

PETROMIN RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

AUDITORS' REPORT

To the Shareholders of
Petromin Resources Ltd.

We have audited the consolidated balance sheets of Petromin Resources Ltd. as at September 30, 2005 and 2004 and the consolidated statements of operations, changes in shareholders' equity (deficiency) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2005 and 2004 and the results of its operations, and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

January 6, 2006

A Member of SC INTERNATIONAL

PETROMIN RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS
AS AT SEPTEMBER 30

	2005	2004
ASSETS		(Restated - Note 3)
Current		
Cash	\$ 215,284	\$ 23,567
Receivables	<u>155,953</u>	<u>123,430</u>
	371,237	146,997
Equipment (Note 4)	12,099	8,474
Oil and gas properties (Note 5)	<u>1,247,793</u>	<u>1,378,409</u>
	<u>\$ 1,631,129</u>	<u>\$ 1,533,880</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	\$ 474,849	\$ 712,242
Accounts payable and accrued liabilities – related parties	600,874	728,400
Loans payable (Note 7)	<u>150,000</u>	<u>150,000</u>
	1,225,723	1,590,642
Finder's fee payable	-	20,936
Asset retirement obligation (Note 6)	<u>11,905</u>	<u>10,823</u>
	<u>1,237,628</u>	<u>1,622,401</u>
Shareholders' equity (deficiency)		
Capital stock (Note 8)		
Authorized		
Unlimited common shares without par value		
Issued		
37,323,102 common shares (2004 – 30,278,368 common shares)	12,339,913	11,012,921
Contributed surplus	138,102	355,884
Deficit	<u>(12,084,514)</u>	<u>(11,457,326)</u>
	<u>393,501</u>	<u>(88,521)</u>
	<u>\$ 1,631,129</u>	<u>\$ 1,533,880</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 15)

On behalf of the Board:

"Lorne B. Anderson" Director "Kenny Chan" Director

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

PETROMIN RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
YEAR ENDED SEPTEMBER 30

	2005	2004 (Restated - Note 3)
REVENUE	\$ 924,023	\$ 388,104
DIRECT COSTS	<u>518,304</u>	<u>258,940</u>
	<u>405,719</u>	<u>129,164</u>
EXPENSES		
Accretion of asset retirement obligation	1,082	984
Amortization of deferred charges	-	16,997
Consulting	374,182	200,054
Depletion and amortization	177,570	375,294
Interest on convertible debentures	-	98,828
Listings and transfer agent fees	27,157	20,147
Management fees	78,000	78,000
Office, rent and telephone	90,551	111,406
Professional fees	77,073	96,520
Stock-based compensation	-	256,561
Travel and promotion	<u>148,969</u>	<u>67,594</u>
	<u>974,584</u>	<u>1,322,385</u>
Loss before other items	<u>(568,865)</u>	<u>(1,193,221)</u>
OTHER ITEMS		
Interest income and other	972	1,899
Foreign exchange loss	(295)	(687)
Provision for contingency (Note 14)	<u>(59,000)</u>	<u>(69,272)</u>
	<u>(58,323)</u>	<u>(68,060)</u>
Loss for the year	<u>\$ (627,188)</u>	<u>\$ (1,261,281)</u>
Basic and diluted loss per common share	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>
Weighted average number of common shares outstanding	<u>36,022,519</u>	<u>23,486,213</u>

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

PETROMIN RESOURCES LTD.**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

	Number of Common Shares	Common Shares Issued and Fully Paid	Equity Component of Convertible Debentures	Contributed Surplus	Deficit (Restated - Note 3)	Total
Balance at September 30, 2003	22,290,508	\$ 10,205,101	\$ 99,323	\$ -	\$ (10,196,045)	\$ 108,379
Issuance of shares for debt	180,680	27,102	-	-	-	27,102
Issuance of shares for convertible debentures and interest	7,807,180	780,718	(99,323)	99,323	-	780,718
Fair value of stock options	-	-	-	256,561	-	256,561
Loss for the year	-	-	-	-	(1,261,281)	(1,261,281)
Balance at September 30, 2004	30,278,368	11,012,921	-	355,884	(11,457,326)	(88,521)
Private placement	2,000,000	350,000	-	-	-	350,000
Exercise of warrants	3,034,734	455,210	-	-	-	455,210
Exercise of options	2,010,000	521,782	-	(217,782)	-	304,000
Loss for the year	-	-	-	-	(627,188)	(627,188)
Balance at September 30, 2005	37,323,102	\$ 12,339,913	\$ -	\$ 138,102	\$ (12,084,514)	\$ 393,501

