

LONGFORD ENERGY INC.

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

For the three months ended March 31, 2011

LONGFORD ENERGY INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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 that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

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

Date: May 31, 2011



Darren Moulds
Chief Financial Officer

LONGFORD ENERGY INC.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(unaudited)*

	March 31, 2011	December 31, 2010	January 1, 2010
<i>(\$ Canadian)</i>			
ASSETS			
Current			
Cash and cash equivalents	\$ 667,455	\$ 865,699	\$ 5,414,640
Accounts receivable	543,985	824,529	947,849
Deposits and prepaid expenses	79,740	53,298	30,197
	1,291,180	1,743,526	6,392,686
Exploration and Evaluation (Note 5)	67,479,367	68,478,764	38,205,294
Property and equipment (Note 6)	204,076	216,138	64,366
	\$ 68,974,623	\$ 70,438,428	\$ 44,662,346
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 26,596,101	\$ 26,510,454	\$ 4,463,465
	26,596,101	26,510,454	4,463,465
Decommissioning obligations (Note 7)	-	48,806	87,914
	26,596,101	26,559,260	4,551,379
SHAREHOLDERS' EQUITY			
Common shares (Note 8)	45,699,304	45,639,883	39,051,211
Warrants (Note 8)	14,965,800	14,965,800	19,126,591
Contributed surplus (Note 8)	11,953,454	11,961,828	5,404,910
Accumulated other comprehensive loss	(3,641,645)	(2,510,065)	-
Deficit	(26,598,391)	(26,178,278)	(23,471,745)
	42,378,522	43,879,168	40,110,967
Going Concern and Basis of Presentation (Note 2)			
Commitments and Contingencies (Note 9)			
Subsequent Events (Note 16)			
	\$ 68,974,623	\$ 70,438,428	\$ 44,662,346

Approved on behalf of the board of directors

"Ahmed Said"

Ahmed Said

"Stan Bharti"

Stan Bharti

See accompanying selected notes to the consolidated financial statements.

LONGFORD ENERGY INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS *(unaudited)*

<i>(\$ Canadian)</i>	Three months ended March 31, 2011	Three months ended March 31, 2010
Other Income		
Interest and other income	\$ 156	\$ 28
	156	28
Expenses		
General and administrative (Note 11)	361,353	226,060
Foreign exchange loss	22,348	120,410
Stock-based compensation (Note 8)	19,797	16,681
Finance costs	3,015	184
Depreciation	13,756	6,683
	420,269	370,018
Net loss	(420,113)	(369,990)
Loss per share		
Basic and Diluted loss per share	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding		
Basic and Diluted (Note 12)	144,119,436	117,164,381
Net loss	(420,113)	(369,990)
Other comprehensive loss		
Foreign currency translation	(1,131,580)	(1,617,370)
Total net and comprehensive loss	\$ (1,551,693)	\$ (1,987,360)

See accompanying selected notes to the consolidated financial statements.

LONGFORD ENERGY INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY *(unaudited)*

<i>(\$ Canadian)</i>	Three months ended March 31, 2011	Three months ended March 31, 2010
Share Capital		
Balance, Beginning of period	\$ 45,639,883	\$ 39,051,211
Private placement - common shares	-	5,700,000
Fair value of warrants issued	-	(883,100)
Share issuance costs	-	(10,503)
Common shares issued under option plans	31,250	-
Compensation expense related to options exercised	28,171	-
Balance, End of period	\$ 45,699,304	\$ 43,857,608
Warrants		
Balance, Beginning of period	\$ 14,965,800	\$ 19,126,591
Private placement - warrants issued	-	883,100
Expired warrants	-	(716,491)
Balance, End of period	\$ 14,965,800	\$ 19,293,200
Contributed Surplus		
Balance, Beginning of period	\$ 11,961,828	\$ 5,404,910
Stock-based compensation	19,797	16,681
Expired warrants	-	716,491
Compensation expense related to options exercised	(28,171)	-
Balance, End of period	\$ 11,953,454	\$ 6,138,082
Deficit		
Balance, Beginning of period	\$ (26,178,278)	\$ (23,471,745)
Net deficit	(420,113)	(369,990)
Balance, End of period	\$ (26,598,391)	\$ (23,841,735)
Accumulated other comprehensive loss		
Balance, Beginning of period	\$ (2,510,065)	\$ -
Foreign currency translation adjustments	(1,131,580)	(1,617,370)
Balance, End of period	\$ (3,641,645)	\$ (1,617,370)

LONGFORD ENERGY INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

<i>(\$Canadian)</i>	Three months ended March 31, 2011	Three months ended March 31, 2010
Cash (used in) provided by:		
Operating activities:		
Net loss	\$ (420,113)	\$ (369,990)
Items not involving cash:		
Depreciation	13,756	6,683
Stock-based compensation (Note 8)	19,797	16,681
Unrealized foreign exchange loss	18,299	200,160
Settlement of decommissioning obligations and change in estimate (Note 7)	(48,806)	-
	(417,067)	(146,466)
Net change in non-cash working capital (Note 15)	271,862	(204,700)
	(145,205)	(351,166)
Financing activities:		
Private placement, net of issue costs	-	5,689,497
Exercise of stock options	31,250	-
	31,250	5,689,497
Investing activities:		
Acquisition of exploration and evaluation assets	(775,915)	(603,548)
Acquisition of property and equipment assets	(7,167)	(200,395)
Net change in non-cash working capital (Note 15)	713,566	183,305
	(69,516)	(620,638)
Decrease in cash	(183,471)	4,717,693
Net effect of foreign exchange on cash held in foreign currencies	(14,773)	(115,726)
Cash, beginning of period	865,699	5,414,640
Cash, end of period	\$ 667,455	\$ 10,016,607

Supplemental cash flow information:

Interest paid	-	-
Income taxes paid	-	-

See accompanying selected notes to the consolidated financial statements.

LONGFORD ENERGY INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

1) REPORTING ENTITY

Longford Energy Inc. (the "Company" or "Longford") is a publicly traded company incorporated in Toronto, Ontario domiciled in Canada with the registered office address of 65 Queen Street West, Suite 805, Toronto Ontario, M5H 2M5. Longford is an international oil and gas exploration company, primarily engaged in the business of exploring, developing and producing conventional and non-conventional oil and gas reserves. Through its subsidiaries, the Company's primary operations are related to its interest in a Production Sharing Contract ("PSC") with the Kurdistan Regional Government ("KRG") in respect of an exploration project area in the Kurdistan Region of Iraq.

