TERRACE ENERGY CORP.
(formerly Terrace Resources Inc.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian dollars, unless otherwise stated)
(Unaudited – Prepared by Management)

FOR THE THREE MONTHS ENDED APRIL 30, 2012 AND 2011

TERRACE ENERGY CORP.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Vancouver, Canada

June 27, 2012

TERRACE ENERGY CORP.
(formerly Terrace Resources Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)

	April 30, 2012	January 31, 2012
ASSETS		
Current assets		
Cash	$ 3,512,294	$ 2,590,292
Accounts receivable (Note 8)	521,694	5,148
Prepaids	2,748	-
Total current assets	4,036,736	2,595,440
Non-current assets		
Reclamation deposit	23,710	23,710
Exploration and evaluation (Note 4)	4,075,106	2,973,526
Property and equipment (Note 5)	1,313,608	-
Total assets	$ 9,449,160	$ 5,592,676
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 125,705	$ 167,113
Non-current liabilities		
Decommissioning obligations (Note 6)	5,099	-
Total liabilities	130,804	167,113
Shareholders' equity		
Capital stock (Note 7)	6,272,512	6,272,512
Share subscriptions received in advance (Note 12)	3,605,000	-
Reserves (Note 7)	592,784	517,235
Deficit	(1,151,940)	(1,364,184)
Total shareholders’ equity	9,318,356	5,425,563
Total liabilities and shareholders’ equity	$ 9,449,160	$ 5,592,676

Nature and continuance of operations (Note 1)
Subsequent events (Note 12)

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

TERRACE ENERGY CORP.
(formerly Terrace Resources Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)
For three months ended April 30

	2012	2011
REVENUE		
Oil and gas sales	$ 555,756	$ -
DIRECT OPERATING EXPENSES		
Production and operating	(31,223)	-
State royalties	(34,062)	-
Depletion and accretion	(5,506)	-
Gross profit	484,965	-
GENERAL AND ADMINISTRATIVE EXPENSES		
Administrative	71,453	140
Business investigation costs (Note 10)	-	26,810
Consulting (Note 10)	42,820	-
Foreign exchange (gain) loss	(30,969)	198
Interest income	-	(5,795)
Professional (Note 10)	41,359	103,024
Project investigation costs (Note 10)	5,082	-
Share-based payments	75,549	-
Transfer agent and filing fees	12,582	20,710
Travel and investor relations	54,845	-
	(272,721)	(145,087)
Net income (loss) and comprehensive income (loss) for the period	$ 212,244	$ (145,087)
Earnings (loss) per share – basic and diluted	$ 0.00	$ (0.00)
Weighted average number of common shares outstanding	52,919,321	30,881,821
Plus incremental shares from assumed conversions:		
Stock options	2,382,143	-
Warrants	5,969,420	-
Diluted potential common shares	8,351,563	-
Adjusted weighted average shares	61,270,884	30,881,821

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

TERRACE ENERGY CORP
(formerly Terrace Resources Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)
For three months ended April 30

	Capital stock										
	Shares		**Amount**		**Share Subscriptions Received in Advance**		**Reserves**		**Deficit**		**Total Shareholders' Equity**
Balance - January 31, 2011	**30,881,821**	**$**	**2,880,589**	$	-	$	-	$	(154,838)	$	2,725,751
Loss and comprehensive loss	-		-		-		-		(145,087)		(145,087)
Balance - April 30, 2011	**30,881,821**	**$**	**2,880,589**	**$**	**-**	**$**	**-**	**$**	**(299,925)**		**2,580,664**
Balance - January 31, 2012	**52,919,321**	**$**	**6,272,512**	**$**	**-**	**$**	**517,235**	**$**	**(1,364,184)**	**$**	**5,425,563**
Share subscriptions	-		-		3,605,000		-		-		3,605,000
Share-based payments	-		-		-		75,549		-		75,549
Income and comprehensive income	-		-		-		-		212,244		212,244
Balance - April 30, 2012	**52,919,321**	**$**	**6,272,512**	**$**	**3,605,000**	**$**	**592,784**	**$**	**(1,151,940)**	**$**	**9,318,356**

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

TERRACE ENERGY CORP
(formerly Terrace Resources Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)
For three months ended April 30

