

Financial Statements
(Expressed in Canadian Dollars)

WELLSTAR ENERGY CORP.
(an exploration stage company)

For the three months ended April 30, 2006

WELLSTAR ENERGY CORP.
(an exploration stage company)
Balance Sheets
April 30, 2006 and January 31, 2006

ASSETS

	April 30, 2006 Unaudited	January 31, 2006 Audited
CURRENT		
Cash and cash equivalents	\$ 1,095,071	\$ 293,309
Amounts receivable	14,174	11,392
Advances receivable	25,500	25,500
Prepaid expense	26,709	2,574
	<u>1,161,454</u>	<u>332,775</u>
OIL AND GAS PROPERTIES (Note 3)	1,071,457	704,477
OFFICE EQUIPMENT (Note 4)	2,412	2,539
	<u>\$ 2,235,323</u>	<u>\$ 1,039,791</u>

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities	\$ 403,064	\$ 173,323
SITE RESTORATION LIABILITIES	<u>\$ 52,000</u>	<u>52,000</u>
	<u>455,064</u>	<u>225,323</u>

SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 5)	6,141,783	5,901,405
PAID SHARE SUBSCRIPTIONS (Note 5(e))	1,125,100	250,000
OPTION COMPENSATION (Note 6)	238,200	210,800
CONTRIBUTED SURPLUS (Note 7)	232,994	190,794
DEFICIT	(5,957,818)	(5,738,531)
	<u>1,780,259</u>	<u>814,468</u>
	<u>\$ 2,235,323</u>	<u>\$ 1,039,791</u>

Nature and continuance of operations and going-concern (Note 1)
Subsequent events (Note 9)

Approved on behalf of the Board:

"Andrew Rees"

Andrew Rees, Director

"Andrea Regnier"

Andrea Regnier, Director

See accompanying notes to financial statements.

WELLSTAR ENERGY CORP.
(an exploration stage company)
Statements of Operations and Deficit
for the three months ended April 30,
(Unaudited - Prepared by Management)

	2006	2005
OIL AND GAS REVENUE	\$ 73,267	\$ -
Oil and gas production expenses		
Operating costs	(72,334)	-
Royalties	(7,894)	-
	<u>(6,961)</u>	<u>-</u>
ADMINISTRATION EXPENDITURES		
Professional fees	8,152	3,411
Management fees	15,000	15,000
Salaries and benefits	13,505	-
Travel and accommodation	27,995	1,612
Consulting fees	32,400	13,542
Stock based compensation	69,600	-
Office supplies and services	5,965	3,530
Share transfer, listing and filing fees	6,733	3,830
Shareholder information and communications	23,272	-
Office rent	1,800	1,850
Amortization	127	-
	<u>204,549</u>	<u>42,775</u>
OTHER (INCOME) EXPENSES		
Interest	(1,638)	(169)
Property investigation costs	9,415	73,056
	<u>7,777</u>	<u>72,887</u>
LOSS FOR THE PERIOD	(219,287)	(115,662)
DEFICIT, beginning of period	(5,738,531)	(4,991,123)
DEFICIT, end of period	<u><u>\$(5,957,818)</u></u>	<u><u>\$ (5,106,785)</u></u>
LOSS PER SHARE	\$ (0.04)	\$(0.03)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	5,642,590	3,693,689

See accompanying notes to financial statements.

WELLSTAR ENERGY CORP.
Statements of Cash Flows
(an exploration stage company)
for the three months ended April 30,
(Unaudited - Prepared by Management)

	2006	2005
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the period	\$ (219,287)	\$ (115,662)
Items not involving cash		
Amortization of equipment	127	-
Stock-based compensation	69,600	-
	(149,560)	(115,662)
Changes in non-cash working capital items		
Accounts receivable	(2,783)	(1,024)
Prepaid expenses	(24,135)	-
Accounts payable and accrued liabilities	229,740	2,091
Cash used in operating activities	53,262	(114,595)
FINANCING ACTIVITIES		
Shares issued, net of issuance costs	240,380	-
Share subscriptions received	875,100	325,710
Cash provided by financing activities	1,115,480	325,710
INVESTING ACTIVITIES		
Resource property expenditures	(366,980)	-
Cash provided by (used in) investing activities	(366,980)	-
INCREASE IN CASH	801,762	207,778
CASH AND CASH EQUIVALENTS, beginning of period	293,309	21,776
CASH AND CASH EQUIVALENTS, end of period	\$ 1,095,071	\$ 229,554

See accompanying notes to financial statements.

WELLSTAR ENERGY CORP.
(an exploration stage company)
Notes to Financial Statements
For the Three Months Ended April 30, 2006

NOTE 1 – NATURE AND CONTINUANCE OF OPERATIONS

Wellstar Energy Corp. (the “Company”) was incorporated under the laws of British Columbia on August 26, 1985.

