



Interim Condensed Consolidated Financial Statements

For the three and nine months period ended September 30, 2012

(unaudited)

Strategic Oil & Gas Ltd.

Condensed consolidated balance sheets (unaudited)

(\$000's)	Note	September 30, 2012	December 31, 2011
Assets			
Current assets:			
Cash and cash equivalents		\$ 2,342	\$ 31,808
Trade and other receivables		6,177	5,635
		8,519	37,443
Property, plant, and equipment, net	5	103,923	70,924
Exploration and evaluation assets	4	9,074	9,328
Total Assets		\$ 121,516	\$ 117,695
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities		\$ 20,350	\$ 17,908
Deferred price premium on flow-through shares	6	-	2,275
Decommissioning liabilities	8	263	-
Risk Management contracts	13	215	-
		20,828	20,183
Long Term Liabilities:			
Decommissioning liabilities	8	14,106	12,523
Total Liabilities		\$ 34,934	\$ 32,706
Shareholders' Equity			
Share capital	9	\$ 122,697	\$ 122,973
Contributed surplus		7,168	6,310
Deficit		(43,283)	(44,294)
		86,582	84,989
Total Liabilities and Equity		\$ 121,516	\$ 117,695

See accompanying notes to the Condensed Consolidated Financial Statements

Commitments (Note 14)

Strategic Oil & Gas Ltd.

Condensed consolidated statements of comprehensive income (loss) (unaudited)

(\$000's except for share amounts)	Note	Three months ended		Nine months ended	
		September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Revenues					
Petroleum and natural gas sales		\$ 12,520	\$ 5,200	\$ 40,649	\$ 15,246
Royalties		(1,898)	(737)	(6,147)	(3,319)
Revenues, net of royalties		10,622	4,463	34,502	11,927
Unrealized loss on risk management contract	13	(215)	-	(215)	-
Other Income		19	74	91	197
		10,426	4,537	34,378	12,124
Expenses					
Operating costs		3,464	1,974	11,451	7,854
Transportation		567	189	1,675	489
Exploration expense	4	-	9	30	379
General and administrative		2,251	1,302	4,992	3,669
Finance costs	10	90	112	254	337
Stock-based compensation		15	29	1,014	2,687
Foreign exchange loss		-	-	-	1
Depletion, depreciation, and amortization		4,757	2,317	16,108	6,208
		\$ 11,144	\$ 5,932	\$ 35,524	\$ 21,624
Operating loss before taxes		\$ (718)	\$ (1,395)	\$ (1,146)	\$ (9,500)
Deferred tax recovery		-	-	2,275	1,047
Net income (loss) and comprehensive income (loss) for the period		\$ (718)	\$ (1,395)	\$ 1,129	\$ (8,453)
Net income (loss) per weighted average share					
Basic		\$ (0.00)	\$ (0.01)	\$ 0.01	\$ (0.06)
Diluted		\$ (0.00)	\$ (0.01)	\$ 0.01	\$ (0.06)
Weighted average shares outstanding - Basic	9(c)	186,883,614	139,009,068	186,996,193	138,820,415
Weighted average shares outstanding - Diluted	9(c)	186,883,614	139,009,068	187,761,460	138,820,415

See accompanying notes to the Condensed Consolidated Financial Statements

Strategic Oil & Gas Ltd.

Condensed consolidated statements of changes in shareholders' equity (unaudited)

(\$000's)	Note	Share Capital	Contributed surplus	Deficit	Total equity
Balance January 1, 2012		\$ 122,973	\$ 6,310	\$ (44,294)	\$ 84,989
Share issue costs		(14)	-	-	(14)
Share repurchases	9(a)	(632)	-	(118)	(750)
Stock options exercised	9(b)	370	(156)	-	214
Stock based compensation	9(b)	-	1,014	-	1,014
Net income		-	-	1,129	1,129
Balance September 30, 2012		\$ 122,697	\$ 7,168	\$ (43,283)	\$ 86,582

