SEAVIEW ENERGY INC

Consolidated Statements of Financial Position
(in thousands of Canadian dollars)

	Note	March 31, 2011	December 31, 2010 (Note 15)	January 1, 2010 (Note 15)
Assets				
Accounts receivables		$ 7,232	$ 7,508	$ 7,739
Prepaid expenses and deposits		945	1,037	1,027
Risk management contracts		862	1,151	-
Total current assets		9,039	9,696	8,766
Property, plant and equipment	8	144,179	136,364	147,040
Exploration and evaluation assets	9	5,395	4,996	433
Total non-current assets		149,574	141,360	147,473
Total assets		$ 158,613	$ 151,056	$ 156,239
Liabilities				
Bank debt	12	$ 26,522	$ 16,494	$ 38,044
Accounts payable and accrued liabilities		14,898	15,291	11,031
Risk management contracts		-	-	497
Total current liabilities		41,420	31,785	49,572
Risk management contracts	4	3,307	2,193	1,088
Flow through premium liability		-	-	288
Convertible Class B share liability	11	9,568	9,386	8,691
Decommissioning liability	13	2,360	2,273	2,638
Deferred tax liabilities		20,882	21,856	18,321
Total non-current liabilities		36,117	35,708	31,026
Total liabilities		77,537	67,493	80,598
Shareholders' equity				
Share capital	10	90,553	90,519	90,350
Contributed surplus		8,407	8,150	6,443
Deficit		(17,884)	(15,106)	(21,152)
Total shareholders' equity		81,076	83,563	75,641
Total liabilities and shareholders' equity		$ 158,613	$ 151,056	$ 156,239

Subsequent event (Note 4)
Commitments (Note 14)
See accompanying notes to the unaudited interim consolidated financial statements

SEAVIEW ENERGY INC

Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)
For the three months ended March 31, 2011, with comparative figures for 2010
(in thousands of Canadian dollars, except per share amounts)

	Note		2011		2010 (Note 15)
Revenue					
Oil and natural gas sales		$	6,382	$	11,056
Royalties			(764)		(1,725)
			5,618		9,331
Risk management gain (loss)					
Realized gain (loss) on risk management contracts	4		250		(283)
Unrealized gain (loss) on risk management contracts	4		(1,403)		2,664
			4,465		11,712
Operating expenses					
Operating			1,749		3,232
Transportation			300		376
General and administrative			502		665
Pre-license expenditures			168		-
Depletion and depreciation	8		4,926		5,958
Share based compensation	10		144		315
			7,789		10,546
Results from operating activities			(3,324)		1,166
Finance expenses					
Interest expense			202		334
Unrealized gain on financial contracts			-		(19)
Accretion on decommissioning obligations			44		53
Accretion on Convertible Class B share liability			182		169
Net finance expense	6		428		537
Income (loss) before taxes			(3,752)		629
Deferred income tax expense (reduction):			(974)		864
Net loss and comprehensive loss		$	(2,778)	$	(235)
Net loss per share – basic and diluted	10	$	(0.04)	$	0.00

See accompanying notes to the unaudited interim consolidated financial statements

SEAVIEW ENERGY INC

Consolidated Statements of Cash Flows
For the three months ended March 31, 2011, with comparative figures for 2010
(in thousands of Canadian dollars)

	Note		2011		2010
Operating activities:					
Net income		$	(2,778)	$	(235)
Adjustments for:					
Depletion and depreciation			4,926		5,958
Net finance expense	6		428		537
Deferred income tax (recovery) expense			(974)		864
Unrealized risk management loss (gain)			1,403		(2,664)
Share based compensation			144		315
Net interest paid	6		(202)		(334)
Decommissioning expenditures			(2)		(21)
			2,945		4,420
Change in non-cash working capital	7		270		2,572
		$	3,215	$	6,992
Financing activities					
Increase (decrease) in bank loans			10,028		(2,044)
Proceeds from issuance of shares			19		10
		$	10,047	$	(2,034)
Investing activities					
Property, plant and equipment additions			(12,967)		(8,017)
Change in non-cash working capital	7		(295)		3,059
		$	(13,262)	$	(4,958)
Change in cash during the period		$	-	$	-
Cash – beginning of the period			-		-
Cash – end of the period		$	-	$	-

See accompanying notes to the unaudited interim consolidated financial statements

SEAVIEW ENERGY INC

Consolidated Statements of Changes in Shareholders' Equity
(in thousands of Canadian dollars)

	Note	Number of Class A shares	Class A share capital	Equity component of Class B share	Contributed surplus	Retained earnings (Deficit)	Total equity
Balance at January 1, 2011		65,536,768	$ 93,011	$ (2,492)	$ 8,150	$ (15,106)	$ 83,563
Share based compensation expensed	10		-		144	-	144
Share based compensation capitalized	10		-		128	-	128
Options exercised	10	16,250	34		(15)	-	19
Net loss for the period			-		-	(2,778)	(2,778)
Balance at March 31, 2011		65,553,018	$ 93,045	$ (2,492)	$ 8,407	$ (17,884)	$ 81,076

	Note	Number of Class A shares	Class A share capital	Equity component of Class B share	Contributed surplus	Retained earnings (Deficit)	Total equity
Balance at January 1, 2010		65,433,182	$ 92,842	$ (2,492)	$ 6,443	$ (21,152)	$ 75,641
Share based compensation expensed	10		-		315	-	315
Share based compensation capitalized	10		-		264	-	264
Options exercised	10	20,751	47		(37)	-	10
Net loss for the period			-		-	(235)	(235)
Balance at March 31, 2010		65,453,933	$ 92,889	$ (2,492)	$ 6,985	$ (21,387)	$ 75,995

See accompanying notes to the unaudited interim consolidated financial statements

1. Structure of Seaview Energy Inc:

Seaview Energy Inc. (the "Company") is incorporated under the Business Corporations Act (Alberta). The consolidated financial statements of the Company as at and for the three months ended March 31, 2011 and 2010 comprise the Company and its wholly owned subsidiaries. The Company is engaged in the exploration for and development and production of oil and natural gas and conducts many of its activities jointly with others; these financial statements reflect only the Company's proportionate interest in such activities.

2. Basis of preparation:

(a) Statement of compliance:

The unaudited condensed interim consolidated financial statements have been prepared in compliance with IAS 34 "Interim Financial Reporting" and accordingly do not contain all of the disclosures that are required in the preparation of Seaview's annual audited consolidated financial statements. As these are the Company's first unaudited condensed interim consolidated financial statements under IFRS, the guidelines under IFRS 1 "First time Adoption of IFRS" have been applied as discussed in Note 15. Prior to 2011, Seaview prepared its unaudited interim consolidated financial statements and audited annual consolidated financial statements in accordance with Canadian generally accepted accounting principles ("previous GAAP").

The unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on June 20, 2011.

(b) Basis of measurement:

The unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis except for the following:

(i) risk management financial instruments are measured at fair value; and

(ii) held for trading financial assets are measured at fair value with changes in fair value recorded in earnings.

All tabular amounts are in thousands of Canadian dollars, except numbers of shares, per share amounts, percentages and other figures as noted.

