

SEAVIEW ENERGY INC

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

	September 30, 2011	December 31, 2010
Assets		
Accounts receivables	\$ 5,105	\$ 7,508
Prepaid expenses and deposits	853	1,037
Risk management contracts	528	1,151
Total current assets	6,486	9,696
Property, plant and equipment (Note 8)	135,915	136,364
Exploration and evaluation assets (Note 9)	3,535	4,996
Total non-current assets	139,450	141,360
Total assets	\$ 145,936	\$ 151,056
Liabilities		
Bank debt (Note 12)	\$ 25,964	\$ 16,494
Accounts payable and accrued liabilities	9,170	15,291
Risk management contracts	93	-
Total current liabilities	35,227	31,785
Risk management contracts (Note 4)	1,934	2,193
Convertible Class B share liability (Note 11)	9,944	9,386
Decommissioning liability (Note 13)	2,333	2,273
Deferred tax liabilities	19,513	21,856
Total non-current liabilities	33,724	35,708
Total liabilities	68,951	67,493
Shareholders' equity		
Share capital (Note 10)	90,553	90,519
Contributed surplus	8,895	8,150
Deficit	(22,463)	(15,106)
Total shareholders' equity	76,985	83,563
Total liabilities and shareholders' equity	\$ 145,936	\$ 151,056

Subsequent event (Note 16)

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 and nine months ended September 30, 2011, with comparative figures for 2010

(in thousands of Canadian dollars, except per share amounts)
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2011	2010 (Note 15)	2011	2010 (Note 15)
Revenue				
Oil and natural gas sales	\$ 6,562	\$ 6,486	\$ 21,422	\$ 26,436
Royalties	(798)	(499)	(2,785)	(3,638)
	5,764	5,987	18,637	22,798
Risk management gain (loss)				
Realized gain on risk management contracts (Note 4)	298	727	821	1,093
Unrealized gain (loss) on risk management contracts (Note 4)	1,039	349	(458)	2,238
	7,101	7,063	19,000	26,129
Operating expenses				
Operating	1,854	1,196	5,693	6,793
Transportation	312	345	953	1,126
General and administrative	698	626	1,610	2,042
Pre-license expenditures	45	-	226	-
Loss (gain) on sale of property, plant and equipment (Note 8)	2,297	(33)	2,297	(16,177)
Depletion and depreciation (Note 8)	4,942	5,176	15,884	17,128
Share based compensation (Note 10)	109	279	386	773
	10,257	7,589	27,049	11,685
Results from operating activities	(3,156)	(526)	(8,049)	14,444
Finance expenses				
Interest expense	380	158	959	780
Unrealized gain on financial contracts	-	-	-	(24)
Accretion on decommissioning obligations	44	40	134	132
Accretion on Convertible Class B share liability	190	175	558	516
Net finance expense (Note 6)	614	373	1,651	1,404
Income (loss) before taxes	(3,770)	(899)	(9,700)	13,040
Deferred income tax expense (reduction):	(841)	(65)	(2,343)	4,099
Net income (loss) and comprehensive income loss	\$ (2,929)	\$ (834)	\$ (7,357)	\$ 8,941
Net income (loss) per share – basic (Note 10)	\$ (0.04)	\$ (0.01)	\$ (0.11)	\$ 0.13
Net income (loss) per share – diluted (Note 10)	\$ (0.04)	\$ (0.01)	\$ (0.11)	\$ 0.12

See accompanying notes to the unaudited interim consolidated financial statements

SEAVIEW ENERGY INC

Consolidated Statements of Cash Flows

For the three and nine months ended September 30, 2011, with comparative figures for 2010

(in thousands of Canadian dollars)
(unaudited)

