

**YOHO RESOURCES INC.**

**Unaudited Interim Consolidated Financial Statements**

**For the Three Months Ended December 31, 2009 and 2008**

**Yoho Resources Inc.**  
**Consolidated Balance Sheets**  
**(Unaudited)**

	December 31, 2009	September 30, 2009
<b>Assets</b>		
Current assets		
Accounts receivable	\$ 2,976,983	\$ 2,448,624
Prepaid expenses and deposits	1,415,046	1,418,219
	4,392,029	3,866,843
Petroleum and natural gas properties (note 2)	84,912,806	85,730,957
	\$ 89,304,835	\$ 89,597,800
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,941,504	\$ 4,105,926
Bank loan (note 3)	20,705,886	24,231,692
	27,647,390	28,337,618
Asset retirement obligations (note 4)	3,190,853	3,115,196
Future income taxes	5,277,473	5,587,572
<b>Shareholders' Equity</b>		
Share capital (note 5)	53,001,017	51,498,050
Contributed surplus (notes 5 and 6)	3,907,428	3,658,744
Deficit	(3,719,326)	(2,599,380)
	53,189,119	52,557,414
	\$ 89,304,835	\$ 89,597,800

Commitments (note 11)

See accompanying notes to the unaudited interim consolidated financial statements.

**Yoho Resources Inc.**  
**Consolidated Statements of Operations, Comprehensive Income (Loss) and**  
**Retained Earnings (Deficit)**  
**(Unaudited)**

	<b>Three Months Ended</b>	
	<b>December 31, 2009</b>	<b>December 31, 2008</b>
<b>Revenue</b>		
Petroleum and natural gas sales	\$ 6,333,615	\$ 8,753,843
Royalties	(917,330)	(1,798,961)
Loss on financial derivative contracts (note 8)	-	(23,001)
	5,416,285	6,913,881
<b>Expenses</b>		
Operating	1,063,015	1,035,309
Processing fees	838,350	742,843
General and administrative	554,825	574,645
Interest	221,949	215,939
Stock-based compensation (note 6)	140,694	102,035
Depletion, depreciation and accretion	4,058,027	4,045,433
	6,876,860	6,716,204
<b>Income (loss) before income taxes</b>	(1,460,575)	197,677
<b>Taxes</b>		
Capital and other taxes	3,094	1,906
Future income taxes (reduction)	(343,723)	52,231
	(340,629)	54,137
<b>Net income (loss) and comprehensive income (loss)</b>	(1,119,946)	143,540
<b>Retained earnings (deficit), beginning of period</b>	(2,599,380)	2,292,576
<b>Retained earnings (deficit), end of period</b>	\$ (3,719,326)	\$ 2,436,116
<b>Net income (loss) per share (note 7)</b>		
Basic	\$ (0.05)	\$ 0.01
Diluted	\$ (0.05)	\$ 0.01

See accompanying notes to the unaudited interim consolidated financial statements.

**Yoho Resources Inc.**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

	<b>Three Months Ended</b>	
	<b>December 31, 2009</b>	<b>December 31, 2008</b>
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net income (loss)	\$ (1,119,946)	\$ 143,540
Items not affecting cash:		
Stock-based compensation	140,694	102,035
Unrealized loss on financial derivative contracts	-	78,123
Depletion, depreciation and accretion	4,058,027	4,045,433
Future tax (reduction)	(343,723)	52,231
Change in non-cash working capital (note 10)	(730,483)	370,018
	2,004,569	4,791,380
<b>Financing activities</b>		
Issuance of share capital for cash, net of issue costs	1,499,335	-
Purchase of common shares (note 5)	-	(661,543)
Bank loan	(3,525,806)	350,945
	(2,026,471)	(310,598)
<b>Investing activities</b>		
Petroleum and natural gas property expenditures	(3,168,973)	(5,654,090)
Dispositions	150,000	266,570
Change in non-cash working capital (note 10)	3,040,875	906,738
	21,902	(4,480,782)
<b>Change in cash during the period</b>	-	-
<b>Cash, beginning of period</b>	-	-
<b>Cash, end of period</b>	\$ -	\$ -

Supplemental cash flow information (note 10)  
See accompanying notes to the unaudited interim consolidated financial statements.

**Yoho Resources Inc.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**For the Three Months Ended December 31, 2009 and 2008**

**1. BASIS OF PRESENTATION**

Yoho Resources Inc. ("Yoho" or the "Company") is incorporated under the laws of the province of Alberta and is engaged in petroleum and natural gas exploration and development activities in western Canada.

The interim consolidated financial statements of Yoho have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended September 30, 2009. The interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended September 30, 2009.

