

# **Softrock Minerals Ltd.**

**Financial Statements**

**June 30, 2011**

UNAUDITED

## **NOTICE TO READER**

### ***Responsibility for Financial Statements***

The accompanying financial statements for Softrock Minerals Ltd. ("Softrock" or the "Company") have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principals have been set out in these financial statements

Only changes in accounting information have been disclosed in these financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent on future events. Therefore estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

### **Auditor Involvement**

The Auditor of Softrock Minerals Ltd. has not performed a review of the comparative financial statements for the three and six months ended June 30, 2011 and 2010.

### **Notice**

**These interim period financial statements should be read in conjunction with the audited financial statements and the accompanying notes in the Company's latest filing. In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim period presented.**

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**Softrock Minerals Ltd.**

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**Statement of Operations, Loss and Comprehensive Loss**

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	Three Months Ended June 30		Six Months Ended June 30	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Revenue</b>				
Royalty Income	9,863	7,930	17,357	16,427
	9,863	7,930	17,357	16,427
<b>Expenses</b>				
Operating and transportation	62	2,027	738	2,595
Depletion, depreciation, accretion	3,700	0	7,194	0
Professional fees	6,946	1,677	9,944	3,772
General and administrative	238	9,924	7,815	19,387
	10,946	13,628	25,691	25,754
Net loss and comprehensive loss for the periods	(1,083)	(5,698)	(8,334)	(9,327)
Deficit, beginning of period	2,563,322	2,453,763	2,556,071	2,450,134
Deficit, end of period	2,564,405	2,459,461	2,564,405	2,459,461
Loss per share, basic and diluted	0.00	0.00	0.00	0.00

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**Softrock Minerals Ltd.****Statements of Cash Flows***(Unaudited)*

June 30:

	Three Months ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
<b>Cash provided by, (used for)</b>				
<b>Operating activities</b>				
Net loss for the period	(1,083)	(5,698)	(8,334)	(9,327)
Items not affecting cash				
Depletion and depreciation	3,600	0	7,194	0
Accretion	300	0	300	0
	2,817	(5,698)	(840)	(9,327)
Changes in non cash working capital items				
Accounts receivable	(7,907)	3,535	(4,237)	3,741
Accounts payable	(4,865)	(811)	(22,814)	(48,682)
	(9,955)	(2,974)	(27,891)	(54,268)
<b>Financing activities</b>				
Issue of common shares for cash	0	0	66,000	0
Share issue costs	0	0	0	(500)
	0	0	66,000	(500)
<b>Investing activities</b>				
Expenditures on plant, property and equipment				
Mineral claims	(44,912)	0	(45,012)	0
	(44,912)	0	(45,012)	0
<b>Increase (decrease) in cash</b>	(54,867)	(2,974)	(6,903)	(53,768)
Cash and cash equivalent, beginning of period	66,021	74,832	18,057	125,626
Cash and cash equivalents, end of period	11,154	71,858	11,154	71,858

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## Softrrock Minerals Ltd.

### Notes to the Financial Statements

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March 31, 2011

*(Unaudited)*

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#### 1. Nature of operations

Softrrock Minerals Ltd., (the "Company") is a public company incorporated under the Alberta Business Corporations Act with its shares traded on the TSX Venture Exchange. Softrrock Minerals Ltd. carries on the business of oil and gas exploration and development in Western Canada and Quebec. It is in initial stages of acquiring mineral claims in Alberta for the exploration and development of potash and lithium.

#### 2. Basis of presentation

##### *(a) Statement of compliance*

In conjunction with the Company's annual audited consolidated financial statements to be issued under International Financial Reporting Standards ("IFRS") for the year ended December 31, 2011 these interim condensed consolidated financial statements present the Company's financial results of operations and financial position under IFRS at and for the six and three months ended June 30, 2011, including 2010 comparative periods. As a result, these condensed consolidated financial statements have been prepared in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards* (IFRS 1), and with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board using the accounting policies the Company expects to adopt in its consolidated financial statements for the year ending December 31, 2011. They are condensed as they do not include all of the necessary annual disclosures required for full annual financial statements under IFRS.

These are the Company's first condensed consolidated financial statements prepared in accordance IFRS and IFRS 1 has been applied. In previous years, the Company prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles in effect prior to January 1, 2011 (Canadian GAAP). Comparative information has been restated from Canadian GAAP to IFRS. The impact of the transition to IFRS on the Company's previously reported financial statements is presented in note 5.

##### *(b) Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis except as detailed in the Company's accounting policies disclosed in Note 3. The accounting policies described in Note 3 have been applied consistently to all periods presented in these financial statements except for the opening IFRS consolidated statement of financial position, which has utilized optional exemptions available and mandatory exemptions under IFRS 1 as described in note 5.

##### *(c) Functional and reporting currencies*

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

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**Softrrock Minerals Ltd.****Notes to the Financial Statements**

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**March 31, 2011***(Unaudited)*

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**2. Basis of presentation (continued)***(d) Going concern*

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue operations in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

As at and for the period ended June 30, 2011, the Company had net losses of \$8,334 (June 30, 2010 - \$9,327), cash flows used in operations of \$66,021 (June 30, 2010 - \$74,832). The Company's ability to continue as a going concern and to recover the recorded costs for property, plant and equipment is dependent upon the Company's ability to raise sufficient capital either through debt or equity issues and/or enter into joint venture or farm-out arrangements in the next twelve months. Management believes there is opportunity for the Company to raise additional equity and/or enter into joint venture arrangements in 2011 and therefore continue as a going concern. However, there are no assurances that the Company will be successful in achieving these objectives. These financial statements do not give effect to any adjustments which could be necessary should the Company be unable to continue as a going concern and therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements. The business of oil and gas exploration and development involves a high degree of risk and there can be no assurance that current or future exploration programs will result in economically recoverable reserves.

