



ARAWAK ENERGY CORPORATION
(FORMERLY KNOWN AS A&B GEOSCIENCE CORPORATION)

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES
(UNAUDITED – PREPARED BY MANAGEMENT)

For the three months ended March 31st, 2004

Arawak Energy Corporation's auditors have not audited or reviewed these consolidated financial statements.

ARAWAK ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. Dollars)
Unaudited – prepared by management

As at:	March 31 st 2004	Dec 31 st 2003
ASSETS		
Current		
Cash and cash equivalents	\$ 6,671,156	\$ 7,202,816
Accounts receivable	<u>40,278</u>	<u>29,617</u>
	\$ 6,711,434	\$ 7,232,433
Investments (Note 3)	1,329,904	1,329,904
Capital assets (Note 4)	<u>17,562</u>	<u>19,055</u>
	\$ 8,058,900	\$ 8,581,392
Long term debtor (Note 5)	<u>2,287,255</u>	<u>2,259,087</u>
	\$ 10,346,155	\$ 10,840,479
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ <u>445,961</u>	\$ <u>577,617</u>
	\$ 445,961	\$ 577,617
Shareholders' equity		
Capital stock (Note 6)	23,373,345	23,373,345
Deficit	<u>(13,473,151)</u>	<u>(13,110,483)</u>
	\$ 9,900,194	\$ 10,262,862
	\$ 10,346,155	\$ 10,840,479

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

ARAWAK ENERGY CORPORATION
CONSOLIDATED INCOME STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31st, 2004 AND MARCH 31st, 2003
(Expressed in U.S. Dollars)
Unaudited – prepared by management

For the three months ended March 31 st	2004	2003
GENERAL AND ADMINISTRATIVE EXPENSES		
Amortisation	\$ (1,493)	\$ -
Office and miscellaneous	(32,359)	(10,801)
Professional fees	(105,104)	(100,990)
Rent	(9,000)	(15,168)
Transfer agent and filing fees	(5,529)	(4,174)
Travel	(71,499)	(3,885)
Wages	<u>(153,480)</u>	<u>(79,418)</u>
	\$ (378,464)	\$ (214,436)
Foreign exchange loss	(30,328)	(6,633)
Interest and other income	<u>46,124</u>	<u>2,447</u>
Loss before income taxes	\$ (362,668)	\$ (218,622)
Income taxes	<u>-</u>	<u>-</u>
Loss for the period	\$ (362,668)	\$ (218,622)
Deficit, beginning of period	<u>(13,110,483)</u>	<u>(12,754,944)</u>
Deficit, end of period	<u>\$(13,473,151)</u>	<u>\$(12,973,566)</u>
Basic loss per share	\$ (0.004)	\$ (0.003)
Basic and diluted loss per share	\$ (0.004)	\$ (0.003)
Weighted average number of shares outstanding	91,556,447	71,946,558

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

ARAWAK ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31st, 2004 AND MARCH 31st, 2003
(Expressed in U.S. Dollars)
Unaudited – prepared by management

For the three months ended March 31 st	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from continuing operations	\$ (362,668)	\$ (218,622)
Items not affecting cash		
Amortisation	1,493	-
Changes in non-cash working capital items		
(Increase) decrease in accounts receivable	(10,661)	91,828
(Decrease) increase in accounts payable	<u>(131,656)</u>	<u>49,524</u>
Cash (used in) operating activities	<u>\$ (503,492)</u>	<u>\$ (77,270)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital stock issued	<u>-</u>	<u>-</u>
Cash provided by financing activities	<u>\$ -</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) in loan to associate	\$ (28,168)	\$ -
Acquisition of capital assets	<u>-</u>	<u>-</u>
Cash used in investing activities	<u>\$ (28,168)</u>	<u>\$ -</u>
Net change in cash and cash equivalents during the period	\$ (531,660)	\$ (77,270)
Cash and cash equivalents, beginning of period	\$ <u>7,202,816</u>	\$ <u>1,479,702</u>
Cash and cash equivalents, end of period	\$ <u>6,671,156</u>	\$ <u>1,402,432</u>

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Arawak Energy Corporation (“Arawak” or the “Company”) conducts its business in one industry segment, the exploration and development of oil and gas properties.

