

CENTURY ENERGY LTD.

**CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)**

FOR THE NINE MONTH PERIOD ENDED May 31, 2011

NOTICE OF NO AUDITOR REVIEW

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these consolidated financial statements in accordance with the established standards by the Canadian Institute of Chartered Accountants for a review of interim financial statements by the entity's auditors.

CENTURY ENERGY LTD.**CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT**

(Unaudited – Prepared by Management)

	Three Month Period Ended May 31, 2011	Three Month Period Ended May 31, 2010	Nine Month Period Ended May 31, 2011	Nine Month Period Ended May 31, 2010
REVENUE				
Oil and Gas revenue, net of royalties	\$ 22,986	\$ 19,410	\$ 73,559	\$ 94,354
Gain on sale of royalty interest	<u>(215)</u>	<u>-</u>	<u>7,962</u>	<u>-</u>
	<u>22,771</u>	<u>19,410</u>	<u>81,521</u>	<u>94,354</u>
DIRECT COSTS				
Depletion	12,777	387	24,577	1,990
Operating and production costs	<u>15,063</u>	<u>21,397</u>	<u>70,195</u>	<u>48,002</u>
	<u>27,840</u>	<u>21,784</u>	<u>94,772</u>	<u>49,992</u>
	<u>(5,069)</u>	<u>(2,374)</u>	<u>(13,251)</u>	<u>44,362</u>
EXPENSES				
Dry hole costs	-	-	-	1,274
Consulting fees	9,867	1,621	44,638	4,010
Geologic software	8,185	-	24,205	-
Foreign exchange (gain) loss	(1,036)	518	(973)	506
Management fees	7,500	7,500	22,500	22,500
Office and miscellaneous	1,543	2,495	5,589	7,490
Professional fees	19,245	27,951	51,719	94,062
Regulatory and transfer agent fees	7,329	2,314	14,749	16,089
Rent	2,222	1,535	9,815	4,714
Stock-based compensation	7,328	1,935	29,750	31,136
Indemnification costs (Note 4)	-	53,959	-	109,684
Travel and promotion	<u>7,386</u>	<u>3,643</u>	<u>13,396</u>	<u>7,755</u>
	<u>69,569</u>	<u>103,471</u>	<u>215,388</u>	<u>299,220</u>
NET INCOME BEFORE TAX	(74,638)	(105,845)	(228,639)	(254,858)
TAX EXPENSE	<u>-</u>	<u>-</u>	<u>22,446</u>	<u>-</u>
Loss and comprehensive loss for the period	(74,638)	(105,845)	(251,085)	(254,858)
Deficit, beginning of period	<u>(7,691,453)</u>	<u>(7,239,984)</u>	<u>(7,515,006)</u>	<u>(7,090,971)</u>
Deficit, end of period	\$ (7,766,091)	\$ (7,345,829)	\$ (7,766,091)	\$ (7,345,829)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	41,837,834	25,641,422	39,676,052	28,783,750

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

CENTURY ENERGY LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

	Three Month Period Ended May 31, 2011	Three Month Period Ended May 31, 2010	Nine Month Period Ended May 31, 2011	Nine Month Period Ended May 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (74,638)	\$ (105,845)	\$ (251,085)	\$ (254,858)
Items not involving cash:				
Stock-based compensation	7,328	1,935	29,750	31,136
Depletion	12,777	387	24,577	1,990
Indemnification costs	-	53,959	-	109,684
Changes in non-cash working capital items:				
(Increase) decrease in receivables	(40,474)	8,898	(22,221)	18,661
Increase (decrease) in accounts payable and accrued liabilities	<u>53,595</u>	<u>8,254</u>	<u>(105,961)</u>	<u>(28,880)</u>
Net cash used in operating activities	<u>(41,412)</u>	<u>(32,412)</u>	<u>(324,940)</u>	<u>(122,267)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of oil and gas interests	-	-	-	-
Oil and gas property expenditures	<u>13,554</u>	<u>-</u>	<u>131,578</u>	<u>(23,847)</u>
Net cash provided by investing activities	<u>13,554</u>	<u>-</u>	<u>131,578</u>	<u>(23,847)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of capital stock, net of finders' fees	<u>-</u>	<u>-</u>	<u>440,876</u>	<u>283,200</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>	<u>440,876</u>	<u>283,200</u>
Change in cash during the period	(54,966)	(32,412)	(15,642)	137,086
Cash, beginning of period	<u>155,788</u>	<u>173,146</u>	<u>116,464</u>	<u>3,648</u>
Cash, end of period	<u>\$ 100,822</u>	<u>\$ 140,734</u>	<u>\$ 100,822</u>	<u>140,734</u>