*(e) Use of estimates and judgment*

The timely preparation of financial statements requires that management make estimates and assumptions and use judgment regarding assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant accounting estimates and judgments used in the preparation of the financial statements are described in note 4.

**3. Significant accounting policies****Cash and cash equivalents**

Cash and cash equivalents consist of balances with banks and investments in highly liquid short-term deposits with a maturity date, at date of issue, of less than ninety days.

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*(Unaudited)*

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**3. Significant accounting policies (continued)**

**Exploration and evaluation assets and property, plant and equipment**

(i) Recognition and measurement

Costs of exploring for and evaluating oil and natural gas properties are initially capitalized within exploration and evaluation assets. Such exploration and evaluation costs may include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing, directly attributable overhead and administration expenses and the projected costs of retiring the assets (if any), but do not include exploration or evaluation costs incurred prior to having obtained the legal rights to explore an area, which are expensed directly to net income or loss as they are incurred.

Exploration and evaluation assets are not amortized, but are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the net book value exceeds the recoverable amount. These assets are subject to technical, commercial and management review to confirm the continued intent to develop and extract the underlying resources. If an area or exploration well is no longer considered commercially viable, the assets may be transferred to intangible assets when it meets the recognition criteria for intangible assets. Not proceeding with development of the asset is an impairment indicator, and as a result of the decision impairment testing would be performed.

When management determines with reasonable certainty that an exploration and evaluation asset will be developed, as evidenced by the classification of proved or probable reserves and the appropriate internal and external approvals, the asset is first tested for impairment and then reclassified to property, plant and equipment.

Items of property, plant and equipment are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items.

The costs to acquire developed or producing oil and gas properties and to develop oil and gas properties, including completing geological and geophysical surveys and drilling development wells, and the costs to construct and install dedicated infrastructure such as wellhead equipment and supporting assets, are capitalized as oil and gas properties within property plant and equipment.

The costs of major inspection, overhaul and work-over activities that maintain property, plant and equipment and benefit future years of operations are capitalized. Similar recurring planned maintenance managed on shorter intervals is expensed. Replacements outside major inspection, overhaul or work-overs are capitalized when it is probable that future economic benefits will flow to the Company and the associated net book value of the replaced asset is derecognized.

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, and intangible exploration assets, are determined by comparing the proceeds from disposal with its net book value and are recognized within "other income" or "other expenses" in net income or loss.

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*(Unaudited)*

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**3. Significant accounting policies (continued)**

Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. All other borrowing costs are recognized in net income or loss using the effective interest method. Capitalization of borrowing costs ceases when the asset is in the location and condition necessary for it to be capable of operating as intended. Capitalization of borrowing costs is suspended when the construction of an asset is ceased for extended periods.

The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Company's outstanding borrowings during the year, including the dividends on the convertible preferred shares.

(ii) Depletion and depreciation

The net book value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves.

Proved and probable reserves are estimated annually by independent reserve engineers and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a more than 50% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proved and probable. The equivalent statistical probability for the proved component is 90%.

Such reserves may be considered economically producible if management has the intention of developing and producing them and such intention is based upon:

- a reasonable assessment of the future economics of such production;
- a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production;
- evidence that necessary production, transmission and transportation facilities are available or can be made available; and
- availability of capital to develop reserves.

Reserves may only be considered proved and probable if supported by either actual production or a conclusive formation test. The area of reservoir considered proved includes (a) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, or both, and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of oil and natural gas controls the lower proved limit of the reservoir.

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*(Unaudited)*

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**3. Significant accounting policies (continued)**

Reserves which can be produced economically through application of unproved recovery techniques (such as fluid injection) are only included in the proved and probable classification when successfully tested by a pilot project, the operation of an installed program in the reservoir or other reasonable evidence (such as, experience of the same techniques on similar reservoirs or reservoir simulation studies) provides support for the engineering analysis on which the project or program was based.

For other assets, depreciation is recognized in net income or loss on a declining balance basis over its estimated useful life at rates varying from 20% to 100%. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed annually.

**Leased assets**

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset. The Company does not have any financing leases.

Other leases are operating leases, which are not recognized on the Company's statement of financial position.

Payments made under operating leases are recognized in net income or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

**Impairment**

(i) Non-financial assets

The net book value of the Company's non-financial assets, other than exploration and evaluation assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Exploration and evaluation assets are assessed for impairment when they are reclassified to property, plant and equipment and also if facts and circumstances suggest that the net book value exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

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*(Unaudited)*

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**3. Significant accounting policies (continued)**

In assessing fair value less cost to sell, the fair value reflects the price a market participant would be willing to pay to acquire the asset or CGU less selling costs to complete the transaction. Fair value is generally determined based on recent transactions, crown land sales and other market metrics.

Exploration and evaluation assets are allocated to the CGUs on a geographical basis when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to oil and natural gas interests in property, plant and equipment.