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

PETROMIN RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED SEPTEMBER 30

	2005	2004 (Restated - Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (627,188)	\$ (1,261,281)
Items not affecting cash:		
Accretion of asset retirement obligation	1,082	984
Depletion and amortization	177,570	375,294
Accrued interest on convertible debentures	-	94,034
Amortization of deferred charges	-	16,997
Stock-based compensation	-	256,561
Change in non-cash working capital items:		
(Increase) decrease in receivables	(32,523)	74,749
Increase (decrease) in accounts payable and accrued liabilities	(237,393)	175,453
Increase (decrease) in accounts payable and accrued liabilities – related parties	<u>(127,526)</u>	<u>220,439</u>
Net cash used in operating activities	<u>(845,978)</u>	<u>(46,770)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Oil and gas properties - deferred exploration and development costs, net of recoveries	(41,828)	(85,321)
Acquisition of equipment	(8,751)	-
Finder's fee payable	<u>(20,936)</u>	<u>(10,000)</u>
Net cash used in investing activities	<u>(71,515)</u>	<u>(95,321)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issuance of capital stock	1,109,210	-
Payments on loans payable	(150,000)	(150,000)
Proceeds from loans payable	<u>150,000</u>	<u>150,000</u>
Net cash provided by financing activities	<u>1,109,210</u>	<u>-</u>
Change in cash during the year	191,717	(142,091)
Cash, beginning of year	<u>23,567</u>	<u>165,658</u>
Cash, end of year	<u>\$ 215,284</u>	<u>\$ 23,567</u>

Supplemental disclosure with respect to cash flows (Note 12)

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

PETROMIN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated under the laws of British Columbia and its principal business activities include the acquisition and development of oil and gas properties.

The Company is in the process of exploring and developing its oil and gas properties. The recoverability of the amounts shown for oil and gas properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public equity financings, or generate profitable operations in the future.

	2005	2004
		(Restated - Note 3)
Working capital (deficiency)	\$ (854,486)	\$ (1,443,645)
Deficit	(12,084,514)	(11,457,326)

2. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, International King Jack Hydrocarbons Inc. and Far East Oil & Gas Ltd. All significant inter-company balances and transactions have been eliminated upon consolidation.

Oil and gas properties

The Company follows the full cost method of accounting for its oil and gas operations, whereby all costs of exploring for and developing oil and gas reserves are capitalized in cost centres on a country-by-country basis. Such costs include land acquisition costs, geological and geophysical costs, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells, cost of production and gathering equipment and administrative charges directly related to acquisition, exploration and development activities. Proceeds from the disposal of oil and natural gas properties are applied against capitalized costs. Gains or losses are not recognized on disposals unless crediting the proceeds against capitalized costs would materially alter the rate of depletion.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Oil and gas properties (cont'd...)

Exploration costs renounced due to flow-through share subscription agreements remain capitalized. However, for income tax purposes, the Company has no right to these expenses nor the related depletion allowance. The amounts shown for oil and gas properties represent costs to date and are not intended to reflect present or future values.

Depletion

The capitalized costs together with estimated future capital costs associated with the development of proven reserves are depleted and amortized using the unit-of-production method based on proven oil and natural gas reserves, before royalties, determined by Company and independent engineers. For purposes of the depletion and amortization calculations, oil and natural gas reserves are converted to a common unit of measure based upon their relative energy content.

Ceiling test

In applying the full cost method, the Company performs a ceiling test which restricts capitalized costs less accumulated depletion and amortization from exceeding the estimated undiscounted value of future net revenues from proved oil and natural gas reserves less estimated future removal and site restoration costs, general and administrative expenses, financing costs and income taxes. In calculating the ceiling test, the year end prices of oil and natural gas are used and all costs are assumed to be constant.

The Company periodically reviews the cost associated with undeveloped properties to determine whether the costs will be recoverable. If the results of the review indicate impairment has occurred, the cost of the property or the amount of the impairment is added to the full cost pool.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability for an asset retirement obligation and the cost of the related long-lived asset.