(c) Functional and presentation currency:

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

(d) Use of estimates and judgements:

The preparation of unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these unaudited condensed interim consolidated financial statements, the significant judgements made by management applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS consolidated financial statements.

- Note 4 – valuation of financial instruments
- Note 8 – valuation of property, plant and equipment
- Note 9 – valuation of intangible exploration assets
- Note 10 – measurement of share based payments
- Note 13 – decommissioning obligations

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

3. Significant accounting policies:

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

Certain comparative amounts have been reclassified to conform with the current year's presentation as noted in Note 15.

(a) Basis of consolidation:

(i) Business Combinations:

Acquisition on or after January 1, 2010

For all acquisitions on or after January 1, 2010, the Company measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognized amount of any non-controlling interests in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Company elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Acquisition prior to January 1, 2010

As part of its transition to IFRS, the Company elected to restate only those business combinations that occurred on or after January 1, 2010.

(ii) Subsidiaries:

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken

into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Jointly controlled operations and jointly controlled assets:

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

(iv) Transactions eliminated on consolidation:

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

(b) Financial instruments:

(i) Non-derivative financial instruments:

Non-derivative financial instruments comprise cash and cash equivalents, accounts receivable and accruals, accounts payable and accruals, compound instruments and bank loans. Non-derivative financial instruments are recognized initially at fair value, plus, for instruments not classified as "fair value through profit or loss", any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Compound Instruments

Compound instruments are separated into their liability and equity components using the effective interest method. The liability component accretes up to the principal balance at maturity. The equity component will be reclassified to share capital upon conversion.

Other

Other non-derivative financial instruments, comprising accounts receivable and accruals, accounts payable and accruals and bank loans, are measured at amortized cost using the effective interest method, less any impairment losses. The Company nets all transaction costs incurred in relation to the acquisition of a financial asset or liability, against the related financial asset or liability. Banks loans are recorded net of issue costs and are presented net of deferred interest payments, with interest recognized in earnings on an effective interest basis.

ii) Derivative financial instruments:

The Company has entered into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative

contracts as effective accounting hedges, and thus not applied hedge accounting, even though the Company considers all commodities contracts to be economic hedges. Derivatives are recognized initially at fair value and are attributable. Transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in profit or loss.

The Company has accounted for its forward physical delivery sales contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments and have not been recorded at fair value on the balance sheet. Settlements on these physical sales contracts are recognized in oil and natural gas revenues.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in the consolidated statement of income.

iii) Share capital:

Class A shares are classified as equity. Convertible Class B shares are classified as compound instruments (See non-derivative financial instruments section above). Incremental costs directly attributable to the issue of Class A shares and share options are recognized as a deduction from equity, net of any tax effects.

(c) Exploration and evaluation assets ("E&E")

(i) Recognition and measurement

E&E assets are initially measured at cost. Items included in E&E primarily relate to exploratory drilling, geological & geophysical activities, acquisition of mineral rights and technical studies. Capital expenditures are classified as E&E assets when the technical feasibility and commercial viability of extracting oil and gas assets have yet to be determined.

(ii) Transfer to PP&E

E&E costs are transferred to PP&E when proved reserves have been assigned to the asset. If proved plus probable reserves will not be established through the completion of the E&E activities and there are no future plans for development activity in that field, then the E&E assets are determined to be impaired and the amounts are charged to income as E&E expense.

(iii) Pre-license costs

Pre-license expenditures incurred before the Company has obtained the legal rights to explore for hydrocarbons in a specific area are expensed.

(iv) Impairment

E&E assets are tested for impairment when facts and circumstances indicate that a possible impairment may exist and prior to their reclassification to PP&E.

(d) Property, plant and equipment assets ("PP&E"):

(i) Recognition and measurement:

Capital expenditures are recognized in PP&E when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. PP&E includes capital expenditures incurred in the development phase, costs transferred from E&E and additions to the decommissioning liability.

Oil and gas properties are included in PP&E at cost, less accumulated depletion and depreciation and any impairment losses. The costs include transfers from E&E, which generally include the cost to drill the well and the cost of the associated land upon determination of technical feasibility and commercial viability; the cost to complete and tie-in the wells; facility costs; the cost of recognizing provisions for future decommissioning ; geological and geophysical costs; and directly attributable overheads.

(ii) Depletion and depreciation

Except for components with a useful life shorter than the reserve life of the associated property, resource properties are depleted using the unit-of-production method based on production volumes before royalties in relation to total proved reserves. Natural gas volumes are converted to equivalent oil volumes based upon the relative energy content of six thousand cubic feet of natural gas to one barrel of oil. In determining the depletion base, the Company includes estimated future costs to develop and decommission total proved reserves and excludes estimated equipment salvage values and the costs of E&E assets. Changes in reserve estimates are included in the depletion calculation prospectively.

Components, including significant plant turnaround costs not depleted using the unit-of-production method, are depreciated on a straight-line basis over their useful life.

(iii) Derecognition

The carrying amount of an item of PP&E is derecognized when no future economic befits are expected from its use or upon sale to a third party. The gain or loss arising from derecognition is included in income and is measured as the difference between the net proceeds, if any, and the carrying amount of the asset.

(iv) Major maintenance and repairs

Ongoing costs to maintain properties are generally expensed as incurred. These costs include the cost of labour, consumables and small parts. The costs of material replacement parts, turnarounds and major inspections are capitalized provided it is probable that future economic benefits in excess of costs will be realized and such benefits are expected to extend beyond the current operating period. The carrying amount of a replaced part is derecognized in accordance with our derecognition policies.

(e) Impairment:

(i) Non-derivative financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than E&E assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For other intangible assets that have indefinite lives or that are not yet available for use an impairment test is completed each year. E&E assets are assessed for impairment when they are reclassified to property, plant and equipment, as oil and natural gas interests, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

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

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

Fair value less cost to sell is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. The fair value less cost to sell of oil and gas assets is generally determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU, including any expansion prospects, and its eventual disposal, using assumptions that an independent market

participant may take into account. These cash flows are discounted by an appropriate discount rate which would be applied by such a market participant to arrive at a net present value of the CGU.

Any goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to the CGU's that are expected to benefit from the synergies of the combination. E&E assets are allocated to related CGU's when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to producing assets (oil and natural gas interests in property, plant and equipment).

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

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

(f) Share based compensation:

Long-term incentives are granted to officers, directors, employees and certain consultants in accordance with the Company's stock option plan.

The fair value of the equity-settled stock options is assessed on the grant date using the Black-Scholes option pricing model. The fair value is subsequently recognized as share based compensation expense over the vesting period with a corresponding increase in contributed surplus. Upon exercise of the options, consideration paid by the stock option holders and the value in contributed surplus pertaining to the exercised options are recorded as share capital. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

(g) Lease payments

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(h) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

(i) Decommissioning liabilities:

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

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

(j) Revenues:

Revenues from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party. This is generally at the time product enters the pipeline. Revenue is measured net of discounts, customs duties and royalties. With respect to the latter, the entity is acting as a collection agent on behalf of others.

Tariffs and tolls charged to other entities for use of pipelines and facilities owned by the Company are recognized as revenue as they accrue in accordance with the terms of the service or tariff and tolling agreements.

Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

(k) Finance income and expenses:

Finance expense comprises interest expense on borrowings, accretion of the discount on decommissioning obligations, accretion on the convertible Class B shares liability and impairment losses recognized on financial assets.

Finance income is recognized as it accrues in profit or loss, using the effective interest method.

(l) Flow through shares:

Resource expenditures for income tax purposes related to exploration and development activities funded by flow through share arrangements are renounced to investors in accordance with income tax legislation. A deferred liability is recognized for the premium on the flow through shares and is subsequently reversed as the Company incurs qualifying expenditures. Any difference between the deferred liability set up for the premium on the flow through shares and the tax effect on the renounced expenditures is recognized in profit and loss.

(m) Income tax:

Income tax expense comprises current and deferred tax. Income and deferred tax is recognized in the consolidated income statement except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

- Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither the accounting nor taxable income before taxes;
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asst is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Per share information:

Basic per share information is calculated on the basis of the weighted average number of Class A shares outstanding during the period. Diluted per share information reflects the potential dilution effect of options and convertible Class B shares. The number of Class A shares obtained upon conversion of each Class B share will be equal to $10.00 divided by the greater of $1.00 and the weighted average trading price of the Class A shares during the thirty days prior to period end.

(o) New standards and interpretations not yet adopted:

The Company is currently reviewing the following new and revised accounting pronouncements that have been issued but are not yet effective to determine if they may have an impact on the Company:

IFRS 9 – Financial Instruments.

In November 2009, the IASB published IFRS 9 "Financial Instruments" which covers the classification and measurement of financial assets as part of its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In October 2010, additional requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through profit and loss. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of profit and loss and recognize the change in other comprehensive income.

IFRS 9 will become effective for the Company on January 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively. The implementation of this issued standard is not expected to have a significant impact on the Company's financial position or results.

IAS 12 – Income Taxes

IAS 12 "Income Taxes" was amended on December 21, 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for reporting periods beginning on or after January 1, 2012. The Company is currently evaluating the impact of this amendment to its financial statements.

4. Financial risk management:

The Company has exposure to credit and market risks from its use of financial instruments. This note provides information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation and arises, primarily from joint venture partners, marketers and financial intermediaries.

The Company's accounts receivable are with customers and joint venture partners in the oil and natural gas business and are subject to normal credit risks. Concentration of credit risk is mitigated by marketing production to numerous purchasers under normal industry sale and payment terms. The Company routinely assesses the financial strength of its customers.

The Company may be exposed to certain losses in the events of non-performance by counterparties to financial instrument contracts. The Company mitigates this risk by entering into transactions with highly rated financial institutions.

The carrying amount of accounts receivable represents the maximum credit exposure. As at March 31, 2011 the Company's receivables consisted of $2.6 million of receivables from oil and natural gas marketers which has substantially been collected, subsequent to March 31, 2011, $1.5 million from joint venture partners of which $0.5 million has been subsequently collected. As at March 31, 2011 the Company has $0.6 million in accounts receivable that is considered to be past due. Although these amounts have been outstanding for greater than 90 days, they are still deemed to be collectible. As the operator of properties, the Company has the ability to withhold production to joint venture partners, who are in default of amounts owing. The Company does not have an allowance for doubtful accounts as at March 31, 2011 and did not provide for any doubtful accounts during the three months ended March 31, 2011.

b) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities. The Company's financial liabilities consist of accounts payable and accrued liabilities, financial instruments contracts and bank debt. Accounts payable consists of invoices payable to trade suppliers for office, field operating activities, capital expenditures, and distributions payable. The Company processes invoices within a normal payment period.

Accounts payable and accrued liabilities have contractual maturities of less than one year. Risk management contracts have contractual maturities of less than two years. The Company maintains a demand credit facility, as outlined in note 12, which is reviewed periodically with the lender. The Company also maintains and monitors a certain level of cash flow which is used to partially finance all operating, investing and capital expenditures.

c) 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. Commodity prices for oil and natural gas are impacted not only by global economic events that dictate the levels of supply and demand but also by the relationship between the Canadian and United States dollar. The Company has attempted to mitigate a portion of the commodity price risk through the use of various risk management financial contracts. The Company's policy is to enter into commodity price contracts when considered appropriate to a maximum of 50% of forecasted production volumes, unless otherwise approved by the Board of Directors.

As at March 31, 2011, the Company had the following contracts:

Natural gas	Volume	Pricing Point		Price		Fair Value	Term
Put [1]	2,000 gj/d	AECO Monthly	$	4.75/gj	$	572	January '10 – December '11
Put	6,140 gj/d	AECO Monthly	$	4.00/gj	$	805	January '11 – December '11
Call	3,000 gj/d	AECO Monthly	$	7.04/gj	$	(21)	January '12 – December '12
Crude Oil							
Put [2]	200 bbl/d	WTI – Nymex CAD	$	75.00/bbl	$	(515)	January '10 – December '11
Call	100 bbl/d	WTI – Nymex CAD	$	88.25/bbl	$	(790)	January '13 – December '13
Call	200 bbl/d	WTI – Nymex	$	72.50/bbl	$	(2,496)	January '13 – December '13
Fair value of commodity price contracts [3]					$	(2,445)	

(1) The net floor for this contract reflects the deferred cost of $1.05/gj paid over the course of the contract. The strike price of the put is $5.80/gj before the deferred cost.

(2) The net floor for this contract reflects the deferred cost of $11.00/bbl paid over the course of the contract. The strike price of the put is $86.00/bbl before the deferred cost.

(3) Amount represents the net of the long-term liability of $3.3 million offset by the current asset of $0.9 million as shown on the consolidate balance sheet.

Subsequent to the end of the quarter, the Company terminated the natural gas call for 3,000 gj/d at $7.04/gj for 2012 and replaced it with a natural gas call for 3,000 gj/d at $7.40/gj for 2013.

Risk management financial contracts are recorded on the consolidated balance sheet at fair value at each reporting period with the change in fair value being recognized as an unrealized gain or loss on the consolidated statements of income. As at March 31, 2011, the fair market value recorded on the consolidated statement of financial position for these financial instrument contracts was a net liability of $2.4 million, compared to a net liability of $1.0 million as at December 31, 2010 and a net liability of $1.6 million at January 1, 2010. The increase in net liability from December 31, 2010 to March 31, 2011 has been recorded as an unrealized loss on risk management contracts during the period.

The Company mitigates its risk associated with fluctuations in commodity prices by utilizing financial instrument contracts. A $0.25 change in the price per thousand cubic feet of natural gas - AECO would have an impact of approximately $193,000 on net income for those financial instrument contracts that were in place as at March 31, 2011. A $1.00 increase in the price per barrel of oil – WTI would have increased net income by approximately $18,000 for those financial instrument contracts that were in place as at March 31, 2011.

d) Foreign exchange risk:

The Company does not sell or transact in any foreign currency, however, the United States ("U.S.") dollar influences the price of petroleum and natural gas sold in Canada. Price fluctuations, as a result, can affect the fair value and future cash flows of derivative natural gas contracts, however, given it is an indirect influence, the impact of the changing exchange rates cannot be accurately quantified. The Company's other financial assets and liabilities are not affected by a change in currency rates.

e) Interest rate risk:

The Company is exposed to interest rate risk on its outstanding bank debt, as it has a floating interest rate and consequently changes to interest rates would impact the Company's future cash flows. If interest rates applicable to the variable rate debt increased by 1% it is estimated that the Company's net income for the period ended March 31, 2011 would decrease by $157,000.

