Deep Rock Oil & Gas, Inc.

Financial Statements

June 30, 2010

DEEP ROCK OIL & GAS, INC.

Balance Sheet

as of June 30, 2010 and December 31, 2009

(Unaudited)

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	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 196,237	$ 240,755
Restricted cash	-	215,759
Accounts receivable - interest owners	11,549	12,474
Accounts receivable - oil and gas revenues	300,964	193,602
Total current assets	508,750	662,590
Property and equipment:		
Oil and gas properties	3,056,522	3,415,389
Equipment	93,883	93,883
	3,150,405	3,509,272
Accumulated depreciation and depletion	(622,890)	(563,090)
	2,527,515	2,946,182
Other assets	5,200	5,200
Total assets	$ 3,041,465	$ 3,613,972
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 8,747	$ 8,719
Revenue distribution payable	74,836	70,805
Deferred income taxes payable	-	17,600
Due to related party	1,708	1,708
Total current liabilities	85,291	98,832
Stockholders' equity:		
Common stock - par value $.0001; authorized 500,000,000 shares; issued and outstanding 124,305,833 shares	12,431	12,431
Additional paid in capital	3,681,037	3,681,037
Accumulated deficit	(737,294)	(178,328)
	2,956,174	3,515,140
Total liabilities and stockholders' equity	$ 3,041,465	$ 3,613,972

See accompanying notes to financial statements

DEEP ROCK OIL & GAS, INC.

Statement of Income

For the three months ended June 30 , 2010 and 2009

(Unaudited)

	2010	2009
Revenue		
Oil and gas revenue	$ 63,394	$ 72,893
Consulting and administrative revenue	8,066	8,066
Total revenue	71,460	80,959
Costs and expenses		
Lease operating expense, taxes and gathering	13,840	11,466
Depreciation and amortization	29,900	18,803
General and administrative expense	57,482	62,037
Total costs and expenses	101,222	92,306
Earnings (loss) from operations	(29,762)	(11,347)
Government forfeiture	-	
Other income (expenses)	91	826
Net earnings (loss) before income taxes	(29,671)	(10,521)
Provision (benefit) for income taxes	-	(4,000)
Net earnings (loss)	$ (29,671)	$ (6,521)
Net earnings per share, basic and fully diluted	$ (0.000)	$ (0.000)
Weighted average shares outstanding	124,305,833	124,305,833

See accompanying notes to financial statements

DEEP ROCK OIL & GAS, INC.
Statement of Income
For the six months ended June 30 , 2010 and 2009
(Unaudited)

	2010	2009
Revenue		
Oil and gas revenue	$ 121,651	$ 150,588
Consulting and administrative revenue	16,133	16,133
Total revenue	137,784	166,721
Costs and expenses		
Lease operating expense, taxes and gathering	27,458	24,061
Depreciation and amortization	59,800	36,833
General and administrative expense	112,885	149,443
Total costs and expenses	200,143	210,337
Earnings (loss) from operations	(62,359)	(43,616)
Government forfeiture	(215,759)	
Other income (expenses)	(298,448)	3,541
Net earnings (loss) before income taxes	(576,566)	(40,075)
Provision (benefit) for income taxes	(17,600)	(15,200)
Net earnings (loss)	$ (558,966)	$ (24,875)
Net earnings per share, basic and fully diluted	$ (0.004)	$ (0.000)
Weighted average shares outstanding	124,305,833	124,305,833

See accompanying notes to financial statements

DEEP ROCK OIL & GAS, INC.
Statement of Stockholders' Equity
For the six months ended June 30, 2010
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Accumulated Deficit	Total
Balance December 31, 2008	124,305,833	$ 12,431	$ 3,681,037	$ (131,527)	$ 3,561,941
Net earnings (loss)				(46,801)	(46,801)
Balance December 31, 2009	124,305,833	$ 12,431	$ 3,681,037	$ (178,328)	$ 3,515,140
Net earnings (loss)	-	-	-	(558,966)	(558,966)
Balance June 30, 2010	124,305,833	$ 12,431	$ 3,681,037	$ (737,294)	$ 2,956,174

See accompanying notes to financial statements

DEEP ROCK OIL & GAS, INC.
Statement of Cash Flows
For the six months ended June 30, 2010 and 2009
(Unaudited)

	2010	2009
Cash flows from operating activities:		
Net earnings (loss)	$ (558,966)	$ (24,875)
Partnership loss	358,867	(31,345)
Adjustments to reconcile net loss to net cash		
used by operating activities:		
Depreciation and amortization	59,800	36,833
Changes in operating assets and liabilities:		
Deferred taxes	(17,600)	(15,200)
Government forfeiture	215,759	
Accounts receivable	(106,437)	(89,252)
Accounts and distributions payable and accrued expenses	4,059	3,247
Net cash used in operations	(44,518)	(120,592)
Cash flows from investing activities:		
Purchase of property and equipment, net	-	-
Net cash used by investing activities	-	-
Cash flows from financing activities:		
Net cash provided by (used by) financing activities	-	-
Net decrease in cash and cash equivalents	(44,518)	(120,592)
Cash and cash equivalents, beginning of year	240,755	450,546
Cash and cash equivalents, end of six months	$ 196,237	$ 329,954
Supplemental cash flow information		
Cash paid for interest and income taxes:		
Interest	$ -	$ -
Income taxes	-	-
Non-cash investing and financing activities:		

See accompanying notes to financial statements

DEEP ROCK OIL & GAS, INC.
Notes to Financial Statements
(Unaudited)