An impairment loss is recognized if the net book value of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income or loss. Impairment losses recognized in respect of CGUs reduce the net book value of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss recognized in prior years is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's net book value does not exceed the net book value that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

**(ii) Financial assets**

A financial asset, other than a financial asset designated as fair value through profit and loss, is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its net book value, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in net income or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized and is recognized in net income or loss.

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*(Unaudited)*

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**3. Significant accounting policies (continued)**

**Financial instruments**

Financial assets and liabilities designated as fair value through profit or loss are measured at fair value with changes in those fair values recognized in the statement of operations. Financial assets available for sale are measured at fair value, with changes in those fair values recognized in other comprehensive income. Financial assets held to maturity, loans and other receivables and other financial liabilities are measured at amortized cost using the effective interest method.

Derivatives are classified as fair value through profit or loss and measured at their fair value. Gains or losses related to periodic revaluation are recorded to the statement of operations.

Fair value measurements are classified according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Quoted prices are available in active markets. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Pricing inputs are other than quoted prices in an active market included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3: Valuation at this level are those inputs for the asset or liability that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

**Share based compensation**

**(i) Stock option awards**

Share-based compensation expense is recorded in net income or loss for all options granted on a graded basis over the vesting period of the option with a corresponding increase recorded as contributed surplus. Compensation expense is based on the estimated fair values of the options at the time of the grant as determined using a Black-Scholes option pricing model. The Company incorporates an estimated forfeiture rate when determining compensation expense for stock options that will not vest.

Upon the exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital. In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed.

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**Softrrock Minerals Ltd.****Notes to the Financial Statements**

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**March 31, 2011***(Unaudited)*

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**3. Significant accounting policies (continued)****(ii) Stock unit awards**

Stock unit awards are only payable in cash. Obligations are accrued based on the vesting period of the stock unit awards using the market value of the Company's common shares. The obligations are revalued each reporting period based on the change in the fair value of the Company's common shares and the number of vested stock unit awards outstanding. The Company reduces the liability when the units are surrendered for cash.

**Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. Provisions are not recognized for future operating losses. Further details on specific provisions are as follows:

**(i) Decommissioning liabilities**

The Company recognizes the estimated liability associated with decommissioning at the time the asset is acquired and the liability is incurred. The estimated present value of the future payments of the decommissioning liability is recorded as a long term liability, with a corresponding increase in the net book value of property, plant and equipment. Amounts are discounted using the risk-free rate. The capitalized amount is depleted on a unit-of-production method over the life of proved and probable reserves. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to net income or loss in the period. The liability can also increase or decrease due to changes in the estimates of timing of cash flows, changes to the risk-free rate or changes in the original estimated undiscounted cost. The change in the provision as a result of these changes is capitalized in the net book value of the related asset. Actual costs incurred upon settlement of decommissioning liabilities are charged against the decommissioning liability to the extent of the liability recorded.

**(ii) Onerous contracts**

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligation under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net costs of continuing with the contract.

**Revenue**

Revenue from the sale of natural gas, oil and natural gas liquids is recognized based on volumes delivered to customers at contractual delivery points and rates. Revenue is measured net of royalties.

Revenue is recognized when persuasive evidence exists that the significant risks and rewards have been transferred to the customer and the amount of revenue can be measured reliably, and when recovery of the consideration is probable. Recognition occurs upon delivery.

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**Softrrock Minerals Ltd.****Notes to the Financial Statements**

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**March 31, 2011***(Unaudited)*

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**3. Significant accounting policies (continued)**

Tariffs and tolls charged to other entities for use of pipelines and facilities owned by the Company are recognized as revenue as they accrue in accordance with the terms of the service or tariff and tolling agreement.

Royalty income is recognized on operating lease rights as it accrues in accordance with the terms of the overriding royalty agreements.

The costs associated with the delivery, including operating and maintenance costs, transportation, and production-based royalty expenses are recognized in the same period in which the related revenue is earned and recorded.

**Assets held for sale**

Assets and liabilities are classified as held for sale if their net book values are expected to be recovered through a disposition rather than through continuing use. The assets or disposal groups are measured at the lower of their net book value and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in net income or loss. Assets classified as held for sale are not depreciated, depleted or amortized.

**Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

**Income taxes**

The Company follows the liability method of accounting for income taxes whereby deferred income taxes are recorded for unused tax losses, tax credits and the effect of differences between the accounting and income tax basis of an asset or liability. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates at the statement of financial position date that are anticipated to apply to taxable income in the years in which temporary differences are anticipated to be recovered or settled. Changes to these balances are recognized in income in the period which they occur. Investment tax credits are recorded as an offset to the related expenditures.

**Basic and diluted per share amounts**

Basic per share amounts are calculated by dividing net income or loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share amounts are calculated by adjusting the net income or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise convertible preferred shares, warrants, and share options granted to employees.

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*(Unaudited)*

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**3. Significant accounting policies (continued)**

**Accounting standards issued but not yet applied**

IFRS 7 *Disclosures – Transfers of Financial Assets* (“IFRS 7”), was amended on October 7, 2010 to provide enhanced disclosures pertaining to the transfer of financial assets. The amendments require additional disclosure on the transfer of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate number of transfer transactions are undertaken by an entity around the end of a reporting period. These amendments are effective as of July 1, 2011. The Corporation is currently evaluating the impact of these amendments to IFRS 7 on its financial statements.