(\$000's)	Note	Share Capital	Contributed surplus	Deficit	Total equity
Balance January 1, 2011		\$ 83,374	\$ 3,767	\$ (19,648)	\$ 67,493
Share issue costs		(6)	-	-	(6)
Stock options and warrants exercised	9(b)	179	(48)	-	131
Stock based compensation	9(b)	-	2,687	-	2,687
Net loss		-	-	(8,453)	(8,453)
Balance September 30, 2011		\$ 83,547	\$ 6,406	\$ (28,101)	\$ 61,852

See accompanying notes to the Condensed Consolidated Financial Statements

Strategic Oil & Gas Ltd.

Condensed consolidated statements of cash flows (unaudited)

(\$000's)	Note	Three months ended		Nine months ended	
		September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Operating activities:					
Net income (loss) for the period		\$ (718)	\$ (1,395)	\$ 1,129	\$ (8,453)
Non-cash items:					
Depletion, depreciation, and amortization		4,757	2,317	16,108	6,208
Accretion expense		85	51	237	157
Stock-based compensation		15	29	1,014	2,686
Unrealized loss on risk management contract	13	215	-	215	-
Exploration expense		-	9	30	379
Deferred tax recovery		-	-	(2,275)	(1,046)
Non-cash ARV expense		-	5	-	5
Non-cash lease inducement		(5)	(5)	(15)	(15)
Funds from operations		\$ 4,349	\$ 1,011	\$ 16,443	\$ (79)
Expenditures on decommissioning liabilities		\$ (130)	\$ 74	\$ (130)	\$ (2,223)
Net changes in other assets and liabilities		4,125	(3,975)	748	(4,793)
		\$ 8,344	\$ (2,891)	\$ 17,061	\$ (7,095)
Financing activities:					
Exercise of options		-	-	214	131
Share repurchase		(750)	-	(750)	-
Share issuance costs	9	-	-	(14)	(6)
		\$ (750)	\$ -	\$ (550)	\$ 125
Investing activities:					
Expenditures – property, plant and equipment		\$ (12,811)	\$ (14,687)	\$ (44,748)	\$ (25,316)
Expenditures – exploration and evaluation assets		(1,271)	(164)	(2,396)	(8,066)
Changes in non-cash working capital		7,469	11,928	1,167	12,341
		\$ (6,613)	\$ (2,923)	\$ (45,977)	\$ (21,041)
Increase in cash and cash equivalents during the period		\$ 981	\$ (5,814)	\$ (29,466)	\$ (28,011)
Cash and cash equivalents, beginning of the period		1,361	8,777	31,808	30,974
Cash and cash equivalents, end of the period		\$ 2,342	\$ 2,963	\$ 2,342	\$ 2,963

See accompanying notes to the Condensed Consolidated Financial Statements

Strategic Oil & Gas Ltd.

Notes to interim condensed consolidated financial statements at September 30, 2012 (unaudited)

1. Corporate information

Strategic Oil & Gas Ltd. ("Strategic" or the "Corporation") was incorporated under the laws of the Province of British Columbia on December 30, 1987 and continued as an Alberta corporation on September 9, 2010. On March 29, 2006, Strategic incorporated a United States of America (USA) subsidiary, Strategic Oil & Gas, Inc. ("US Subsidiary") through which all oil and gas activities in the USA are conducted. ZinMac Inc. ("ZinMac"), a private oil and gas consulting corporation, was acquired on March 10, 2009, and Steen River Oil & Gas Ltd. ("Steen River"), a private oil and gas exploration and production corporation, was acquired on December 22, 2010 by Strategic. The Corporation amalgamated Zinmac and Steen River into Strategic Oil & Gas Ltd. on April 1, 2012.

Strategic Oil & Gas Ltd. is a publicly traded corporation whose shares are listed on the TSX Venture Exchange. The Corporation, together with its subsidiaries, (collectively referred to as the "Corporation") is engaged in the exploration for and development of petroleum and natural gas reserves in Western Canada with minor operations in the Western United States. The Corporation is headquartered in Canada at Suite 1100, 645 – 7th Avenue SW, Calgary, Alberta T2P 4G8.

