Consolidated Financial Statements of

**NIMIN ENERGY CORP.**

As at and for the years ended December 31, 2011, 2010, and 2009

Expressed in US dollars

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders
NiMin Energy Corp.:

We have audited the accompanying consolidated balance sheet of NiMin Energy Corp. and subsidiary (the Company) as of December 31, 2011, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NiMin Energy Corp. as of December 31, 2011, and the results of its operations and cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), NiMin Energy Corp.'s internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 14, 2012, expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Los Angeles, California
March 14, 2012

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of NiMin Energy Corp.

We have audited the accompanying consolidated financial statements of NiMin Energy Corp., which comprise the consolidated balance sheet as at December 31, 2010 and the consolidated statements of operations and comprehensive loss, cash flows and stockholders' equity for each of the years in the two-year period ended December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with United States generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of NiMin Energy Corp. as at December 31, 2010 and its consolidated results of operations and its consolidated cash flows for each of the years in the two-year period ended December 31, 2010 in accordance with United States generally accepted accounting principles.

/s/ KPMG LLP

Chartered Accountants

Calgary, Canada
March 24, 2011

**NiMin Energy Corp.**
Consolidated Balance Sheets
December 31, 2011 and December 31, 2010
(Expressed in U.S. dollars)

| | 2011 | 2010 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 3,811,028 | $ 9,490,005 |
| Trade accounts receivable | 3,131,004 | 1,823,667 |
| Prepaid expenses and well costs | 311,922 | 262,210 |
| Crude oil inventory | 149,553 | 241,375 |
| Other assets | — | 1,798 |
| Total current assets | 7,403,507 | 11,819,055 |
| Debt issuance costs | 3,497,867 | 4,404,436 |
| Restricted investments | 784,261 | 803,469 |
| Equipment | 287,918 | 348,498 |
| Crude oil and natural gas properties—full cost method | | |
| Proved properties, net | 78,077,780 | 64,055,964 |
| Unproved properties | 468,042 | 476,986 |
| Total assets | $ 90,519,375 | $ 81,908,408 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 3,751,660 | $ 4,580,128 |
| Accrued liabilities | 1,253,855 | 1,069,564 |
| Commodity derivative liability | 976,929 | 929,527 |
| Current portion of long-term debt | 4,050,000 | — |
| Total current liabilities | 10,032,444 | 6,579,219 |
| Long-term debt | 31,950,000 | 36,000,000 |
| Asset retirement obligations | 1,180,661 | 1,309,789 |
| Non-current commodity derivative liability | — | 310,757 |
| Options | 136,773 | — |
| Warrants | 235,134 | 5,631,515 |
| Total liabilities | 43,535,012 | 49,831,280 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock, no par value, unlimited shares authorized, issued and outstanding 69,834,396 as of December 31, 2011 and 61,690,977 as of December 31, 2010 | 108,758,460 | 93,107,905 |
| Additional paid in capital | 12,177,534 | 9,861,010 |
| Accumulated deficit | (73,951,631) | (70,891,787) |
| Total stockholders' equity | 46,984,363 | 32,077,128 |
| Total liabilities and stockholders' equity | $ 90,519,375 | $ 81,908,408 |

See accompanying notes to consolidated financial statements.

Approved by the Board of Directors

*(signed) "Clarence Cottman III"*
**Director**

*(signed) "Brian Bayley"*
**Director**

**NiMin Energy Corp.**
Consolidated Statements of Operations and Comprehensive Loss
For the years ended December 31, 2011, 2010 and 2009
(Expressed in U.S. dollars)

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Petroleum and natural gas revenues | $24,305,685 | $ 14,029,198 | $ 6,498,789 |
| Expenses: | | | |
| Operating costs | 11,565,565 | 9,116,563 | 5,162,936 |
| General and administrative | 7,894,479 | 7,888,736 | 6,826,661 |
| Depreciation, depletion, amortization, and accretion | 3,507,669 | 3,190,905 | 3,351,753 |
| Impairment of oil and natural gas properties | — | — | 6,313,633 |
| Loss on crude oil derivative contracts | 753,053 | 708,032 | 300,778 |
| | 23,720,766 | 20,904,236 | 21,955,761 |
| Income (loss) from operations | 584,919 | (6,875,038) | (15,456,972) |
| Interest income | 44,595 | 54,070 | 78,127 |
| Interest expense | (5,406,133) | (7,108,109) | (228,131) |
| Foreign exchange gain (loss) | (26,101) | 6,617 | (385,626) |
| Change in fair value of options | 707,513 | — | — |
| Change in fair value of warrants | 1,062,208 | 1,674,053 | (3,523,543) |
| Other | (196,649) | 248,734 | — |
| | (3,814,567) | (5,124,635) | (4,059,173) |
| Loss before income taxes | (3,229,648) | (11,999,673) | (19,516,145) |
| Income tax expense | — | 386,772 | 232,824 |
| Net loss and comprehensive loss | (3,229,648) | (12,386,445) | (19,748,969) |
| Basic and diluted loss per share | $ (0.05) | $ (0.21) | $ (0.47) |

See accompanying notes to consolidated financial statements.

**NiMin Energy Corp.**
Consolidated Statements of Cash Flows
For the years ended December 31, 2011, 2010, and 2009
(Expressed in U.S. dollars)

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net loss | $ (3,229,648) | $(12,386,445) | $(19,748,969) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | | |
| Depreciation, depletion, amortization, and accretion | 3,507,669 | 3,190,905 | 3,351,753 |
| Impairment of crude oil and gas properties | — | — | 6,313,633 |
| Change in fair value of options | (707,513) | — | — |
| Change in fair value of warrants | (1,062,208) | (1,749,034) | 3,523,543 |
| Unrealized foreign exchange (gain) loss | — | (189,718) | 213,738 |
| Stock-based compensation | 2,605,892 | 2,716,621 | 2,945,197 |
| Unrealized (gain) loss on crude oil derivative contracts | (365,109) | 1,240,284 | — |
| Non-cash interest expense | 906,569 | 3,461,205 | — |
| (Increase) decrease in assets: | | | |
| Trade accounts receivable | (1,307,337) | (313,908) | (550,411) |
| Prepaid expenses | (49,712) | (450,841) | 60,660 |
| Crude oil inventory | 91,822 | (20,481) | 3,043 |
| Other assets | 1,797 | 274,500 | (243,625) |
| Increase (decrease) in liabilities: | | | |
| Accounts payable and accrued liabilities | (1,105,344) | 3,242,289 | 1,669,490 |
| Net cash used in operating activities | (713,122) | (984,623) | (2,461,948) |
| Cash flows from investing activities: | | | |
| Purchase of and expenditures on crude oil and natural gas properties | (18,044,984) | (11,234,812) | (10,845,772) |
| Business combination of Wyoming Assets | — | — | (27,173,108) |
| Divestiture of crude and natural gas properties | 1,000,000 | — | — |
| Purchase of equipment | (68,564) | (111,427) | — |
| Cash acquired in merger | — | — | 271,270 |
| (Increase) decrease in restrictive investments | 19,208 | (483,469) | (200,000) |
| Net cash used in investing activities | (17,094,341) | (11,829,708) | (37,947,610) |
| Cash flows from financing activities: | | | |
| Issuance of long-term debt | — | 31,109,718 | — |
| Issuance of short-term debt | — | — | 22,000,000 |
| Exercise of warrants and options | 8,521,761 | — | — |
| Repayment of short-term debt | — | (22,024,020) | — |
| Proceeds from issuance of common shares (net of costs) | 3,606,725 | 10,076,420 | 11,016,558 |
| Net cash provided by financing activities | 12,128,486 | 19,162,118 | 33,016,558 |
| Change in cash and cash equivalents during the period | (5,678,977) | 6,347,787 | (7,393,000) |
| Cash and cash equivalents at beginning of the period | 9,490,005 | 3,142,218 | 10,535,218 |
| Cash and cash equivalents at end of the period | $ 3,811,028 | $ 9,490,005 | $ 3,142,218 |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for interest | $ 4,500,000 | $ 3,608,293 | $ 228,131 |
| Cash paid for income tax expense | $ — | $ 386,772 | $ 232,824 |

See accompanying notes to consolidated financial statements.

