

CYGAM ENERGY INC.

Interim Consolidated Financial Statements (Unaudited)

For the Period ended March 31, 2009

NOTICE TO READER

Under National Instrument 51-102, 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 Company's independent auditor has not performed a review of these consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

CYGAM ENERGY INC.
CONSOLIDATED BALANCE SHEETS (unaudited)

As at	March 31 2009	December 31 2008
	(\$)	(\$)
Assets		
Current assets		
Cash	638,481	1,335,638
Marketable securities <i>(note 6)</i>	1,850,087	2,218,480
Accounts receivable	343,113	293,566
Tax receivable	207,053	279,095
Prepays and deposits	122,272	135,820
	3,161,006	4,262,599
Property, plant and equipment <i>(note 7)</i>	18,875,790	19,545,380
	22,036,796	23,807,979
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	948,910	1,393,492
Current Portion of long-term debt	-	5,083
	948,910	1,398,575
Long-term accrual	70,889	72,315
Asset retirement obligation <i>(note 8)</i>	269,984	268,270
	1,289,783	1,739,160
Shareholders' equity		
Share capital <i>(note 9)</i>	26,231,495	26,231,495
Contributed surplus <i>(note 10)</i>	2,011,084	1,993,851
Accumulated other comprehensive income (loss)	1,425,674	2,122,866
Deficit	(8,921,240)	(8,279,393)
	20,747,013	22,068,819
Going Concern <i>(note 2)</i> and Commitments <i>(note 13)</i>	22,036,796	23,807,979

See accompanying notes to the financial statements

CYGAM ENERGY INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (unaudited)

Three Months Ended	March 31 2009	March 31 2008
	(\$)	(\$)
Revenue		
Petroleum and natural gas sales	112,742	174,245
Royalties expense, net of Alberta Royalty Tax Credit	(42,956)	(7,192)
Other revenue	68,258	137,053
	<u>138,044</u>	<u>304,106</u>
Expenses		
Production	50,056	42,120
General and administrative	264,664	426,631
Interest	6,212	551
Stock-based compensation	17,233	85,839
Depletion, amortization and accretion	73,335	60,581
	<u>411,500</u>	<u>615,722</u>
Earnings (loss) for the period before the following items	(273,456)	(311,616)
Unrealized gain (loss) on marketable securities	(368,393)	514,952
Earnings (loss) before income taxes	(641,849)	203,336
Net earnings (loss) for the period	(641,849)	203,336
Deficit, beginning of period	(8,279,391)	(11,729)
Retained earnings (deficit), end of period	(8,921,240)	191,607
Earnings (loss) per share		
Basic <i>(Note 11)</i>	(0.007)	0.002
Diluted <i>(Note 11)</i>	(0.007)	0.002

See accompanying notes to the financial statements

CYGAM ENERGY INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) (unaudited)

Three Months Ended	March 31 2009	March 31 2008
	(\$)	(\$)
Net Earnings (loss) for the period	(641,849)	203,336
Foreign Currency Translation Adjustment	(697,192)	2,196,133
COMPREHENSIVE INCOME (LOSS)	(1,339,041)	2,399,469

See accompanying notes to the financial statements

CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Period Ended	March 31 2009	December 31 2008
	(\$)	(\$)
Accumulated Other Comprehensive Income (loss), beginning of period	2,122,866	(1,196,003)
Unrealized exchange gain (loss) on translation of self- sustaining foreign operations	(697,192)	3,318,869
Accumulated Other Comprehensive Income (Loss), end of period	1,425,674	2,122,866

See accompanying notes to the financial statements

CYGAM ENERGY INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

Three Months Ended	March 31 2009	March 31 2008
	(\$)	(\$)
Cash provided by (used in):		
Operations		
Net earnings (loss) for the period	(641,849)	203,336
Add items not affecting cash:		
Stock based compensation expense	17,233	85,839
Depletion, amortization and accretion	73,335	60,581
Unrealized loss (gain) on marketable securities	368,393	(514,952)
Abandonment expenditures	(366)	(2,944)
	(183,254)	(168,140)
Change in non-cash operating working capital		
Accounts receivable	8,800	471,146
Prepays and deposits	10,610	13,003
Accounts payable	(238,201)	(960,333)
	(402,045)	(644,324)
Investing		
Expenditures on property, plant and equipment	(158,134)	(611,773)
Changes in non-cash working capital	(98,635)	69,014
	(256,769)	(542,759)
Financing		
Repayment of bank loan	(5,083)	(6,750)
	(5,083)	(6,750)
Foreign exchange gain (loss) on cash and cash equivalents	(33,260)	27,747
Increase (decrease) in cash	(697,157)	(1,166,086)
Cash, beginning of period	1,335,638	5,399,307
Cash, end of period	638,481	4,233,221

The Company paid interest of \$ 6,212 (2008 - \$ 551) and income taxes of \$ nil (2008 - \$ nil).

