BERKLEY RESOURCES INC.

FINANCIAL STATEMENTS

Three Months Ended March 31, 2010
(unaudited)

NOTICE TO READERS: Under National Instrument 51-102, Park 4.3 (3)(a), if an auditor has not performed a review of the financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors of the Company and have not been reviewed by the Company's independent auditor.

BERKLEY RESOURCES INC.
BALANCE SHEETS
(unaudited)

		March 31, 2010		December 31, 2009
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**885,668**	$	839,811
Accounts receivable		**115,867**		117,895
Share subscriptions receivable		**-**		191,000
Taxes recoverable		**13,711**		12,120
Prepaid expenses		**70,227**		65,227
		1,085,473		1,226,053
Oil and gas property and equipment (Note 4)		**3,789,638**		3,903,544
Other property and equipment (Note 5)		**6,026**		1,207
		3,795,664		3,904,751
	$	**4,881,137**	$	5,130,804
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**257,077**	$	220,776
Due to related parties (Note 10a)		**21,130**		152,308
		278,207		373,084
Asset retirement obligation (Note 6)		**144,838**		144,038
		423,045		517,922
SHAREHOLDERS' EQUITY				
Share Capital (Note 7)		**13,272,763**		13,219,091
Contributed Surplus (Note 8)		**1,733,013**		1,733,013
Deficit		**(10,547,683)**		(10,339,222)
		4,458,092		4,612,882
	$	**4,881,137**	$	5,130,804

Going concern (Note 1)
Subsequent events (Note 14)

Approved by the Directors:

"Matt Wayrynen" Director *"Tyrone Docherty"* Director

The accompanying notes form an integral part of these financial statements.

BERKLEY RESOURCES INC.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(unaudited)

		March 31, 2010		March 31, 2009
OIL AND GAS REVENUE				
Petroleum and natural gas sales	$	105,499	$	135,733
Royalty expense		(23,054)		(28,669)
Net oil and gas revenue		82,445		107,064
Oil and gas production expenses				
Operating costs		59,776		86,323
Amortization, depletion and accretion		126,290		121,627
		186,066		207,950
NET OIL AND GAS INCOME (LOSS)		(103,621)		(100,886)
GENERAL AND ADMINISTRATIVE EXPENSES				
Administrative, office services and premises		19,573		33,965
Management fees		56,000		33,000
Consulting fees		16,862		13,380
Professional fees		2,812		12,558
Filing and transfer agent fees		7,326		7,514
Shareholder information		2,063		1,325
Amortization		204		78
		(104,840)		(101,820)
OTHER INCOME (EXPENSES)				
Interest expense		-		-
Interest and other income		-		236
		-		236
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	$	(208,461)	$	(202,942)
BASIC AND DILUTED NET LOSS PER SHARE	$	(0.01)	$	(0.03)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		28,131,819		22,484,668

The accompanying notes form an integral part of these financial statements.

BERKLEY RESOURCES INC.
STATEMENTS OF DEFICIT
(unaudited)

	Three months ended March 31,	
	2010	2009
DEFICIT, beginning of year	**$ (10,339,222)**	$ (9,422,222)
Net loss and comprehensive loss for the period	**(208,461)**	(202,942)
DEFICIT, end of year	**$ (10,547,683)**	$ (9,625,164)

The accompanying notes form an integral part of these financial statements.

BERKLEY RESOURCES INC.
STATEMENTS OF CASH FLOWS
(unaudited)

		Three months ended March 31,		
		2010		2009
CASH PROVIDED BY (USED IN) FROM CONTINUING OPERATIONS				
OPERATING ACTIVITIES				
Net loss and comprehensive loss for the period	**$**	**(208,461)**	$	(202,942)
Items not requiring cash in the period				
Amortization, depletion and accretion		**126,494**		121,705
		(81,967)		(81,237)
Change in non-cash working capital (Note 9)		**(99,531)**		(1,166,248)
		(181,528)		(1,247,485)
INVESTING ACTIVITIES				
Proceeds on disposition of oil and gas property		**43,334**		-
Oil and gas property		**(55,597)**		
Purchase of fixed assets		**(5,024)**		-
Change in non-cash working capital (Note 9)		**191,000**		1,209,166
		173,713		1,209,166
FINANCING ACTIVITIES				
Issuance of shares for settlement of debt		**53,672**		-
		53,672		-
Increase in cash and cash equivalents		**45,857**		-
Cash and cash equivalents, beginning of period		**839,811**		86,453
Cash and cash equivalents, end of period	**$**	**885,668**	$	48,134
Cash and cash equivalents is comprised of:				
Cash		**780,668**		48,134
Cash held in trust		**105,000**		-
	$	**885,668**	$	48,134

The accompanying notes form an integral part of these financial statements.