**NiMin Energy Corp.**
Consolidated Statements of Stockholders' Equity
Years ended December 31, 2011, 2010, and 2009
(Expressed in U.S. dollars)

| | Common Stock | | | | |
|---|---|---|---|---|---|
| | Shares | Amount | Additional Paid in Capital | Accumulated Deficit | Total Stockholders' Equity |
| Balance as of December 31, 2008 | 37,301,656 | $ 72,861,988 | $ 4,199,192 | $(38,756,373) | $ 38,304,807 |
| Issued to NiMin Capital Corp. shareholders | 1,066,665 | 196,450 | | | 196,450 |
| Issuance of common stock | 11,442,751 | 9,296,549 | 3,782,024 | | 13,078,573 |
| Reclassified to liabilities | | | (3,857,006) | | (3,857,006) |
| Stock issuance costs | | (2,085,777) | | | (2,085,777) |
| Stock-based compensation expense | | | 2,945,197 | | 2,945,197 |
| Issued to PLC | 2,566,666 | 2,813,495 | | | 2,813,495 |
| Sale of common stock | 33,239 | 23,762 | | | 23,762 |
| Net loss | | | | (19,748,969) | (19,748,969) |
| Balance at December 31, 2009 | 52,410,977 | 83,106,467 | 7,069,407 | (58,505,342) | 31,670,532 |
| Exercise of options | 80,000 | 74,552 | | | 74,552 |
| Reclassified from warrant liability | | | 74,982 | | 74,982 |
| Issuance of common stock | 9,200,000 | 11,018,492 | | | 11,018,492 |
| Stock issuance cost | | (1,091,606) | | | (1,091,606) |
| Stock-based compensation expense | | | 2,716,621 | | 2,716,621 |
| Net loss | | | | (12,386,445) | (12,386,445) |
| Balance at December 31, 2010 | 61,690,977 | 93,107,905 | 9,861,010 | (70,891,787) | 32,077,128 |
| Exercise of options | 29,999 | 59,411 | (21,022) | | 38,389 |
| Exercise of warrants | 5,354,800 | 8,483,372 | | | 8,483,372 |
| Reclassified from warrant liability | | 4,258,164 | | | 4,258,164 |
| Reclassified to options liability | | | (1,025,463) | 169,804 | (855,659) |
| Issuance of common stock | 2,758,620 | 3,166,057 | 844,488 | | 4,010,545 |
| Stock issuance cost | | (316,449) | (87,371) | | (403,820) |
| Stock-based compensation expense | | | 2,605,892 | | 2,605,892 |
| Net loss | | | | (3,229,648) | (3,229,648) |
| Balance at December 31, 2011 | 69,834,396 | $108,758,460 | $12,177,534 | $(73,951,631) | $ 46,984,363 |

See accompanying notes to consolidated financial statements.

**NiMin Energy Corp.**

Notes to Consolidated Financial Statements

December 31, 2011, 2010 and 2009

## 1 Description of the Business and Reorganization

NiMin Energy Corp. (the "**Company**" or "**NiMin**") was incorporated under the name NiMin Capital Corp. under the *Business Corporations Act* (Alberta) on May 31, 2007. The Company changed its name to NiMin Energy Corp. on September 3, 2009, and consolidated its shares on the basis of one new post-consolidation share ("**Common Share**") for each three existing common shares.

The principal business of the Company is conducted through its wholly owned subsidiary, Legacy Energy, Inc. ("**Legacy**"), a Delaware corporation engaged in the exploration, development, and production of crude oil and natural gas properties in the states of California and Wyoming.

### a) Reverse Triangular Merger

On July 17, 2009, NiMin Capital Corp. entered into a merger agreement with Legacy whereby NiMin Capital Corp. acquired Legacy in a reverse triangular transaction effected by way of a merger (the "**Merger**"). NiMin Capital Corp. incorporated NiMin Merger Corp. ("**AcquisitionCo**"), a wholly owned U.S. subsidiary under the laws of the State of Delaware, solely for the purpose of effecting the proposed merger under which Legacy would merge with AcquisitionCo and as the surviving corporation would become a wholly-owned subsidiary of NiMin.

On September 4, 2009, the Company acquired 100% of the issued and outstanding securities of Legacy by the issuance of 37,301,656 Common Shares in the Merger. As the surviving corporation, Legacy became a wholly-owned subsidiary of the Company. The Company issued a sufficient number of securities to the holders of securities of Legacy such that control of the Company passed to the former security holders of Legacy. As the former shareholders of Legacy controlled greater than 50% of the Company upon completion of the Merger, the Merger was accounted for as a reverse take-over of the Company.

Prior to the Merger, NiMin Capital Corp. consolidated its common shares, options, and warrants on the basis of one new common share, option, or warrant for three existing common shares, options, or warrants of NiMin Capital Corp. The shareholders of Legacy received one Common Share of the Company in exchange for each one of their Legacy shares of common stock. Holders of outstanding options and warrants of Legacy received replacement options and warrants of the Company.

In connection with the Merger, the Common Shares of NiMin, which previously traded on the TSX Venture Exchange ("**TSX-V**") under the stock trading symbol NNI.P, were listed on the Toronto Stock Exchange ("**TSX**") under the stock trading symbol "NNN". The Common Shares were delisted from trading on the TSX-V at the closing on September 3, 2009, to facilitate the listing of the Common Shares on the TSX.

Control of the combined companies passed to the former shareholders of Legacy and therefore Legacy is considered the accounting acquirer. Consequently, the consolidated balance sheets and consolidated statements of operations, and cash flows include Legacy's results of operations, deficit, and cash flows from inception and the Company's results of operations and cash flows beginning September 4, 2009.

At the date of the Merger, the fair values of the net assets of NiMin were as follows:

| | |
|---|---|
| Cash and cash equivalents | $271,270 |
| Accounts receivable | 6,888 |
| Accounts payable and accrued liabilities | (81,708) |
| **Net assets acquired** | **$196,450** |

**NiMin Energy Corp.**

Notes to Consolidated Financial Statements

December 31, 2011, 2010 and 2009

**b) Principles of Accounting**

As Legacy is the acquirer for accounting purposes, the accompanying financial statements of the Company presented prior to September 4, 2009 are those of Legacy. Therefore after the Merger, references to "the Company" or "NiMin" refer to the consolidated entity and prior to September 4, 2009 refer to Legacy.

## 2 Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("**U.S.GAAP**") and include the accounts of the Company, its wholly-owned subsidiary and the Company's proportionate interest in Joint Interest Activities. All inter-company balances and transactions have been eliminated upon consolidation.

## 3 Significant Accounting Policies

### a. Crude Oil and Natural Gas Properties and Equipment

The Company accounts for its crude oil and natural gas producing activities under the full-cost method of accounting. Accordingly, all costs incurred in the acquisition, exploration, and development of proved crude oil and natural gas properties, including the costs of abandoned properties, dry holes, geological and geophysical costs, and annual lease rentals, are capitalized. All general corporate costs are expensed as incurred. Sales or other dispositions of crude oil and natural gas properties are accounted for as adjustments to capitalized costs with no gain or loss recorded unless such sale would significantly alter the relationship between pool cost and reserves.

### b. Depletion and Depreciation

Depletion of crude oil and natural gas properties is computed under the unit-of-production method whereby the ratio of production to proved reserves, after royalties, determines the proportion of depletable costs to be expensed in each period. Costs associated with unevaluated properties are excluded from the full-cost pool until a determination is made whether proved reserves can be attributable to the related properties. Unevaluated properties are evaluated at least annually to determine whether the costs incurred should be classified to the full-cost pool and thereby subject to amortization. Reserves are determined by an independent reserves engineering firm. Volumes are converted to equivalent units using the ratio of one barrel of oil to six thousand cubic feet of natural gas. A significant reduction in our proved reserves may result in an accelerated depletion rate.

Depreciation of equipment is provided for on a straight-line basis over the useful life (5 to 10 years) of the asset.

### c. Impairment of Long-lived Assets

The Company performs a full-cost ceiling test on proved crude oil and natural gas properties in which the capitalized costs are not allowed to exceed their related estimated future net revenues of proved reserves discounted at 10%, net of tax considerations. When calculating reserves, the Company conformed to SEC rules under "Modernization of Oil and Gas Reporting" for pricing and used constant prices which were adopted by the SEC in December of 2008.

Equipment is reviewed for impairment whenever events or changes in circumstances indicate such impairment may have occurred. Impairment is recognized when the estimated undiscounted future

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net cash flows of an asset are less than its carrying value. A significant reduction in our proved reserves may result in a full cost ceiling limitation. If an impairment occurs, the carrying value of the impaired asset is reduced to fair value.

**d. Revenue Recognition**

Petroleum and natural gas sales are recognized as revenue when the commodities are delivered and title has passed to the purchasers and collection is reasonably assured.

**e. Joint Interest Activities**

Certain of the Company's exploration, development and production activities are conducted jointly with other entities and accordingly the consolidated financial statements reflect only the Company's proportionate interest in such activities.