Longford is a development stage enterprise that participates in oil and gas projects located in emerging markets, including the Kurdistan Region of Iraq (Kurdistan).

These consolidated financial statements include Longford Energy Inc. and its wholly-owned subsidiaries Holland Operating Corp., Longford Energy (Kurdistan) Inc., and Longford Energy (Barbados) Limited. Longford also holds a 100% beneficial interest in Forbes & Manhattan (Kurdistan) Inc., which is included in the consolidated financial statements. Longford is a public company and trades on the TSX Venture Exchange under the symbol "LFD".

2) BASIS OF PRESENTATION AND GOING CONCERN

These interim consolidated financial statements represent Longford's financial results of operations and financial position under initial adoption of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). As a result of initial adoption in this period IFRS 1 (First-time adoption of International Financial) has been applied. As such these interim consolidated financial statements do not include all necessary disclosures that are required for annual statements in accordance with IFRS. These statements should be read in conjunction with the December 31, 2010 year ended financial statements as well as comparative reconciliations of Canadian GAAP to IFRS which are included in Note 18. Quarterly financial information may change depending on changes to IFRS.

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements were authorized for issue by the Board of Directors on May 25, 2011

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- i. derivative financial instruments are measured at fair value; and
- ii. held for trading financial assets are measured at fair value with changes in fair value recorded in earnings.

The methods used to measure fair values are discussed in Note 4.

c. Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

d. Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies regarding certain types of assets, liabilities, revenues and expenses in the preparation of the consolidated financial statements. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

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Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 4 – Determination of fair value
- Note 5 – Exploration and evaluation assets
- Note 8 – Measurement of stock-based compensation
- Note 13 – Valuation of financial instruments

Reserve estimates impact a number of the areas referred to above in particular, the valuation of property and equipment and the calculation of depletion and depreciation.

e. Going concern

These interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. To date, Longford has not found proven reserves and is considered to be in the development stage. Oil and gas exploration, development and production activities in emerging markets, including Kurdistan, are subject to significant uncertainties which may adversely affect the Company's operations. Uncertainties include, but are not limited to, the risk of war, terrorism, expropriation, nationalization, renegotiation or nullification of existing or future concessions and contracts, the imposition of international sanctions, a change in crude oil or natural gas pricing policies, a change in taxation policies, and the imposition of currency controls. These uncertainties, all of which are beyond the Company's control, could have a material adverse effect on Longford's business, prospects and results of operations. In addition, if legal disputes arise related to oil and gas concessions acquired by the Company, Longford could be subject to the jurisdiction of courts other than those of Canada. The Company's recourse may be very limited in the event of a breach by a government or government authority of an agreement governing a concession in which Longford acquires an interest. The Company may require licenses or permits from various governmental authorities to carry out future exploration, development and production activities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits when required.

The Company incurred a loss of \$420,113 (2010 - \$369,990) and a decrease in cash of \$183,471 (2010 increase - \$4,717,693) during the three months ended March 31, 2010 and currently does not have any operating assets that generate revenues. Consequently, the Company's ability to continue as a going concern is dependent on the Company's ability to obtain additional financing if, as and when required, and, ultimately, the attainment of profitable operations. Management's assessment of the Company, based on its current cash flow forecast and financial model, is that there is significant doubt as to whether it is a going concern because of the following factors:

- a) The minimum work commitments and financial obligations (Note 10) required under the PSC in the first exploration period raises doubt over the Company's ability to fund its commitments as they come due.
- b) The remaining 2011 exploration work program and budget is estimated to be US\$23.2 million (net), which includes the drilling of two exploration wells, general and administrative costs, security and obligations under the Production Sharing Contract (Note 10).
- c) As at March 31, 2011, the Company has a negative working capital position of approximately \$25.3 million (December 31, 2010 – negative \$24.8 million). This negative working capital position includes capacity building payments due to the KRG (Note 10). The Company has continued to operate under the PSC and in cooperation with the joint venture partners and the KRG and has not been contacted by the KRG with regards to amounts past due.

Management's plans for addressing the above factors are as follows:

- a) As a development stage exploration company, Longford will continue its efforts to seek appropriate financing initiatives to meet its obligations that benefit the Company and its shareholders. Among the alternatives, the Company will assess the relative cost/benefit of additional issuance of shares from treasury or farm-out opportunities.

These consolidated financial statements do not give effect to adjustments that would be necessary and could be material to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

LONGFORD ENERGY INC.

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For the period ended March 31, 2011

3) SUMMARY OF ACCOUNTING POLICIES

a) Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the income statement.

Jointly controlled operations and jointly controlled assets

Many of the Company's oil and natural gas activities involve jointly controlled assets. The consolidated financial statements include the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

b) Foreign currency translation

Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in other comprehensive income/loss.

In the consolidated financial statements, all assets, liabilities and transactions of Longford's subsidiaries with a functional currency other than the Canadian dollars (the Company's presentation currency) are translated into Canadian dollars.

These assets and liabilities have been translated into Canadian dollars at the closing rate at the reporting date. Income and expenses have been translated into the Company's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income/loss and recognised in the currency translation balance in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal. The functional currency of these subsidiaries has remained unchanged during the reporting period.

c) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Upon initial recognition all financial instruments, including derivatives, are recognized on the balance sheet at fair value. Subsequent measurement is then based on the financial instruments being classified into one of the following categories: held-for-trading, held-to-maturity, available-for-sale and non-financial derivatives. The Company has designated its financial instruments into the following categories applying the indicated measurement methods:

Financial instrument	Category	Measurement Method
Cash and accounts receivable	Loans and receivables	Amortized costs
Accounts payable and accrued liabilities	Other liabilities	Amortized costs

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For the period ended March 31, 2011

The Company will assess at each reporting period whether any financial assets, other than those classified as held-for-trading, are impaired. An impairment loss, if any is recorded on the Consolidated Statement of Operations, Comprehensive Loss and Deficit.

