Wedge Energy International Inc.
(an exploration stage company)
Unaudited Interim Consolidated Financial Statements
For the three and six month periods ended June 30, 2010

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Management's Report to Shareholders

The unaudited interim consolidated financial statements for the three and six month periods ended June 30, 2010 for Wedge Energy International Inc. ("Wedge") are the responsibility of management. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Wedge maintains appropriate systems of internal control, which are designed to provide reasonable assurance that transactions are appropriately authorized, the assets are safeguarded from loss, and the financial records provide reliable information for the preparation of the Company's financial statements.

The Board of Directors ("Board") is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board exercises its responsibility through the Audit Committee, which has a majority of non-management Directors. This committee meets with management and the auditors to satisfy itself that management responsibilities are properly discharged and to review the financial statements before they are presented to the Board for approval. These financial statements have been approved by the Board on the recommendation of the Audit Committee.

The auditor of Wedge Energy International Inc. has not performed an audit of these interim consolidated financial statements for the three and six month periods ended June 30, 2010.

Wedge Energy International Inc.
Unaudited Interim Consolidated Balance Sheets
As at June 30, 2010

	June 30 2010 (unaudited)	December 31 2009 (audited)
ASSETS		
Current Assets		
Cash	**$ 4,472**	$ 37,585
Accounts receivable	**7,658**	4,005
Loan receivable (note 4)	**2,716,906**	2,390,314
Allowance for impairment on the loan (note 4)	**(2,716,906)**	(2,390,314)
Prepaid expenses	**26,350**	-
	$ 38,480	$ 41,590
LIABILITIES		
Current liabilities		
Accounts payable & accrued liabilities (note 5)	**$ 554,799**	$ 538,078
Part XII.6 tax (note 6)	**121,597**	118,609
Flow-through related obligations (note 6)	**-**	316,924
Liability component - convertible debt (note 7)	**750,888**	258,975
	1,427,284	1,232,586
SHAREHOLDERS' DEFICIENCY		
Share capital (note 8)	**8,476,887**	8,370,362
Contributed surplus (note 9)	**447,818**	436,138
Warrants (note 10)	**-**	-
Equity component - convertible debt (note 7)	**41,900**	14,700
Deficit	**(10,355,409)**	(10,012,196)
	(1,388,804)	(1,190,996)
	$ 38,480	$ 41,590

Nature of operations and going concern (note 1)

Notes receivable (note 4)

Commitments and contingencies (note 18)

The accompanying notes are an integral part of these interim consolidated financial statements.

Wedge Energy International Inc.
Unaudited Interim Consolidated Statements of Loss, Comprehensive Loss and Deficit
For the three and six month periods ended June 30

	Q2 2010	Q2 2009	**Six Month-YTD 2010**	Six Month-YTD 2009
REVENUE				
Petroleum and natural gas sales	**$ -**	$ -	**$ -**	$ 3,158
Less: royalties	**-**	-	**-**	(9,146)
Interest & other income	**-**	-	**323**	925
	-	-	**323**	(5,063)
EXPENSES				
Production costs	**$ -**	$ 5,060	**$ -**	$ 9,857
General and administration	**25,471**	4,346	**45,734**	14,284
Depletion, depreciation, and accretion	**9,556**	1,617	**19,113**	17,434
Professional fees	**120,547**	(4,054)	**176,218**	4,966
Promotion & Investor Conference	**4,205**	3,494	**11,034**	3,761
Regulatory, exchange, AGM, press release and transfer agent fees	**7,277**	8,490	**16,471**	13,842
Impairment on notes receivable (note 4)	**82,810**	201,369	**326,592**	274,940
Interest expense	**35,071**	-	**55,346**	533
Stock-based compensation (note 11)	**-**	-	**11,680**	7,580
Flow-through related tax & obligations (note 6)	**-**	-	**(316,924)**	-
Foreign exchange loss (gain)	**(79)**	(10,037)	**(1,724)**	(10,057)
	284,858	210,285	**343,540**	337,140
Loss before income taxes	**(284,858)**	(210,285)	**(343,217)**	(342,203)
Future income tax expense (note 12)	**-**	-	**-**	-
Net loss and comprehensive loss	**$ (284,858)**	$ (210,285)	**$ (343,217)**	$ (342,203)
Deficit, beginning of period	**(10,070,551)**	(9,115,653)	**(10,012,196)**	(8,983,735)
Deficit, end of period	**$(10,355,409)**	$ (9,325,938)	**$(10,355,409)**	$ (9,325,938)
Loss per share				
Basic	**$ (0.01)**	$ (0.01)	**$ (0.01)**	$ (0.01)
Fully diluted	**$ 0.00**	$ (0.01)	**$ 0.00**	$ (0.01)
Weighted average of number of shares outstanding (note 14)				
Basic	**34,763,836**	24,037,159	**33,085,539**	23,128,244
Fully diluted	**142,313,836**	24,037,159	**140,635,539**	23,128,244

Nature of operations and going concern (note 1)

The accompanying notes are an integral part of these interim consolidated financial statements

Wedge Energy International Inc.
Unaudited Interim Consolidated Statements of Cash Flow
For the three and six month periods ended June 30