Supplemental disclosure with respect to cash flows (Note 5)

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

CENTURY ENERGY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
MAY 31, 2011

1. NATURE AND CONTINUANCE OF OPERATIONS

The principal business of Century Energy Ltd. (“the Company”) is the exploration and development of oil and gas properties. The recoverability of the amounts shown for oil and gas properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The current market conditions and volatility increase the uncertainty of the Company’s ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds.

	May 31, 2011	August 31, 2010
Deficit	\$ (7,766,091)	\$ (7,515,006)
Working capital (deficiency)	23,633	(88,907)

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments (consisting of normal and recurring accruals) considered necessary for fair presentation have been included. Operating results for the nine month period ending May 31, 2011 are not necessarily indicative of the results that may be expected for the year ended August 31, 2011.

The interim financial statements have been prepared by management in accordance with the accounting policies described in the Company’s annual financial statements for the year ended August 31, 2010. For further information, refer to the financial statements and footnotes thereto included for the year ended August 31, 2010.

CENTURY ENERGY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
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2. SIGNIFICANT ACCOUNTING POLICIES I(cont'd...)

Future accounting changes

Business combinations (Section 1582)

In January 2009, the CICA issued Section 1582 “Business Combinations” to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards. The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The Company does not expect the adoption of this section to have a significant effect on its financial statements.

Consolidated financial statements (Section 1601) and non-controlling interests (Section 1602)

The CICA concurrently issued Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests” which replace Section 1600 “Consolidated Financial Statements.” Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 “Business Combinations.” The Company does not expect the adoption of this section to have a significant effect on its financial statements.

International financial reporting standards (“IFRS”)

In 2006, the 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 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 is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of September 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended August 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. OIL & GAS PROPERTIES

The Company entered into agreements to acquire interests in various oil and gas properties as follows:

	May 31, 2011	August 31, 2010
Balance, beginning of period	\$ 76,915	\$ 174,444
Additions	131,578	4,227
Write down	-	(94,560)
Depletion during the period	<u>(24,577)</u>	<u>(11,111)</u>
Balance, end of period	<u>\$ 183,916</u>	<u>\$ 76,915</u>

As at May 31, 2011, oil and gas properties include \$118,024 (2010 - \$Nil) relating to unproved properties that have been excluded from the depletion calculation.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)

Stock options (cont'd...)

Number of Shares	Exercise Price	Expiry Date	Exercisable
985,427	\$ 0.20	July 23, 2012	985,427
386,000	0.20	June 12, 2013	386,000
153,000	0.10	September 30, 2013	153,000
1,575,000	0.10	September 24, 2015	524,996

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, August 31, 2009	2,393,903	\$ 0.16
Options granted	-	
Options expired	(869,476)	(0.10)
Balance, August 31, 2010	1,524,427	0.19
Options granted	1,575,000	0.10
Balance, May 31, 2011	3,099,427	\$ 0.14
Number of options currently exercisable	2,049,423	\$ 0.18

On September 24, 2010 the Company approved the issuance of 1,575,000 stock options to directors and officers, at an exercise price of \$0.10 per share with 1/6 vesting December 24, 2010 and a further 1/6 each three months thereafter. The Company recognizes stock-based compensation expense for all stock options granted using the fair value based method of accounting. The fair value of the options vested in the nine months ended May 31, 2011 is \$13,126 (2010 - \$31,136). The weighted average fair value of options granted in the period was \$39,375 (2010 - \$nil).

