

# **WESTERN PLAINS PETROLEUM LTD.**

(FORMERLY SAHA PETROLEUM LTD.)

## **INTERIM FINANCIAL STATEMENTS**

### **Third Quarter**

**For the three and nine month periods ended**

**SEPTEMBER 30, 2009  
AND SEPTEMBER 30, 2008  
AS AMENDED APRIL 7, 2010  
(UNAUDITED)**

#### **NOTICE OF NO AUDITOR REVIEW**

Pursuant to National Instrument 51-102 Part 4, subsection 4.3(3) (a), the accompanying unaudited interim financial statements have been prepared by management and the Corporation's independent auditors have not performed a review of these financial statements.

**WESTERN PLAINS PETROLEUM LTD.** (FORMERLY SAHA PETROLEUM LTD.)

*Balance Sheets*

*Unaudited*

	As at September 30, 2009	As at December 31, 2008
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	1,073	82,432
Accounts receivable	104,872	246,221
Prepaid expenses and deposits	45,666	11,663
	<b>151,611</b>	340,316
Property, plant and equipment (Note 3)	<b>2,145,542</b>	4,479,457
	<b>2,297,153</b>	4,819,773
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	528,943	601,046
Bank debt (Note 4)	-	612,555
	<b>528,943</b>	1,213,601
Note payable (Note 4)	-	1,783,399
Asset retirement obligations (Note 5 )	<b>254,154</b>	222,916
<b>Shareholders' equity</b>		
Share capital (Note 7(b) )	<b>3,418,728</b>	3,219,928
Contributed surplus (Note 7 (f) )	<b>207,745</b>	207,745
Deficit	<b>(2,112,417)</b>	(1,827,816)
	<b>1,514,056</b>	1,599,857
	<b>2,297,153</b>	4,819,773

**Continuance of operations (Note 1)**

**Contingent Liability (Note 2)**

**Commitment (Note 7(b) )**

**Subsequent events (Note 11)**

See accompanying notes to the interim financial statements.

**APPROVED ON BEHALF OF THE BOARD OF DIRECTORS**

*David Forrest*

*Stephen Johnson*

Director

Director

**WESTERN PLAINS PETROLEUM LTD.** (FORMERLY SAHA PETROLEUM LTD.)  
*Statements of Operations, Comprehensive Income (Loss), and Deficit*  
*Unaudited*

	Three months ended		Nine months ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
<b>Revenue</b>	\$	\$	\$	\$
Petroleum revenue	276,890	1,109,835	1,458,257	2,274,715
<b>Expenses</b>				
Royalties	49,884	290,402	316,676	564,481
Production and transportation	148,086	158,704	516,803	442,061
General and administrative	135,554	244,995	412,443	597,671
Interest	-	52,126	92,168	119,033
Depletion, depreciation and accretion	110,762	303,512	912,845	609,866
Stock-based compensation	-	11,205	-	56,756
	444,286	1,060,944	2,250,935	2,389,868
<b>Income (loss) from operations</b>	(167,396)	48,891	(792,678)	(115,153)
Gain on settlement of debt (note 4)	85,200	-	85,200	-
Gain on sale of property (note 3)	-	-	422,877	-
<b>Net income (loss) before income taxes</b>	(82,196)	48,891	(284,601)	(115,153)
Income taxes (note 6)	-	-	-	-
<b>Net income (loss) and comprehensive income (loss) for the period</b>	(82,196)	48,891	(284,601)	(115,153)
<b>Deficit, beginning of period</b>	(2,030,221)	(1,180,223)	(1,827,816)	(1,016,179)
<b>Deficit, end of period</b>	(2,112,417)	(1,131,332)	(2,212,417)	(1,131,332)
<b>Basic and diluted income (loss) per share</b>	(0.003)	0.003	(0.012)	(0.008)