	Q2 2010	Q2 2009	**6Month-YTD 2010**	6Month-YTD 2009
Operating activities				
Net loss and comprehensive loss for the period	**$ (284,858)**	$ (210,285)	**$ (343,217)**	$ (342,203)
Adjustments for items not involving cash:				
Depletion, depreciation, and accretion	**9,556**	1,617	**19,113**	17,434
Impairment on notes receivable (note 4)	**77,839**	201,369	**326,592**	274,940
Stock-based compensation (note 11)	**-**	-	**11,680**	7,580
Flow-through related tax & obligations (note 6)	**-**	-	**(316,924)**	-
Non cash interest expense	**27,208**	-	**39,529**	-
	(170,255)	(7,299)	**(263,227)**	(42,249)
Changes in non-cash working capital (note 13)	**185,018**	(23,347)	**(10,294)**	(6,874)
	14,763	(30,646)	**(273,521)**	(49,123)
Investing activities				
Proceeds on disposal of property & equipment	**-**	-	**-**	103,875
Advances on notes receivable (note 4)	**(82,810)**	(201,369)	**(326,592)**	(274,940)
	(82,810)	(201,369)	**(326,592)**	(171,065)
Financing activities				
Proceeds from issuance of shares (note 8)	**67,000**	206,901	**67,000**	206,901
Proceeds from convertible debt issuance	**-**	-	**770,000**	-
Repayment of convertible debt	**-**	-	**(270,000)**	-
	67,000	206,901	**567,000**	206,901
Net decrease in cash	**$ (1,046)**	$ (25,114)	**$ (33,113)**	$ (13,287)
Cash, beginning of period	**5,518**	25,940	**37,585**	14,113
Cash, end of period	**$ 4,472**	$ 826	**$ 4,472**	$ 826

Nature of operations and going concern (note 1)
Supplemental cash flow information (note 13)

The accompanying notes are an integral part of these interim consolidated financial statements

1. Nature of Operations and Going Concern

Wedge Energy International Inc. (“Wedge” or the "Company”) was incorporated on July 5, 1996 under the Ontario Business Corporations Act. The Company changed its name to Alyattes Enterprises Inc. in 1999, and took its current name on February 1, 2007. The Company is engaged in the business of acquisition, production, and exploration of energy resource assets.

These interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2010, the Company had a shareholders’ deficiency of $1,388,804 (December 31, 2009 - $1,190,996) and a working capital deficiency of $1,388,804 (December 31, 2009 - $1,190,996).

The Company did not incur $494,172 and $135,000 of qualifying expenditures pursuant to flow-through shares issued in 2007 and 2008 respectively. According to the subscription agreements, the Company is required to pay any resulting tax, interest, and penalties on behalf of the investor if the flow-through commitments are not met. In March 2010, the Company received waivers from all the investors to accept a total of 1,080,000 shares for the renouncement shortfall of flow-through expenditures. Any potential tax penalties and interest have been accrued with respect to this flow-through issue based on management’s estimates. As of June 30, 2010, tax penalties and interest relating to the Company’s inability to meet its flow-through expenditure obligations are $121,597. Subsequent to the quarter end the Company’s has made payments to the Canada Revenue Agency to pay down this liability (refer to note 19).

Several conditions cast substantial doubt on the validity of this assumption. From inception to date, the Company has incurred losses from operations and has had negative cash flow from operating activities. At June 30, 2010, the Company had total cash and cash equivalents of $4,472 (December 2009 - $37,585). The Company requires additional funding to be able to further its existing exploration projects and to meet ongoing requirements for general operations. The recovery of costs incurred to date on oil and gas properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development of its properties and generation of profitable operations in the future, or proceeds from disposition of the properties and deferred exploration expenditures.

While management has been successful in obtaining sufficient funding for its operating, capital and exploration requirements from the inception of the Company to date there is, however, no assurance that additional funding will be available to the Company, or that, when it is required it will be available on terms which are acceptable to management. Management is pursuing additional financing through public and private equity, debt instruments and collaborative arrangements with potential partners. In the event the Company is unable to arrange additional financing, the Company’s ongoing operations would be negatively impacted.

These interim consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classification that would be necessary if the going concern assumption were not appropriate and such adjustments could be material.

2. Basis of Presentation and Significant Accounting Policies

These interim consolidated financial statements have been prepared in accordance with Canadian GAAP for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the three and six month periods ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ended December 31, 2010. The balance sheet as at December 31, 2009 has been derived from the audited consolidated financial statements at that date.

Adoption of new accounting pronouncements

In the first quarter of 2010, the Company adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Sections:

Financial instruments — recognition and measurement, Section 3855

This Section has been amended to clarify the application of the effective interest method after a debt instrument has been impaired. This amendment is effective for fiscal years beginning on or after July 1, 2009.

This Section has also been amended to clarify when an embedded prepayment option is separated from its host debt instrument for accounting purposes. This amendment applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted.

The third amendment provides guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held for trading category. This amendment was made in August 2009 with prospective application.

The CICA amended Section 1506, "Accounting Changes". This section was amended to exclude changes in accounting policies upon the complete replacement of an entity's primary basis of accounting. The amendment applies to interim and annual financial statements relating to fiscal years beginning on or after July 1, 2009.

These interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's audited consolidated financial statements for the year ended December 31, 2009 as included below:

Consolidation & joint venture

The consolidated financial statements include the accounts of Wedge and its wholly owned subsidiary, Wedge Energy International Inc. All significant inter-company balances and transactions are eliminated upon consolidation. Interests in joint ventures related to exploration and production activities are accounted for by the proportionate consolidation method. Under this method, Wedge includes in its accounts its proportionate share of assets, liabilities, revenues and expenses.