2. Basis of presentation

a) Statement of compliance:

The interim condensed consolidated financial statements (the "Interim financial statements") have been prepared by management and reported in Canadian dollars in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These interim financial statements contain disclosures that are supplemental to the Corporation's annual audited consolidated financial statements. These interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto in the Corporation's December 31, 2011 annual audited consolidated financial statements.

These interim financial statements were approved by the Corporation's Board of Directors on November 19, 2012.

b) Basis of measurement

The interim financial statements have been prepared on the historical basis except for cash and cash equivalents, certain share-based payment transactions and derivative financial instruments, which are measured at fair value.

c) Estimates:

The timely preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the period. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended December 31, 2011.

3. Significant accounting policies

The interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in *Note 3* to the audited consolidated financial statements for the year ended December 31, 2011, and include the following additional information:

Strategic Oil & Gas Ltd.

Notes to interim condensed consolidated financial statements at September 30, 2012 (unaudited)

3. Significant accounting policies, continued

a) Development and production assets

The Corporation's development and production assets are aggregated into CGUs based on their ability to generate largely independent cash flows. The Corporation has identified the following ten CGUs based on geographical area for impairment testing purposes: Steen/Marlow, Lessard, Larne, Bitscho, Taber, Conrad, Cheddarville, individual gas wells, Maxhamish and Antelope.

The CGUs are subject to change as the operations of the Corporation evolve.

b) Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred substantively all the risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the condensed consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition, such as cash and cash equivalents. Financial instruments are designated at fair value through profit or loss if the Corporation makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk management strategy. Upon initial recognition, any transaction costs attributable to the financial instruments are recognized through earnings when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in earnings.

Derivative financial instruments

The Corporation has entered into certain financial derivative contracts in order to reduce its exposure to market risks from fluctuations in commodity prices. These instruments are not used for trading or speculative purposes. The Corporation has not designated its financial derivative contracts as effective accounting hedges, and thus has not applied hedge accounting, even though the Corporation considers all commodity contracts to be economic hedges. As a result, all financial derivative contracts are classified as fair value through profit or loss and are recorded on the balance sheet at fair value. Attributable transaction costs are recognized in earnings when incurred. The estimated fair value of all derivative instruments is based on quoted market prices and/or third party market indications and forecasts.

4. Exploration and evaluation assets

(\$000's)	September 30, 2012	December 31, 2011
Opening balance	\$ 9,328	\$ 5,245
E&E expenditures	2,396	8,492
E&E expensed during the period	(30)	(1,285)
Amortization	(2,620)	(3,125)
Closing balance	\$ 9,074	\$ 9,328

Strategic Oil & Gas Ltd.

Notes to interim condensed consolidated financial statements at September 30, 2012 (unaudited)

4. Exploration and evaluation assets, continued

During the nine months ended September 30, 2012, the Corporation expensed \$0.03 million (September 30, 2011 - \$0.4 million) related to seismic and pre-licensing costs expended on land which is not intended to be developed in the future.

5. Property, plant, and equipment

(\$000's)

Carry value before accumulated depletion and depreciation	D&P assets	Office and other	Total
As at December 31, 2011	\$ 105,145	\$ 611	\$ 105,756
Additions	44,532	216	44,748
Change in decommissioning costs	1,738	-	1,738
As at September 30, 2012	\$ 151,415	\$ 827	\$ 152,242
Accumulated depreciation and depletion	D&P assets	Office and other	Total
As at December 31, 2011	\$ 34,463	\$ 369	\$ 34,832
Depreciation, depletion, and amortization	13,391	96	13,487
As at September 30, 2012	\$ 47,854	\$ 465	\$ 48,319
Net carrying value	D&P assets	Office and other	Total
As at December 31, 2011	70,682	242	70,924
As at September 30, 2012	\$ 103,561	\$ 362	\$ 103,923

All of the Corporation's development and production ("D&P") assets are located within Canada. The Corporation's bank loan is secured by a general security agreement including a floating charge on all lands. The cost of property, plant and equipment includes amounts in respect of the provision for decommissioning obligations.

