

Q1 2010

WINSTAR RESOURCES LTD.

2010 FIRST QUARTER REPORT
FOR THE THREE MONTHS ENDED
MARCH 31, 2010

SHAREHOLDERS' REPORT

First Quarter Financial Results

The financial and operating results for Q1 2010, as compared to continuing operations reported during Q1 2009, show a marked improvement reflecting stronger commodity prices and increased production from Tunisia.

- Field operating netback in Tunisia was \$55.36 per boe; a 69% increase as compared with Q1, 2009.
- Funds from continuing operations were \$5.8 million (\$0.17 per share); 152% higher than that reported in Q1 2009.
- Net income from continuing operations was \$419,000 (\$0.01 per share); as compared to a \$789,000 loss in Q1 2009.

Funds from continuing operations during Q1 2010 were \$5.8 million, which are a significant improvement relative to Q1 2009 of \$2.3 million. Higher funds from operations were a result of oil prices being 45% higher year over year and a 17% increase in production from continuing operations and continued cost control.

Winstar produced an average of 1,505 barrels of oil equivalent per day (boepd) during Q1 2010 from its operations in Tunisia and Hungary, compared to 1,291 boepd in Q1 2009 and 1,816 boepd in Q4 2009 from continuing operations. Current production, subsequent to the end of the first quarter, is approximately 2,000 boepd as a result of successful workovers in Chouech Essaida and Ech Chouech and the resumption of gas sales from Chouech Essaida.

The Company currently has two significant operations ongoing at Chouech Essaida 8 well (CS#8) and Chouech Essaida 11 well (CS#11), which are expected to add incremental production by early June 2010.

Financial and operating results summary from continuing operations (excluding Canada)

Financial	Three Months Ended March 31		
	2010	2009	Change
Oil and gas sales	10,529	6,688	57%
Net royalty	(1,042)	(648)	61%
Operating expense	2,170	2,212	(2%)
General and administrative (excludes non-cash stock based compensation)	1,349	1,345	0%
Income tax	-	212	(100%)
Funds from operations	5,815	2,345	148%
Basic and diluted per share	0.17	0.07	
Net income (loss)	419	(789)	
Basic and diluted per share	0.01	(0.02)	
Capital expenditures	7,682	10,385	(26%)
Operational			
Total production (boepd)	1,505	1,291	17%
Total sales (boepd)			
Oil (bopd)	1,312	1,142	15%
Average price (\$ per bbl)	80.30	55.40	45%
Gas (mcfpd)	1,209	893	36%
Average price (\$ per mcf)	9.56	12.35	(22%)
Operating expense (\$ per boe)	15.92	19.03	(16%)

Q1 Drilling Operations

During the first quarter and continuing up to May 11, 2010 the Company completed two drilling operations within the Triassic Choueche Essaida oil field of southern Tunisia. As of this date, both wells have been logged and cased but neither well has been production tested. Operational difficulties have delayed results from CS#8 but cased-hole logs indicated that the two expected productive zones are structurally higher and thicker than the original well. Open-hole logs from CS#11 identified four potential pay zones. Testing is currently underway at CS#11 with results expected by the end of May.

Farm-out Update

In an attempt to add reserves and production during a period of limited internally derived cash flow, the Company sought external capital investment on two of its assets. The opportunity allows a joint venture partner to earn a significant working interest in Winstar's operated and 100% working interest (Torokkopyany and Igal II) properties in central Hungary and southern Tunisia (Ech Choueche concession) through a work commitment at their sole cost.

In Hungary, the Company continues the process to find a partner(s) to fund the drilling of a well and acquiring of a 2D seismic program that will satisfy the extension requirements for the Igal II permit, however no transaction has been entered into as of this date. The Company has proceeded to obtain all necessary approvals for the seismic acquisition program that could be carried out this summer.

The Company began a search to find partner(s) for the Ech Choueche concession to accelerate the Silurian drilling campaign and prove up the high potential, high impact exploration targets identified by 3D seismic. This farm-out process is ongoing but no transaction has been entered into as of this date.

If acceptable farm-out terms cannot be reached with potential partner(s), Winstar, on its own, intends to carry out the deepening of Ech Choueche South Number 1 well (ECS#1) to test the Silurian potential later in 2010. The Company has signed a "Letter of Intent" with a major drilling contractor already active in Tunisia for a rig capable of deepening the ECS#1 well by some 1,500 meters, to test a deeper Silurian drilling target evident on 3D seismic. Dependent on rig availability, this well deepening project is expected to commence in the fall of 2010 and take 30 days to complete. The Company may also exercise its option for two additional wells with the same rig immediately following the ECS#1 deepening.

Annual Special and General Meeting

The Annual Special and General Meeting will be held in Calgary on May 11, 2010 at 3 pm at the Calgary Petroleum Club, Viking Room. Management and the Board thank the shareholders for their continued support and we look forward to reporting our Q2 2010 results in August.



Charles de Mestral
Chief Executive Officer
May 11, 2010



David Monachello
President

REVIEW OF OPERATIONS

The first quarter of 2010 signaled the return to drilling operations in Tunisia for Winstar. A medium depth-rated rig was contracted and mobilized to the southern Tunisian concession of Chouech Essaida late in 2009 to start drilling Triassic targets identified on the recently acquired and interpreted 3D seismic. Work in the field continued with workovers on producing wells and facility improvements at the Chouech Essaida Central Production Facility (CPF).

Production

Winstar produced an average of 1,505 barrels of oil equivalent per day (boepd) in the first quarter of 2010 from its operations in Tunisia and Hungary, compared to 1,291 boepd in the first quarter of 2009 from continuing operations. Production from Tunisia has improved dramatically, subsequent to the end of the first quarter, and is currently over 2,000 boepd.