The Company’s shares are publicly traded on the TSX Venture Exchange (“TSX-V”) and on the Frankfurt Stock Exchange (“W6V”). The Company is in the business of acquisition, exploration and development of natural resources. In January 2006 the Company commenced production of oil and gas from one well located in Alberta, Canada. These financial statements have been prepared under the assumption that the Company is a going-concern. The ability of the Company to continue operations as a going-concern is dependent upon obtaining additional capital to continue normal operations. Given the Company’s limited operating history, lack of sales, and its substantial operating losses, there can be no assurance that it will be able to achieve or maintain profitability. Accordingly, these factors raise substantial doubt about the Company’s ability to continue as a going-concern.

The Company’s future capital requirements will depend on many factors, including the expenditures required to acquire and explore its properties, administrative expenses, costs to complete well production, if warranted, and global market conditions. The Company’s anticipated recurring operating losses and growing working capital needs will require that it obtain additional capital to operate its business. As at April 30, 2006, the Company has working capital of \$758,390, and accumulated deficit of \$5,957,818.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, consistent with industry standards for the current stage of exploration of such properties these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, unregistered claims, and non-compliance with regulatory requirements.

NOTE 2 – INTERIM REPORTING

These unaudited interim financial statements have been prepared in accordance with the accounting principles generally accepted in Canada for interim financial information and, follow the same accounting policies and methods of their application as the Company’s most recent annual financial statements. These interim financial statements do not include all of the disclosure included in the annual financial statements, and accordingly, they should be read in conjunction with the annual Audited financial statements for the year ended January 31, 2006. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The results of operations for the interim periods are not necessarily indicative of the results of operations for the entire year.

Comparative Figures

Certain of the prior years comparative figures have been reclassified to conform to the presentation adopted for the current year.

NOTE 3 – OIL AND GAS PROPERTIES AND EQUIPMENT

	April 30, 2006	January 31, 2006
Participation fee	\$ 125,000	\$ 125,000
Wellhead equipment	358,410	358,410
Site restoration costs	52,000	52,000
Development costs	536,047	169,067
	<hr/>	<hr/>
	\$ 1,071,457	\$ 704,477

WELLSTAR ENERGY CORP.
(an exploration stage company)
Notes to Financial Statements
For the Three Months Ended April 30, 2006

NOTE 3 – OIL AND GAS PROPERTIES AND EQUIPMENT (continued)

Virgo/Zama, Alberta, Canada

During the period the Company entered into a Participation Agreement with Warburg Resources Inc. in consideration of a participation fee of \$125,000. Under the terms of the agreement, the Company has been granted the right to earn a 50% interest before pay out (“BPO”) and a 32.5 % interests after pay out (“APO”) in three properties, and a 45% and 30% interest in a fourth property subject to Crown and farmor royalties ranging from 5% to 22.5%. The Company’s is committed to further minimum expenditures of approximately \$1,233,020 of which approximately \$1,150,425 has been advanced to Warburg subsequent to April 30, 2006. This transaction is subject to and has been submitted for regulatory approval.

NOTE 4 – OFFICE EQUIPMENT

Cost	Accumulated amortization	Net book value	
		April 30, 2006	January 31, 2006
\$ 3,337	\$ 925	\$ 2,412	\$2,539

NOTE 5 – SHARE CAPITAL

(a) Authorized: Unlimited number of common shares without par value

(b) Common Shares Issued and Outstanding

	Number	Amount
Balance, January 31, 2005	3,693,689	4,820,565
Private placement at \$0.55 per unit (i)	1,252,473	688,860
Private placement at \$0.80 per share (ii)	625,000	500,000
Less: cost of issuance	-	(108,020)
Balance, January 31, 2006	5,571,162	\$ 5,901,405
Private placement at \$0.70 per unit (iii)	357,142	250,000
Less: cost of issuance	-	(9,622)
Balance, April 30, 2006	5,928,304	\$ 6,141,783

The Company completed a private placement of 357,142 units at a price of \$0.70 per unit. Each unit consisted of one common share and one-half a non-transferable warrant entitling the investor to purchase an additional common share for each whole warrant at a price of \$0.82 for a one-year period. The warrants have a forced conversion clause requiring the holder to exercise within 30 days of being notified by the Company that the shares have traded above \$0.82 per share for at least 20 consecutive trading days.

(c) Stock Options

During the period the Company granted 195,000 stock options at an exercise price of \$0.70 to directors and employees of the Company exercisable until April 10, 2011 and 99,920 options exercisable at \$0.55 per share until July 11, 2010 were terminated.

