

## CONSOLIDATED BALANCE SHEETS

(UNAUDITED) (Cdn\$000s)	Notes	As at		
		June 30, 2011	December 31, 2010	January 1, 2010
<b>ASSETS</b>				
Accounts receivable		191,904	199,977	141,887
Investment in marketable securities		769	908	1,092
Prepays and deposits		4,176	4,698	8,861
Derivative asset	20	7,247	7,087	1,675
Total current assets		204,096	212,670	153,515
Long-term investments	4	101,914	62,164	23,440
Investment in associate	5	-	-	206,315
Reclamation fund		6,074	3,001	3,422
Derivative asset	20	2,901	5,106	3,845
Other receivable	6	9,210	9,210	9,320
Exploration and evaluation	7, 8	1,045,665	1,115,371	586,467
Property, plant and equipment	8, 9	6,435,947	6,328,690	4,352,812
Goodwill	10	207,672	207,672	100,294
Total assets		8,013,479	7,943,884	5,439,430
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities		270,272	343,691	210,515
Cash dividends payable		24,937	27,533	22,890
Derivative liability	20	77,133	78,707	20,080
Total current liabilities		372,342	449,931	253,485
Long-term debt	11	1,128,183	1,006,451	519,127
Derivative liability	20	111,589	74,630	42,243
Decommissioning liability	12	334,677	324,727	216,470
Deferred income tax		609,305	596,057	486,680
Total liabilities		2,556,096	2,451,796	1,518,005
<b>SHAREHOLDERS' EQUITY</b>				
Shareholders' capital	13	7,100,969	6,839,358	4,710,290
Contributed surplus		107,862	108,890	58,282
Deficit		(1,747,288)	(1,453,523)	(846,924)
Accumulated other comprehensive loss		(4,160)	(2,637)	(223)
Total shareholders' equity		5,457,383	5,492,088	3,921,425
Total liabilities and shareholders' equity		8,013,479	7,943,884	5,439,430

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(UNAUDITED) (Cdn\$000s, except per share amounts)	Notes	Three months ended June 30		Six months ended June 30	
		2011	2010	2011	2010
<b>REVENUE AND OTHER INCOME</b>					
Oil and gas sales		527,824	330,224	1,043,660	688,954
Royalties		(90,367)	(64,628)	(173,105)	(135,199)
Oil and gas revenue		437,457	265,596	870,555	553,755
Derivative gains (losses)	15, 20	129,246	80,285	(83,040)	92,154
Other income (loss)	16	7,778	(747)	8,495	(5,925)
		<b>574,481</b>	<b>345,134</b>	<b>796,010</b>	<b>639,984</b>
<b>EXPENSES</b>					
Operating		61,706	53,999	146,594	107,071
Transportation		10,998	8,347	24,640	17,376
General and administrative		12,780	7,724	19,922	20,856
Interest on long-term debt		15,183	15,720	29,784	29,458
Foreign exchange (gain) loss	17	(1,682)	12,020	(7,715)	10,648
Share-based compensation	18	14,408	15,549	33,546	31,979
Depletion, depreciation and amortization		215,519	144,871	448,690	283,758
Accretion on decommissioning liability		2,481	2,340	4,916	4,504
		<b>331,393</b>	<b>260,570</b>	<b>700,377</b>	<b>505,650</b>
Operating income		<b>243,088</b>	<b>84,564</b>	<b>95,633</b>	<b>134,334</b>
Share of profit (loss) of associate		-	(955)	-	673
Income before tax		<b>243,088</b>	<b>83,609</b>	<b>95,633</b>	<b>135,007</b>
Tax expense (recovery)					
Current		(79)	-	(551)	1
Deferred		58,243	11,983	13,477	25,376
<b>Net income</b>		<b>184,924</b>	<b>71,626</b>	<b>82,707</b>	<b>109,630</b>
Other comprehensive income (loss)					
Foreign currency translation on foreign operations		(422)	1,210	(1,523)	543
<b>Comprehensive income</b>		<b>184,502</b>	<b>72,836</b>	<b>81,184</b>	<b>110,173</b>
<b>Net income per share</b>	19				
Basic		<b>0.68</b>	0.33	<b>0.31</b>	0.52
Diluted		<b>0.68</b>	0.33	<b>0.30</b>	0.51

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED) (Cdn\$000s)	Notes	Shareholders' capital	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
December 31, 2010		6,839,358	108,890	(1,453,523)	(2,637)	5,492,088
Issued pursuant to the DRIP <sup>(1)</sup>	13	183,684				183,684
To be issued pursuant to the DRIP <sup>(1)</sup>	13	37,703				37,703
Exercise of restricted shares	13	40,396	(43,717)			(3,321)
Share issue costs		(172)				(172)
Share-based compensation	18		41,848			41,848
Forfeit of restricted shares	18		841			841
Net income (loss)				82,707		82,707
Dividends (\$1.38 per share)				(376,472)		(376,472)
Foreign currency translation adjustment					(1,523)	(1,523)
<b>June 30, 2011</b>		<b>7,100,969</b>	<b>107,862</b>	<b>(1,747,288)</b>	<b>(4,160)</b>	<b>5,457,383</b>
January 1, 2010		4,710,290	58,282	(846,924)	(223)	3,921,425
Issued for cash		375,150				375,150
Issued pursuant to the DRIP <sup>(1)</sup>		139,517				139,517
To be issued pursuant to the DRIP <sup>(1)</sup>		30,014				30,014
Exercise of restricted shares		3,997	(8,491)			(4,494)
Share issue costs		(11,544)				(11,544)
Share-based compensation			41,859			41,859
Forfeit of restricted shares			(436)			(436)
Net income (loss)				109,630		109,630
Dividends (\$1.38 per share)				(297,079)		(297,079)
Foreign currency translation adjustment					543	543
June 30, 2010		5,247,424	91,214	(1,034,373)	320	4,304,585

(1) Dividend reinvestment plan

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED) (Cdn\$000s)	Notes	Three months ended		Six months ended	
		2011	2010	2011	2010
			June 30		June 30
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>					
Net income		184,924	71,626	82,707	109,630
Items not affecting cash					
Other (income) loss	16	(6,062)	747	(6,779)	5,925
Deferred tax expense (recovery)		58,243	11,983	13,477	25,376
Share-based compensation	18	14,408	15,549	33,546	31,979
Depletion, depreciation and amortization		215,519	144,871	448,690	283,758
Accretion on decommissioning liability		2,481	2,340	4,916	4,504
Unrealized (gains) losses on derivatives	15, 20	(157,455)	(76,821)	37,430	(89,086)
Unrealized (gain) loss on foreign exchange	17	(1,926)	11,849	(7,734)	10,693
Share of (profit) loss of associate		-	955	-	(673)
Decommissioning expenditures		(418)	(423)	(1,749)	(1,104)
Change in non-cash working capital	22	13,818	24,394	22,569	(4,595)
		323,532	207,070	627,073	376,407
<b>INVESTING ACTIVITIES</b>					
Development capital and other expenditures		(111,855)	(193,577)	(436,722)	(372,066)
Capital acquisitions, net	8	(39,828)	3,835	(39,288)	(550,230)
Reclamation fund net contributions		(1,983)	(1,102)	(3,073)	(1,414)
Long-term investments		(42,003)	(2,557)	(33,153)	(2,557)
Change in non-cash working capital	22	(88,776)	(31,584)	(83,169)	1,136
		(284,445)	(224,985)	(595,405)	(925,131)
<b>FINANCING ACTIVITIES</b>					
Issue of shares, net of issue costs		2	359,162	(3,555)	354,842
Increase (decrease) in long-term debt		38,269	(277,840)	129,568	323,152
Cash dividends		(76,549)	(64,876)	(155,085)	(127,548)
Change in non-cash working capital	22	(809)	1,469	(2,596)	(1,722)
		(39,087)	17,915	(31,668)	548,724
<b>INCREASE IN CASH</b>		-	-	-	-
<b>CASH AT BEGINNING OF PERIOD</b>		-	-	-	-
<b>CASH AT END OF PERIOD</b>		-	-	-	-

See accompanying notes to the consolidated financial statements.

### Supplementary Information:

Cash taxes (recovered) paid	94	(2)	(1,320)	18
Cash interest paid	9,308	17,597	21,232	29,970

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 (UNAUDITED)

## 1. STRUCTURE OF THE BUSINESS

The principal undertakings of Crescent Point Energy Corp. (the “Company” or “Crescent Point”) are to carry on the business of acquiring, developing and holding interests in petroleum and natural gas properties and assets related thereto through a general partnership and wholly owned subsidiaries.

Crescent Point is the ultimate parent company and is incorporated in Alberta, Canada. The address of the principal place of business is 2800, 111 – 5<sup>th</sup> Ave S.W., Calgary, Alberta, Canada, T2P 3Y6.

These interim consolidated financial statements were approved and authorized for issue by the Company’s Board of Directors on August 10, 2011.

## 2. BASIS OF PREPARATION

### a) Preparation

These financial statements represent the second interim consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim consolidated financial statements, including International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, and IFRS 1, *First-time Adoption of International Financial Reporting Standards*. Prior to 2011, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian generally accepted accounting principles (“previous GAAP”).

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of August 10, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The preparation of these interim consolidated financial statements resulted in changes to Crescent Point’s accounting policies as compared to those disclosed in the Company’s annual audited consolidated financial statements for the year ended December 31, 2010 issued under previous GAAP. A summary of the significant changes to Crescent Point’s accounting policies is disclosed in Note 24, including reconciliations presenting the impact of the transition to IFRS for the comparative periods as at January 1, 2010, as at and for the year ended December 31, 2010 and for the three and six months ended June 30, 2010.

### b) Basis of measurement, functional and presentation currency

These consolidated financial statements are presented in Canadian dollars (“Cdn\$”), unless otherwise indicated, which is the Company’s functional currency, and are prepared on the historical cost basis, except for the revaluation to fair value of certain financial assets and financial liabilities, as required.

### c) Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected. Significant estimates and judgments made by management in the preparation of consolidated financial statements are outlined below.

Reserves estimates, although not reported as part of the Company’s consolidated financial statements, can have a significant effect on net income, assets and liabilities as a result of their impact on depletion, depreciation and amortization (“DD&A”), decommissioning liability, deferred taxes, asset impairments and business combinations. Independent petroleum reservoir engineers perform evaluations of the Company’s oil and gas reserves on an annual basis. The estimation of reserves is an inherently complex process requiring significant judgment. Estimates of economically recoverable oil and gas reserves are based upon a number of variables and assumptions such as geoscientific interpretation, production forecasts, commodity prices, costs and related future cash flows, all of which may vary considerably from actual results. These estimates are expected to be revised upward or downward over time, as additional information such as reservoir performance becomes available, or as economic conditions change.