Revenue recognition

Revenue associated with the sales of petroleum and natural gas production owned by the Company is recognized when the title passes from the Company to its customers. Transportation costs are included in production costs as these amounts are not material to disclose separately.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates used in the preparation of these financial statements include, but are not limited to the estimated net realizable value of the accounts payable and accrued liabilities, Part XII.6 tax payable, the liability component of the convertible debt, the provision for income taxes and composition of future income tax assets and liabilities and the determination of fair value for stock based transactions. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

Measurement uncertainty

The Company has recorded liabilities under dispute which are subject to measurement uncertainty. Any adjustments may have a material effect on net loss and will be recognized in the consolidated financial statements as they become known.

Cash and cash equivalents

Cash and cash equivalents include investments which have a term to maturity at the time of purchase of ninety days or less and which are readily convertible into cash.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. The fair value is determined through a review of engineering studies, industry guidelines, and management's estimate on a site-by-site basis. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the income statement. The liability is also adjusted due to revisions in costs of timing of expenditure and payments are deducted from the liability as incurred.

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Convertible debt

The convertible debt issued by the Company is separated into liability and equity components and presented separately on the balance sheet. The Company determines the carrying amount of the financial liability by discounting the stream of future payments at the prevailing market rate for a similar liability that does not have an associated equity component. The carrying amount of the equity instrument represented by the option to convert the instrument into common shares is then determined by deducting the carrying amount of the financial liability from the amount of the compound instrument as a whole. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the income statement. The Company recognizes all related transaction costs as expenses in the period incurred.

Financial instruments

The Company adopted CICA Handbook Section 3855 which establishes standards for recognizing and measuring financial assets, financial liabilities, and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the balance sheet when the Company becomes a party to the contractual provisions of the financial instrument or non-financial derivative contract. Under this standard, all financial instruments are required to be measured at fair value upon initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, available for sale, held to maturity, loans or receivables, or other financial liabilities. Financial assets and financial liabilities held for trading are measured at fair value with changes in those fair values recognized in net earnings. Financial assets held to maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost.

Share issue costs

Costs incurred on the issue of the Company’s shares are charged directly to share capital and are net of applicable future income tax benefits.

Warrants

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated entirely to common shares.

Stock-based compensation

The Company uses the fair value based method of accounting for stock-based compensation arrangements granted to employees and non-employees. The fair value of each option granted is accounted for in operations or in deferred exploration expenditures over the vesting period of the option using the Black-Scholes options pricing model at the date of grant, with the related increase to contributed surplus.

Compensation expense on stock-based compensation granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received. Any consideration received by the Company on exercise of stock options is credited to share capital.

Foreign currency

The Company translates foreign currency denominated transactions and the financial statements of integrated foreign operations using the temporal method. Monetary assets and liabilities are translated at year-end rates. Non-monetary assets and liabilities are translated at rates in effect on the dates of the transactions. Income and expenses are translated at average rates in effect during the year with the exception of amortization, which is translated at historic rates. Exchange gains and losses on translation of monetary assets and liabilities are reflected in income immediately.

Income taxes

The Company accounts for income taxes under the asset and liability method that requires the recognition of future income tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. The Company provides a valuation allowance on net future tax assets when it is more likely than not that such assets will not be realized. The future tax assets and liabilities are measured using substantially enacted rates that are expected to apply when the tax assets or liabilities are realized or settled.

Comprehensive income (loss) and accumulated other comprehensive income (loss)

The Company adopted CICA Handbook Section 1530 "Comprehensive Income" which consists of net earnings and other comprehensive income ("OCI"). OCI represents changes in shareholders' equity during a period arising from transactions and changes in prices, markets, interest rates, and exchange rates. OCI includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized translation gains and losses arising from self-sustaining foreign operations net of hedging activities and changes in the fair value of the effective portion of cash flow hedging instruments. The Company did not have any other comprehensive income for the period ended June 30, 2010 and 2009.

Loss per common share

Basic loss per common share is calculated based upon the weighted average number of common shares outstanding during the period. The diluted loss per common share, which is calculated using the treasury stock method, is equal to the basic loss per common share due to the anti-dilutive effect of stock options and share purchase warrants outstanding.

Capital disclosures

The Company discloses the objectives, policies and processes for managing capital, the nature of externally imposed capital requirements, how the requirements are incorporated into the Company's management of capital, whether the requirements have been complied with, or consequence of noncompliance and an explanation of how the Company is meeting its objectives for managing capital.

These interim consolidated financial statements have been prepared by management in accordance with the accounting policies with the following exceptions:

a) International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises, which are responsible to large or diverse groups of stakeholders. The official changeover date is fiscal years beginning on or after January 1, 2011. The Company will be required to provide comparative previous fiscal year information under IFRS in interim and annual financial statements. While the Company has begun assessing its adoption of IFRS, the impact of this transition cannot be reasonably estimated at this time.

b) Business combinations and non-controlling interests

In January 2009, the AcSB issued Section 1582 - Business Combinations, Section 1601 - Consolidations and Section 1602 - Non-controlling Interests. Section 1582 replaces Section 1581 Business Combinations and provides the Canadian equivalent to IFRS 3 - Business Combinations. Section 1602 provides the Canadian equivalent to International Accounting Standard ("IAS") 27 - Consolidated and Separate Financial Statements, for non-controlling interests. These standards are effective January 1, 2011. The adoption of these standards is not expected to have an impact on the Company's financial statements.

c) Equity

In August 2009, the AcSB issued amendments to Section 3251 - Equity as a result of issuing Section 1602 - Non-controlling Interests. The amendments require non-controlling interests to be recognized as a separate component of equity. The amendments apply only to entities that have adopted Section 1602 and are not expected to have an impact on the Company's financial statements.

d) Comprehensive Revaluation of Assets and Liabilities

In August 2009, the AcSB issued amendments to Section 1625 - Comprehensive Revaluation of Assets and Liabilities for consistency with new Section 1582 - Business Combinations. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011 and are not expected to have an impact on the Company's financial statements.

e) Accounting changes

In June 2009, the AcSB issued an amendment to Section 1506 - Accounting Changes which is effective for fiscal years beginning on or after July 1, 2009. The amendment excludes from the scope of Section 1506 changes in accounting policies upon the complete replacement of an entity's primary basis of accounting, as will occur when an entity adopts IFRS.