See accompanying notes to the financial statements.

CYGAM ENERGY INC.

Notes to the Consolidated Financial Statements

Three Months ended March 31, 2009 (unaudited)

1. BASIS OF PRESENTATION

The interim consolidated financial statements have been prepared by management and include the accounts of Cygam Energy Inc. (“Cygam” or the Company) and its subsidiaries, and are presented in accordance with Canadian generally accepted accounting principles. The Company is a public company engaged in the exploration, development and production of crude oil and natural gas in Alberta, Tunisia, and Italy.

The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the annual audited Consolidated Financial Statements for the year ended December 31, 2008 except for the change in accounting policies noted below. The interim Consolidated Financial Statements do not conform in all respects to the requirements of generally accepted principles for annual financial statements. The disclosures provided below are incremental to those included in the annual audited Consolidated Financial Statements. The interim consolidated financial statements should be read in conjunction with the annual audited Consolidated Financial Statements and the notes thereto for the year ended December 31, 2008.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Rigo Oil Company Limited, Rigo Oil Company Tunisia Ltd. and Vega Oil S.p.A. The Company’s Italian and Tunisian operations are considered self-sustaining and are translated into Canadian dollars using the current rate method. Any gain or loss on translation is included in the Accumulated Other Comprehensive Income (Loss) in the shareholders’ equity.

2. GOING CONCERN

While these interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business, there are conditions and events that create uncertainty regarding the validity of this assumption.

The Company is an exploration stage company that engages principally in the acquisition, exploration and development of oil and gas properties. As an exploration stage company, it is currently unable to self-finance its operations. The recovery of the Company’s investment in its resource properties and attainment of profitable operations, and its ability to continue as a going concern is dependent upon the discovery, development and sale of oil and gas reserves, the ability to attract joint venture partners and the ability to raise sufficient capital to finance its operations.

During the period ended March 31, 2009, the Company had a net loss of \$641,849 and a deficit of \$8,921,240. As at March 31, 2009, the Company’s cash on hand and marketable securities totaled \$2.49 million and working capital was \$2.21 million, and the Company has joint venture partners on several properties. While these funds are sufficient to continue operations into 2009, the Company will need to consider some form of additional financing to continue to explore and develop its properties and to continue operations into 2010.

CYGAM ENERGY INC.

Notes to the Consolidated Financial Statements

Three Months ended March 31, 2009 (unaudited)

The Company's management will continue to consider various alternatives, within the context of existing market conditions. Management plans to seek additional financing, through equity financings, through joint venture agreements or through other means to further the exploration and development of the Company's properties and to provide sufficient working capital. However, as there can be no certainty that the plans will be successful, there is significant doubt regarding the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenue and expenses and the balance sheet classifications used. The adjustments could be material.

3. ACCOUNTING CHANGES

On January 1, 2009, the company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, "*Goodwill and Intangible Assets*", which replaced the existing Goodwill and Intangible Assets standard. The new standard revises the requirements for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Future Changes in accounting policies

International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for Canadian publicly accountable enterprises, and the Company will be required to report its results in accordance with IFRS starting in 2011.

As at January 1, 2011, the Company will be required to adopt the CICA handbook:

Section 1582, "*Business Combinations*", which replaced CICA Section 1581 of the same name. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures, and

Sections 1601, *Consolidated Financial Statements*, and 1602, *Non-Controlling Interests*, which replaced existing Section 1600. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This standard currently does not impact the Company as it has full controlling interest of all of its subsidiaries.

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Notes to the Consolidated Financial Statements

Three Months ended March 31, 2009 (unaudited)

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

The Company's financial instruments recognized in the balance sheet consist of cash, marketable securities, accounts receivable, accounts payable, accrued liabilities and bank loan. The carrying value of these balance sheet items approximates their fair market value. The Company is exposed to a number of different financial risks arising from normal course business exposure, as well as the Company's use of financial instruments. These risk factors include market risk related to the fair value of marketable securities and to commodity prices, foreign currency risk and interest rate risk as well as liquidity risk and credit risk.

(a) Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The market price movements that could adversely affect the value of the company's financial assets, liabilities and expected future cash flows include change in the market price of marketable securities, foreign currency exchange risk and interest rate risk.

(b) Foreign Currency Exchange Risk

A significant portion of the Company's activities are conducted in Italy and Tunisia where the Company is exposed to changes in foreign exchange rates as operating expenses, capital expenditures, and financial instruments fluctuate due to changes in exchange rates. The Company does not use derivative instruments to hedge its exposure to foreign exchange risks.