For purposes of impairment testing, property, plant and equipment (“PP&E”) is aggregated into cash-generating units (“CGUs”), based on separately identifiable and largely independent cash inflows. The determination of the Company’s CGUs is subject to judgment.

Upon retirement of its oil and gas assets, the Company anticipates incurring substantial costs associated with decommissioning. Estimates of these costs are subject to uncertainty associated with the method, timing and extent of future decommissioning activities. The liability, the related asset and the expense are impacted by estimates with respect to the cost and timing of decommissioning.

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of PP&E and exploration and evaluation (“E&E”) assets acquired generally require the most judgment and include estimates of reserves acquired, forecast benchmark commodity prices, and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill. Future net earnings can be affected as a result of changes in future DD&A, asset impairment or goodwill impairment.

The determination of technical feasibility and commercial viability, based on the presence of reserves, results in the transfer of assets from E&E assets to PP&E.

The estimated fair value of derivative instruments resulting in derivative assets and liabilities, by their very nature, are subject to measurement uncertainty.

Compensation costs recorded pursuant to share-based compensation plans are subject to estimated fair values, forfeiture rates and the future attainment of performance criteria.

Tax regulations and legislation and the interpretations thereof are subject to change. In addition, deferred income tax liabilities recognize the extent that temporary differences will be payable in future periods. The calculation of the liability involves a significant amount of estimation including an evaluation of when the temporary differences will reverse, an analysis of the amount of future taxable earnings, the availability of cash flows and the application of tax laws. Changes in tax regulations and legislation and the other assumptions listed are subject to measurement uncertainty.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently by the Company and its subsidiaries to all periods presented in these interim consolidated financial statements.

#### **a) Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its subsidiaries and any reference to the “Company” throughout these consolidated financial statements refers to the Company and its subsidiaries. All transactions between the Company and its subsidiaries have been eliminated.

Investments in associates are accounted for using the equity method. The Company used the equity method to account for its investment in Shelter Bay Energy Inc. (“Shelter Bay”). Refer to Note 5 “Investment in Associate” for additional information.

Interests in jointly controlled assets are accounted for using the proportionate consolidation method, whereby these consolidated financial statements include the Company’s proportionate share of these jointly controlled assets, liabilities, and revenue and expenses.

#### **b) Property, Plant and Equipment**

Items of PP&E, which primarily consist of oil and gas development and production assets, are measured at cost less accumulated depletion, depreciation and any impairment losses. Development and production assets are accumulated into major area cost centres and represent the cost of developing the commercial reserves and initiating production.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of PP&E are recognized as development and production assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in net income as incurred. Capitalized development and production assets generally represent costs incurred in developing reserves and initiating or enhancing production from such reserves. The carrying amount of any replaced or sold component is derecognized.

#### **Depletion and Depreciation**

Development and production costs accumulated within major areas are depleted using the unit-of-production method based on estimated proved plus probable reserves before royalties, as determined by independent petroleum reservoir engineers. Natural gas reserves and production are converted to equivalent barrels of oil based upon the relative energy content (6:1). The depletion base includes capitalized costs, plus future costs to be incurred in developing proved plus probable reserves.

Corporate assets are depreciated over 5 years on a straight-line basis.

## **Impairment**

The carrying amounts of PP&E are grouped into CGUs and reviewed quarterly for indicators of impairment. Indicators are events or changes in circumstances that indicate the carrying amount may not be recoverable. If indicators of impairment exist, the recoverable amount of the CGU is estimated. If the carrying amount of the CGU exceeds the recoverable amount, the CGU is written down with an impairment recognized in net income.

Assets are grouped into CGUs based on separately identifiable and largely independent cash inflows considering geological characteristics, shared infrastructure and exposure to market risks. Estimates of future cash flows used in the calculation of the recoverable amount are based on reserve evaluation reports prepared by independent petroleum reservoir engineers. The recoverable amount is the higher of fair value less cost to sell and the value-in-use. Fair value less cost to sell is derived by estimating the discounted after-tax future net cash flows. Discounted future net cash flows are based on forecasted commodity prices and costs over the expected economic life of the reserves and discounted using market-based rates to reflect a market participant's view of the risks associated with the assets. Value-in-use is assessed using the expected future cash flows discounted at a pre-tax rate.

Impairments of PP&E are reversed when there has been a subsequent increase in the recoverable amount, but only to the extent of what the carrying amount would have been had no impairment been recognized.

## **c) Exploration and Evaluation**

Exploration and evaluation assets are comprised of the accumulated expenditures incurred in an area where technical feasibility and commercial viability has not yet been determined. Exploration and evaluation assets include undeveloped land and any drilling costs thereon.

Technical feasibility and commercial viability are considered to be determinable when reserves are discovered. Upon determination of reserves, E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to PP&E.

Costs incurred prior to acquiring the legal rights to explore an area are expensed as incurred.

### **Amortization**

Undeveloped land classified as E&E is amortized by major area over the average primary lease term and recognized in net income. Drilling costs classified as E&E assets are not amortized but are subject to impairment.

### **Impairment**

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) indicators suggest that the carrying amount exceeds the recoverable amount. Exploration and evaluation assets are tested for impairment at the operating segment level by combining E&E assets with PP&E. The recoverable amount is the greater of fair value less cost to sell or value-in-use. Fair value less cost to sell is derived by estimating the discounted after-tax future net cash flows as described in the PP&E impairment test, plus the fair market value of undeveloped land and seismic. Value-in-use is assessed using the present value of the expected future cash flows discounted at a pre-tax rate. Impairments of E&E assets are reversed when there has been a subsequent increase in the recoverable amount, but only to the extent of what the carrying amount would have been had no impairment been recognized.

## **d) Decommissioning Liability**

The Company recognizes the present value of a decommissioning liability in the period in which it is incurred. The obligation is recorded as a liability on a discounted basis using the relevant risk free rate, with a corresponding increase to the carrying amount of the related asset. Over time, the liabilities are accreted for the change in their present value and the capitalized costs are depleted on a unit-of-production basis over the life of the underlying proved plus probable reserves. Accretion expense is recognized in net income. Revisions to the discount rate, estimated timing or amount of future cash flows would also result in an increase or decrease to the decommissioning liability and related asset.

## **e) Reclamation Fund**

The Company established a reclamation fund to fund future decommissioning costs and environmental emissions reduction costs. Effective April 1, 2010, the Board of Directors approved contributions of \$0.45 per barrel of oil equivalent ("boe") of production; prior to this, 2010 contributions were \$0.30 per boe. Additional contributions are made at the discretion of management.

## **f) Goodwill**

The Company records goodwill relating to a business combination when the purchase price exceeds the fair value of the net identifiable assets and liabilities of the acquired business. The goodwill balance is assessed for impairment annually or as events occur that could result in impairment. Goodwill is tested for impairment at an operating segment level by combining the carrying amounts of PP&E, E&E assets and goodwill and comparing this to the recoverable amount. The recoverable amount is the greater of fair value less cost to sell or value-in-use. Fair value less cost to sell is derived by estimating the discounted after-tax future net cash flows as described in the PP&E impairment test, plus the fair market value of undeveloped land and seismic. Value-in-use is assessed using the present value of the expected future cash flows discounted at a pre-tax rate. Any excess of the carrying amount over the recoverable amount is the impairment amount.

Impairment charges, which are not tax affected, are recognized in net income. Goodwill is reported at cost less any impairment; impairments are not reversed.

#### **g) Share-based Compensation**

Restricted shares granted under the Restricted Share Bonus Plan are accounted for at fair value. Share-based compensation expense is determined based on the estimated fair value of shares on the date of grant. Forfeitures are estimated at the grant date and are subsequently adjusted to reflect actual forfeitures. The expense is recognized over the service period, with a corresponding increase to contributed surplus. The Company capitalizes the portion of share-based compensation directly attributable to development activities, with a corresponding decrease to share-based compensation expense. At the time the restricted shares vest, the issuance of shares is recorded as an increase to shareholders' capital and a corresponding decrease to contributed surplus.

#### **h) Income Taxes**

The Company follows the liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for the estimated effect of any differences between the accounting and tax basis of assets and liabilities, using enacted or substantively enacted income tax rates expected to apply when the deferred tax asset or liability is settled. The effect of a change in income tax rates on deferred income taxes is recognized in net income in the period in which the change occurs.

Deferred income tax assets and liabilities are presented as non-current.

Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

#### **i) Financial Instruments**

The Company has early adopted IFRS 9, *Financial Instruments*, as issued in November 2009 and revised in October 2010 ("IFRS 9"), with a date of initial application of January 1, 2010. This new standard replaces the current multiple classification and measurement model for non-equity financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. Classification depends on the entity's business model for managing financial instruments and the contractual cash flow characteristics of the financial instrument.

In addition, the fair value option for financial liabilities was amended. The changes in fair value attributable to a liability's credit risk will be recorded in other comprehensive income rather than through net income, unless this presentation creates an accounting mismatch. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to net income.

For investments in equity instruments which are not subject to control, joint control, or significant influence, on initial recognition IFRS 9 allows an entity to irrevocably elect classification at "fair value through profit or loss" or "fair value through other comprehensive income".

The Company uses financial derivative instruments and physical delivery commodity contracts from time to time to reduce its exposure to fluctuations in commodity prices, foreign exchange rates and interest rates. The Company also makes investments in companies from time to time in connection with the Company's acquisition and divesture activities.

##### Financial derivative instruments

Financial derivative instruments are included in current assets/liabilities except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets/liabilities.

The Company has not designated any of its financial derivative contracts as effective accounting hedges and, accordingly, fair values its financial derivative contracts with the resulting gains and losses recorded in net income.

The fair value of a financial derivative instrument on initial recognition is normally the transaction price. Subsequent to initial recognition, the fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated based on market prices at the reporting date for similar assets or liabilities with similar terms and conditions, or by discounting future payments of interest and principal at estimated interest rates that would be available to the Company at the reporting date.

##### Financial assets and liabilities

Financial assets and liabilities are measured at fair value on initial recognition. For non-equity instruments, measurement in subsequent periods depends on the classification of the financial asset or liability as "fair value through profit or loss" or "amortized cost".

Financial assets and liabilities classified as fair value through profit or loss are subsequently carried at fair value, with changes recognized in net income.

Financial assets and liabilities classified as amortized cost are subsequently carried at amortized cost using the effective interest rate method.

Currently, the Company classifies all non-equity financial instruments which are not financial derivative instruments as amortized cost.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset carried at amortized cost is impaired. If such evidence exists, the Company recognizes an impairment loss in net income. Impairment losses are reversed in subsequent periods if the impairment loss decrease can be related objectively to an event occurring after the impairment was recognized.