5. Capital management:

The Company's objective when managing capital is to maintain a flexible capital structure which allows it to execute its growth strategy through strategic acquisitions and expenditures on exploration and development activities while maintaining a strong financial position which balances the interests of equity and debt holders.

The Company considers its capital structure to include working capital (excluding associated assets and liabilities from financial instrument contracts and their related tax impact), bank debt, Convertible Class B share liability and shareholders' equity. The Company monitors capital based on the ratio of net debt to annualized funds from operations. The ratio represents the time period it would take to pay off the debt if no further capital expenditures were incurred and if funds from operations remained constant. This ratio is calculated as net debt, defined as outstanding bank debt plus or minus net working capital, divided by funds from operations for the most recent calendar quarter, annualized (multiplied by four). The Company's strategy is to maintain a ratio of less than 2.0 to 1. This ratio may increase at certain times as a result of acquisitions, timing of capital expenditures, or low commodity prices. As at March 31, 2011, the Company's ratio of net debt to first quarter annualized funds from operations was 2.8 to 1 (March 31, 2010 – 2.5 to 1) due to increased capital expenditures in the first quarter.

In order to facilitate the management of this ratio, the Company prepares annual funds from operations and capital expenditure budgets, which are updated as necessary, and are reviewed and periodically approved by the Company's Board of Directors. The Company manages its capital structure and makes adjustments by continually monitoring its business conditions, including: the current economic conditions; the risk characteristics of the Company's oil and natural gas assets; the depth of its investment opportunities; current and forecasted net debt levels; current and forecasted commodity prices; and other factors that influence commodity prices and funds from operations, such as quality and basis differentials, royalties, operating costs and transportation costs. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The credit facilities are subject to a semi-annual review of the borrowing base which is directly impacted by the value of the oil and natural gas reserves.

6. Finance income and expenses:

	Three months ended March 31,	
	2011	2010
Finance income:		
Net change in fair value of risk management financial contracts	$ -	$ (19)
Finance expense:		
Interest on loans and borrowings	202	334
Accretion on decommissioning obligations (note 13)	44	53
Accretion on Convertible Class B share liability (note 11)	182	169
	428	556
Net finance expenses	$ 428	$ 537

The Company's effective interest rate for the period ending March 31, 2011 was approximately 3.8% (March 31, 2010 – 3.4%)

7. Supplemented cash flow information:

Changes in non-cash working capital is comprised of**:**

As at March 31,		2011		2010
Source(use) of cash:				
Accounts receivables and accrued assets	$	276	$	19
Prepaid expenses and deposits		92		84
Accounts payables and accrued liabilities		(393)		5,528
	$	(25)	$	5,631
Related to operating activities	$	270	$	2,572
Related to investing activities	$	(295)	$	3,059

8. Property, plant and equipment:

Cost or deemed cost

		Oil & natural gas interests		Other equipment		Total
Balance, January 1, 2010	$	138,904	$	8,136	$	147,040
Additions		5,028		-		5,028
Disposals		-		(162)		(162)
Transfer from intangible exploration assets		7,279		-		7,279
Balance, December 31, 2010		151,211		7,974		159,185
Additions		12,741		-		12,741
Balance, March 31, 2011	$	163,952	$	7,974	$	171,926

Accumulated depletion, depreciation and impairment losses

		Oil & natural gas interests		Other equipment		Total
Balance, January 1, 2010	$	-	$	-	$	-
Depletion and depreciation		22,274		547		22,821
Balance, December 31, 2010		22,274		547		22,821
Depletion and depreciation		4,797		129		4,926
Balance, March 31, 2011	$	27,071	$	676	$	27,747

Net Book Value	Oil & natural gas interests	Other equipment	Total
At January 1, 2010	$ 138,904	$ 8,136	$ 147,040
At December 31, 2010	$ 128,937	$ 7,427	$ 136,364
At March 31, 2011	$ 136,881	$ 7,298	$ 144,179

(a) Security:

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

(b) Contingencies:

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

9. Exploration and evaluation assets (E&E):

	Total Cost
Balance, January 1, 2010	$ 433
Acquisitions	2,668
Additions	9,174
Transfer to property, plant and equipment	(7,279)
Balance, December 31, 2010	4,996
Additions	399
Balance, March 31, 2011	$ 5,395

Exploration and evaluation (E&E) assets consist of the Company's exploration projects which are pending the determination of proved reserves. Additions represent the Company's share of costs incurred on E&E assets during the period. As at March 31, 2011 an amount of $4.5 million (March 31, 2010 – $3.2 million) remains in intangible exploration assets in respect of the Wapiti project after $7.3 million was transferred to property, plant, and equipment following the successful initial phase of the appraisal program in the Wapiti area.

10. Share capital:

At March 31, 2011 and 2010, the Company was authorized to issue an unlimited number of Class A and preferred shares, all with no par value.

The holders of common shares are entitled to receive dividends as declared by the Company and are entitled to one vote per share.

(a) Share based payments:

The Company has a stock option plan (the "Plan") pursuant to which options to purchase Class A shares may be granted by the Board of Directors to directors, officers, employees of, and consultants to, the Company. The Plan has reserved for issuance a number of Class A shares equal to 10% of the Class A shares issued and outstanding from time to time and no optionee is permitted to hold options entitling such optionee to purchase more than 5% of the issued and outstanding Class A shares. Options granted under the Plan will have an exercise price which is not less than the price allowed by regulatory authorities, will be non-transferable and will be exercisable for a period not to exceed five years.

Options granted under the Plan will terminate upon the date which is 90 days from the termination of an optionee's employment or, from the date such optionee ceased to be a director of the Company, unless the directors of the Company determine otherwise, or, provided the optionee has died and was an employee or director for at least one year following the grant of the options, shall terminate six months following the death of the optionee. The options will vest as to one-third on each of the first, second and third anniversaries of the date of the grant.

Outstanding stock options	Number of Options	Weighted Average Exercise Price
Outstanding December 31, 2010	5,463,332	$1.41
Granted	187,500	$1.19
Exercised	(16,250)	$1.19
Forfeited	(45,082)	$1.08
Outstanding as at March 31, 2011	**5,589,500**	**$1.40**
Exercisable as at March 31, 2011	**3,168,354**	**$1.37**

On January 5, 2011, the Company granted options to acquire up to 187,500 Class A shares at a price of $1.19 per share, none of which were granted to officers or directors of the Company.

