable. Any cost unlikely to be recovered is written off. If commercial productions begin, these capitalized cost will depleted following the unit-of-production method based on proven and probable reserves.

Any gains or loss on disposition of unproven properties would be recognized on relative basis.

The carrying values of oil and gas properties may not reflect their future value. In particular, the future value of the oil and gas properties depends on the start-up of commercial production, the ability of the company to obtain adequate financing and the future profitability of the oil and gas properties.

(ii) Depletion

Costs capitalized are depleted and amortized on a cost centre basis using the unit-of-production method based on estimated proved petroleum and natural gas reserves before royalties as determined by independent engineers. For purposes of this calculation, petroleum and natural gas reserves before royalties are converted to a common unit of measure on the basis of their relative energy content where one barrel of oil or liquids equals six thousand cubic feet of gas.

In determining its depletion base, the Company includes estimated future capital costs to be incurred in developing proved reserves and excludes the cost of significant unproved properties until it is determined whether proved reserves are attributable to the unproved properties or impairment has occurred. Unproved properties are evaluated separately for impairment.

(iii) Ceiling test

Under the full cost method of accounting, a limit is placed on the carrying amount of petroleum and natural gas properties. A ceiling test is performed on a country by country cost centre basis to recognize and measure impairment, if any.

The carrying value of oil and gas properties may not reflect their fair value. In particular, the future value of the oil and gas properties depends on the start-up of commercial production, the ability of the Company to obtain adequate financing and the future profitability of the oil and gas properties. A limit is placed on the carrying value of the net capitalized assets in order to test impairment. Impairment is recognized if the carrying amount of petroleum and natural gas properties, less the cost of unproved properties not subject to depletion (the "adjusted carrying amount"), exceeds the estimated undiscounted future cash flows from the Company's proved reserves. The future cash flows are based on forecast prices and costs, as provided by an independent third party. If recognized, the magnitude of the impairment, if any, is measured by comparing the adjusted carrying amount to the estimated, discounted future cash flows of the Company's proved plus probable reserves. The cash flows are discounted at a risk-free interest rate. Any recognized impairment is recorded as additional depletion and amortization expense.

(iv) Other assets

Other assets are carried at cost and amortized over the estimated useful lives of the assets at various rates per annum calculated on a declining balance basis. Amortization is charged at half rates in the year of acquisition.

Decommissioning Provisions (Asset retirement obligations "ARO")

The Company recognizes the fair value of an ARO in the period in which a well or related asset is drilled, constructed or acquired and when a reasonable estimate of the fair value can be made. The fair value of the estimated ARO is recorded as a long-term liability, and equals the present value of estimated future cash flows, discounted using a risk-free interest rate adjusted for the Company's credit standing. The liability accretes until the date of expected settlement of the retirement obligations or the asset is sold and is recorded as an accretion expense. The associated asset retirement costs are capitalized as part of the carrying value of the related assets. The capitalized amount is amortized to earnings on a basis consistent with depreciation and depletion of the underlying assets. Actual restoration expenditures are charged to the accumulated obligation as incurred.

On a periodic basis, management will review these estimates and if changes to the estimate are required, these changes will be applied on a prospective basis, and will result in an increase or decrease to the ARO.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using income tax rate that are substantively enacted and expected to apply in the periods when the temporary differences are expected to reverse. The effect of a change in rates on future income tax assets and liabilities is recognized in the period that the change occurs. A valuation allowance is recorded against any future tax assets; if it is more likely than not that the asset will not be realized.

Revenue recognition

Revenue from the sale of petroleum and natural gas is recorded on a gross basis when title passes to an external party and is recognized based on volumes delivered to customers at contractual delivery points and rates and when the significant risks and rewards of ownership have been transferred to the buyer and collectability is reasonably assured.

Stock-based compensation

Under the fair value method, compensation cost attributable to all stock options granted are measured at fair value at the date of grant and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options, the consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital and the contributed surplus balance is reduced.

The Company has not incorporated an estimated forfeiture rate for stock options that will not vest, rather, the Company accounts for actual forfeitures as they occur.

Per share amounts

Basic per share amounts are calculated using the weighted average number of common shares outstanding during the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only options for which the exercise price is less than the market value impact the dilution calculations.

Financial instruments

Financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available for sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the balance sheet date at fair value upon initial recognition except for certain related party transactions. Subsequent measurement depends on the

initial classification of the instrument. Held-for-trading financial assets and liabilities are measured at fair value, with changes in fair value recognized in net earnings (loss). Available for sale financial instruments are measured at fair value, with changes in fair value recorded in OCI until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are recognized at fair value and subsequently measured at amortized cost.

The Company has designated its cash and cash equivalents as held for trading, which are measured at fair value. Accounts receivable are designated as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, note payable, and long-term debt are designated as other financial liabilities, which are measured at amortized cost. The convertible notes are classified as debt on the balance sheet with a portion of the proceeds allocated to equity. The debt component has been measured at amortized cost.