1. Nature of Operations and Going Concern

Berkley Resources Inc. (the "Company" or "Berkley") was created on the amalgamation of Fortune Island Mines Ltd., Kerry Mining Ltd. and Berkley Resources Ltd. under the Company Act (British Columbia) on July 18, 1986. The Company is in the business of acquisition, exploration, development and production from petroleum and natural gas interests in Alberta and Saskatchewan, Canada.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that Berkley will continue in operation for the foreseeable future in regards to its oil and gas operations and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Adverse conditions and events cast substantial doubt upon the validity of this assumption. The Company has incurred significant operating losses over the past several fiscal years. As at March 31, 2010, the Company had working capital of $787,266 (2009 – working capital deficit of $82,309) and accumulated deficit of $10,547,683 (2009 - $9,625,164).

The Company's ability to continue as a going concern is dependent upon its ability to raise additional capital through the issuance of treasury shares or debt and achieve profitable operations in the future. The management of the Company has developed a strategy to address this uncertainty, including additional equity and/or debt financing; however, there are no assurances that any such financing can be obtained on favourable terms, if at all.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, reported revenues and expenses, and the balance sheet classifications used.

2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (``GAAP``). Significant accounting policies are summarized below:

a) Basis of presentation

The accompanying financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles.

b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and cash held in trust.

c) Revenue recognition

Revenue from the sale of crude oil, natural gas and liquids is recognized when title passes to the third party purchaser, delivery has taken place and collection is reasonably assured. The Company assesses third party purchaser credit worthiness, both before entering into contracts and throughout the revenue recognition process.

d) Oil and gas property and equipment

Berkley follows the full cost method of accounting for oil and gas property and equipment whereby all costs of acquiring, exploring for and developing oil and gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells, costs of production equipment and overhead charges relating to acquisition, exploration and development activities. The Company does not capitalize interest or administrative expenses.

2. Significant Accounting Policies - *Continued*

d) Oil and gas property and equipment - *continued*

Capitalized costs of proven reserves and oilfield equipment are depleted using a unit of production method based upon estimated proven reserves before royalties. For purposes of this calculation, reserves are converted to common units on the basis that six thousand cubic feet of natural gas is equivalent to one barrel of oil.

Costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

Unless a significant amount of reserves are involved, proceeds received from the disposition of oil and gas properties are credited to the relevant cost centre unless this results in a change of 20% or more in the depletion rate. In the event of a significant sale of reserves, a proportionate amount of cost and accumulated depletion, based upon the ratio of reserves sold to total reserves, is removed from the appropriate cost centre and the resultant profit or loss taken into earnings.

The Company performs a ceiling test in a two-stage test performed at least annually:

i) Impairment is recognized if the carrying value of the oil and gas assets less accumulated depletion and amortization and the lesser of cost and fair value of unproven properties exceeds the estimated future cash flows from proved oil and gas reserves, on an undiscounted basis, using forecast prices and costs.

ii) If impairment is indicated by applying the calculations described in i) above, the Company will measure the amount of the impairment by comparing the carrying value of the oil and gas assets less accumulated depletion and amortization and the lesser of cost and fair value of unproven properties to the estimated future cash flows from the proved and probable oil and gas reserves, discounted at the Company's risk-free rate of interest, using forecast prices and costs. Any impairment is included in earnings for the year.