For investments in equity instruments, the subsequent measurement is dependent on the Company's election to classify such instruments as fair value through profit or loss or fair value through other comprehensive income. If the fair value through other comprehensive income classification is selected, the Company would recognize in net income dividends from the investment when the Company's right to receive payment is established and would recognize fair value re-measurements of the investment through other comprehensive income. If the fair value through profit or loss classification is elected, the Company would recognize period to period movements in the fair value of the investment (adjusted for dividends) within net income. Regardless of the classification, such investments are not subject to impairment testing.

Currently, the Company classifies all investments in equity instruments as fair value through profit or loss.

#### **j) Business Combinations**

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. 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 acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognized immediately in net income. Transaction costs associated with business combinations are expensed as incurred.

#### **k) Foreign Currency Translation**

##### Foreign operations

The Company has operations in the United States ("U.S.") transacted via U.S. subsidiaries. Transactions by foreign operations are translated to Canadian dollars at exchange rates in effect at the transaction date. The assets and liabilities of foreign operations are restated to Canadian dollars at exchange rates in effect at the balance sheet date; the resulting unrealized gain or loss is included in other comprehensive income. The income and expenses of foreign operations are restated to Canadian dollars using the average exchange rate for the period, the resulting unrealized gain or loss is included in other comprehensive income. Realized gains and losses are included in net income.

##### Foreign transactions

Transactions in foreign currencies not incurred by the Company's U.S. subsidiaries are translated to Canadian dollars at exchange rates in effect at the transaction dates. Foreign currency assets and liabilities are restated to Canadian dollars at exchange rates in effect at the balance sheet date and income and expenses are restated to Canadian dollars using the average exchange rate for the period. Both realized and unrealized gains and losses resulting from the settlement or restatement of foreign currency transactions are included in net income.

#### **l) Revenue Recognition**

Oil and gas revenue includes the sale of crude oil, natural gas and natural gas liquids and is recognized when the risks and rewards of ownership have been substantially transferred.

#### **m) Cash and Cash Equivalents**

Cash and cash equivalents include short-term investments with original maturities of three months or less.

#### **n) Leases**

Agreements under which payments are made to owners in return for the right to use an asset for a period are accounted for as leases. All of the Company's leases are treated as operating leases and the costs are recognized in net income on a straight-line basis.

#### **o) Earnings Per Share**

Basic earnings per share ("EPS") is calculated by dividing the net income (loss) for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to dilutive instruments, being restricted shares issued under the Company's Restricted Share Bonus Plan, is computed using the treasury stock method. The treasury stock method assumes that the deemed proceeds related to unrecognized share-based compensation expense are used to repurchase shares at the average market price during the period.

## p) Future Changes in Accounting Policies

Crescent Point will adopt all IFRS accounting standards in effect on December 31, 2011.

The following standards and amendments have not been adopted as they apply to future periods. They may result in future changes to our existing accounting policies and disclosures. Crescent Point is currently evaluating the impact that these standards will have on the Company's results of operations and financial position:

- IFRS 10 *Consolidated Financial Statements* – in May 2011, the IASB issued IFRS 10 which provides additional guidance to determine whether an investee should be consolidated. The guidance applies to all investees, including special purpose entities. The standard is required to be adopted for periods beginning January 1, 2013.
- IFRS 11 *Joint Arrangements* – in May 2011, the IASB issued IFRS 11 which presents a new model for determining whether an entity should account for joint arrangements using proportionate consolidation or the equity method. An entity will have to follow the substance rather than legal form of a joint arrangement and will no longer have a choice of accounting method. The standard is required to be adopted for periods beginning January 1, 2013.
- IFRS 12 *Disclosure of Interests in Other Entities* – in May 2011, the IASB issued IFRS 12 which aggregates and amends disclosure requirements included within other standards. The standard requires an entity to provide disclosures about subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is required to be adopted for periods beginning January 1, 2013.
- IFRS 13 *Fair Value Measurement* – in May 2011, the IASB issued IFRS 13 to provide comprehensive guidance for instances where IFRS requires fair value to be used. The standard provides guidance on determining fair value and requires disclosures about those measurements. The standard is required to be adopted for periods beginning January 1, 2013.
- IAS 1 *Presentation of Items of Other Comprehensive Income* – in June 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements to separate items of other comprehensive income that may be subsequently reclassified to income. The standard is required to be adopted for periods beginning on or after July 1, 2012.
- IAS 27 *Separate Financial Statements* has been amended to conform to the changes made in IFRS 10 but retains the current guidance for separate financial statements.
- IAS 28 *Investments in Associates and Joint Ventures* has been amended to conform to the changes made in IFRS 10 and IFRS 11.

#### 4. LONG-TERM INVESTMENTS

##### a) Public Companies

The Company holds common shares in publicly traded oil and gas companies. The investments are classified as financial assets at fair value through profit or loss and are fair valued with the resulting gain or loss recorded in net income. The investments are recorded at fair value which is \$9.3 million more than the original cost of the investments.

##### b) Private Companies

The Company holds common shares in a private oil and gas company. The investment is classified as a financial asset at fair value through profit or loss and is fair valued with the resulting gain or loss recorded in net income. The investment is recorded at fair value which is equal to the cost of the investment.

#### 5. INVESTMENT IN ASSOCIATE

During the first quarter of 2008, the Company invested in Shelter Bay Energy Inc. ("Shelter Bay"), a private oil company. At January 1, 2010, the Company's investment of \$200.4 million consisted of 173.9 million Class A Common Shares, representing an interest of 21 percent, plus the accumulated equity earnings of \$5.9 million.

On July 2, 2010, the Company completed the acquisition, by plan of arrangement, of the remaining shares it did not already own in Shelter Bay. See Note 8 – "Capital Acquisitions and Dispositions".

#### 6. OTHER RECEIVABLE

At June 30, 2011, the Company had investment tax credits of approximately \$12.5 million. The investment tax credits resulted from the plan of arrangement with Wild River Resources Ltd. completed on July 2, 2009. The after tax benefit associated with investment tax credits is approximately \$9.2 million.

#### 7. EXPLORATION AND EVALUATION ASSETS

(Cdn\$000s)	June 30, 2011	December 31, 2010
Exploration and evaluation assets at cost	1,321,368	1,270,380
Accumulated amortization	(275,703)	(155,009)
Net carrying amount	1,045,665	1,115,371
<b>Reconciliation of movements during the period</b>		
Cost, beginning of period	1,270,380	586,467
Accumulated amortization, beginning of period	(155,009)	-
Net carrying amount, beginning of period	1,115,371	586,467
Net carrying amount, beginning of period	1,115,371	586,467
Acquisitions through business combinations	407	469,253
Additions	141,422	351,878
Dispositions	-	(738)
Transfers to property, plant and equipment	(88,982)	(133,392)
Amortization	(121,066)	(155,221)
Foreign exchange	(1,487)	(2,876)
Net carrying amount, end of period	1,045,665	1,115,371

Exploration and evaluation assets consist of the Company's undeveloped land and exploration projects which are pending the determination of technical feasibility. Additions represent the Company's share of the cost of E&E assets during the period. At June 30, 2011, \$1.0 billion remains in E&E assets after \$89.0 million was transferred to PP&E following the determination of technical feasibility during the six months ended June 30, 2011 (year ended December 31, 2010 - \$1.1 billion and \$133.4 million, respectively).

##### Impairment test for exploration and evaluation assets

There were no indicators of impairment at June 30, 2011 or December 31, 2010 and as such, an impairment test of E&E assets was not required.

The impairment test of E&E assets at January 1, 2010 concluded that the recoverable amount exceeded the combined net carrying amount of PP&E and E&E assets. As such, no E&E asset impairment existed.

## 8. CAPITAL ACQUISITIONS AND DISPOSITIONS

### a) Major Acquisitions

#### Shelter Bay Energy Inc.

On July 2, 2010, Crescent Point completed the acquisition, by way of plan of arrangement, of all remaining issued and outstanding common shares of Shelter Bay, a private oil and gas company with properties contiguous with Crescent Point's existing core areas in southern Saskatchewan. Total consideration of approximately \$1.2 billion included the issuance of approximately 24.4 million shares, assumed long-term debt, working capital, long-term investment and the historical cost of Crescent Point's previously held equity investment of \$200.4 million (a combined \$1.2 billion was allocated to PP&E and E&E assets). The goodwill recognized on acquisition is attributed to the expected future cash flows derived from unbooked possible reserves.

The carrying amount of Crescent Point's investment in Shelter Bay on July 2, 2010 was \$207.0 million, and the fair value was estimated at \$237.3 million, resulting in a gain of \$30.3 million.

	(\$000)
<b>Fair value of net assets acquired</b>	
Long-term investment	36,633
Accounts receivable	16,152
Derivative assets	11,987
Property, plant and equipment	1,052,769
Exploration and evaluation	196,753
Goodwill	107,378
Accounts payable and accrued liabilities	(45,771)
Long-term debt	(137,687)
Decommissioning liability	(11,091)
Deferred tax liability	(90,306)
<b>Total net assets acquired</b>	<b>1,136,817</b>
<b>Consideration</b>	
Crescent Point's previously held equity interest	206,987
Gain on Crescent Point's previously held equity interest	30,291
Shares issued (24,397,586 shares)	899,539
<b>Total purchase price</b>	<b>1,136,817</b>

#### Private Company

On July 5, 2010, Crescent Point completed the acquisition, by way of plan of arrangement, of all issued and outstanding common shares of a private oil and gas company with exploratory land in southern Alberta prospective for multi-zone light oil opportunities. Total consideration of approximately \$95.6 million included the issuance of approximately 0.7 million shares, assumed long-term debt and working capital (a combined \$107.6 million was allocated to PP&E and E&E assets).

	(\$000)
<b>Fair value of net assets acquired</b>	
Accounts receivable	2,337
Property, plant and equipment	43,430
Exploration and evaluation	64,195
Accounts payable and accrued liabilities	(22,159)
Long-term debt	(49,018)
Decommissioning liability	(7,418)
Deferred tax liability	(4,574)
<b>Total net assets acquired</b>	<b>26,793</b>
<b>Consideration</b>	
Shares issued (740,537 shares)	26,793
<b>Total purchase price</b>	<b>26,793</b>

**Ryland Oil Corp.**

On August 20, 2010, Crescent Point completed the acquisition, by way of plan of arrangement, of all remaining issued and outstanding common shares of Ryland Oil Corp. ("Ryland"), a public oil and gas company with properties primarily located in Crescent Point's Flat Lake area in southeastern Saskatchewan and North Dakota. Total consideration of approximately \$116.3 million included the issuance of approximately 2.2 million shares, assumed long-term debt, working capital and the historical cost of Crescent Point's previously held equity investment of \$7.6 million (a combined \$122.4 million was allocated to PP&E and E&E assets).

