LNG ENERGY LTD.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three Months Ended December 31, 2010 and 2009
(stated in Canadian Dollars)

(unaudited)

LNG ENERGY LTD.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	December 31, 2010	September 30, 2010
ASSETS		
Current		
Cash and cash equivalents (Note 11)	**$ 6,839,603**	$ 10,036,105
Short term investments (Note 13)	**9,015,750**	9,015,750
Amounts receivable	**329,059**	314,242
Prepaid expenses, advances and other deposits	**432,226**	423,467
	16,616,638	19,789,564
Investments (Note 5)	**8,953**	6,176
Property and equipment (Note 6)	**52,901,496**	51,050,573
	$ 69,527,087	$ 70,846,313
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 1,491,286**	$ 1,442,148
Long term		
Asset retirement obligation (Note 8)	**62,759**	3,119
Future income taxes (Note 12)	**3,065,151**	3,065,151
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	**84,145,701**	84,033,523
Contributed surplus (Note 9)	**8,054,927**	7,155,373
Accumulated other comprehensive loss	**(1,412,376)**	(987,772)
Deficit	**(25,880,361)**	(23,865,229)
	64,907,891	66,335,895
	$ 69,527,087	$ 70,846,313

Future Operations (Note 2), Commitments (Note 6), Subsequent events (Note 15)

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

LNG ENERGY LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

	For the Three Months Ended December 31, 2010	2009
Revenue		
Oil and gas revenue	**$ 36,260**	$ 74,145
Less: Royalties expense	**(6,848)**	(14,573)
	29,412	59,572
Expenses		
Operating and exploration	**77,860**	30,755
Accretion, depletion and depreciation	**34,032**	23,168
General and administration	**391,876**	382,554
Loss on disposal of asset	**17,854**	1,058
Unrealized loss (gain) on investments (Note 5)	**(2,777)**	90,728
Professional fees (Note 10)	**409,331**	229,858
Stock based compensation (Note 9)	**946,928**	15,944
Travel and business development	**157,618**	62,771
	(2,032,722)	(836,836)
Interest and other income	**64,209**	17,026
Foreign exchange gain (loss)	**(64,876)**	89,298
Loss before tax and non-controlling interests	**(2,003,977)**	(670,940)
Current income tax recovery (expense) (Note 12)	**(11,155)**	(3,910)
Loss after tax before non-controlling interests	**(2,015,132)**	(674,850)
Non-controlling interests	**-**	14,422
Net loss for the period	**(2,015,132)**	(660,428)
Cumulative translation adjustment	**(424,604)**	(138,578)
Comprehensive loss	**$ (2,439,736)**	$ (799,006)
Basic and diluted loss per share	**$ (0.01)**	$ (0.00)
Weighted average number of shares outstanding	**257,356,322**	144,170,965

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

LNG ENERGY LTD.
CONSOLIDATED STATEMENTS OF DEFICIT AND ACCUMULATED OTHER COMPREHENSIVE LOSS
(Unaudited)

	For the Three Months Ended December 31,			
		2010		2009
Deficit, beginning of period	**$**	**(23,865,229)**	$	(20,623,709)
Net loss for the period		**(2,015,132)**		(660,428)
Deficit, end of the period	**$**	**(25,880,361)**	$	(21,284,137)
Accumulated other comprehensive loss, beginning of the period	**$**	**(987,772)**	$	(721,961)
Cumulative translation adjustment for the period		**(424,604)**		(138,578)
Accumulated other comprehensive loss, end of the period	**$**	**(1,412,376)**	$	(860,539)