Events affecting production:

- Mechanical compressor problems with STEG (Tunisian national gas utility and buyer of the gas from Chouech Essaida) severely limited gas sales to 96 boepd for the quarter, compared to 230 boepd in Q4 2009, but also compared to current gas sales capacity of 450 - 550 boepd. These mechanical problems were partially resolved and Winstar is working in concert with STEG to find a longer term solution. Current gas sales in the second quarter from Chouech Essaida are approximately 200 boepd.
- The well, Chouech Essaida 7 (CS#7), did not produce for the last two weeks of the quarter due to a workover operation to replace the down hole electrical submersible pump. This had a negative impact of 170 bbl/d during the workover operation.
- The well, Ech Chouech 1 (EC#1), did not produce for the first two months of the year, due to a workover to clean sediment from the bottom of the well that was impeding oil production. Following the workover, EC#1 was brought back on stream and is flowing at a consistent rate of 125 bbl/d.
- All other wells have produced normally during the quarter.

Operational Highlights

Chouech Essaida 8 Side Track (CS#8S) Development Well :

This drilling operation commenced at the beginning of the year and entailed a difficult and lengthy operation of re-entering the original CS#8 wellbore, milling a window in the existing casing and drilling a new sidetrack wellbore. The new wellbore is located approximately 50 meters away from the original CS#8 wellbore. The well results are very encouraging to date as both of the expected productive zones were encountered 3 – 4 meters higher and are 50% - 100% thicker in the new CS#8S well compared to the original well. CS#8 is completed in both zones and testing is underway with results expected to be announced in early June 2010.

CS#8S is tied into the CPF and all fluids produced from the wellbore during the testing period are processed and sold with the rest of the Chouech Essaida production.

Chouech Essaida 11 (CS#11) Development Well:

This new development well spud in late March and reached its programmed depth of 2,469 meters. Open hole logs were run and the well is currently being completed and tested. This is structurally the highest well drilled so far in the Chouech Essaida Triassic formation and significant oil and gas shows were evident during the drilling operations, as interpreted from the open hole logs. The Company anticipates test results by the end of May, with tie-in and production scheduled by the end of May.

Facility Upgrades at Chouech Essaida CPF:

In anticipation of increased production and also to optimize existing facility performance, a new three phase group separator was installed and commissioned at Chouech Essaida. Current processing capacity is estimated to be 4,000 - 5,000 bopd. In addition, the existing electrical generation equipment was upgraded to convert fuel usage from purely diesel to a mixture of diesel and natural gas, significantly reducing diesel consumption and associated operating costs. Future plans are to revamp the electrical generation facilities to further convert to 100% natural gas and to increase the overall capacity of the installation to accommodate future electrical equipment.

Country Updates and Outlook

Tunisia

As the results of the CS#8 re-entry and CS#11 Triassic wells are being studied and interpreted, and as the Company's financial health and performance continues to strengthen, plans are being developed for further Triassic well drilling, possibly later this year. In addition, the Company has signed a letter of intent with a major drilling contractor already in Tunisia for a rig capable of deepening the existing Ech Chouech 1 well to test a Silurian target evident on the 3D seismic. Dependent on rig availability, this well deepening project is expected to commence in the fall of this year and to complete in 30 days. The Company may also exercise its option for two additional wells with the same rig immediately following the ECS#1 deepening.

In Q3 2009, the Company began a search to find partner(s) for the Ech Chouech concession to accelerate the Silurian drilling campaign and prove up the potential exploration targets identified by the 3D seismic program. This farm-out/sales process and negotiation are still ongoing, but to date, no transaction has been signed. As noted above, if acceptable farm out terms cannot be reached with potential partners, Winstar intends to conduct the deepening of ECS#1 later in 2010 with its own financial resources.

Romania

The Company's technical team presented its extensive Regional Geological and Geophysical Study for the Satu Mare Exploration Block to our partner, Rompetrol. This study will be submitted to the Romanian authorities on behalf of the Rompetrol/Winstar partnership as part of the Satu Mare Exploration Permit work obligation. In addition, the Company and Rompetrol approved the first exploration drilling location scheduled for later this year or early in 2011 as part of its work plan obligations of the farm-in agreement with Rompetrol. Acquisition of a 3D seismic program is expected in late 2011 or early 2012.

Hungary

The focus in Hungary is to find a partner to fund the drilling of a well and to acquire a 2D seismic program that will satisfy the extension requirements for the existing permit. There is currently no update on this situation although the Company has proceeded to gain all necessary approvals for the seismic acquisition program that could be carried out this summer.

At the Torokkoppany gas field, the Company realized some production in January and February of 2010 before being shut in due to uneconomic rates. There was sufficient natural pressure recharge in the reservoir during the months of March and April to motivate the Company to re-initiate a low level of production in June of this year.

Efforts continue to evaluate the economic potential to convert the existing Torokkoppany reservoir into a gas storage facility. Partners with the technical and marketing capability for such a project are being sought actively.



Roger McMechan
Executive Vice-President
May 11, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This Management's Discussion and Analysis (MD&A), dated May 11, 2010, of the consolidated financial position and results of operations of Winstar Resources Ltd. (the "Company" or "Winstar") is for the three month periods ended March 31, 2010 and 2009. This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009, the interim consolidated financial statements for the three months ended March 31, 2010 and documents filed on SEDAR, including press releases and the Annual Information Form (AIF). These documents and additional information about the Company are available on SEDAR at www.sedar.com.

The financial information contained herein was prepared in accordance with Canadian generally accepted accounting principles (GAAP). All comparative percentages are between the three month periods ended March 31, 2010 and 2009, and all amounts are expressed in thousands of Canadian dollars except per share and per unit amounts, unless otherwise noted.