	Three months ended		Nine months ended	
	September 30		September 30	
	2011	2010	2011	2010
Operating activities				
Net income	\$ (2,929)	\$ (834)	\$ (7,357)	\$ 8,941
Adjustments for:				
Depletion and depreciation	4,942	5,176	15,884	17,128
Net finance expense <i>(Note 6)</i>	614	373	1,651	1,404
Deferred income tax (reduction) expense	(841)	(65)	(2,343)	4,099
Unrealized risk management loss (gain)	(1,039)	(349)	458	(2,238)
Loss (gain) on sale of property, plant and equipment <i>(Note 8)</i>	2,297	(33)	2,297	(16,177)
Share based compensation	109	279	386	773
Net interest paid <i>(Note 6)</i>	(380)	(158)	(959)	(780)
Decommissioning expenditures	-	-	(2)	(21)
	2,773	4,389	10,015	13,129
Change in non-cash working capital <i>(Note 7)</i>	52	205	(768)	2,201
	\$ 2,825	\$ 4,594	\$ 9,247	\$ 15,330
Financing activities				
Increase (decrease) in bank loans	(6,519)	1,462	9,470	(26,890)
Proceeds from issuance of shares	-	4	19	27
	\$ (6,519)	\$ 1,466	\$ 9,489	\$ (26,863)
Investing activities				
Property, plant and equipment additions, including exploration & evaluation assets	(3,809)	(5,555)	(20,488)	(18,330)
Property dispositions	4,519	-	4,519	33,090
Change in non-cash working capital <i>(Note 7)</i>	2,984	(505)	(2,767)	(3,227)
	\$ 3,694	\$ (6,060)	\$ (18,736)	\$ 11,533
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)
(unaudited)

	Number of Class A shares	Class A share capital	Equity component of Class B share	Contributed surplus	Deficit	Total
Balance at January 1, 2011	65,536,768	\$ 93,011	\$ (2,492)	\$ 8,150	\$ (15,106)	\$ 83,563
Share based compensation expensed (Note 10)		-		386	-	386
Share based compensation capitalized (Note 10)		-		374	-	374
Options exercised (Note 10)	16,250	34		(15)	-	19
Net loss for the period		-		-	(7,357)	(7,357)
Balance at September 30, 2011	65,553,018	\$ 93,045	\$ (2,492)	\$ 8,895	\$ (22,463)	\$ 76,985

	Number of Class A shares	Class A share capital	Equity component of Class B share	Contributed surplus	Deficit	Total
Balance at January 1, 2010	65,433,182	\$ 92,842	\$ (2,492)	\$ 6,443	\$ (21,152)	\$ 75,641
Share based compensation expensed (Note 10)		-		773	-	773
Share based compensation capitalized (Note 10)		-		724	-	724
Options exercised (Note 10)	46,168	97		(70)	-	27
Net income (loss) for the period		-		-	8,941	8,941
Balance at September 30, 2010	65,479,350	\$ 92,939	\$ (2,492)	\$ 7,870	\$ (12,211)	\$ 86,106

See accompanying notes to the unaudited interim consolidated financial statements

SEAVIEW ENERGY INC.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2011, with comparative figures for 2010
(tabular amounts are in thousands of Canadian dollars except share and per share information)

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 and nine months ended September 30, 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. These unaudited condensed interim consolidated financial statements are for part of the period covered by the first IFRS annual financial statements and IFRS 1 "First-time Adoption of IFRS" has been applied.

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"). An explanation of how the transition to IFRSs has affected the reported consolidated financial position, financial performance and cash flows of the Company is provided in Note 15. This note includes reconciliations of equity and total comprehensive income for comparative periods reported under previous GAAP to those reported for those periods.

The unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on November 22, 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.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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(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:

These unaudited interim consolidated financial statements have been prepared in accordance with IFRS following the same accounting policies and methods of computation as the unaudited interim consolidated financial statements for the Company for the period ended March 31, 2011 and should be read in conjunction therewith. The significant accounting policies are described in Note 3 of the March 31, 2011 interim consolidated 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.

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The carrying amount of accounts receivable represents the maximum credit exposure. As at September 30, 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 September 30, 2011 and \$2.5 million from joint venture partners, consisting in part of cash calls, of which \$0.5 million has been subsequently collected. As at September 30, 2011 the Company has \$1.0 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 September 30, 2011 and did not provide for any doubtful accounts during the three or nine months ended September 30, 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 when using collars and swaps, unless otherwise approved by the Board of Directors.