	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
Net income (loss) for the period	$ 212,244	$ (145,087)
Items not involving cash:		
Depletion and accretion	5,506	-
Share-based payments	75,549	-
Changes in non-cash working capital items:		
Prepaids	(2,748)	(999)
Accounts receivable	(516,546)	(9,168)
Accounts payable and accrued liabilities	(36,309)	37,217
Decommissioning obligations	(5,005)	-
Net cash used in operating activities	(267,309)	(118,037)
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash	-	(5,795)
Exploration and evaluation	(2,366,273)	-
Property and equipment	(49,416)	-
Net cash used in investing activities	(2,415,689)	(5,795)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share subscriptions received in advance	3,605,000	-
Net cash provided by financing activities	3,605,000	-
Change in cash for the period	922,002	(123,832)
Cash, beginning of period	2,590,292	219,701
Cash, end of period	$3,512,294	$ 95,869

Supplemental disclosure with respect to cash flows (Note 11)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Terrace Energy Corp. (the "Company") was incorporated on July 6, 2006 under the *Business Corporations Act* (British Columbia) and previously named Terrace Resources Inc.

The Company's head office is located at 270 – 666 Burrard Street, Vancouver, BC, Canada V6C 2X8.

The Company was classified as a "capital pool corporation" until June 2011 at which time it completed a "qualifying transaction" and became a "Tier 2 Oil and Gas Issuer", as those terms are defined in TSX Venture Exchange (the "Exchange") policies. Its common shares trade on the Exchange under the symbol "TZR".

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has no prior history of revenues or operating cash flows. The continuing operations of the Company are therefore dependent upon its ability to raise additional capital as required and future profitable operations, neither of which is assured. These condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The condensed consolidated interim financial statements of the Company are presented in Canadian dollars, unless otherwise stated, which is the functional currency.

2. BASIS OF PRESENTATION

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and interpretations of the IFRS Interpretations Committee ("IFRIC"), applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34 – Interim Financial Reporting.

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of April 30, 2012. These condensed consolidated interim financial statements were approved for issuance by the Board on June 27, 2012.

Certain prior period amounts have been reclassified to conform to current period presentation.

3. NEW ACCOUNTING POLICIES

Revenue recognition

Revenue from the sale of oil and gas is recorded when title passes to an external party and is based on volumes delivered to customers at contractual delivery points, and rates and collectability are reasonably assured. Delivery is generally at the time the product enters the pipeline. The cost associated with the delivery, including operating and maintenance costs, transportation and production based royalty expenses, are recognized during the same period in which the related revenue is earned and recorded

(Expressed in Canadian Dollars)

3. NEW ACCOUNTING POLICIES (Continued)

New accounting standards and interpretation

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, including IAS 1 *Presentation of Financial Statements*, IAS 19 *Employee Benefits*, IFRS 9 *Financial Instruments,* IFRS *10 Consolidated Financial Statements,* IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interest of Other Entities, and* IFRS 13 *Fair Value Measurement,* and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Company, except for IFRS 9 *Financial Instruments* ("IFRS 9"), which becomes mandatory for the Company's 2015 consolidated financial statements and could change the classification and measurement of financial assets. The extent of the effects of the new accounting standards on the condensed interim consolidated financial statements has not been determined.

4. EXPLORATION AND EVALUATION

	Los Patos	STS Olmos	Cutlass	Total
Balance - January 31, 2011	$ -	$ -	$ -	$ -
Acquisition costs	-	1,014,100	376,508	1,390,608
Exploration and evaluation	380,242	66,422	198,507	645,171
Advances for future exploration	-	1,185,168	-	1,185,168
Impairment charge	(234,564)	-	-	(234,564)
Incidental sales	(5,678)	(7,179)	-	(12,857)
Expenditures during the year	140,000	2,258,511	575,015	2,973,526
Balance - January 31, 2012	**140,000**	**2,258,511**	**575,015**	**2,973,526**
Acquisition costs	-	-	233,254	233,254
Exploration and evaluation	-	1,185,168	-	1,185,168
Advances for future exploration	-	(1,185,168)	2,133,019	947,851
Transfer to property and equipment	-	(1,264,693)	-	(1,264,693)
Expenditures during the period	-	(1,264,693)	2,366,273	1,101,580
Balance - April 30, 2012	**$ 140,000**	**$ 993,818**	**$ 2,941,288**	**$ 4,075,106**