IFRS 9 *Financial Instruments: classification and measurement* (“IFRS 9”), was issued by the International Accounting Standards Board on November 12, 2009 and is the first step to replace IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Corporation is currently evaluating the impact of IFRS 9 on its financial statements.

**4. Significant accounting estimates and judgments**

The timely preparation of the condensed consolidated financial statements requires that management make estimates and assumptions, and use judgment regarding assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates used in the preparation of the financial statements include, but are not limited to, those areas discussed below.

**(a) Oil and gas reserves and resources**

Certain depletion, depreciation, impairment and decommissioning and restoration charges are measured based on the Company’s estimate of oil and gas reserves and resources. The estimation of reserves and resources is an inherently complex process and involves the exercise of professional judgment. Reserves and resources have been evaluated at December 31, 2010 by independent petroleum consultants in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*. The reserves and resources estimates are based on the definitions and guidelines contained in the Canadian Oil and Gas Evaluation Handbook.

Oil and gas reserves and resources estimates are based on a range of geological, technical and economic factors, including projected future rates of production, estimated commodity prices, engineering dates, and the timing and amount of future expenditures, all of which are subject to uncertainty. Assumptions reflect market and regulatory conditions existing at each annual reporting date, which could differ significantly from other points in time throughout the year, or future periods. Changes in market and regulatory conditions and assumptions can materially impact the estimation of net reserves.

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*(Unaudited)*

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**4. Significant accounting estimates and judgments (continued)**

(b) Exploration and evaluation costs

Certain exploration and evaluation costs are initially capitalized with the intent to establish commercially viable reserves. The Company is required to make estimates and judgments about the future events and circumstances regarding the economic viability of extracting the underlying resources. The costs are subject to technical, commercial and management review to confirm the continued intent to develop and extract the underlying resources. Unsuccessful drilling, or changes to project economics, resource quantities, expected production techniques, production costs and required capital expenditures, are important factors when making this determination. If a judgment is made that the extraction of resources is not viable, the associated exploration and evaluation costs are impaired and charged to net income or loss.

(c) Decommissioning liabilities and other provisions

The Company recognizes liabilities for the future decommissioning and restoration of property, plant and equipment. These provisions are based on estimated costs, which take into account the anticipated method and extent of restoration, technological advances and the possible future use of the site. Actual costs are uncertain and estimates can vary as a result of changes to relevant laws and regulations, the emergence of new technology, operating experience and prices. The expected timing of future decommissioning and restoration may change due to certain factors, including reserve life. Changes to assumptions related to future expected costs, discount rates and timing may have a material impact on the amounts presented. Other provisions are recognized in the period in which it becomes probable that there will be a future cash outflow.

(d) Deferred income taxes

Deferred tax assets are recognized when it is considered probable that unused tax losses, tax credits and deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from the Company's estimate, the ability of the Company to realize the deferred tax asset could be impacted.

Deferred tax liabilities are recognized for taxable temporary differences. The Company records a provision for the amount that is expected to be settled, which requires the application of judgment as to the ultimate outcome. Deferred tax liabilities could be impacted by changes in the Company's estimate of the likelihood of a future outflow, the expected settlement amount, and the tax laws in the jurisdiction which the Company operates.

(e) Impairment of assets

The allocation of assets into cash generating units ("CGU's") requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures, and the way in which management monitors the operations.

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*(Unaudited)*

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**4. Significant accounting estimates and judgments (continued)**

The recoverable amounts of CGU's and individual assets have been determined based on the higher of fair value less costs to sell. The key assumptions the Company uses in estimating future cash flows for recoverable amounts are anticipated future commodity prices, expected production volumes and future operating and development costs. Changes to these assumptions will affect the recoverable amounts of CGU's and individual assets and may then require a material adjustment to their related net book value.

(f) Share based payment

Expenses recorded for share-based payments are based on the historical volatility of the Company's share price which may not be indicative of the future volatility. Accordingly, those amounts are subject to measurement uncertainty.

**5. Reconciliation of statement of financial position from Canadian GAAP to IFRS**

**IFRS transition exemptions**

The Company has reviewed IFRS 1 - First Time Adoption of International Financial Reporting Standards. IFRS 1 requires the presentation of comparative information at January 1, 2010 transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, the provisions of IFRS 1 allow for certain mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of all IFRSs. The Company has applied the following exemptions to full retrospective application of IFRS in accordance with IFRS 1:

***Deemed cost of property, plant and equipment***

The Company has elected to apply the exemption under IFRS 1 allowing the measurement of oil and gas assets at the date of transition to IFRS to be determined based on the amounts disclosed under the full cost method of accounting in accordance with Canadian GAAP.

***Decommissioning liabilities***

The exemption provided in IFRS 1 from the full retrospective application of IFRS 1 has been applied and the difference between the net book values of the Company's decommissioning liabilities as measured under IFRS and their net book values under Canadian GAAP as of January 1, 2010 has been recognized directly in opening deficit.

***Share-based payments***

The Company has elected not to apply IFRS 2, share-based payments to equity instruments granted after November 7, 2002, that have not vested by the transition date.

***Borrowing costs***

The Company has applied the borrowing cost exemption in IFRS 1. It has applied the requirement of IAS 23 to borrowing costs relating to qualifying assets on a prospective basis from the date of transition to IFRS.