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

LNG ENERGY LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended December 31, 2010	2009
Cash flows used by operating activities		
Net loss for the period	**$ (2,015,132)**	$ (660,428)
Items not affecting cash:		
Accretion, depletion and depreciation	**34,032**	23,168
Stock based compensation	**946,928**	15,944
Loss on disposal of asset	**17,854**	1,058
Unrealized foreign exchange loss (gain)	**35,079**	(162,486)
Other write-downs	**17,295**	-
Unrealized loss (gain) on investments	**(2,777)**	90,728
Non-controlling interests	**-**	(14,422)
	(966,721)	(706,438)
Changes in non-cash working capital (Note 11)	**99,650**	447,152
	(867,071)	(259,286)
Cash flows from investing activities		
Oil and gas property expenditures	**(2,368,338)**	(1,012,243)
Asset acquisition	**-**	(52,383)
Property and equipment disposed (purchased)	**1,090**	(86,477)
Short term investments	**-**	3,310,500
Changes in non-cash working capital (Note 11)	**(69,391)**	(119,646)
	(2,436,639)	2,039,751
Cash flows from financing activities		
Shares issued on exercise of options	**107,511**	28,851
	107,511	28,851
Foreign exchange loss on opening cash and cash equivalents	**(303)**	(541)
Net increase (decrease) in cash and cash equivalents	**(3,196,502)**	1,808,775
Cash and cash equivalents, beginning of period	**10,036,105**	2,905,297
Cash and cash equivalents, end of period (Note 11)	**$ 6,839,603**	$ 4,714,072

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

1. NATURE OF OPERATIONS

LNG Energy Ltd. (the "Company") was incorporated on February 24, 2000 in the Province of British Columbia and changed its name to "LNG Energy Ltd." on March 28, 2008. The Company's common shares began trading under the symbol "LNG" on the TSX Venture Exchange on March 28, 2008. The Company is engaged in exploration and development activities of oil and gas properties in Papua New Guinea, Poland and the United States of America.

2. FUTURE OPERATIONS

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. These principles assume that the Company will be able to realize its assets and discharge its obligations in the normal course of operations for the foreseeable future.

As at December 31, 2010, the Company had working capital of $15,125,352 (September 30, 2010 - $18,347,416) and incurred a net loss of $2,015,132 for the three months ended December 31, 2010 (three months ended December 31, 2009 - $660,428). The Company will have to raise additional capital to fund its work commitments and fund announced acquisition (see note 15). The continuing application of the going concern assumption is dependent upon the Company's continuing ability to obtain the necessary financing to carry out its planned activities and ultimately achieve profitable operations.

Management believes the going concern assumption to be appropriate for these financial statements. If the going concern assumption was not appropriate, adjustments would be necessary to the carrying values of assets and liabilities, reported revenues and expenses, and the balance sheet classifications used in the consolidated financial statements.

3. BASIS OF PRESENTATION

These interim consolidated financial statements follow Canadian generally accepted accounting principles and were prepared by management using accounting policies and methods of their application is consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended September 30, 2010, except as noted below. In the opinion of management, these interim consolidated financial statements contain all adjustments of a normal and recurring nature necessary to present fairly the Company's financial position as at December 31, 2010 and the results of operations and cash flows for the three months ended December 30, 2010 and 2009. These financial statemensts should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended September 30, 2010.

(in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUTING POLICIES

a) Future Accounting Pronouncements

(i) Business combination, non-controlling interest, and consolidation

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations, (“Section 1582”), 1601, Consolidated Financial Statements, (“Section 1601”) and 1602, Non-controlling Interests, (“Section 1602”) which replaces CICA Handbook Sections 1581, Business Combinations, and 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards (“IFRS”). Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company’s interim and annual consolidated financial statements for its fiscal year beginning October 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time. The Company is currently assessing the impact of these standards on its consolidated financial statements.

(ii) International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company continues to assess the impact of the conversion of Canadian GAAP to IFRS.

5. INVESTMENTS

	December 31, 2010	September 30, 2010
Sterling West Management Ltd.	$ 2	$ 2
Cheetah Oil and Gas Ltd.	8,951	6,174
	$ 8,953	$ 6,176

The Company has entered into a service relationship with a group of companies for the provision of administrative, office support and management services. The Company subscribed for one share at $2 per share in the private company. Upon execution of the agreement, each participant is required to provide a deposit to the entity. The Company’s share of the deposit was determined to be $28,500.

At December 31, 2010 and September 30, 2010, the Company owned 100,000 common shares of Cheetah Oil and Gas Ltd. These shares are designated as held for trading and are fair valued at the end of each period. On December 31, 2010, these shares were revalued at $0.09 resulting in an unrealized gain of $2,777 (December 31, 2009 - unrealized loss of $90,728).