The carrying amount of Crescent Point's investment in Ryland on August 20, 2010 was \$7.8 million and the fair value was estimated at \$7.6 million resulting in a loss of \$0.2 million.

	(\$000)
<b>Fair value of net assets acquired</b>	
Accounts receivable	356
Property, plant and equipment	7,273
Exploration and evaluation	115,159
Accounts payable and accrued liabilities	(22,376)
Long-term debt	(8,145)
Decommissioning liability	(1,050)
Deferred tax liability	(5,088)
Total net assets acquired	86,129
<b>Consideration</b>	
Crescent Point's previously held investment	7,833
Loss on Crescent Point's previously held investment	(203)
Shares issued (2,178,719 shares)	78,499
Total purchase price	86,129

**b) Minor Property Acquisitions, Dispositions and Purchase Price Adjustments**

Minor property acquisitions, dispositions and purchase price adjustments during the six months ended June 30, 2011 amounted to additions to PP&E and E&E assets of \$35.3 million (\$36.0 million was allocated to PP&E and E&E assets).

## 9. PROPERTY, PLANT AND EQUIPMENT

(Cdn\$000s)	June 30, 2011	December 31, 2010
Development and production assets	7,282,264	6,847,972
Corporate assets	16,394	15,831
Property, plant and equipment at cost	7,298,658	6,863,803
Accumulated depletion and depreciation	(862,711)	(535,113)
Net carrying amount	6,435,947	6,328,690
<b>Reconciliation of movements during the period</b>		
<b>Development and production assets</b>		
Cost, beginning of period	6,847,972	4,343,663
Accumulated depletion, beginning of period	(527,828)	-
Net carrying amount, beginning of period	6,320,144	4,343,663
Net carrying amount, beginning of period	6,320,144	4,343,663
Acquisitions through business combinations, net	36,010	1,675,354
Additions	310,012	699,382
Dispositions	(442)	(3,643)
Transfers from exploration and evaluation assets	88,982	133,392
Depletion	(326,546)	(527,839)
Foreign exchange	(244)	(165)
Net carrying amount, end of period	6,427,916	6,320,144
Cost, end of period	7,282,264	6,847,972
Accumulated depletion, end of period	(854,348)	(527,828)
Net carrying amount, end of period	6,427,916	6,320,144
<b>Corporate assets</b>		
Cost, beginning of period	15,831	14,284
Accumulated depreciation, beginning of period	(7,285)	(5,135)
Net carrying amount, beginning of period	8,546	9,149
Net carrying amount, beginning of period	8,546	9,149
Additions	563	1,547
Depreciation	(1,078)	(2,150)
Net carrying amount, end of period	8,031	8,546
Cost, end of period	16,394	15,831
Accumulated depreciation, end of period	(8,363)	(7,285)
Net carrying amount, end of period	8,031	8,546

At June 30, 2011, future development costs of \$3.2 billion (December 31, 2010 – \$3.1 billion) are included in costs subject to depletion.

Direct general and administrative expenses capitalized by the Company during the six months ended June 30, 2011 was \$15.0 million (year ended December 31, 2010 – \$42.0 million), including \$9.1 million of share-based compensation costs (year ended December 31, 2010 – \$22.5 million).

### Impairment test for property, plant and equipment

There were no indicators of impairment at June 30, 2011 or December 31, 2010 and, as such, an impairment test of PP&E was not required.

The impairment test of PP&E at January 1, 2010 concluded that the recoverable amount exceeded the net carrying amount. As such, no PP&E impairment existed. The discount rate applied at January 1, 2010 was based on an estimated industry average weighted average cost of capital of 10%.

## 10. GOODWILL

(Cdn\$000s)	June 30, 2011	December 31, 2010
Balance, beginning of period	207,672	100,294
Shelter Bay acquisition	-	107,378
Balance, end of period	207,672	207,672

### Impairment test of goodwill

The impairment tests of goodwill at December 31, 2010 and January 1, 2010 concluded that the estimated recoverable amount exceeded the carrying amount. As such, no goodwill impairment existed.

## 11. LONG-TERM DEBT

The following table reconciles long-term debt:

(Cdn\$000s)	June 30, 2011	December 31, 2010	January 1, 2010
Bank credit facilities	618,355	697,847	519,127
Senior guaranteed notes			
Cdn\$50.0 million (Matures March 24, 2015)	50,000	50,000	-
US\$37.5 million (Matures March 24, 2015)	36,161	37,299	-
US\$52.0 million (Matures April 14, 2016)	50,144	-	-
US\$67.5 million (Matures March 24, 2017)	65,090	67,137	-
US\$31.0 million (Matures April 14, 2018)	29,893	-	-
US\$155.0 million (Matures March 24, 2020)	149,467	154,168	-
Cdn\$50.0 million (Matures April 14, 2021)	50,000	-	-
US\$82.0 million (Matures April 14, 2021)	79,073	-	-
Total long-term debt	1,128,183	1,006,451	519,127

### a) Bank Credit Facilities

The Company has a syndicated unsecured credit facility with twelve banks and an operating credit facility with one Canadian chartered bank, for a total amount available under the combined facilities of \$1.6 billion.

The credit facilities bear interest at the prime rate plus a margin based on a sliding scale ratio of the Company's debt to EBITDA, adjusted for certain non-cash items. The syndicated unsecured credit facility matures on June 10, 2014 and can be extended upon agreement of Crescent Point and the lenders. The operating credit facility constitutes a revolving facility for a 364 day term which is extendible annually for a further 364 day revolving period. The current conversion date for the operating credit facility is June 8, 2012. The combined credit facilities have covenants based on the ratios of debt to EBITDA and debt to capital, adjusted for certain non-cash items; the Company is in compliance with all debt covenants at June 30, 2011.

The Company has letters of credit in the amount of \$10.4 million outstanding at June 30, 2011.

The Company manages its credit facilities through a combination of bankers' acceptance loans and interest rate swaps.

### b) Senior Guaranteed Notes

The Company has closed private offerings of senior guaranteed notes raising total gross proceeds of US\$425.0 million and Cdn\$100.0 million. The notes are unsecured and rank *pari passu* with the Company's bank credit facilities and carry a bullet repayment on maturity. The terms and rates of the Company's outstanding senior guaranteed notes are detailed below:

Principal	Coupon Rate	Interest Payment Dates	Maturity Date
Cdn\$50.0 million	4.92%	September 24 and March 24	March 24, 2015
US\$37.5 million	4.71%	September 24 and March 24	March 24, 2015
US\$52.0 million	3.93%	October 14 and April 14	April 14, 2016
US\$67.5 million	5.48%	September 24 and March 24	March 24, 2017
US\$31.0 million	4.58%	October 14 and April 14	April 14, 2018
US\$155.0 million	6.03%	September 24 and March 24	March 24, 2020
US\$82.0 million	5.13%	October 14 and April 14	April 14, 2021
Cdn\$50.0 million	5.53%	October 14 and April 14	April 14, 2021

Concurrent with the issuance of the US\$425.0 million senior guaranteed notes on March 24, 2010 and April 14, 2011, the Company entered into cross currency interest rate swaps ("CCIRS") with a syndicate of financial institutions. To manage the Company's foreign exchange risk, the CCIRS fixes the US dollar amount of the notes for purposes of interest and principal repayments at a notional amount of Cdn\$424.6 million. See additional information in Note 20 – "Financial Instruments and Derivatives".

## 12. DECOMMISSIONING LIABILITY

Upon retirement of its oil and gas assets, the Company anticipates incurring substantial costs associated with decommissioning. The estimated future cash flows have been discounted using an average risk free rate of approximately 3 percent and an inflation rate of 2 percent (December 31, 2010 - approximately 3 percent and 2 percent, respectively).

The following table reconciles the decommissioning liability:

(Cdn\$000s)	June 30, 2011	December 31, 2010
Decommissioning liability, beginning of period	324,727	216,470
Liabilities incurred	5,419	16,508
Liabilities acquired through capital acquisitions	788	42,979
Liabilities disposed through capital dispositions	(62)	(86)
Liabilities settled	(1,749)	(2,748)
Change in estimate <sup>(1)</sup>	638	42,052
Accretion expense	4,916	9,552
Decommissioning liability, end of period	334,677	324,727

(1) These amounts primarily relate to the change in discount rates used.

## 13. SHAREHOLDERS' CAPITAL

Crescent Point has an unlimited number of common shares authorized for issuance.

	June 30, 2011		December 31, 2010	
	Number of shares	Amount (Cdn\$000s)	Number of shares	Amount (Cdn\$000s)
Common shares, beginning of period	266,911,154	6,956,216	209,389,932	4,803,759
Issued for cash	-	-	19,400,000	750,300
Issued on capital acquisitions	-	-	27,316,842	1,004,831
Issued on exercised restricted shares <sup>(1)</sup>	1,116,652	40,396	774,497	20,354
Issued pursuant to the dividend reinvestment plan	4,318,735	183,684	9,204,120	343,306
Common shares, end of period	272,346,541	7,180,296	266,085,391	6,922,550
Cumulative share issue costs	-	(117,030)	-	(116,858)
To be issued pursuant to the dividend reinvestment plan	932,222	37,703	825,763	33,666
Total shareholders' capital, end of period	273,278,763	7,100,969	266,911,154	6,839,358

(1) The amount of shares issued on exercise of restricted shares is net of any employee withholding taxes.

## 14. CAPITAL MANAGEMENT

The Company's capital structure is comprised of shareholders' equity, long-term debt and working capital. The balance of each of these items is as follows:

(Cdn\$000s)	June 30, 2011	December 31, 2010	January 1, 2010
Long-term debt	1,128,183	1,006,451	519,127
Working (capital) deficiency <sup>(1)</sup>	(3,554)	103,477	(148,190)
Unrealized foreign exchange gain on translation of US dollar senior guaranteed notes	14,459	6,535	-
Net debt	1,139,088	1,116,463	370,937
Shareholders' equity	5,457,383	5,492,088	3,921,425
Total capitalization	6,596,471	6,608,551	4,292,362

(1) Working (capital) deficiency is calculated as current liabilities less current assets, excluding derivative asset and liability, less long-term investments and investment in associate.

Crescent Point's objective for managing capital is to maintain a strong balance sheet and capital base to provide financial flexibility, stability to dividends and to position the Company for future development of the business. Ultimately, Crescent Point strives to maximize long-term stakeholder value by ensuring the Company has the financing capacity to fund projects that are expected to add value to stakeholders and distribute any excess cash that is not required for financing projects.