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For the three and nine months ended September 30, 2011, with comparative figures for 2010
(tabular amounts are in thousands of Canadian dollars except share and per share information)

As at September 30, 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	\$ 231	January '10 – December '11
Put	6,140 gj/d	AECO Monthly	\$ 4.00/gj	\$ 297	January '11 – December '11
Call	3,000 gj/d	AECO Monthly	\$ 7.40/gj	\$ (30)	January '13 – December '13
Crude Oil					
Put ⁽²⁾	200 bbl/d	WTI – Nymex CAD	\$ 75.00/bbl	\$ (93)	January '10 – December '11
Call	100 bbl/d	WTI – Nymex CAD	\$ 88.25/bbl	\$ (437)	January '13 – December '13
Call	200 bbl/d	WTI – Nymex	\$ 72.50/bbl	\$ (1,467)	January '13 – December '13
Fair value of commodity price contracts ⁽³⁾				\$ (1,499)	

(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 current and long-term liability of \$2.0 million offset by the current asset of \$0.5 million as shown on the consolidate balance sheet.

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 September 30, 2011, the fair market value recorded on the consolidated statement of financial position for these financial instrument contracts was a net liability of \$1.5 million, compared to a net liability of \$1.0 million as at December 31, 2010. The increase in net liability from December 31, 2010 to September 30, 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 had an impact of approximately \$265,000 on net income for the nine months ended September 30, 2011. The Company's current oil financial instrument contracts are well below the current price per barrel of oil – WTI, therefore, a change of \$1.00 in price would have had an impact of approximately \$60,000 on net income for the nine months ended September 30, 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 nine month period ended September 30, 2011 would decrease by \$205,000.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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(tabular amounts are in thousands of Canadian dollars except share and per share information)

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 flow 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 flow from operations remained constant. This ratio is calculated as net debt, defined as outstanding bank debt plus or minus net working capital, divided by the annualized year-to-date funds flow from operations. 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 September 30, 2011, the Company's ratio of net debt to nine month annualized funds flow from operations was 2.2 to 1 (September 30, 2010 – 0.7 to 1) due to increased capital expenditures.

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.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2011, with comparative figures for 2010
(tabular amounts are in thousands of Canadian dollars except share and per share information)

6. Finance income and expenses:

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Finance income:				
Net change in fair value of risk management financial contracts	\$ -	\$ -	\$ -	\$ (24)
Finance expense:				
Interest on loans and borrowings	380	158	959	780
Accretion on decommissioning obligations (note 13)	44	40	134	132
Accretion on Convertible Class B share liability (note 11)	190	175	558	516
	614	373	1,651	1,428
Net finance expenses	\$ 614	\$ 373	\$ 1,651	\$ 1,404

The Company's effective interest rate including stand-by fees for the three and nine months ending September 30, 2011 was approximately 5.1% and 4.4%, respectively (three and nine months ended September 30, 2010 – 6.2% and 3.7%, respectively).

7. Supplemented cash flow information:

Changes in non-cash working capital is comprised of:

As at September 30,	2011	2010
Source(use) of cash:		
Accounts receivables and accrued assets	\$ 2,402	\$ 904
Prepaid expenses and deposits	184	207
Accounts payables and accrued liabilities	(6,121)	(2,137)
	\$ (3,535)	\$ (1,026)
Related to operating activities	\$ (768)	\$ 2,201
Related to investing activities	\$ (2,767)	\$ (3,227)

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2011, with comparative figures for 2010
(tabular amounts are in thousands of Canadian dollars except share and per share information)