(in Canadian dollars)

6. PROPERTY AND EQUIPMENT

	December 31, 2010		
	COST	ACCUMULATED AMORTIZATION, DEPLETION, DEPRECIATION & IMPAIRMENT	NET BOOK VALUE
Oil and gas properties:			
Papua New Guinea	$ 32,748,651	$ 820,304	$ 31,928,347
Poland	1,441,417	-	1,441,417
United States	19,562,344	225,490	19,336,854
Vehicles	100,875	73,177	27,698
Office furnitures and equipment	69,981	17,331	52,650
Computer equipment	35,059	22,568	12,491
Computer software	2,927	1,231	1,696
Technical license	112,403	12,060	100,343
	$ 54,073,657	$ 1,172,161	$ 52,901,496

	September 30, 2010		
	COST	ACCUMULATED AMORTIZATION, DEPLETION, DEPRECIATION & IMPAIRMENT	NET BOOK VALUE
Oil and gas properties:			
Papua New Guinea	$ 30,873,351	$ 820,304	$ 30,053,047
Poland	1,026,824	-	1,026,824
United States	19,949,608	201,062	19,748,546
Vehicles	100,875	70,210	30,665
Office furnitures and equipment	85,340	23,800	61,540
Computer equipment	67,787	43,440	24,347
Computer software	5,883	3,195	2,688
Technical license	112,403	9,487	102,916
	$ 52,222,071	$ 1,171,498	$ 51,050,573

Papua New Guinea

The Company holds a 100% working interests in four Petroleum Prospecting Licenses (PPL) and one Petroleum Retention License (PRL) through permits received from the Minister of Petroleum and Energy for Papua New Guinea. These PPL licenses have a six year term with expenditure commitments for each license. The work commitments relating to these licenses are US$12 million over the next two years. The PRL license expired on January 27, 2011. Subsequent to the three months ended December 31, 2010, the Company has submitted an application for renewal for an additional year.

These properties are subject to a 22.5% back-in participation right in favour of the government, which the government may exercise upon payment of 22.5% of the costs incurred in the development of the

6. PROPERTY AND EQUIPMENT (Continued)

property. The back-in participation right also includes a 2% revenue royalty payment obligation to indigenous groups, which is only payable if the government exercises its back-in participation right. The Papua New Guinea asset is considered unproved at December 31, 2010. No production has occurred and no depletion has been recorded.

During the three months ended December 31, 2010, $8,762 of stock based compensation expense and $231,738 of general and administrative costs were capitalized. During the three months ended December 31, 2009, $1,550 of stock based compensation expense and $nil of general and administrative costs were capitalized.

Poland

As at December 31, 2010, the proportionate consolidation of the Company's 20% in our Poland joint venture resulted in oil and gas properties of $1,441,417. The Company has rights to three concessions where license commitments will require the Company to participate pro-rata for its 20% interest for the drilling and testing of one exploration well per concession before the end of December 2011. No general and administrative or stock based compensation costs were capitalized in Poland.

United States

The Company, through its subsidiary, holds interests in oil and gas properties in the United States. In determining the Company’s depletion for the period ended December 31, 2010, the Company excluded the cost of unproved properties of $182,517 (September 30, 2010 - $3,818,989) from the depletion calculation. During the three months ended December 31, 2010 no general and administrative or stock based compensation costs were capitalized. (December 31, 2009 -590,458 of general and administrative costs were capitalized, of which $65,160 related to to capitalized stock based compensation expenses).

The Company performed a ceiling test calculation at December 31, 2010 to assess the recoverable value of its oil and natural gas interests and determined no write-down was required during the three months ended December 31, 2010 (September 30, 2010 - $nil).

(in Canadian dollars)

7. JOINT VENTURE

The Company, through its subsidiary, Kaynes Capital S.a.r.l. ("Kaynes"), exercised its option to participate in a 20% net interest in Saponis Investments SP z.o.o. ("Saponis"). Saponis holds 3 oil and gas concessions in Poland: Starogard, Slupsk and Slawno. The original work commitment under these concessions is comprised of additional core analysis, geological work and spudding of one well during the first 18 months from the date of grant on each concession. A second well also has to be drilled on each concession.