Revenue recognition

Revenue from the sale of oil and gas products is recognized upon the passage of title and when ultimate collection is reasonably assured.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign currency translation

The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at the average exchange rate for the year. Exchange gains and losses arising on translation are included in the statement of operations.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is being provided for annually using the declining balance method of amortization at the following rates:

Computer equipment	30%
Office equipment	20%

Stock-based compensation

The Company uses the fair value-based methodology of accounting for all awards of stock options and direct awards of stock.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying values and their respective income tax bases (temporary differences). Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change occurs. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

PETROMIN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

3. CHANGE IN ACCOUNTING POLICY

Asset retirement obligations

Effective October 1, 2004, the Company adopted a new standard relating to asset retirement obligations ("ARO") as recommended by the Canadian Institute of Chartered Accountants ("CICA"). This change in accounting policy has been applied retroactively with restatement of prior periods presented for comparative purposes.

Previously, the Company recognized a provision for future site restoration and abandonment costs calculated on the unit-of-production method over the life of the petroleum and natural gas properties based on total estimated proved reserves and recorded a corresponding future liability. This liability would increase based on the provision each period and decrease based on the actual expenditures incurred.

The previously reported amounts for 2004 have been restated due to the retroactive application of this new standard. The ARO liability as at August 31, 2004 increased to \$10,823 based on the new standard as compared to the site restoration liability of \$Nil based on the prior accounting standard. As at August 31, 2004, oil and gas properties increased by \$9,839 to \$1,378,409. The accumulated deficit increased by \$984 to reflect the cumulative impact of accretion expense, less the previously recorded cumulative site restoration provision. For the year ended August 31, 2004, accretion increased by \$984. Basic and diluted net loss per share calculations for the year ended August 31, 2005 and 2004 were unchanged as a result of adopting this standard.

See Note 6 for additional information on asset retirement obligations and impact on the financial statements.

4. EQUIPMENT

	2005			2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 43,466	\$ 31,700	\$ 11,766	\$ 34,715	\$ 26,657	\$ 8,058
Office equipment	2,305	1,972	333	2,305	1,889	416
	\$ 45,771	\$ 33,672	\$ 12,099	\$ 37,020	\$ 28,546	\$ 8,474

PETROMIN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

5. OIL AND GAS PROPERTIES

	2005			2004		
	Canada	U.S.A.	Total	Canada	U.S.A.	Total
Balance, beginning of year	\$ 1,368,569	\$ 1	\$ 1,368,570	\$ 1,654,984	\$ 1	\$ 1,654,985 (Restated - Note 3)
Deferred exploration and development costs	468,498	-	468,498	285,321	-	285,321
Recoveries	(426,670)	-	(426,670)	(200,000)	-	(200,000)
Depletion during the year	(172,444)	-	(172,444)	(371,736)	-	(371,736)
Asset retirement obligation	9,839	-	9,839	9,839	-	9,839
Balance, end of year	\$ 1,247,792	\$ 1	\$ 1,247,793	\$ 1,378,408	\$ 1	\$ 1,378,409

CANADA

Frog Lake Prospect, Alberta

The Company earned a 100% interest in petroleum and natural gas rights located in the Frog Lake First Nations area of Central Alberta by making cash payments totalling \$408,000 and incurring exploration costs of \$100,000.

During the year ended September 30, 2001, the Company assigned a 40% interest in its Frog Lake Prospect to Frog Lake Energy Resource Corp. ("FLERC"), a private company wholly-owned by the Frog Lake First Nation. The Company financed FLERC's cost of acquisition which was repaid from oil and gas produced or obtained pursuant to the said 40% interest in any rights and/or leases earned.

During the year ended September 30, 2004, the Company entered into a farmout agreement with 1079206 Alberta Ltd. ("Alberta"), whereby Alberta will earn 25% of the Company's interest in the farmout lands by paying the Company's share of drilling costs and completion costs of certain test wells. The Company recovered \$200,000 during the year ended September 30, 2004 and Alberta earned its 25% interest.

The property is subject to crown royalties, as well as to a 3% gross overriding royalty payable.

Redwater North Prospect, Alberta

The Company acquired a 100% working interest in a petroleum and natural gas lease located in the Redwater area of Alberta by paying acquisition costs of \$41,969. The Company has farmed out its interest and the farmee has agreed to drill a number of wells to earn a working interest of 50% subject to overriding royalties payable to the Company. During the year ended September 30, 2005, the Company received \$129,450 in gross overriding royalties.