The Company expenses all transaction costs as incurred in relation to the acquisition of a financial assets or liability.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (OCI). OCI comprises the change in the fair value of the effective portion of the derivatives used as hedging items in a cash flow hedge, the change in fair value of any available-for-sale financial instruments and foreign exchange gains or losses arising from the translation of Argentinean operation using the current rate method to Canadian dollars. Amounts included in OCI are shown net of tax. Accumulated other comprehensive income is an equity category comprised of the cumulative amounts of OCI.

3 New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for accounting periods beginning after January 1, 2010, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

a. New accounting standards effective January 1, 2012

Amendments to IFRS 7 Finical Instruments: Disclosures – In October 2010, the IASB issued amendments to IFRS 7 that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with early adoption permitted. The Company does not anticipate this amendment to have significant impact on its condensed interim financial statements.

IAS 12 Income taxes - In December 2010, the IASB issued an amendment to IAS 12 that provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with early adoption permitted. The Company does not anticipate this amendment to have significant impact on its condensed interim financial statements.

(Unaudited - Expressed in Canadian dollars)

b. New accounting standards effective January 1, 2013

IFRS 9 Financial Instruments – IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains or losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

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

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company:

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

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

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

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

dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

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

Each of the new standards, IFRS 9 to 13 and the amendments to other standards, is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new amendment standards will have on its condensed interim financial statements or whether to early adopt any of the new requirements.

4 Inventory

Inventory at June 30, 2011 of $46,118 (June 30, 2010 - $nil) consist of crude oil that has been produced but yet not sold.

5 Business combinations

On July 22, 2010, a Share Purchase Agreement (the "Agreement") was signed to acquire Central Patagonia. Pursuant to the Agreement, IPP completed the Argentina Acquisition of Central Patagonia from Central Argentina Corporation ("Central Argentina") through the purchase of the shares of Central Patagonia Corp ("CPC") and CPC Holdings Inc. ("CPC Holdings"), who together own 100% of Central Patagonia. The purchase price was US$3,316,616. Central Argentina is the previous parent company of CPC and CPC Holdings. Of the total purchase price, US$1,400,000 was advanced by the Company through IPP on the closing date and US$1,368,161 is repayable under two different promissory notes (collectively the "Notes"). The first note is due to Central Argentina on the maturity date of July 22, 2011 and bears an interest rate of 7.5% per annum, payable quarterly. A second promissory note for the amount of US $368,161 is due to Central Argentina on the maturity date of March 22, 2011 and bears an interest rate of 7.5% per annum until November 22, 2010, at which point the interest rate increases to 15% per annum. At its option, the Company may repay any amount of the Notes prior to the respective maturity dates. The Notes are secured by a first lien on the equity interests and all personal and real property of CPC, CPC Holdings and Central Patagonia. At March 31, 2011 the note payable is $969,800.

The remaining consideration pursuant to the Agreement is as follows: for a period of three years from November 30, 2010, the Company will provide Central Argentina with the following: (i) 50% of the annual gross revenue derived from the sale of barrels of oil at a per barrel invoice price that exceeds USD $42.00, but is less than or equal to USD $52.00; and (ii) 25% of the annual gross revenue derived from the sale of barrels of oil at a per barrel invoice price that exceeds USD $52.00. The Company have calculated a NPV of

this obligation at US $ 548,455 based on a 7.5 percent discount rate and estimated future production and estimated future sale price. The value at March 31, 2011 is $531,891.

Calculation of the purchase price	$
Cash	1,440,880
Promissory note	1,029,200
Promissory note	378,911
Oil share consideration	564,470
	3,413,461

Allocated as follows	$
Property, plant and equipment	5,132,620
Working capital	492,117
Asset retirement obligation	(2,211,276)
	3,413,461

The Company has accounted for the Argentina Acquisition as prescribed by CICA Handbook section 1582 “Business Combinations”. As the acquirer, the Company is required to recognize the fair value of assets and liabilities of Central Patagonia as at July 22, 2010. The results of operations of Central Patagonia are included in the consolidated financial statements of the Company from July 22, 2010. Costs associated with the Argentina Acquisition of $135,600 were expensed and are included in general and administrative expense.

The following table shows selected pro forma financial information as if the acquisition had occurred on April 1, 2010 instead of actual closing dates on July 22, 2010.

Three months ended June 30, 2010	$
Revenues	308,446
Net Profit	(142,970)

6 Petroleum and Natural Gas Assets

			June 30, 2011
	Cost	**Accumulated depletion & depreciation**	**Net book value**
	$	**$**	**$**
Property and equipment	**5,354,294**	**313,354**	**5,040,940**
Exploration and evaluation	**986,420**	**295,202**	**691,218**
	6,147,154	**1,126,645**	**5,732,158**

	June 30, 2010		
	Cost	Accumulated depletion & depreciation	Net book value
	$	$	$
Exploration and evaluation	**986,420**	**-**	**986,420**
	986,420	**-**	**986,420**

The Company has reviewed for impairment the unproved properties in Tunisia. The Jorf exploration acreage has shown some fundamental flaws after a process of re-processing geophysical data. The Company has consequently impaired this specific Tunisian property for the amount of $ 295,202 in fourth quarter 2011. In this quarter no impairment occurred.
The company capitalized $nil (2010 - $nil) of direct general and administrative cost. The Company has prospect expenses associated with the Company's effort to establish exploration activities in Russia and Mongolia of $513,149 has been expensed.