The terms and conditions of participation requires the Company to fund 20% of all costs related to the concessions. The other partners are BNK Petroleum Inc. ("BNK"), Sorgenia E&P S.p.A., and Rohol-Aufsuchungs Aktiengesellschaft. The Company's net interest in Saponis is accounted for on a proportionate consolidation basis.

For the three months ended December 31, 2010 and September 30, 2010, the Company's net share of amounts contributed to the joint venture was as follows:

	December 31, 2010	September 30, 2010
Balance sheet:		
Cash and cash equivalents	$ 742,345	$ 26,524
Current receivables	150,749	82,603
Oil and gas properties	1,441,417	1,026,624
Accounts payable	(851,918)	(818,561)
Asset retirement obligation	(59,678)	-
Net contribution from Joint Venture	$ 1,422,915	$ 317,190

	December 31, 2010	December 31, 2009
Income statement:		
Interest income	$ 16,257	$ -
Expenses	(42,566)	-
	$ (26,309)	$ -

	December 31, 2010	December 31, 2009
Cash flows:		
Operating activities	$ 1,263,241	$ -
Investing activities	(547,420)	-
Change in cash position	715,821	-
Cash and cash equivalents, beginning of period	26,524	-
Cash and cash equivalents, end of period	$ 742,345	$ -

(in Canadian dollars)

8. ASSET RETIREMENT OBLIGATION

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with asset retirement costs of the Wytowno well in Poland and the Berwyn well in the US:

	Three months ended December 31, 2010	Year ended September 30, 2010
Balance, beginning of period	$ 3,119	$ 2,893
Addition	59,678	-
Change in estimate	(105)	(117)
Accretion	67	343
Balance, end of period	$ 62,759	$ 3,119

The calculation was assessed using a risk-free rate of 10.00% and an assumed inflation rate of 1.45% per annum. The undiscounted cash flow required to settle the obligation for the Wytowno well in Poland is approximately $59,700 with an uncertain abandonment date and the Berwyn well in the US is approximately $8,600 with the expected abandonment date of 2018.

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS

a) Authorized

Unlimited common shares without par value.

b) Issued

	Number of Shares	Share Capital	Contributed Surplus
Balance September 30, 2009	144,095,965	$ 55,738,855	$ 7,380,373
Stock based compensation	-	-	153,339
Shares issued on acquisition	32,000,000	9,280,000	-
Share issue costs	-	(1,559,921)	-
Shares issued upon exercise of special warrants	80,403,400	20,100,850	-
Shares issued upon exercise of options	735,000	473,739	(378,339)
Balance September 30, 2010	257,234,365	$ 84,033,523	$ 7,155,373
Stock based compensation	-	-	955,690
Share issue costs	-	4,667	-
Shares issued upon exercise of options	210,000	107,511	(56,136)
Balance December 31, 2010	**257,444,365**	**$ 84,145,701**	**$ 8,054,927**

(in Canadian dollars)

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

c) Stock Options

The following table summarizes information about stock option transactions:

	Number of Options	Average Exercise Price
Balance, September 30, 2009	13,995,000	$0.45
Granted	300,000	$0.30
Exercised	(735,000)	$0.13
Forfeited	(165,000)	$0.23
Balance, September 30, 2010	13,395,000	$0.46
Granted	3,000,000	$0.33
Exercised	(210,000)	$0.24
Balance, December 31, 2010	**16,185,000**	**$0.44**

The following table summarizes information about the stock options outstanding at December 31, 2010:

Exercise Price	Outstanding Options	Options Exercisable	Expiry Date
$0.10	200,000	200,000	November 27, 2011
$0.67	271,000	271,000	September 20, 2012
$0.67	379,000	379,000	September 21, 2012
$0.58	6,000,000	6,000,000	November 27, 2012
$0.56	750,000	750,000	February 1, 2013
$0.58	1,500,000	1,500,000	February 1, 2013
$0.275	1,755,000	1,470,000	May 1, 2013
$0.19	2,030,000	2,030,000	May 14, 2014
$0.30	300,000	300,000	January 14, 2015
$0.33	2,500,000	2,500,000	November 4, 2015
$0.35	500,000	500,000	November 23, 2015
	16,185,000	15,900,000	

The fair value of the options granted has been estimated on the date of grant using the Black-Scholes option-pricing model.

