

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

Date: August 6, 2009

"Wayne Singular" (signed)

Wayne Singular
Chief Financial Officer

Desmarais

Energy Corporation

Second Quarter Report 2009

CONSOLIDATED BALANCE SHEET

	June 30, 2009	December 31, 2008
ASSETS		
Current		
Cash	\$ 160,187	\$ 92,859
Accounts receivable	1,168,891	204,970
Deposits and prepaid expenses	50,481	70,116
	1,379,559	367,945
Property and equipment (Note 2)	4,210,028	4,447,953
	\$ 5,589,587	\$ 4,815,898
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 2,214,965	\$ 957,350
Due to related party (Note 3)	2,440,000	2,440,000
	4,654,965	3,397,350
Asset retirement obligations (Note 4)	568,322	521,475
	5,223,287	3,918,825
SHAREHOLDERS' EQUITY		
Common shares (Note 5)	4,694,403	4,614,603
Warrants (Note 5)	185,093	119,693
Contributed surplus (Note 5)	514,799	509,999
Deficit	(5,027,995)	(4,347,222)
	366,300	897,073
	\$ 5,589,587	\$ 4,815,898

See accompanying selected notes to the consolidated financial statements.

Going concern (Note 1)

Subsequent events (Note 11)

Approved on behalf of the board of directors

"James G. Long"

"Douglas F. Robinson"

James G. Long

Douglas F. Robinson

Desmarais

Energy Corporation

Second Quarter Report 2009

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Revenue				
Petroleum and natural gas sales	\$ 76,199	\$ 321,843	\$ 159,010	\$ 574,082
Royalties, net of recoveries	(27,994)	117,364	(34,135)	84,246
	48,205	439,207	124,875	658,328
Other income	49	114	450	271
	48,254	439,321	125,325	658,599
Expenses				
Production	117,096	161,998	214,987	339,009
General and administrative	145,789	90,504	286,157	212,311
Interest	60,894	85,678	121,559	167,233
Depletion, depreciation and accretion	110,790	114,925	183,395	231,705
	434,569	453,105	806,098	950,258
Net loss and comprehensive loss	(386,315)	(13,784)	(680,773)	(291,659)
Deficit, beginning of period	(4,641,680)	(3,850,793)	(4,347,222)	(3,572,918)
Deficit, end of period	\$ (5,027,995)	\$ (3,864,577)	\$ (5,027,995)	\$ (3,864,577)
Basic and diluted loss per share	\$ (0.02)	\$ -	\$ (0.04)	\$ (0.02)

Weighted average number of common shares outstanding - basic and diluted

	16,452,438	11,790,900	16,222,944	11,790,900
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See accompanying selected notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Cash (used in) provided by:				
Operating activities:				
Net loss and comprehensive loss	\$ (386,315)	\$ (13,784)	\$ (680,773)	\$ (291,659)
Items not involving cash:				
Depletion, depreciation and accretion	110,790	114,925	183,395	231,705
Other comprehensive income - loan	-	21,983	-	43,967
Net change in non-cash working capital (Note 9)	(136,249)	(106,178)	23,816	8,736
	(411,773)	16,946	(473,561)	(7,251)
Financing activities:				
Private placement, net of issue costs	150,000	-	150,000	-
Decrease in bank debt	-	(450,000)	-	(425,000)
Due to a related party	-	500,000	-	500,000
	150,000	50,000	150,000	75,000
Investing activities:				
Acquisition of oil and gas properties	(19,674)	(8,787)	(19,674)	(15,280)
Dispositions of oil and gas properties	83,092	-	121,051	-
Net change in non-cash working capital (Note 9)	(9,445)	7,115	289,513	8,013
	53,973	(1,672)	390,890	(7,267)
(Decrease) increase in cash	(207,801)	65,274	67,328	60,482
Cash (Bank indebtedness), beginning of period	367,988	(77,152)	92,859	(72,360)
Cash (Bank indebtedness), end of period	\$ 160,187	\$ (11,878)	\$ 160,187	\$ (11,878)

Supplemental cash flow information:

Interest paid	60,894	85,678	121,559	167,233
Income taxes paid	-	-	-	-

See accompanying selected notes to the consolidated financial statements.