See accompanying notes to the interim financial statements

**WESTERN PLAINS PETROLEUM LTD.** (FORMERLY SAHA PETROLEUM LTD.)

*Statements of Cash Flows*

*Unaudited*

	Three months ended		Nine months ended	
	September r 30, 2009	September r 30, 2008	September r 30, 2009	September r 30, 2008
<b>Operating activities</b>		\$		\$
Net loss and comprehensive loss for the	(82,196)	48,891	(284,601)	(115,153)
Items not affecting cash:				
Deletion, depreciation, and	110,762	303,512	912,845	609,866
Gain on debt settlement	(85,200)	-	(85,200)	-
Gain on sale of property, plant and	-	-	(422,877)	-
Stock-based compensation	-	11,205	-	56,756
	(56,634)	363,608	120,167	551,469
Changes in non-cash working capital	356,827	(32,780)	(107,911)	(7,239)
	300,193	330,828	12,256	544,230
<b>Financing activities</b>				
Working capital acquired in business	-	-	-	105,233
Renavment of shareholder loan	-	(50,000)	-	(50,000)
Renavment of note payable	-	-	-	(791,601)
Renavment of bank debt	-	-	(400,000)	-
Changes in non-cash working capital	50,000	-	50,000	-
	50,000	(50,000)	(350,000)	(736,368)
<b>Investing activities</b>				
Additions to property, plant & equipment	(777,674)	(43,148)	(824,216)	(122,036)
Disposal of property, plant & equipment	-	-	2,700,000	-
Less assumption of note payable by	-	-	(1,500,000)	-
Changes in non-cash working capital	93,155	-	93,155	-
	(684,519)	(43,148)	468,939	(122,036)
(Decrease) increase in cash for period	(334,326)	237,680	131,195	(314,174)
Cash and cash equivalents, beginning of	335,399	101,951	(130,122)	653,805
Cash and cash equivalents, end of period	1,073	339,631	1,073	339,631

See accompanying notes to the interim financial statements.

# WESTERN PLAINS PETROLEUM LTD. (FORMERLY SAHA PETROLEUM LTD.)

## *Notes to Financial Statements*

September 30, 2009

Unaudited

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### **1. BASIS OF PRESENTATION**

Western Plains Petroleum Ltd. (the "Corporation" or "Western Plains") was originally incorporated as Mises Capital Corporation under the Business Corporations Act (Alberta) on November 19, 2004 and was classified as a Tier 2 "oil and gas exploration and production" corporation under the symbol "MPP" on the TSX Venture Exchange ("TSXV") on August 11, 2006. On April 1, 2008, the Corporation changed its name to "Saha Petroleum Ltd." and began trading under the symbol "SPZ" on the TSXV on April 25, 2008. On August 24, 2009, the Corporation changed its name to "Western Plains Petroleum Ltd." and began trading under the symbol "WPP" on the TSXV on August 25, 2009.

The Corporation is based in Lloydminster, Alberta and engaged in the exploration for and the development, production and acquisition of petroleum and natural gas reserves in Western Canada.

The interim Financial Statements have been prepared following the same accounting policies and methods of computation as the annual audited Financial Statements for the year ended December 31, 2008. The interim Financial Statements should be read in conjunction with the annual audited Financial Statements and the notes thereto for the year ended December 31, 2008.

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Corporation be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Corporation's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate sufficient cash from operating and financing activities to meet the Corporation's needs. As at the period end the Corporation has a deficit of \$2.6 million and has a working capital deficiency of \$0.4 million. These financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Corporation were unable to continue as a going concern.

### **2. CONTINGENT LIABILITY**

The Corporation had issued a guarantee in the amount of USD\$110,000 (CAD\$127,000) as security in favor of National Hydrocarbons Agency, the Colombian oil and gas governmental agency. During the year ended December 31, 2007, the purchaser of the assets in Colombia issued a letter of credit replacing the Corporation's guarantee and therefore, the restricted cash of USD\$110,000 (CAD\$127,000) was released by the bank to the Corporation. However, the bank holding the letter of credit from the purchaser has not yet fully removed the Corporation's guarantee and therefore the Corporation's guarantee remains outstanding. It is the position of the Corporation that it is very unlikely this guarantee will result in a liability and the Corporation is taking steps to have it removed.

# WESTERN PLAINS PETROLEUM LTD. (FORMERLY SAHA PETROLEUM LTD.)

## Notes to Financial Statements

September 30, 2009

Unaudited

### 3. PROPERTY, PLANT AND EQUIPMENT

At September 30, 2009	Cost	Accumulated Depletion & Depreciation	Net book value
	\$	\$	\$
<b>Petroleum and natural gas properties</b>	<b>4,283,166</b>	<b>(2,137,624)</b>	<b>2,145,542</b>

  

At December 31, 2008	Cost	Accumulated Depletion & Depreciation	Net book value
	\$	\$	\$
<b>Petroleum and natural gas properties</b>	<b>5,751,834</b>	<b>(1,272,377)</b>	<b>4,479,457</b>

Cost for undeveloped land of \$ nil (2008 - \$110,398) have been excluded from cost subject to depletion.

In May 2009 a producing oil property in Saskatchewan was sold for proceeds of \$2.7 million. The proceeds consisted of cash of \$1.2 million and the assumption of notes payable of \$1.5 million, resulting in a gain on disposal of \$0.4 million. Subsequently, the Corporation made three acquisitions of oil properties from arm's length vendors for cash consideration totaling \$0.5 million. All properties are located in the Lloydminster area of eastern Alberta.