Assumptions used to value options within the option-pricing model are as follows:

	Three months ended December 31, 2010	2009
Risk-free interest rate	2.05%	2.35%
Expected life	5 years	3.3 years
Expected volatility	126%	118%
Expected dividends	Nil	Nil
Average value ($ per option)	0.29	0.4

(in Canadian dollars)

10. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions and balances with related parties for the three month period ended December 31, 2010 and 2009 for amounts paid to companies controlled by directors and officers of the Company were as follows:

	Three months ended December 31, 2010	2009
Director fees paid to independent directors of the Company	$ 8,000	$ 8,000

During the three months ended December 31, 2010, a total of $2,137 was paid to a director of a subsidiary for other professional services performed not related to director fees (three months ended December 31, 2009 - $11,296). These expenditures are included in professional fees and were measured at the exchange amount, which are amounts agreed upon by the transacting parties.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

a) Changes in non-cash working capital are as follows:

	Three Months Ended December 31, 2010	2009
Amounts receivable	$ (14,817)	$ (148,379)
Prepaid expenses, advances and other term deposits	(8,759)	(18,948)
Accounts payable and accrued liabilities	53,835	494,834
Change in non-cash working capital	$ 30,259	$ 327,507
Relating to:		
Operating activities	99,650	447,152
Investing activities	(69,391)	(119,646)
Change in non-cash working capital	$ 30,259	$ 327,506

b) Cash and cash equivalents is comprised of the following:

	December 31, 2010	September 30, 2010
Cash	$ 2,881,446	$ 198,613
Cash equivalents	3,958,157	9,837,492
	$ 6,839,603	$ 10,036,105

Cash and cash equivalents are classified as “held for trading” and are measured at their carrying value which approximates the fair values due to the short term nature of these instruments with maturity at acquisition not exceeding 90 days. Cash equivalents relates to an interest savings account which bears an interest rate of approximately 1.15% per annum with no maturity date (September 30, 2010 – 0.80% per annum).

12. INCOME TAXES

The Company incurs non-capital losses in its foreign and Canadian subsidiaries. However, it is not likely to realize any taxable income in the near future and any future tax assets are allowed for and do not offset future income tax liabilities.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Section 3862 of the CICA Handbook establishes a three-tier fair value hierarchy to reflect the significance of the inputs used in making the fair value of the Company's financial instruments.

	Fair Value as at December 31, 2010			
	Total	**Level 1**	**Level 2**	**Level 3**
Short term investments	$ 9,015,750	9,015,750	-	-
Investments	8,953	8,953	-	-
	$ 9,024,703	$ 9,024,703	$ -	$ -

The three levels of the fair value hierarchy established by Section 3862 are as follows:

Level 1	Unadjusted quoted prices 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 (directly or indirectly)
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Level 1
The Company values short term investments using the quoted market prices. Investments consisting of marketable securities classified as held for trading, are valued using a market approach based upon unadjusted quoted prices for identical assets in an active market from securities exchanges. As a result, these financial assets have been included in Level 1 of the fair market value hierarchy.

Level 2 and Level 3
The Company does not hold any financial instruments to be classified in these categories.

Fair value of financial assets and liabilities
The carrying amount for cash and cash equivalents, short term investments, amounts receivable, and accounts payable and accrued liabilities and capital lease obligations on the balance sheet approximated their fair value because of the limited short term nature of these instruments.

Foreign currency risk
The Company is subject to normal market risks including fluctuations in foreign exchange rates. The Company received revenues in US dollars, while incurring expenses in US, Canadian dollars, Polish zloty and Papua New Guinea kinas.