Substantially all of the Company's oil and gas interests are conducted jointly with others. The financial statements reflect only the Company's share of assets, liabilities, and operations.

e) Asset retirement obligation

The recognition of the fair value of obligations associated with the retirement of tangible long-lived assets are recorded in the period the asset is put to use, with the corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to asset retirement accretion which is included in amortization, depletion, and accretion expense. The costs capitalized to the related assets are amortized to earnings in a manner consistent with the depreciation and amortization of the underlying assets. Revisions to the estimated timing of cash flows or to the original estimated undiscounted costs could also result in an increase or decrease to the obligation. Actual costs incurred upon settlement of the retirement obligation are charged against the obligation to the extent of the liability recorded.

f) Other property and equipment

Other property and equipment consist of computer equipment and furniture, fixtures and equipment and are amortized at the following rates per annum by the declining balance method:

Computer equipment	30%
Furniture, fixtures and equipment	20%

2. Significant Accounting Policies - *Continued*

g) Financial instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, share subscriptions receivable, due to related parties, and accounts payable and accrued liabilities. Upon initial recognition, all financial instruments are recorded on the balance sheet at fair value. The carrying values of these financial instruments approximate their fair values. Subsequent measurement is then based on the financial instruments being classified into one of five categories: held for trading, held to maturity, loans and receivables, available for sale and other liabilities. The Company has designated its cash and cash equivalents as held for trading which is measured at fair value. Gains and losses related to periodic revaluation are recorded to net income or loss. Accounts receivable are classified as loans and receivables and are measured at amortized cost determined using the effective interest method. Accounts payable and accrued liabilities, due to related parties and the revolving line of credit are classified as other liabilities and are measured at amortized cost determined using the effective interest method.

h) 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 period. Actual results could differ from those estimates. The amounts recorded for depletion and depreciation of petroleum and natural gas properties, the provision for asset retirement obligations, valuation allowances for future income tax assets and stock-based compensation expense are based on estimates. The ceiling test is based on estimates of proven reserves, production rates, oil and gas prices and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates, in future periods, could be significant.

i) Stock-based compensation

Stock-based compensation expense is recorded for the estimated fair value of stock options granted. The estimated fair value of the options at the date of grant is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital. In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed. In the event that unvested options are cancelled, previously recognized compensation expense associated with such options is reversed.

j) Net loss per share

Basic net loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted net loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted net loss per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted net loss per share by application of the treasury stock method. This method assumes the proceeds from the exercise of dilutive options and warrants are used to purchase common shares at the weighted average market price during the period.

2. Significant Accounting Policies – *Continued*

k) Income taxes

The Company follows the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

l) Flow-through shares

Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors, future income tax liabilities are recognized thereby reducing share capital.

m) Recent accounting pronouncements:

The CICA issued Handbook Section 1582 *Business Combinations*, which replaces Section 1581. This new standard aligns accounting for business combinations under Canadian GAAP with IFRS and is effective for business combinations entered into on or after January 1, 2011. Early adoption is permitted. The new standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the acquisition date. This standard is not expected to have a material impact on the financial statements.

Handbook Section 1601 *Consolidated Financial Statements* and Handbook Section 1602 *Non-Controlling Interests*. These new sections will replace Handbook Section 1600 *Consolidated Financial Statements* and establish standards for the preparation of consolidated financial statements and accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination, and is effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Early adoption is permitted. This standard is not expected to have a material impact on the financial statements.

International Financial Reporting Standards ("IFRS")

The Accounting Standards Board (AcSB) has announced that Canadian publicly accountable enterprises will be required to adopt IFRS effective for periods beginning on or after January 1, 2011. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, there are significant differences in recognition, measurement, and disclosure. Berkley is undertaking a project to assess the potential impact of the transition to IFRS and is developing a plan to ensure compliance with the new standards.

The Company's initial phase of implementation will include a diagnostic analysis of its accounting data and a high-level assessment of key areas that may be impacted by the adoption of IFRS. This analysis will identify priority areas to be evaluated in the next phase, component evaluation. This phase will include an in-depth analysis of accounting policy alternatives available under IFRS as well as the determination of changes required to existing information systems and business processes. The Company continues to assess the impact of the conversion on internal controls over financial reporting and disclosure controls and procedures and will continue to invest in training and resources throughout the transition period.

3. Oil and Gas Property and Equipment

	March 31, 2010	December 31, 2009
Oil and gas property and equipment, cost	**$ 17,964,286**	$ 17,951,902
Less: Accumulated amortization, depletion and impairment	**(14,174,648)**	(14,048,358)
	$ 3,789,638	$ 3,903,544

At March 31, 2010, oil and gas property and equipment includes the cost of unproven properties of approximately $951,244 (2009 - $949,323), which are currently not subject to depletion.