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	21,673	-	21,673
Disposals	(16,645)	(162)	(16,807)
Transfer from intangible exploration assets	7,279	-	7,279
Balance, December 31, 2010	151,211	7,974	159,185
Additions ⁽¹⁾	19,452	-	19,452
Disposals ⁽¹⁾	(8,388)	-	(8,388)
Transfer from intangible exploration assets	2,916	-	2,916
Balance, September 30, 2011	\$ 165,191	\$ 7,974	\$ 173,165

(1) Includes Decommissioning Liability additions and eliminations as well as capitalized share-based compensation

Accumulated depletion, depreciation and impairment losses	Oil & natural gas interests	Other equipment	Total
Balance, January 1, 2010	\$ -	\$ -	\$ -
Depletion and depreciation	22,658	547	23,205
Disposals	(384)	-	(384)
Balance, December 31, 2010	22,274	547	22,821
Depletion and depreciation	15,499	385	15,884
Disposals	(1,455)	-	(1,455)
Balance, September 30, 2011	\$ 36,318	\$ 932	\$ 37,250

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 September 30, 2011	\$ 128,873	\$ 7,042	\$ 135,915

On August 3, 2011, the Company sold a minor producing natural gas asset in the Peace River Arch area of northwest Alberta for net proceeds of \$4.3 million resulting in a loss on disposal of approximately \$2.3 million. On September 23, 2011, the Company sold a minor land asset in northeast British Columbia for net proceeds of \$0.3 million, resulting in a minor gain on disposal.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2011, with comparative figures for 2010
(tabular amounts are in thousands of Canadian dollars except share and per share information)

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	1,455
Transfer to property, plant and equipment	(2,916)
Balance, September 30, 2011	\$ 3,535

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 September 30, 2011, an amount of \$2.6 million (September 30, 2010 – \$5.5 million) remains in intangible exploration assets in respect of the Wapiti project after \$10.2 million was transferred to property, plant, and equipment following the successful initial phase of the appraisal program in the Wapiti area. The remaining amount relates to land acquisitions, seismic costs and site preparation for the upcoming drilling programs.

10. Share capital:

At September 30, 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.

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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 September 30, 2011	5,589,500	\$1.40
Exercisable as at September 30, 2011	3,671,518	\$1.56

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.

Range of exercise prices	Options Outstanding			Options Exercisable	
	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	1.7	\$ 0.50	1,257,652	\$ 0.48
\$1.00 to \$2.00	3,105,190	2.9	\$ 1.14	1,416,366	\$ 1.09
\$2.01 to \$4.00	997,500	1.8	\$ 3.57	997,500	\$ 3.57
	5,589,500	2.4	\$ 1.40	3,671,518	\$ 1.56

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 \$109,391 and \$386,565 has been recognized in the three and nine months ended September 30, 2011, respectively (\$772,871 – nine months ended September 30, 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 \$108,837 and \$373,169 in share based compensation has been capitalized in the three and nine months ended September 30, 2011, respectively (nine months ended September 30, 2010 – \$723,952).

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(tabular amounts are in thousands of Canadian dollars except share and per share information)

(b) Per share amounts

Per share amounts have been calculated using the weighted average number of shares outstanding during the period. For the three and nine months ended September 30, 2011 as well as the three months ended September 30, 2010, both the effect of the conversion of the Class B shares and the effect of options have been excluded from the calculation of weighted average diluted shares as they would have been anti-dilutive. For the nine months ended September 30, 2010, both the impact of the conversion of the Class B shares and the impact of options have been included in the calculation of weighted average diluted shares as they were dilutive.

	Three Months ended September 30		Nine Months ended September 30	
	2011	2010	2011	2010
<hr/>				
Weighted average number of shares (thousands)				
Basic equivalent shares (Class A shares)	65,553	65,483	65,549	65,464
Class B shares converted to Class A shares ⁽¹⁾	-	-	-	9,005
In the money stock options	-	-	-	4,176
Diluted equivalent shares	65,553	65,483	65,549	78,645

⁽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 a thirty consecutive trading day period 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 a thirty consecutive trading day period 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.

