

PETROMIN RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS
(prepared by management without audit)

3 MONTHS ENDED DECEMBER 31, 2005

PETROMIN RESOURCES LTD.

CONSOLIDATED BALANCE SHEETS
(prepared by management without audit)

	December 31 2005	September 30 2005
ASSETS		
Current		
Cash	\$ 182,644	\$ 215,284
Receivables	<u>172,827</u>	<u>155,953</u>
	355,471	371,237
Equipment	11,200	12,099
Oil and gas properties	<u>1,245,225</u>	<u>1,247,793</u>
	\$ <u>1,611,896</u>	\$ <u>1,631,129</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 488,286	\$ 474,849
Accounts payable and accrued liabilities - related parties	439,929	600,874
Loans payable (Note 3)	<u>150,000</u>	<u>150,000</u>
	1,078,215	1,225,723
Asset retirement obligation	<u>12,203</u>	<u>11,905</u>
	<u>1,090,418</u>	<u>1,237,628</u>
Shareholders' equity		
Capital stock (Note 4)	12,549,913	12,339,913
Contributed surplus (Note 4)	386,155	138,102
Deficit	<u>(12,414,590)</u>	<u>(12,084,514)</u>
	<u>521,478</u>	<u>393,501</u>
	\$ 1,611,896	\$ 1,631,129

Nature and continuance of operations (Note 1)
Subsequent event (Note 7)

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 AND DEFICIT
FOR THE THREE MONTHS ENDED DECEMBER 31
(prepared by management without audit)

	2005	2004
REVENUE	\$ 264,091	\$ 109,433
DIRECT COSTS	<u>153,825</u>	<u>82,031</u>
	<u>110,266</u>	<u>27,402</u>
EXPENSES		
Accretion of asset retirement obligation	298	-
Consulting	91,300	74,100
Depletion and amortization	47,729	92,147
Management fees	19,500	19,500
Office, rent and telephone	15,586	14,199
Professional fees	4,287	8,732
Listings and transfer agent fees	2,877	12,557
Stock-based compensation	248,053	-
Travel and promotion	10,997	32,463
	<u>440,627</u>	<u>253,698</u>
Loss before other items	(330,361)	(226,296)
OTHER ITEM		
Interest income	<u>285</u>	<u>2,879</u>
Loss for the period	(330,076)	(223,417)
Deficit, beginning of period	<u>(12,084,514)</u>	<u>(11,456,342)</u>
Deficit, end of period	\$ (12,414,590)	\$ (11,679,759)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	37,535,537	32,293,614

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

PETROMIN RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED DECEMBER 31
(prepared by management without audit)

	2005	2004
OPERATING ACTIVITIES		
Loss for the period	\$ (330,076)	\$ (223,417)
Items not affecting cash:		
Accretion of asset retirement obligation	298	-
Depletion and amortization	47,729	92,147
Stock-based compensation	248,053	-
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(16,874)	18,578
Increase (decrease) in accounts payable	13,437	(293,277)
Increase (decrease) in accounts payable - related parties	(160,945)	(267,961)
Net cash used in operating activities	<u>(198,378)</u>	<u>(673,930)</u>
INVESTING ACTIVITIES		
Investment in oil and gas properties	(44,262)	(14,442)
Acquisition of capital assets	-	(2,693)
Finder's fee payable	-	(20,936)
Net cash used in investing activities	<u>(44,262)</u>	<u>(38,071)</u>
FINANCING ACTIVITIES		
Proceeds on issuance of capital stock	210,000	758,417
Share subscriptions received in advance	-	273,000
Net cash provided by financing activities	<u>210,000</u>	<u>1,031,417</u>
Change in cash during the period	(32,640)	319,416
Cash, beginning of period	<u>215,284</u>	<u>23,567</u>
Cash, end of period	<u>\$ 182,644</u>	<u>\$ 342,983</u>

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

PETROMIN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Prepared by management without audit)
DECEMBER 31, 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.

	December 31, 2005	September 30, 2005
Working capital (deficiency)	\$ (722,744)	\$ (854,486)
Deficit	(12,414,590)	(12,084,514)

2. BASIS OF PRESENTATION

The interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the audited consolidated financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

Certain reclassifications have been made to the prior period financial statements to conform to the current period presentation.

3. LOANS PAYABLE

	2005	2004
Loans payable bearing interest at 11% per annum repayable by April 10, 2006	\$ 150,000	\$ 150,000

PETROMIN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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DECEMBER 31, 2005

4. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Balance as at September 30, 2005	37,323,102	\$ 12,339,913	\$ 138,102
Private Placement	1,400,000	210,000	-
Stock-based compensation	-	-	248,053
Balance as at December 31, 2005	38,723,102	\$ 12,549,913	\$ 386,155

During the three month period ended December 31, 2005, the Company issued 1,400,000 flow-through common shares for total proceeds of \$210,000 pursuant to a private placement.

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.

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

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2005	770,000	\$ 0.22
Options granted	2,962,310	0.15
Options cancelled/expired	-	-
Options exercised	-	-
Balance, September 30, 2005	3,732,310	\$ 0.16
Number of options currently exercisable	3,732,310	\$ 0.16

4. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont...)

The following incentive stock options and warrants were outstanding and exercisable at December 31, 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
	2,962,310		0.15	October 28, 2010
Warrants	4,777,756	\$	0.15	September 1, 2006

Stock-based compensation

During the three month period ended December 31, 2005, the Company granted 2,962,310 stock options. Stock-based compensation expense using the Black-Scholes option pricing model was \$248,053 which was also recorded as contributed surplus on the balance sheet. The weighted average fair value of the options granted was \$0.08 per option.

5. RELATED PARTY TRANSACTIONS

These financial statements include transactions with related parties as follows:

- a) Paid or accrued \$19,500 (2004 - \$19,500) in management fees to a director.
- b) Paid or accrued \$66,600 (2004 - \$27,000) in consulting fees to directors and a company controlled by a director.
- c) Paid or accrued \$4,125 (2004 - \$nil) in interest on loans payable to 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.

6. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition and development of petroleum and natural gas interests in Canada.

7. SUBSEQUENT EVENT

Subsequent to the period, the Company arranged, subject to regulatory approval, a private placement of 2,696,666 common shares at \$0.15 per share.