Future accounting pronouncements

In January 2009, the CICA issued Sections 1582, "Business Combinations", 1601 "Consolidated Financial Statements", and 1602 "Non-controlling Interests", which replaces CICA Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards (IFRS). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two Sections must also be adopted at the same time.

Convergence with International Financial Reporting Standards in 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (IFRS) over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP.

The date applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended December 31, 2010. The Company has not yet determined the impact the transition to IFRS will have on the Company's financial statements.

3. Property and Equipment

In February 2009, the Company sold its interest in petroleum and natural gas properties in the Hamelin Creek area for consideration of $103,875 (which was comprised of $50,000 cash and cancellation of a payable of $53,875).

In December 2009, the Company sold its interest in producing petroleum assets in the Three Hills Creek area for $105,000. The proceeds of this sale (less selling costs of $3,000) were used to make cash payment in relation to a creditor settlement.

In December 2009, the Company recorded impairments of $178,691 related to the petroleum assets sold and $2,364 related to the disposal of office equipment. These amounts were included in the depletion, depreciation, and accretion expense and were calculated using the carrying values of the related assets and liabilities at the time.

4. Notes Receivable

Since January 2007, the Company has advanced funds to an unrelated third party (the “Borrower”) for the Borrower’s legal proceedings to confirm ownership of charter capital in an oil and gas property in Kazakhstan. Based on the Framework Agreement dated August 31, 2009 (the “Agreement”), the funds advanced have been in the form of a loan facility of up to $ 2.9 million USD in principal. The loan carries an interest rate of 5% per annum, which accumulated to the balance of the loan. Based on the form of settlement reached by the Borrower’s claims, the Company will be entitled to 70% interest in the property claim or related assets (including any equity investment or a joint venture). According to the Agreement, the Company has agreed to pay 100% of the initial exploration expenses and contribute a minimum of $15 million USD for the project within a two year period.

The principal amount of the advances is summarized below:

	June 30 2010	December 31 2009
Cumulative advances	**$ 2,716,906**	$ 2,390,314

During 2010, the Company has advanced $326,592 to the Borrower. Due to the uncertainty of the collection, the Company recognized impairment in the full amount of the advances during the period and has not accrued any interest.

5. Accounts Payable and Accrued Liabilities

The Company has various liabilities with vendors which are currently under dispute. As at June 30, 2010 there have been no actions taken by the vendors nor the Company in an attempt to settle the outstanding invoices.

Liabilities under dispute consist of the following:

	June 30 2010	December 31 2009
Accounts payable & accrued liabilities	**$ 297,768**	$ 297,768

The above payables and accrued liabilities under dispute consist of the payables to Collin Winter, Panell and Baker Donelson for $122,187, $148,959 and $26,622 respectively. The Collin Winters and Pandell disputes resulted over the amount of billing by Collin Winter as Corporate Secretary and Pandell as the Accountant. Collin Winters has pursued the payables in arbitration in 2008, however, no further action has been taken since. There have been no discussions nor litigations between Pandell and Wedge over the outstanding payables. The Baker Donelson dispute resulted over billings for work which was done in excess of that mandated by the Company, Baker Donelson has not pursued the outstanding payables through litigation. Management believes that these disputes described above, will ultimately be resolved in the Company's favor. The full amounts of the payables under dispute have been accrued in these financial statements.
The Company continues to await the outcome of negotiation of a settlement before it is in a better position to evaluate the amount of the liability to be paid by the Company.

6. Flow-through Related Tax and Obligations

The Company did not incur $494,172 and $135,000 of qualifying expenditures pursuant to flow-through shares issued in 2007 and 2008 respectively. According to the subscription agreements, the Company is required to pay any resulting tax, interest, and penalties on behalf of the investor if the flow-through commitments are not met. In March 2010, the Company received waivers from all the investors to accept a total of 1,080,000 shares for the renouncement shortfall of flow-through expenditures. Potential tax penalties and interest of $121,597 have been accrued in these financial statements with respect to this flow-through issue based the Canada Revenue Agency notice of assessment for 2007 as well as management's estimates for 2008. Management estimates are based on a penalty of 1% per month. Interest on the Part XII.6 taxes have been accrued at the bank of Canada prescribed interest rate for the month. Subsequent to the end of the quarter the Company had paid the assess Part XII.6 taxes and associated interest for 2007 flow through obligations.

The Company's flow-through related liabilities and obligations are summarized as follows:

	June 30 2010	December 31 2009
Part XII.6 tax – 2007 renouncement shortfall	**$ 93,697**	$ 90,709
Part XII.6 tax – 2008 renouncement shortfall	**27,900**	27,900
Total Part XII.6 tax	**121,597**	118,609
Estimated 2007 investor obligations	**-**	254,824
Estimated 2008 investor obligations	**-**	62,100
Total estimated investor obligations	**-**	316,924
Total flow-through related obligations	**$ 121,597**	$ 435,533

7. Convertible Debt

In October 2009, the Company issued $270,000 of convertible notes which matured on October 9, 2010 ("the October 2009 Notes"). The October 2009 Notes were convertible into 5,400,000 common shares at a conversion price of $0.05 per share. The Company also issued to the investors 5,400,000 warrants entitling the holders thereof to purchase up to 5,400,000 common shares until October 9, 2011 at an exercise price of $0.05. Interest on the principal amount of the October 2009 Notes was 10% per annum (not compounded) payable quarterly in advance, which the Company had the right to effectuate the interest payment in common shares.