(c) Liquidity Risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting its financial liability obligations. The Company has access to capital through internally generated cashflows and external sources including capital markets and joint venture partner funding of projects. The Company manages liquidity risk by commencing exploration projects once sufficient funds are available to completely fund the project, and by generally undertaking to raise funds one year ahead of planned capital expenditures subject to the capital markets environment.

Surplus cash is invested into short-term banker's acceptance notes and the Company seeks to ensure security and liquidity of those investments.

(d) Credit Risk

Credit risk is the risk that a customer, joint venture partner or counterparty will fail to perform an obligation or default resulting in the Company incurring a financial loss. The Company monitors the exposure to any single customer or joint venture partner. A substantial portion of the Company's accounts receivables are with customers in the oil and gas industry and are subject to normal industry credit risks.

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5. CAPITAL DISCLOSURES

The Company's capital structure consists of shareholders' equity excluding accumulated other comprehensive income. The Company's primary objective for managing its capital structure is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by ensuring financial capacity, liquidity and flexibility to fund exploration projects while maintaining a strong capital base to sustain ongoing development. The Company relies on operating cashflows, equity financings and joint venture partner participation to fund exploration activities. The Company has the ability to adjust its capital structure by issuing new equity and adjusting its capital expenditure program to the extent the capital expenditures are not committed and to conduct capital projects through joint ventures. As at March 31, 2009, the Company had \$2.21 million in working capital and \$0.07 million in long-term debt. The working capital is anticipated to be used for the Company's exploration projects in Italy and Tunisia and for general corporate purposes.

6. MARKETABLE SECURITIES

Marketable securities represent an investment in trust units of a public company and in common shares and warrants of a joint venture partner. On acquisition, these investments were designated as held for trading and are stated at fair value, without any deduction for transaction costs that may be incurred on sale or disposal. Any unrealized gain or loss is recognized in net income for the period in which it arises.

The following table sets out the changes in marketable securities:

	Three Months ended March 31, 2009	Year ended December 31, 2008
Balance, beginning of period	2,218,480	3,373,139
Acquired during the period	-	490,000
Disposed during the period	-	(751,526)
Unrealized gain (loss) during the period	(368,393)	(893,133)
Balance, end of period	1,850,087	2,218,480

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Notes to the Consolidated Financial Statements
Three Months ended March 31, 2009 (unaudited)

7. PROPERTY, PLANT AND EQUIPMENT

As at March 31, 2009	Cost	Accumulated depletion & amortization	Net book value
Petroleum and natural gas properties	25,747,109	1,635,742	24,111,367
Impairment of assets	-	5,458,346	(5,458,346)
Building	196,538	53,117	143,421
Furniture, fittings and office equipment	175,198	95,850	79,348
Total	26,118,845	7,243,055	18,875,790

As at December 31, 2008	Cost	Accumulated depletion & amortization	Net book value
Petroleum and natural gas properties	\$ 26,343,962	\$ 1,572,137	\$24,771,825
Impairment of assets	-	5,458,346	(5,458,346)
Building	196,538	51,668	144,870
Furniture, fittings and office equipment	178,569	91,538	87,031
Total	\$ 26,719,069	\$ 7,173,689	\$19,545,380

The Company capitalized \$102,250 (2008 - \$112,371) of general and administrative expenses directly related to exploration activity in Italy and Tunisia. The Company did not capitalize any general and administrative expenditures in Canada.

Permit, seismic, drilling and completion costs associated with unproved properties that were excluded from depletion and amortization were \$16,854,111. Future development costs of \$144,000 are included in the calculation of depletion and amortization expense.

8. ASSET RETIREMENT OBLIGATION

At March 31, 2009, the estimated total undiscounted amount of cash flows required to settle the ARO was approximately \$353,754 (2008 -\$298,634) which will be incurred between 2009 and 2024. The company's asset retirement obligation results from its responsibility to abandon and reclaim its net share of all working interest properties. The amount has been discounted using a credit adjusted risk free interest rate of 8% and an inflation rate of 2.0%. A reconciliation of the ARO is provided below:

	Three months ended March 31, 2009	Year ended December 31, 2008
Balance, beginning of period	\$ 268,270	\$ 254,006
Liabilities disposed during the period	(366)	(12,498)
Revisions in estimate of timing of cash flows	-	18,442
Accretion expense	2,080	8,320
End of period	\$ 269,984	\$ 268,270

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9. SHARE CAPITAL

a) Issued and Outstanding

	Shares	Amount
	(#)	(\$)
Common Shares		
Balance as at December 31, 2007	85,614,204	\$ 26,231,495
Balance as at December 31, 2008	85,614,204	\$ 26,231,495
Balance as at March 31, 2009	85,614,204	\$ 26,231,495

b) Stock Options

As at March 31, 2009, there were 7,300,000 stock options outstanding with a weighted average exercise price of \$0.66, of which 7,050,000 were exercisable at a weighted average exercise price of \$0.65.