**f. Asset Retirement Obligations**

The Company recognizes a liability for the present value of all legal obligations associated with the retirement of tangible, long-lived assets and capitalizes an equal amount as a cost of the asset. The cost associated with the abandonment obligation is included in the computation of depreciation, depletion, amortization and accretion. The liability accretes until the Company settles the obligation. The Company uses a credit-adjusted risk-free interest rate in its calculation of asset retirement obligations ("**ARO**").

Revisions to the original estimated liability would result in an increase or decrease to the ARO liability and related capitalized costs. Actual costs incurred upon settlement of the asset retirement obligation are charged against the obligation to the extent of the liability recorded.

Estimates for future abandonment and reclamation costs are based on historical costs to abandon and reclaim similar sites, taking into consideration current costs. The liability is based on the Company's net interest in the respective sites.

**g. Crude Oil Inventory**

Unsold crude oil production is carried in inventory at the lower of cost, generally applied on a first-in, first-out ("**FIFO**") basis, or net realizable value, and includes costs incurred to bring the inventory to its existing condition.

**h. Use of Estimates**

In preparing financial statements, management makes informed judgments and estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements and affect the reported amounts of revenues and expenses during the reporting period.

The amounts recorded for the depletion and depreciation of property and equipment, the accretion expense associated with the asset retirement obligation and the cost recovery assessments for property and equipment are based on estimates of proved reserves, production and discount rates, oil and natural gas prices, future costs and other relevant assumptions. The amount recorded for the unrealized gain or loss on financial instruments is based on estimates of future commodity prices and volatility. The recognition of amounts in relation to stock-based compensation and the fair value of warrants requires estimates related to valuation of stock options and warrants. Future taxes require estimates as to the realization of future tax assets and the timing of reversal of tax

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assets and liabilities. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements from changes in such estimates in future years could be significant.

On an ongoing basis, management reviews estimates, including those related to the impairment of long-lived assets, contingencies and income taxes. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates.

**i. Income Taxes**

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in enacted tax rates is recognized in income in the period that includes the enactment date. The Company does not have any unrecognized tax benefits. The Company does not believe there will be any material changes in its unrecognized tax positions over the next twelve months. The Company's policy is that it recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. The Company did not have any accrued interest or penalties associated with any unrecognized tax benefits, nor was any tax-related interest expense recognized during 2011, 2010 or 2009.

**j. Cash and Cash Equivalents**

The Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents and therefore classifies them with cash.

**k. Accounts Receivable**

The Company's accounts receivable primarily consists of amounts owed to the Company by customers for sales of crude oil, natural gas and refined products under varying credit arrangements. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses on these receivables. The Company reviews this allowance for adequacy at least quarterly and bases its assessment on a combination of current information about its customers and historical write-off experience. As at December 31, 2011 and 2010 the Company had no allowance for doubtful accounts.

**l. Commodity Derivative Instruments**

Derivative instruments are recognized as either assets or liabilities in the balance sheet at fair value. The accounting for changes in the fair value of derivative instruments depends on their intended use and resulting hedge designation. For derivative instruments designated as hedges, the changes in fair value are recorded in the balance sheet as a component of accumulated other comprehensive income (loss). Changes in the fair value of derivative instruments not designated as hedges are recorded as a gain or loss on derivative contracts in the consolidated statements of operations. The Company does not designate its derivative financial instruments as hedging instruments and, as a result, recognizes the change in a derivative's fair value currently in earnings.

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Notes to Consolidated Financial Statements

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**m. Fair Value Measurements**

The Company categorizes its assets and liabilities that are measured at fair value, based on the priority of the inputs to the valuation techniques. The three levels of the fair value measurement hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Measured based on prices or valuation models that required inputs that are both significant to the fair value measurement and less observable for objective sources (i.e., supported by little or no market activity).

Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, which may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels. The Company considers active markets as those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis. For assets and liabilities carried at fair value the Company measures fair value under the following levels:

| Financial Instrument | Level |
|---|---|
| Cash and cash equivalents | Level 1 |
| Restricted investments | Level 1 |
| Long-term debt | Level 2 |
| Commodity derivative | Level 2 |
| Warrants and options | Level 3 |

**n. Stock-Based Compensation**

The Company measures and recognizes compensation expense for all share-based payment awards, including employee stock options, based on estimated fair values. The value of the portion of the award that is ultimately expected to vest is recognized as an expense on a straight-line basis over the requisite vesting period. The Company estimates the fair value of stock option awards on the date of grant using an option-pricing model. The Company uses the Black-Scholes Merton option-pricing model ("**Black-Scholes Model**") as its method of valuation for share-based awards. The Company's determination of fair value of share-based payment awards on the date of grant using the Black-Scholes Model is affected by the Company's stock price, as well as assumptions regarding a number of subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, as well as actual and projected exercise and forfeiture activity. The fair value of options granted to consultants, to the extent unvested due to required services not having been fully performed, is determined on subsequent reporting dates.

**NiMin Energy Corp.**

Notes to Consolidated Financial Statements

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**o. Foreign Currency Transactions**

These consolidated financial statements are presented and measured in U.S. dollars, as substantially all of the Company's operations are located in the United States of America. Transactions and balances using Canadian dollars are expressed in U.S. dollars whereby monetary assets and liabilities are expressed at the period end exchange rate, non-monetary assets and liabilities are expressed at historical exchange rates, and revenue and expenses are expressed at the average exchange rate for the period. Foreign exchange gains and losses are included in the consolidated statements of operations.

**p. Business Combinations**

The Company records identifiable assets, liabilities, non-controlling interests, and goodwill acquired in a business combination at "fair value" by applying the acquisition method. Accordingly, transaction costs related to acquisitions are recorded as a reduction of earnings in the period they are incurred and costs related to issuing debt or equity securities that are related to the transaction are recognized in accordance with other applicable rules under U.S. GAAP. Non-controlling interests (previously referred to as minority interests) are treated as a separate component of equity, not as a liability or other item outside of permanent equity.

**q. Per Share Amounts**

Basic per share amounts are computed using the weighted average number of common shares outstanding during the year. Diluted per share amounts reflect the potential dilution that could occur if stock options or warrants to purchase common shares were exercised for common shares.

The treasury stock method of calculating diluted per share amounts is used whereby any proceeds from the exercise of stock options or warrants are assumed to be used to purchase common shares of the Company at the average market price during the year.

## 4 Changes in Accounting Policies

a. In June 2011, the Financial Accounting Standards Board issued ASU No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income" ("ASU No. 2011-05"). In ASU No. 2011-05, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The amendments in ASU No. 2011-05 do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. They also do not change the presentation of related tax effects, before related tax effects, or the portrayal or calculation of earnings per share. The amendments in ASU No. 2011-05 should be applied retrospectively. The amendment is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. This update is not expected to have a material impact on the Company's financial statements.

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## 5 Equipment

| | December 31, 2011 | December 31, 2010 |
|---|---|---|
| Equipment | $ 688,456 | $ 619,892 |
| Accumulated depreciation | (400,538) | (271,394) |
| Net book value | $ 287,918 | $ 348,498 |

## 6 Crude Oil and Natural Gas Properties

| | December 31, 2011 | December 31, 2010 |
|---|---|---|
| Proved properties | $134,113,786 | $116,799,184 |
| Less: accumulated depletion of oil and gas properties | (13,850,206) | (10,557,420) |
| Less: accumulated impairments | (42,185,800) | (42,185,800) |
| Proved properties, net | $ 78,077,780 | $ 64,055,964 |
| Unproved properties, not being depleted | $ 468,042 | $ 476,986 |

As of December 31, 2011, crude oil and natural gas properties includes $468,042 (December 31, 2010—$476,986) relating to unproved properties which have been excluded from the depletion calculation. At December 31, 2011, future development costs related to the development of proved reserves of $118.54 million (December 31, 2010—$87.8 million) are included in the depletion calculation. For the year ended December 31, 2011, the Company's depletion rate was $11.25 per barrel of oil equivalent ("**boe**") (2010—$12.13 per boe, and 2009—$19.12 per boe).

The following is a summary of the Company's crude oil and natural gas properties not subject to amortization as of December 31, 2011:

| | | Costs Incurred In | | | |
|---|---|---|---|---|---|
| | Total | 2011 | 2010 | 2009 | Prior to 2009 |
| Acquisitions | $ 20,000 | $ — | — | $ — | $ 20,000 |
| Exploration | 176,777 | — | 50,624 | — | 126,153 |
| Development | 271,265 | (8,944) | 177,012 | 103,197 | — |
| Total | $468,042 | $(8,944) | $227,636 | $103,197 | $ 146,153 |

The Company expects that substantially all of its unproved property costs in the U.S. as of December 31, 2011 will be reclassified to proved properties within ten years.

During 2009, the Company reduced the carrying values of certain oil and gas properties due to full cost ceiling limitations by $6,313,633. Based on the full cost ceiling limitations, there was no reduction necessary during 2010 or 2011.