Los Patos

In June 2011, the Company entered into an agreement to earn, through a wholly-owned subsidiary, an 87.5% working interest and a 65.187% net revenue interest in certain leases and farm-out lands covering 320 acres in Wharton County, Texas, by funding all costs associated with the re-fracture, stimulation and completion of an existing, primarily gas, well. The Company fulfilled its obligations under the agreement in 2011 and earned its interests in all of the project acreage. The well was deemed not successful and since the Company has no further exploration plans at this time it has reduced the carrying value of Los Patos to the approximate current market cost of leasing comparable acreage on similar terms. The Company may choose to explore, joint venture, sell, lease or abandon Los Patos in the future.

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION (Continued)

STS Olmos

In November 2011, the Company entered into an agreement, through a wholly-owned subsidiary, to acquire varying working and net revenue interests, which average 26.88% and 20.16%, respectively, in approximately 14,400 gross acres (3,875 net acres) in LaSalle and McMullen Counties, Texas. The purchase price was $1,014,100. The Company's share of the costs to drill and complete the first well was $1,251,590, which was brought into production in February 2012. Upon completion, the costs of the first well and a portion of the acreage acquisition costs less incidental sales were transferred from Exploration and Evaluation assets to Property and Equipment.

In May 2012, the Company advanced the additional sum of US$2,698,197 representing the operator's estimate of the Company's share of the costs to drill and complete a second well on the STS Olmos project acreage.

Cutlass

In November 2011, the Company entered into an agreement, through a wholly-owned subsidiary, to earn a 25% working interest and an 18.75% net revenue interest in certain leases covering 3,395 net acres in Dimmit and LaSalle counties, Texas for $376,508 and a commitment to participate in a two well drilling program. In February 2012, the Company acquired an additional 5% working interest and 3.75% net revenue interest for an additional $233,254.

In order to earn the net revenue interests (22.5% in aggregate), the Company agreed to pay 33.33% of all costs, including acreage leases, prospect fees, site preparation and drilling, until the completion of two wells, and thereafter 30% of all costs relating to the lease payments, prospect fees and infrastructure costs covering 1,342 net acres (the "Dimmit County Acreage"). The Company advanced the sum of $2,133,019 in March 2012 representing the operator's estimate of the Company's share of costs to drill both vertical and horizontal extensions and complete, the first well. Drilling commenced in late April, 2012.

In addition, after the drilling and technical evaluation of the first well on the Dimmit County Acreage, the Company had the right to exercise its option to earn a 22.5% net revenue interest in the remaining 2,053 acres (the "LaSalle County Acreage") at a cost of approximately US$570,462, representing the operator's estimate of the Company's share of lease payments. The Company exercised its right under the agreement and made the payment in June 2012. The Company is now obligated to fund 33.33% of the cost of an initial well on the La Salle County acreage. In June 2012, the Company advanced the additional sum of US$1,428,600 representing the operator's estimate of the Company's share of the drilling, evaluation and casing costs of the vertical extension of the well.

5. PROPERTY AND EQUIPMENT

Costs		**Corporate Assets**		**Producing Assets**		**Total**
Balance – January 31, 2012 and 2011	$	-	$	-	$	-
Additions		38,334		11,082		49,416
Transfer from exploration and evaluation		-		1,264,693		1,264,693
Change in value of decommissioning obligation		-		5,005		5,005
Balance – April 30, 2012	**$**	**38,334**	**$**	**1,280,780**	**$**	**1,319,114**

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT (Continued)

Accumulated depreciation and depletion	**Corporate Assets**	**Producing Assets**	**Total**
Balance – January 31, 2012 and 2011	$ -	$ -	$ -
Accretion	-	141	141
Depletion	-	5,365	5,365
Balance – April 30, 2012	**$ -**	**$ 5,506**	**$ 5,506**