Crescent Point manages and monitors its capital structure and short-term financing requirements using a non-GAAP measure, the ratio of net debt to funds flow from operations. Net debt is calculated as current liabilities plus long-term debt less current assets, less long-term investments and investment in associate, excluding derivative asset, derivative liability, and unrealized foreign exchange on translation of US dollar senior guaranteed notes. Funds flow from operations is calculated as cash flow from operating activities before changes in non-cash working capital, transaction costs and decommissioning expenditures. Crescent Point's objective is to maintain a net debt to funds flow from operations ratio of approximately 1.0 times. This metric is used to measure the Company's overall debt position and measure the strength of the Company's balance sheet. Crescent Point monitors this ratio and uses this as a key measure in making decisions regarding financing, capital spending and dividend levels.

Crescent Point strives to provide stability to its dividends over time by managing risks associated with the oil and gas industry. To accomplish this, the Company maintains a conservative balance sheet with significant unutilized lines of credit, manages its exposure to fluctuating interest rates and foreign exchange rates on its long-term debt, and actively hedges commodity prices using a 3½ year risk management program by hedging up to 65 percent of after royalty volumes using a portfolio of swaps, collars and put option instruments.

Crescent Point is subject to certain financial covenants in its credit facility agreements and is in compliance with all financial covenants as of June 30, 2011.

## 15. DERIVATIVE GAINS (LOSSES)

The following table reconciles derivative gains (losses):

(Cdn\$000s)	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Realized gains (losses)	(28,209)	3,464	(45,610)	3,068
Unrealized gains (losses)	157,455	76,821	(37,430)	89,086
Derivative gains (losses)	129,246	80,285	(83,040)	92,154

## 16. OTHER INCOME (LOSS)

The following table reconciles other income (loss):

(Cdn\$000s)	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Unrealized loss on investment in marketable securities	(138)	(139)	(138)	(169)
Unrealized gain (loss) on long-term investments	5,881	(608)	3,238	(5,756)
Gains on sale of long-term investments	-	-	3,360	-
Other income	2,035	-	2,035	-
Other income (loss)	7,778	(747)	8,495	(5,925)

## 17. FOREIGN EXCHANGE GAIN (LOSS)

The following table reconciles foreign exchange gain (loss):

(Cdn\$000s)	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Realized				
Foreign exchange gain (loss)	(242)	(184)	(274)	44
Unrealized				
Foreign exchange gain (loss) on translation of US dollar senior guaranteed notes	1,926	(11,849)	7,734	(10,693)
Other foreign exchange gain (loss)	(2)	13	255	1
Foreign exchange gain (loss)	1,682	(12,020)	7,715	(10,648)

## 18. RESTRICTED SHARE BONUS PLAN

The Company has a Restricted Share Bonus Plan. Under the terms of the Restricted Share Bonus Plan, the Company may grant restricted shares to directors, officers, employees and consultants which vest at 33 1/3 percent on each of the first, second and third anniversaries of the grant date or on such other terms as the Board of Directors may determine.

Restricted shares have also been granted pursuant to the Company's Annual Performance Awards. The amounts and vesting profile of these awards are at the discretion of the Board of Directors.

Restricted shareholders are eligible for monthly dividends on their restricted shares, immediately upon grant.

A summary of the changes in the restricted shares outstanding under the plan is as follows:

	June 30, 2011	December 31, 2010
Restricted shares, beginning of period	3,980,024	2,308,844
Granted	1,420,796	2,830,675
Exercised	(1,194,094)	(1,084,350)
Forfeited	(22,910)	(75,145)
Restricted shares, end of period	4,183,816	3,980,024

For the six months ended June 30, 2011, the Company calculated total share-based compensation, net of estimated forfeitures and forfeiture true-ups, of \$42.7 million (June 30, 2010 - \$41.4 million), of which \$9.1 million (year ended December 31, 2010 - \$9.4 million) was capitalized.

## 19. PER SHARE AMOUNTS

The following table summarizes the weighted average shares used in calculating net income per share:

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Weighted average shares - basic	271,045,611	215,197,250	269,704,779	212,616,540
Dilutive impact of restricted shares	2,697,045	4,101,708	2,643,019	3,799,828
Weighted average shares - diluted	273,742,656	219,298,958	272,347,798	216,416,368

## 20. FINANCIAL INSTRUMENTS AND DERIVATIVES

The Company's financial assets and liabilities are comprised of accounts receivable, investment in marketable securities, long-term investments, the reclamation fund, derivative assets and liabilities, accounts payable and accrued liabilities, cash dividends payable and long-term debt.

Crescent Point's investment in marketable securities, the reclamation fund, and derivative assets and liabilities are transacted in active markets. Crescent Point's long-term investments are transacted in active markets and non-active markets. The Company classifies the fair value of these transactions according to the following fair value hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – Values are based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Values are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – Values are based on prices or valuation techniques that are not based on observable market data.

Accordingly, Crescent Point's investment in marketable securities, and the reclamation fund are classified as Level 1, derivative assets and liabilities as Level 2 and long-term investments as Level 1 or Level 3 depending on whether the company is publicly traded or private. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

Discussions of the fair values and risks associated with financial assets and liabilities, as well as summarized information related to derivative positions are detailed below:

#### **a) Carrying Amount and Fair Value of Financial Instruments**

##### ***Accounts Receivable and Reclamation Fund***

Accounts receivable and the reclamation fund are classified as financial assets at amortized cost which are reported at amortized cost. At June 30, 2011, December 31, 2010 and January 1, 2010, the carrying amount of accounts receivable and the reclamation fund approximated their fair value.

##### ***Investment in marketable securities***

Investment in marketable securities is classified as financial assets at fair value through profit or loss and are reported at fair value, with changes in fair value recorded in other income. At June 30, 2011, the Company reported investments in marketable securities at a fair value of \$0.8 million (December 31, 2010 - \$0.9 million, January 1, 2010 - \$1.1 million). During the three and six months ended June 30, 2011, the Company recorded an unrealized loss on marketable securities of \$0.1 million (June 30, 2010 – \$0.1 million and \$0.2 million, respectively).

##### ***Long-term investments***

Long-term investments are classified as financial assets at fair value through profit and loss and are reported at fair value, with changes in fair value recorded in other income. At June 30, 2011, the Company reported long-term investments at a fair value of \$101.9 million (December 31, 2010 - \$62.2 million, January 1, 2010 - \$23.4 million). During the three and six months ended June 30, 2011, the Company recorded unrealized gains on long-term investments of \$5.9 million and \$3.2 million, respectively, (June 30, 2010 – unrealized losses of \$0.6 million and \$5.8 million, respectively).

In January 2011, the Company disposed of its investment in a publically traded company, which was reported at fair value of \$51.2 million at December 31, 2010, for proceeds of \$54.5 million, resulting in a realized gain of \$3.3 million recognized in other income.

##### ***Accounts Payable and Accrued Liabilities and Cash Dividends Payable***

Accounts payable and accrued liabilities and cash dividends payable are classified as financial liabilities at amortized cost and are reported at amortized cost. At June 30, 2011, December 31, 2010 and January 1, 2010, the carrying amount of these accounts approximated their fair values.

##### ***Long-term debt***

###### ***Bank Credit Facilities***

The bank credit facilities are classified as financial liabilities at amortized cost and are reported at amortized cost. At June 30, 2011, December 31, 2010 and January 1, 2010, the carrying amount approximated their fair value.

###### ***Senior Guaranteed Notes***

The senior guaranteed notes are classified as financial liabilities at amortized cost and are reported at amortized cost. The notes denominated in US dollars are translated to Canadian dollars at the period end exchange rate. The following table details the amortized cost of the notes and their fair values expressed in Canadian dollars:

(Cdn\$000s)	Reported Amortized Cost	Fair Value
<b>June 30, 2011</b>	<b>509,828</b>	<b>547,832</b>
December 31, 2010	308,604	326,217
January 1, 2010	-	-

##### ***Derivative Assets and Liabilities***

Derivative assets and liabilities arise from the use of derivative contracts. The Company's derivative financial instruments are classified as fair value through profit or loss and are reported at fair value with changes in fair value recorded in net income.

The following table summarizes the fair value as at June 30, 2011 and December 31, 2010 and the change in fair value for the period ended June 30, 2011 and year ended December 31, 2010.

(Cdn\$000s)	June 30, 2011	December 31, 2010
Derivative asset, beginning of period	12,193	5,520
Acquired through capital acquisitions	-	11,987
Unrealized change in fair value	(2,045)	(5,314)
Derivative asset, end of period	10,148	12,193
Less: current derivative asset, end of period	(7,247)	(7,087)
Long-term derivative asset, end of period	2,901	5,106

Derivative liability, beginning of period	153,337	62,323
Unrealized change in fair value	35,385	91,014
Derivative liability, end of period	188,722	153,337
Less: current derivative liability, end of period	(77,133)	(78,707)
Long-term derivative liability, end of period	111,589	74,630

The Company's physical power contracts have not been recorded at fair value as the power acquired is for the Company's own use. The unrealized gain on the physical power contracts at June 30, 2011 is \$0.8 million.

#### **b) Risks Associated with Financial Assets and Liabilities**

The Company is exposed to financial risks from its financial assets and liabilities. The financial risks include market risk relating to commodity prices, interest rates and foreign exchange rates as well as credit and liquidity risk.

#### **Market Risk**

Market risk is the risk that the fair value or future cash flows of a derivative will fluctuate because of changes in market prices. Market risk is comprised of commodity price risk, interest rate risk and foreign exchange risk as discussed below.

#### **Commodity Price Risk**

The Company is exposed to commodity price risk on crude oil and natural gas revenues as well as power on electricity consumption. As a means to mitigate the exposure to commodity price volatility, the Company has entered into various derivative agreements. The use of derivative instruments is governed under formal policies and is subject to limits established by the Board of Directors.

Crude oil – To partially mitigate exposure to crude oil commodity price risk, the Company enters into option contracts and swaps, which manage the Cdn\$ WTI price fluctuations.

Natural gas – To partially mitigate exposure to natural gas commodity price risk, the Company enters into AECO natural gas swaps, which manage the AECO natural gas price fluctuations.

Power – To partially mitigate exposure to electricity price changes, the Company enters into swaps and fixed price physical delivery contracts which fix the power price.

The following table summarizes the sensitivity of the fair value of the Company's derivative positions as at June 30, 2011 and June 30, 2010 to fluctuations in commodity prices, with all other variables held constant. When assessing the potential impact of these commodity price changes, the Company believes 10 percent volatility is a reasonable measure. Fluctuations in commodity prices potentially could have resulted in unrealized gains (losses) impacting income before tax as follows:

(Cdn\$000s)	Impact on Income Before Tax		Impact on Income Before Tax	
	Three and six months ended June 30, 2011		Three and six months ended June 30, 2010	
	Increase 10%	Decrease 10%	Increase 10%	Decrease 10%
Crude oil price	(212,530)	214,564	(131,045)	134,338
Natural gas price	(1,720)	1,720	(3,665)	3,664

#### **Interest Rate Risk**

The Company is exposed to interest rate risk on bank credit facilities to the extent of changes in the prime interest rate. For the three and six months ended June 30, 2011, a one percent increase or decrease in the interest rate on floating rate debt would have amounted to a \$1.0 million and \$2.1 million, respectively, impact on income before tax.