The following table summarizes the information regarding the Stock Options Plan activity to March 31, 2009:

	Options Outstanding	Weighted Average Exercise Price
	(#)	(\$)
Balance, December 31, 2008	7,300,000	0.66
Balance, March 31, 2009	7,300,000	0.66

	Options Outstanding	Weighted Average Contractual Life
Exercise Price		(years)
\$0.60	6,350,000	2.38
\$0.83	100,000	1.84
\$0.90	250,000	1.84
\$1.00	350,000	3.25
\$1.31	250,000	1.65
	7,300,000	2.37

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10. CONTRIBUTED SURPLUS

The following table sets out the changes in Contributed Surplus related to the stock based compensation expense, warrants and the broker/agent options:

	Three Months ended March 31, 2009	Year Ended December 31, 2008
Balance, beginning of period	\$ 1,993,851	\$ 1,408,624
Stock based compensation	17,233	585,227
Balance, end of period	\$ 2,011,084	\$ 1,993,851

11. PER SHARE AMOUNTS

Basic earnings per share is calculated using the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated to reflect the dilutive effect of stock options and warrants outstanding.

Earnings per share is calculated as follows:

	Three months ended March 31, 2009		
	Net Earnings (loss)	Shares	Earnings (loss) per share
Basic	\$ (641,849)	85,614,204	\$ (0.007)
Effect of assumed exercise of options And warrants		-	
Diluted	\$ (641,849)	85,614,204	\$ (0.007)
	Three months ended March 31, 2008		
	Net earnings (loss)	Shares	Earnings (loss) per share
Basic	\$ 203,336	85,614,204	\$ 0.002
Effect of assumed exercise of options And warrants		8,561	
Diluted	\$ 203,336	85,622,765	\$ 0.002

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12. SEGMENT INFORMATION

The Company operates in the oil and gas industry. Its reportable segments are identified on a geographic basis.

Geographic Segments:

March 31, 2009	Canada	Italy	Tunisia	Total
Gross Revenue	137,878	166	-	138,044
Net earnings (loss)	(471,739)	(148,498)	(21,612)	(641,849)
Total assets	5,128,243	1,859,744	15,048,809	22,036,796
Property and equipment	1,951,900	1,689,496	15,234,394	18,875,790
Capital Expenditures	11,223	102,300	44,611	158,134

March 31, 2008	Canada	Italy	Tunisia	Total
Gross Revenue	294,981	1,293	7,832	304,106
Net earnings (loss)	422,850	(191,149)	(28,365)	203,336
Total assets	11,295,205	6,233,889	12,258,162	29,787,256
Property and equipment	2,011,585	5,648,826	12,761,959	20,422,370
Capital Expenditures	83,807	147,213	380,753	611,773

Total assets are shown net of inter-company balances.

13. COMMITMENTS

- (a) The Company rents premises in Rome, Italy, under operating leases that require payments of \$63,000 in 2009 and \$57,000 in each of 2010 and 2011, and the lease is subsequently renewable annually. The Company also rents premises in Tunis, Tunisia, under operating leases that require a total payment of \$73,000 per annum renewable annually.
- (b) In the ordinary course of business, the Company and its subsidiaries may enter into contracts which contain indemnification provisions, such as service agreements, leasing agreements, asset purchase and sale agreements, joint venture agreements, operating agreements, land use agreements, etc. In such contracts, the Company may indemnify counterparties to the contracts if certain events occur. These indemnification provisions vary on an agreement-by-agreement basis. In some cases, there are no pre-determined amounts or limits included in the indemnification provisions and the occurrence of contingent events that will trigger payment under them is difficult to predict. Therefore, the maximum potential future amount that the Company could be required to pay cannot be estimated.

CYGAM ENERGY INC.

Notes to the Consolidated Financial Statements

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14. RELATED PARTY TRANSACTIONS

- (a) Included in the general and administrative expenses are consulting fees of \$74,394 (2008 -\$100,978) paid to companies whose shareholders are directors and officers of Cygam, and the Company also capitalized \$46,731 (2008 -\$ 55,068) paid to a company controlled by a director and officer of the Company.
- (b) During the period ended March 31, 2009, \$4,918 (2008 - \$20,568) in legal fees was incurred to a legal firm in which a director of the Company is a partner.

The above transactions are in the normal course of operations, and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and which are similar to those negotiated with third parties.

15. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current period's presentation.