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

**2. PETROLEUM AND NATURAL GAS PROPERTIES**

	December 31, 2009	September 30, 2009
Petroleum and natural gas properties	\$ 138,420,000	\$ 135,250,215
Accumulated depletion and depreciation	(53,507,194)	(49,519,258)
	\$ 84,912,806	\$ 85,730,957

In calculating the depletion and depreciation provision for the three months ended December 31, 2009, \$9.1 million of costs (2008 - \$13.2 million) relating to undeveloped properties were excluded from costs subject to depletion and depreciation. Future development capital associated with the proved, undeveloped reserves of \$2.7 million (2008 - \$3.1 million) have been included in the calculation of depletion and depreciation. During the three months ended December 31, 2009, a total of \$0.5 million (2008 - \$0.6 million) of corporate expenses relating to exploration and development activities were capitalized.

**3. BANK CREDIT FACILITIES**

The Company has in place bank credit facilities which allow borrowings up to \$32 million under a revolving operating demand loan for general corporate purposes including capital expenditures. The advances are due on demand and bear interest at the bank's prime lending rate or bankers' acceptance rates plus a margin based upon the Company's prior quarter debt to cashflow ratio. The average effective interest rate for the three months ended December 31, 2009 was 3.74% (2008 - 4.17%). The Company also has a Treasury Risk Line up to a maximum of \$1.3 million available for interest rate, foreign exchange and commodity price risk management. This obligation is to be settled based on contract maturities, payable from corporate cash flow. The credit facilities are secured by a \$75 million debenture with a floating charge over all assets and a negative pledge and undertaking to provide fixed charges on the Company's major producing petroleum and natural gas reserves. The available lending limits under the bank facilities are subject to periodic review and are based on the bank's interpretation of the Company's reserves and future commodity prices. The next review is to be on or before March 31, 2010. At December 31, 2009, the Company was in compliance with all covenants stipulated in the credit facility, including the maintenance of an adjusted working capital ratio greater than 1 to 1. At December 31, 2009, \$20.7 million (September 30, 2009 - \$24.2 million) was outstanding under the Company's bank credit facilities.

**Yoho Resources Inc.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**For the Three Months Ended December 31, 2009 and 2008**

**4. ASSET RETIREMENT OBLIGATIONS**

	December 31, 2009	September 30, 2009
Balance, beginning of period	\$ 3,115,196	\$ 2,718,974
Liabilities incurred	29,432	244,081
Liabilities disposed	(23,866)	(7,839)
Liabilities settled	-	(227,501)
Change in estimate	-	133,473
Accretion	70,091	254,008
Balance, end of period	\$ 3,190,853	\$ 3,115,196

The Company's asset retirement obligations are based on the Company's net ownership in wells and facilities. Management estimates the costs to abandon and reclaim the wells and the facilities and the estimated time period during which these costs will be incurred in the future. The majority of these costs are expected to be incurred over the next 15 years. The undiscounted amount of estimated costs required to settle the retirement obligations at December 31, 2009 is \$5.7 million (September 30, 2009 - \$5.6 million). The inflation rate used in the calculation was two percent for 2009 and 2008. The estimated costs have been discounted at a credit-adjusted risk free rate of nine percent for 2009 and 2008.

**5. SHARE CAPITAL**

On February 10, 2009, the Company's shareholders approved the conversion of the Company's outstanding Class C non-voting shares into voting common shares and approved the cancellation of the outstanding Class C non-voting shares as authorized share capital.

***Authorized***

An unlimited number of common shares.

***Issued and outstanding***

	Number of shares	Amount
Common Shares:		
Balance, September 30, 2008	19,124,313	\$ 49,427,012
Purchased under normal course issuer bid	(500,100)	(1,290,258)
Conversion of Class C non-voting shares	1,871,273	3,728,146
Tax effect of flow-through share renouncements	-	(366,850)
Balance, September 30, 2009	20,495,486	\$ 51,498,050
Flow-through shares issued for cash	625,000	1,512,500
Share issue costs, net of tax of \$3,632	-	(9,533)
Balance, December 31, 2009	21,120,486	\$ 53,001,017

In November, 2009, the Company issued 625,000 flow-through common shares at a price of \$2.42 per share for total gross proceeds of \$1,512,500. Certain directors of the Company acquired 216,000 flow-through common shares under this private placement. As of December 31, 2009, the Company had incurred all of the eligible expenditures required under the flow-through share agreements.

***Normal Course Issuer Bid***

In September, 2008, the Company announced a normal course issuer bid allowing the Company to purchase and cancel up to 180,000 common shares. In October, 2008, the Company amended the terms of its normal course issuer bid in order to increase the maximum number of common shares that may be

**Yoho Resources Inc.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**For the Three Months Ended December 31, 2009 and 2008**

purchased pursuant to the bid by 420,000 common shares to a maximum of 600,000 common shares. The issuer bid terminated on September 18, 2009.