Statements throughout this report, that are not historical facts, may be considered "forward-looking statements" and should be read in conjunction with the Company's forward-looking statements found in Section 7.

1. Overview and highlights

Winstar is a publicly traded oil and gas exploration and development Company focused primarily on Tunisia. The Company is headquartered in Calgary, Alberta, Canada. The international head office is located in Breda, The Netherlands, with offices in Switzerland, Tunisia, Hungary, and Romania. The Company's operations in 2010 were conducted in two geographic segments: Tunisia and Europe. The Tunisian operations were the Company's primary focus during Q1 2010. The European segment was comprised of operations and exploration in Hungary and Romania. Note 9 to the Interim Consolidated Financial Statements provides segmented information that forms the basis for much of the following discussion and analysis. The Company's Tunisian asset base is comprised of low-risk developments and high impact exploration opportunities, which the Company will evaluate and develop through existing working capital, internally generated funds, the possible use of its available line of credit, the sale of new equity, and the establishment of joint venture relationships.

- The re-entry project at Chouech Essaida 8 was substantially completed in March 2010. The operation encountered numerous operational challenges, which extended the original estimated completion date of mid-April 2010 by six weeks to the end of May 2010. The new side-track borehole located about 50 meters from the original has encountered the two expected productive zones 3 - 4 meters structurally higher and 50% - 100% thicker as compared to the original well.
- On March 28, 2010, the Company commenced its drilling program at Chouech Essaida #11. Drilling was completed on May 6, 2010 within budgeted time and costs. The well appears, from open hole well logs, to have four separate pay zones. The well has been completed in all zones and testing is underway.
- Gas sales at Chouech Essaida fluctuated between 0 – 1,600 mcf/d and averaged 577 mcf/d during Q1 2010 due to third party mechanical issues at the El Borma production facility operated by the Tunisian national utility company, STEG. Winstar is currently investigating alternatives with STEG to assure sales capacity and contract for a greater volume of current and future production. Currently sales are approximately 1,260 mcf/d.
- Currently, the Company is seeking potential joint venture partners interested in participating in the 100%-owned and operated Ech Chouech concession in Tunisia, as well as the 100% owned and operated Igal II exploration permit and Torokkoppány mining plot in Hungary.

1.1 Financial performance

- As at March 31, 2010, the Company's working capital was \$5.9 million and it had no current or long-term bank debt.
- During the first quarter of 2010, the Company generated \$5.8 million of funds from continuing operations (as defined in Section 2.1), which is an increase of \$3.5 million as compared to \$2.3 million generated in Q1 2009.
- Winstar increased field operating netback from Tunisia per boe (as defined in Section 2.3) by 69% to \$55.36 for Q1 2010, compared with \$32.76 for Q1 2009.
- Net income from continuing operations increased \$1.2 million to \$419,000 during the Q1 2010, as compared to a net loss from continuing operations of \$789,000 in Q1 2009.
- The Company's \$10 million line of credit remains undrawn and available as at March 31, 2010 and as at the date of this report.

Financial and operating results from continuing and discontinued operations

	Three months ended March 31,		
	2010	2009	% change
Sales and Prices			
Oil and NGL sales (bopd)	1,312	1,252	5
Natural gas sales (mcf/d)	1,213	1,978	(39)
Average daily sales 6:1 (boepd)	1,515	1,581	(4)
Average oil and NGL price (\$/bbl)	80.30	54.27	48
Average natural gas price (\$/mcf)	9.56	8.70	10
Financial results from continuing and discontinued operations (\$ thousands except for per unit amounts)			
Oil and gas revenue	10,529	7,661	37
Funds from operations	5,970	2,578	131
Per share- basic and diluted	0.17	0.08	
Net income/(loss)	543	(1,033)	
Per share- basic and diluted	0.02	(0.03)	
Field operating netback (\$/boe)	53.72	27.75	94
Capital expenditures	7,682	10,412	(26)
Working capital at period end	5,940	(6,175)	196
Common Shares (thousands)			
Weighted average during period			
- basic	34,237	34,223	-
- diluted	34,538	34,223	1
Outstanding at period end	34,323	34,223	-

Financial and operating results – continuing operations (excludes Canadian operations)

	Three months ended March 31,		
	2010	2009	% change
Sales and prices			
Oil and NGL sales (bopd)	1,312	1,142	15
Natural gas sales (mcf/d)	1,213	893	36
Average daily sales 6:1 (boepd)	1,515	1,291	17
Average oil and NGL price (\$/bbl)	80.30	55.40	45
Average natural gas price (\$/mcf)	9.56	12.35	(23)
Financial results from continuing operations (\$ thousands except for per unit amounts)			
Oil and gas revenue	10,529	6,688	57
Funds from operations	5,815	2,344	148
Per share- basic and diluted	0.17	0.07	
Net (loss)/income	419	(789)	
Per share- basic and diluted	0.01	(0.02)	
Field operating netback (\$/boe)	53.68	31.11	73
Capital expenditures	7,682	10,385	(26)

2. Results of operations

2.1 Funds from operations

Funds from operations are a non-GAAP measure, defined by the Company as cash flow from operating activities excluding:

- The change in non-cash working capital related to continuing and discontinued operations, which is eliminated to show the net cash effect on income;
- Geological and geophysical expenses from continuing and discontinued operations (as detailed in Section 2.7 Capital Expenditures and Exploration Expenses from Continuing Operations), which are costs incurred for the purpose of generating future investment opportunities and are therefore not indicative of operational performance; and
- Expenditures on asset retirement obligations and reclamation, which are also not indicative of operational performance.

The Company also presents:

- Funds from operations per share, whereby amounts per share are calculated using weighted average common shares outstanding.