WELLSTAR ENERGY CORP.
(an exploration stage company)
Notes to Financial Statements
For the Three Months Ended April 30, 2006

NOTE 5 – SHARE CAPITAL (continued)

A summary of the status of the Company's stock options as at April 30, 2006 and changes during the period is as follows:

	<u>April 30, 2006</u>		<u>January 31, 2006</u>	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	499,616	\$ 0.550	340,000	\$ 0.335
Granted	195,000	\$ 0.700	499,616	\$ 0.550
Expired/cancelled	(99,920)	\$ 0.550	(340,000)	\$ 0.335
Outstanding, end of period	<u>594,696</u>	<u>\$ 0.60</u>	<u>499,616</u>	<u>\$ 0.550</u>

(d) Stock-Based Compensation

During the period ended April 30, 2006 a charge to compensation costs of \$69,600 (January 31, 2006 - \$210,800) was recorded against income. The charge includes the estimated fair value of 195,000 (January 31, 2006: 499,616) fully vested share purchase options granted as compensation.

The fair value of the share purchase options was estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 3.5%, dividend yield of 0%, volatility factor of 86%, and an expected life of 3 years.

(e) Paid Share Subscriptions

The Company has received proceeds of \$1,125,100 towards a private placement that completed subsequent to the period involving the issuance of 3,040,166 units at a price of \$0.60 per unit. Each unit consisted of one common share and one-half a non-transferable warrant, each whole warrant entitling the investor to purchase an additional common share at a price of \$0.75 for a one-year period. The warrants have a forced conversion clause requiring the holder to exercise within 30 days of being notified by the Company that the shares have traded above \$1 per share for at least 20 consecutive trading days. A director participated in this placement as to 100,000 units. 2,940,166 of the common shares were issued as Tax Flow Through.

(f) Warrants

A summary of all warrants outstanding at April 30, 2006 is as follows:

Expiry date	Exercise Price	Balance January, 31 2006	Granted	Exercised	Expired/ Terminated	Balance April 30, 2006
June 29, 2006	\$0.75	626,236	-	-	-	626,236
April 12, 2007	\$0.82	-	178,571	-	-	178,571
Total		626,236	178,571	-	-	804,807

WELLSTAR ENERGY CORP.
(an exploration stage company)
Notes to Financial Statements
For the Three Months Ended April 30, 2006

NOTE 6 – OPTION COMPENSATION

	<u>April 30, 2006</u>	<u>January 31, 2006</u>
Balance, beginning of period	\$ 210,800	\$ 66,372
Stock-based compensation – options granted	69,600	210,800
Stock-based compensation – options expired	(42,200)	(66,372)
Balance, end of period	<u>\$ 238,200</u>	<u>\$ 210,800</u>

NOTE 7 – CONTRIBUTED SURPLUS

During the period ended April 30, 2006, \$42,200 (January 31, 2006: \$66,372) was transferred from option compensation to contributed surplus for stock options that expired in the period. The final amount of contributed surplus at April 30, 2006 is \$232,994 (January 31, 2006: \$190,794)

NOTE 8 – RELATED PARTY TRANSACTIONS

Transactions with related parties not disclosed elsewhere in these financial statements comprise the following:

- (a) The Company paid or accrued \$15,000 to a director of the Company for management services.
- (b) A director of the Company was paid \$900 for rent; \$26,336 for travel and accommodation; \$690 for shareholder and investor information; and \$1,275 for other administrative fees.
- (c) The Company is involved in a participating agreement with a company that has a common director.
- (d) Advances receivable includes \$19,000 (January 31, 2006: \$19,000) advanced to a director.

NOTE 9 – SUBSEQUENT EVENTS

- (a) On May 3, 2006, the Company completed a private placement of 3,040,166 units at a price of \$0.60 per unit. Each unit consisted of one common share and one-half a non-transferable warrant, each whole warrant entitling the investor to purchase an additional common share at a price of \$0.75 for a one-year period. The warrants have a forced conversion clause requiring the holder to exercise within 30 days of being notified by the Company that the shares have traded above \$1 per share for at least 20 consecutive trading days. A director participated in this placement as to 100,000 units. 2,940,166 of the common shares were issued as Tax Flow Through.
- (b) On May 2, 2006, the Company announced that it would conduct a private placement to raise \$500,000. The private placement offering will consist of up to 500,000 units at a price of \$1 per unit. Each unit will consist of one common share and one non-transferable share purchase warrant entitling the holder to purchase an additional common share at a price of \$1.10 for a one-year period. A portion of the financing will be tax flow-through shares. The Company will pay finder fees in connection with this offering in accordance with TSX-V.
- (c) On May 19, 2006, the Company granted 506,000 stock options at an exercise price of \$0.85 to directors and employees of the Company exercisable until May 18, 2011.
- (d) 170,000 options were exercised at a price of \$0.55 for proceeds of \$93,500 and 227,237 warrants at a price of \$0.75 for proceeds of \$170,428.