As at June , 2011, the Company performed a ceiling test calculation to assess the recoverable amount of its property and equipment. No impairment occurred on the ceiling test.

The following table summarizes the future benchmark used in ceiling test as at June 3. 2011

	Price $/STB	Foreign Exchange ARS/CAD
2011	**52.6**	**0.25**
2012	**52.6**	**0.25**
2013	**52.6**	**0.25**
2014	**52.6**	**0.25**
2015	**52.6**	**0.25**

7 Decommissioning Liabilities (Asset retirement obligation)

The asset retirement obligation relates to the future site restoration and abandonment cost including the cost of production equipment removal and environmental clean-up based on regulations and economic circumstances at June 30, 2011.

The following table reconciles the Company's asset retirement obligations as at June 30, of each fiscal year:

June 30,	2011 $	2010 $
Balance, beginning of period	**2,224,547**	**-**
Accretion expense	**44,833**	**-**
Foreign currency translation	**(5,724)**	**-**
Balance, end of period	**2,263,656**	**-**

The Company has estimated the fair value of its total asset retirement obligations for Argentina based on estimated future undiscounted liabilities of $8.5 million (June , 2010 - $ Nil). The inflations rate used in calculating the fair value were 9.5 percent for Argentina. The cost is expected to be incurred between 2015 and 2025. A risk-free rate of 10 percent was used.

8 Long term Debt

On January 20, 2011, the Company obtained a loan from a private lender in the amount of US$2,000,000. The loan matures in two years, and can be extended for an additional six months.

The loan is unsecured and bears interest at the fixed U.S Prime rate plus 6.75% payable quarterly, with the first interest payment due on April 21, 2011 The Company has agreed to grant security over additional oil and gas assets acquired in Argentina, if any and once acquired, using the loan proceeds. Subject to regulatory approval the lender has the right to participate in a portion of the profit from the eventual sale of any such property. As at June 30, 2011, no additional Argentinean properties have been purchased.

9 Convertible notes

	Face value $	Debt component $	Equity component $
Balance, beginning of April 1, 2010	-		-
Issued	575,000	419,863	142,280
Accretion expense	-	14,188	-
Settlement	(308,000)	(229,940)	(72,856)
Balance, end of March 31, 2011	267,000	204,111	69,424
Settlement	(192,000)	(142,077)	(49,923)
Balance, end of June , 2011	75,000	62,034	19,501

On June 24, 2010, the Company issued 100 convertible notes (“Note 0,1”) and on September 2, 2010, the Company issued 15 convertible notes (“Note 0,2 and Note 0,3”), collectively the “Notes”, by way of a private placement for total gross proceeds of $500,000 from Note 0,1 and $75,000 from Note 0,2 and Note 0,3. Each Note consists of one unsecured convertible note, with a principal value of $5,000, and 5,000 common share purchase warrants (the “Warrants”). The Notes will mature 4 years from the date of issuance, unless early redemption or conversion occurs. The principal amount of each Note is convertible into common shares of the Company at the option of the holder at any time prior to maturity at a conversion price of $0.20 per share.

The Notes bear interest at a rate of 15% per annum, payable in arrears in equal quarterly installments. The Notes will be fully due and payable on the maturity date with the repayment of the principal commencing on September 24, 2011 for Note 0,1 and December 2, 2011 for Note 0,2 and Note 0,3, in 12 equal, quarterly installments. Subsequent to one year from the respective issue dates, the Company has

the option to repay the principal balance in full at any time provided written notice is given one-month in advance.

Each Warrant entitles the holder to purchase one additional common share of the Company at a price of $0.50 per share until June 24, 2014 for Note 0,1 and September 2, 2014 for Note 0,2 and Note 0,3, (note 10(c)).

On October 5, 2010, a stakeholder of the Company's Note 0,1 convertible debt converted $308,000 of debt into 2,566,667 common shares at a price of $0.12 per share under a settlement agreement. The stakeholder was also issued an additional 1,283,333 purchase warrants. Each warrant entitles the holder to purchase one common share in the capital of Canoel at a price of $0.17 per share for a period of one year from the date of the issue. The remaining balance of the convertible debt after this conversion is $ 267,000.

The Notes are a compound financial instrument and as such have been bifurcated and recorded as a liability and as equity. The residual valuation method was used to determine the equity portion of the Notes. Under this approach, the liability component was valued first, and the difference between the proceeds of the Notes and the fair value of the liability was assigned to the equity component. The present value of the liability component was calculated using a discount rate of 8% which approximated the interest rate that would have been applicable to non-convertible debt of the Company at the time the Notes were issued. The fair value of the warrant subsequently reduced the liability portion of the Note. The liability component of the Notes will be accreted to the remaining face value of $267,000 over the four year life for both the equity component and the value of the warrant.

The Company incurred debt issuance costs of $40,000 payable to unrelated parties who assisted in sourcing subscribers for the placement. These costs were expensed through the consolidated statement of loss, comprehensive loss and deficit.

The Notes are secured by the Company's interest in all of the rights, title and interest in all shares of the capital of IPP.