# Softrrock Minerals Ltd.

## Notes to the Financial Statements

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### 5. Reconciliation of statement of financial position from Canadian GAAP to IFRS (continued)

#### **Business combinations**

IFRS 1 allows an entity to use IFRS rules for business combinations on a prospective basis rather than restating all business combinations.

#### **Mandatory exceptions to retrospective application**

Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

The remaining IFRS 1 exemptions were not applicable or material to the preparation of the Company's Statement of Financial Position at the date of transition on January 1, 2010.

#### **Reconciliation of assets, liabilities and shareholders' equity**

The following reconciliations present the adjustments made to the Company's Canadian GAAP financial results of operations and financial position to comply with IFRS. A summary of the significant accounting policy changes and applicable exemptions are discussed following the reconciliations.

	December 31, 2010			June 30, 2010			January 1, 2010			
	Notes	Canadian GAAP	Adj	IFRS	Canadian GAAP	Adj	IFRS	Canadian GAAP	Adj	IFRS
<b>ASSETS</b>										
<b>Current</b>										
Cash and equivalents	\$	18,057	\$ -	\$ 18,057	\$ 71,858	\$ -	\$ 71,858	\$ 125,626	\$ -	\$ 125,626
Accounts receivable		8,214	-	8,214	5,061	-	5,061	8,802	-	8,802
		26,271	-	26,271	76,919	-	76,919	134,428	-	134,428
<b>Mineral property interests</b>		-	-	-	1,875	-	1,875	1,874	-	1,875
<b>Property, plant and equipment</b>		161,538	(2,943)	158,595	169,474	(3,730)	165,744	169,474	-	169,474
	\$	187,809	\$ (2,943)	\$ 184,866	\$ 248,268	\$ (3,730)	\$ 244,538	\$ 305,777	\$ -	\$ 305,777
<b>LIABILITIES</b>										
<b>Current</b>										
Accounts payable and accrued liabilities	\$	39,537	\$ -	\$ 39,537	\$ 29,824	\$ -	\$ 29,824	\$ 78,506	\$ -	\$ 78,506
Other current liabilities		-	-	-	-	4,375	4,375	-	4,375	4,375
		39,537	-	39,537	29,824	4,375	34,199	78,506	4,375	82,881
<b>Decommissioning provision</b>		10,297	-	10,297	9,297	-	9,297	9,297	-	9,297
		49,834	-	49,834	39,121	4,375	43,496	87,803	4,375	92,178
<b>SHAREHOLDERS' EQUITY</b>										
Share capital		2,536,234	(4,375)	2,531,859	2,536,734	(4,375)	2,532,359	2,536,234	(4,375)	2,595,359
Contributed surplus		159,243	-	159,243	131,873	-	131,873	131,873	-	131,873
Deficit		(2,557,502)	1,432	(2,556,070)	(2,459,461)	(3,730)	(2,463,191)	(3,560,244)	(63,500)	(2,513,633)
		137,975	(2,943)	135,032	209,146	(8,105)	201,042	217,974	(4,375)	213,599
	\$	187,809	\$ -	\$ 184,866	\$ 248,268	\$ -	\$ 244,538	\$ 305,777	\$ -	\$ 305,777

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**Softrrock Minerals Ltd.****Notes to the Financial Statements**

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**March 31, 2011***(Unaudited)*

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**5. Reconciliation of statement of financial position from Canadian GAAP to IFRS (continued)****Reconciliation of Total Comprehensive Loss**

Notes	Year ended December 31, 2010			Six months ended June 30, 2010		
	Canadian GAAP	Adj	IFRS	Canadian GAAP	Adj	IFRS
<b>Revenue</b>						
Royalty income	\$ 28,847	\$ -	\$ 28,847	\$ 16,427	\$ -	\$ 16,427
<b>Expenses</b>						
Operating and exploration	7,657	-	7,657	2,595	-	2,595
Professional fees	39,836	-	39,836	3,772-	-	3,772-
General and administrative	42,342	-	42,342	19,387	-	19,387
Depreciation, depletion and accretion	12,976	2,943	15,919	-	3,730	3,730
Exploration	4,160	-	4,160	-	-	-
Stock-based compensation	27,370	-	27,370	-	-	-
Write-down of mineral property interests	1,875	-	1,875	-	-	-
	136,216	2,943	139,159	25,754	3,730	29,484
<b>Net loss and comprehensive loss</b>	<b>\$ (107,369)</b>	<b>\$ (2,943)</b>	<b>\$ (110,312)</b>	<b>\$ (9,327)</b>	<b>\$ (3,730)</b>	<b>\$ (13,057)</b>

**Explanation of significant adjustments*****Decommissioning provision:***

Under Canadian GAAP, increases in the estimated cash flows were discounted using the current credit-adjusted risk-free rate while downward revisions in the estimated cash flows were discounted using the credit-adjusted risk-free rate that existed when the original liability was recognized. Under IFRS, estimated cash flows are discounted using the risk-free rate that exists at the date of the statement of financial position.

In accordance with IFRS 1, the Company elected to re-measure its decommissioning provision at the IFRS transition date and has estimated the related asset by discounting the liability to the date in which the liability arose and recalculated the accumulated depreciation and depletion under IFRS. Adjustments at the IFRS transition date are immaterial and no adjustment will be recorded to opening deficit. Adjustments arising as a result of changes in the interest rate during 2010 period have been recorded to property, plant and equipment. The impact of these changes on accretion is immaterial and no adjustments have been reflected as a change in financing costs.