### 4. DEBT SETTLEMENT - BANK DEBT AND NOTE PAYABLE

On June 29, 2009, the Corporation repaid all of its bank debt and no longer has a bank line of credit.

The note payable at December 31, 2008 was held by a corporation of which an officer and director of the Corporation was also an officer and director. The note payable of \$1,783,399 at December 31, 2008 was repaid as follows:

- \$1,500,000 was assumed by the purchaser of petroleum and natural gas properties sold effective May 1, 2009 (see note 3), and
- The remaining debt was settled in July 2009 by issuing 5,680,000 common shares (see note 7 (b)) pursuant to a debt settlement agreement. The fair value of the common shares was \$198,800, based on the trading value of the Corporation's common shares on the settlement agreement date. The Corporation recorded \$85,200 as a gain on this debt settlement.

# WESTERN PLAINS PETROLEUM LTD. (FORMERLY SAHA PETROLEUM LTD.)

## Notes to Financial Statements

September 30, 2009

Unaudited

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### 5. ASSET RETIREMENT OBLIGATIONS

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of oil and gas properties:

	Nine months September 30, 2009	Year ended December 31, 2008
	\$	\$
Asset retirement obligations, beginning of period	222,916	-
Liabilities incurred or acquired	137,083	156,195
Liabilities settled or disposed	(118,006)	-
Change of estimates	-	57,604
Accretion	12,161	9,117
Asset retirement obligations, end of period	254,154	222,916

The total undiscounted amount of estimated cash flows required to settle the obligation as at as at September 30, 2009 was \$ 0.7 million (December 31, 2008 - \$0.4 million), which has been discounted using a credit adjusted risk free rate of 10%. All of these obligations are estimated to be incurred between 2017 and 2023.

### 6. INCOME TAXES

The Corporation has not recorded any future tax asset or liability, nor has it recorded any tax provision or recovery, due to the uncertainty of the Corporation's ability to generate sufficient future taxable income to utilize available income deductions.

### 7. SHARE CAPITAL

#### (a) Authorized

Unlimited number of common voting shares

Unlimited number of Class A preferred shares, issuable in series

Unlimited number of Class B preferred shares, issuable in series

The Directors of the Corporation are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attaching to the shares of each series.

# WESTERN PLAINS PETROLEUM LTD. (FORMERLY SAHA PETROLEUM LTD.)

## Notes to Financial Statements

September 30, 2009

Unaudited

### (b) Issued and Outstanding

	Nine Months Ended September 30, 2009		Year Ended December 31, 2008	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Common shares, beginning of period	21,226,834	3,219,928	8,082,833	1,504,643
Acquisitions	-	-	10,366,224	1,215,285
Private placement flow-through	-	-	2,777,777	500,000
Repayment of note payable	5,680,000	198,800	-	-
Common shares, end of period	26,906,834	3,418,728	21,226,834	3,219,928

In December 2008, the Corporation issued 2,777,777 flow-through shares for gross proceeds of \$500,000, for which an officer and director subscribed for the entire offering. The Corporation is eligible to allocate Canadian Development Expense as Canadian Exploration Expense to meet this commitment. The Corporation incurred \$280,000 of eligible expenses in 2009 and will renounce that amount to the investor effective December 31, 2009. The Corporation has a commitment to incur eligible expenditures for the remaining \$220,000 in 2010 and renounce those expenditures to the investor effective December 31, 2010.

### (c) Stock option plan

The Corporation established a Stock Option Plan ("Plan") for directors, officers, employees and consultants. The maximum number of common shares which may be reserved under the Plan may not exceed 10% of the outstanding common shares at that time. Options granted under the plan generally have a term of five years and vest on the date of grant. The exercise price of each option equals or exceeds the market price of the Corporation's common shares on the date of grant. A summary of the Plan is as follows:

	Nine Months Ended September 30, 2009		Year Ended December 31, 2008	
	Number of Options	Weighted Average Price \$	Number of Options	Weighted Average Price \$
Options, beginning of period	1,702,000	0.14	756,000	0.23
Granted	-	-	1,518,000	0.11
Expired	(250,000)	0.17	(572,000)	0.17
Options, end of period	1,452,000	0.14	1,702,000	0.14