During the quarter ended March 31, 2010, the Company disposed of certain non-core properties for proceeds of $43,334 (2008 – $62,018).

4. Other Property and Equipment

		Cost		Accumulated Amortization		**March 31, 2010**		December 31, 2009
Computer equipment	$	33,784	$	(28,852)	$	**4,932**	$	104
Furniture, fixtures and equipment		8,521		(7,426)		**1,095**		1,103
	$	42,305	$	(36,278)	$	**6,027**	$	1,207

5. Asset Retirement Obligation

The following table sets out the activity for the Company's asset retirement obligation:

		March 31, 2010		December 31, 2009
Asset retirement obligations, beginning of year	**$**	**198,656**	$	198,656
Accretion		**8,200**		8,200
Disposition of working interest		**(62,018)**		(62,018)
Effect of change in estimate		**-**		-
Asset retirement obligations, end of period	**$**	**144,838**	$	144,838

The Company estimates the total undiscounted amount of cash flows required to settle its asset retirement obligation is approximately $282,472 (2008 – $332,850) which will be incurred between 2010 and 2030. The majority of these obligations will be incurred between 2016 and 2018. The asset retirement obligation assumes a credit adjusted discount rate of 6% (2008 – 6%) and an inflation rate of 1.5% (2008 – 1.5%).

6. Share Capital

a) Authorized:

Unlimited common shares, without par value

Issued and fully paid:	**March 31, 2010** Number of Shares		**March 31, 2010** Amount	December 31, 2009 Number of Shares		December 31, 2009 Amount
Balance, beginning of year	**45,066,042**	$	**13,219,091**	23,696,042	$	12,683,811
Issued in the year for cash:						
Pursuant to private placements:						
- non-flow-through for cash	**-**		**-**	21,370,000		1,068,500
Share issuance costs	**-**		**-**	-		-
Shares for debt	**1,073,440**		**53,672**			
Fair value of private placement warrants	**-**		**-**	-		(533,220)
Balance, end of period	**46,139,482**	$	**13,272,763**	45,066,042	$	13,219,091

On February 1, 2010, the Company announced that it had arranged a debt settlement with certain of its creditors to restructure approximate $53,672 in outstanding debt through the issuance of up to 1,073,440 common shares of the Company. No warrants were issued in connection with the transaction.

b) Warrants

	March 31, 2010 Number of Shares Subject to Warrants	**March 31, 2010** Exercise price range	December 31, 2009 Number of Shares Subject to Warrants	December 31, 2009 Exercise price range
Outstanding, beginning of year	**21,370,000**	**$0.10**	2,119,999	$0.30/$1.00
Issued	**-**	**-**	21,370,000	$0.10
Expired	**-**	**-**	(2,119,999)	$0.30/$1.00
Outstanding, end of period	**21,370,000**	**$0.10**	21,370,000	$0.10

Exercise price Range	Expiry date	**March 31, 2010 Number of Warrants**	Dec. 31, 2009 Number of Warrants
$0.10	December 16, 2011	**21,370,000**	21,370,000
		21,370,000	21,370,000

6. Share Capital - *Continued*

c) Stock options

At the Company's AGM, the Company proposed a resolution to its shareholders to adopt a 2009 Stock Option Plan (the "Plan") which provides for the granting of options to acquire up to 10% of the Company issued and outstanding shares. The Plan provides for the granting of options to employees and service providers, with no single optionee to be granted options in excess of 5% of the number of issued shares of the Company. All options are to be granted at fair value and the term of the options granted is not to exceed five years. The shareholders of the Company did not approve the new Stock Option Plan and no new stock options were granted during the period, however; a total of 1,267,500 options had been granted and are outstanding at December 31, 2009 under the prior plan (2008 – 1,815,000). Options granted under the prior plan are fully vested at December 31, 2009 (2008 – 1,745,000).