In January 2010, the Company issued $770,000 of convertible notes, which mature on January 26, 2011 (the "January 2010 Notes"). The January 2010 Notes are convertible into 77,000,000 common shares at a conversion price of $0.01 per share. The Company also issued to the investors 33,900,000 warrants entitling the holders thereof to purchase up to 33,900,000 common shares until January 26, 2012 at an exercise price of $0.02. Interest on the principal amount of the January 2010 Notes is 10% per annum (not compounded) payable

quarterly in advance, which the Company has the right to effectuate the interest payment in common shares. Of the total proceeds of $770,000, $270,000 will be used to repurchase the October 2009 Notes as condition of issuance of January 2010 Notes. In addition, all the investors waived the 5,400,000 warrants from the October 2009 Notes and participated in the January 2010 Notes issuance. In the first six months of 2010 the Company issued 4,228,898 common shares to the holders of the above mentioned convertible notes as payment for interest in accordance with the terms of the Notes (refer to note 8). In April and May 2010, the holders of the Notes exercised 3,350,000 warrants (refer to note 8).

The following summarizes the Company's convertible debt:

	June 30 2010	December 31 2009
Issuance of convertible debt (principal)	**$ 770,000**	$ 270,000
Allocation to equity component - convertible debt	**(41,900)**	(14,700)
Difference in carrying value of October 2009 Notes	**3,675**	-
Allocation to debt value of convertible debt	**731,775**	255,300
Accretion	**19,113**	3,675
Liability component - convertible debt	**$ 750,888**	$ 258,975

8. Share Capital

The following table shows the transactions in the share capital as at June 30, 2010:

Authorized

Unlimited number of common shares without nominal or par value.

Unlimited number of preferred shares in one or more series, none of which have been issued.

Common shares issued	Number	Amount
Balance, December 31, 2008	**22,209,230**	**$ 8,023,706**
Private placement (i)	2,400,000	112,800
Private placement (ii)	1,150,000	24,035
Private placement (iii)	1,000,000	21,800
Issued to creditors (iv)	651,798	181,271
Issued for interest payment on convertible debt (v)	135,000	6,750
Tax effect of flow-through share renouncement (vi)	**-**	**-**
Balance, December 31, 2009	**27,546,028**	**$ 8,307,362**
Issued for interest payment on convertible debt (vii)	992,647	6,750
Issued for interest payment on convertible debt (viii)	2,755,000	13,525
Issued as settlement for flow-through short fall (ix)	1,080,000	-
Issued for interest payment on convertible debt (x)	481,251	19,250
Warrants exercised (xi)	3,350,000	67,000
Balance, June 30, 2010	**36,204,926**	**$ 8,476,887**

2009 share capital transactions:

i) In April 2009, the Company completed a private placement of 2,400,000 non-brokered units at $0.05 per unit. Each unit comprised of one common share and one common share warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.10 until May 1, 2012. The proceeds

of $120,000 had $112,800 allocated to common shares and $7,200 allocated to the warrants, which was based on the Black-Scholes pricing model with the assumptions of risk-free interest rate of 3.18% and a volatility of 118%. Of the issuance, $70,000 was made of amounts owing to the CEO of the Company that was converted into units at the $0.05 issue price.

ii) In June 2009, the Company completed a private placement of 1,150,000 non-brokered units at $0.05 per unit. Each unit comprised of one common share and one common share warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.10 until May 1, 2012. The proceeds of $57,500 had $24,035 allocated to common shares and $33,465 allocated to the warrants, which was based on the Black-Scholes pricing model with the assumptions of risk-free interest rate of 3.18% and a volatility of 118%.

iii) In August 2009, the Company completed a private placement of 1,000,000 non-brokered units at $0.05 per unit. Each unit comprised of one common share and one common share warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.10 until May 1, 2012. The proceeds of $50,000 had $21,800 allocated to common shares and $28,200 allocated to the warrants, which was based on the Black-Scholes pricing model with the assumptions of risk-free interest rate of 3.18% and a volatility of 118%.

iv) In December 2009, the Company issued 651,798 shares in settlement of $181,271 to certain creditors. The common shares were issued by the Company with an effective price per share of $0.28 per share.

v) In October 2009, the Company issued 135,000 shares to cover the $6,750 interest payment interest payment related to the October 2009 Notes (as described in note 6). The common shares were issued by the Company with an effective price per share of $0.05 per share.

vi) In 2009, the Company did not renounce the $135,000 of required flow-through expenditures, the tax effect of $37,800 was charged to future income tax expense.