Future capital costs of \$12.1 million (December 31, 2011 - \$27.6 million) have been included in the depletable balance as at September 30, 2012. Depletion has been calculated using proved plus probable reserves. The Corporation has recognized individual components that are depreciated and tested for impairment separately in the aggregate value of \$8.5 million (December 31, 2011 - \$8.2 million). Depletion and depreciation for the three and nine months ended September 30, 2012 was \$3.9 million and \$13.5 million respectively (September 30, 2011 - \$1.4 million and \$4.0 million).

6. Deferred price premium on flow-through shares

(\$000's)	September 30, 2012	December 31, 2011
Balance, beginning of the year	\$ 2,275	\$ 1,047
Flow-through renunciation	(2,275)	(1,047)
Additional deferred price premiums on flow-through shares	-	2,275
Balance, end of the year	\$ -	\$ 2,275

The Corporation issued 9,100,000 common shares on a flow through basis with an estimated aggregate flow through premium of \$2.3 million. During the nine months ended September 30, 2012, the tax value of the flow through issues was renounced to shareholders and \$2.3 million was recognized into earnings.

7. Bank loan

On June 7, 2012 the Corporation signed a Commitment letter to increase its available revolving operating line of credit from \$21 million to \$50 million. The increase is scheduled to occur in 3 steps: \$38 million immediately, \$44 million on October 31, 2012 and \$50 million on January 31, 2013. Effective September 24, 2012, the revolving operating line of credit limit has been increase to \$48.5 million, ahead of the October 31, 2012 review date.

Strategic Oil & Gas Ltd.

Notes to interim condensed consolidated financial statements at September 30, 2012 (unaudited)

7. Bank loan, continued

At September 30, 2012, the Corporation had no outstanding amount owing (December 31, 2011 - \$nil) against the \$48.5 million facility. Available funds from the facility have been reduced by letters of guarantee in the amount of \$1.1 million. The revolving facility is repayable on demand and bears interest at the rate of 1.00% over the prime lending rate (December 31, 2011 – 1.25%). The facility is secured by a general security over all present and acquired personal property of the Corporation, and a floating charge on all lands. The security agreement is registered in the provinces of Alberta and British Columbia. The credit facility contains a financial covenant that requires the Corporation to maintain a working capital ratio of not less than 1:1, but for the purpose of the ratio calculation the unused portion of the facility is included in current assets, and the current portion of the debt is excluded from current liabilities. As at September 30, 2012, the Corporation is in compliance with all covenants.

8. Decommissioning liabilities

Total future decommissioning liabilities are estimated based on the Corporation's net working interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods. These costs are expected to be incurred over a range up to 22 years, depending on the estimated reserve life. The undiscounted amount of the estimated costs at September 30, 2012 were \$24.3 million (December 31, 2011 - \$20.8 million). The estimated costs have been discounted at a risk free rate from 1.09% to 2.33% (December 31, 2011 -2.50% to 3.66%) and an inflation rate of 2% (December 31, 2011 – 2%) was applied. While the provision is based on the best estimates of future costs and economic lives of the facilities, there is uncertainty regarding the amount and timing of incurring these costs that are not always within management's control.

The following table reconciles the changes to the Corporation's decommissioning liabilities:

(\$000's)	September 30, 2012
Balance beginning of the period	\$ 12,523
Liabilities incurred	1,383
Liabilities settled	(130)
Change in estimated future cash flows	(111)
Change in discount rate	467
Accretion	237
Balance end of the period	\$ 14,369
Current at September 30, 2012	263
Long term at September 30, 2012	\$ 14,106

9. Share capital

a) Share capital

On August 16, 2012, the Corporation announced a Notice of Intention to purchase its common shares from time to time in accordance with the normal course issuer bid procedures under Canadian securities laws. Pursuant to the issuer bid, the Corporation may purchase for cancellation up to 9,355,000 of its common shares, representing 5% of the issued and outstanding common shares of the Corporation, during the 12-month period commencing August 20, 2012.