The Company may in the future enter into certain financial derivative and physical delivery sales contracts in order to reduce its exposure to market risks from fluctuations in commodity prices. These instruments will not be used for trading or speculative purposes. The Company will not designate its financial derivative contracts as effective accounting hedges.

The Company has not entered into any physical delivery sales contracts. Should Longford enter into physical delivery sales contracts in the future, these settlements would be recognized in petroleum and natural gas sales at the time of the settlement and there would be no recognition of fair value on the balance sheet.

The Company measures and recognizes embedded derivatives separately from the host contracts when the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, when it meets the definition of a derivative and when the entire contract is not measured at fair value. Embedded derivatives are recorded at fair value. The Company has not entered into any contracts with embedded derivatives during 2010.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, term deposits held with banks, other short-term highly liquid investments with original maturities of three months or less.

e) Intangible assets

Recognition and measurement:

Pre-exploration costs

Costs that are incurred prior to obtaining the legal right to explore, develop or extract resources are expensed in the statement of comprehensive loss as incurred.

Exploration and evaluation expenditures:

Exploration and evaluation ("E&E") costs are those expenditures incurred for which technical feasibility and commercial viability have not been determined. E&E costs are initially capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired, these costs include acquisition of rights to explore, exploration drilling, carrying costs of unproved properties, and any other activities relating to evaluation of technical feasibility and commercial viability of extracting an oil and gas resources. The Company will expense items that are not directly attributable to the exploration and evaluation asset pool.

Costs that are capitalized will be recorded using the cost model as which they will be carried at cost less accumulated depreciation and impairment. Costs that are capitalized are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability.

When technical feasibility and commercial viability is determinable intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within tangible assets referred to as oil and natural gas development and production assets.

f) Property and equipment

Items of property and equipment ("P&E"), which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGU's for impairment testing. The cost of property and equipment at January 1, 2010, the date of transition to IFRS, was recorded based on the cost model where all assets are carried at cost less accumulated depreciation and depletion.

When significant parts of an item of property and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of property and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other income" or "other expenses" in net income/loss.

LONGFORD ENERGY INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depletion and depreciation:

The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually.

Proven and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

g) Interest and dividend income

Interest income is reported on an accrual basis using the effective interest method. Dividend income, other than those from investments in associates, are recognized at the time the right to receive payment is established.

h) Finance costs

Finance costs includes interest expenses and other costs in association to borrowing funds as well as any expense relating to accretion incurred in relation to Longford's decommissioning obligations. All applicable borrowing costs attributable to qualifying assets are to be capitalized along with the corresponding asset until that asset acquired and/or is ready for use. All other borrowing costs are recognized in the Statement of Comprehensive Loss as incurred. Currently there are no qualifying assets for which interest is being capitalized

i) Impairment of assets

Property and equipment

The carrying value of long-term assets is reviewed at each reporting date for indicators that the carrying value of an asset or cash-generating unit may not be recoverable. If indicators of impairment exist, the recoverable amount of the asset or cash-generating unit is estimated. If the carrying value of the asset or cash-generating unit exceeds the recoverable amount, the asset or cash-generating unit is written down with an impairment recognized in net earnings.

Exploration and evaluation

Exploration and evaluation assets are assessed for impairment if:

- (i) sufficient data exists to determine technical feasibility and commercial viability, and
- (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist. Upon determination of proven reserves, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within tangible assets referred to as oil and natural gas development and production assets.

j) Decommissioning obligations:

The Company records a liability for the fair value of legal obligations associated with the decommissioning of long-lived tangible assets in the period in which they are incurred, normally when the asset is purchased or developed. On recognition of the liability there is a corresponding increase in the carrying amount of the related asset known as the decommissioning cost, which is depleted on a unit-of-

LONGFORD ENERGY INC.

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production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time using the risk free rate, with the interest charged to earnings, and for revisions to the estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability.

k) Income Taxes

The Company uses the liability method of accounting for income taxes. Under the liability method of tax allocation, future income taxes are determined based on the differences between the financial reporting and tax bases of assets and liabilities. These income tax assets and liabilities are measured using the substantively enacted tax rates in which the income tax assets or liabilities are expected to be settled or realized. Tax on income/loss in interim periods is accrued using an annual expected effective tax rate. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

l) Loss Per Share

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would anti-dilutive.

m) New standards and interpretations not yet adopted:

On November 12, 2009, the IASB issued IFRS 9 Financial Instruments to replace IAS 39 Financial Instruments: Recognition and Measurement. As at January 1, 2013 Longford will be required to adopt IFRS 9. IFRS 9 introduces a new classification and measurement regime for financial assets within its scope. Longford does not expect the adoption of this standard to impact the Company significantly.

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 10, Consolidated Financial Statements (IFRS 10), IFRS 11, Joint Arrangements (IFRS 11), IFRS 12, Disclosure of Interests in Other Entities (IFRS 12), IAS 27, Separate Financial Statements (IAS 27), IFRS 13, Fair Value Measurement (IFRS 13) and amended IAS 28, Investments in Associates and Joint Ventures (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements

4) DETERMINATION OF FAIR VALUES

A number of Longford's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined based on the following methods.

Property and equipment

Fair value of property and equipment is based on market values which are the estimated amount that the property could be disposed of to an arm's length buyer after proper marketing. Market value of any oil and natural gas interests included in property and equipment is estimated based on discounted future cash flows that are anticipated to be derived from production based on externally prepared reserve reports.

Exploration and evaluation

Fair value of E&E assets is determined based on market value to an arm's length buyer as described in property and equipment above. As E&E assets are not proven assets they have uncertainties that makes it difficult to assess future cash flows and as such market conditions and assessment by management are used to determine fair value.

Cash, cash equivalents, deposits, accounts receivables, accounts payable

Due to the short term maturity of these items the balances approximate their carrying value.

Stock based compensation

The fair value of each option granted is determined using the Black-Scholes option pricing model. Inputs included in the model include expected dividend yield, expected volatility, risk-free interest rate, forfeiture rate, and an expected life.