The Company is continued under the laws of Anguilla, British West Indies, and is a reporting issuer in the Provinces of British Columbia, Alberta and Ontario, Canada. The Company’s shares are listed on the TSX Venture Exchange under the symbol ‘ABG’.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realise its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company’s ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for the year then ended. Actual results could differ from these estimates.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Commonwealth Oil & Gas Company Limited (“COGCL”) and Addison & Baxter Limited. Inter-company balances and transactions are eliminated on consolidation.

Reporting currency

The Company’s 37.17% associate, Commonwealth Gobustan Limited (“CGL”), is contractually required to account for its oil and gas project in the Azerbaijan Republic in U.S. dollars. Consequently, the Company’s reporting currency is the U.S. dollar.

Financial instruments

The Company’s financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and a long-term loan to the Company’s associate company, CGL, which is repayable through hydrocarbon production from the South West Gobustan Exploration, Development and Production Sharing Agreement (“EDPSA”) at the rate of 20% of revenue as received. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

Capital assets and amortisation

Capital assets are recorded at cost and are being amortised over the estimated useful life of the assets using the straight line method as follows:

Equipment	3 years
Motor vehicles	4 years
Office furniture	5 years

Foreign currency translation

Monetary items are translated into U.S. dollars at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at the exchange rate in effect on the date of the transactions. Revenues and expenses are translated at the average exchange rate for the year. Foreign currency gains and losses are taken to the income statement.

Stock-based compensation

The Company grants stock options as described in Note 6. No compensation expense is recognised when stock options are granted. Consideration paid on exercise of stock options is credited to capital stock.

Income taxes

The Company has adopted the liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and those reported in the financial statements. The future tax assets or liabilities are calculated using the tax rates for the periods in which the differences are expected to be settled. Future tax assets are recognised to the extent that they are considered more likely than not to be realised.

Earnings (loss) per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognised on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For loss per share the dilutive effect has not been computed as it proved to be anti-dilutive.

3. INVESTMENTS IN ASSOCIATED COMPANIES

The Company follows the equity method of accounting for its investment in CGL. Under the equity method, the Company records its initial investment at cost and records its pro rata share of earnings or losses of CGL in its results of operations.

The summarised consolidated operating results of CGL during the three month periods ended March 31st, 2004 and March 31st, 2003 were as follows:

For the three months to:	March 31 st , 2004	March 31 st , 2003
Turnover	-	-
Profit/(loss) for the period	-	-

Production revenue is offset against capitalised recoverable costs, as set out in the terms of the EDPSA, and does not appear as turnover.

The summarised consolidated balance sheets of CGL as at March 31st, 2004 and December 31st, 2003 were as follows:

As at:	March 31 st , 2004	Dec. 31 st , 2003
Capital assets, investments and oil and gas properties	\$ 28,112,410	\$ 25,673,674
Current assets	1,362,927	601,095
	29,475,337	26,274,769
Current liabilities	25,897,441	22,696,873
Shareholders' equity	3,577,896	3,577,896
	\$ 29,475,337	\$ 26,274,769

4. CAPITAL ASSETS

As at:	March 31 st , 2004	Dec. 31 st , 2003
Motor vehicles	\$ 18,500	\$ 18,500
Office furniture and equipment	4,038	4,038
	22,538	22,538
Less: accumulated amortisation	(4,976)	(3,483)
	\$ 17,562	\$ 19,055

5. LONG TERM DEBTOR

As at:	March 31 st , 2004	Dec. 31 st , 2003
Loan to CGL	\$ 2,287,255	\$ 2,259,087

Interest accrues at a rate of LIBOR plus 3.75%. The loan is unsecured and repayable in instalments from commercial production through the EDPSA in which CGL holds an interest.

6. CAPITAL STOCK

Authorized:

Unlimited number of common shares, without par value.