Management uses funds from operations to analyze performance and considers it to be a key measure as they demonstrate the Company's ability to generate the cash necessary to fund future capital investments. Winstar's determination of funds from operations may not be comparable to that reported by other companies nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with Canadian GAAP.

The following table reconciles the cash flow from operating activities to total funds from operations and funds from operations from continuing operations:

(\$ thousands)	Three months ended March 31,	
	2010	2009
Cash from continuing operating activities	5,464	5,661
Change in non-cash working capital and other assets/liabilities from continuing operations	50	(3,663)
Geological and geophysical expense from continuing operations	301	347
Funds from continuing operations	5,815	2,345
Cash from discontinued operating activities	(103)	162
Change in non-cash working capital from discontinued operations	232	53
Geological and geophysical expense from discontinued operations	26	19
Funds from discontinued operations	155	234
Funds from operations	5,970	2,579

Three months ended March 31, 2010 vs. 2009

Funds from continuing operations increased by \$3.5 million to \$5.8 million Q1 2010, compared to \$2.3 million for Q1 2009. Primarily, the increase is a result of:

- A 45% increase in realized oil prices partially offset by a 23% decrease in realized natural gas prices;
- A 17% increase in oil and gas equivalent sales volumes from continuing operations in Q1 2010 compared to Q1 2009; and
- A \$212,000 decrease in current tax expenses in Q1 2010 compared to Q1 2009; and
- Funds from operations include \$155,000 primarily relating to final sales adjustments and the settlement of historic counter party disputes related to discontinued operations.

2.2 Production

Three months ended March 31,	2010			2009		
	Oil and liquids	Gas	Total	Oil and liquids	Gas	Total
Hungary	-	191	32	-	453	75
Tunisia						
Chouech Essaida/Ech Chouech	1,005	577	1,101	827	-	827
Sabria	202	441	276	209	441	283
Zinnia/Sanrhar	96	-	96	109	-	106
Tunisia Total	1,303	1,018	1,473	1,142	441	1,216
Production from continuing operations	1,303	1,209	1,505	1,142	894	1,291
Canada	-	-	-	109	1,084	290
Total production	1,303	1,209	1,505	1,251	1,978	1,581

Three months ended March 31, 2010 vs. 2009

Production from continuing operations increased by 17% in Q1 2010, compared to Q1 2009. Primarily, the increase is the result of:

- Production from Chouech Essaida #9 averaged 429 bopd through Q1 2010 compared to nil in Q1 2009; and
- Gas production from Chouech Essaida during the quarter averaged 577 mcf/d during Q1 2010, compared to nil in Q1 2009 as the Chouech Essaida gas sales pipeline was not operational until April 2009.

These increases were partially offset by declines due to mechanical issues at Chouech Essaida 1, Chouech Essaida 3 and Ech Chouech 1.

Production versus sales - total

	Three months ended March 31,		
	2010	2009	% Change
Total production	135,485	142,306	(5)
-boepd	1,505	1,581	
Total sales	136,313	142,313	(4)
-boepd	1,515	1,581	

Production versus sales – continuing operations

	Three months ended March 31,		
	2010	2009	% Change
Total production	135,485	116,188	17
-boepd	1,505	1,291	
Total sales	136,313	116,195	17
-boepd	1,515	1,291	

Sales are equal to production in both Hungary and Canada. In Tunisia, oil sales are recognized when oil is loaded onto tankers. As a result of this, from time to time, the Company's sales and production volumes may not be equal. The Company had an opening inventory of 7,429 bbls at January 1, 2010. During the first quarter of 2010, the Company's sales exceeded production by 828 bbls, resulting in a corresponding decrease to crude oil inventories to 6,602 bbls.

2.3 Field operating netback from continuing operations

Field operating netback is a non-GAAP measure defined by the Company as presented below. Management considers field operating netback an important measure as it demonstrates the Company's profitability from field operations, before general and administrative costs, relative to current commodity prices.

The following table outlines the netback from continuing operations for the three months ended March 31, 2010 and 2009.

Field operating netback from continuing operations

	Three months ended March 31,			
	2010		2009	
Sales volumes				
Oil sales (bbls)	118,116		102,799	
Gas sales (mcf)	109,179		80,374	
Total sales (boe)	136,313		116,195	
- boepd	1,515		1,291	
Commodity sales and prices	\$	\$/unit	\$	\$/unit
Oil sales (\$/unit = \$/bbl)	9,485	80.30	5,695	55.40
Gas sales (\$/unit = \$/mcf)	1,044	9.56	993	12.35
Field operating netback	\$	\$/boe	\$	\$/boe
Realized oil and gas revenues	10,529	77.24	6,687	57.55
International royalty income	338	2.48	242	2.08
Royalties	(1,380)	(10.12)	(890)	(7.66)
Operating expense	(2,107)	(15.92)	(2,212)	(19.03)
Current tax (expense) / recovery	-	-	(212)	(1.82)
Field operating netback	7,317	53.68	3,615	31.11

Tunisia - field operating netback

	Three months ended March 31,				
	2010		2009		
Sales volumes					
Oil sales (bbls)		118,116		102,799	
Gas sales (mcf)		91,564		39,615	
Total sales (boe)		133,377		109,402	
- boepd		1,482		1,216	
Commodity sales and prices					
		\$	\$/unit	\$	\$/unit
Oil sales (\$/unit = \$/bbl)		9,485	80.30	5,694	55.39
Gas sales (\$/unit = \$/mcf)		903	9.87	555	14.01
Field operating netback					
		\$	\$/boe	\$	\$/boe
Realized oil and gas revenues		10,388	77.89	6,249	57.12
International royalty income		338	2.54	242	2.21
Royalties		(1,370)	(10.27)	(841)	(7.69)
Operating expense		(1,972)	(14.79)	(1,853)	(16.94)
Current tax expense		-	-	(212)	(1.94)
Field operating netback		7,384	55.36	3,584	32.76

Three months ended March 31, 2010 vs. 2009

Field operating netback in Tunisia increased 106% in Q1 2010 compared with Q1 2009, which corresponded to a 69% increase in netback per boe. This increase is primarily explained as follows:

- Oil and gas revenues increased by 66%, reflecting a 266 boepd increase in sales volume and a 36% increase in realized commodity prices;
- A 13% reduction in operating expenses per boe, due to higher production with a higher percentage of fixed costs; and
- A \$212,000 decrease in current tax expenses in Q1 2010, compared to Q1 2009.