# WESTERN PLAINS PETROLEUM LTD. (FORMERLY SAHA PETROLEUM LTD.)

## Notes to Financial Statements

September 30, 2009

Unaudited

Expiry date	Exercise Price	Outstanding and Exercisable	Weighted Average Remaining Life (Years)
June 28, 2010	<b>\$0.20</b>	<b>400,000</b>	<b>0.75</b>
August 11, 2011	<b>\$0.30</b>	<b>42,000</b>	<b>1.88</b>
March 14, 2013	<b>\$0.11</b>	<b>260,000</b>	<b>3.54</b>
July 23, 2013	<b>\$0.14</b>	<b>150,000</b>	<b>3.81</b>
December 17, 2013	<b>\$0.10</b>	<b>600,000</b>	<b>4.21</b>

No options were granted during the nine months ended September 30, 2009. The fair value of options granted in 2008 was \$81,587 and was determined using the following assumptions:

	2008
Risk free interest rate (%)	<b>3.36%</b>
Expected volatility (%)	<b>59%</b>
Expected life (in years)	<b>5 years</b>
Expected dividends	<b>-</b>

### (d) Escrowed shares

Pursuant to escrow agreements related to the Corporation's initial public offering and prior years share based acquisitions, shares of certain parties were deposited with the Olympia Trust Company to be held in escrow. These shares were all released in accordance with the requirements of the TSX Venture Exchange.

At December 31, 2008, the Corporation had 1,517,984 (2007 – 628,402) shares remaining in escrow. Of these shares, 558,363 shares were released on February 11, 2009 and 959,621 shares were released on August 11, 2009. During the year ended December 31, 2008, 1,611,196 (2007 – 314,198) shares were released from escrow.

### (e) Per share amounts

The weighted average number of shares used in calculating the basic net loss per share for the nine month period ended September 30, 2009 was 23,140,973 (2008 – 13,824,602).

The weighted average number of shares used in calculating the basic net loss per share for the three month period ended September 30, 2009 was 26,906,834 (2008 – 15,949,057).

Diluted per share information is not presented as the result would decrease the loss per share.

# WESTERN PLAINS PETROLEUM LTD. (FORMERLY SAHA PETROLEUM LTD.)

## Notes to Financial Statements

September 30, 2009

Unaudited

### (f) Contributed Surplus

Changes to contributed surplus are summarized as follows:

Contributed surplus at December 31, 2007	\$126,159
Stock-based compensation expensed	81,586
Contributed surplus at December 31, 2008	207,745
Stock-based compensation expensed	-
Contributed surplus at September 30, 2009	\$207,745

## 8. FINANCIAL RISK MANAGEMENT

### (a) Overview

The Corporation has exposure to **credit risk, liquidity risk and market risk**. The board of directors of the Corporation has overall responsibility for the establishment and oversight of the Corporation's risk management framework.

### (b) Credit risk

Credit risk is the risk of financial loss to the Corporation if counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables. The carrying amount of financial assets represents the maximum credit exposure.

The Corporation is subject to credit risk on its receivables. The Corporation has assessed the risk of not collecting as low, since its customers are large integrated oil companies with long track records and approximately 99% of sales were made to single large integrated oil company.

### (c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's objective is to maintain sufficient liquidity to meet its liabilities when due, under normal and stressed conditions.

As at September 30, 2009, the Corporation had net debt of \$ 0.4 million (December 31, 2008 -\$2.7 million). The net debt at September 30, 2009 all relates to trade creditors. All bank debt and the note payable were retired by July 2009. The Corporation manages its liquidity risk by continuously monitoring forecasted cash flows, assessing prospects for raising additional equity, and utilizing a line of credit, when appropriate.

### (d) Market risk

Market risk is the risk that changes in market prices, such as oil prices, foreign exchange rates, interest rates and equity prices will affect the Corporation's income or value of its financial instruments. The Corporation is not exposed to currency risk. The Corporation does not have any contracts in place to protect against commodity price changes

The Corporation is not subject to interest rate risk since interest bearing debt was repaid by June 30, 2009.

# WESTERN PLAINS PETROLEUM LTD. (FORMERLY SAHA PETROLEUM LTD.)

## Notes to Financial Statements

September 30, 2009

Unaudited

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### (e) Capital management

The Corporation's objective is to maintain access to sources of capital with which to finance its operations. The Corporation maintains a capital structure of equity. In the past it has utilized a line of credit with the Corporation's bank and a note payable. All bank debt and the note payable were retired by July 2009. The Corporation manages its capital structure and makes changes to it in light of changes in economic conditions, opportunities for accretive acquisitions and the risk characteristics of the underlying investments. The Corporation balances its overall capital structure through share issues and the use of debt as deemed appropriate in the circumstances.