SEAVIEW ENERGY INC.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2011, with comparative figures for 2010
(tabular amounts are in thousands of Canadian dollars except share and per share information)

	Nine months ended September 30, 2011		Year ended December 31, 2010	
Balance, beginning of the period	\$	9,386	\$	8,691
Accretion on Convertible Class B share liability		558		695
Balance, end of the period	\$	9,944	\$	9,386

12. Bank Debt:

As at September 30, 2011, the Company had a revolving demand credit facility with an authorized borrowing amount of \$40 million, with interest and other fees charged at the bank's prime rate plus a rate as determined by a pricing grid. The Company also has a development line in the amount of \$8 million that can be accessed for development projects, subject to lender review. 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 September 30, 2011, the revolving demand credit facility was drawn to \$26.0 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 April, 2012. 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 \$5.2 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 September 30, 2011, no funds have been set aside to fund this obligation.

	September 30 2011		December 31 2010	
Asset retirement obligation, beginning of period	\$	2,273	\$	2,638
Liabilities eliminated on disposition		(117)		(757)
Liabilities incurred		45		218
Accretion expense		134		174
Actual abandonment expenditures incurred		(2)		-
Asset retirement obligation, end of period	\$	2,333	\$	2,273

SEAVIEW ENERGY INC.

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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	\$ 335	72	263
Financial instrument premiums	\$ 396	396	-
Total contractual obligations	\$ 731	468	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 and nine months ended September 30, 2011, and the comparative information for the three and nine months ended September 30, 2010. The application of these policies for January 1, 2010, March 31, 2010 and December 31, 2010 can be found in Note 15 of the unaudited interim consolidated financial statements for the Company for the period ended March 31, 2011 and for June 30, 2010 in Note 15 of the unaudited interim consolidated financial statements for the Company for the period ended June 30, 2011.

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.

SEAVIEW ENERGY INC.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2011, with comparative figures for 2010
(tabular amounts are in thousands of Canadian dollars except share and per share information)

Statement of financial position at September 30, 2010:

(in thousands of dollars)	Effect of transition to IFRS								IFRS
	Canadian GAAP	Impairment (note 15b)	E&E assets (note 15a)	Depletion and Deprec (note 15c)	Other PP&E adjs (note 15c)	Share based payments (note 15e)	Share capital adjs (note 15f)	Deferred taxes (note 15g)	
ASSETS									
Current assets:									
Accounts receivables	\$ 6,834	\$	\$	\$	\$	\$	\$	\$	\$ 6,834
Prepaid expenses and deposits	819								819
Risk management contracts	706								706
Total current assets	8,359								8,359
Property, plant and equipment	118,708	(2,469)	(6,378)	(82)	15,739	(28)			125,490
Exploration and evaluation assets	-		6,378						6,378
Goodwill	7,563	(7,563)							-
Total non-current assets	126,271	(10,032)	-	(82)	15,739	(28)			131,868
Total assets	\$ 134,630	\$ (10,032)	\$ -	\$ (82)	\$ 15,739	\$ (28)	\$	\$	\$ 140,227
LIABILITIES AND EQUITY									
Current liabilities:									
Bank debt	\$ 11,154	\$	\$	\$	\$	\$	\$	\$	\$ 11,154
Accounts payables and accrued liabilities	8,894								8,894
Deferred tax liabilities	198							(198)	-
Total current liabilities	20,246								20,048
Risk management contracts	29								29
Convertible Class B share liability	-						9,207		9,207
Decommissioning obligations	2,129								2,129
Deferred tax liabilities	19,047				(255)		325	3,591	22,708
Total non-current liabilities	21,205				(255)		9,532	3,393	34,073
Total liabilities	41,451				(255)		9,532	3,393	54,121
Shareholders' Equity:									
Share capital	96,213						(5,766)		90,447
Contributed surplus	6,791					1,079			7,870
Deficit	(9,825)	(10,032)		(82)	15,994	(1,107)	(3,766)	(3,393)	(12,211)
Total shareholders' equity	93,179	(10,032)		(82)	15,994	(28)	(9,532)	(3,393)	86,106
Total liabilities and shareholders' equity	\$ 134,630	\$ (10,032)	\$ -	\$ (82)	\$ 15,739	\$ (28)	\$ -	\$ -	\$ 140,227