10 Share Capital

a) **Authorized**

Unlimited number voting common shares without par value.
Unlimited number of preferred shares issuable in series and without par value.

b) **Issued**

	Number of Common Shares	Amount $
Outstanding, March 31, 2011	39,342,792	5,112,214

(Unaudited - Expressed in Canadian dollars)

Debt converting (i)	1,600,000	192,000
Fair value of share purchase warrants (i)		(9,950)
Outstanding, June 30, 2011	40,942,792	5,294,264

(i) During the three months ended June 30, 2011, the Company issued 1,600,000 common shares at a price of $0.12 per share. On April 25, 2011, a stakeholder of the Company's Note 0,1 convertible debt (note 9) converted $192,000 of debt into 1,600,000 common shares at a price of $0.12 per share. The stakeholder was issued 800,000 purchase warrants. Each warrant entitles the holder to purchase one Common Shares in the capital of the Company at a price of $0.17 per share for a period of one year from the date of the issue. The Company has allocated $9,950 of the unit value to warrants (note 10(c)).

(ii) During the year ended March 31, 2008, the Company closed a private placement to issue 3,080,000 common shares at a price of $0.10 per share for gross proceeds of $308,000. At the time of issuance, 3,080,000 common shares were held in escrow pursuant to the requirements of the TSXV. Subsequent to the completion of the Qualifying Transaction on December 8, 2008, 10% of the common shares were released from escrow.

As of June 30, 2011, there were 462,000 common shares remaining in escrow, which will be released in one tranches of 462,000 common shares on December 8, 2011.

As at June 30, 2011 the company has not issued any preferred shares.

c) **Warrants**

Warrants to acquire common shares outstanding at June 30, 2011 are as follows:

	Number of warrants issued and exercisable	Amount $	Weighted average exercise price $
Balance, March 31, 2011	6,334,503	114,033	0.30
Debt conversion (10b(i))	800,000	9,950	0.17
Warrants expired first quarter 2012 (10c(ii))	(1,095,180)	(6,385)	0.20
Balance June 30,2011	6,039,323	117,598	0.30

(i) Warrants issued in the three months period ending June 30, 2011:
- 800,000 warrants with exercise price $0.17, issued April 25, 2011, valid until April 25, 2012.

(ii) Warrants expired in the three months period ending June 30, 2011:
- 1,095,180 warrants with exercise prize $0.2, issued June 30, 2010, expired June 30, 2011.

The fair value of the share purchase warrants granted during the period are estimated at the grant date using the Black-Scholes option pricing model and have been credited to warrants within shareholders' equity. A weighted average of the assumptions used in the calculation is noted below:

(Unaudited - Expressed in Canadian dollars)

	2011	2010
Risk-free rate	1.20%	1,26%
Expected life	0.80 years	1.57 years
Expected volatility	108%	60%
Fair value per warrant	$0.18	0.05

d) **Stock options**

The Company established a stock option plan (the "Plan") for the benefit of directors. The maximum number of shares available under the Plan is limited to 10% of the issued common shares at the time of granting the options. Granted options become fully vested on the date of the grant and, if unexercised, expire 5 years from that date.

During the three months ended June 30, 2011, there were no stock options grants, cancellations, exercise or expiries.

The following table summarizes information about the Company's stock options outstanding at June 30, 2011:

	Number of options Outstanding and exercisable	**Weighted average exercise price $**
Balance, March 31, 2011 and June 30, 2011	3,715,000	0.11

The fair value of the stock options granted during the year is estimated at the grant date using the Black-Scholes pricing model. The assumptions used in the calculation are noted below:

	June 30, 2011	**June 30, 2010**
Risk-free rate	2.72%	2.12%
Expected life	5 years	5 years
Expected volatility	107%	60%
Fair value per warrant	$0.07	$0.09

Stock-based compensation expense for the three months ended June 30, 2011 was $nil (June 30, 2010 - $nil).The total amount has been recorded as an offsetting credit to contributed surplus.

The following table summarizes information about the Company's stock options outstanding at June 30, 2011:

Option outstanding and exercisable

(Unaudited - Expressed in Canadian dollars)

Range of exercise prices ($)	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price $
0.00-0.10	3,100,000	4.15	0.10
0.11 - 0.20	470,000	3.25	0.16
0.21 – 0.30	145,000	3.45	0.23

e) **Contributed Surplus**

	2011 $	2010 $
Balance, beginning of year	195,535	152,101
Stock-based compensation (note10(d))	132,449	43,434
Warrants expired	422,237	-
Agent options	-	56,143
Balance, end of year	**750,221**	195,535

f) **Per share data**

Basic earnings per share are calculated based on the weighted average number of shares outstanding during the year ended June 30, 2011 of 32,350,980 (June 30, 2010: 21,618,715) respectively. Currently, the effect of potential issuance of common shares upon the exercise of options, warrants or agent options would be anti-dilutive since the Company is in a net loss position and accordingly basic and diluted loss per common share are the same.