PETROMIN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

5. OIL AND GAS PROPERTIES (cont'd...)

Calmar Prospect, Alberta

The Company entered into a farm-out agreement in which the Company retains 20% of wellhead revenues on the earning well plus a 15% royalty on 80% of wellhead revenue until payout, converting to a 52% working interest after payout. The Company also retains a 52% working interest in a 480 acre offsetting crown lease.

Morningside Prospect, Alberta

The Company has entered into farm-out agreements in which the Company retains overriding royalties ranging from 2% to 15% depending on the substance. The Company has the right to convert certain of the agreements into working interests after payout which range from 25% to 30%.

Gilby Prospect, Alberta

The Company acquired a 66.67% interest in a full section spacing unit. During fiscal 2003, the Company sold a 50% interest for gross proceeds of \$26,667, which was credited against the capitalized costs of the oil and gas properties. During the year ended September 30, 2004, the Company farmed out its interest in the property retaining a 16 2/3% working interest and a gross overriding royalty of 15%. During the year ended September 30, 2005, the Company received \$70,599 in gross overriding royalties.

The full cost ceiling test results as of September 30, 2005 resulted in no impairment of evaluated oil and gas properties. The future prices used in the September 30, 2005 ceiling test are as follows:

	Oil (Cdn \$/Bbl)
2006	65.73
2007	59.07
2008	52.87
2009	49.50
2010	46.28

6. ASSET RETIREMENT OBLIGATION

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of oil and gas properties.

As at September 30,	2005	2004
Asset retirement obligation, beginning of year	\$ 10,823	\$ -
Liabilities incurred	-	9,839
Accretion expense	1,082	984
Asset retirement obligation, end of year	\$ 11,905	\$ 10,823

The undiscounted amount of cash flows, required over the estimated reserve life of the underlying assets, to settle the obligation, adjusted for inflation, is estimated at \$21,090 (2004 - \$21,090). The obligation was calculated using a credit-adjusted risk free discount rate of 10% and an inflation rate of 2%. It is expected that this obligation will be

funded from general Company resources at the time the costs are incurred with the majority of costs expected to occur between 2008 and 2011.

PETROMIN RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

7. LOANS PAYABLE

	2005	2004
Loans payable bearing interest at 11% per annum repayable by October 10, 2005 (repaid subsequent to year end)	\$ 150,000	\$ 150,000

8. CAPITAL STOCK

On January 19, 2004, the Company issued 180,680 common shares valued at \$27,102 in settlement of debts.

On August 11, 2004, the Company issued 7,807,180 units at a value of \$780,718 upon conversion of convertible debentures. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant enables the holder to purchase one common share of the Company for \$0.15 until September 1, 2005. During the year ended September 30, 2005, the Company issued 3,034,734 common shares for proceeds of \$455,210 on the exercise of these share warrants and extended the share warrant expiry period to September 1, 2006.

On January 31, 2005, the Company issued 2,000,000 common shares valued at \$350,000 pursuant to a private placement.

During the year ended September 30, 2005, the Company issued 2,010,000 common shares for proceeds of \$304,000 on the exercise of stock options.

Stock options

The Company has a rolling stock option plan in place under which it is authorized to grant options up to 10% of the issued and outstanding common stock of the Company to executive officers and directors, employees and consultants. Under the plan, the exercise price of each option equals the market price of the Company's stock on the date of grant. The options can be granted for a maximum term of 5 years. The plan must be approved each year at the annual general meeting of the shareholders. Under the terms of the plan, all options vest immediately.

PETROMIN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

8. CAPITAL STOCK (cont'd...)

Stock options (cont'd...)

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, September 30, 2003	1,054,000	\$	0.35
Options granted	2,309,000		0.15
Options cancelled/expired	(336,000)		0.37
Options exercised	<u>-</u>		-
Balance, September 30, 2004	3,027,000		0.20
Options granted	-		-
Options cancelled/expired	(247,000)		0.49
Options exercised	<u>(2,010,000)</u>		0.15
Balance, September 30, 2005	770,000	\$	0.22
Number of options currently exercisable	770,000	\$	0.22

The following incentive stock options and warrants were outstanding and exercisable at September 30, 2005:

	Number of Shares		Exercise Price	Expiry Date
Options	271,000	\$	0.31	March 12, 2006
	150,000		0.20	November 12, 2006
	349,000		0.15	September 30, 2009
Warrants	4,772,446	\$	0.15	September 1, 2006

Stock-based compensation

No stock options were granted during the year ended September 30, 2005. During the year ended September 30, 2004, the Company granted 2,309,000 stock options. Stock-based compensation expense using the Black-Scholes option pricing model was \$256,561 which was also recorded as contributed surplus on the balance sheet. The weighted average fair value of the options granted was \$0.11 per option.