2.4 General and administrative expenses from continuing operations

(\$ thousands except per unit amounts)	Three months ended March 31,		
	2010	2009	% Change
General and administrative (G&A)	1,349	1,237	9
Per sales boe	9.89	10.65	(7)
Non-cash stock-based compensation	70	134	(48)
Per sales boe	0.51	1.16	(56)
Total	1,418	1,372	3
Per sales boe	10.40	11.81	(12)

Three months ended March 31, 2010 vs. 2009

G&A expenses increased by 9% in Q1 2010 compared to Q1 2009 due primarily to increased travel expenditures associated with increased drilling and exploration activity in Q1 2010, as well as costs associated with marketing the Company's joint venture opportunities.

2.5 Current and future income tax from continuing operations

(\$ thousands)	Three months ended March 31,	
	2010	2009
Current tax expense	-	212
Future tax expense/(recovery)	1,973	(1,026)
Total	1,973	(814)

The Company recorded no current tax for the three months ended March 31, 2010 as the annualized estimated effective tax rate for Tunisia is expected to be nil in 2010. Intangible drilling costs are eligible for deduction when incurred within the relevant concessions; therefore the Company expects that taxes payable will be sheltered by these drilling costs in 2010.

Future income tax from continuing operations was related exclusively to the Tunisian assets as the Company recorded a valuation allowance for the unused tax pools in Hungary and Romania. Future tax expense was generated during Q1 2010 from capital expenditures in Chouech Essaida that are for the most part depreciated as incurred for tax purposes, compared to the unit of production method for accounting purposes, generating temporary differences. Additionally, significant non-capital loss carry forwards have been used to shelter taxable income generated in the Sabria and Sanhar concessions.

2.6 Depletion, depreciation, and accretion (DD&A) from continuing operations

(\$ thousands except per unit amounts)	Three months ended March 31,		
	2010	2009	% Change
Total	3,052	3,678	(17)
Per sales boe	22.39	31.66	(29)

DD&A from continuing operations in Q1 2010 reflected only the DD&A from Tunisia, as the Hungarian assets are fully depreciated. DD&A per boe decreased to \$22.39 during Q1 2010, from \$31.66 in Q1 2009, primarily due to an increase in proved developed reserves at Chouech Essaida.

Depreciation, depletion and accretion expenses were calculated on production volumes or straight-line on a property-by-property basis. Inventoried volumes were allocated a proportionate share of DD&A expenses.

2.7 Capital expenditures and exploration expenses from continuing operations

(\$ thousands)	Three months ended March 31,	
	2010	2009
Capital expenditures		
Tunisia	7,625	10,373
Corporate	57	12
Total capital from continuing operations	7,682	10,385

Capital activity was focused exclusively on Tunisia in 2010. In Q1 2010, capital spending related primarily to the re-entry program at Chouech Essaida 8 (\$5.5 million) and the drilling commencement of Chouech Essaida 11 (\$1.4 million).

Under the successful efforts method of accounting, the costs of drilling exploratory wells are initially capitalized. If these wells are subsequently determined to be unsuccessful, they are charged to exploration expense as dry hole costs. All other exploration costs, geological, geophysical, and annual lease rentals, including seismic purchases, but excluding 3D seismic acquisitions covering proved reserves, are charged to geological and geophysical expense as incurred (collectively "G&G expense"). Exploration expense, as reported on the consolidated statement of operations and deficit, represents the summation of G&G expenses and dry hole costs.

(\$ thousands except per unit amounts)	Three months ended March 31,	
	2010	2009
G&G expense		
Tunisia	139	301
Hungary	51	46
Romania	111	-
Total G&G expense from continuing operations	301	347

In Q1 2010, G&G expenditures related primarily to in-house mapping and processing of existing seismic data over the Igal II concession in Hungary and the Satu Mare concession in Romania.

3. Discontinued operating results – Canadian assets

In accordance with Canadian GAAP, the Company is required to report separately the results of continuing and discontinued operations. Discontinued operations are comprised of the Company's Canadian oil and natural gas assets, substantially all of which were sold effective September 1, 2009. Comparative results were restated to reflect the impact of operations that were classified as discontinued since January 1, 2009.

Net loss from discontinued operations

(\$ thousands except per unit amounts)	Three months ended March 31,	
	2010	2009
Sales volumes		
Oil sales (bbls)		9,854
Gas sales (mcf)		97,587
Total sales (boe)		26,118
- boepd		290
Netback	\$	\$
Realized revenue		973
Royalties		(123)
Operating expense		(517)
Field operating netback	-	333
G&A	-	(115)
Exploration expense	(26)	(19)
Expiry of undeveloped land	-	(31)
DD&A	-	(573)
Other income	150	8
Future income tax (expense)/recovery	-	153
Net loss from discontinued operations	124	(244)

The sale of substantially all of the Company's Canadian assets was effective September 1, 2009, therefore there was no operational activity related to discontinued operations in Q1 2010. Exploration expenses were incurred in order to market remaining Canadian assets held for sale and other income relates to final settlements with the purchaser of Canadian assets and the settlement of historical disputes with counterparties related to discontinued operations.