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*Divestiture of Louisiana Assets*

On December 1, 2011, the Company completed the divestiture of its non-operated and non-core interests in producing crude oil and natural gas properties located in the southern onshore region of Louisiana for a total cash consideration of $1 million.

*Acquisition of Wyoming Assets*

On December 17, 2009, the Company acquired four producing oil fields in the state of Wyoming, USA (the "**Wyoming Assets**"). The cash purchase price for the Wyoming Assets was $27 million, of which $22 million was funded by a loan syndicated by a private lending company (see notes 7 and 15), and the remainder from working capital.

The following table details the purchase price for the Wyoming Assets:

| | |
|---|---|
| Fair value of assets acquired: | |
| Inventory | $ 78,763 |
| Equipment | 50,000 |
| Crude oil and natural gas properties | 27,472,671 |
| Asset retirement obligations | (428,326) |
| **Total net assets acquired** | $27,173,108 |

The following table presents the pro forma comparative data that reflects the Company's revenue and earnings for the stated periods as if the Wyoming Assets acquisition had occurred at January 1, 2009.

| | Unaudited | |
|---|---|---|
| | 2009 | 2009 Actual |
| Petroleum and natural gas sales | $ 10,541,438 | $ 447,549 |
| Net income (loss) | (17,795,258) | 140,618 |
| Basic and diluted per share | (0.43) | 0.00 |

Actual amounts are included in the year-ended December 31, 2009 net loss.

## 7 Short-Term Debt

In December 2009, the Company entered into a credit agreement with a private lending company, (the "**PLC**") where the PLC syndicated a loan to the Company in an aggregate amount of USD $5,500,000 and CDN$17,534,550 (USD $ 16,713,738). Concurrent with the borrowing, the Company issued 2,566,666 Common Shares to the PLC at a price of CDN $1.15 (USD $1.07) per share which were recorded as prepaid interest expense and were being amortized to earnings over the term of the loan. Interest on the outstanding principal amount was calculated daily and compounded monthly and payable on a monthly basis at 12% per annum. On June 30, 2010, the Company paid in full the interest and principal amount of USD $22,024,020, outstanding and expensed the remaining prepaid interest.

## 8 Senior Loan

On June 30, 2010, the Company entered into a senior secured loan (the "**Senior Loan**") in the amount of $36 million from a U.S. based institutional private lender (the "**Lender**"). The Company borrowed $36

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million subject to an original issuer discount of 7.5%, a commitment fee of 1%, a placement fee of 1% and a transaction fee of 3%. Debt issuance costs of $4.9 million were incurred and are being amortized to net income under the effective interest method.

The Senior Loan has a 12.5% fixed interest rate and a term of five years. Interest is payable quarterly beginning September 30, 2010. Principal is payable quarterly beginning June 29, 2012 in the following annual amounts:

| | |
|---|---|
| 2012 | $ 4,050,000 |
| 2013 | 5,400,000 |
| 2014 | 6,750,000 |
| 2015 | 19,800,000 |
| | $36,000,000 |

At December 31, 2011, the fair value of the Senior Loan is $32.89 million. Fair value is based on level two inputs under the fair value hierarchy.

The Senior Loan is secured by all of the Company's assets. The loan may be repaid after June 30, 2013, without a pre-payment penalty or make whole provision. Prior to June 30, 2012, in the event of prepayment, the Company will be required to pay a make whole provision compensating the Lender for all unpaid interest. From July 1, 2012 to June 30, 2013, a 2% prepayment premium will be assessed on any outstanding principal being repaid in excess of the scheduled repayments noted above.

The Company used the net proceeds of the Senior Loan to repay the existing short-term debt (see note 7) and the remaining proceeds are being utilized for the Company's capital expenditure program in Wyoming and California. The Company is required to meet certain financial based covenants under the terms of this facility and was committed to drill a minimum of seven development wells on the Ferguson Ranch Field and total capital expenditures were limited to an amount no greater than $12 million from the date of the loan until December 31, 2010, and total capital expenditures were limited to an amount no greater than $25 million for the year ended December 31, 2011. For the period ended December 31, 2011, the Company was in compliance with all covenants. The Senior Loan has a material adverse change clause relating to financial stability and for which the Lender can ultimately demand immediate repayment in the event of default.

## 9 Asset Retirement Obligations

The Company's asset retirement obligations are based on net ownership in wells and facilities and management's estimate of the timing and expected future costs associated with site reclamation, facilities dismantlement and the plugging and abandonment of wells.

The following table provides a reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of property and equipment:

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| | Year ended December 31, 2011 | Year ended December 31, 2010 | Year ended December 31, 2009 |
|---|---|---|---|
| Balance, beginning of year | $1,309,789 | $1,220,046 | $ 575,209 |
| Liabilites incurred | 313,684 | 17,743 | — |
| Liabilies acquired (Note 6) | — | — | 428,326 |
| Change in estimate (i) | (422,813) | — | 171,439 |
| Reduction to liabilities | (105,737) | (9,110) | — |
| Accretion expense | 85,738 | 81,110 | 45,072 |
| Balance, end of year | $1,180,661 | $1,309,789 | $1,220,046 |

(i) The Company adjusted the remaining life of its California oil and gas properties in calculating its asset retirement obligation from approximately 9 years to 25 years to better reflect estimated useful lives of the properties.

The present value of the asset retirement obligation is determined using an annual credit adjusted discount rate of 7.3% per annum. The Company estimates the total future amount of cash flows inflated at 2% annually required to settle its asset retirement obligations is approximately $6.81 million which is expected will be incurred between 2013 and 2037.

## 10 Share Capital

### a. Authorized and Outstanding

*Common Shares*

NiMin is authorized to issue an unlimited number of Common Shares. As of December 31, 2011, 69,834,396 Common Shares were issued and outstanding and as of December 31, 2010, 61,690,977 Common Shares were issued and outstanding.

Preferred Shares

NiMin is also authorized to issue an unlimited number of Preferred Shares issuable in series. As of December 31, 2011, no Preferred Shares have been issued.

### b. Issued

In September 2011, the Company completed a brokered private placement (the "**Private Placement**") of 2,758,620 units ("**U.S. Units**") of the Company at a purchase price of CDN$1.45 per U.S. Unit for gross proceeds of CDN$3,999,999 or USD $4,010,545, net of CDN $267,224 or USD $267,928 of agents fees. Each U.S. Unit consists of one common share and one-half of one common share purchase warrant ("**U.S. Warrant**").

The U.S. Units and underlying securities are subject to a hold period of four months plus one day from the date of issue.

In May 2010, NiMin completed a public offering of Common Shares for an offering price of CDN $1.25. The Company issued 9,200,000 Common Shares for aggregate gross proceeds of CDN $11,500,000 or USD $11,018,492, net of CDN $989,260 or USD $947,840 of offering costs.

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In September 2009, the Company completed a public offering of units of the Company ("**Units**"), each Unit consisting of one Common Share and one warrant ("**Warrant**") to acquire one Common Share for an offering price of CDN $1.25 per Unit (USD $1.13). The Company issued 11,324,900 Units for aggregate gross proceeds of CDN $14,156,125 or USD $13,078,573, net of CDN $2,265,671 or USD $2,085,777 of offering costs. The warrants are exercisable at CDN $1.55 on or before September 4, 2011, subject to certain acceleration provisions. Offering costs include a fee of 4.5% on CDN $3,273,625 of Units sold by a sub-agent, paid by the issuance of 117,851 Units issued on the same terms and conditions as the Units issued pursuant to this offering.

**c. Stock Option Plan**

The Company established a stock option plan as approved by the shareholders whereby options to purchase Common Shares may be granted to the Company's directors, officers, employees and consultants. The exercise prices of stock options are denominated in Canadian dollars. The number of Common Shares issuable under the Company's stock option plan cannot exceed 15% of the issued and outstanding common shares of the Company. The exercise price of each option equals the market price of the Company's stock on the date of grant and the option has a maximum life of ten years. The vesting period is determined by the Board of Directors at the time of grant. Options issued by the Company generally vest one-third on the first, second, and third anniversary of the date of grant.