SEAVIEW ENERGY INC.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2011, with comparative figures for 2010
(tabular amounts are in thousands of Canadian dollars except share and per share information)

Reconciliation of consolidated statement of operations and comprehensive income for the three months ended September 30, 2010:

(in thousands of dollars)	Effect of transition to IFRS						IFRS
	Canadian GAAP	Depletion and Depreciation (note 15c)	Other PP&E adjustments (note 15c)	Share based payments (note 15e)	Share capital adjustments (note 15f)	Deferred taxes (note 15g)	
REVENUES							
Petroleum and natural gas sales	\$ 6,486	\$	\$	\$	\$	\$	\$ 6,486
Royalties	(499)						(499)
Realized gain on financial contracts	727						727
Unrealized gain on financial contracts	349						349
	<u>7,063</u>						<u>7,063</u>
EXPENSES							
Operating expenses	\$ 1,196	\$	\$	\$	\$	\$	\$ 1,196
Transportation expense	345						345
General and administrative	564		62				626
Gain on sale of property, plant and equipment	-		(33)				(33)
Depletion and depreciation	4,911	265					5,176
Share based compensation	430			(151)			279
	<u>7,446</u>	<u>265</u>	<u>29</u>	<u>(151)</u>			<u>7,589</u>
Results from operating activities	(383)	(265)	(29)	151			(526)
Finance expenses							
Interest expense	158						158
Unrealized gain on financial contracts	-						-
Accretion on decommissioning obligations	40						40
Accretion on Convertible Class B share liability	-				175		175
Net finance expenses	198				175		373
Income (loss) before taxes	(581)	(265)	(29)	151	(175)		(899)
Deferred income tax expense (reduction)	53				(44)	(74)	(65)
Income (loss) and comprehensive income (loss) for the period	<u>\$ (634)</u>	<u>\$ (265)</u>	<u>\$ (29)</u>	<u>\$ 151</u>	<u>\$ (131)</u>	<u>\$ 74</u>	<u>\$ (834)</u>

SEAVIEW ENERGY INC.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2011, with comparative figures for 2010
(tabular amounts are in thousands of Canadian dollars except share and per share information)

Reconciliation of consolidated statement of operations and comprehensive income for the nine months ended September 30, 2010:

(in thousands of dollars)	Effect of transition to IFRS						IFRS
	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)	
REVENUES							
Petroleum and natural gas sales	\$ 26,436	\$	\$	\$	\$	\$	\$ 26,436
Royalties	(3,638)						(3,638)
Realized gain on financial contracts	1,093						1,093
Unrealized gain on financial contracts	2,238						2,238
	<u>26,129</u>	-	-	-	-	-	<u>26,129</u>
EXPENSES							
Operating expenses	\$ 6,793	\$	\$	\$	\$	\$	\$ 6,793
Transportation expense	1,126						1,126
General and administrative	1,859		183				2,042
Gain on sale of property, plant and equipment	-		(16,177)				(16,177)
Depletion and depreciation	17,046	82					17,128
Share based compensation	921			(148)			773
	<u>27,745</u>	<u>82</u>	<u>(15,994)</u>	<u>(148)</u>			<u>11,685</u>
Results from operating activities	(1,616)	(82)	15,994	148			14,444
Finance expenses							
Interest expense	780						780
Unrealized gain on financial contracts	(24)						(24)
Accretion on decommissioning obligation	132						132
Accretion on Convertible Class B share liability	-				516		516
Net finance expenses	<u>888</u>				<u>516</u>		<u>1,404</u>
Income (loss) before taxes	(2,504)	(82)	15,994	148	(516)		13,040
Deferred income tax expense (reduction)	(365)				446	4,018	4,099
Income (loss) and comprehensive income (loss) for the period	\$ (2,139)	\$ (82)	\$ 15,994	\$ 148	\$ (962)	\$ (4,018)	\$ 8,941

SEAVIEW ENERGY INC.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2011, with comparative figures for 2010
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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 at January 1, 2010. As at September 30, 2010, the transfer was \$6.4 million.