4. Selected quarterly information

Total operations (unaudited)

(\$ thousands except per unit amounts)	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08
Average daily production volumes (boepd) (1)	1,505	1,816	2,000	1,553	1,581	1,550	1,749	1,719
Average daily sales volume (boepd) (1)	1,515	1,735	2,000	1,553	1,581	1,550	1,772	1,986
Realized sales price (\$/boe)	77.24	75.52	64.73	58.18	53.83	59.87	97.73	109.80
Field operating netback (\$/boe) (2)	53.72	58.79	40.21	31.26	18.19	37.00	67.80	64.41
Revenue	10,529	12,053	11,908	8,221	7,661	8,536	15,929	19,847
Funds from operations (2)	5,970	7,708	6,689	3,588	2,577	5,257	10,452	11,829
Per Share - Basic and diluted (2)	0.17	0.23	0.20	0.10	0.08	0.15	0.31	0.35
Earnings/ (Loss)	543	1,502	791	(7,855)	(1,035)	(3,810)	(10,422)	(780)
Per Share -basic and diluted	0.02	.04	0.02	(0.23)	(0.11)	(0.30)	(0.02)	0.04
Total assets	98,395	97,191	96,455	115,196	133,102	138,486	119,828	116,559
Bank debt	-	-	-	7,851	5,343	-	-	-

Continuing operations

(\$ thousands except per unit amounts)	Q1/10	Q4/09	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08
Average production volumes (boepd) (1)	1,505	1,816	1,790	1,265	1,291	1,257	1,407	1,390
Average sales volume (boepd) (1)	1,515	1,735	1,790	1,265	1,291	1,257	1,430	1,657
Realized sales price (\$/boe)	77.24	75.60	68.13	63.10	56.30	62.74	104.34	135.42
Field operating netback (\$/boe) (2)	53.68	58.08	43.63	36.30	30.52	53.73	84.42	93.90
Revenue	10,529	12,066	11,222	7,265	6,688	7,256	13,506	17,317
Funds from operations (2)	5,815	7,777	6,582	3,473	2,638	4,851	9,342	10,808
-Per Share - basic and diluted (2)	0.17	0.23	0.19	0.10	0.08	0.14	0.27	0.32
Earnings/ (Loss)	419	1,573	694	(92)	(469)	(671)	(134)	(603)
-Per Share - basic and diluted	0.01	0.05	0.02	-	(0.01)	(0.02)	-	(0.02)

- (1) From time to time, the Company will hold significant quantities of crude inventory at quarter ends, which are sold in the subsequent period and recognized as revenue at that time.
- (2) Funds from operations, funds from operations per share and field operating netback are non-GAAP measures that represent cash generated from operating activities and continuing operating activities as defined in Sections 2.1 and 2.3 respectively.

Revenues decreased throughout Q1 2010 as a result of decreased gas sales at Chouech Essaida and several workover operations that disrupted production in the Chouech Essaida and Ech Chouech concessions.

5. Business environment analysis

5.1 Risk factors

Winstar is exposed to certain risks and uncertainties inherent in exploring for, developing and producing crude oil and natural gas, which include, but are not limited to the following:

Commodity prices

Winstar produces 41° API, Zarzaitine grade crude from its Chouech Essaida, Ech Chouech, Sanrhar and Sabria concessions. Zarzaitine crude is generally sold at a US \$0.50 - \$1.50 premium to Brent 38.5° API oil. The price paid for oil in Tunisia is based on the average price for Brent oil sold in the Mediterranean, plus the premium, during the three days after loading onto tankers. The Company is required to sell 20% of its annual oil production from Sabria into the local market, which is sold at an approximate 10% discount to Zarzaitine crude oil. Realized gas prices in Tunisia are tied to the nine month trailing average of low sulphur heating oil as quoted in Italy. Benchmark oil prices are determined by international supply and demand as well as other factors that are out of the Company's control. Gas prices in Hungary are based on government contractual rates. The national government determines the price of gas in Hungary, which is set at a discount to the price paid for imported gas. Hungarian gas prices are based on European supply and demand.

While hedging activities may have opportunity costs when hedged pricing exceeds otherwise realized pricing, such transactions are not meant to be speculative and are considered within the broader framework of financial stability and flexibility. Management continuously reviews the need to utilize such financing techniques; however there is currently no such activity. Winstar continuously monitors its exposure to commodity prices and is conservative in its outlook for capital budgeting purposes to ensure the sustainability of exploration and development projects.

Exploration and development activities

Oil and gas exploration and development involves a high degree of risk and there is no assurance that expenditures made on future exploration and development activities by the Company will result in new discoveries of oil or gas that are commercially viable. The completion projects depend upon numerous external factors, including the availability of processing capacity, availability of drilling and other equipment, government approvals and permits and other regulatory matters. Winstar mitigates the effect of project delays and unfeasible projects to the entity through its conservative capital structure and by financing exploration and development primarily through internally generated cash flows, available line of credit, and equity offerings.

Production

The production of oil and gas involves risks such as environmental and physical disruptions that may temporarily or permanently impede reservoir deliverability. The majority of the Company's crude oil is marketed directly to third parties, and is subject to market demand and storage and transportation capacity. Winstar seeks to address this risk through the diversification capital development throughout various concessions and geological formations within Tunisia.

Environment and safety

Environmental regulations impose, among other things, restrictions, liabilities and obligations in connection with hazardous substances and waste, as well as requirements regarding the operations, maintenance, abandonment and restoration of pipelines, wells, facilities and other properties associated with Winstar's operations. Winstar expects to incur site restoration costs over a prolonged period as fields are depleted and provides for asset retirement obligations in its interim Consolidated Financial Statements in accordance with Canadian GAAP. Management conducts ongoing environmental assessments and reviews applicable changes in governing legislation.