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5) EXPLORATION AND EVALUATION ASSETS

	E&E Assets	
Balance at January 1, 2010	\$	38,205,294
Additions		36,849,066
Foreign currency translation		(6,575,596)
Balance at December 31, 2010		68,478,764
Additions		775,915
Foreign currency translation		(1,775,312)
Balance at March 31, 2011	\$	67,479,367

Costs included as intangible exploration and evaluation costs at March 31, 2011 of \$67,479,367 (December 31, 2010 - \$68,478,764 consists entirely of costs incurred in Kurdistan. Of the total additions for the three months ended March 31, 2011, \$469,096 (2010 - \$440,084) is comprised of G&A (Note 11) which has been capitalized as it directly attributable to the E&E assets. This asset has not yet proved commercial viability or to be technically feasible and therefore is still included as a part of E&E.

There were no indications, events or changes in circumstance which would cause the Company to question whether the carrying amount may not be recoverable, as such there is no provision for impairment recorded.

6) PROPERTY AND EQUIPMENT

Property and equipment consists of furniture and fixtures, computer hardware, computer software, and vehicles less accumulated depreciation.

7) DECOMMISSIONING COSTS

As at March 31, 2011 the Company has fulfilled its decommissioning liabilities. All costs previously accrued for have been incurred and if there are additional expenditures required relating to abandonment and reclamation for the area they will be charged to net loss. No decommissioning liability has been set up for E&E property as there has been no activity on the property that would obligate the Company to do so.

8) CAPITAL STOCK

(a) AUTHORIZED

Unlimited number of common shares without par value

(b) Common shares issued

	Number of shares	Amount
Balance December 31, 2010	144,067,492	\$ 45,639,883
Exercise of options	137,500	31,250
Compensation expense related to options exercised	-	28,171
Balance March 31, 2011	144,204,992	\$ 45,699,304

(c) Warrants

	Number of warrants	Amount
Balance March 31, 2011 and December 31, 2010	88,666,666	\$ 14,965,800

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A summary of the outstanding warrants as of March 31, 2011 are as follows:

Expiry date	Exercise price (\$)	Warrants Outstanding	Fair value of warrants
July 7, 2011	0.75	75,000,000	13,725,500
September 29, 2011	0.65	9,500,000	883,100
October 14, 2011	0.65	4,162,666	357,200
		88,662,666	14,965,800

(d) Stock-based Compensation

The Company has granted options for the purchase of common shares to its directors, officers and employees. The aggregate number of shares that may be issuable pursuant to options granted under the Plan will not exceed 10% of the issued common shares of the Company at the date of grant. No more than 5% of the issued shares of the Company may be granted to any one optionee. The options are non-transferable and non-assignable and may be granted for a term not exceeding five years. The exercise price of the options may not be less than the greater of \$0.10 and the market price, subject to all applicable regulatory requirements.

The following table depicts the stock option transactions during the period:

	Number of stock options	Weighted average exercise price
Balance December 31, 2010	14,260,000	\$ 0.38
Expired/Cancelled	(612,500)	0.23
Exercised	(137,500)	0.37
Balance March 31, 2011	13,510,000	\$ 0.38

As at March 31, 2011, the following stock options are outstanding:

Exercise Price	Options Outstanding	Remaining Life (Years)	Options Exercisable
\$0.20	1,985,000	2.60	1,985,000
\$0.24	75,000	4.48	18,750
\$0.30	4,175,000	4.24	3,875,000
\$0.32	350,000	3.30	312,500
\$0.38	570,000	2.03	570,000
\$0.47	6,215,000	3.12	6,215,000
\$1.00	100,000	1.40	100,000
\$1.40	10,000	1.03	10,000
\$3.70	30,000	0.13	30,000
\$0.38	13,510,000	3.34	13,116,250

During the quarter ended March 31, 2011 no new stock options were issued to consultants, directors and officers of the Company. During the three months ended March 31, 2011, the Company recorded \$19,797 related to stock based compensation (March 31, 2010 - \$16,681).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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(e) Contributed Surplus

	Amount
Balance December 31, 2010	\$ 11,961,828
Stock-based compensation	19,797
Compensation expense related to options exercised	(28,171)
Balance March 31, 2011	\$ 11,953,454

9) COMMITMENTS AND CONTINGENCIES

Commitments

Production Sharing Contract ("PSC")

In July 2009, Longford had acquired a 50% interest in a subsidiary, jointly owned with the Kurdistan Regional Government ("KRG"), which held a 40% direct net working interest in the Chia Surkh Block ("Block") Production Sharing Contract. In addition, Longford had an option to acquire the remaining 50% interest in the subsidiary on terms to be negotiated with the KRG. During the third quarter of 2010, the Company reached an agreement with the KRG to acquire the remaining interest in the subsidiary resulting in Longford holding an aggregate 40% direct net working interest in the Block. As consideration for this transaction, the Company has agreed to pay the Government a 40% royalty, in the form of capacity building payments, on its profits from future production from the Block. In conjunction with the agreement, the Company amended the payment schedule of the second tranche of capacity building payments under the PSC, which became due during the third and fourth quarters of 2010 and remain payable and are past due at December 31, 2010.

Longford and its Joint Venture partners ("the Consortium") has a total of 80% net participating interest and is responsible to exclusively carry the Government's 20% net participating interest. Any exploration and development expenditures made under the PSC, incurred by the Consortium on behalf of the Government, shall be recovered once the project enters the production and development phase.

The PSC Contract covers an exploration period and a development period. The exploration period is for an initial term of five years and can be extended to up to seven years, at the option of the Consortium. The PSC contemplates two exploration sub-periods of three years and two years, respectively, with two possible one-year extensions. The first exploration sub-period ends June 11, 2012. During the first sub-period of the exploration period, the Consortium shall: (a) carry out geological and geophysical studies; (b) field work comprising structural, stratigraphic and lithologic mapping and sampling; (c) acquire, process and interpret 250 line km of two dimensional seismic data for a minimum of US\$5 million; and, (d) drill two exploration wells for a minimum of US\$20 million (the commitments in (c) and (d) being the Minimum Financial Commitments). To date, the Company has completed the minimum obligations related to geological, geophysical and geological studies, mapping and seismic acquisitions and processing. Each member of the Consortium has provided the Government with a corporate guarantee in respect of the Minimum Financial Commitments.