The Company partially mitigates its exposure to interest rate changes by entering into both interest rate swap and bankers' acceptance transactions. The following sensitivities show the resulting unrealized gains (losses) and the impact on income before tax of the respective changes in the applicable forward interest rates as at June 30, 2011 and June 30, 2010, with all other variables held constant:

(Cdn\$000s)	Impact on Income Before Tax		Impact on Income Before Tax	
	Three and six months ended June 30, 2011		Three and six months ended June 30, 2010	
	Increase 10% in forward interest rates	Decrease 10% in forward interest rates	Increase 10% in forward interest rates	Decrease 10% in forward interest rates
Interest rate swaps	1,679	(1,679)	1,591	(1,591)

### Foreign Exchange Risk

Fluctuations in the exchange rates between the US and Canadian dollar can affect the Company's reported results. The Company's functional and reporting currency is Canadian dollars. The Company is exposed to foreign exchange risk in relation to its US dollar denominated senior guaranteed notes, investment in U.S. subsidiaries and in relation to its crude oil sales.

Concurrent with the issuance of US\$425.0 million senior guaranteed notes the Company entered into CCIRS with a syndicate of financial institutions. Under the terms of the CCIRS, the US dollar amount of the notes was fixed for purposes of interest and principal repayments at a notional amount of Cdn\$424.6 million.

To partially mitigate the foreign exchange risk relating to crude oil sales the Company has fixed crude oil contracts to settle in Cdn\$ WTI.

The following sensitivities show the resulting unrealized gains (losses) and the impact on income before tax of the respective changes in the period end and applicable forward foreign exchange rates at June 30, 2011 and June 30, 2010 with all other variables held constant:

(Cdn\$000s)	Exchange Rate	Impact on Income Before Tax		Impact on Income Before Tax	
		Three and six months ended June 30, 2011		Three and six months ended June 30, 2010	
		Increase 10% in Cdn\$ relative to US\$	Decrease 10% in Cdn\$ relative to US\$	Increase 10% in Cdn\$ relative to US\$	Decrease 10% in Cdn\$ relative to US\$
US dollar senior guaranteed notes	Period End	40,983	(40,983)	27,576	(27,576)
Cross currency interest rate swaps	Forward	(49,241)	49,241	(35,923)	35,923

### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. A substantial portion of the Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. The Company monitors the creditworthiness and concentration of credit with customers of its physical oil and gas sales. The Company is authorized to transact derivative contracts with counterparties rated A (or equivalent) or better, based on the lowest rating of the three ratings providers. Should one of the Company's financial counterparties be downgraded below the A rating limit, the Chief Financial Officer will advise the Audit Committee and provide recommendations to minimize the Company's credit risk to that counterparty. The maximum credit exposure associated with accounts receivable is the total carrying amount and the maximum exposure associated with the derivative instruments approximates their fair value.

To further mitigate credit risk associated with its physical sales portfolio, Crescent Point has secured credit insurance from a global credit insurance provider. This policy provides credit coverage for approximately 30 percent of the Company's physical sales portfolio. Crescent Point believes this insurance policy is a prudent component of its formal Credit Policy and its detailed credit processes and controls.

### Liquidity Risk

The timing of cash outflows relating to the financial liabilities is outlined in the table below:

(Cdn\$000s)	1 year	2 years	3 years	> 3 years	Total
Accounts payable and accrued liabilities	270,272	-	-	-	270,272
Cash dividends payable	24,937	-	-	-	24,937
Derivative liabilities <sup>(1)</sup>	78,744	47,155	21,983	464	148,346
Senior guaranteed notes <sup>(2)</sup>	29,608	29,608	29,608	662,740	751,564
Bank credit facilities	-	-	625,403	-	625,403

(1) These amounts are the undiscounted intrinsic value.

(2) These amounts include the notional principal and interest payments pursuant to the CCIRS, which fix the amounts due in Canadian dollars.

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages its liquidity risk through cash and debt management. As disclosed in Note 14, Crescent Point targets a net average net debt to funds flow from operations ratio of approximately 1.0 times.

In managing liquidity risk, the Company has access to a wide range of funding at competitive rates through capital markets and banks. At June 30, 2011, the Company had available unused borrowing capacity on bank credit facilities of approximately \$965 million including \$10.4 million letters of credit drawn on the facility. Crescent Point believes it has sufficient funding to meet foreseeable spending requirements.

Included in the Company's bank credit facilities of \$618.4 million at June 30, 2011 are obligations of \$555.0 million of bankers' acceptances, obligations of \$70.4 million for borrowings under the operating and syndicated prime loans, partially offset by prepaid credit facility renewal fees of \$5.4 million and prepaid interest on banker's acceptances of \$1.6 million. These amounts are fully supported and management expects that they will continue to be supported by revolving credit and loan facilities that have no repayment requirements other than interest.

### c) Derivative Contracts

The Company entered into fixed price oil, gas, power, cross currency interest rate and interest rate contracts to manage its exposure to fluctuations in the price of crude oil, gas, power, and interest on debt.

The following is a summary of the derivative contracts in place as at June 30, 2011:

<b>Financial WTI Crude Oil Derivative Contracts - Canadian Dollar<sup>(1)</sup></b>						
Term	Volume (bbls/d)	Average Swap Price (Cdn\$/bbl)	Average Collar Sold Call Price (Cdn\$/bbl)	Average Collar Bought Put Price (Cdn\$/bbl)	Average Bought Put Price (Cdn\$/bbl)	Average Put Premium (Cdn\$/bbl)
2011 July - December	31,000	81.55	100.76	82.14	89.85	8.57
2012	28,000	88.53	98.97	82.16	93.80	7.36
2013	21,250	91.76	101.16	84.37	-	-
2014 January – September	12,493	97.64	109.08	87.58	-	-

(1) The volumes and prices reported are the weighted average volumes and prices for the period.

<b>Financial AECO Natural Gas Derivative Contracts – Canadian Dollar</b>		
Term	Average Volume (GJ/d)	Average Swap Price (Cdn\$/GJ)
2011 July – December	9,000	5.98
2012	8,000	5.98
2013 January - March	3,000	5.27

<b>Financial Interest Rate Derivative Contracts – Canadian Dollar</b>			
Term	Contract	Notional Principal (Cdn\$)	Fixed Annual Rate (%)
July 2011 – May 2015	Swap	25,000,000	2.90
July 2011 – May 2015	Swap	25,000,000	3.50
July 2011 – May 2015	Swap	50,000,000	3.09
July 2011 – June 2015	Swap	50,000,000	3.78
July 2011 – July 2015	Swap	50,000,000	3.63

<b>Financial Cross Currency Interest Rate Derivative Contracts – Canadian Dollar</b>					
Term	Contract	Receive Notional Principal (\$US)	Fixed Annual Rate (US %)	Pay Notional Principal (Cdn\$)	Fixed Annual Rate (Cdn %)
July 2011 – March 2015	Swap	37,500,000	4.71	38,287,500	5.24
July 2011 – April 2016	Swap	52,000,000	3.93	50,128,000	4.84
July 2011 – March 2017	Swap	67,500,000	5.48	68,917,500	5.89
July 2011 – April 2018	Swap	31,000,000	4.58	29,884,000	5.32
July 2011 – March 2020	Swap	155,000,000	6.03	158,255,000	6.45
July 2011 – April 2021	Swap	82,000,000	5.13	79,048,000	5.83

Concurrent with the issuance of the US\$425.0 million senior guaranteed notes the Company entered into CCIRS with a syndicate of financial institutions. Under the terms of the CCIRS, the Company pays fixed interest and principal amounts in Canadian dollars in exchange to receive fixed interest and principal amounts in US dollars; these US dollar proceeds will be

used to settle the senior guaranteed note obligations. As a result, the amount of the notes was fixed for purposes of interest and principal repayments at a notional amount of Cdn\$424.6 million.

<b>Physical Power Contracts – Canadian Dollar</b>			
Term	Contract	Volume (MW/h)	Fixed Rate (Cdn\$/MW/h)
July 2011 – December 2011	Swap	3.0	55.25
January 2012 – December 2012	Swap	3.0	58.00
January 2013 – December 2013	Swap	3.0	53.00

## 21. RELATED PARTY TRANSACTIONS

All related party transactions are recorded at the exchange amount.

During the three and six months ended June 30, 2011, Crescent Point recorded \$0.3 million and \$0.6 million, respectively (June 30, 2010 - \$0.4 million and \$0.8 million, respectively), of legal fees in the normal course of business to a law firm of which a partner is also a director of the Company and a second partner was the Company's Corporate Secretary.

## 22. SUPPLEMENTAL CASH FLOW INFORMATION

The following table reconciles the changes in non-cash working capital as disclosed in the consolidated statement of cash flows:

(Cdn\$000s)	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
<b>Operating activities</b>				
Changes in non-cash working capital:				
Accounts receivable	32,339	14,557	11,963	(7,339)
Prepays and deposits	122	(2,046)	516	913
Accounts payable and accrued liabilities	(18,643)	11,883	10,090	1,831
	13,818	24,394	22,569	(4,595)
<b>Investing activities</b>				
Changes in non-cash working capital:				
Accounts receivable	3,455	(354)	(3,992)	(8,092)
Accounts payable and accrued liabilities	(92,231)	(31,230)	(79,177)	9,228
	(88,776)	(31,584)	(83,169)	1,136
<b>Financing activities</b>				
Changes in non-cash working capital:				
Cash dividends payable	(809)	1,469	(2,596)	(1,722)

## 23. GEOGRAPHICAL DISCLOSURE

As at June 30, 2011, Crescent Point's non-current assets related to the US foreign operations is \$76.6 million (June 30, 2010 – \$29.6 million). For the three and six months ended June 30, 2011, Crescent Point's oil and gas revenue related to the US foreign operations is \$1.3 million and \$2.3 million, respectively (June 30, 2010 - \$0.5 million and \$1.0 million, respectively).

## 24. TRANSITION TO IFRS

The Company's consolidated financial statements for the year ending December 31, 2011 will be the first annual consolidated financial statements that comply with IFRS. These interim consolidated financial statements were prepared as described in Note 2, including the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*. Prior to the adoption of IFRS, the Company followed Canadian GAAP.