As at:	March 31 st , 2004		December 31 st , 2003	
	Number of Shares	Amount	Number of Shares	Amount
Issued:				
Balance, beginning of period	91,556,447	\$ 23,373,345	71,946,558	\$16,660,006
For cash	-	-	1,618,250	513,396
For cash as part of rights offering	-	-	17,991,639	6,199,943
Issued and outstanding	91,556,447	\$ 23,373,345	91,556,447	\$23,373,345

Stock options

At the Company's annual and special shareholders' meeting held on May 5th, 2003, shareholders of the Company approved a new incentive stock option plan (the "2003 Plan") which superseded the previous incentive stock option plan (the "1998 Plan"). Under the 2003 Plan, the Company is authorized to grant options to directors, officers and consultants to acquire up to 11,370,000 common shares. The exercise price of each option shall not be lower than the closing price of the common shares on the TSX Venture Exchange on the last trading day immediately prior to the date the stock option is granted. Options granted under the 2003 Plan shall vest as to 33.3% six months from the date of the grant, 33.3% twelve months from the date of the grant and the remainder eighteen months from the date of the grant. As of March 31st, 2004 all stock options outstanding were granted under the 1998 Plan prior to implementation of the 2003 Plan.

As at March 31st, 2004, incentive stock options were outstanding as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	757,800	Cdn. \$ 0.16	June 21 st , 2004
Options	1,800,000	Cdn. \$ 0.22	January 21 st , 2008

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

	Number of Options	Exercise Price
Outstanding, December 31 st , 2003:	757,800	Cdn. \$ 0.16
	1,800,000	0.22
Exercised	-	-
Outstanding, March 31 st , 2004	2,557,800	
Number of options exercisable as at March 31 st , 2004	757,800	Cdn. \$ 0.16
	900,000	Cdn. \$ 0.22

Warrants

As at March 31st, 2004, no share purchase warrants were outstanding. No share purchase warrants were exercised during the three month period ended March 31st, 2004.

7. RELATED PARTY TRANSACTIONS

During the three month period ended March 31st, 2004, the Company entered into the related party transactions described below:

- a) Legal fees
The Company incurred during the period legal fees of \$6,920 payable to Macleod Dixon LLP, a firm in which a director of the Company is a partner.
- b) Consultancy fees
During the period, the Company incurred consultancy fees of \$12,500 to individuals who are also or have been directors of the Company.
- c) Loan to associate
There were no transactions during the period in respect of the Loan Agreement between COGCL and CGL apart from interest charged on the loan. Interest accrues on the loan at a rate of LIBOR plus

3.75%. The loan is unsecured and repayable in instalments when commercial production begins through the EDPSA in which CGL holds an interest.

d) Transactions with shareholder

During the period the Company reimbursed the Vitol Group, of which Rosco S.A. (the Company's largest shareholder) is an affiliate, for transactions to the value of \$80,604 which were all charged at cost.

8. INCOME TAXES

Most of the Company's assets and operating losses relate to operations in jurisdictions where they are not subject to income taxes. The Company has incurred operating losses in the United Kingdom which, if unutilised, may expire in future years. Future tax benefits which may arise as a result of these losses have not been recognised in these consolidated financial statements as their realisation is unlikely.

9. SEGMENTED INFORMATION

The Company conducts its business in one industry segment, the exploration and development of oil and gas properties.

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO THE STATEMENTS OF CASH FLOWS

For the three months to:	March 31 st , 2004	March 31 st , 2003
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

There were no significant non-cash transactions during the three month periods ended March 31st, 2004 and 2003.

11. SUBSEQUENT EVENTS

On April 29th, 2004, the Company announced the summary results of an independent reserves evaluation of the EDPSA area completed by Ryder Scott Company ("Ryder Scott") under the new guidelines of National Instrument 51-101 Standards of Disclosure for Oil & Gas Activities of the Canadian Securities Administrators. On May 18th, 2004 the Company has filed on the web-site for the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com complete details of the evaluation prepared by Ryder Scott, including the pricing and cost assumptions, contained in the Company's Oil and Gas Disclosure Form NI 51-101 F1.

The results of the reserves evaluation can be found in the section of the Company's Management's Discussion and Analysis for the three months ended March 31st, 2004 entitled "Overall Performance and Operations Review".

A complete reserves report as mandated by National Instrument 51-101 Standards of Disclosure for Oil & Gas Activities, for the year ended December 31st, 2003 is available on SEDAR.