During the second sub-period of the exploration period, the Consortium shall: acquire, process and interpret further seismic data, if justified; and, drill two exploration wells for a minimum of US\$20 million, subject to certain conditions. The minimum commitments for this second period shall not apply if the Consortium has notified the Government that it does not intend to proceed past the first sub-period. Any exploration work performed in excess of the commitments for the first sub-period shall be carried forward and applied to the commitments of the second sub-period.

At the end of the initial term of the exploration period, the Consortium must surrender to the Government 25% of the net area determined by subtracting any production areas from the initial contract area. At the end of the first extension period after the end of the initial term of the exploration period, the Consortium must surrender to the Government an additional 25% of the net area determined by subtracting any production areas from the initial contract area. If no Commercial Discovery has been made during the Exploration Period, then the PSC Contract shall terminate, provided that the Consortium may extend the term of the agreement if it has made a discovery but has not completed the appraisal required to deem the discovery to be a Commercial Discovery, subject to certain conditions. The Consortium must surrender to the Government all remaining areas that are not a production area at the end of the exploration period (including all extensions thereof).

The Development Period for a Commercial Discovery shall be 20 years commencing on the date of the announcement of Commercial Discovery, with an automatic five year extension period. Upon its request, the Consortium shall also be entitled to an additional five year extension period.

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The PSC also includes funding for certain technological, logistical, recruitment and training during the first exploration sub-period, and any subsequent sub-periods. The total remaining financial commitment for these obligations during the exploration period ending on June 11, 2012 is approximately US\$0.4 million (net). If the Company proceeds into the Development Period, additional commitments would be required.

With respect to the remaining minimum work commitments and financial obligations of the Company's acquired interest in the Block under the first exploratory period, which expires on June 11, 2012, the Company is required to spend approximately US\$40 million (net) related to the acquisition of seismic, drilling two wells and various payments under the agreements. The actual costs to fund the Company's share are estimates and could fluctuate significantly depending on final approval amongst the partners of the exploration work program. The actual funding costs may be higher or lower. The obligations are due in US dollars and therefore, the Company's projected funding obligation is subject to the actual costs incurred and fluctuations in exchange rates.

Contingencies

Regulatory

Oil and gas operations are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. The Company's operations may require licenses and permits from various governmental authorities in the countries in which it operates. Under the PSC, the KRG is obligated to assist in obtaining all permits and licenses from any government agencies in the Kurdistan Region and from any other government administration in Iraq. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development of its projects.

The political and security situation in Iraq is unsettled and volatile. The Kurdistan Region is the only "Region" of Iraq that is constitutionally established pursuant to the Iraq Constitution, which expressly recognizes the Kurdistan Region. The political issues of federalism and the autonomy of the Regions of Iraq are matters about which there are major differences between the various political factions in Iraq. These differences could adversely impact the Company's interest in the Kurdistan Region.

10) Related Party Transactions

The Company incurred consulting fees and bonuses totaling \$97,500 (2009 - \$72,500) during the quarter ended March 31, 2011 to corporations owned or controlled by directors, \$320,000 of consulting fees and bonuses is payable as at March 31, 2011 (2010 - \$237,557).

Longford shares its premises with other companies that have common directors and/or officers. Longford reimburses the related companies for its proportional share of the expenses and charges the related companies for expenses incurred on their behalf. During the quarter ended March 31, 2011, the Company incurred \$204,505 (2010 - \$93,120) of expenses on those companies behalf while those companies incurred \$475,911 (2010 - \$6,993) on Longford's behalf. As at March 31, 2011 net accounts payable to these companies was \$1,156,525 (2010 - \$260,102).

All of the above transactions are in the normal course of operations and are measured at the exchange amount equaling the consideration established and agreed to by the related parties.

11) General and administrative expenses

The breakdown of significant cost categories included in general and administrative expense are as follows:

	Three months ended March 31, 2011	Three months ended March 31, 2010
General and administrative expenses		
Salaries, wages, benefits and employee expenses	\$ 104,852	\$ 66,176
Office rent and supplies	93,832	50,347
Outside services/consulting	600,871	496,410
Website, advertising, investor relations	823	35,316
Other	30,071	17,895
Less: G&A capitalized with E&E costs	(469,096)	(440,084)
Total	\$ 361,353	\$ 226,060

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12) NET LOSS PER SHARE

The number of shares used to calculate the diluted net loss per share for the three months ended March 31, 2011 and 2010 included the weighted average number of Longford common shares outstanding of 144,119,436 and 117,164,381 respectively plus nil shares related to the dilutive effect of the conversion of stock options and warrants as the stock options and warrants would be anti-dilutive.

13) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Longford's financial instruments as at March 31, 2011 consist of cash and cash equivalents, accounts receivable, deposits and prepaid expenses, accounts payable and accrued liabilities.

Fair Value:

Financial instruments held by the Company as at March 31, 2011 include cash, marketable securities, deposits, accounts receivable, accounts payable and accrued liabilities reflected in the consolidated balance sheets approximate fair value because of the short term to maturity of these instruments.

Financial instruments are classified into one of three levels based upon the fair value hierarchy. Items are categorized based on inputs used to derive fair value based on:

Level 1 – quoted prices that are unadjusted in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset/liability either directly or indirectly

Level 3 – inputs for the instruments are no based on any observable market data.

As at March 31, 2011 and December 31, 2010 all instruments are classified as Level 1 with their fair value derived directly from active markets for identical assets and/or liabilities.

Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

Risk Management Overview:

The Company has exposure to credit, liquidity and market risks from its use of financial instruments. This note provides information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Credit Risk:

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from joint venture partners.

The majority of the Company's accounts receivable are with joint venture partners or related parties in the oil and gas industry and are subject to normal industry credit risks. The carrying value of accounts receivable reflects management's assessment of the credit risk associated with these parties. Management believes the credit risk is mitigated by the size and reputation of the companies to which they extend credit. Joint venture receivables are usually collected within one to three months of the joint venture bill being issued to the partner. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to the expenditure. However, the receivables are from participants in the petroleum and natural gas sector, and collection of the outstanding balances can be impacted by industry factors such as commodity price fluctuations, limited capital availability and unsuccessful drilling programs. The Company does not typically obtain collateral from petroleum and natural gas joint venture partners; however the Company does have the ability in many cases to recover amounts from production in the event of non-payment. The Company has not experienced significant credit loss in the collection of accounts receivable.