11 Accumulated other comprehensive Income (loss)

Period ended June 30,	2011 $	2010 $
Balance, beginning of period	(65,667)	-
Foreign currency translations (loss) gain	(10,062)	-
Balance, end of period	**(75,729)**	-

12 Capital Management

The Company's objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to explore and develop its projects to provide returns for shareholders and benefits for other stakeholders. The Company manages its common shares, options and warrants as capital. The Company has just come out of the development stage; however its cash flow from the Argentinean operation will be needed in the near term to finance the operations and to repay the vendor loans, and therefore the Company's principal source of funds will still remain the issuance of common shares. The Company's ability to raise future capital through equity is subject to uncertainty and the inability to raise such capital may have an adverse impact over the Company's ability to continue as a going concern.

As part of the capital management program the Company monitors its working capital ratio. The Company's objective is to maintain a working capital ratio of greater than 1:1 defined as the ratio of currents assets divided by current liabilities. At June 30, 2011, the working capital ratio was 1.16:1.

13 Related Parties

Related party transactions not disclosed elsewhere in these consolidated financial statements are as follows:

During the three months ended June 30, 2011:

a) Aggregate consulting fees of $63,000 (June 30, 2010 - $52,705) were charged by directors and officers of the Company and recorded in the consolidated statement of loss, comprehensive loss and deficit.

b) Aggregate bonus of $nil (June 30, 2010 - $nil) were paid to certain directors and officers of the Company and recorded in the consolidated statement of loss, comprehensive loss and deficit.

c) Aggregate legal fees of $nil (June 30, 2010 - $7,985) were charged by a director of the Company and recorded in the consolidated statement of loss, comprehensive loss and deficit.

d) Included in accounts payable and accrued liabilities at June 30, 2011 was $12,689 (June 30, 2010 - $16,406) payable to related parties.

Transactions with related parties are recorded at the exchange amount, being the price agreed between the parties.

14 Financial Instruments and Risk Management

The Company's risk management policies are established by the Board of Directors to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's policy.

a) **Fair values**

The Company classifies fair value measurements using the following fair value hierarchy that reflects the significant of the inputs used in making the measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Input 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. devised from prices); and;

- Level 3: inputs for the asset or liability that are not based on observable marked data (unobservable inputs).

Cash and cash equivalent are classified as held for-trading and measured at fair value. The fair value of accounts receivable approximate their carrying value due to their short periods to maturity. The fair value of accounts payable and note payable approximate their carrying values due to their short periods to maturity. The carrying value of the Company's convertible notes and oil share agreement approximates the fair value.
The Company's long-term debt bears interest at floating market rates and, accordingly, the fair value approximates the carrying amount.

b) **Credit risk**

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its commercial obligations. This arises principally from joint venture partners.

$490,000 of the Company's other receivable is with the operator of the Tunsian permits, thus exposing the Company to concentration risk. The receivable is a cash call payment made to the operator and is pending utilization as drilling commences. Management believes the risk is mitigated by the reputation of the operator and the operator's intention to continue the development of the Tunisian permits. The Company's maximum credit risk exposure is limited to the carrying value of its accounts receivable and other receivable of $1,614,085 and cash and cash equivalents of $607,992.

$165,367 of the Company's accounts receivable is due from a major international company which purchases Canoel's crude oil production in Argentina and are subject to the same industry factors such as commodity price fluctuations and escalating costs. This amount have been collected subsequently. The Company generally extends unsecured credit to these customers and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes risk is mitigated by the size and reputation of the companies to which they extend credit. The Company has not experienced any credit loss in the collection of accounts receivable in the period ended June 30, 2011.

As the Company has not entered into any derivative financial instruments, it is not exposed to credit risk associated with possible non-performance by counterparties to any such derivative financial instrument contracts.

(Unaudited - Expressed in Canadian dollars)

c) **Market Risk**

Market risk is the risk that changes in foreign exchange rates, commodity prices, and interest rates will affect the Company's net (loss) income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Currently the Company does not use financial derivatives or physical delivery sales contracts to manage market risks. If in the future management determines market risk warrants the use of financial derivatives or physical delivery sales contracts any such transactions would be approved by the Board of Directors.

(i) **Commodity price risk**

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Oil prices in Argentina are the results of complicated formulas that are set by refineries based on instructions or decrees from the government and crude oil prices in Argentina are capped by the Government at variable levels. From early 2010 the price has gradually increased from US $42.00 per barrel to the market price at the end of March 31, 2011 of US $52.60 per barrel, and the market price at July 2011 of US $53.60.

(ii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at June 30, 2011, the Company has interest bearing cash accounts held with an investment grade institutions. A change of one percent on the variable interest rate for the year would not have a significant impact on the Company.

The Company has fixed interest on convertible notes (note 9).

As at June 30, 2011 the Company has US $2 million (note 8) (June 30, , 2010 - $nil) of debt with floating interest, hence a variation of 1 percent represent US $20,000 in savings or added cost for the Company.

d) **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company ensures, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or harm to the Company's reputation.

As at June 30, 2011, the Company's current financial liabilities total $1,950,311, and are comprised of accounts payable and accrued liabilities, the current portion of the notes and the notes payable. As of

June 30, 2011, the Company's cash and cash equivalent balance is not sufficient to meet the Company's obligations.

e) **Currency risk**

Foreign currency exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. To date the Company has focused on the international market for petroleum and natural gas opportunities where many of the anticipated future expenses will be denominated in United States dollars. A hypothetical change of 10% to the foreign exchange rate between the US dollar and the Canadian dollar applied to the average level of US denominated cash and cash equivalents during the period would have an insignificant impact on the Company's earnings for the period.