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number Outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$0.00 to $0.99	1,486,810	2.2	$ 0.50	1,257,652	$ 0.48
$1.00 to $2.00	3,105,190	3.4	$ 1.14	1,245,698	$ 1.09
$2.01 to $4.00	997,500	2.3	$ 3.57	665,004	$ 3.57
	5,589,500	2.9	$ 1.40	3,168,354	$ 1.37

All granted options have an estimated weighted average fair value determined using the Black-Scholes model using the following assumptions:

Grant date	Grant Price	Risk free interest rate	Volatility %	Dividend Yield	Fair Value per option
October, 2007	$0.40	4.35 %	56.65 %	-	$1.10
March, 2008	$1.00	2.91 %	72.62 %	-	$0.61
June, 2008	$3.20	3.18 %	88.44 %	-	$2.25
August, 2008	$3.80	3.21 %	94.53 %	-	$2.78
March 2, 2009	$0.62	1.91 %	117.14 %	-	$0.51
October, 2009	$1.19	2.77 %	102.97%	-	$0.91
September, 2010	$1.14	2.19 %	90.51 %	-	$0.80
January, 2011	$1.19	2.56 %	86.27 %	-	$0.82

Total compensation expense is amortized over the vesting period of the option. Compensation expense of $143,531 has been recognized in the three months ended March 31, 2011 ($314,685 – March 31, 2010) based on the estimated fair value of the options on the grant date in accordance with the fair value method of accounting for share based compensation. An additional $127,835 in share based compensation has been capitalized in the three months ended March 31, 2011 (March 31, 2010 – $264,123).

(b) Per share amounts

Per share amounts have been calculated using the weighted average number of shares outstanding during the period. For the three months ended March 31, 2011 and 2010, both the effect of the conversion of the Class B shares and the effect of options have been excluded in the calculation of weighted average diluted shares as they would have been anti-dilutive.

	Three Months ended March 31	
	2011	**2010**
Weighted average number of shares (thousands)		
Basic equivalent shares (Class A shares)	65,542	65,438
Class B shares converted to Class A shares [(1)]	-	-
In the money stock options	-	-
Diluted equivalent shares	65,542	65,438

[(1)] The number of Class A shares obtained upon the conversion of each Class B shares will be equal to $10.00 divided by the greater of $1.00 and the weighted average trading price of the Class A shares during the thirty days prior to the conversion date.

11. Convertible Class B Shares:

On October 17, 2007, the Company issued 1,053,540 convertible Class B shares (the “Class B shares”) on a flow through basis at a price of $10.00 per share. The Class B shares are convertible at the option of the Company at any time after June 1, 2010 and before May 31, 2012, into Class A shares upon five days prior notice to holders of Class B shares. The number of Class A shares obtained upon conversion of

each Class B share will be equal to $10.00 divided by the greater of $1.00 and the weighted average trading price of the Class A shares during the thirty days prior to the conversion date (the "conversion formula"). If the Company fails to exercise the conversion option by the close of business on May 31, 2012, then the Class B shares shall be convertible at the option of the shareholder, at any time after June 1, 2012 and before June 30, 2012, into Class A shares pursuant to the conversion formula described above. Any Class B shares not converted by the close of business on June 30, 2012 will be automatically converted into Class A shares pursuant to the conversion formula. The Class B shares are listed and posted for trading on the TSX Venture exchange under the symbol "CVU.B".

The Class B shares were determined to be compound instruments. As the Class B shares are convertible into Class A common shares, based on the conversion formula above, the number of Class A shares is unknown, and therefore presented as a liability. The Class B share liability is accreted using the effective interest rate method over the term of the Class B shares, such that the carrying amount of the financial liability will be equal to the principal balance of $10.5 million at maturity.

	Three months ended March 31, 2011	Year ended December 31, 2010
Balance, beginning of the period	$ 9,386	$ 8,691
Accretion on Convertible Class B share liability	182	695
Balance, end of the period	$ 9,568	$ 9,386

12. Bank Debt

As at March 31, 2011, the Company had a revolving demand credit facility with an authorized borrowing amount of $52 million, with interest and other fees charged at the bank's prime rate plus a rate as determined by a pricing grid. Collateral for the facility consists of a general security agreement, providing a security interest over all present and after acquired personal property and a floating charge on all present and after acquired land interests of the Company.

At March 31, 2011, the revolving demand credit facility was drawn to $26.5 million. The Company also had an issued letter of credit in the amount of approximately $0.1 million.

The next interim review is scheduled for September, 2011. These reviews are based primarily on reserves and using commodity prices estimated by the lender, as well as other factors. A decrease in the borrowing base could result in a reduction to the credit facility available upon the next scheduled review which may require a repayment to the bank.

13. Decommissioning obligations:

(a) Decommissioning obligations:

The Company's decommissioning obligations result from its ownership interest in oil and natural gas assets including well sites and gathering systems. The Company estimates the total undiscounted amount of expenditures required to settle its decommissioning liability is approximately $5.6 million (December 31, 2010 – $5.5 million) which will be incurred over the next 20 years, with the majority of these costs incurred between 2018 and 2028. A credit adjusted risk-free rate of 8% was used to discount this amount. As at March 31, 2011, no funds have been set aside to fund this obligation.

		March 31 2011		December 31 2010
Asset retirement obligation, beginning of period	**$**	**2,273**	$	2,638
Liabilities eliminated on disposition		**-**		(757)
Liabilities incurred		**45**		218
Accretion expense		**44**		174
Actual abandonment expenditures incurred		**(2)**		-
Asset retirement obligation, end of period	**$**	**2,360**	$	2,273

14. Commitments:

The Company must pay Crown royalties, surface rentals, mineral taxes and abandonment and reclamation costs with respect to its ongoing ownership of hydrocarbon production rights. The amounts paid with respect to these burdens will depend on the future ownership, production, commodity prices and regulatory environment at the time.

The Company enters into natural gas and crude oil financial contracts from time to time, some of which may have premiums attached to them (see Note 4). The future premiums Seaview is committed to pay are included in the table below.

The Company's future contractual commitments are highlighted below:

		Total	2011	2012
Operating leases	$	478	215	263
Financial instrument premiums	$	1,183	1,183	-
Total contractual obligations	$	1,661	1,398	263

15. Transition to IFRS:

The Company's accounting policies under IFRS differ from those followed under previous GAAP as described in Note 3. These accounting policies have been applied for the three months ended March 31, 2011, as well as the to the opening consolidated balance sheets on the transition date, January 1, 2010, the comparative information for the three months ended March 31, 2010 and the comparative information for the year ended December 31, 2010.

The adjustments arising from the application of IFRS to amounts on the consolidated balance sheets on the transition date and on the transactions prior to that date, were recognized as an adjustment to the Company's opening deficit category on the consolidated balance sheet when appropriate.

On transition to IFRS on January 1, 2010, the Company used certain exemptions allowed under IFRS 1 "First Time Adoption of International Financial Reporting Standards". The exemptions used were:

Full Cost Accounting – IFRS 1 allows an entity that used full cost accounting under its previous GAAP to elect, at the time of adoption to IFRS, to measure oil and gas assets in the development and production phases by allocating the amount determined under the entity's previous GAAP for those assets to the underlying assets pro rata using reserve volumes or reserve values as of that date. The Company has used reserve volumes as of January 1, 2010 to allocate the cost of development and production assets to CGU's.

Business Combinations – IFRS 1 allows an entity to use the IFRS rules for business combinations on a prospective basis rather than restating all business combinations. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under the Company's previous GAAP.

Share based compensation – IFRS 1 allows an entity an exemption on IFRS 2, "Share Based Payments" to equity instruments which vested before the Company's transition date to IFRS.