Desmarais

Energy Corporation Selected Notes to the Financial Statements For the periods ended June 30, 2009

1. BASIS OF PRESENTATION AND GOING CONCERN

The interim financial statements of Desmarais Energy Corporation (the “Company” or “Desmarais”) have been prepared following the same accounting policies and methods of computation as the audited financial statements for the year ended December 31, 2008. Certain information and footnote disclosure normally included in the annual financial statements have been condensed or omitted. Accordingly, these interim financial statements should be read in conjunction with the financial statements and the notes thereto in the Company’s annual report for the year ended December 31, 2008.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles as applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. The Company requires financing for working capital and the exploration and development of its properties. For the six months ended June 30, 2009, the Company had a loss of \$672,573. At June 30, 2009, the Company had negative working capital of \$835,406 excluding the amount due to a related party totaling \$2,440,000. As a result, there is substantial doubt about the Company’s ability to continue as a going concern.

The Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict with certainty whether financing efforts will be successful or if the Company will attain profitable levels of operations.

Management has made the necessary estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses in the preparation of the financial statements. Actual results could differ from those estimates.

Certain comparative amounts have been reclassified to conform to current period presentation. The changes do not affect prior year earnings.

2. PROPERTY AND EQUIPMENT

	June 30, 2009	December 31, 2008
Petroleum and natural gas properties and equipment	\$ 14,151,656	\$ 14,272,318
Office equipment & other assets	114,457	113,486
Accumulated depletion and depreciation	(10,056,085)	(9,937,851)
	\$ 4,210,028	\$ 4,447,953

There was \$1,500,000 in costs relating to unproven properties at June 30, 2009 (\$2,000,000 - December 31, 2008). In addition, there were \$841,000 future development costs included in the costs subject to depletion at June 30, 2009 and December 31, 2008.

3. DUE TO RELATED PARTY

This facility is collateralized by a \$10,000,000 Floating Charge Demand Debenture over the Company’s assets. There are no fixed terms for review or covenants on this facility.

Desmarais

Energy Corporation Selected Notes to the Financial Statements For the periods ended June 30, 2009

4. ASSET RETIREMENT OBLIGATION

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of oil and gas properties:

	2009	2008
Asset retirement obligation, January 1	\$ 521,475	\$ 436,064
Increase (decrease) in obligations	(18,313)	69,551
Settlement of liabilities	-	(7,749)
Accretion expense	65,160	37,557
Change in estimates	-	(13,948)
Ending balance	\$ 568,322	\$ 521,475

The total future asset retirement obligations were estimated based on the Company's net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of the estimated cash flows required to settle the asset retirement obligations at June 30, 2009 is approximately \$675,950 (December 31, 2008 – \$696,134) which will be incurred over the next nine years. A credit adjusted risk-free rate of 7.0%, and an inflation factor of 2.5% was used to calculate the fair value of the asset retirement obligation.

5. CAPITAL STOCK

(a) Authorized

Unlimited common shares without par value

Unlimited preferred shares without par value

b) Common shares

	Number of shares	Amount
Balance December 31, 2008	15,990,900	\$ 4,614,603
Private placement - common shares (i)	1,500,000	150,000
Less: fair value of warrants issued		(70,200)
Balance June 30, 2009	17,490,900	\$ 4,694,403

- (i) On June 3, 2009, the Company completed a non-brokered private placement financing of 1,500,000 units (the "Units") of the Company at a price of \$0.10 per Unit for aggregate gross proceeds of \$150,000. Each Unit consists of one common share in the capital of Desmarais and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one (1) Common Share for \$0.15 from the date of issue to the date that is 12 months from the date of issue or June 2, 2010. In addition, the Company has agreed to issue finder's warrants entitling the holder thereof to purchase such number of Units as is equal to 10.0% of the number of Units sold pursuant to the Private Placement at an exercise price of \$0.15 on or before June 2, 2010.

The fair value of the warrants was estimated using the Black-Scholes option model with the following assumptions: expected dividend yield of 0%; expected volatility 149%; risk-free interest rate of 3.34%; and an expected life of one year.

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Energy Corporation Selected Notes to the Financial Statements For the periods ended June 30, 2009

(c) Warrants

Private placements

	Number	Amount
Balance December 31, 2008	3,300,000	\$ 119,693
Granted, private placements	1,500,000	63,800
Expired	(500,000)	(4,800)
Balance June 30, 2009	4,300,000	\$ 178,693

Finders Warrants

	Number	Amount
Balance December 31, 2008	-	\$ -
Granted, private placements	150,000	6,400
Balance June 30, 2009	150,000	\$ 6,400

Expiry date	Exercise price per warrant (\$)	Warrants Outstanding	Fair value of warrants
June 2, 2010	0.15	1,650,000	\$ 70,200
July 31, 2010	0.17/0.22	2,800,000	114,893
Balance June 30, 2009		4,450,000	\$ 185,093

See also Subsequent Events Note 11.