2010 share capital transactions:

vii) In January 2010, the Company issued 992,647 shares to cover the $6,750 interest payment related to the October 2009 Notes (as described in note 6). The common shares were issued by the Company with an effective price per share of $0.0068 per share.

viii) In January 2010, the Company issued 2,755,000 shares to cover the $13,775 interest payment related to the January 2010 Notes (as described in note 6). The common shares were issued by the Company with an effective price per share of $0.005 per share.

ix) In March 2010, the Company issued 1,080,000 shares to certain investors in relation to the renouncement shortfalls from flow-through issuances in 2007 and 2008 (as described in note 5). The common shares were issued by the Company with an effective price per share of $0.05 per share.

x) In April 2010, the Company issued 481,251 shares to cover the $19,250 interest payment related to the January 2010 Notes (as described in note 6). The common shares were issued by the Company with an effective price per share of $0.04 per share.

xi) In April and May 2010, the Company issued 3,350,000 shares upon the exercise of warrants for total proceeds of $67,000. The common shares were issued by the Company with an effective price per share of $0.02 per share.

Shares held in escrow

As of June 30, 2010, the number of common shares that are held in escrow is 1,162,500 (December 31, 2009 - 1,743,750). These shares will be released from escrow in equal installments of 581,250 on September 1, 2010 and March 1, 2011.

9. Contributed surplus

Amounts recorded in contributed surplus in shareholders' equity relate primarily to the fair value of stock options, and compensation options. Activity with respect to contributed surplus is summarized as follows:

	June 30 2010	December 31 2009
Balance, beginning of period	**$ 436,138**	$ 394,448
Stock-based compensation	**11,680**	41,690
Balance, end of period	**$ 447,818**	$ 436,138

10. Warrants

As at June 30, 2010, the Company had a total of 38,085,000 (December 31, 2009 – 15,935,000 common share warrants outstanding. Warrant activity is summarized as follows:

Common shares issued:	Number
Balance, December 31, 2008	**7,278,750**
Warrants issued during 2009 year:	
April 2009 with share units issued	2,400,000
June 2009 with share units issued	1,150,000
August 2009 with share units issued	1,000,000
October 2009 with convertible debt	5,400,000
	9,950,000
Warrants expired during 2009	(1,293,750)
Balance, December 31, 2009	**15,935,000**
Warrants issued during 2010:	
January 2010 with convertible debt	33,900,000
Warrants waived during 2010:	
October 2007 warrants	(1,000,000)
June 2009 warrants	(1,000,000)
August 2009 warrants	(1,000,000)
October 2009 warrants	(5,400,000)
	25,500,000
Warrants exercised during 2010	3,350,000
Balance, June 30, 2010	**38,085,000**

As of June 30, 2010, the details of warrants outstanding are as follows:

	Exercise Price	Expiry	Number
September 2007 warrants	$ 0.35	1-Sep-11	300,000
October 2007 warrants	$ 0.35	1-Sep-11	3,060,000
December 2007 warrants	$ 0.35	15-Nov-11	825,000
July 2008 warrants	$ 0.15	15-Jul-10	550,000
August 2008 warrants	$ 0.15	15-Jul-10	250,000
April 2009 warrants	$ 0.10	1-May-12	2,400,000
June 2009 warrants	$ 0.10	1-May-12	150,000
January 2010 warrants	$ 0.02	26-Jan-12	30,550,000
Total warrants			**38,085,000**

Weighted average exercise price of warrants	$ 0.13
Weighted average life of the warrants (years)	1.5

11. Stock options

Under the terms of the Company's stock option plan (the "Plan") all options are granted with an exercise price equal to the market price on the day immediately preceding the date of grant less the maximum applicable discount allowed, with the minimum of $0.10 exercise price. The term of options is determined by the Board of Directors and is typically three or five years with a maximum term of 5 years. Options issued to consultants who perform investor relations activities will be subject to a vesting schedule whereby no more than 35% of the options granted may vest in any three month period. The maximum number of options authorized for issue shall be 10% of the outstanding shares in issue at the date of the option grant. Stock option activity is as follows:

The following reconciles Company's stock options:

	June 30 2010	December 31 2009
Balance, beginning of period	**2,450,000**	2,000,000
Stock options issued	**400,000**	1,100,000
Stock options expired	**-**	(650,000)
Balance, end of period	**2,850,000**	2,450,000

Stock-based compensation

During the period ended June 30, 2010, the Company recognized a total of $11,680 (June 30, 2009 - $7,580) relating to stock-based compensation for stock options. This amount is recorded as contributed surplus in shareholders' equity and is recorded as an expense or as deferred exploration expenditures. During the period ended June 30, 2010, $11,160 (June 30, 2009 - $7,580) was recorded as expense and $ NIL (June 30, 2009 - $ NIL) was recorded as deferred exploration expenditures.

2010

In March 2010, the Company issued 400,000 options to officers and employees. The value to the stock-based compensation was $11,680, which was based on the Black-Scholes pricing model with the assumptions of risk-free interest rate of 3.0%, volatility of 118%, and expected life of 5 years.

2009

In January 2009, the Company issued 200,000 options to officers and employees. The value to the stock-based compensation was $7,580, which was based on the Black-Scholes pricing model with the assumptions of risk-free interest rate of 3.0%, volatility of 118% and expected life of 5 years.

In August 2009, the Company issued 900,000 options to officers and employees. The value to the stock-based compensation was $34,110, which was based on the Black-Scholes pricing model with the assumptions of risk-free interest rate of 3.0%, volatility of 118%, and expected life of 5 years.

Shareholders of the Company have approved a rolling number of common shares equal to 10% of the issued number of outstanding shares available for grant of options of 3,620,493.