The operational currency of the Argentinean company is the Argentine peso ("peso"), the local currency AR$. The peso has steadily depreciated against the US$ during the last 5 years, going from 2.98 pesos for US$1.0 on January 2006 to 4.06 pesos for US$1.0 March 31, 2011. The US$ is the currency of reference for the oil sales of the Argentinean company to local refineries.

15 Commitments

The Company has entered into a farm-out and participation agreement giving it the right to participate in production sharing contracts in Tunisia which will provide the Company with a participating interest in the respective properties. Should the Company elect to participate in these production sharing contracts, it will be required to participate in the drilling of one exploratory well in each of the Bazma and Sud Touzer properties. The current production sharing contracts expire in 2016 for Bazma and 2017 for Sud Touzer. The operator may renew the production sharing contracts for Bazma and Sud Touzer, although it anticipates undertaking the exploration activities prior to renewal of the production sharing contracts. Further renewals of the blocks will be discussed on a project by project basis with the Energy State Authority of Tunisia. Should the Company elect to participate, its estimated share of the expenditures is: US $907,000 in Bazma, of which US $426,000 has already been advanced to the operator resulting in a net remaining amount of US $481,000 and US $1,531,000 for Sud Touzer.

16 Future Income Taxes

a) The significant components of the Company's future tax assets and liabilities are as follows:

	2011	2010
	$	$
Property, plant and equipment	**(67,813)**	(44,795)
Non-capital loss	1,159,237	465,884
Share issuance costs	**101,147**	118,069
Valuation allowance	**(1,192,571)**	(539,158)
	-	-

b) The provision for income taxes is different from the amount computed by applying the combined Federal and Provincial tax rates to the loss before income taxes. The reasons for the difference follows:

	2011	2010
	$	$
Expected income tax provision (reduction) at 26.50% (2010 – 28.75%)	**(940,696)**	(303,400)
Non-deductible items	**35,099**	15,500
Change in tax rate and other	**310,550**	37,500
Valuation allowance	**645,681**	250,400
	50,634	-

c) The Company has non-capital losses carried forward totaling $4,636,948, which expire as follows:

2022	$ 33,232
2028	586,365
2029	1,243,940
2030	2,773,411
Total	4,636,948

17 Segmented information

The Company's operations are conducted in one business sector, the oil and natural gas industry. Geographical areas are used to identify Company's reportable segments. A geographic segment is considered a reportable segment once its activities are regularly reviewed by the Company's management. The accounting policies used in the preparation of the information of the reportable segments is the same as those described in the summary of significant accounting policies. Revenues, segment profits and capital additions by reportable segments are as follows:

Three months ended June 30,		**2011**		2010
Segment	**Revenue**	**Gain(Loss)**	**Revenue**	**Gain(Loss)**
Tunisia	-	-	-	-
Argentina	623,090-	35,432	-	-
Other	459-	(333,258)-	401-	(211,460)-
Total	**623,549-**	**(297,826)-**	401-	(211,460)-

Three months ended June 30,		**2011**		2010
Segment	**PP&E**	**Total Assets**	**PP&E**	**Total Assets**
Tunisia	691,218	691,218	986,420	986,420
Argentina	5,040,940	6,430,919	-	-
Other	**-**	888,216	-	1,984,029
Total	**5,732,158**	**8,010,353**	986,420	2,970,449

(Unaudited - Expressed in Canadian dollars)

18 Subsequent events

The Company entered into the following transactions subsequent to June 30, 2011:

a) On May 25, 2011, the Company entered into an agreement with the holders of $50,000 aggregate payable amount of convertible debentures to settle the debt for an aggregate of 416,666 Common Shares in the Capital of Canoel at a deemed price of $0.12 per share and share purchase warrants entitling the holder to purchase up to an aggregate of 208,333 Common Shares in the capital of Canoel at a price of $0.17 per share for a period of one year from the date of issue. The transaction contemplated in the May 25, 2011 agreement has not yet closed.

b) On July 4, 2011, the company has repaid the last existing Convertible Debenture for the amount of $ 25,000 so to completely close the issue of an instrument that was created during the summer of 2010.

c) On July 21, 2011 the Company reached an agreement, subject to regulatory approval, for a Private Placement of Convertible Notes denominated in NOK and bearing 12 % interests and convertibility for 36 months at the rate of 0.15 per each share for an aggregate amount of NOK 1,200,000 (approximately $208,000) .