(d) Stock-based compensation

The Company has a stock option plan under which it may grant options to directors, officers, employees or consultants. Options are granted at the discretion of the Board of Directors, vest in periods of up to one year from the date of grant and have expiry dates ranging from three to five years after the date of grant.

As at June 30, 2009 there were outstanding options to acquire 1,155,500 common shares (December 31, 2008 – 1,155,500 common shares). The maximum available for grant at June 30, 2009 was 1,749,090 common shares (December 31, 2008 – 1,599,090 common shares). The maximum number available for grant is subject to shareholder approval at the annual meeting of the Company.

The following table summarizes the status of the stock option plan:

	Number of stock options	Weighted average exercise price (\$)
Balance June 30, 2009 & December 31, 2008	1,155,500	0.16

Desmarais

Energy Corporation Selected Notes to the Financial Statements For the periods ended June 30, 2009

The following table reflects the stock options outstanding as at June 30, 2009:

Exercise Price	Options Outstanding	Remaining Life (Years)	Options Exercisable
\$0.16	1,155,500	4.10	1,155,500

During the year three month period ending June 30, 2009 no new stock options were issued to consultants, directors and officers of the Company.

See also Subsequent Events Note 11.

(e) Contributed Surplus

	Amount
Balance December 31, 2008	\$ 509,999
Expired warrants	4,800
Balance June 30, 2009	\$ 514,799

RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in these financial statements, the Company has undertaken transactions with entities which are considered related parties. Transactions in the normal course of operations are measured at the exchange amount equaling the consideration established and agreed to by the related parties.

The Corporate Secretary is a Partner in a legal firm. During the six months ending June 30, 2009, legal fees totalling \$2,113 (2008 - \$3,605) with this firm were recorded. At June 30, 2009 a balance of \$15,742 remains outstanding (2008 - \$22,561).

A director has ownership in private companies that are sublease tenants of Desmarais. In the first six months of 2009, Desmarais received office space and related service fees of \$17,086 (2008 - \$nil). At June 30, 2009, \$735 (2008 - \$nil) was due to Desmarais from these companies.

As described in note 3, a director is the President of a company that advanced \$2,440,000 under a demand facility to Desmarais. At June 30, 2009, interest totaling \$120,997 (2007 - \$107,808) was recorded and paid by Desmarais to this company. At June 30, 2009, \$nil (2008 - \$nil) was due to this company from Desmarais.

The CFO has ownership in a private company that is a sublease tenant of Desmarais. In 2009, Desmarais received office space and related service fees of \$2,279 (2007 - \$nil). At June 30, 2009, \$nil (2008 - \$nil) was due to Desmarais from this company.

In January 2009, Desmarais entered into an arrangement for corporate development services with a company controlled by a significant shareholder. The term is for a minimum of nine months that expires on 90 days written notice by either Desmarais or the other company. The contract provides for monthly payments of \$5,000 and reimbursement of reasonable and mutually agreed upon travel expenses. To June 30, 2009, payments totaling \$30,000 were incurred (2008 - \$nil) of which \$nil was outstanding at June 30, 2009 (2008 - \$nil).

All of the above transactions are in the normal course of operations. All transactions are measured at the exchange amount equaling the consideration established and agreed to by the related parties, which does not exceed the arm's length equivalent value for these services.

6. NET LOSS PER SHARE

The number of shares used to calculate the diluted net loss per share for the periods ended June 30, 2009 included the weighted average number of Desmarais common shares outstanding of 16,222,954 for the six month period and 16,452,438 for the three month period plus nil shares related to the dilutive effect of the conversion of stock options and warrants (2008 – 11,790,900 for the three and six month periods plus nil shares for each period) as the stock options and warrants would be anti-dilutive.

7. FINANCIAL INSTRUMENTS

Overview

The Company has exposure to credit, liquidity and market risks from its use of financial instruments. This note provides information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Fair value

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities, notes payable and loans payable reflected in the consolidated balance sheets approximate fair value because of the short term to maturity of these instruments.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from petroleum and natural gas marketers and joint venture partners and the fair value of derivative instruments.

The Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. The carrying value of accounts receivable reflects management's assessment of the credit risk associated with these customers. Management believes the credit risk is mitigated by the size and reputation of the companies to which they extend credit. Joint venture receivables are usually collected within one to three months of the joint venture bill being issued to the partner. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to the expenditure. However, the receivables are from participants in the petroleum and natural gas sector, and collection of the outstanding balances can be impacted by industry factors such as commodity price fluctuations, limited capital availability and unsuccessful drilling programs. The Company does not typically obtain collateral from petroleum and natural gas joint venture partners; however the Company does have the ability in many cases to recover amounts from production in the event of non-payment. The Company has not experienced significant credit loss in the collection of accounts receivable.