Comparative financial information is required on first time adoption of IFRS and therefore the Company has adopted IFRS as at January 1, 2010 (the "Transition Date"). IFRS generally requires full retrospective application of the standards in effect, however, IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions to this requirement.

The Company has applied the following optional exemptions:

1. **Business combinations** – IFRS 1 provides the option to apply IFRS 3, *Business Combinations*, retrospectively or prospectively from the Transition Date. The Company elected to value business combinations prior to January 1, 2010 at the amounts determined under previous GAAP, rather than applying IFRS rules retrospectively.
2. **Full cost oil and gas accounting** – IFRS 1 provides the option for entities using full cost accounting for oil and gas activities under previous GAAP to measure oil and gas assets at the Transition Date at the historical net book value or at fair value, rather than applying IFRS rules retrospectively. The Company elected to measure its oil and gas assets at the net book value determined under previous GAAP, resulting in undeveloped land costs being reclassified to exploration and evaluation assets. The remaining development and production assets that were accumulated in country cost centres under previous GAAP could be allocated to the cost centre's underlying assets pro-rata using reserve volumes or values. The Company elected to allocate these assets using reserve values.
3. **Decommissioning liabilities** – For entities taking the *Full cost oil and gas accounting* exemption above, IFRS 1 requires that entities measure decommissioning liabilities in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as at the Transition Date and that any difference between this amount and the carrying amount of those liabilities determined under the Company's previous GAAP, be recognized directly in retained earnings.
4. **Share-based payments** – IFRS 2, *Share-based Payments*, requires retrospective application of its provisions to equity instruments granted after November 7, 2002. The IFRS 1 exemption allows first-time adopters to not apply IFRS 2 to equity instruments that were granted prior to November 7, 2002. It also allows the first-time adopter to not apply IFRS 2 to equity instruments granted after November 7, 2002 that vested before the Transition Date. The Company elected to use these exemptions provided under IFRS 1.
5. **Borrowing costs** – IAS 23, *Borrowing Costs*, requires an entity to capitalize the borrowing costs related to all qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. IFRS 1 provides the option to adopt IAS 23 prospectively or to designate any date prior to the Transition Date as the effective date for this standard and apply to all qualifying assets subsequent to that date. The Company elected to adopt IAS 23 prospectively from the Transition Date.

The only mandatory exception in IFRS 1 applicable to the Company relates to estimates. Hindsight is not used to create or revise estimates. The estimates previously made by the Company under previous GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

The following are reconciliations of the consolidated financial statements presented under previous GAAP to the amended consolidated financial statements prepared under IFRS.

**Reconciliation of Consolidated Balance Sheet as of January 1, 2010**

(Cdn\$000s)	Previous GAAP	IFRS adjustments			IFRS
		Reclass (Note a,b)	DL <sup>(2)</sup> (Note d)	SBC <sup>(3)</sup> (Note e)	
<b>ASSETS</b>					
Accounts receivable	141,887				141,887
Investment in marketable securities	1,092				1,092
Prepays and deposits	8,861				8,861
Derivative asset <sup>(1)</sup>	1,675				1,675
Total current assets	153,515	-	-	-	153,515
Long-term investments	229,755	(206,315)			23,440
Investment in associate	-	206,315			206,315
Reclamation fund	3,422				3,422
Derivative asset <sup>(1)</sup>	3,845				3,845
Other receivable	9,320				9,320
Exploration and evaluation	-	586,467			586,467
Property, plant and equipment	4,939,279	(586,467)			4,352,812
Goodwill	100,294				100,294
Total assets	5,439,430	-	-	-	5,439,430
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	210,515				210,515
Cash dividends payable	22,890				22,890
Derivative liability <sup>(1)</sup>	20,080				20,080
Total current liabilities	253,485	-	-	-	253,485
Long-term debt	519,127				519,127
Derivative liability <sup>(1)</sup>	42,243				42,243
Decommissioning liability <sup>(1)</sup>	139,365		77,105		216,470
Deferred income tax <sup>(1)</sup>	506,732		(20,052)		486,680
Total liabilities	1,460,952	-	57,053	-	1,518,005
<b>SHAREHOLDERS' EQUITY</b>					
Shareholders' capital	4,710,290				4,710,290
Contributed surplus	38,029			20,253	58,282
Deficit	(769,618)		(57,053)	(20,253)	(846,924)
Accumulated other comprehensive loss	(223)				(223)
Total shareholders' equity	3,978,478	-	(57,053)	-	3,921,425
Total liabilities and shareholders' equity	5,439,430	-	-	-	5,439,430

(1) Caption has been renamed to comply with the financial statement presentation under IFRS.

(2) Decommissioning liability

(3) Share-based compensation

**Reconciliation of Consolidated Statements of Income and Comprehensive Income for the three months ended June 30, 2010**

(Cdn\$000s, except per share amounts)	Previous GAAP	IFRS adjustments				IFRS
		Reclass (Note a)	DD&A (Note c)	DL <sup>(2)</sup> (Note d)	SBC <sup>(3)</sup> (Note e)	
<b>REVENUE AND OTHER INCOME</b>						
Oil and gas sales	330,224					330,224
Royalties	(58,921)	(5,707)				(64,628)
Oil and gas revenue	271,303	(5,707)	-	-	-	265,596
Derivative gains (losses)	-	80,285				80,285
Realized gains (losses)	3,464	(3,464)				-
Unrealized gains	76,821	(76,821)				-
Equity and other income	(1,702)	1,702				-
Other income	-	(747)				(747)
	349,886	(4,752)	-	-	-	345,134
<b>EXPENSES</b>						
Operating	53,999					53,999
Transportation	8,347					8,347
General and administrative	7,724					7,724
Interest on long-term debt	15,720					15,720
Foreign exchange loss	12,020					12,020
Share-based compensation <sup>(1)</sup>	14,811				738	15,549
Depletion, depreciation and amortization	154,686		(9,815)			144,871
Accretion on decommissioning liability <sup>(1)</sup>	2,992			(652)		2,340
	270,299	-	(9,815)	(652)	738	260,570
Operating income	79,587	(4,752)	9,815	652	(738)	84,564
Share of profit of associate	-	(955)				(955)
Income before tax	79,587	(5,707)	9,815	652	(738)	83,609
Tax expense						
Current <sup>(1)</sup>	5,707	(5,707)				-
Deferred	10,481		1,330	172		11,983
<b>Net income</b>	63,399	-	8,485	480	(738)	71,626
Other comprehensive income						
Foreign currency translation on foreign operations	1,287		(60)	(17)		1,210
<b>Comprehensive income</b>	64,686	-	8,425	463	(738)	72,836
<b>Net income per share</b>						
Basic	0.29					0.33
Diluted	0.29					0.33

(1) Caption has been renamed to comply with the financial statement presentation under IFRS.

(2) Decommissioning liability

(3) Share-based compensation

**Reconciliation of Consolidated Statements of Income and Comprehensive Income for the six months ended June 30, 2010**

(Cdn\$000s, except per share amounts)	Previous GAAP	IFRS adjustments				IFRS
		Reclass <i>(Note a)</i>	DD&A <i>(Note c)</i>	DL <sup>(2)</sup> <i>(Note d)</i>	SBC <sup>(3)</sup> <i>(Note e)</i>	
<b>REVENUE AND OTHER INCOME</b>						
Oil and gas sales	688,954					688,954
Royalties	(122,879)	(12,320)				(135,199)
Oil and gas revenue	566,075	(12,320)	-	-	-	553,755
Derivative gains (losses)	-	92,154				92,154
Realized gains (losses)	3,068	(3,068)				-
Unrealized gains	89,086	(89,086)				-
Equity and other income	(5,252)	5,252				-
Other income	-	(5,925)				(5,925)
	652,977	(12,993)	-	-	-	639,984
<b>EXPENSES</b>						
Operating	107,071					107,071
Transportation	17,376					17,376
General and administrative	20,856					20,856
Interest on long-term debt	29,458					29,458
Foreign exchange loss	10,648					10,648
Share-based compensation <sup>(1)</sup>	30,279				1,700	31,979
Depletion, depreciation and amortization	306,235		(22,477)			283,758
Accretion on decommissioning liability <sup>(1)</sup>	5,779			(1,275)		4,504
	527,702	-	(22,477)	(1,275)	1,700	505,650
Operating income	125,275	(12,993)	22,477	1,275	(1,700)	134,334
Share of profit of associate	-	673				673
Income before tax	125,275	(12,320)	22,477	1,275	(1,700)	135,007
Tax expense						
Current <sup>(1)</sup>	12,321	(12,320)				1
Deferred	21,946		2,997	433		25,376
<b>Net income</b>	91,008	-	19,480	842	(1,700)	109,630
Other comprehensive income						
Foreign currency translation on foreign operations	605		(57)	(5)		543
<b>Comprehensive income</b>	91,613	-	19,423	837	(1,700)	110,173
<b>Net income per share</b>						
Basic	0.43					0.52
Diluted	0.42					0.51

(1) Caption has been renamed to comply with the financial statement presentation under IFRS.

(2) Decommissioning liability

(3) Share-based compensation

## Reconciliation of Consolidated Shareholders' Equity as of June 30, 2010

(Cdn\$000s)	Previous GAAP	IFRS adjustments				IFRS
		Reclass	DD&A <i>(Note c)</i>	DL <sup>(1)</sup> <i>(Note d)</i>	SBC <sup>(2)</sup> <i>(Note e)</i>	
<b>SHAREHOLDERS' EQUITY</b>						
Shareholders' capital	5,247,424					5,247,424
Contributed surplus	69,260				21,954	91,214
Deficit	(975,689)		19,480	(56,210)	(21,954)	(1,034,373)
Accumulated other comprehensive income	382		(57)	(5)		320
Total shareholders' equity	4,341,377	-	19,423	(56,215)	-	4,304,585

(1) Decommissioning liability

(2) Share-based compensation

**Reconciliation of Consolidated Statements of Income and Comprehensive Income for the year ended December 31, 2010**

(Cdn\$000s, except per share amounts)	IFRS adjustments					IFRS
	Previous GAAP	Reclass	DD&A	DL <sup>(2)</sup>	SBC <sup>(3)</sup>	
		<i>(Note a)</i>	<i>(Note c)</i>	<i>(Note d)</i>	<i>(Note e)</i>	
<b>REVENUE AND OTHER INCOME</b>						
Oil and gas sales	1,535,764					1,535,764
Royalties	(255,101)	(27,408)				(282,509)
Oil and gas revenue	1,280,663	(27,408)	-	-	-	1,253,255
Derivative gains (losses)	-	(90,810)				(90,810)
Realized gains	5,518	(5,518)				-
Unrealized losses	(96,328)	96,328				-
Equity and other income	38,886	(38,886)				-
Other income	-	38,213				38,213
	1,228,739	(28,081)	-	-	-	1,200,658
<b>EXPENSES</b>						
Operating	247,989					247,989
Transportation	37,120					37,120
General and administrative	40,851					40,851
Interest on long-term debt	59,244					59,244
Foreign exchange gain	(6,518)					(6,518)
Share-based compensation <sup>(1)</sup>	65,662				(5,323)	60,339
Depletion, depreciation and amortization	716,789		(31,579)			685,210
Accretion on decommissioning liability <sup>(1)</sup>	12,318			(2,766)		9,552
	1,173,455	-	(31,579)	(2,766)	(5,323)	1,133,787
Operating income	55,284	(28,081)	31,579	2,766	5,323	66,871
Share of profit of associate	-	673				673
Income (loss) before tax	55,284	(27,408)	31,579	2,766	5,323	67,544
Tax expense						
Current <sup>(1)</sup>	27,409	(27,408)				1
Deferred	7,854		8,211	557		16,622
<b>Net income</b>	20,021	-	23,368	2,209	5,323	50,921
Other comprehensive income (loss)						
Foreign currency translation on foreign operations	(2,513)	-	91	8	-	(2,414)
<b>Comprehensive income</b>	17,508	-	23,459	2,217	5,323	48,507
<b>Net income per share</b>						
Basic	0.09					0.22
Diluted	0.08					0.21

(1) Caption has been renamed to comply with the financial statement presentation under IFRS.