Statement of financial position at the date of IFRS transition – January 1, 2010:

		Effect of transition to IFRS					
(in thousands of dollars)	Canadian GAAP	Impairment (note 15b)	E&E assets (note 15a)	Share based payments (note 15e)	Share capital adjustments (note 15f)	Deferred taxes (note 15g)	IFRS
ASSETS							
Current assets:							
Accounts receivables	$ 7,739	$	$	$	$	$	$ 7,739
Prepaid expenses and deposits	1,027						1,027
Deferred tax assets	139					(139)	-
Total current assets	8,905					(139)	8,766
Property, plant and equipment	149,942	(2,469)	(433)				147,040
Exploration and evaluation assets	-		433				433
Goodwill	7,563	(7,563)					-
Total non-current assets	157,505	(10,032)	-				147,473
Total assets	$ 166,410	$ (10,032)	$ -	$ -	$ -	$ (139)	$ 156,239
LIABILITIES AND EQUITY							
Current liabilities:							
Bank debt	$ 38,044	$	$	$	$	$	$ 38,044
Accounts payables and accrued liabilities	11,031						11,031
Risk management contracts	497						497
Total current liabilities	49,572						49,572
Risk management contracts	1,088						1,088
Flow through premium liability	-				288		288
Convertible Class B share liability	-				8,691		8,691
Decommissioning obligations	2,638						2,638
Deferred tax liabilities	18,236				849	(764)	18,321
Total non-current liabilities	21,962				9,828	(764)	31,026
Total liabilities	71,534				9,828	(764)	80,598
Shareholders' Equity:							
Share capital	97,374				(7,024)		90,350
Contributed surplus	5,188			1,255			6,443
Deficit	(7,686)	(10,032)		(1,255)	(2,804)	625	(21,152)
Total shareholders' equity	94,876	(10,032)		-	(9,828)	625	75,641
Total liabilities and shareholders' equity	$ 166,410	$ (10,032)	$ -	$ -	$ -	$ (139)	$ 156,239

Statement of financial position at March 31, 2010:

		Effect of transition to IFRS							
(in thousands of dollars)	Canadian GAAP	Impairment (note 15b)	E&E assets (note 15a)	Depletion and Deprec (note 15c)	Other PP&E adjs (note15c)	Share based payments (note 15e)	Share capital adjs (note 15f)	Deferred taxes (note15g)	IFRS
ASSETS									
Current assets:									
Accounts receivables	$ 7,720	$	$	$	$	$	$	$	$ 7,720
Prepaid expenses and deposits	943								943
Risk management contracts	1,611								1,611
Total current assets	10,274								10,274
Property, plant and equipment	152,184	(2,469)	(4,113)	300	(151)	26			145,777
Exploration and evaluation assets	-		4,113						4,113
Goodwill	7,563	(7,563)							-
Total non-current assets	159,747	(10,032)	-	300	(151)	26			149,890
Total assets	$ 170,021	$ (10,032)	$ -	$ 300	$ (151)	$ 26	$	$	$ 160,164
LIABILITIES AND EQUITY									
Current liabilities:									
Bank debt	$ 36,000	$	$	$	$	$	$	$	$ 36,000
Accounts payables and accrued liabilities	16,559								16,559
Deferred tax liabilities	451							(451)	-
Total current liabilities	53,010							(451)	52,559
Risk management contracts	513								513
Flow through premium liability	-								-
Convertible Class B share liability	-						8,860		8,860
Decommissioning obligations	2,764								2,764
Deferred tax liabilities	19,237				(84)		412	(92)	19,473
Total non-current liabilities	22,514				(84)		9,272	(92)	31,610
Total liabilities	75,524				(84)		9,272	(543)	84,169
Shareholders' Equity:									
Share capital	96,163						(5,766)		90,397
Contributed surplus	5,685					1,300			6,985
Deficit	(7,351)	(10,032)		300	(67)	(1,274)	(3,506)	543	(21,387)
Total shareholders' equity	94,497	(10,032)		300	(67)	26	(9,272)	543	75,995
Total liabilities and shareholders' equity	$ 170,021	$ (10,032)	$	$ 300	$ (151)	$ 26	$ -	$ -	$ 160,164

Statement of financial position at the end of the last reporting year - December 31, 2010:

		Effect of transition to IFRS							
(in thousands of dollars)	Canadian GAAP	Impairment (note 15b)	E&E assets (note 15a)	Depletion and Deprec (note 15c)	Other PP&E adjs (note15c)	Share based payments (note 15e)	Share capital adjs (note 15f)	Deferred taxes (note 15g)	IFRS
ASSETS									
Current assets:									
Accounts receivables	$ 10,488	$	$	$	$ (2,980)	$	$	$	$ 7,508
Prepaid expenses and deposits	1,037								1,037
Risk management contracts	1,151								1,151
Total current assets	12,676								9,696
Property, plant and equipment	125,764	(2,469)	(4,996)	(261)	18,436	(109)			136,365
Exploration and evaluation assets	-		4,996						4,996
Goodwill	7,563	(7,563)							-
Total non-current assets	133,327	(10,032)	-	(261)	15,456	(109)			141,361
Total assets	$ 146,003	$ (10,032)	$ -	$ (261)	$ 15,456	$ (109)	$	$	$ 151,057
LIABILITIES AND EQUITY									
Current liabilities:									
Bank debt	$ 16,494	$	$	$	$	$	$	$	$ 16,494
Accounts payables and accrued liabilities	15,291								15,291
Deferred tax liabilities	322							(322)	-
Total current liabilities	32,107								31,785
Risk management contracts	2,193								2,193
Convertible Class B share liability	-						9,386		9,386
Decommissioning obligations	2,273								2,273
Deferred tax liabilities	18,314				(338)		280	3,601	21,857
Total non-current liabilities	22,780				(338)		9,666	3,601	35,709
Total liabilities	54,887				(338)		9,666	3,279	67,494
Shareholders' Equity:									
Share capital	96,285						(5,766)		90,519
Contributed surplus	7,218					932			8,150
Deficit	(12,387)	(10,032)		(261)	15,794	(1,041)	(3,900)	(3,279)	(15,106)
Total shareholders' equity	91,116	(10,032)		(261)	15,794	(109)	(9,666)	(3,279)	83,563
Total liabilities and shareholders' equity	$ 146,003	$ (10,032)	$	$ (261)	$ 15,456	$ (109)	$ -	$ -	$ 151,057

Reconciliation of consolidated statement of operations and comprehensive income for the three months ended March 31, 2010:

		Effect of transition to IFRS					
(in thousands of dollars)	Canadian GAAP	Depletion and Depreciation (note 15c)	Other PP&E adjustments (note15c)	Share based payments (note 15e)	Share capital adjustments (note 15f)	Deferred taxes (note 15g)	IFRS
REVENUES							
Petroleum and natural gas sales	$ 11,056	$	$	$	$	$	$ 11,056
Royalties	(1,725)						(1,725)
Realized loss on financial contracts	(283)						(283)
Unrealized gains on financial contracts	2,664						2,664
	11,712	-			-	-	11,712
EXPENSES							
Operating expenses	$ 3,232	$	$	$	$	$	$ 3,232
Transportation expense	376						376
General and administrative	598		67				665
Depletion and depreciation	6,258	(300)					5,958
Share based compensation	296			19			315
	10,760	(300)	67	19			10,546
Results from operating activities	952	300	(67)	(19)			1,166
Finance expenses							
Interest expense	334						334
Unrealized gain on financial contracts	(19)						(19)
Accretion on decommissioning obligations	53						53
Accretion on Convertible Class B share liability	-				169		169
Net finance expenses	368				169		537
Income (loss) before taxes	584	300	(67)	(19)	(169)		629
Deferred income tax expense	249				533	82	864
Income (loss) and comprehensive income (loss) for the period	$ 335	$ 300	$ (67)	$ (19)	$ (702)	$ (82)	$ (235)

Reconciliation of consolidated statement of operations and comprehensive income for the year ended December 31, 2010:

		Effect of transition to IFRS					
(in thousands of dollars)	Canadian GAAP	Depletion and Depreciation (note 15c)	Other PP&E adjustments (note15c)	Share based payments (note 15e)	Share capital adjustments (note 15f)	Deferred taxes (note 15g)	IFRS
REVENUES							
Petroleum and natural gas sales	$ 33,386	$	$	$	$	$	$ 33,386
Royalties	(4,373)						(4,373)
Realized gain on financial contracts	1,785						1,785
Unrealized gains on financial contracts	519						519
	31,317	-	-	-	-	-	31,317
EXPENSES							
Operating expenses	$ 8,115	$	$	$	$	$	$ 8,115
Transportation expense	1,522						1,522
General and administrative	2,649		248				2,897
Pre-license expenditures	-		241				241
Gain on sale of property, plant and equipment	-		(16,283)				(16,283)
Depletion and depreciation	22,560	261					22,821
Share based compensation	1,144			(214)			930
	35,990	261	(15,794)	(214)			20,243
Results from operating activities	(4,673)	(261)	15,794	214			11,074
Finance expenses							
Interest expense	935						935
Unrealized gain on financial contracts	(24)						(24)
Accretion on decommissioning obligation	174						174
Accretion on Convertible Class B share liability					695		695
Net finance expenses	1,085				695		1,780
Income (loss) before taxes	(5,758)	(261)	15,794	214	(695)		9,294
Deferred income tax expense (reduction)	(1,057)				401	3,904	3,248
Income (loss) and comprehensive income (loss) for the period	$ (4,701)	$ (261)	$ 15,794	$ 214	$ (1,096)	$ (3,904)	$ 6,046

Notes to reconciliations

(a) IFRS 1 election for full cost oil and gas entities

The Company elected an IFRS 1 exemption whereby the previous GAAP full cost pool was measured upon transition to IFRS as follows:

(i) exploration and evaluation assets were reclassified from the full cost pool to intangible exploration assets at the amount that was recorded under previous GAAP; and

(ii) the remaining full cost pool was allocated to the producing/development assets and components pro rata using proved plus probable reserve volumes.

This resulted in a transfer of $0.4 million to exploration and evaluation assets with a corresponding decrease in property, plant and equipment. As at March 31, 2010, the transfer was $4.1 million and as at December 31, 2010, the transfer was $ 5.0 million, which included undeveloped land acquired in 2010 net of expiries.

(b) IAS 36 Adjustments – Impairment of property, plant and equipment ("PP&E")

In accordance with IFRS, impairment tests of PP&E must be performed at the cash generating unit ("CGU") level as opposed to the entire PP&E balance which was required under the previous GAAP through the full cost ceiling test. An impairment is recognized if the carrying value exceeds the recoverable amount (greater of value in use or fair value less costs to sell) for a CGU. For Seaview, the recoverable amount is determined using fair value less cost to sell based on discounted future cash flows on proved plus probable reserves using forecast prices and costs. As a result of this impairment testing at the CGU level, the Company recognized an impairment of $2.5 million at January 1, 2010 with a corresponding increase to the deficit on the consolidated balance sheet. For the three months ended March 31, 2010 and the year ended December 31, 2010, the Company's carrying value exceeded the recoverable amount for each CGU, therefore no further impairment was required. PP&E impairments can be reversed in the future if the recoverable amount increases.

In accordance with the standard, goodwill has been allocated to the specific CGU's that are expected to benefit from the acquisitions for the purpose of impairment testing. As a result, the impairment test for goodwill is now performed on a smaller portion of the Company's assets than under the previous GAAP. The impact of the impairment test under IAS 36 on January 1, 2010 resulted in a write-down of goodwill of $7.6 million with a corresponding increase to the deficit on the consolidated balance sheet.

(c) IAS 16 Adjustments – Property, Plant and Equipment

Depletion and Depreciation.

Upon transition to IFRS, the Company adopted a policy of depleting oil and natural gas interests on a unit of production basis over proved reserves which is consistent with the depletion policy under previous GAAP. However, under the previous GAAP, depletion was done on the Canadian cost centre under previous GAAP. IFRS requires depletion and depreciation to be calculated based on individual components (ie. fields or combinations thereof).

There was no impact of this difference on adoption of IFRS at January 1, 2010 as a result of the IFRS 1 election as discussed above.

For the three months ended March 31, 2010, depleting the oil and gas interests at the individual component level as opposed to the Canadian cost centre level resulted in a decrease to the depletion and depreciation of $0.3 million. For the year ended December 31, 2010, depletion and depreciation was increased by $0.3 million as a result of changes to the depletion calculation.

For exploration and evaluation assets, the cost of developed land that expires during the period is charged as additional depletion and depreciation expense.

Other adjustments to PP&E

Under previous GAAP, proceeds from divestitures were deducted from the full cost pool without recognition of a gain or loss unless the deduction resulted in a change in the depletion rate of 20 percent or greater, in which case a gain or loss was recorded. Under IFRS, gains and losses are recorded on divestitures and are calculated as the difference between the proceeds and the net book value of the asset disposed. For the year ended December 31, 2010, Seaview recognized a $16.3 million net gain on divestitures under IFRS compared to nil under the previous GAAP with an increase in PP&E where the proceeds were originally recorded under previous GAAP.

IFRS also requires that the capitalization of general and administrative costs be limited to directly attributable costs. Under previous GAAP, a reasonable allocation of general and administrative costs to PP&E was acceptable. As a result of the change in capitalization criteria, the Company increased its general and administrative expense by $0.1 million during the three months ended March 31, 2010 and $0.2 million for the year ended December 31, 2010 with a corresponding decrease in PP&E.

Under previous GAAP, a deferred tax adjustment was recorded related to share based compensation costs capitalized. No such adjustment is made under IFRS. As a result of this change, PP&E was reduced by $0.1 million at March 31, 2010 and $0.3 million at December 31, 2010 with a corresponding decrease to the deferred tax liability.

Under IFRS, costs incurred prior to obtaining the legal right to explore must be expensed. Under previous GAAP, these costs were capitalized and depleted within the full cost pool. For the three months ended March 31, 2010, the Company did not incur any such costs therefore no adjustment was required for this period. For the year ended December 31, 2010, the Company recorded $0.2 million of pre-license expenditures with a corresponding decrease in PP&E.