The carrying amount of accounts receivable represents the maximum credit exposure. As at March 31, 2011 the Company's receivables consisted of \$163,892 (2010 – \$1,294,696) from joint venture partners, of which the entire amount has been subsequently collected, and \$380,093 (2010– \$27,105) of other accounts receivable. There were no derivative instruments held at March 31, 2011 or 2010.

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Market Risk:

Market risk is the risk that changes in market conditions, such as commodity prices, interest rates, and foreign exchange rates, will affect the Company's net income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing the Company's returns.

Commodity Price Risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar, as outlined below, but also global economic events that dictate the levels of supply and demand. Lower commodity prices can also reduce the Company's ability to raise capital. From time to time the Company may attempt to mitigate commodity price risk through the use of financial derivatives.

Foreign Exchange Risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates.

The Company's subsidiaries primary operation is in Kurdistan, reporting with a functional currency in US dollars as the majority of the Company's expenditures in Kurdistan are denominated in United States Dollars with the remainder denominated in Iraqi Dinars. This difference gives rise to a risk that its earnings and cash flows may be adversely impacted by fluctuations in foreign exchange conversion rates. From time-to-time, the Company may use derivatives to manage this foreign exchange risk.

Liquidity Risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities. The Company's financial liabilities consist of accounts payable.

The Company prepares annual capital expenditure budgets, which are monitored and updated as considered necessary. Future production forecasts and modeling is monitored regularly to provide economic outlooks and the Company utilizes authorizations for expenditures on projects to monitor capital expenditures. As at December 31, 2010, the Company has USD \$25,000,000 accrued related to capacity building payments due to the KRG, which are past due.

Subsequent to quarter-end, the Company announced that it entered into an agreement with a syndicate of underwriters led by Canaccord Genuity Corp. and including GMP Securities L.P. and Fraser Mackenzie Ltd. (the "Underwriters"), pursuant to which the Underwriters have agreed to purchase 37,500,000 Units of the Company (the "Units") at a price of C\$0.20 per Unit (the "Financing Price") for aggregate gross proceeds to Longford of C\$7,500,000 (the "Financing") (see subsequent event Note 16). The Company will continue to raise funds in order to fulfill commitments.

Accounts payable consists of invoices payable to trade suppliers for office, field operating activities and capital expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year.

14) CAPITAL MANAGEMENT

Longford considers its capital structure to include shareholders' equity and working capital. The policy of the Company is to maintain a capital base to ensure that they are able to sustain the future development of the Company's business objectives. The Company manages its capital through the issuance of shares as well as prudently managing expenditures relating to acquisition, exploration and development of resource properties. The ability of the Company to access the equity market will dictate as to whether the capital necessary to meet the Company's business objectives are attainable.

As at year end the Company has not entered into any debt financing arrangements. Longford is not subject to any externally imposed capital requirements. The Company's overall capital risk management strategy remains unchanged as at March 31, 2011.

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15) CHANGES IN NON-CASH WORKING CAPITAL

The following table details the changes in non-cash working capital from operations:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Changes in non-cash working capital		
Accounts receivable	\$ 280,544	\$ (373,952)
Deposits and prepaid expenses	(26,442)	6,634
Accounts payable and accrued liabilities	85,647	312,945
Net effect of foreign exchange on non-cash working capital	645,679	32,978
	\$ 985,428	\$ (21,395)
Operating activities	\$ 271,862	\$ (204,700)
Investing activities	713,566	183,305
	\$ 985,428	\$ (21,395)

16) SUBSEQUENT EVENTS

Subsequent to quarter-end, the Company announced that it entered into an agreement with a syndicate of underwriters led by Canaccord Genuity Corp. and including GMP Securities L.P. and Fraser Mackenzie Ltd. pursuant to which the Underwriters have agreed to purchase 37,500,000 Units of the Company at a price of C\$0.20 per Unit for aggregate gross proceeds to Longford of C\$7,500,000. Each Unit will consist of one common share of the Company (a "Common Share") and one-half of a common share purchase warrant (each whole common share purchase warrant a "Warrant"). Each Warrant will entitle the holder thereof to acquire one Common Share of the Company at an exercise price of C\$0.30 per Warrant for a period of 24 months from the Closing Date. The Financing is scheduled to close on or about June 15, 2011 (the "Closing Date").

In addition, on April 27, the Company entered into a bridge loan agreement with Aberdeen International Inc. ("Aberdeen"), pursuant to which Aberdeen has agreed to lend Longford \$500,000. The loan shall bear interest at an annual rate of 5% and shall mature upon the earlier of: (i) the Closing Date; and (ii) 60 days from April 27th. Longford and Aberdeen have common directors, being Stan Bharti and the Honourable Pierre Pettigrew, p.c. Accordingly, the loan will be considered a non-arm's length transaction for the purposes of the TSX Venture Exchange.

The Company intends to use the net proceeds of the Financing to fund the Corporation's 2011 exploration and development program on the Chia Surkh Block in the Kurdistan Region of Iraq and for general corporate purposes. The Financing is subject to the receipt of all necessary regulatory approvals, including the approval of the TSX Venture Exchange. The Underwriters are entitled to receive a cash commission equal to 6% of the gross proceeds raised from the Financing and will be issued broker warrants that will entitle them to acquire that number of Common Shares equal to 6% of the Units sold under the Financing for a period of 24 months from the Closing Date.

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17) TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As disclosed in Note 2, the interim consolidated financial statements represent Longford's initial presentation of the financial information and comparatives under IFRS. The change in accounting policy bears a significant impact on presentation, classification and value of the information stated.

IFRS 1- First Time Adoption of IFRS

IFRS 1 allows first time adopters to elect certain exemptions from applying application of certain IFRS standards retrospectively from the date of transition of January 1, 2011. The exemptions elected and applied by the Company are to have opening accumulated other comprehensive income/loss to be nil as at the date of transition, as well as to elect full cost book value as deemed cost which will allow the Company to measure oil and gas assets at the date of transition to IFRS. Due to these elections all foreign currency translation differences, prior to the date of transition, have been included in the Company's deficit and oil and gas assets are deemed as cost at the date of transition. Adjustments subsequent to the transition date due to translation of foreign subsidiaries have been included in Other Comprehensive Loss. See reconciliation discussions below for a more detailed impact of this change.