(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 nine months ended September 30, 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 calculated 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. 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.

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For the three months ended September 30, 2010, depleting the oil and gas interests at the individual component level as opposed to the Canadian cost centre level resulted in an increase to the depletion and depreciation of \$0.3 million. For the nine months ended September 30, 2010, depletion and depreciation was increased by \$0.1 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 three months ended September 30, 2010, the Company recognized a \$33,000 net gain and for the nine months ended September 30, 2010, the Company recognized a \$16.2 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 September 30, 2010 and by \$0.2 million during the nine months ended September 30, 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 \$0.3 million at September 30, 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 and nine months ended September 30, 2010, the Company did not incur any such costs therefore no adjustment was required for these periods.

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(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 September 30, 2010, the Company decreased the amount of share based compensation expense by \$151,000 and for the nine months ended September 30, 2010, share based compensation expense was decreased by \$148,000, 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 \$7.33 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. To September 30, 2010, a total of \$1.87 million had been accreted (including \$0.18 million for the three months ended September 30, 2010) with a corresponding reversal of \$0.47 million of deferred tax liability (\$0.04 million for the three months ended September 30, 2010) to arrive at a Convertible Class B share liability of \$9.21 million.

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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 \$0.3 million to share capital, a premium liability of \$0.3 million, an additional deferred tax liability of \$0.4 million and a reduction of \$1.0 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:

	September 30, 2010
Impairment of PP&E on transition (note 15b)	\$ (625)
Flow through share issue renouncement (note 15f)	(8)
Convertible Class B share liability (note 15f)	333
Depletion and depreciation (note 15c)	(20)
Stock based compensation spiral (note 15c)	(255)
Other PP&E adjustments (note 15c)	4,038
Increase (decrease) in deferred tax liabilities	\$ 3,463

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For the three and nine months ended September 30, 2011, with comparative figures for 2010
(tabular amounts are in thousands of Canadian dollars except share and per share information)

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:

	September 30, 2010
Impairment of PP&E on transition (note 15b)	\$ (2,469)
Impairment of Goodwill on transition (note 15b)	(7,563)
Flow through share issue renouncement (note 15f)	(2,361)
Convertible Class B share liability accretion (note 15f)	(1,405)
Share based compensation (note 15e)	(1,107)
Depletion and depreciation (note 15c)	(82)
Other PP&E adjustments (note 15c)	15,994
Deferred income taxes (note 15g)	(3,393)
Increase (decrease) in retained earnings	\$ (2,386)

16. Subsequent Event:

On November 21, 2011, Seaview announced that it had entered into an Arrangement Agreement (the "Arrangement Agreement") dated November 11, 2011 with Charger Energy Corp ("Charger"), Silverback Energy Ltd. ("Silverback") and Sirius Energy Inc. ("Sirius") to form a light oil focused, growth oriented junior exploration and production company to be lead by the current Charger management team.

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The transaction will be completed by way of a Plan of Arrangement (the "Arrangement") whereby Charger, Silverback and Sirius will exchange all of their issued and outstanding shares for Class A shares of Seaview. Each of the companies involved in the business combination is at arm's length with the others. Once the Arrangement is completed, the resulting entity will be renamed Charger Energy Inc.