(2) Decommissioning liability

(3) Share-based compensation

## Reconciliation of Consolidated Balance Sheet as of December 31, 2010

(Cdn\$000s)	Previous GAAP	IFRS adjustments					IFRS
		Reclass (Note b)	E&E (Note b)	DD&A (Note c)	DL <sup>(2)</sup> (Note d)	SBC <sup>(3)</sup> (Note e)	
<b>ASSETS</b>							
Accounts receivable	199,977						199,977
Investment in marketable securities	908						908
Prepays and deposits	4,698						4,698
Derivative asset <sup>(1)</sup>	7,087						7,087
Total current assets	212,670	-	-	-	-	-	212,670
Long-term investments	62,164						62,164
Reclamation fund	3,001						3,001
Derivative asset <sup>(1)</sup>	5,106						5,106
Other receivable	9,210						9,210
Exploration and evaluation	-	1,403,772	(133,392)	(155,009)			1,115,371
Property, plant and equipment	7,369,201	(1,403,772)	133,392	186,763	51,177	(8,071)	6,328,690
Goodwill	204,750				2,922		207,672
Total assets	7,866,102	-	-	31,754	54,099	(8,071)	7,943,884
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	343,691						343,691
Cash dividends payable	27,533						27,533
Derivative liability <sup>(1)</sup>	78,707						78,707
Total current liabilities	449,931	-	-	-	-	-	449,931
Long-term debt	1,006,451						1,006,451
Derivative liability <sup>(1)</sup>	74,630						74,630
Decommissioning liability <sup>(1)</sup>	195,254				129,473		324,727
Deferred income tax <sup>(1)</sup>	616,371			8,295	(20,538)	(8,071)	596,057
Total liabilities	2,342,637	-	-	8,295	108,935	(8,071)	2,451,796
<b>SHAREHOLDERS' EQUITY</b>							
Shareholders' capital	6,839,358						6,839,358
Contributed surplus	93,960					14,930	108,890
Deficit	(1,407,117)			23,368	(54,844)	(14,930)	(1,453,523)
Accumulated other comprehensive loss	(2,736)			91	8		(2,637)
Total shareholders' equity	5,523,465	-	-	23,459	(54,836)	-	5,492,088
Total liabilities and shareholders' equity	7,866,102	-	-	31,754	54,099	(8,071)	7,943,884

(1) Caption has been renamed to comply with the financial statement presentation under IFRS.

(2) Decommissioning liability

(3) Share-based compensation

### Reconciliation of Cash Flow Statement

The transition from previous GAAP to IFRS has had no effect on the cash flows generated by the Company. The reconciling items between the previous GAAP presentation and the IFRS presentation have no net impact on the reported operating, investing and financing cash flows.

## Explanatory notes

### a) Reclassifications

#### *Investment in associate*

The reclassification of \$206.3 million from long-term investments to investment in associate at January 1, 2010 recognizes the Company's equity investment in Shelter Bay, including the Company's share of Shelter Bay's net income. Under IFRS, investments in associates are required to be separately disclosed on the balance sheet. There was no reclassification at December 31, 2010 because the Company acquired Shelter Bay through a plan of arrangement on July 2, 2010.

#### *Royalties*

Under IFRS, royalties include the Saskatchewan Corporation Capital Tax Resource Surcharge, which was classified as capital and other taxes under previous GAAP.

#### *Derivative gains (losses)*

To conform to the consolidated statement of income presentation under IFRS, the realized and unrealized derivatives gains (losses) are presented together on the consolidated statement of income and detailed in the notes to the consolidated financial statements.

#### *Share of profit of associate*

To conform to the consolidated statement of income presentation under IFRS, the Company's equity income earned from its investment in Shelter Bay was reclassified to share of profit of associate.

### b) Exploration and evaluation

Exploration and evaluation assets consist of the Company's exploration projects which are pending the determination of reserves, and include undeveloped land and any drilling costs incurred thereon. The drilling costs are accumulated in cost centres by well pending determination of technical feasibility and commercial viability. Upon determination of reserves, E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to PP&E.

At January 1, 2010, E&E assets were \$586.5 million, representing the undeveloped land balance under previous GAAP. This resulted in a reclassification of \$586.5 million from PP&E to E&E assets. At December 31, 2010, the Company's E&E assets before E&E asset transfers and DD&A was \$1.4 billion.

During the year ended December 31, 2010, \$133.4 million was transferred from E&E assets to PP&E.

### c) Depletion, depreciation and amortization

Under IFRS, development and production assets are depleted at the major area level using the unit-of-production method based on the estimated proved plus probable reserves before royalties, whereas, under previous GAAP these assets were accumulated in country cost centres and depleted using the unit-of-production method based on the estimated proved reserves before royalties. As a result of depleting at the major area level based on proved plus probable reserves before royalties, DD&A decreased \$42.5 million, \$82.9 million and \$186.8 million for the three and six month periods ended June 30, 2010 and year ended December 31, 2010, respectively, with a corresponding increase to PP&E.

The Company's policy under IFRS is to amortize E&E undeveloped land by area over the average primary lease term; under previous GAAP undeveloped land was not amortized. Accordingly, DD&A increased \$32.7 million, \$60.4 million and \$155.2 million for the three and six month periods ended June 30, 2010 and year ended December 31, 2010, respectively, with a corresponding decrease to E&E assets.

### d) Decommissioning liability

In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IFRS 1, the Company revalued its decommissioning liability, known as asset retirement obligation under previous GAAP, using a risk free discount rate at January 1, 2010 and recognized the difference directly in accumulated deficit. Under previous GAAP, the Company's asset retirement obligation was discounted using an average credit-adjusted risk free rate of 8 percent, whereas under IFRS, the Company discounted its decommissioning liability using an average risk free rate of approximately 4 percent. As a result, on transition, the value of the Company's decommissioning liability increased by \$77.1 million, deferred income tax liability decreased by \$20.1 million and accumulated deficit increased \$57.0 million. In addition, as at December 31, 2010, the value of the Company's decommissioning liability increased by \$129.5 million, including the January 1, 2010 adjustment and the accretion adjustment discussed below.

During 2010, the Company recorded goodwill on the acquisition of Shelter Bay, and as a result of revaluing the decommissioning liability using a risk free rate, goodwill increased by \$2.9 million.

At December 31, 2010, the Company's average risk free rate was approximately 3 percent; the credit-adjusted risk free rate used was 8 percent.

Consistent with the change in discount rate applied above, accretion on decommissioning liability is calculated based on the relevant risk free rate. The Company recorded a decrease in accretion on decommissioning liability of \$0.7 million, \$1.3 million and \$2.8 million for the three and six months ended June 30, 2010 and year ended December 31, 2010, respectively.

e) Share-based compensation

In accordance with IFRS 2 *Share-based Payment*, as at the Transition Date the Company revalued its contributed surplus arising from share-based compensation to recognize an estimated forfeiture rate on restricted shares of 4 percent and a 4 year service period commencing January 1, 2009 for the restricted shares granted in January 2010 pursuant to the Company's APA. Under previous GAAP, forfeitures are recorded as they occur and the APA granted in January 2010 was amortized over the vesting period of 3 years.

Under previous GAAP, expense recognition generally cannot occur before the grant date. Under IFRS the grant date cannot be earlier than the date the awards are approved, however IFRS requires the entity to record an expense for employee's service as received, which may be earlier than the grant date.

Under IFRS, deferred income tax does not arise from capitalized share-based compensation. Therefore, amounts recorded under previous GAAP during 2010 were adjusted accordingly.

**Directors**

Peter Bannister, Chairman <sup>(1) (3)</sup>

Paul Colborne <sup>(2) (4)</sup>

Ken Cugnet <sup>(3) (4) (5)</sup>

Hugh Gillard <sup>(1) (2) (5)</sup>

Gerald Romanzin <sup>(1) (3)</sup>

Scott Saxberg <sup>(4)</sup>

Greg Turnbull <sup>(2) (5)</sup>

- (1) Member of the Audit Committee of the Board of Directors
- (2) Member of the Compensation Committee of the Board of Directors
- (3) Member of the Reserves Committee of the Board of Directors
- (4) Member of the Health, Safety and Environment Committee of the Board of Directors
- (5) Member of the Corporate Governance and Nominating Committee

**Officers**

Scott Saxberg  
President and Chief Executive Officer

Greg Tisdale  
Chief Financial Officer

C. Neil Smith  
Vice President, Engineering and  
Business Development

Dave Balutis  
Vice President, Exploration

Brad Borggard  
Vice President, Corporate Planning

Derek Christie  
Vice President, Geosciences

Ryan Gritzfeldt  
Vice President, Engineering East

Ken Lamont  
Vice President, Finance and Treasurer

Tamara MacDonald  
Vice President, Land

Trent Stangl  
Vice President, Marketing and Investor Relations

Steve Toews  
Vice President, Engineering West

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PricewaterhouseCoopers LLP  
Calgary, Alberta

**Legal Counsel**

Macleod Dixon LLP  
Calgary, Alberta

**Evaluation Engineers**

GLJ Petroleum Consultants Ltd.  
Calgary, Alberta

Sroule Associates Ltd.  
Calgary, Alberta

**Registrar and Transfer Agent**

Investors are encouraged to contact  
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**Stock Exchange**

Toronto Stock Exchange – TSX

**Stock Symbol**

CPG

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