The following table sets forth a reconciliation of the stock option activity for the years ended December 31, 2011 and 2010:

| | Number of shares | Weighted Average Exercise Price (CDN$) |
|---|---|---|
| Balance at December 31, 2008 | 4,605,450 | 2.84 |
| Options granted | 885,000 | 2.53 |
| Options forfeited | (10,000) | 2.09 |
| Options exchanged for warrants (i) | (1,103,520) | 2.02 |
| Balance at September 3, 2009 | 4,376,930 | 2.69 |
| Options cancelled as result of reverse take-over | (4,376,930) | 2.69 |
| Options exchanged as result of reverse take-over (ii) | 4,376,930 | 1.25 |
| Options granted | 3,268,070 | 1.26 |
| Reverse take-over of Nimin Capital Corp. options (Note 1) | 50,000 | 0.75 |
| Stock options outstanding at December 31, 2009 | 7,695,000 | 1.25 |
| Options exercised | (80,000) | 0.94 |
| Options forfeited | (310,000) | 1.37 |
| Options issued | 50,000 | 1.25 |
| Stock options outstanding at December 31, 2010 | 7,355,000 | 1.25 |
| Options exercised (iii) | (29,999) | 1.25 |
| Options forfeited | (105,000) | 1.64 |
| Options issued | 2,000,000 | 1.44 |
| Stock options outstanding at December 31, 2011 (iv) | 9,220,001 | 1.24 |

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(i) Prior to the Merger, certain option holders were issued warrants in exchange for their options. These warrants have the same terms and conditions as the original stock options (see note 10d).

(ii) Holders of outstanding options and warrants to acquire shares of Legacy received replacement options and warrants to acquire Common Shares. The cancellation of the Legacy options and subsequent replacement with NiMin options resulted in a new modification date and valuation. The resulting incremental fair value of $1,438,359 between the replacement options and the cancelled options immediately before the modification is being recognized over the new service period.

(iii) The intrinsic value of the exercised options during 2011 was CDN $33,299.

(iv) The 1.50 million stock options relating to former employees were modified upon transition to a consulting role to allow for continued vesting. The resulting $310,309 was recognized as incremental stock-based compensation. As the related options are denominated in Canadian dollars, which is not the functional currency of the Company (which is the U.S. dollar), the applicable 999,998 vested options are classified as a liability on the balance sheet and recorded at their fair value at the end of each period and the change in fair value is recognized in earnings.

At December 31, 2011, stock options to purchase Common Shares were exercisable as follows:

| | Number of Options Outstanding | Exerciseable | Weighted Average Exercise Price (CDN$) | Average Contractual Life (Years) |
|---|---|---|---|---|
| | 9,220,001 | 5,136,658 | 1.24 | 7.01 |
| **Intrinsic Value** | — | — | | |

All options granted during the year had an estimated fair value determined using the Black-Scholes Model using the following weighted average assumptions:

| Grant Date | Expected Life | Weighted Average Risk Free Interest Rate | Weighted Average Volatility | Dividend Yield | Fair Value per Option |
|---|---|---|---|---|---|
| 2009 | 6 years | 3.04% | 61.81% | — | $0.69 |
| 2010 | 5 years | 1.74% | 86.38% | — | $0.70 |
| 2011 | 3 years | 1.38% | 87.26% | — | $0.66 |

Risk-free interest rate is the Government of Canada marketable bond rate for the day of the grant having a term approximating the expected life of the option.

Expected lives of options are based on the simple average of the average vesting period and the life of the award, or the simplified method, because of the limited historical data. All groups of employees have been determined to have similar historical exercise patterns for valuation purposes. Options granted have a maximum term of five to ten years.

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Annualized volatility is a measure of the amount by which the share price fluctuated or is expected to fluctuate. The Company used the average daily price volatility of comparable small cap crude oil and natural gas companies for the retrospective periods corresponding to the respective expected life.

Total compensation expense is amortized over the vesting period of the options. Compensation expense of $2.61 million has been recognized during the year ended December 31, 2011, $2.72 million during the year ended December 31, 2010, and $2.95 million during the year ended December 31, 2009 based on the estimated fair value of the options on the grant date in accordance with the fair value method of accounting for stock-based compensation.

As of December 31, 2011, total unrecognized compensation cost related to unvested stock options was $2,242,153. This amount is expected to be recognized as stock-based compensation expense in the statements of operations over the remaining weighted average vesting period of 1 year.

| | Number of Unvested Options | Weighted-Average Grant-Date Fair Value per Option (CDN$) |
|---|---|---|
| Balance December 31, 2007 | 3,250,395 | 1.64 |
| Vested | (1,180,395) | 1.60 |
| Granted | 725,000 | 2.81 |
| Forfeited | — | — |
| Balance December 31, 2008 | 2,795,000 | 1.96 |
| Vested | (62,500) | 0.75 |
| Granted | 8,530,000 | 1.28 |
| Forfeited | (10,000) | 2.81 |
| Exchanged | (2,566,480) | — |
| Exchanged for warrants | (1,103,520) | — |
| Balance December 31, 2009 | 7,582,500 | 1.28 |
| Vested | (2,596,667) | 1.26 |
| Granted | 50,000 | 1.25 |
| Forfeited | (102,500) | 1.34 |
| Balance December 31, 2010 | 4,933,333 | 1.25 |
| Vested | (2,744,990) | 1.22 |
| Granted | 2,000,000 | 0.66 |
| Forfeited | (105,000) | 0.95 |
| Balance December 31, 2011 | 4,083,343 | 0.99 |

When stock options are exercised, the Company issues common shares from the pool of authorized shares.

**d. Warrants**

Each warrant is exercisable by the holder thereof to acquire one Common Share at any time before the expiry date, after which time the warrants expire and become null and void.

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Each whole U.S. Warrant issued in connection with the Private Placement is exercisable for a period of 36 months from September 1, 2011 at an exercise price of USD $1.60. The U.S. Warrants are subject to a hold period of four months plus one day from the date of issue.

On September 6, 2011, the remaining 6.09 million Warrants associated with the September 2009 financing expired. The Warrants had a term of two years from the date of issuance, and each Warrant was exercisable into one common share at a price of CDN $1.55 per share. NiMin issued 11.44 million of these warrants and 5.35 million were exercised during the two year term for gross proceeds of CDN $8.3 million.

The following table sets forth a reconciliation of the warrant activity for the years ended December 31, 2011, 2010 and 2009:

| | Number of Warrants | Equity Component Amount | Weighted Average Exercise Price (CDN$) |
|---|---|---|---|
| Warrants outstanding at December 31, 2008 | 1,094,879 | 584,942 | 2.35 |
| Warrants issued in exchange for options (Note 10c) | 1,103,520 | — | 2.02 |
| Warrants cancelled as a result of reverse take-over (i) | (2,198,399) | — | 2.18 |
| Warrants exchanged as a result of reverse take-over (i) | 2,198,399 | — | 2.18 |
| Reverse take-over of NiMin Capital Corp. warrants (Note 1) | 33,333 | — | 0.75 |
| Warrants issued in connection with public offering (ii) | 11,442,751 | 3,782,024 | 1.55 |
| Reclassified to warrant liability (ii) | | (3,857,006) | |
| Warrants forfeited | (94) | — | 0.75 |
| Exercise of warrants | (33,239) | — | 0.75 |
| Warrants outstanding at December 31, 2009 | 13,641,150 | 509,960 | 1.65 |
| Warrants expired | (1,291,809) | (584,942) | 2.31 |
| Reclassified from warrant liability | | 74,982 | |
| Warrants outstanding at December 31, 2010 | 12,349,341 | — | 1.58 |
| Warrants exercised | (5,354,800) | — | 1.55 |
| Warrants expired | (6,087,951) | — | 1.55 |
| Warrants issued (iii) | 1,379,310 | 844,488 | 1.65 |
| Warrants outstanding at December 31, 2011 | 2,285,900 | 844,488 | 1.79 |

(i) On September 4, 2009, as part of the Merger, the Company replaced each Legacy warrant with one NiMin warrant. All terms and conditions of the replacement warrants remained the same as the original Legacy warrants, except that they became exercisable for Common Shares.

(ii) As of September 4, 2009, the exercise prices of the warrants became denominated in Canadian dollars upon completion of the Merger, which is not the functional currency of the Company. As a result, the warrants are classified as a liability on the consolidated balance sheet and recorded at their fair value at the end of each period and the change in fair value is recognized in earnings.

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(iii) The weighted average exercise price of the U.S. Warrants is USD$1.60 and is herein expressed in Canadian dollar equivalent using the closing foreign exchange rate at December 31, 2011.

The fair value of warrants outstanding is calculated using the Black-Scholes Model using the following weighted average assumptions:

| | Weighted Average Expected Life | Weighted Average Risk Free Interest Rate | Weighted Average Volatility | Dividend Yield | Fair Value per Warrant |
|---|---|---|---|---|---|
| 2011 | 3.70 | 0.55% | 87.31% | — | $ 0.52 |
| 2010 | 1.75 | 1.46% | 85.90% | — | $ 0.46 |

At December 31, 2011, the fair value of the warrant liability was $235,134, with a gain of $1.06 million recognized in current period earnings during the year ended December 31, 2011. At December 31, 2010, the fair value of the warrant liability was $5.63 million, with a gain of $1.67 million recognized in earnings during the year ended December 31, 2010. Warrants issued to consultants in 2009 but prior to September 4, 2009 had a fair value determined using the Black Scholes Model using the following assumptions:

| | Weighted Average Expected Life | Weighted Average Risk Free Interest Rate | Weighted Average Volatility | Dividend Yield | Fair Value per Warrant ($) |
|---|---|---|---|---|---|
| 2009 | 2 years | 0.93% | 64.10% | — | 0.33 |

Risk-free interest rate is the U.S. Treasury rate for the day of the grant having a term approximating the expected life of the warrant.