Net book value	**Corporate Assets**	**Producing Assets**	**Total**
Balance – January 31, 2012 and 2011	$ -	$ -	$ -
Balance – April 30, 2012	**$ 38,334**	**$ 1,275,274**	**$ 1,313,608**

6. DECOMMISSIONING OBLIGATIONS

The Company recognizes the fair value of a provision for a decommissioning obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. Although the timing and the amount of the actual expenditures are uncertain, the Company has estimated the present value of the future reclamation obligation arising from its activities to April 30, 2012 to be $5,099 (January 31, 2012 - $Nil). The present value of the future reclamation obligation assumes an inflation rate of 2.58% and a discount rate of 2.73%, an undiscounted amount to settle the obligation of $18,904 and the commencement of reclamation activities after the life of the wells, which is estimated at 20 years.

	April 30, 2012	**January 31, 2012**
Balance beginning of the period	$ -	$ -
Addition to decommissioning obligations	4,958	-
Accretion expense	141	-
Balance, end of the period	$ 5,099	$ -

7. CAPITAL STOCK

On April 30, 2012, the Company had unlimited authorized common shares, without par value and 52,919,321 shares outstanding.

Share issues

No shares were issued during the three months ended April 30, 2012. However, during the period the Company received share subscriptions in the aggregate amount of $3,605,000 in connection with a private placement of common shares that closed in May 2012.

7. CAPITAL STOCK (Continued)

During the year ended January 31, 2012, the Company issued common shares as follows:

a) In June, 2011, the Company closed a private placement of 10,000,000 units at a purchase price of $0.09 per unit for gross proceeds of $900,000. Each unit consisted of one common share and one common share purchase warrant, which entitled the holder to acquire one additional common share for a period of five years at an exercise price of $0.18.

   The Company allocated $544,200 of the subscription proceeds to capital stock and $355,800 to reserves based on their relative fair values as of the placement announcement date. The valuation of the warrants was estimated using the Black-Scholes valuation model with a weighted expected volatility of 100%, risk-free interest rate of 2.19%, expected life of 5 years and a dividend yield of 0%. The Company paid $56,264 of share issue costs in relation to the private placement.

b) In December, 2011, the Company closed a private placement of 9,000,000 common shares at a purchase price of $0.25 per share for gross proceeds of $2,250,000.

Escrow shares and warrants

Of the common shares issued, 18,453,883 are subject to an escrow agreement and may not be transferred without the consent of the Exchange. The escrow agreement provides, among other things, that a total of 3,690,605 common shares were released from escrow on June 23, 2012 and the same amount will be released every six months thereafter.

Of the 7,112,500 common shares underlying the outstanding warrants, 5,400,000 are subject to an escrow agreement and can not be transferred without the consent of the Exchange and 3,600,000 are subject to a voluntary pooling agreement. The escrow and voluntary pooling agreements provide, among other things, that warrants to purchase a total of 1,500,000 common shares at $0.18 each were released from trading restrictions on June 23, 2012 and the same amount will be released every six months thereafter.

Stock options

The Company has an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. The number of common share reserves for issuance pursuant to options granted to all technical consultants will not exceed 2% of the issued and outstanding common shares. The number of options granted to any one person cannot exceed 5% of the issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

(Expressed in Canadian Dollars)

7. CAPITAL STOCK (Continued)

Share-based payments

The Company uses a fair value method of accounting for all share-based payments arising from the grant of stock options. Under this method, the Company recorded a share-based payments expense of $75,549 for the period ended April 30, 2012 (2011 - $nil), with a corresponding credit to reserves.

Outstanding stock options and warrants

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

	Number of Stock Options	Weighted Average Exercise Price
Balance - January 31, 2011	-	$ -
Granted	3,050,000	0.20
Exercised	(150,000)	0.12
Balance - January 31, 2012 and April 30, 2012	2,900,000	$ 0.20

The weighted average trading price at the date the options were exercised during the year ended January 31, 2012 was $0.75.