COMPARATIVE RECONCILIATIONS

The accounting policies that have been described in Note 3 have been applied in preparing the both the interim condensed consolidated financial statements for the period ended March 31, 2011 and the comparative information throughout the statements and the notes. Reconciliations of the adjustments required to report previously reported financial information under Canadian GAAP to IFRS for comparative purposes of these interim financial statements in reported below.

OPENING CONSOLIDATED BALANCE SHEET (unaudited)

January 1, 2010	Canadian GAAP	IFRS Adjustments		IFRS
		Exploration & Evaluation Note 17 A	Foreign Currency Translation Note 17 C	
<i>(\$ Canadian)</i>				
ASSETS				
Current				
Cash	\$ 5,414,640	-	-	\$ 5,414,640
Accounts receivable	947,849	-	-	947,849
Deposits and prepaid expenses	30,197	-	-	30,197
	6,392,686	-	-	6,392,686
Exploration and Evaluation	-	41,784,640	(3,579,346)	38,205,294
Property and equipment	41,849,406	(41,784,640)	(400)	64,366
	\$ 48,242,092	-	(3,579,746)	\$ 44,662,346
LIABILITIES				
Current				
Accounts payable and accrued liabilities	\$ 4,463,465	-	-	\$ 4,463,465
	4,463,465	-	-	4,463,465
Decommissioning obligations	87,914	-	-	87,914
	4,551,379	-	-	4,551,379
SHAREHOLDERS' EQUITY				
Common shares	39,051,211	-	-	39,051,211
Warrants	19,126,591	-	-	19,126,591
Contributed surplus	5,404,910	-	-	5,404,910
Accumulated other comprehensive loss	-	-	-	-
Deficit	(19,891,999)	-	(3,579,746)	(23,471,745)
	43,690,713	-	(3,579,746)	40,110,967
	\$ 48,242,092	-	(3,579,746)	\$ 44,662,346

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED BALANCE SHEET (unaudited)

March 31, 2010	Canadian GAAP	IFRS Adjustments		IFRS
		Exploration & Evaluation Note 17 A	Foreign Currency Translation Note 17 C	
<i>(\$ Canadian)</i>				
ASSETS				
Current				
Cash	\$ 10,016,607	-	-	\$ 10,016,607
Accounts receivable	1,321,801	-	-	1,321,801
Deposits and prepaid expenses	23,563	-	-	23,563
	11,361,971	-	-	11,361,971
Exploration and Evaluation	-	42,388,188	(5,312,161)	37,076,027
Property and equipment	42,646,920	(42,388,188)	(2,307)	256,425
	\$ 54,008,891	-	(5,314,468)	\$ 48,694,423
LIABILITIES				
Current				
Accounts payable and accrued liabilities	\$ 4,776,410	-	-	\$ 4,776,410
	4,776,410	-	-	4,776,410
Decommissioning obligations	88,168	-	-	88,168
	4,864,578	-	-	4,864,578
SHAREHOLDERS' EQUITY				
Common shares	43,857,608	-	-	43,857,608
Warrants	19,293,200	-	-	19,293,200
Contributed surplus	6,138,082	-	-	6,138,082
Accumulated other comprehensive loss	-	-	(1,617,310)	(1,617,310)
Deficit	(20,144,577)	-	(3,697,158)	(23,841,735)
	49,144,313	-	(5,314,468)	43,829,845
	\$ 54,008,891	-	(5,314,468)	\$ 48,694,423

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CONSOLIDATED BALANCE SHEET (unaudited)

Year ended December 31, 2010 (\$ Canadian)	Canadian GAAP	IFRS Adjustments		IFRS
		Exploration & Evaluation Note 17 A	Foreign Currency Translation Note 17 C	
ASSETS				
Current				
Cash	\$ 865,699	-	-	\$ 865,699
Accounts receivable	824,529	-	-	824,529
Deposits and prepaid expenses	53,298	-	-	53,298
	1,743,526	-	-	1,743,526
Exploration and Evaluation	-	75,054,360	(6,575,596)	68,478,764
Property and equipment	75,278,649	(75,054,360)	(8,151)	216,138
	\$ 77,022,175	-	(6,583,747)	\$ 70,438,428
LIABILITIES				
Current				
Accounts payable and accrued liabilities	\$ 26,510,454	-	-	\$ 26,510,454
	26,510,454	-	-	26,510,454
Decommissioning obligations	48,806	-	-	48,806
	26,559,260	-	-	26,559,260
SHAREHOLDERS' EQUITY				
Common shares	45,639,883	-	-	45,639,883
Warrants	14,965,800	-	-	14,965,800
Contributed surplus	11,961,828	-	-	11,961,828
Accumulated other comprehensive loss	-	-	(2,510,065)	(2,510,065)
Deficit	(22,104,596)	-	(4,073,682)	(26,178,278)
	50,462,915	-	(6,583,747)	43,879,168
	\$ 77,022,175	-	(6,583,747)	\$ 70,438,428

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INTERIM CONSOLIDATED STATEMENT COMPREHENSIVE LOSS *(unaudited)*

3 months ended March 31, 2010	Canadian GAAP	IFRS Adjustment	IFRS
		Foreign Currency Translation Note 17 C	
<i>(\$ Canadian)</i>			
Other Income			
Interest and other income	\$ 28	-	\$ 28
	28	-	28
Expenses			
General and administrative	226,060	-	226,060
Foreign exchange gain	2,998	117,412	120,410
Stock-based compensation	16,681	-	16,681
Bank charges	184	-	184
Depreciation	6,683	-	6,683
Total expenses	252,606	117,412	370,018
Net loss	\$ (252,578)	(117,412)	\$ (369,990)
Other comprehensive loss			
Foreign currency translation	-	(1,617,370)	(1,617,370)
Total net and comprehensive loss	\$ (252,578)	(1,734,782)	\$ (1,987,360)

CONSOLIDATED STATEMENT COMPREHENSIVE LOSS *(unaudited)*

Year ended December 31, 2010	Canadian GAAP	IFRS Adjustment	IFRS
		Foreign Currency Translation Note 17 C	
<i>(\$ Canadian)</i>			
Other Income			
Interest and other income	\$ 477	-	\$ 477
	477	-	477
Expenses			
General and administrative	1,830,972	-	1,830,972
Foreign exchange gain	(873,881)	493,936	(379,945)
Stock-based compensation	1,155,827	-	1,155,827
Finance	31,091	-	31,091
Depreciation	69,065	-	69,065
Total expenses	2,213,074	493,936	2,707,010
Net loss	\$ (2,212,597)	(493,936)	\$ (2,706,533)
Other comprehensive loss			
Foreign currency translation	-	(2,510,065)	(2,510,065)
Total net and comprehensive loss	\$ (2,212,597)	(3,004,001)	\$ (5,216,598)

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SIGNIFICANT ACCOUNTING POLICY CHANGES

The below discussion explains the significant differences between Longford's accounting policies applied by the Company under Canadian GAAP compared to the new accounting policies under IFRS.