Expected life of warrants is the period of time over which the warrants are expected to remain outstanding and is based on the contractual terms. Warrants have a maximum term of two to ten years.

Annualized volatility is a measure of the amount by which the share price fluctuated or is expected to fluctuate. The Company used the average daily price volatility of comparable small cap crude oil and natural gas companies for the retrospective periods corresponding to the respective expected life.

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The following table summarizes NiMin's warrants exercisable at December 31, 2011:

| Expiration Date | Number of Warrants | Exercise Price per share (CDN$) |
|---|---|---|
| March 10, 2016 | 581,590 | 1.72 |
| October 15, 2017 | 325,000 | 2.48 |
| September 1, 2014 (i) | 1,379,310 | 1.65 |
| | 2,285,900 | 1.79 |

(i) The weighted average exercise price of the U.S. Warrants is USD $1.60 and is herein expressed in Canadian dollar equivalent using the closing foreign exchange rate at September 30, 2011.

e. **Per Share Amounts**

Basic earnings (loss) per share are computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding. Diluted earnings per common share are calculated using the treasury stock method to determine the dilutive effect of the stock options. The treasury stock method assumes that the proceeds received from the exercise of "in the money" stock options and warrants are used to repurchase commons shares at the average market price during the period. The weighted average number of shares assumed to be outstanding was as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| Net Loss | $ (3,229,648) | $ (12,386,445) | $ (19,748,969) |
| Basic and diluted shares outstanding (i) | 67,009,441 | 58,577,366 | 41,696,430 |
| Loss per basic and diluted share | $ (0.05) | $ (0.21) | $ (0.47) |

(i) For the year ended December 31, 2011, 7,422,558 stock options and warrants were excluded from the diluted loss per share calculation. For the year ended December 31, 2010, 14,771,008 stock options and warrants were excluded from the diluted loss per share calculation. For the year ended December 31, 2009, 13,753,650 stock options and warrants were excluded from the diluted loss per share calculation. Potential common shares from the exercise of stock options and warrants were excluded from the diluted loss per share calculation because their effect was anti-dilutive as a result of the Company's net loss for the years 2011, 2010 and 2009.

## 11 Income Taxes

The components of the net deferred income tax asset (liability) are as follows:

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| | December 31, 2011 | December 31, 2010 | December 31, 2009 |
|---|---|---|---|
| Temporary differences related to: | | | |
| Crude oil and natural gas property and equipment | $(16,181,217) | $ (6,448,248) | $ (2,672,398) |
| Asset retirement obligations | 130,803 | 514,747 | 479,966 |
| Stock based compensation | 4,137,663 | 3,162,024 | — |
| Share issue costs and other | 431,629 | 445,201 | 748,837 |
| Research and development credits | 635,130 | 635,130 | 887,581 |
| Non-capital losses | 38,200,692 | 30,103,250 | 21,605,671 |
| Valuation allowance | (27,354,700) | (28,412,104) | (21,049,657) |
| Deferred income tax asset | $ — | $ — | $ — |

The Company has non-capital losses of $96.48 million that expire between 2026 and 2030.

The provision for income taxes reflects an effective tax rate that differs from the results that would be obtained by applying the applicable statutory income tax rate in Canada, the Company's country of domicile, which is explained as follows:

| | December 31, 2011 | December 31, 2010 | December 31, 2009 |
|---|---|---|---|
| Combined Federal and Provincial/State corporate tax rate | 28.00% | 28.00% | 29.00% |
| Loss before income taxes | $ (3,229,648) | $ (11,999,673) | $ (19,516,145) |
| Expected tax recovery | (904,301) | (3,359,908) | (5,659,682) |
| Add (deduct) income tax effect of: | | | |
| Adjustments to prior year tax calculations | 2,227,598 | (2,094,392) | 1,181,836 |
| Change in tax jurisdiction | (221,656) | — | 1,760,120 |
| Difference in US & Canadian tax rates & Other | (316,281) | (1,115,923) | (1,597,959) |
| Prior Year Permanent Adjustment | 932,728 | — | — |
| Change in fair value of warrants | (660,682) | (657,903) | 1,021,828 |
| Change in research and development credits | — | 252,451 | (217,316) |
| Change in valuation allowance | (1,057,406) | 7,362,447 | 3,743,997 |
| Current income tax expense | $ — | $ 386,772 | $ 232,824 |

## 12 Commitments

The Company entered into operating lease arrangements for office space for the headquarters in Carpinteria, California and for a field office in Cody, Wyoming in February 2010. The future minimum lease payments by calendar year are as follows:

| Year | Total |
|---|---|
| 2012 | $117,778 |
| 2013 | 27,630 |
| 2014 | 9,600 |
| 2015 and thereafter | 800 |
| | $155,808 |

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The Company's Senior Loan has a 12.5% fixed interest rate payable quarterly with a term of five years. The future interest payments by calendar year are as follows:

| Year | Total |
|---|---|
| 2012 | $ 4,372,746 |
| 2013 | 3,739,007 |
| 2014 | 3,021,473 |
| 2015 | 1,171,233 |
| | $12,304,459 |

## 13 Financial Instruments

### a. Fair Value

The Company's financial instruments consist of cash and cash equivalents, trade accounts receivable, restricted investments, warrants, short-term debt, and accounts payable and accrued liabilities. For all periods presented, the fair value of financial instruments approximated their carrying values due to their near term maturity, except for long-term debt where the fair value was determined using quoted borrowing rates and therefore was considered level 2, the fair value of the commodity derivative was obtained from BP and therefore was considered level 2, and warrants where the fair value was calculated using the Black-Scholes Model and therefore was considered level 3.

### b. Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from joint venture partners and from petroleum and natural gas marketers.

The majority of the Company's receivables are within the oil and gas industry, primarily from its industry partners. The receivables are not collateralized. To date, the Company has experienced minimal bad debts, and has no allowance for doubtful accounts. The majority of the Company's cash and cash equivalents are held by two financial institutions, one in the U.S. and the other in Canada. As of December 31, 2011 and 2010 the accounts receivable balances are substantially all from the sale of oil and gas. All receivables are current and therefore, no provision was determined to be required.

Our hedging transactions expose us to risk of financial loss if a counterparty fails to perform under a contract. We use master agreements which allow us, in the event of default, to elect early termination of all contracts with the defaulting counterparty. If we choose to elect early termination, all asset and liability positions with the defaulting counterparty would be net settled at the time of election. We also monitor the creditworthiness of our counterparty on an ongoing basis. We are unable to predict sudden changes in a counterparty's creditworthiness or ability to perform. Even if we do accurately predict sudden changes, our ability to negate the risk may be limited depending upon market conditions. If the creditworthiness of our counterparty, deteriorates and results in its nonperformance, we could incur a significant loss.

The adoption of derivatives legislation or regulations related to derivative contracts could have an adverse impact on our ability to hedge risks associated with our business. Recent legislation on certain transactions involving derivatives may affect the use of derivatives in hedging transactions.

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Some of our customers may be experiencing, or may experience in the future, severe financial problems that have had or may have a significant impact on their creditworthiness. We cannot provide assurance that one or more of our customers will not default on their obligations to us or that such a default or defaults will not have a material adverse effect on our business, financial position, future results of operations, or future cash flows. Furthermore, the bankruptcy of one or more of our customers, or some other similar proceeding or liquidity constraint, might make it unlikely that we would be able to collect all or a significant portion of amounts owed by the distressed entity or entities. In addition, such events might force such customers to reduce or curtail their future use of our products and services, which could have a material adverse effect on our results of operations and financial condition.

During the year ended December 31, 2011, approximately 92% of the Company's production was sold to two customers, Plains Marketing LP and Marathon Oil Company. However, the Company does not believe that the loss of a purchaser would materially affect the Company's business because there are numerous purchasers in the area in which the Company sells its production. For the years ended December 31, 2011, 2010 and 2009, purchases by the following companies exceeded 10% of the total oil and gas revenues of the Company.

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| Plains Marketing LP | 22.43% | 28.19% | 54.55% |
| Marathon Oil Company | 69.31% | 55.65% | 7.24% |

**c. Liquidity Risk**

Liquidity risk includes the risk that, as a result of operational liquidity requirements there will not be sufficient funds to settle a transaction on the due date; the Company will be forced to sell financial assets at a value which is less than fair value; or the Company may be unable to settle or recover any part of a financial asset.