Foreign exchange gains and losses are related to the translation from Canadian dollars into Kinas for measurement and reporting purposes. The Company finances its integrated Papua New Guinea subsidiaries in Canadian dollars and a significant change in the currency exchange rates could have a material effect on the Company’s results of operations, financial position and cash flows.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The Company's operations in the U.S. and in Poland are considered to be self-sustaining and the United States dollar is the functional currency. All foreign currency translations are reported in accumulated other comprehensive income and a significant change in currency exchange rates would affect the Company's comprehensive income and deficit.

While the Company expects to manage its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

Credit risk
Cash and cash equivalents consist of cash bank balances and short-term deposits maturing in less than 90 days. The Company manages the credit exposure related to short-term investments by selecting counter parties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper.

Interest rate risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its cash balances and cash equivalents.

The Company is not exposed to material interest rate fluctuations on its short-term investments. At December 31, 2010, the Company had short term investments in GICs totaling $9,015,750, bearing interest at a fixed rate of 1.20% to 1.30% per annum with the maturity date of December 28, 2011 for two GIC investments of $4,507,875 each (September 30, 2010 - $9,015,750 bearing interest at fixed rates of 1.15% per annum).

Liquidity risk
The Company maintains sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and short-term investments. The Company's cash is invested in business accounts which are available on demand. The Company does not invest in asset backed securities. The Company's short-term investments are available on demand after 30 days without penalty. All financial liabilities are due to be settled within 180 days of the balance sheet date.

The Company manages its capital such that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of shareholder's equity comprising of share capital, contributed surplus and deficit. The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in business environment.

As at December 31, 2010, total managed capital was $64,907,891 (September 30, 2010 - $66,335,895), comprised of share capital of $84,145,701 (September 30, 2010 - $84,033,523), contributed surplus of $8,054,927 (September 30, 2010 - $7,155,373), other comprehensive loss of $1,412,376 (September 30, 2010 - $987,772) and a deficit of $25,880,361 (September 30, 2010 - $23,865,229).

(in Canadian dollars)

14. SEGMENT INFORMATION

Geographic Information:

The Company operates in one reportable operating segment, being the exploration of oil and gas properties in the United States, Poland, and Papua New Guinea. The geographical information is as follows:

Three Months Ended December 31, 2010	Papua New Guinea	United States	Poland	Canada	Total
Current assets	$ 359,157	$ 93,156	$ 893,094	$ 15,271,231	$ 16,616,638
Investments	-	-	-	8,953	8,953
Property and equipment	32,017,350	19,336,854	1,441,417	105,875	52,901,496
	$ 32,376,507	$ 19,430,010	$ 2,334,511	$ 15,386,059	$ 69,527,087

Three Months Ended December 31, 2010	Papua New Guinea	United States	Poland	Canada	Total
Oil and gas revenue	$ -	$ 36,260	$ -	$ -	$ 36,260

Year Ended September 30, 2010	Papua New Guinea	United States	Poland	Canada	Total
Current assets	$ 418,504	$ 156,547	$ 109,127	$ 19,105,386	$ 19,789,564
Investments	-	-	-	6,176	6,176
Property and equipment	30,165,965	19,748,546	1,026,824	109,238	51,050,573
	$ 30,584,469	$ 19,905,093	$ 1,135,951	$ 19,220,800	$ 70,846,313

Three Months Ended December 31, 2009	Papua New Guinea	United States	Poland	Canada	Total
Oil and gas revenue	$ -	$ 74,145	$ -	$ -	$ 74,145

15. SUBSEQUENT EVENTS

On January 11, 2011, the Company issued 250,000 shares for the exercise of stock options for total proceeds of $56,000.

On February 14, 2011, the Company issued 165,000 shares for the exercise of stock options for total proceeds of $45,375.

On February 17, 2011, the Company issued 50,000 shares for the exercise of stock options for total proceeds of $9,500.

On February 17, 2011, the Company's wholly owned subsidiary, Kaynes, completed the acquisition of a 50% interest in two oil and gas concessions in Poland for US$4 million. The two concessions total approximately 360,000 acres for approximately 180,000 net acres to the Company.