A. IFRS 6 - Exploration and Evaluation

Under Canadian GAAP Longford used the full cost method of oil and gas accounting whereby all costs relating to the exploration for and development of petroleum and natural gas reserves were capitalized and included with property and equipment. Such costs include land acquisition, drilling of productive and non-productive wells, geological and geophysical, production facilities, carrying costs directly related to unproved properties and corporate expenses directly related to acquisition, exploration and development activities.

IFRS 6 mandates that E&E costs must be separated from P&E into tangible or intangible pools according to the nature of the assets acquired, these costs include acquisition of rights to explore, exploration drilling, carrying costs of unproved properties, and any other activities relating to evaluation of technical feasibility and commercial viability of extracting an oil and gas resources.

Application of this policy impacted the financial statements significantly. The opening balance sheet adjustment for this policy change reclassified \$41,784,640 from P&E to intangible E&E.

In addition to the opening balance sheet adjustment, for the three months ended March 31, 2010 and year ended December 31, 2010 respectively \$603,548 and \$33,269,720 were reclassified to E&E as they related to costs associated with E&E activities. These adjustments had no impact on net loss.

B. IAS 16 - Property and equipment

The most significant accounting impact to property and equipment is the removal of E&E assets as described above. Although IAS 16 requires P&E components to be broken out based on their cash generating units and the review of the useful life of each major asset that has been recorded there is minimal impact due to the small number of tangible assets that the Company currently holds.

All property plant and equipment that is held in the US subsidiaries under Canadian GAAP were held at historical cost using the exchange rate at the date of purchase. Under IFRS these assets must be revalued at the period end exchange rate due to the change in classification of the foreign subsidiaries under IFRS. All translation differences arising from these adjustments are recognized as a part of other comprehensive income/loss.

C. IAS 21 – Effects of Foreign Currency translation

Translation of foreign subsidiaries for consolidation

Under Canadian GAAP all foreign subsidiaries were assessed as integrated and were translated for consolidation using the temporal method. Under this method monetary assets and liabilities were translated at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities were translated at rates in effect on the dates the assets were acquired or liabilities were incurred. Revenue and expense were translated at the rates of exchange prevailing at the date of the transaction. Foreign exchange gains and losses were recorded in the consolidated statement of earnings as they arose.

Under IFRS the assessment of functional currency is different than that of Canadian GAAP in that the focus is mainly on the primary economic environment in which it operates rather than financing received and dependency on the reporting entity with which it is consolidated with. As such the functional currency assessed using IFRS criteria for the subsidiaries is USD (CAD under previous GAAP). Any exchange gains and losses due to translation to the reporting entities functional currency for consolidation are recorded as a part of other comprehensive income/loss rather than included in profit/loss.

The adjustments required are twofold:

- The first is to revalue the assets in E&E and property and equipment using the period end rates and record this difference to other comprehensive income/loss. This adjustment is required as under Canadian GAAP these would have been carried at the historical rate and therefore no translation differences would have been included in the Canadian GAAP foreign exchange gains/losses
- Secondly the exchange gain/loss included on the income statement is analyzed for amounts relating to the translation of foreign subsidiaries with these amounts being reclassified as other comprehensive income/loss.

LONGFORD ENERGY INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

The Company has chosen to make the election for the optional IFRS 1 exemption to deem the cumulative translation differences to be nil at the date of transition, and reclassify any such amounts determined in accordance with previous GAAP at that date to retained earnings. Below is a discussion of the impact of this change on comparative balances as shown in the reconciliations above:

Opening balance sheet – January 1, 2010

This change resulted in opening adjustment as at the date of transition of \$3,579,746 due to revaluation of foreign held E&E and P&E which was adjusted against retained earnings as permitted per the IFRS 1 exemption as elected per the above.

Three months ended March 31, 2010

On the balance sheet translation differences on E&E and P&E totaling \$1,734,722 arose due to revaluation of the assets at the rate for the period end and has been adjusted to other comprehensive income/loss. An income statement adjustment of \$117,412 removed foreign exchange differences on translation of subsidiaries that were previously included on the income statement under Canadian GAAP to other comprehensive income/loss. The adjustment caused net loss to increase from loss of \$252,578 under Canadian GAAP to a loss of \$369,990 under IFRS.

Year ended December 31, 2010

For the year ended a total of \$3,004,001 was adjusted against property, equipment and exploration and evaluation and included as other comprehensive income/loss. An income statement adjustment of \$493,936 which accounts for foreign exchange differences on translation of the foreign subsidiaries was removed from operations and included as a part of other comprehensive income/loss. The total year to date adjustment on foreign subsidiaries of a loss of \$2,510,065 is included in other comprehensive income/loss. The adjustment caused net loss to increase from loss of \$2,212,597 under Canadian GAAP to a loss of \$2,706,533 under IFRS.

D. Cash Flow Statement adjustments

The transition to IFRS from Canadian GAAP had no significant impact on cash used/generated by the Company. Presentation adjustments were made to conform to IFRS adjustments as shown in the above reconciliation, with no impact on the bottom line change in cash.

E. Summary of effect on current and deferred taxes

The above adjustments had no bottom line impact on income taxes. A valuation allowance is taken on all existing deferred tax balances due to the uncertainty of their utilization. There is no impact on the consolidated financial statements as a result of the conversion to IFRS.