***Exploration and evaluation assets and property, plant and equipment***

Under Canadian GAAP, the Company applied the full cost method of accounting for oil and gas exploration, development, and production activities. Under the full cost method, all costs associated with these activities were capitalized. Under IFRS, the Company elected an IFRS 1 exemption whereby the Canadian GAAP full cost pool was measured upon transition to IFRS as follows:

- exploration and evaluation assets were reclassified from the full cost pool to exploration and evaluation assets at the amount that was recorded under Canadian GAAP;
- non-oil and gas assets (corporate assets) were reclassified from the full cost pool to property, plant and equipment; and

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**Softrrock Minerals Ltd.****Notes to the Financial Statements**

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**March 31, 2011***(Unaudited)*

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**5. Reconciliation of statement of financial position from Canadian GAAP to IFRS (continued)**

- the remaining full cost pool was allocated to the producing/development assets and components pro rata using reserve values.

The Company's exploration and evaluation assets consist of its 20% working interest in one section of Crown lease land in Minhik area of Alberta. In addition, the Company has the same interest in the same section in a shut-in Edmonton gas well.

The Company's exploration assets have been impaired in previous years given results of shut-in well and lack of further exploration by joint venture partner on Minhik Property. Accordingly, no value has been assigned to the Company's Exploration and Evaluation assets on transition.

Corporate assets were also adjusted out of the full cost pool as these were considered non-oil and gas related costs and therefore not subject to the application of the deemed cost exemption. Corporate assets were evaluated for impairment and subsequently recorded at its net book value in property, plant and equipment.

The Company's corporate assets consist of office furniture, computer hardware and software and are fully amortized at transition.

The Company's remaining full cost pool was allocated to the producing assets and components pro rata using reserve values. In the case of the Company, the full amount of the full cost pool has been allocated to the Company's 3% GORR interest as it is its only CGU.

The Company's producing assets were assessed for impairment on transition under IFRS.

The company's producing assets consists of a 3% GORR (gross overriding royalty) held in three (3) producing Grand Forks AB oil wells.

***Impairments***

Under Canadian GAAP, an item of property, plant and equipment is deemed recoverable if the undiscounted future cash flows exceed the net book value of the asset group. Under IFRS, recoverability of property, plant and equipment is based on the higher of fair value less costs to sell and value in use of the CGU.

The Company did not record an impairment on its only CGU on the IFRS transition date as the recoverable amount using 2P and 10% discounted exceeded the carrying amount of the producing assets. Under IFRS, the Company evaluated these assets for indicators of impairment at each reporting period - no impairments were identified relation to its only CGU.

***Depletion and depreciation***

Under IFRS, the Company adopted a policy of depleting its producing and developed oil and gas assets on a unit of production basis over estimated proved plus probable reserves. The depletion policy under Canadian GAAP was based on units of production over proved reserves. Under Canadian GAAP, depletion was calculated using all of Canada as a single cost centre. IFRS requires depletion and depreciation to be calculated based on individual components (ie. fields or combinations thereof) or CGU's. Under IFRS, the Company has designated that depletion will be based on proved plus probable reserves based on the CGU's.

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**Softrrock Minerals Ltd.****Notes to the Financial Statements**

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**March 31, 2011***(Unaudited)*

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**5. Reconciliation of statement of financial position from Canadian GAAP to IFRS (continued)*****Share-based payments***

Under Canadian GAAP, the Company recognized an expense related to share based payments on a straight-line basis through the date of full vesting and did not incorporate a forfeiture multiplier. Under IFRS, the Company is required to recognize the expense over the individual vesting periods for the graded vesting awards and estimate a forfeiture rate.

The Company's share-based payment transactions relate to stock options granted to directors which vest immediately. Forfeiture rates are set at 0% as it is assumed by management that all options will be held by directors until maturity.

Based on the above there is no impact to the financial statements on transition to IFRS.

***Flow-through shares***

Under Canadian GAAP, proceeds from flow-through shares are recorded to share capital. When the tax benefits have been renounced to the flow-through shareholder, the Company records a reduction in share capital with a corresponding increase in the future income tax liability. Under IFRS, share capital for flow-through shares issued is recorded to share capital at the quoted value of the shares at the date of issuance. The difference between the quoted value and the gross proceeds received on the issuance of the shares is recorded as a liability. The tax cost resulting deduction renouncements, less any proceeds received in excess of the quoted value of the shares, must be included in the determination of the tax expense. The Company's had issuances of flow-through shares was in 2009 and 2006 resulting in the difference being applied as an increase to share capital with an offset to opening deficit on the IFRS transition date for 2006 issuance and an decrease to share capital and increase in liability for the 2009 issuance.

**6. Property, plant and equipment**

	<b>June 30, 2011</b>		
	<b>Cost</b>	<b>Accumulated depletion</b>	<b>Net book value</b>
Petroleum and natural gas properties and facilities	\$ 1,214,797	\$ 1,018,384	\$ 196,413
Furniture, fixtures and office equipment	51,225	51,225	-
	<b>\$ 1,266,022</b>	<b>\$ 1,069,609</b>	<b>\$ 196,413</b>

  

	<b>December 31, 2010</b>		
	<b>Cost</b>	<b>Accumulated depletion</b>	<b>Net book value</b>
Petroleum and natural gas properties and facilities	\$ 1,165,785	\$ 1,011,190	\$ 158,595
Furniture, fixtures and office equipment	51,225	51,225	-
	<b>\$ 1,221,010</b>	<b>\$ 1,062,415</b>	<b>\$ 158,595</b>

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**Softrrock Minerals Ltd.****Notes to the Financial Statements**

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**March 31, 2011***(Unaudited)*

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**6. Property, plant and equipment (continued)**

During the quarter ended June 30, 2011, petroleum and natural gas properties included \$nil (2010 - \$nil), net of any dispositions relating to unproved properties which have been excluded from the depletion calculation. Included in the depletion calculation are future development costs of \$nil (2010 - \$nil).