During the year ended September 30, 2009, the Company purchased 500,100 common shares under the normal course issuer bid for total consideration of \$764,461. The excess of stated value over the cost of re-acquisition of \$525,797 was credited to contributed surplus.

Contributed Surplus	December 31, 2009	September 30, 2009
Balance, beginning of period	\$ 3,658,744	\$ 2,287,324
Stock-based compensation	248,684	845,623
Excess of book value over market value of shares purchased	-	525,797
Balance, end of period	\$ 3,907,428	\$ 3,658,744

**Warrants**

Warrants	Number of warrants	Weighted average exercise price	Weighted average remaining term
Balance, September 30, 2008	1,092,226	\$ 2.50	0.7 years
Expired	(1,977)	\$ 2.50	
Balance, September 30, 2009 and December 31, 2009	1,090,249	\$ 2.50	0.4 years
Number Exercisable at December 31, 2009	-	\$ -	-

In December, 2007, the expiry dates of the 1,000,000 outstanding warrants issued as part of the May, 2005 private placement financing with employees were extended from December 13, 2007 to June 13, 2009. Also in December, 2007, the expiry dates of the 92,226 outstanding warrants issued as part of the October, 2005 private placement financing with employees were extended from May 7, 2008 to November 7, 2009. In May, 2009, the expiry dates of the 1,000,000 warrants were further extended from June 13, 2009 to May 13, 2010 and the expiry dates of the 92,226 warrants were further extended from November 7, 2009 to October 7, 2010. All of the warrants are exercisable for a period of 90 days prior to expiry.

**Employee Stock Savings Plan**

Effective July 1, 2008, the Company initiated an Employee Stock Savings Plan. Employees may contribute up to 5% of their base salaries towards the purchase of Company shares and the Company matches these contributions. The Company's matching contribution for the three months ended December 31, 2009 was \$16,924 (2008 - \$16,524) and is included in general and administrative expenses.

**Share Option Plan**

Under the Company's Share Option Plan, a committee appointed by the Board of Directors may from time to time designate bona fide directors, employees and consultants of the Company and its subsidiaries to whom options to purchase voting common shares of the Company may be granted and the number of voting common shares to be optioned to each. Under the plan, the number of shares reserved for issuance pursuant to the exercise of all options may not exceed 10% of the issued and outstanding shares on a non-diluted basis at any time. The options granted have a term of five years from date of grant and vest as to one-third on each of the first, second, and third anniversaries of the date of grant.

**Yoho Resources Inc.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**For the Three Months Ended December 31, 2009 and 2008**

Share Options	Number of options	Weighted average exercise price
Balance September 30, 2008	1,820,000	\$ 2.42
Granted	40,000	\$ 1.46
Balance, September 30, 2009 and December 31, 2009	1,860,000	\$ 2.40
Number Exercisable at December 31, 2009	1,513,333	\$ 2.31

No share options were exercised during the three months ended December 31, 2009.

The following table summarizes share options outstanding and exercisable under the plan at December 31, 2009.

Exercise price	Options outstanding			Options exercisable	
	Number outstanding at year end	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at period end	Weighted average exercise price
\$1.46 to \$2.01	1,355,000	0.7 years	\$ 1.98	1,268,333	\$ 2.00
\$2.78 to \$3.70	365,000	3.5 years	\$ 2.92	131,667	\$ 2.93
\$4.90 to \$5.20	140,000	1.9 years	\$ 5.07	113,333	\$ 5.04
	1,860,000	1.3 years	\$ 2.40	1,513,333	\$ 2.31

## 6. STOCK-BASED COMPENSATION

The Company has recorded stock-based compensation for all share options and warrants granted.

The compensation expense is calculated based upon the fair value of share options and warrants on the date of the grant using the Black-Scholes option pricing model. No new options were granted during the three months ended December 31, 2009 and 2008.

The compensation expense is recognized over the vesting period of the share options and warrants. During the three months ended December 31, 2009, \$140,694 (2008 - \$102,035) was recognized as stock-based compensation expense and \$107,990 (2008 - \$87,231) of stock-based compensation relating to exploration and development activities was capitalized, each with a corresponding increase to contributed surplus.

## 7. NET INCOME (LOSS) PER SHARE

The Company applies the treasury stock method to assess the dilutive effect of outstanding stock options and warrants on net income (loss) per share. Basic net income (loss) per share is calculated using net income (loss) and the weighted average number of common shares outstanding. Diluted net income (loss) per share is calculated using net income (loss) and the weighted average number of diluted common shares outstanding.