	March 31, 2010		December 31, 2009	
	Number of shares subject to option	**Weighted average exercise price per option**	Number of shares subject to option	Weighted average exercise price per option
Balance outstanding, beginning of year	**1,267,500**	**$0.69**	1,815,000	$0.71
Activity in the year:				
Expired	**-**	**-**	(237,500)	$0.80
Cancelled	**-**	**-**	(310,000)	$0.74
Balance outstanding, end of period	**1,267,500**	**$0.69**	1,267,500	$0.69
Exercisable, end of period	**1,267,500**	**$0.69**	1,267,500	$0.69

A summary of stock options outstanding is as follows:

		Number of Shares Remaining Subject to Option at End of Period	
Exercise Price Per Share	**Expiry Date**	**March 31, 2010**	December 31, 2009
$0.90	December 23, 2010	**477,500**	477,500
$0.56	September 21, 2011	**440,000**	440,000
$0.55	July 4, 2012	**350,000**	350,000
		1,267,500	1,267,500

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

7. Related Party Transactions

a) Due to related parties consists of $6,000 (2008 - $12,500) due to Directors of the Company for Directors fees; and $15,130 (2008 - $7,109) to a private company owned by public companies having common Directors that provide administrative services, office supplies and accounting services.

b) Management and consulting fees totalling $52,500 were paid to Directors and their private companies in 2009 (2009 - $48,000); and rent expense totalling $3,000 (2009 - $3,000) was paid to a company whose management is related to a Director of the Company.

c) The Company takes part in a cost sharing arrangement to reimburse Oniva International Services Corporation ("Oniva"), a private company owned by public companies having common Directors, for a variable percentage of its overhead expenses, to reimburse 100% of its out-of-pocket expenses incurred on behalf of the Company, and to pay a percentage fee based on the total overhead and corporate expenses. The agreement may be terminated with one-month notice by either party.

   Administrative services, office supplies and accounting charges totalling $14,794 were paid to Oniva during the three months ended March 31, 2010 (2009 - $18,211).

The transactions were in the normal course of operations and agreed to by the related party and the Company and have had been measured at the exchange amount.

8. Risk Management

The carrying values of financial assets and liabilities approximate their fair value due to their short periods to maturity. The Company is not exposed to significant currency risk on its financial instruments.

The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are discussed below:

(a) Credit Risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Company considers this risk to be limited.

(b) Liquidity Risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements:
• The Company will not have sufficient funds to settle transactions on the due date;
• The Company will be forced to sell financial assets at a value which is less than what they are worth; or
• The Company may be unable to settle or recover a financial asset at all.

The Company considers this risk to be limited.

(c) Commodity Price Risk

Commodity price risk is the risk that the cash flows and operations of the Company will fluctuate as a result of changes in commodity prices. Significant changes in commodity prices can also impact the Company's ability to raise capital or obtain additional debt financing. Commodity prices for crude oil are impacted by world economic events that dictate the levels of supply and demand.

8. Risk Management - *Continued*

(c) Commodity Price Risk - *Continued*

The Company's financial performance is closely linked to crude oil and natural gas prices. While the Company may employ the use of financial instruments in the future to manage these price exposures, it currently does not have enough producing wells to hedge its production, and its crude oil and natural gas liquids are sold into spot markets.

9. Capital Disclosures

The Company defines its capital to include the following:

	As at	
	March 31, 2010	December 31, 2009
Cash and cash equivalents	**885,668**	839,811
Shareholders` equity	**4,458,092**	4,612,882

The Company's objective is to maintain access to sources of capital with which to finance its operations. The Company manages its capital structure and makes changes to it in light of changes in economic conditions and the risk characteristics of the underlying investments. The Company will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate in the specific circumstances. The Company is not subjected to any externally imposed capital requirements.

10. Supplemental Cash Flow Information

	March 31, 2010	December 31, 2008
Change in non-cash working capital items:		
Accounts receivable	**4254**	58,176
Share subscriptions receivable	**191,000**	(191,000)
Taxes recoverable	**(1,591)**	2,099
Prepaid expenses	**(5,000)**	(47,632)
Accounts payable and accrued liabilities	**(47,571)**	(1,194,191)
Due to related parties	**(49,623)**	62,699
Net change in non-cash working capital items	**91,469**	(1,309,849)
Amounts relating to operating activities	**(99,531)**	(233,962)
Amounts relating to investing activities	**191,000**	(1,075,887)

11. Comparative Numbers

Certain of the comparative numbers for the quarter ended March 31, 2009 have been reclassified to be consistent with the presentation in the current year.