The Company's impairment test performed at June 30, 2011 did not result in an impairment loss.

**7. Advances to joint venture partners**

The Company records as advances to joint venture partners' amounts advanced on cash calls on approved AFEs to the operators of the joint ventures in which the Company has an interest, in excess of funds expensed on exploration activities. As cash calls are drawn down by the operator, the Company transfers the applicable amount to property, plant and equipment. In 2011, \$nil was transferred to property, plant and equipment (2010 - \$nil).

**8. Share capital****(a) Authorized**

Unlimited number of:

Common shares without nominal or par value

First and second preferred shares issuable in series

**(b) Common shares**

	2011		2010	
	Number of shares	Amount	Number of shares	Amount
<b>Balance, beginning of year</b>	<b>20,934,446</b>	<b>\$ 2,536,234</b>	<b>18,429,446</b>	<b>\$ 2,429,558</b>
Issued:				
Conversion of warrants	<b>660,000</b>	<b>66,000</b>	-	-
<b>Balance, end of year</b>	<b>21,594,446</b>	<b>\$ 2,602,234</b>	<b>20,934,446</b>	<b>\$ 2,536,234</b>

**Share capital transactions in 2011:**

The Company had 660,000 warrants converted to common shares at \$0.10 per share in February 2011.

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**Softrrock Minerals Ltd.****Notes to the Financial Statements**

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**March 31, 2011***(Unaudited)*

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**8. Share capital (continued)****(c) Per share amounts**

The following table summarizes the weighted average common shares used in calculating net income (loss) per common shares:

	2011	2010
Basic and diluted	<b>21,594,446</b>	20,934,446

Diluted weighted average common shares outstanding are equal to basic as dilutive instruments are not in the money.

**(d) Stock options**

Under the Company's stock option plan, the Company may grant options to employees, officers and directors up to 10% of its issued and outstanding common stock. In addition, the aggregate number of shares so reserved for issuance to any one person shall not exceed 5% of the issued and outstanding shares. Under the plan, options are exercisable upon issuance and an option's maximum term is five years.

	2011		2010	
	Stock options	Weighted average exercise price (\$)	Stock options	Weighted average exercise price (\$)
<b>Outstanding, beginning of year</b>	<b>1,800,000</b>	<b>0.10</b>	1,200,000	0.10
Granted and fully vested	-	-	800,000	0.10
Cancelled	-	-	(200,000)	0.10
<b>Outstanding, end of quarter</b>	<b>1,800,000</b>	<b>0.10</b>	1,800,000	0.10

The following table summarizes information about stock options outstanding and exercisable June 30, 2011:

Number outstanding at June 30 2011	Weighted average remaining contractual life (years)	Number exercisable at December 31, 2010	Exercise price (\$)
1,000,000	2.25	1,000,000	0.10
200,000	2.25	200,000	0.10
600,000	4.25	600,000	0.10
<b>1,800,000</b>	<b>2.92</b>	<b>1,800,000</b>	<b>0.10</b>

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**Softrrock Minerals Ltd.****Notes to the Financial Statements**

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**March 31, 2011***(Unaudited)*

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**8. Share capital (continued)****(d) Stock options (continued)**

The Company accounts for its stock-based compensation plan using the fair value based method. Under this method, compensation costs of \$27,370 were recorded in the financial statements during the year ended December 31, 2010. The fair value of the options granted during the year was estimated on the date of the grant using the Black-Scholes option pricing model, recognizing forfeitures as they occur, with the following assumptions: zero dividend yield; weighted average expected volatility of 182%; weighted average risk-free rate of 1.30% and weighted average expected life of 4.5 years. There were no compensation costs in 2011 as the Company did not grant any stock options or modify any existing stock options outstanding.

Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the fair value estimate, and therefore, use of the Black-Scholes option pricing model, as required by Canadian generally accepted accounting principles, does not necessarily provide a reliable measure of the fair value of the Company's stock options at the date of the grant or thereafter.

**(e) Broker warrants**

A summary of the status of the broker warrants as of June 30, 2011, and changes during the year is presented as follows:

		<b>2011</b>		<b>2010</b>
	<b>Number of warrants</b>	<b>Weighted average exercise price (\$)</b>	<b>Number of warrants</b>	<b>Weighted average exercise price (\$)</b>
<b>Outstanding, beginning of year</b>	<b>236,500</b>	<b>0.05</b>	236,500	0.05
<b>Outstanding, end of year</b>	<b>236,500</b>	<b>0.05</b>	236,500	0.05

The following table summarizes information about broker warrants outstanding and exercisable at June 30, 2011:

<b>Date</b>	<b>Number of warrants</b>	<b>Exercise price (\$)</b>	<b>Expiry date</b>
December 17, 2009	236,500	0.05	December 17, 2011