The carrying amount of accounts receivable and derivatives represents the maximum credit exposure. As at June 30, 2009 the Company's receivables consisted of \$1,168,891 (2008 – \$219,995) from joint venture partners of which \$115,000 has been subsequently collected, and \$50,481 (2008 – \$45,831) of prepaids and other accounts receivable. The Company does not consider any receivables to be past due. There were no derivative instruments held at June 30, 2009.

Desmarais

Energy Corporation Selected Notes to the Financial Statements For the periods ended June 30, 2009

Market Risk

Market risk is the risk that changes in market conditions, such as commodity prices, interest rates, and foreign exchange rates, will affect the Company's net income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing the Company's returns.

Commodity Price Risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar, as outlined below, but also global economic events that dictate the levels of supply and demand. Lower commodity prices can also reduce the Company's ability to raise capital. From time to time the Company may attempt to mitigate commodity price risk through the use of financial derivatives.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities. The Company's financial liabilities consist of accounts payable, notes payable and loans payable.

The Company prepares annual capital expenditure budgets, which are monitored and updated as considered necessary. Production is monitored regularly to provide current cash flow estimates and the Company utilizes authorizations for expenditures on projects to monitor capital expenditures.

Accounts payable consists of invoices payable to trade suppliers for office, field operating activities and capital expenditures. The Company processes invoices within a normal payment period. Accounts payable have contractual maturities of less than one year.

8. CAPITAL MANAGEMENT

The Company considers its capital structure to include shareholders' equity, working capital and long-term debt. The Company is not subject to any externally imposed capital requirements. The Company's total capital is computed as follows:

	June 30, 2009	December 31, 2008
Shareholders' equity	\$ 366,300	\$ 897,073
Due to related party	2,440,000	2,440,000
Working capital deficiency	835,406	589,405
Total capital	\$ 3,641,706	\$ 3,926,478

The Company manages its capital to maximize its ability to be able to continue as a going concern and have sufficient capital to develop its projects and take them to production. In order to maintain the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current and projected debt levels. The Company's present overall capital risk management strategy remains unchanged from 2008.

Desmarais

Energy Corporation Selected Notes to the Financial Statements For the periods ended June 30, 2009

9. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Changes in non-cash working capital				
Accounts receivable	\$ (192,871)	\$ (5,914)	\$ (963,921)	\$ (7,800)
Deposits and prepaid expenses	10,678	10,139	19,635	1,352
Accounts payable and accrued liabilities	36,499	(103,288)	1,257,615	23,197
	\$ (145,694)	\$ (99,063)	\$ 313,329	\$ 16,749
Operating activities	\$ (136,249)	\$ (106,178)	\$ 23,816	\$ 8,736
Investing activities	(9,445)	7,115	289,513	8,013
	\$ (145,694)	\$ (99,063)	\$ 313,329	\$ 16,749

10. CONTINGENCIES AND COMMITMENTS

Statement of Claim Discharge

In February 2009, the statement of claim filed against the Company in July 2007 was dismissed by the plaintiff. The matter was resolved by the assumption by Desmarais of the abandonment liabilities of certain joint interest wells.

Office Lease

A new sublease for office premises effective July 1, 2009 with a term to September 30, 2011 was signed in February 2009. The Company will be committed to pay \$21,000 in 2009, \$42,000 in 2010 and \$31,500 in 2011.

The Company has guarantees and other commitments in the normal course of business which would not have a material adverse effect on the Company's liquidity, financial condition or results of operations.

11. SUBSEQUENT EVENTS

Warrants – Amendment

On July 13, 2009, the TSX Venture Exchange approved an amendment to the 2.8 million warrants issued as part of a private placement that closed July 31, 2008. The expiry date of the warrants will be changed from July 31, 2010 to Jan. 31, 2011. Each warrant, as amended, entitles the holder thereof to acquire one common share for: \$0.17 per share if exercised on or before Jan. 31, 2010; and \$0.22 per share if exercised on or subsequent to Feb. 1, 2010, but before Jan. 31, 2011.

Stock-based compensation

On July 14, 2009, stock options to purchase a total of 530,000 common shares of were granted to consultants, directors and officers, at an exercise price of \$0.16 per share pursuant to the Company's stock option plan. The stock options fully vested upon issuance and shall expire three years from the date of issue.