The following stock options were outstanding as at April 30, 2012:

Number of options	Number of options exercisable	Exercise price	Expiry Date
1,800,000	1,800,000	$ 0.12	June 22, 2016
250,000	62,500	$ 0.19	July 15, 2016
250,000	62,500	$ 0.21	September 16, 2016
250,000	62,500	$ 0.19	October 18, 2016
100,000	20,000	$ 0.53	November 25, 2016
250,000	25,000	$ 0.67	December 16, 2016
2,900,000	2,032,500		

(Expressed in Canadian Dollars)

7. CAPITAL STOCK (Continued)

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price	Expiry Date
Balance - January 31, 2011	-	-	
Granted	10,000,000	$ 0.18	June 21, 2016
Exercised	(2,887,500)	$ 0.18	
Balance - January 31, 2012 and April 30, 2012	7,112,500	$ 0.18	

The weighted average trading price at the date the warrants were exercised during the year ended January 31, 2012 was $0.74.

8. FINANCIAL INSTRUMENTS

The Company has classified its financial instruments as follows:

- Cash and restricted cash - as FVTPL;
- Accounts receivable – as loans and receivables; and
- Accounts payable and accrued liabilities - as other financial liabilities.

The Company’s risk exposure and the impact on the Company’s financial instruments are summarized below:

Fair value

The carrying values of cash, restricted cash, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its cash and accounts receivable. The Company manages exposure to credit risk on liquid financial assets through maintaining its cash with major Canadian financial institutions, for which management believes the risk of loss to be minimal. Accounts receivable is comprised from the sale of oil and gas.

8. FINANCIAL INSTRUMENTS (Continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the market prices. Market risk is comprised of three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's exposure to interest rate risk is minimal.

(ii) Foreign currency risk

The Company's principal asset is located in the United States. As at the date of this report, the majority of the Company's cash was held in Canadian dollars and was therefore subject to fluctuation against the United States dollar. Based on the balances as at April 30, 2012, if the US dollar had weakened (strengthened) against the Canadian dollar, with all other variables held constant, by 1%, the change to net loss would be approximately $1,000. There would be no effect on other comprehensive loss. The Company does not use derivatives or similar instruments to manage currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages liquidity risk through maintaining sufficient cash on hand to meet its obligations as they become due. As at April 30, 2012, the Company had cash of $3,512,294, accounts receivable from the sale of oil and gas of $521,694 and accounts payable and accrued liabilities of $125,705 due within three months of the period-end.

9. CAPITAL DISCLOSURES

The Company considers its capital under management to be shareholders' equity. The Company's capital management objectives are to ensure the Company continues as a going concern, as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board of Directors does not establish quantitative criteria for management, but rather relies on management expertise to sustain future development. Management will adjust the capital structure as necessary to achieve the objectives.

The Company's capital management strategy has not changed from January 31, 2012. At April 30, 2012, the Company is not subject to any externally imposed capital requirements.

10. RELATED PARTY TRANSACTIONS

During the period ended April 30, 2012, the Company:

(i) Paid or accrued $48,425 (2011 - $nil) for consulting services of which $5,605 was capitalized, $1,345 (2011 - $nil) for project investigations, $nil (2011 - $2,931) for business investigations to an officer of the Company;

(ii) Paid or accrued $36,169 (2011 - $55,932) for legal services to a law firm in which the former corporate secretary of the Company is a principal;

(iii) Paid or accrued $4,500 (2011 - $nil) for accounting services to a firm where an officer of the Company is a partner; and

(iv) Paid or accrued $nil (2011 - $3,000) for accounting services to a former officer of the Company.

Total compensation paid to key management personnel was $54,270 (2011 - $5,932).

11. SUPPLEMENTAL CASH FLOW INFORMATION

During the three months ended April 30, 2012, the Company transferred $1,264,693 from exploration and evaluation to property and equipment.

12. SUBSEQUENT EVENTS

The following events occurred subsequent to April 30, 2012:

(a) the Company completed a non-brokered private placement and issued 10,000,000 common shares at a price of $1.00 per share for aggregate gross proceeds of $10,000,000, of which $3,605,000 was received in April 2012;

(b) the Company advanced the sum of US$2,698,197 representing the operator’s estimate of the Company's share of the costs to drill and complete a second well on the STS Olmos project acreage; and

(c) the Company advanced the aggregate sum of US$1,999,062 representing the operator’s estimate of the Company’s share of the lease payments, drilling, evaluation and casing costs of a vertical extension of a second well on the Cutlass project acreage.