1. FORMATION AND NATURE OF BUSINESS

a. Basis of Presentation – The financial statements include the accounts of Deep Rock Oil & Gas, Inc. and its wholly owned subsidiary Deep Rock, L.L.C. (collectively "Deep Rock" or the "Company").

b. Organization – Deep Rock is a Nevada corporation which was incorporated on March 1, 1991. Deep Rock changed its name from Cherokee Energy Services of Tulsa, Inc. ("Cherokee") on November 23, 2004, when it merged into Cherokee. Deep Rock operated as Deep Rock, L.L.C. and was taxed as a partnership until its merger with Cherokee. Accordingly, the financial statements prior to December 31, 2004, do not include a provision for income taxes.

c. Nature of Business and Current Operations – Deep Rock operates approximately 10 gas wells in Eastern Oklahoma and has a working interest in an additional 11 gas wells. In addition Deep Rock has 14 over-riding royalty interests. On October 17, 2005, and effective August 1, 2005, Deep Rock completed the acquisition of a 5.8265% net profits interest in the Big Foot oil field in Frio County, Texas in exchange for 11,000,000 shares of its restricted common stock. In addition, Deep Rock acquired a 6.269% membership interest in Z2, LLC, the owner of a 100% working interest (60% net revenue interest) in the Big Foot field. (See Footnote 3).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates and assumptions which, in the opinion of management, are significant to the underlying amounts included in the financial statements and for which it would be reasonably possible that future events or information could change those estimates include impairment assessments of long-lived assets and valuation of oil and gas reserves.

b. Reclassifications – Certain reclassifications were made to amounts previously presented. Such reclassification had no effect on total reported assets, liabilities, equity or earnings.

c. Cash and cash equivalents – include demand and time deposits with maturities of three months or less when acquired.

d. Oil and gas properties – The Company follows the full-cost method of accounting for its costs of acquisition, exploration and development of oil and gas properties. Under this method, all costs associated with acquisition, exploration and development of oil and gas reserves are capitalized. Under this method, capitalized costs include acquisition costs, geological and geophysical expenditures, lease rentals on undeveloped properties, and costs of drilling and equipping producing and nonproducing wells; depreciation of the costs of proved oil and gas properties is computed on the units-of production method.

Capitalized costs of oil and gas properties may not exceed an amount equal to the present value, discounted at 10%, of estimated future net revenues from proven reserves plus the lower of cost or fair value of unproven properties. Should capitalized costs exceed this ceiling, an impairment is recognized. The present value of estimated future net cash flows is computed by applying year-end prices of oil and gas to estimated future production of proved oil and gas reserves as of year-end less estimated future expenditures to be incurred in developing and producing the proved reserves and assuming continuation of existing economic conditions.

e. Property and equipment – is recorded at cost. The carrying value of these assets is based on estimates, assumptions and judgments relative to capitalized costs, useful lives and salvage values.

f. Earnings per share – Basic earnings per share is based on the sum of the weighted average number of common shares outstanding. Diluted earnings per share include any dilutive effect of stock options and convertible securities (common stock equivalents). During the periods presented, there were no common stock equivalents outstanding. Accordingly, basic and fully diluted earnings per share are the same.

g. Recent accounting standards – Management does not believe that any recently issued but not yet adopted accounting standards will have a material effect on the Company's results of operations or on the reported amounts of its assets and liabilities upon adoption.

3. INVESTMENT IN Z2

The investment in Z2 is accounted for on the equity method as summarized below.

Total contributed capital	$331,345
Cumulative losses to date	553,685
Losses in excess of cost	$222,340

The equity method of accounting requires that losses in excess of cost are not reported in the income statement

4. RESTRICTED CASH

In August 2007, the Company had $215,759 in cash seized by the U.S. Government based on allegations that these funds were the product of securities fraud. Criminal charges related to this matter were brought against two former investors and promoters of the company stock. The criminal proceedings against these two parties were terminated subsequent to March 31, 2010 with guilty verdicts as to each of them. No criminal charges were ever brought against any officers or directors of the company, or the Company itself. Currently, the only unresolved matter is the Company's claim to the seized cash. As of the March 31, 2010 financial statements, these funds have been written off.

The Company intends to pursue efforts to recover at least part of the seized cash. At this time the amount which may be recovered, if any, cannot be reasonably determined.

5. COMMON STOCK

The Company has 500,000,000 shares of its $.0001 par value common stock authorized and 124,305,833 shares issued and outstanding at June 30, 2010.

6. COMMITMENTS AND CONTINGENCIES

Environmental

Deep Rock Oil & Gas, Inc., as an owner of oil and gas properties, is subject to various federal, state, and local laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may impose liability on the lessee under an oil and gas lease or concession for the cost of pollution clean-up resulting from operations and also may subject the lessee to liability for pollution damages

It is not possible for Deep Rock to reliably estimate the amount and timing, if any, related to environmental matters because of the difficulty of predicting cleanup requirements and estimating cleanup costs, the uncertainty of quantifying liability under environmental laws that impose joint and several liability on all potentially responsible parties and the continually changing nature of environmental laws and regulations and the uncertainty inherent in legal matters.

Concentrations

In excess of 80% of the Company's oil and gas assets are held by a partnership with assets located in one field in South Texas. Because of this lack of geographic diversity, the Company is subject to production interruption due to localized weather and other factors. This production is sold to one refinery owned by a major integrated oil company. Management believes any potential losses resulting from non-performance of the purchaser is remote.