For the nine months ending September 30, 2012, the Corporation repurchased and cancelled 958,800 common shares at a weighted average price of \$0.78 per common share for a total of \$0.75 million, including directly related expenses. Deficit was increased by \$0.12 million representing the excess of the purchase price of the common shares over their average carrying value.

Strategic Oil & Gas Ltd.

Notes to interim condensed consolidated financial statements at September 30, 2012 (unaudited)

9. Share capital, continued

b) Stock-based compensation

Pursuant to the Corporation's stock options plan, the Corporation in February 2012 issued 2,260,000 common share options which vested immediately. An additional 110,000 common share options were issued in July 2012,

of which 10,000 vested immediately and the remaining 100,000 will vest over three years. These options expire five years from the date of issue. The Corporation recorded \$1.0 million (September 30, 2011 - \$2.7 million) of stock based compensation related to the issuance.

The following table summarizes the stock options outstanding and exercisable under the plan at September 30, 2012:

(\$000's)	September 30, 2012	
	Number of shares	Amount
Balance beginning of the period	186,562,068	\$ 122,973
Exercise of warrants and options	537,000	370
Share repurchases	(958,800)	(632)
Share issue costs	-	(14)
Balance end of the period	186,140,268	\$ 122,697

	Number of options	Weighted average exercise price
Balance – January 1, 2011	3,846,667	\$ 0.59
Issued	3,260,000	1.09
Exercised	(126,334)	(0.43)
Expired	(200,000)	(1.60)
Balance at December 31, 2011	6,780,333	\$ 0.81
Issued	2,370,000	0.89
Exercised	(537,000)	0.40
Expired	(590,000)	1.10
Balance –September 30, 2012	8,023,333	\$ 0.84

The following table sets out the outstanding options as at September 30, 2012:

All stock options, issued and exercisable			
	Number of Options	Weighted Average Exercise Price	Weighted Average Life Years
	350,000	\$0.25	1.44
	1,083,333	\$0.50	1.85
	100,000	\$0.60	4.82
	1,125,000	\$0.65	2.28
	425,000	\$0.75	1.44
	2,270,000	\$0.90	4.40
	100,000	\$0.91	4.09
	2,570,000	\$1.10	3.27
	8,023,333	\$0.84	3.10

Strategic Oil & Gas Ltd.

Notes to interim condensed consolidated financial statements at September 30, 2012 (unaudited)

9. Share capital, continued

c) Weighted average shares

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Weighted average shares (basic)	186,883,614	139,009,068	186,996,193	138,820,415
Weighted average shares (diluted)	186,883,614	139,009,068	187,761,460	138,820,415

d) The fair value of the options granted was estimated on the date of grant using a Black-Scholes option pricing model with the following weighted average inputs:

	September 30, 2012	September 30, 2011
Assumptions		
Risk free interest rate (%)	1.14	1.40
Expected life (years)	3.00	5.00
Expected volatility (%)	73.45	101.40
Forfeiture rate (%)	7.65	7.70
Weighted average fair value of options granted (\$)	0.30	0.83

Forfeiture rate is calculated based on historical forfeiture data of the Corporation.

The weighted average share price at the date of exercise for share options exercised during the nine months ended September 30, 2012 was \$0.79 (December 31, 2011 - \$0.95).