Under the Arrangement, the share exchange will occur on the following basis:

- Each common share of Charger ("Charger Share") will be exchanged for 3.6364 Class A shares of Seaview ("Seaview Shares") for a deemed aggregate acquisition cost of approximately \$72.5 million, using the November 11, 2011 closing price of \$0.53 for each Seaview Share
- Each common share of Silverback ("Silverback Share") will be exchanged for 5.8182 Seaview Shares for a deemed aggregate acquisition cost of approximately \$54.4 million, using the November 11, 2011 closing price of \$0.53 for each Seaview Share
- Each common share of Sirius ("Sirius Share") will be exchanged for 0.80 of a Seaview Share, for a deemed aggregate acquisition cost of approximately \$11.1 million, using the November 11, 2011 closing price of \$0.53 for each Seaview Share

As part of the Arrangement, each Class B share of Seaview will, in accordance with the articles of Seaview, be exchanged for 10.0 Seaview Shares (Class A) and, as a final step, all of the issued and outstanding Seaview Shares will be consolidated on a one for five basis.

The current directors and management of Charger will form the directors and management of the resulting entity upon closing, with a director nominee from the existing board of directors of Seaview.

It is estimated that there will be approximately 67.3 million Class A shares outstanding following completion of the Arrangement and the share consolidation, with shareholders of Charger, Silverback, Sirius and Seaview holding approximately 41%, 31%, 6% and 23% outstanding shares, on a non-diluted basis, respectively. The common shares of the resulting issuer will be listed and posted for trading on the TSX-V upon closing.

The Arrangement is subject to the approval of 66 2/3 percent of the votes cast by the respective shareholders of each of Seaview, Silverback and Sirius and the securityholders of Charger, as well as stock exchange, court and regulatory approvals as are normally required for transactions of this nature.

CORPORATE INFORMATION

OFFICERS AND SENIOR MANAGEMENT

Michael J.J. Wuetherick, P.Eng
President and Chief Executive Officer

H. Scott Oldale
Vice President, Exploration and Chief Operating Officer

Stephanie A. Bunch, CA
Vice President, Finance and Chief Financial Officer

Davin Chandler, P.Eng
Vice President, Engineering

Timothy L. Campbell
Vice President, Land

DIRECTORS

Daryl Gilbert, *P.Eng, Calgary, Alberta*
Chairman
Reserves Committee Chair and
Health, Safety & Environment Committee Chair

James Howe, ⁽⁴⁾ *CA, Calgary, Alberta*
Audit Committee Chair

Gregory Turnbull, ⁽³⁾ *LLB, Calgary, Alberta*
Corporate Governance Committee Chair

Steven VanSickle, ^{(1),(2),(5)} *Calgary, Alberta*
Compensation Committee Chair

Robert Peters, ^{(3),(4)} *Calgary, Alberta*
Director

Michael Culbert, ⁽¹⁾ *Calgary, Alberta*
Director

Bruce Francis, ^{(2),(5)} *P.Eng, Calgary, Alberta*
Director

Michael J.J. Wuetherick, *P.Eng, Calgary, Alberta*
President, Chief Executive Officer and Director

H. Scott Oldale, *Calgary, Alberta*
Vice President, Exploration, Chief Operating Officer and Director

Sanjib Gill, *LLB, Calgary, Alberta*
Corporate Secretary

⁽¹⁾ Member of the Audit Committee

⁽²⁾ Member of the Reserves Committee

⁽³⁾ Member of the Compensation Committee

⁽⁴⁾ Member of the Corporate Governance Committee

⁽⁵⁾ Member of the Health, Safety and Environment Committee

BANKERS

National Bank of Canada

PETROLEUM CONSULTANTS

Sproule Associates Limited
Calgary, Alberta

LEGAL COUNSEL

McCarthy Tétrault LLP
Calgary, Alberta

AUDITORS

KPMG LLP
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Olympia Trust Company
Calgary, Alberta

STOCK EXCHANGE LISTING

TSX - Venture: CVU.A & CVU.B

INVESTOR RELATIONS

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Investor Toll Free: 1-877-242-0222
E-mail: info@seaviewenergy.com

SEAVIEW ENERGY INC

The logo for Seaview Energy Inc features the company name in a bold, black, sans-serif font. The word "SEAVIEW" is on the top line, and "ENERGY INC" is on the bottom line. A stylized orange and blue wave graphic is positioned behind the text, with the orange part on the left and the blue part on the right, creating a sense of movement and energy.

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