	Three Months Ended	
	December 31, 2009	December 31, 2008
Weighted average number of basic common shares outstanding	\$ 20,903,095	\$ 20,711,563
Dilutive effect of stock options and warrants	-	-
Weighted average number of diluted common shares outstanding	\$ 20,903,095	\$ 20,711,563

**Yoho Resources Inc.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**For the Three Months Ended December 31, 2009 and 2008**

For the three months ended December 31, 2009, 1,860,000 options and 1,090,249 warrants were not included in the diluted share calculation because they were anti-dilutive. The dilutive effect of the share options and warrants was nil for the three months ended December 31, 2008 as the exercise prices of all the outstanding share options and warrants were below the market price for the period.

## **8. FINANCIAL INSTRUMENTS**

### ***Credit risk***

As at December 31, 2009 the carrying value of accounts receivable represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts. The Company did write-off \$94,946 receivable from a company which had filed for protection under the Companies' Creditors Arrangement Act. The Company was not required to write-off any other receivables during the period ended December 31, 2009.

Accounts receivable consist of the following:

	December 31, 2009	September 30, 2009
Receivable from petroleum and natural gas marketers	\$ 2,068,788	\$ 1,522,409
Receivable from joint venture partners	906,519	924,539
Other receivables	1,676	1,676
Total	\$ 2,976,983	\$ 2,448,624
Not past due (less than 120 days)	\$ 2,838,405	\$ 2,211,044
Past due (greater than 120 days)	\$ 138,578	\$ 237,580

These amounts are before offsetting amounts owing to joint venture partners that are included in accounts payable and accrued liabilities.

### ***Commodity price risk***

From time to time the Company will use financial derivative contracts to manage its exposure to fluctuations in commodity prices. At December 31, 2009, the Company had no financial derivative contracts outstanding. In February, 2010, the Company entered into a costless collar setting a floor of \$5.00 per GJ and a ceiling of \$5.94 per GJ on 3,000 GJ per day for the term from April 1, 2010 to December 31, 2010.

The use of financial derivative contracts exposes the Company to the risk that fluctuations in commodity prices can give rise to large changes in the fair value of these contracts resulting in correspondingly large impacts to net income. The Company uses financial derivative contracts to protect cash flow for use on operating and capital expenditures and views the risk to changes in fair value as an acceptable trade off. All such transactions are conducted in accordance with the Company's risk management policy that has been approved by the Board of Directors.

During the three months ended December 31, 2008, the Company incurred unrealized losses of \$78,123 representing the change in the mark-to-market value of outstanding contracts which were settled in the period. The Company also realized gains of \$55,122 on the settlement of contracts during the three months ended December 31, 2008.

### ***Interest rate risk***

The Company is exposed to interest rate risk to the extent that the bank debt is based on a floating rate of interest. The interest charged is based upon the bank prime rate plus a fixed premium. Assuming average outstanding balances for the three months ended December 31, 2009 of \$22.5 million for the bank debt, a 0.5% change in bank prime rates would change net income by \$0.1 million.

**Yoho Resources Inc.**  
**Notes to the Unaudited Interim Consolidated Financial Statements**  
**For the Three Months Ended December 31, 2009 and 2008**

***Fair value of financial instruments***

The fair values of accounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to their short terms to maturities. The Company's bank debt bears interest at a floating market rate and accordingly the fair market value approximates the carrying value. The fair values of the financial derivative contracts is determined by discounting the difference between the contracted price and the published forward price curves as at the balance sheet date using the remaining contracted natural gas volumes.

**9. RELATED PARTY TRANSACTIONS**

The Company enters into various transactions with related parties. These transactions are entered into in the normal course of business and are measured at the exchange amount established and agreed to by the related parties. During the three months ended December 31, 2009, the Company had the following related party transactions:

A total of \$25,509 (2008 – \$24,564) of legal fees related general legal matters and share issuances were incurred to a law firm in which two of the Company's directors are partners.

A total of \$4,071 (2008 - \$6,892) was incurred to a company controlled by an officer and director in payment of a gross overriding royalty on certain Company lands.

**10. SUPPLEMENTAL CASH FLOW INFORMATION**

Changes in non-cash working capital:

	Three Months Ended	
	December 31, 2009	December 31, 2008
Accounts receivable	\$ (528,359)	\$ 466,136
Prepaid expenses and deposits	3,173	(8,030)
Accounts payable and accrued liabilities	2,835,578	818,650
	\$ 2,310,392	\$ 1,276,756
Operating activities	\$ (730,483)	\$ 370,018
Investing activities	3,040,875	906,738
	\$ 2,310,392	\$ 1,276,756

During the period the Company made the following cash outlays in respect of interest expense.

	Three Months Ended	
	December 31, 2009	December 31, 2008
Interest paid	\$ 212,593	\$ 178,429
Income taxes paid	\$ -	\$ -

**11. COMMITMENTS**

At December 31, 2009, the Company is committed to future payments for operating leases and gas transportation agreements for fiscal years as detailed below:

	2010	2011	2012
Office lease	257,268	330,222	24,318
Gas transportation agreements	123,152	115,640	49,410