d) On August 5, 2011 the Company divested its interest in the Tunisian blocks of Jorf, Bazma and Sud Tozeur (the"Tunisian Blocks") which it acquired in late November 2008.
Pursuant to a Termination and Release Agreement, Canoel and CYGAM Energy Inc. ("CYGAM") have terminated the Farmout Agreement wherein Canoel was granted the opportunity to participate in certain oil and gas operations in order to earn an interest in the Tunisian Blocks, as well as the Memorandum of Understanding ("MOU") whereby Canoel acquired the opportunity to participate in oil and gas operations in order to earn a further interest in certain of the Tunisian Blocks.
Pursuant to the Termination and Release Agreement, CYGAM has agreed to pay $621,278 (the "Termination Fee"), an amount equal to those costs paid by Canoel pursuant to the Farmout Agreement, in exchange for the assignment and transfer of any rights earned by Canoel under the Farmout Agreement or the MOU. CYGAM has agreed to pay $50,000 of the Termination Fee to Canoel within 5 days of the approval of the Termination and Release Agreement by the board of directors of both of CYGAM and Canoel, and the balance of the Termination Fee, $571,278, no later than March 31, 2012. Further, Canoel has surrendered its deposit of $490,000 paid to CYGAM pursuant to the terms of the Farmout Agreement (the "Deposit"), and CYGAM has agreed to pay Canoel an amount up to the amount of the Deposit, subject to certain conditions.

19 Transition to IFRS

As stated in Note 3, these are the Company's first IFRS condensed consolidated interim financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with IFRS. The impact that the transition for Previous GAAP to IFRS has had on the Company's financial position and financial performance is set out in this note.

The significant accounting policies described in Note 3, have been applied in the preparation of these financial statements for the three months ended June 30, 2011, as well as in the preparation of the comprehensive information presented for the year ended March 31, 2011, the three months ended June 30, 2010, and in the opening IFRS balance sheet as at April 1, 2010 (the "transition date"), expect where certain IFRS 1 exemptions have been applied as described below.

IFRS 1 First-Time Adoptions of International Financial Reporting Standards ("IFRS 1")

IFRS 1 contains specific transitional guidance for first-time adopters if IFRS and is applied when an entity prepares its first financial statements under IFRS. In general IFRS requires a first-time adopter to apply all IFRSs retrospectively; however under IFRS 1 there are optional exemptions from some requirements of other IFRSs.

The IFRS 1 exemptions that Canoel applied to its opening IFRS balance sheets as at April 1, 2010 are as follows:

Share based payment transactions: The company did not apply IFRS 2 Share-Based Payments to its fully vested stock options outstanding as at the transition date.

IFRS 1 also requires that an entity's estimates under IFRS at the date if transition to be consistent with estimates made under its previous GAAP for the same date, unless there is objective evidence that those estimates were made in error. The Company's IFRS estimates at April 1, 2010 are consistent with the estimates made under Previous GAAP for the same date.

Reconciliations from previous GAAP to IFRS

An explanation of how the transition from Previous GAAP to IFRS has affected the Company's consolidated statements of the financial position, statements of the operations and comprehensive loss as at the date of the transition and comparative periods is set out in the following reconciliations and in the notes that accompany the reconciliations. Certain amounts on the statements of financial positions and statements of operations and comprehensive loss have been reclassified to confirm to the presentations adopted under IFRS.

(Unaudited - Expressed in Canadian dollars)

As at		As at April 1, 2010		
		Canadian GAAP	**Effect of Transition to IFRS**	**IFRS**
		$	$	$
ASSETS	Note		(Note 19)	(Note 19)
Cash and cash equivalents		992 599	-	992 599
Account receivalbe		547 542	-	547 542
Inventories		-	-	-
Prepaid expences		11727	-	11727
		1 551 868	-	1 551 868
Non-current assets				
Property, plant and equipment		986 420	-	986 420
		986 420	-	986 420
Total assets		2 538 288	-	2 538 288
LIABILITIES				
Current liabilities				
Trade and other payables		261 566	-	261 566
Note payable		-	-	-
		261 566	-	261 566
Non-current liabilites				
Oil share agreement		-	-	-
Asset retirement obligation		-	-	-
Long-term debt		-	-	-
Convertible notes		-	-	-
		261 566	-	261 566
EQUITY				
Capital and reserves attributable to shareholders				
Share capital		3 136 450	-	3 136 450
Other equity		-	-	-
Warrants		479 283	-	479 283
Contributed surpluss		195 535	-	195 535
Loss and comprehensive loss			-	
Deficit		(1 534 546)	-	(1 534 546)
Total equity		2 276 722	-	2 276 722
Total equity and liabilites		2 538 288	-	2 538 288

(Unaudited - Expressed in Canadian dollars)

As at	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
		As at June 30, 2011		
		$	$	$
ASSETS	Note		(Note 19)	(Note 19)
Cash and cash equivalents		1 164 361	-	1 164 361
Account receivalbe		771 551	-	771 551
Inventories		-	-	-
Prepaid expences		48 117	-	48 117
		1 984 029	-	1 984 029
Non-current assets				
Property, plant and equipment		986 420	-	986 420
		986 420	-	986 420
Total assets		2 970 449	-	2 970 449
LIABILITIES				
Current liabilities				
Trade and other payables		206 429	-	206 429
Note payable		-	-	-
		206 429	-	206 429
Non-current liabilites				
Oil share agreement		-	-	-
Asset retirement obligation		-	-	-
Long-term debt		-	-	-
Convertible notes		364 831	-	364 831
		571 260	-	571 260
EQUITY				
Capital and reserves attributable to shareholders				
Share capital		3 328 422	-	3 328 422
Other equity		123 482	-	123 482
Warrants		497 355	-	497 355
Contributed surpluss		195 535	-	195 535
Loss and comprehensive loss		-	-	-
Deficit		(1 745 605)	-	(1 745 605)
Total equity		2 399 189	-	2 399 189
Total equity and liabilites		2 970 449	-	2 970 449