Reserve replacement

Winstar's operations are dependent on the availability of existing and incremental oil and gas reserves. Hydrocarbons are a limited resource and successful acquisition requires an assessment of recoverable reserves, exploration potential, future oil and gas prices and associated costs among other factors. The Company, along with the exploration and development of its existing opportunities, continues to cultivate its inventory of future opportunities through industry relationships and a focus on areas that are complementary to its existing technical expertise.

As a result of its international operations, Winstar is exposed to various risks and uncertainties which include, but are not limited to the following:

Foreign currency

Winstar's reporting currency is Canadian dollars; however transactions are conducted also in US dollars, Tunisian Dinar, Hungarian Forint, Swiss Franc, Euro and Romanian New Leu. Results from operations are affected primarily by the exchange rates between US and Canadian dollars, since the majority of its oil is sold pursuant to marketing agreements that are denominated in US dollars. Fluctuations in US/Canadian dollar exchange rates could result in unanticipated and material fluctuations in the reported financial results of the Company. Capital projects tend to be sourced in US dollars, which partially offsets the Company's foreign currency risk.

Political risk

Winstar operations may be adversely affected by political and economic developments or social instability. Winstar's internal security and safety programs assist in mitigating security risks and aid in the recruitment and retention of qualified personnel. For all the countries in which Winstar operates, the social, political and civil environments are continuously monitored to ensure that any changes can be appropriately addressed. The Company is committed to operating as a good corporate citizen in a responsible manner.

Winstar is exposed to various risks and uncertainties related to its financing and capital structure which include, but are not limited to the following:

Credit risk

The Company is and may in the future be exposed to third-party credit risk through its contractual arrangements with its current and future joint venture partners, marketers of its production and other parties. While the Company has no reason to believe that it will be unable to collect on all its accounts receivable, there can be no assurance that this will occur. The majority of oil sales are marketed through large single party tanker sales, for which the Company considers the counterparty credit risk and will request letters of credit where it is deemed necessary.

The Company attempts to mitigate its business and operational risk exposures by: maintaining comprehensive insurance coverage on its assets and operations; employing or contracting competent technicians and professionals; instituting and maintaining operational health, safety and environmental standards and procedures; and maintaining a prudent approach to exploration and development activities. The Company also addresses and regularly reports to its shareholders on the impact of risks, writing down the carrying values of assets that may not be recoverable, all or in part.

5.2 Sensitivities

Winstar's financial performance is affected by factors such as changes in commodity prices and exchange rates. The estimated impact of these factors on the Company's financial performance for the three months ended March 31, 2010, is summarized in the following table, based on an approximate WTI oil price of Cdn \$84.04.

(\$ thousands, except per unit amounts)	Three months ended March 31, 2010	
	Net Income	Funds From Operations
Price changes		
Oil increased \$1.00/bbl	102	102
Exchange rate changes		
US \$/Cdn \$ decreased by \$ US \$0.01	57	109

5.3 Liquidity and capital resources

Although the Company presently has sufficient financial resources and has been historically successful in obtaining equity financing to undertake exploration and development projects, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions, as well as the business performance of the Company.

As at March 31, 2010, the Company had \$5.9 million of working capital and no debt. The Company's working capital includes \$9.5 million of cash and cash equivalents, \$1.4 million of which is restricted to secure the outstanding letter of credit relating to Sturgeon Lake obligations in Alberta. The Company's \$10 million undrawn line of credit, which was executed with HSBC and EDC in Q4 2009, secured by the Company's assets, is available to meet potential short term financing requirements.

Winstar has a bias toward conservatively financing operations under normal industry conditions, by utilizing equity financing and internally generated cash flow to offset the inherent risks of domestic and international oil and gas activities. From time to time, the Company may access the capital markets for new equity to supplement internally generated cash flow to finance its growth plans. Periodically, these markets may not be receptive to offerings of new equity from treasury, whether by way of private placement or public offerings. This may be further complicated by the limited market liquidity for shares of smaller companies, restricting access to some institutional investors.

Winstar has assessed its current accounts receivable balance with its counter parties. As at May 11, 2010, approximately 75% of the \$4.7 million reported March 31, 2010, balance has been subsequently received. The remaining receivables are expected to be received within the pre-existing terms and are primarily related to various entities of the Tunisian state; being the Tunisian state oil company, ETAP; the Tunisian national utility company, STEG; and the Tunisian taxation authorities.

6. Conversion to International Financial Reporting Standards

The Company's IFRS conversion project began in 2009. A formal project plan and a project team were established. The project philosophy is to align with current accounting practices and policies, where possible, to minimize the impact of any changes to the business. Regular reporting updates are provided to senior management and the Audit Committee of the Board of Directors. There are no material changes to the status of the Company's conversion program during Q1 2010, and it is on target to reach the key milestones as outlined in the 2009 annual report.

Based on its analysis, the Company has identified the depreciation of property, plant and equipment and the accounting treatment for foreign currency translation as the most significant areas of change resulting from the conversion to IFRS. The overall assessment, however, indicated that the effect on Winstar's financial reporting is expected to be minimal due to the convergence between IFRS requirements and Winstar's current accounting policies, specifically as they relate to the successful efforts method of accounting for oil and gas assets.