### (f) Fair value of financial instruments

The Corporation has determined the fair values of its financial instruments which consist of cash and cash equivalents, accounts receivable, line of credit and cheques issued in excess of cash, and accounts payable and accrued liabilities, approximate carrying amounts because of the short-term nature of these instruments, with the exception of the note payable which is classified as other liabilities, initially measured at fair value with subsequent periodic revaluations recorded at their amortized cost using the effective interest rate method.

## 9. RELATED PARTY TRANSACTIONS

The Corporation entered into the following related party transactions, all of which were in the normal course of operations and have been valued at the exchange amount that is the amount of consideration established and agreed to by the related parties:

- Legal services provide by a law firm in which an officer and director is a partner:
  - \$73,364 was incurred in the year to date (\$70,353 in the year ended December 31, 2008) of which \$33,766 (\$57,192 at December 31, 2008) was in accounts payable and accrued liabilities at the period end;
  - Costs were recorded as either general and administrative expense or as a capital expenditure depending on the activity for which legal services were provided;
- Accounting services provided by a corporation in which a former officer (from April 1, 2009 to September 30, 2009) is an officer and a director:
  - \$50,609 was incurred in the year to date (\$nil in the year ended December 31, 2008) of which \$952 (\$nil at December 31, 2008) was in accounts payable and accrued liabilities at the period end;
  - Costs were recorded as general and administrative expense;
- Interest paid to a corporation in which an officer and director of the Corporation is an officer and a director. This debt was retired by July 2009:
  - \$86,999 was incurred in the year to date (\$232,536 in the year ended December 31, 2008) of which \$nil (\$17,196 at December 31, 2008) was in accounts payable and accrued liabilities at the period end;
  - Costs were recorded as interest expense;
- Various oil field services and products provided by a corporation in which an officer and director of the Corporation is an officer and a director:
  - \$218,955 was incurred in the year to date (\$59,020 in the year ended December 31, 2008) of which \$31,498 (\$22,710 at December 31, 2008) was in accounts payable and accrued liabilities at the period end;
  - Costs were recorded as either production expense or capital expenditures depending on the nature of the expenditure;

# WESTERN PLAINS PETROLEUM LTD. (FORMERLY SAHA PETROLEUM LTD.)

## Notes to Financial Statements

September 30, 2009

Unaudited

- Oil sold to a corporation in which an officer and director of the Corporation is an officer and a director:
  - \$nil was earned in the year to date (\$44,639 in the year ended December 31, 2008) of which \$15,456 (\$44,639 at December 31, 2008) was in accounts receivable at the period end;
  - Proceeds were recorded as petroleum revenue.

### 10. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
<b>Changes in Non-Cash Working Capital</b>	\$	\$	\$	\$
Accounts receivable	248,861	41,399	141,349	(240,567)
Prepaid expenses and deposits	(38,557)	(244,430)	(34,003)	(235,584)
Accounts payable and accrued liabilities	289,678	170,251	(72,102)	468,912
Changes in non-cash working capital relating to:	499,982	(32,780)	35,244	(7,239)
Operating activities	356,827	(32,780)	(107,911)	(7,239)
Financing activities	50,000	-	50,000	-
Investing activities	93,155	-	93,155	-
Interest paid	-	52,126	92,168	119,033
Interest received	-	-	-	4,156
<b>Cash and cash equivalents are comprised of:</b>	<b>September 30, 2009</b>	<b>September 30, 2008</b>	<b>December 31, 2008</b>	<b>December 31, 2007</b>
Balance with bank	1,073	339,631	82,432	653,805
Cheques issued in excess of balance with bank	-	-	(212,554)	-
	<b>1,073</b>	<b>339,631</b>	<b>(130,122)</b>	<b>653,805</b>

### 11. SUBSEQUENT EVENTS

In December 2009, the Corporation issued 3,352,940 units at a price of \$0.085 per Unit pursuant to a private placement for gross proceeds of \$285,000. Each unit was comprised of one common share issued on a flow through basis under applicable tax law, and one common share purchase warrant, each warrant exercisable into one common share. Each of the 3,352,940 warrants has a term of 12 months from the date of issuance at an exercise price of \$0.15 per share.

In January 2010 the Corporation issued 1,877,500 common shares at a price of \$0.08 per share in a private placement, for gross proceeds of \$150,200. Insiders of the Corporation subscribed to 62,500 of the 1,877,500 common shares. No finders' fee was paid in connection with the private placement. In accordance with TSX Venture Exchange policies and applicable securities laws, all securities issued under this private placement are subject to a four month hold period which expires May 12, 2010.