(Unaudited - Expressed in Canadian dollars)

		As at March 31, 2011		
As at		**Canadian GAAP**	**Effect of Transition to IFRS**	**IFRS**
		$	$	$
ASSETS	Note		(Note 19)	(Note 19)
Cash and cash equivalents		1 805 629	-	1 805 629
Account receivalbe		1 151 225	-	1 151 225
Inventories		32 607	-	32 607
Prepaid expences		71 045	-	71 045
		3 060 506	-	3 060 506
Non-current assets				
Property, plant and equipment	a)	5 020 509	640 661	5 661 170
		5 020 509	640 661	5 661 170
Total assets		8 081 015	640 661	8 721 676
LIABILITIES				
Current liabilities				
Trade and other payables		1 420 534	-	1 420 534
Note payable		969 800	-	969 800
		2 390 334	-	2 390 334
Non-current liabilites				
Oil share agreement		531 891	-	531 891
Asset retirement obligation		2 224 547	-	2 224 547
Long-term debt		1 939 600	-	1 939 600
Convertible notes		204 111	-	204 111
		7 290 483	-	7 290 483
EQUITY				
Capital and reserves attributable to shareholders				
Share capital		5 112 214	-	5 112 214
Other equity		69 424	-	69 424
Warrants		114 033	-	114 033
Contributed surpluss		750 221	-	750 221
Loss and comprehensive loss		(37 326)	(28 341)	(65 667)
Deficit		(5 218 034)	669 002	(4 549 032)
Total equity		790 532	640 661	1 431 193
Total equity and liabilites		8 081 015	640 661	8 721 676

(Unaudited - Expressed in Canadian dollars)

Statment of comprehensive loss

For the three months ended June 30, 2010		Canadian GAAP	Effect of Transition to IFRS	IFRS
		$	$	$
Revenues	**Note**			
Oil and gas sales		-	-	-
Royalties		-	-	-
		-	-	-
Expenses				
Operating		-	-	-
General and administrative		(224 877)	-	(224 877)
Stockbased compensation		-	-	-
Depletion and depreciation		-	-	-
		(224 877)	-	(224 877)
Operating profit / (loss)		(224 877)	-	(224 877)
Interest income		13 818	-	13 818
Finance cost		-	-	-
Net finance income / (cost)		13 818	-	13 818
Profit / (loss) before tax		(211 059)	-	(211 059)
Income tax expense		-	-	-
Net(loss) for the period		(211 059)	-	(211 059)
Comprehensive loss				
Net (loss) period		(211 059)	-	(211 059)
Foreign currency translation (loss)		-	-	-
		(211 059)	-	(211 059)
Net (loss) for the period		(211 059)	-	(211 059)
Net loss per share		(0.01)	-	(0.01)
Weighted average shares outstanding during the period basic and diluted		21 618 715	-	21 618 715

(Unaudited - Expressed in Canadian dollars)

Statment of comprehensive loss

For the year ended March 31, 2011		Canadian GAAP	Effect of Transition to IFRS	IFRS
		$	$	$
Revenues	**Note**			
Oil and gas sales		1 364 092	-	1 364 092
Royalties		(122 977)	-	(122 977)
		1 241 115	-	1 241 115
Expenses				
Operating		(919 385)	-	(919 385)
General and administrative		(2 398 159)	-	(2 398 159)
Stockbased compensation		(132 449)	-	(132 449)
Depletion and depreciation	a)	(1 163 424)	640 661	(522 763)
		(4 613 417)	640 661	(3 972 756)
Operating profit / (loss)		(3 372 302)	640 661	(2 731 641)
Interest income		665	-	665
Finance cost		(260 947)	-	(260 947)
Net finance income / (cost)		(260 282)	-	(260 282)
Profit / (loss) before tax		(3 632 584)	640 661	(2 991 923)
Income tax expense		(50 904)	-	(50 904)
Net(loss) for the period		(3 683 488)	640 661	(3 042 827)
Comprehensive loss				
Net (loss) period		(3 683 488)	640 661	(3 042 827)
Foreign currency translation (loss)		(37 326)	(28 341)	(65 667)
		(3 720 814)	612 320	(3 108 494)
Net (loss) for the period		(3 683 488)	640 661	(3 042 827)

a) Depletion

Upon transition to IFRS, the Company adopted a policy of depleting the componentized net book values of producing assets using the unit of production method with reference to the ratio of production in the

year to the related proved and probable reserved, taking into account estimates future development costs necessary to bring those reserves into production. Depletion under Previous GAAP was calculated with reference to proved reserves whereby cost accumulated in each country cost center together with an estimated future cost to develop proved reserves were depleting using the unit of production method.

There was no impact of this difference on adoption IFRS at April 1, 2010 as the Company had no producing assets. The Company started production and depletion was calculated on the Argentinian assets beginning in July 2010.

For the year ended March 31, 2011 IFRS transition differences related to depletion is $640,661.