An adjustment of $3.0 million to PP&E was made at December 31, 2010 to account for Alberta Drilling Credits that will expire without recovery or sale with a corresponding decrease to accounts receivable.

(d) IAS 37 adjustments – Provisions, Contingent Liabilities and Contingent Assets

Consistent with IFRS, decommissioning obligations (asset retirement obligations under previous GAAP) were measured under previous GAAP based on the estimated cost of decommissioning, discounted to their net present value upon initial recognition. Under previous GAAP, asset retirement obligations were discounted at a credit adjusted risk free rate of eight to ten percent. Under IFRS, decommissioning obligations can be calculated using either a risk free rate, which differs from previous GAAP, or a credit adjusted risk free rate consistent with previous GAAP. Seaview chose to use the credit adjusted risk free interest rate and therefore no adjustment was required upon transition to IFRS. Under IFRS, the unwinding of the discount rate is charged as interest expense versus accretion expense under previous GAAP.

(e) IFRS 2 Adjustments – Share based compensation:

Under the previous GAAP, the Company recognized an expense related to their share based compensation on a straight-line basis through the date of full vesting and did not incorporate a forfeiture multiple. Under IFRS, the Company is required to recognize the expense over the individual vesting periods for the graded vesting awards and estimate a forfeiture rate at the date of grant and update it throughout the vesting period. The impact on transition was an increase to contributed surplus of $1.3 million with an offsetting increase to the opening deficit. For the three months ended March 31, 2010, the Company increased the amount of share based compensation expense by $19,000 and for the year ended December 31, 2010, share based compensation expense was reduced by $214,000, with corresponding adjustments in retained earnings.

(f) Share Capital adjustments

Under previous GAAP, the Company's convertible Class B shares were presented as equity. Under IFRS, the Class B shares do not qualify for equity presentation and must be presented as a liability, due to the number of Class A shares issued on conversion, based on the conversion formula (note 11), not being certain until the Company exercises conversion. As such, the Company has retrospectively adjusted the presentation of its $11.71 million Initial Public Offering ("IPO") on October 17, 2007, which included the convertible Class B shares. The value of Class A shares on issuance was determined to be $1.17 million ($0.25 per Class A share). It was also determined that the face value of convertible Class B shares is $10.54 million ($10.00 per Class B share). Using an 8 percent discount rate and a term of 4.75 years, the Company calculated a present value of the Class B shares of $6.81 million on issuance, which will accrete to the $10.54 million face value on May 31, 2012, the expiration date of the Company's conversion option. A deferred tax liability of $0.80 million was recognized on issuance relating to the difference between the face value and present value of the Class B shares, tax effected at 25 percent. The deferred tax liability is reversed proportionately to the accretion expense on the convertible Class B share liability. Flow through share premiums of $0.22 million and $1.97 million were recognized for the Class A and Class B shares, respectively. The Class A flow through share premium reduced share capital while the Class B flow through share premium was recorded to the equity component of Class B shares, along with a put option premium of $0.52 million, recognizing the value of the Company's lower limit of $1.00 per Class A share in the Class B to Class A conversion formula.

The following table is a reconciliation of the Company's IPO from previous GAAP to IFRS at January 1, 2010:

($000s)	Previous GAAP	Adjustments	IFRS
Class A share capital	872	3,002	3,874
Convertible Class B share capital	7,847	(7,847)	-
Convertible Class B share liability	-	8,691	8,691
Equity component of Class B shares	-	(2,492)	(2,492)
Deficit	-	(1,816)	(1,816)
Deferred income taxes	2,987	462	3,449
Gross proceeds from IPO	11,706	-	11,706

Under previous GAAP, the Company recorded the deferred tax impact on renouncement of flow through shares against share capital. Under IFRS, the Company is required to record a premium liability when the flow through shares are issued, which is relieved as the Company incurs qualifying expenditures, with the difference going to deferred tax expense. As a result of this change in the treatment of deferred taxes, at transition, the Company recorded an additional $1.1 million to share capital, a premium liability of $0.3 million, an additional deferred tax liability of $0.4 million and a reduction of $1.8 million in retained earnings for flow through shares that had been previously issued and partially renounced at transition. As at March 31, 2010, the issued shares were fully renounced with the premium liability being fully relieved, the recognition of a further $0.6 million of deferred tax expense and an increase of $0.9 million to deferred tax liability, representing the renouncement of the remaining expenditures to the holders. These amounts were further adjusted by the reversal of the renouncement recorded under previous GAAP, which then increased share capital by a further $1.3 million with a corresponding decrease to deferred tax liability. There was no further effect at December 31, 2010, as the obligation to incur qualifying expenditures was fully satisfied by March 31, 2010.

(g) IAS 12 Adjustments – Income taxes:

The aforementioned changes increased (decreased) the net deferred tax liability as follows based on a tax rate of 25 percent:

	December 31, 2010	March 31, 2010	January 1, 2010
Impairment of PP&E on transition (note 15b)	$ (625)	$ (625)	$ (625)
Flow through share issue renouncement (note 15f)	(8)	(8)	387
Convertible Class B share liability (note 15f)	288	420	462
Depletion and depreciation (note 15c)	(65)	75	-
Stock based compensation spiral (note 15c)	(338)	(84)	-
Other PP&E adjustments (note 15c)	3,969	7	-
Increase (decrease) in deferred tax liabilities	$ 3,221	$ (215)	$ (224)

Under IFRS, there is no requirement to separate the portion of deferred income taxes related to current assets or liabilities. The amounts previously classified as current have been reclassified to long-term.

Adjustments to deferred income taxes have been made in regards to the adjustments noted above that resulted in a change to the temporary differences between tax and accounting values.

(h) Finance expenses

Under IFRS, a separate line item is required in the income statement for finance expense. The items under the previous GAAP that were reclassified to finance expenses were interest and financing expense, the accretion on the decommissioning obligations, and the unrealized gain on risk management financial contracts regarding interest rate swaps.

(i) Major turnaround and overhaul expenditures

Under IFRS, the Company capitalizes the cost of major plant turnarounds and overhauls and depreciates these costs over their useful life. Previously, these costs were depreciated on a unit-of-production basis. The result of the change is an acceleration of depreciation charges on these items which is included in the adjustments discussed under depletion and depreciation above.

(j) Opening Retained Earnings Adjustments

The aforementioned changes increased (decreased) retained earnings as follows:

	December 31, 2010	March 31, 2010	January 1, 2010
Impairment of PP&E on transition (note 15b)	$ (2,469)	$ (2,469)	$ (2,469)
Impairment of Goodwill on transition (note 15b)	(7,563)	(7,563)	(7,563)
Flow through share issue renouncement (note 15f)	(2,361)	(2,361)	(1,786)
Convertible Class B share liability accretion (note 15f)	(1,539)	(1,145)	(1,018)
Share based compensation (note 15e)	(1,041)	(1,274)	(1,255)
Depletion and depreciation (note 15c)	(261)	300	-
Other PP&E adjustments (note 15c)	15,794	(67)	-
Deferred income taxes (note 15g)	(3,279)	543	625
Increase (decrease) in retained earnings	$ (2,719)	$ (14,036)	$ (13,466)

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