The Company's operating cash requirements including amounts projected to complete our existing capital expenditure program are continuously monitored and adjusted as input variables change. These variables include but are not limited to, available bank lines, oil and natural gas production from existing wells, results from new wells drilled, commodity prices, cost overruns on capital projects and changes to government regulations relating to prices, taxes, royalties, land tenure, allowable production and availability of markets. As these variables change, liquidity risks may necessitate the need for the Company to conduct equity issues or obtain project debt financing. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

The following are the contractual maturities of financial liabilities and associated interest payments as of December 31, 2011:

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| Financial Liability | < 1 Year | 1-2 Years | 2-5 Years | Thereafter |
|---|---|---|---|---|
| Accounts payable | $ 3,751,660 | $ — | $ — | $ — |
| Accured liabilites | 1,253,855 | — | — | — |
| Commodity derivative liability | 976,929 | — | — | — |
| Long-term debt - principal | 4,050,000 | 12,150,000 | 19,800,000 | — |
| Interest payable on long-term debt | 4,372,746 | 6,760,479 | 1,171,233 | — |
| Options (i) | — | 136,773 | — | — |
| Warrants (ii) | — | — | 235,134 | — |
| Total | $14,405,190 | $19,047,252 | $21,206,367 | $ — |

(i) Based upon the expiration date of the underlying options
(ii) Based upon the expiration date of the underlying warrants

**d. Derivatives**

Commodity price risk is the risk that the 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.

On April 1, 2009, the Company entered into a swap contract for the future sale of 3,000 barrels of NYMEX West Texas Intermediate ("NYMEX WTI") crude oil per month at a fixed price of $56.85 per barrel to December 31, 2009. During the year ended December 31, 2009, the Company had realized losses of $300,778 on the settlement of the derivative financial contract.

In January of 2010, the Company entered into a derivative financial contract for 7,500 Bbls of NYMEX WTI crude oil production per month at a fixed rate of $85.10 per barrel until December 2012.

In December 2010, the Company entered into a derivative financial contract for 125 Bbls of oil per day for 2011 and 250 Bbls of oil per day for 2012 at a fixed rate of $90.40 per barrel.

In November 2011, the Company entered into a derivative financial contract for 100 Bbls of oil per day for 2012 at a fixed price of $96.75 per barrel.

At December 31, 2011, the Company recognized $976,929 million as a derivative liability on crude oil derivative contracts.

For the year ended December 31, 2011, the Company's change in derivative contracts included a realized loss of $1.12 million and an unrealized gain of $365,109. For the year ended December 31, 2010, the Company's change in derivative contracts included a realized gain of $501,255 and an unrealized loss of $1.21 million. For the year ended December 31, 2009, the Company's change in derivative contracts included a realized gain of $300,778.

The derivative is recorded at fair value on the consolidated balance sheet. At December 31, 2010, the fair value is calculated based on the future NYMEX WTI prices of crude oil at December 31, 2011, for the remaining 12 months of the contract at credit adjusted present value. Fair value is based on level 2 inputs under the fair value hierarchy. As of December 31, 2011, if oil prices had been higher by $1.00 per Bbl with all other variables held constant, the net change in the fair value of the commodity derivative liability would have been higher by approximately $128,100.

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## 14 Restricted Investments

At December 31, 2011, the Company holds $784,261 of restricted investments, held in bonds for the right to operate in the states of California and Wyoming.

## 15 Related Party Transactions

In 2009, the Company entered into a credit agreement with the PLC in which a director of the Company is the President of the PLC (see note 7). The transaction was recorded at the amount negotiated and agreed to by the two parties. On June 30, 2010, the Company paid in full the interest and principal outstanding on the short-term debt. For the periods ended December 31, 2010 and 2009, the Company recorded interest expense on this credit agreement of $4,074,709 and $221,008, respectively.

## 17 Subsequent Events

On January 24, 2012, the Board of Directors of the Company decided not to renew the employment contract of Dr. Sven Hagen, President, as a means to streamline management. Effective January 24, 2012, Dr. Hagen is no longer a director or officer of the Company and its subsidiaries. In connection therewith, the Company and Dr. Hagen entered into a Separation Agreement dated January 24, 2012 pursuant to which the Company has agreed to provide Dr. Hagen with the following severance benefits:

- Aggregate severance of $120,000, payable in equal monthly installments during 2012.
- Monthly reimbursement of health and dental insurance premiums in the amount of $1,414 through September 15, 2012.
- Accelerated vesting of 400,001 options, with an exercise price of CDN $1.25 that would have otherwise vested on September 4, 2012, and all vested options may be exercised on or before December 31, 2012.

## 18 Quarterly Financial Information (Unaudited)

The Company's quarterly financial information for fiscal 2011 and 2010 is as follows:

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| Year Ended December 31, 2011 | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| Operating revenue | $ 5,232,273 | $ 5,704,103 | $ 6,465,744 | $ 6,903,565 |
| Operating income (loss) (i) | (2,724,654) | 1,943,132 | 2,444,002 | (1,077,561) |
| Other income (expense) | (5,752,559) | 1,887,692 | 1,198,010 | (1,147,710) |
| Net income (loss) | (8,477,213) | 3,830,824 | 3,642,012 | (2,225,271) |
| Basic net income (loss) per share (ii) | (0.13) | 0.06 | 0.05 | (0.03) |
| Diluted net income (loss) per share (ii) | $ (0.13) | $ 0.01 | $ 0.05 | $ (0.03) |

| Year Ended December 31, 2010 | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| Operating revenue | $ 3,605,151 | $ 3,240,558 | $ 3,454,857 | $ 3,728,632 |
| Operating income (loss) | (1,196,597) | (583,849) | (3,306,377) | (1,788,215) |
| Other income (expense) | 975,484 | (1,875,617) | (1,329,364) | (2,895,138) |
| Net income (loss) | (221,113) | (2,459,466) | (4,635,741) | (5,070,125) |
| Basic and diluted net loss per share (ii) | $ (0.00) | $ (0.05) | $ (0.08) | $ (0.08) |

(i) During the fourth quarter of 2011, the Company divested its oil and gas properties located in the state of Louisiana. The operating income from divested properties during the fourth quarter of 2011 was $352,099.

(ii) The sum of the individual quarterly net income per common share amounts may not agree with year-to-date net income per common share as each quarterly computation is based on the weighted-average number of common shares outstanding during that period.

## 19 Supplemental Crude Oil and Natural Gas Reserves and Standard Measure Information (Unaudited)

The following reserves and future net revenue calculations in these financial statements have been determined in accordance with the SEC guidelines and the United States Financial Accounting Standards Board (the "U.S. Rules").

In December 2009, the Company adopted revised oil and gas reserve estimation and disclosure requirements. The primary impact of the new disclosures is to conform the definition of proved reserves with "Modernization of Oil and Gas Reporting", which was adopted by the SEC in December 2008. The rules revised the definition of proved oil and gas reserves to require that the average, first-day-of-the-month price during the 12-month period before the end of the year rather than the year-end price, must be used when estimating whether reserve quantities are economical to produce. This same 12-month average price is also used in calculating the aggregate amount of (and changes in) future cash inflows related to the standardized measure of discounted future net cash flows. All of the Company's proved crude oil and natural gas reserves are located in the United States of America. The following table sets forth the Company's net proved reserves, including changes therein, and proved developed reserves:

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**Proved Oil and Gas Reserves Quantities**

| | Crude Oil (Bbls) | Natual Gas (MMcf) |
|---|---|---|
| **Total proved reserves** | | |
| December 31, 2008 | 2,604,546 | 2,547 |
| Extensions, discoveries and other additions | 41,113 | 60 |
| Revisions of previous estimates | (554,260) | (1,385) |
| Purchases of minerals in place (i) | 7,077,890 | — |
| Production | (117,895) | (318) |
| December 31, 2009 | 9,051,394 | 903 |
| Extensions, discoveries and other additions (ii) | 4,792,874 | 7 |
| Revisions of previous estimates | — | (187) |
| Production | (212,868) | (208) |
| December 31, 2010 | 13,631,400 | 515 |
| Extensions, discoveries and other additions (iii) | 2,859,150 | — |
| Revisions of previous estimates | (120,938) | 18 |
| Purchases (divestitures) of minerals in place | (172,511) | (515) |
| Production | (274,496) | (18) |
| December 31, 2011 | 15,922,605 | — |
| **Proved developed reserves** | | |
| Proved developed producing | 3,430,815 | — |
| Proved developed non-producing | 951,825 | — |
| Total | 4,382,640 | — |
| **Proved developed reserves** | | |
| As of December 31, 2009 | 1,846,759 | 824 |
| As of December 31, 2010 | 3,626,620 | 436 |
| As of December 31, 2011 | 4,382,640 | — |
| **Proved undeveloped reserves (iv)** | | |
| As of December 31, 2009 | 7,204,635 | 79 |
| As of December 31, 2010 | 10,004,782 | 79 |
| As of December 31, 2011 | 11,539,965 | — |

(i) The increase in proved reserves for the year ended December 31, 2009 is due to the purchase of the Wyoming Assets. Of the total proved reserves 5,742,840 Bbls are related to proved undeveloped reserves and 1,335,050 Bbls are related to proved producing reserves.