PETROMIN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

8. CAPITAL STOCK (cont'd...)

Stock-based compensation (cont'd..)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended September 30, 2004:

Risk-free interest rate	3.93%
Expected life of options	5 years
Annualized volatility	160%
Dividend rate	0.00%

9. RELATED PARTY TRANSACTIONS

These financial statements include transactions with related parties as follows:

- a) Paid or accrued \$78,000 (2004 - \$78,000) in management fees to a director.
- b) Paid or accrued \$261,185 (2004 - \$115,500) in consulting fees to directors, officers and companies controlled by a director.
- c) Paid or accrued \$14,300 (2004 - \$nil) in interest on loans payable to directors and officers.
- d) Received \$130,000 in loans payable (2004 - \$nil) from directors and officers.

These transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

10. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2005	2004
		(Restated - Note 3)
Loss before income taxes	\$ (627,188)	\$ (1,261,281)
Income tax recovery at statutory rates	\$ 221,052	\$ 449,016
Non-deductible expenses	(73,331)	(236,348)
Unrecognized benefit of non-capital loss carry-forwards	(147,721)	(212,668)
Income tax recovery	\$ -	\$ -

PETROMIN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

10. INCOME TAXES (cont'd...)

The significant components of the Company's future income tax assets are as follows:

	2005	2004
Future income tax assets:		
Non-capital loss carryforwards	\$ 1,275,169	\$ 1,293,026
Equipment	2,876	2,911
Cumulative exploration and development expenses	<u>2,465,170</u>	<u>2,448,802</u>
	3,743,215	3,744,739
Valuation allowance	<u>(3,743,215)</u>	<u>(3,744,739)</u>
	\$ -	\$ -

The Company has available for deduction against future taxable income non-capital losses of approximately \$3,700,000. These losses, if not utilized, will expire commencing in 2006 until 2016. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have been offset by a valuation allowance and have not been recognized in these financial statements due to the uncertainty of their realizability.

11. SEGMENTED INFORMATION

As of September 30, 2005 and 2004, all of the Company's assets and operations are located in Canada, in the oil and gas industry.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2005	2004
Cash paid during the year for interest	\$ 15,460	\$ 53,042
Cash paid during the year for income taxes	\$ -	\$ -

There were no significant non-cash transactions during the year ended September 30, 2005.

The significant non-cash transactions for the year ended September 30, 2004 were the settlement of debts of \$27,102 through the issuance of 180,680 common shares and the issuance of 7,807,180 units in the amount of \$780,718 upon conversion of convertible debentures and interest.

13. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, loans payable, finder's fee payable and asset retirement obligation. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

14. CONTINGENCY

During the year ended September 30, 2004, the Company received notice of non-payment from the operator of the Chamberlain Prospect property, which was previously sold in fiscal 2001. The notice was for non-payment of the Company's share of capital and operating expenses while the Company had ownership of the property for approximately \$187,000. The amount in dispute was settled during the year ended September 30, 2005, pursuant to a settlement agreement dated March 4, 2005, whereby the Company agreed to pay the operator the sum of \$133,000 in satisfaction of the claims of non-payment. Upon execution of the settlement, the Company paid to the operator, an amount of \$10,000 and has agreed to make further monthly payments of \$10,000 commencing May 15, 2005 to April 15, 2006, and a final payment of \$3,000 on May 15, 2006. Included in accounts payable and accrued liabilities is \$73,000 (2004 - \$74,000) that relates to this claim.

15. SUBSEQUENT EVENTS

The following events occurred subsequent to September 30, 2005:

- a) the Company granted stock options to acquire 2,962,310 common shares in the capital of the company at an exercise price of \$0.15 per share to consultants, directors and officers.
- b) the Company completed a private placement of 1,400,000 flow-through common shares at a price of \$0.15 per share for total proceeds of \$210,000.