As of June 30, 2010, the details of stock options outstanding are as follows:

	Exercise Price	Expiry	Years	Number
April 2008 stock options	$ 0.50	15-Mar-13	2.7	750,000
July 2008 stock options	$ 0.25	29-Jul-13	3.1	600,000
January 2009 stock options	$ 0.10	30-Jan-14	3.6	200,000
August 2009 stock options	$ 0.10	31-Aug-14	4.2	900,000
March 2010 stock options	$ 0.10	28-Feb-15	4.7	400,000
Total stock options				**2,850,000**

Weighted average exercise price of stock options	$ 0.24
Weighted average life of the stock options (years)	3.6

12. Future Income Taxes

The Company has non-capital losses for income tax purposes of approximately $ 6.6 million. The Company has claimed a valuation allowance due to uncertainty of realizing any potential assets related to future income tax.

The schedule of tax losses is as follows**:**

Tax Year - Loss incurred	Loss life (years)	Year of expiry	Non-capital losses
2005	10	2015	$ 886,801
2006	20	2026	45,489
2007	20	2027	1,257,261
2008	20	2028	3,077,245
2009	20	2029	1,032,234
2010 (As of June 30)	20	2030	343,217
			$ 6,642,247

13. Changes in Non-cash Working Capital

The following table reconciles the changes in non-cash working capital:

	Q2 2010	Q2 2009	**6Month-YTD 2010**	6Month-YTD 2009
Accounts receivable	**$ 9,086**	$ (156)	**$ (3,653)**	$ 23,480
Prepaid expenses	**18,955**	6,312	**(26,350)**	12,498
Accounts payable & accrued liabilities	**156,977**	(29,503)	**19,709**	(42,852)
	$ 185,018	$ (23,347)	**$ (10,294)**	$ (6,874)

14. Per share amounts

Per share calculations are based on the weighted average number of common shares outstanding during three and six month periods ended June 30, 2010 of 34,763,836 and 33,085,539, respectively. Fully diluted weighted average number of shares during the three and six month period ended June 30, 2010 are 142,313,836 and 140,635,539 respectively. Anti-dilutive securities have been excluded from the fully diluted share calculation.

15. Related party transactions

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties.

As of June 30, 2010, $149,000 (December 31, 2009 - $149,000) was included in the accounts payable & accrued liabilities balance related to historical amounts from 2008 for accounting, administrative fees and software solutions by a corporation of which a previous director of the Company was an officer.

The Company shares office space with Diamond International Exploration Inc. and Galahad Metals Inc., of which the Company's CEO is an officer and director of both these entities. Wedge has signed an agreement in which all shared costs are evenly allocated between the parties. As of June 30, 2010 the Company has a receivable from Galahad Metals Inc. of $211 (December 31, 2009 - payable of $2,138) and a payable to Diamond International Exploration Inc. of $6,251 (December 31, 2009 - nil).

Firebird Global Master Fund, Ltd. and Firebird Global Master Fund II, Ltd. (together as "Firebird") are related parties based on their joint ownership of over 10% of the Company's common shares. In the October 2009 Notes issuance, Firebird invested $200,000 of the total $270,000 principal and received the related interest payment in the form of shares in October 2009 and January 2010. In the January 2010 Notes issuance, Firebird invested $450,000 of the total $770,000 principal and received the related interest payment in the form of shares in January 2010. As described in note 6, the proceeds of the January 2010 Convertible Notes were used to repurchase all of the October 2009 Notes. The interest on the January 2010 Notes was paid in shares and on quarterly basis. Subsequent to the end of the quarter Firebird Global Master Fund, Ltd purchased in aggregate $400,000 of additional convertible notes of the Company (refer to note 19). The interest on the convertible notes are payable in cash or common shares of the Company at the Company's option based on the weighted average price of the on the maturity date of the convertible note. The Notes are convertible at the option of the holder at any time based on a conversion price of conversion price of $0.05 per common share. The Note matures on Nov 30, 2011.

These transactions have taken place at the exchange amount which is the amount agreed to by the parties.

16. Capital management

The Company's objectives when managing capital are:

- To safeguard its ability to continue as a going concern.
- To maintain appropriate cash on hand to meet ongoing operating costs.

- To invest cash on hand in liquid and highly rated financial instruments.

The Company has been funded by the following forms of capital:

	June 30 2010	December 31 2009
Share capital	**$ 8,476,887**	$ 8,370,362
Convertible debt (total principal)	**770,000**	270,000
	$ 9,246,887	$ 8,640,362

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company uses forecasted cash flows for budgeting purposes as well as corporate capitalization schedules.

The Company currently has no significant revenues; as such the Company is dependent upon external financing to fund its activities. In order to carry future projects and pay for administrative costs, the Company will raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company is reasonable.

The Company may make adjustments to its capital structure based on the funds available, strategic objectives, and potential business opportunities. To manage its capital, the Company may update its spending programs, operating expenditure plans, issue new common shares, or obtain debt financing.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. There were no changes in the Company's approach to capital management for the six month period ended June 30, 2010. The Company is not subject to externally imposed capital requirements.

17. Financial instruments

The Company’s financial instruments are cash, accounts receivable, notes receivable, accounts payable & accrued liabilities, and convertible debt. The amounts reflected in the balance sheet are carrying amounts and approximate their fair values due to the short-term nature and negligible credit losses. The Company’s fair values of assets and liabilities are considered to be classified as Level 1 since their values are determined by reference to quoted prices in active markets for identical assets and liabilities. These financial instruments are classified as follows:

- Cash – held for trading
- Accounts receivable – loans and advances
- Notes receivable – loans and advances
- Accounts payable & accrued liabilities – other financial liability
- Convertible debt – other financial liability

Certain risks that the Company is exposed to in normal course of operations are described as follows:

a) Credit risk
Credit risk arises due to the potential for one party to a financial instrument to fail to discharge it obligations and cause the other party to suffer a loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, marketable securities and receivables. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts. The Company holds its cash and cash equivalents and marketable securities with financial institutions that are believed to be creditworthy.