The following assumptions were used for the Black-Scholes valuation of stock options granted during the period:

	May 31, 2011	February 28, 2010
Risk-free interest rate	3.11%	-
Expected life of options	5 years	-
Annualized volatility	100.60%	-
Dividends	0.00%	-

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4. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)

Warrants

At May 31, 2011, the Company had outstanding share purchase warrants, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
11,000,000	0.10	April 28, 2012

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, August 31, 2009	2,983,822	\$ 0.18
Warrants issued	4,950,000	0.14
Warrants expired	(2,196,472)	(0.18)
Balance, August 31, 2010	5,737,350	\$ 0.14
Warrants issued	11,000,000	0.10
Warrants expired	5,737,350	0.14
Balance, May 31, 2011	11,000,000	0.11
Number of warrants currently exercisable	11,000,000	\$ 0.11

5. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Nine Month Period Ended May 31, 2011	Nine Month Period Ended May 31, 2010
Cash paid during the period for income taxes	\$ 22,446	\$ -
Cash paid during the period for interest	\$ -	\$ -

6. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and development of oil and gas properties. 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.

The properties in which the Company currently has an interest are in the early production stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended May 31, 2011. The Company is not subject to externally imposed capital requirements.

7. FINANCIAL INSTRUMENTS

The fair value of the Company's receivables, accounts payable and accrued liabilities, approximate carrying value, which is the amount recorded on the consolidated balance sheet. The Company's other financial instrument, cash, under the fair value hierarchy is based on level one quoted prices in active markets for identical assets or liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at May 31, 2011, the Company had a cash balance of \$100,822 (August 31, 2010 - \$116,464) which was available to settle current liabilities of \$131,925 (August 31, 2010 - \$237,886). The Company expects to fund these liabilities through the drawdown of cash resources and the issuance of capital stock over the coming year.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of May 31, 2011, the Company did not have any investment-grade short-term deposit certificates.

7. FINANCIAL INSTRUMENTS (cont'd...)

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in US Dollars (US).

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Sensitivity Analysis

The carrying amount of cash, receivables, and accounts payable and accrued liabilities, approximates their fair value due to their short term nature.

The Company operates in Canada but oil prices are denominated in US dollars and is therefore exposed to risk from changes in the U.S. dollar. A \$0.01 fluctuation in the U.S. dollar against the Canadian dollar would affect net loss for the period by approximately \$750.

8. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$22,500 (2010 - \$22,500) to a company controlled by a director.
- b) Paid or accrued consulting fees of \$31,500 (2010 - \$nil) to an officer and director.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

9. SEGMENTED INFORMATION

The Company operates in the oil and gas industry. All of the Company's properties are located in Canada.

10. SUBSEQUENT EVENT

On July 22, 2011 the Company closed the first tranche of a non-brokered private placement, whereby it issued 5,700,000 units at a price of \$0.05 for gross proceeds of \$285,000.00. Each unit consists of one common share of the Corporation and one share purchase warrant. Each warrant will entitle the holder to buy one common share at an exercise price of \$0.10 at any time until the close of business on the earlier of : (i) 18 months from the date of the issuance of the warrant; and (ii) the date, following the expiry of 4 months from the date of the issuance of the warrant, occurring 30 days from the date of notice from the Company that there has been a period of 10 consecutive trading days during which time the closing trading price of the common shares of the Company was \$0.15 or higher.

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The Corporation paid Canaccord Genuity Corp. a finder's fee in connection with this closing of \$25,650 in cash (representing 9% of the gross proceeds raised) and 513,000 finder's warrants (representing 9% of the Units issued) with an exercise price of \$0.10 and expiry date of January 22, 2013.

All shares and warrants issued and all shares issued in connection with the exercise of the warrants will be subject to a hold period expiring on November 23, 2011, in accordance with the policies of the TSX Venture Exchange and applicable securities laws.