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(ii) The increase in proved reserves for the year ended December 31, 2010, is due to conversion of probable reserves to proved reserves in Wyoming as a result of a successful 2010 development program and in California due to positive results from the Combined Miscible Drive Project at Pleito Creek.

(iii) The increase in proved reserves for the year ended December 31, 2011, is due to the conversion of probable reserves to proved reserves in Wyoming as a result of the Company's successful 2010 development program; and (ii) positive results from the CMD project in California.

(iv) At December 31, 2011, approximately 72 percent of our total estimated proved reserves were undeveloped. Recovery of undeveloped reserves requires significant capital expenditures and successful drilling. Our reserve data assumes that we can and will make these expenditures and conduct these operations successfully. These assumptions, however, may not prove correct. The Company's reserves at December 31, 2011, include estimates of total future development costs over the next five years associated with our proved undeveloped reserves of approximately $109.23 million. The Company's ability to develop proved reserves is contingent upon our cash flow from operations and obtaining adequate financing. In addition, under the SEC's reserve rules, because proved undeveloped reserves may be booked only if they relate to wells scheduled to be drilled within five years of the date of booking, we may be required to reclassify to probable any proved undeveloped reserves that are not developed within this five year timeframe.

The Company has summarized the standardized measure of discounted future net cash flows related to its proved oil and natural gas reserves. The Company has based the following summary on a valuation of proved reserves using discounted cash flows based on a twelve month average of the first-day-of-the-month price's, costs and economic conditions and a 10% discount rate for the years ended December 31, 2011, 2010 and 2009. The additions to proved reserves from purchase of reserves in place and new discoveries and extensions could vary significantly from year to year; additionally, the impact of changes to reflect current prices and costs of proved reserves in prior years could also be significant. Accordingly, investors should not view the information presented below as an estimate of the fair value of the Company's oil and natural gas properties, nor should investors consider the information indicative of any trends. The prices of crude oil and natural gas used to estimate reserves in the table shown below were $84.75 per Bbl of oil and for the year ended December 31, 2011, $69.43 per Bbl of oil and $4.27 per Mcf of natural gas for the year ended December 31, 2010, and $51.38 per Bbl of oil and $4.07 per Mcf of natural gas for the year ended December 31, 2009. The bench mark oil and natural gas prices to which differentials were applied to arrive at the above average adjusted prices were based on WTI $96.19 per Bbl of oil for the year ended December 31, 2011, WTI $79.43 per Bbl of oil and Henry Hub $4.38 per Mcf of natural gas for the year ended December 31, 2010, and WTI $61.03 per Bbl of oil and Henry Hub $4.20 per Mcf of natural gas for the year ended December 31, 2009.

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| | Total ($000s) |
|---|---|
| *As of and for the year ended December 31, 2011* | |
| Future cash inflows | 1,349,499 |
| Future production costs | (493,900) |
| Future development costs | (118,545) |
| Future income tax expense | (207,283) |
| Future net cash flows | 529,771 |
| 10% annual discount for estimated timing of cash flows | (314,474) |
| Standardized measure of discounted future net cash flows related to proved reserves | 215,297 |
| *As of and for the year ended December 31, 2010* | |
| Future cash inflows | 947,258 |
| Future production costs | (323,715) |
| Future development costs | (87,835) |
| Future income tax expense | (122,854) |
| Future net cash flows | 412,854 |
| 10% annual discount for estimated timing of cash flows | (241,826) |
| Standardized measure of discounted future net cash flows related to proved reserves | 171,028 |
| *As of and for the year ended December 31, 2009* | |
| Future cash inflows | 468,758 |
| Future production costs | (166,332) |
| Future development costs | (60,096) |
| Future income tax expense | — |
| Future net cash flows | 242,330 |
| 10% annual discount for estimated timing of cash flows | (143,388) |
| Standardized measure of discounted future net cash flows related to proved reserves | 98,942 |

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The following are the principal sources of changes in the standardized measure of discounted future net cash flows applicable to proved oil and natural gas reserves:

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**Changes in Standardized Measure of Discounted Future Net Cash Flows**

| | Total ($000s) |
|---|---|
| Balance at December 31, 2008 | 19,437 |
| Net change in sales and transfer prices and in production (lifting) costs related | 14,527 |
| Changes in future estimated development costs | (28,058) |
| Sales and transfers of oil and natural gas during the period | (3,782) |
| Net change due to extensions, discoveries and improved recovery | (38,004) |
| Net change due to purchases of minerals in place | 131,000 |
| Net change due to revisions in quantity estimates | — |
| Previously estimated development costs incurred during the period | 1,836 |
| Accretion of discount | 1,986 |
| Other | — |
| Net change in income taxes | — |
| Balance at December 31, 2009 | 98,942 |
| Net change in sales and transfer prices and in production (lifting) costs related | 16,325 |
| Changes in future estimated development costs | (33,329) |
| Sales and transfers of oil and natural gas during the period | (13,942) |
| Net change due to extensions, discoveries and improved recovery | 132,614 |
| Net change due to purchases of minerals in place | — |
| Net change due to revisions in quantity estimates | (226) |
| Previously estimated development costs incurred during the period | 10,613 |
| Accretion of discount | 12,383 |
| Other | — |
| Net change in income taxes | (52,352) |
| Balance at December 31, 2010 | 171,028 |
| Net change in sales and transfer prices and in production (lifting) costs related | 26,656 |
| Changes in future estimated development costs | (30,078) |
| Sales and transfers of oil and natural gas during the period | (12,740) |
| Net change due to extensions, discoveries and improved recovery | 66,467 |
| Net change due to purchases of minerals in place | — |
| Net change due to sales of minerals in place | (20,131) |
| Net change due to revisions in quantity estimates | (2,382) |
| Previously estimated development costs incurred during the period | 18,521 |
| Accretion of discount | 21,406 |
| Other | (1,384) |
| Net change in income taxes | (22,066) |
| Balance at December 31, 2011 | 215,297 |

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Capitalized costs relating to oil and gas producing activities and related accumulated DD&A were as follows:

**Capitalized Costs Relating to Oil and Gas Producing Activities**

| | United States |
|---|---|
| As at December 31, 2011 | |
| Crude oil and natural gas properties | |
| Proved | $134,113,786 |
| Unproved | 468,042 |
| Total crude oil and natural gas properties | $134,581,828 |
| Less accumulated depreciation and depletion | (13,850,206) |
| Less accumulated impairment | (42,185,800) |
| Net crude oil and natural gas properties capitalized costs | $ 78,545,822 |
| As at December 31, 2010 | |
| Crude oil and natural gas properties | |
| Proved | $116,799,184 |
| Unproved | 476,986 |
| Total crude oil and natural gas properties | $117,276,170 |
| Less accumulated depreciation and depletion | (10,557,420) |
| Less accumulated impairment | (42,185,800) |
| Net crude oil and natural gas properties capitalized costs | $ 64,532,950 |
| As at December 31, 2009 | |
| Crude oil and natural gas properties | |
| Proved | $104,284,860 |
| Unproved | 1,516,621 |
| Total crude oil and natural gas properties | $105,801,481 |
| Less accumulated depreciation and depletion | (7,567,124) |
| Less accumulated impairment | (42,185,800) |
| Net crude oil and natural gas properties capitalized costs | $ 56,048,557 |

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Costs incurred in crude oil and natural gas property acquisition, exploration and development are summarized as follows:

**Capitalized Costs Incurred Relating to Oil and Gas Producing Activities**

| | United States |
|---|---|
| As at December 31, 2011 | |
| Property acquisition cost | |
| Proved | $18,520,525 |
| Unproved | — |
| Total acquisition cost | $18,520,525 |
| As at December 31, 2010 | |
| Property acquisition cost | |
| Proved | $11,007,176 |
| Unproved | 227,636 |
| Total acquisition cost | $11,234,812 |
| As at December 31, 2009 | |
| Property acquisition cost | |
| Proved | $37,915,683 |
| Unproved | 103,197 |
| Total acquisition cost | $38,018,880 |