Concentration of credit risk exists with respect to the Company’s cash and cash equivalents as all amounts are held at a single major Canadian financial institution. The Company’s concentration of credit risk and maximum exposure thereto is as follows: Bank accounts 2010, $ 4,472 (December 31, 2009 - $ 37,585).

b) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company does not use derivative instruments or hedges to manage risks as the interest rate risk is low.

c) Foreign currency risk
Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting. The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company as at June 30, 2010 has payables in the amount of $48,678 payable in United States Dollars.

d) Liquidity risk
Liquidity risk arises when adequate funds cannot be raised to settle liabilities and commitments when they become payable. The Company manages its liquidity by maintaining adequate cash and cash equivalents and marketable securities to meet anticipated cash needs. The Company maintains sufficient cash and cash equivalents at June 30, 2010 in the amount of $4,472 and amounts receivable of $7,658 in order to meet short-term liabilities. At June 30, 2010, the Company had accounts payable and accrued liabilities of $554,799, which will be paid in fiscal 2010. The Company will require significant cash requirements to meet its administrative overhead costs and flow through obligations and maintain its mineral interests in 2010. This will require the Company to obtain additional financing in 2010 to continue exploration work on the mineral properties. The liquidity risk is reduced since the interest on the convertible debt can be paid in the form of shares (as described in note 6). The Company prepares expenditure budgets, which are regularly monitored and updated as considered necessary.

e) Commodity and Market risk
Market risk is the risk of loss that arises from unfavorable changes in the quoted market price of market-traded financial instruments. The Company's marketable securities are subject to market risk. Commodity price risk is defined as the potential adverse impact on economic value due to commodity price movements and volatilities.

f) Fair values of financial assets and liabilities
Financial instruments consist of cash, accounts receivable, notes receivable, accounts payable & accrued liabilities, and convertible debt. At June 30, 2010, there are no significant differences between the carrying amounts reported on the balance sheet and their estimated fair values.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one year period:

• Cash and cash equivalents. If interest rates were to change by 1%, the increase or decrease in the net loss would not be significant to the Company’s results.

• The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

• Price risk is remote since the Company is not a producing entity.

18. Commitments and contingencies

The Company did not incur $494,172 and $135,000 of qualifying expenditures pursuant to flow-through shares issued in 2007 and 2008 respectively. According to the subscription agreements, the Company is required to pay any resulting tax, interest, and penalties on behalf of the investor if the flow-through commitments are not met. In March 2010, the Company received waivers from all the investors to accept a total of 1,080,000 shares for the renouncement shortfall of flow-through expenditures. Any potential tax penalties and interest have been accrued with respect to this flow-through issue based on management’s estimates.

The Company's operations are governed by governmental laws and regulations regarding environmental protection. Environmental con-sequences are hardly identifiable, in term of level, impact or deadline. At the present time and to the best knowledge of its management, the Company is in conformity with the laws and regulations in effect. Restoration costs will be accrued in the financial statements only when they will be reasonably estimated and will be charged to the earnings at the time.

19. Subsequent events

On July 12, 2010, the Company announced that it had sign a non-binding letter of intent with a private oil and gas exploration company ("Targetco") for a proposed business combination whereby the Company would acquire all of the issued and outstanding Targetco common shares in exchange for the company's common shares. In addition, the Company announced that Mr. Robin Dow had resigned as the Chief Executive Officer, Chairman and as a director of the Company. The Company has reached an agreement with Mr. Dow to pay $22,600 (including applicable taxes) of the $103,750 as a settlement of outstanding management fees on termination of his employment contract.

On July 20, 2010 the Company announced that it has entered into an updated non-binding letter of intent (the "Letter of Intent") for the proposed business combination transaction originally disclosed in WEG's press release of July 12, 2010. The Letter of Intent extends the date for completion of due diligence by the parties to the Letter of Intent to August 6, 2010, and the date for execution of a definitive agreement to August 21, 2010.

On July 30, 2010, the Company announced that has signed two convertible notes with its major investors wherein the investors have agreed to purchase a convertible notes in the principal aggregate amount of $400,000 ("the Notes"). The Notes is convertible into an aggregate of 8,000,000 common shares of the Company ("Common Shares") at a price of $0.05 per Common Share. Interest on the principal amount shall be at 10% per annum. The interest on the convertible notes are payable in cash or common shares of the Company at the Company's option based on the weighted average price of the on the maturity date of the convertible note. The Notes are convertible at the option of the holder at any time based on a conversion price of conversion price of $0.05 per common share. The Note matures on Nov 30, 2011.

On July 30, 2010 the Company issued announced that it had issued 1,013,159 shares for interest due on the Convertible Notes issued to 15 investors on January 27, 2010.

On August 3, 2010 the Company made payments of approximately $235,000 to creditors, in an effort to reduce debt and improve the Company's working capital. Included in these payments was a payment of $90,342 to the Canada Revenue Agency for penalties and interest on failure to incur qualifying expenditures pursuant to flow-through shares issued in 2007 and 2008. As at August 3, 2010 the Company has paid the Part XII.6 taxes and interest relating to the 2007 flow through funds, however, the Canada Revenue Agency has yet to provide the Company with a notice of assessment relating to the 2008 flow through funds. The Company has accrued $30,000 relating to the 2008 flow through funds in these financial statements.

20. Comparative figures

Prior period figures have been reclassified to conform to the current presentation.