10. Finance costs

(\$000's)	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Interest expense	\$ 5	\$ 18	\$ 17	\$ 52
Interest expense – debenture	-	43	-	128
Accretion expense	85	51	237	157
	\$ 90	\$ 112	\$ 254	\$ 337

11. Supplemental cash flow information

(\$000's)	September 30, 2012	September 30, 2011
Interest paid	\$ 17	\$ 180
Total	\$ 17	\$ 180
Changes in non-cash working capital		
Trade and other receivables	\$ (542)	\$ (1,302)
Accounts payable and accrued liabilities	2,457	8,835
	1,915	7,547
Operating	748	(4,794)
Investing	1,167	12,341
	\$ 1,915	\$ 7,547

Note: included in the accounts payable and accrued liabilities is \$nil (2011 - \$14.0) of non-cash lease inducements

12. Transactions with Related Parties

During the three and nine months ended September 30, 2012, the Corporation recorded \$0.08 million and \$0.24 million, respectively, of legal fees to a law firm of which a director is a partner. (\$0.06 million and \$0.15 million, three and nine months ended September 30, 2011). Consulting fees in the amount of \$0.02 million and \$0.06 million were

Strategic Oil & Gas Ltd.

Notes to interim condensed consolidated financial statements at September 30, 2012 (unaudited)

12. Transactions with Related Parties, continued

recorded for geological consulting performed by a former director during the three and nine months ended September 30, 2012. (\$0.01 million and \$0.02 million, three and nine months ended September 30, 2011). During the three and nine months ended September 30, 2012, the Corporation recorded \$0.03 million and \$0.09 million, respectively, of software charges to a Corporation controlled by an officer (\$0.03 million and \$0.09 million, three and nine months ended September 30, 2011).

Accounts payable and accrued liabilities at September 30, 2012 include \$0.08 million (September 30, 2011 - \$0.02 million) due to related parties. The above transactions were conducted in the normal course of operations and were recorded at exchange amounts which were agreed upon between the Corporation and the related parties.

13. Financial instruments and financial risk management

The Corporation's financial instruments include trade and other receivables, bank debt, accounts payable and accrued liabilities, other long term debt and commodity contracts. The carrying values of accounts receivable, accounts payable and accrued liabilities and bank debt approximate their fair values due to their relatively short periods to maturity.

The Corporation is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities;
 - Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
 - Level 3 - inputs for the asset or liability that are not based on observable market data.
- The fair value of bank debt is measured at level 1. The fair value of commodity contracts is measured at level 2.

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Corporation's activities. The Corporation has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. In addition to the instruments provided in the audited year end statements at December 31, 2011, the following presents information about the Corporation's exposure to each of the above risks and the Corporation's objectives, policies and processes for measuring and managing commodity risks. Further quantitative disclosures are included throughout these financial statements.

a) Market risk

Market risk consists of interest rate risk, currency risk and commodity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The Corporation may use both financial derivatives and physical delivery sales contracts to manage market risks. All such transactions are conducted in accordance with a risk management policy as set out herein:

- **Commodity price risk**

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar.

Strategic Oil & Gas Ltd.

Notes to interim condensed consolidated financial statements at September 30, 2012 (unaudited)

13. Financial instruments and financial risk management, continued

On September 20, 2012, the Corporation entered into risk management contracts to reduce its exposure to volatility in commodity prices. At September 30, 2012, the following risk management contracts were outstanding with an initial market-to-market liability value of \$0.215 million (September 2011 - \$nil):

Financial WTI Crude Oil Contract

Term		Contract Type	Volume (bbl/d)	Fixed Price (US\$/bbl)	Index
01-Jan-2013	30-Jun-2013	Swap	300	100	WTI - NYMEX
01-Jul-2013	31-Dec-2013	Swap	500	100	WTI - NYMEX

The Corporation does not apply hedge accounting to these derivative instruments and they are recorded as fair value with changes in fair value included in profit or loss. The initial valuation of the derivative represents an unrealized loss for the period ending September 30, 2012.

14. Commitments

- a) The Corporation has lease agreements for office space and office equipment resulting in the following commitments:

Year ended	
2012	\$ 158
2013	601
2014	338
2015	311
2016	10
	<u>\$ 1,418</u>

Pursuant to the issue of flow through shares in December 2011, the Corporation committed to incur a total of \$10.0 million on qualifying expenditures prior to December 31, 2012. As of September 30, 2012, the Corporation has fulfilled its commitment.