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**Softrrock Minerals Ltd.****Notes to the Financial Statements**

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**March 31, 2011***(Unaudited)*

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**8. Share capital (continued)****(f) Common share purchase warrants**

A summary of the status of the common share purchase warrants as of June 30, 2011, and changes during the year is presented as follows:

	<b>2011</b>		<b>2010</b>	
	<b>Number of warrants</b>	<b>Weighted average exercise price (\$)</b>	<b>Number of warrants</b>	<b>Weighted average exercise price (\$)</b>
<b>Outstanding, beginning of year</b>	<b>2,380,000</b>	<b>0.10</b>	4,380,000	0.10
Exercised	<b>(660,000)</b>	<b>0.10</b>		
Expired			(2,000,000)	0.10
<b>Outstanding, end of year</b>	<b>1,720,000</b>	<b>0.10</b>	2,380,000	0.10

The following table summarizes information about warrants outstanding and exercisable at June 30, 2011:

<b>Date</b>	<b>Number of warrants</b>	<b>Exercise price (\$)</b>	<b>Expiry date</b>
December 17, 2009	1,720,000	0.10	December 17, 2011

The Company accounts for warrants issued using the residual value based method. Under this method, fair value assigned to the warrants issued during 2011 is \$nil (2010 - \$nil).

**9. Commitments and contingencies****Environmental regulations**

The Company's activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing in Canada and generally are becoming more restrictive. The Company believes its operations comply in all material respects with all applicable laws and regulations.

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**Softrock Minerals Ltd.****Notes to the Financial Statements**

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**March 31, 2011***(Unaudited)*

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**10. Financial instruments**

The carrying amounts of financial instruments comprising cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the immediate or short term nature of these financial instruments.

In accordance with the adopted amendments to CICA 3862, *Financial Instruments – Disclosures*, the Company's assets and liabilities recorded at fair value have been categorized based upon the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted market prices included in Level 1 that are observable or the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – unobservable inputs such as inputs for the asset or liability that are not based on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value of the financial instruments classified as held-for-trading (cash and cash equivalents) corresponds to a Level 1 classification.

The carrying value and fair value of financial assets and liabilities as at June 30, 2011 are summarized below:

<b>Classification</b>	<b>Carrying value</b>	<b>Fair value</b>
Held-for-trading (cash and cash equivalents)	\$ 11,154	\$ 11,154
Loans and receivables (accounts receivable)	12,453	12,453
Held-to-maturity	-	-
Available-for-sale	-	-
Other liabilities (accounts payable and accrued liabilities)	16,724	16,724

The Company is exposed to normal financial risks inherent within the oil and gas industry, including credit risk, interest rate risk and liquidity risk. The nature of the financial risks and the Company's strategy for managing these risks has not changed significantly from the prior year. The Company does not utilize derivative instruments to manage risks.

**i) Credit risk**

Credit risk is the risk a third party fails to meet its contractual obligations that could result in the Company incurring a loss. The Company's accounts receivable are primarily with joint venture partners and Canadian federal government. Receivables from joint venture partners arise from the Company's ownership of a gross overriding royalty on certain oil and gas interests. Receivables from Canadian federal government arise from input tax credits for Goods and Services taxes. As at June 30, 2011 there was no allowance for doubtful accounts for the joint venture receivables or Canadian federal government receivables as all mounts receivable were current.

**March 31, 2011**

*(Unaudited)*

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**10. Financial instruments (continued)**

**ii) Interest rate risk**

The Company is not exposed to interest rate risk because of fluctuating interest rates. Fluctuations in market rates do not have a significant impact on the Company's operations as the Company does not maintain any cash equivalents or debt subject to interest.

**iii) Liquidity risk**

Liquidity risk is the risk that the Company will not have sufficient funds to meet its liabilities. The Company has no liabilities, other than routine current accounts payable, incurred in the normal course of business.

In 2010, the Company used proceeds from private placements completed in December, 2009 to meet its working capital requirements in 2011. Management believes there is the opportunity for the Company to raise additional equity and/or enter into joint venture arrangements in 2011.

The outcome of these matters cannot be determined at this time.

**11. Risk management and capital management**

The Company is a junior oil and gas company and considers items included in shareholders' equity as capital. The Company has no debt and does not expect to enter into debt financing. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

The Company currently receives royalty income from a gross overriding royalty held. Revenues are not sufficient to meet ongoing obligations and meet future exploration commitments in respect of its property, plant and equipment. In order to fund future projects and pay for administrative costs, the Company is required to raise additional funds as needed in the equity markets and/or rely on advances from directors. Management has assessed that its working capital position and shareholders' equity are not sufficient for the Company to continue as a going concern beyond one year and the Company will need to raise equity funds in 2011 to continue as a going concern. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is primarily dependent upon its ability to develop, sell or option its property, plant and equipment and its ability to borrow or raise additional financing from equity markets. The outcome of these events is not determinable at this time.

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**Softrock Minerals Ltd.****Notes to the Financial Statements**

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**March 31, 2011***(Unaudited)*

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**12. Related party transactions**

The Company has entered into transactions with related parties in the normal course of business, which were valued at the exchange amount established and agreed to by the related parties. During the year, the related party transactions were as follows:

The Company paid to its directors and officers, either directly, or indirectly, the following amounts:

	<b>2011</b>	<b>2010</b>
For accounting services	<b>\$ 3,297</b>	<b>\$ 2,094</b>

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