7. Forward-looking statements

Statements throughout this report that are not historical facts may be considered "forward-looking statements". These forward-looking statements may include words to the effect that management believes or expects a stated condition or result. Since forward-looking statements address future events and conditions, by their nature, they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to any number of factors, including such variables as new information regarding recoverable reserves, changes in demand for, and commodity prices of crude oil, condensate and natural gas, legislative, environmental and other regulatory or political changes, competition in areas where the Company operates, and other factors discussed in this interim report. Forward-looking statements are based on the estimates and opinions of the Company's management at the time the statements are made. The Company assumes no obligation beyond that which is required by law, to update the forward-looking statements should circumstances, management's estimate, or opinions change.

Statements and information related to "reserves" or "resources" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions regarding future condition, that the reserves or resources described can be profitably produced in the future.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Consolidated Balance Sheets (unaudited)

(CDN \$ thousands)	March 31,	December 31,
As at	2010	2009
ASSETS		
Current		
Cash and cash equivalents	8,099	8,753
Restricted cash (note 5)	1,411	1,383
Accounts receivable	4,727	5,509
Prepays	418	719
Inventory	1,225	1,284
Current portion of future income tax asset	72	121
Discontinued operations (note 4)	253	208
	16,205	17,977
Property and equipment (note 6)	80,132	77,789
Other assets	2,058	1,875
	98,395	97,641
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	9,528	8,917
Discontinued operations (note 4)	737	925
	10,265	9,842
Future income tax liability	9,168	7,511
Asset retirement obligation and other provisions (note 7)	6,217	6,300
Discontinued operations (note 4)	280	280
Total Liabilities	25,930	23,933
Shareholders' equity		
Share capital (note 8)	108,940	108,490
Contributed surplus (note 8)	3,702	3,740
Accumulated other comprehensive loss	(16,397)	(14,199)
Deficit	(23,780)	(24,323)
	72,465	73,708
	98,395	97,641

Consolidated Statements of Operations and Deficit (unaudited)

(CDN \$ thousands)		
Three months ended March 31,	2010	2009
REVENUE		
Petroleum and natural gas sales	10,529	6,688
International royalty income	338	242
Royalties	(1,380)	(891)
	9,487	6,039
EXPENSES		
Operating	2,170	2,211
General and administration	1,418	1,368
Exploration expense	301	347
Depletion, depreciation and accretion	3,052	3,679
Interest expense	13	23
Foreign exchange loss	147	22
Other income	(6)	(7)
	7,095	7,643
Earnings/(loss) before tax	2,392	(1,604)
Current income tax expense	-	212
Future income tax expense/(recovery)	1,973	(1,026)
	1,973	(814)
Net earnings/(loss) from continuing operations	419	(790)
Net earnings/(loss) from discontinued operations (note 4)	124	(243)
Net earnings/(loss) for the period	543	(1,033)
Deficit, beginning of period	(24,323)	(17,727)
Deficit, end of period	(23,780)	(18,760)
Net earnings/(loss) per share (note 8)		
Basic and diluted from continuing operations	0.01	(0.02)
Basic and diluted from discontinued operations	-	(0.01)
Basic and diluted	0.02	(0.03)

See accompanying notes

Consolidated Statement of Comprehensive (Loss)/Income and Accumulated Other Comprehensive (Loss)/Income (unaudited)

(CDN \$ thousands)		
Three months ended March 31,	2010	2009
Net income/(loss) for the period	543	(1,033)
Other comprehensive (loss)/income		
Unrealized exchange (loss)/gain on translation of self-sustaining foreign operations	(2,198)	1,951
Other comprehensive (loss)/income	(2,198)	1,951
Comprehensive loss	(1,655)	918
Accumulated other comprehensive loss, beginning of period	(14,199)	(1,818)
Other comprehensive (loss)/income	(2,198)	1,951
Accumulated other comprehensive loss, end of period	(16,397)	133

See accompanying notes

Consolidated Statements of Cash Flow (unaudited)

(CDN \$ thousands)		
Three months ended March 31,	2010	2009
OPERATING ACTIVITIES		
Net earnings/(loss) from continuing operations	419	(790)
Add (deduct) non-cash items:		
Stock-based compensation	70	134
Depletion, depreciation and accretion	3,052	3,679
Future income tax expense/(recovery)	1,973	(1,026)
	5,514	1,997
Change in non-cash working capital	(50)	3,664
Cash flow from continuing operating activities	5,464	5,661
Cash flow from discontinued operations before change in non-cash working capital	129	215
Change in non-cash working capital from discontinued operations	(232)	(53)
Cash flow from discontinued operations	(103)	162
Cash flow from operating activities	5,361	5,823
FINANCING ACTIVITIES		
Issuance of shares	325	-
Increase in operating loan	-	5,343
Cash flow from financing activities	325	5,343
INVESTING ACTIVITIES		
Additions to property and equipment	(7,682)	(10,385)
Change in non-cash working capital	1,616	(9,736)
Investing activities from continuing operations	(6,066)	(20,121)
Additions of property and equipment from discontinued operations	-	(27)
Change in non-cash working capital from discontinued operations	-	(20)
Investing activities from discontinued operations	-	(47)
Cash used in investing activities	(6,066)	(20,168)
Effect of translation on foreign currency cash	(246)	16
Decrease in cash and cash equivalents	(626)	(8,986)
Cash and cash equivalents, beginning of period	10,136	11,275
Cash and cash equivalents, end of period	9,510	2,289
<i>See accompanying notes</i>		
Supplementary cash flow information:		
Cash interest paid	17	19
Cash taxes paid	-	-

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three month periods ended March 31, 2010 and 2009 (unaudited)

1. Summary of significant accounting policies

Basis of presentation

The interim consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in Canada (GAAP), follow the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2009. Certain information and disclosures normally required to be included in the notes to annual consolidated financial statements have been condensed or omitted. These unaudited interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and the notes thereto contained in the Company's annual report for the year ended December 31, 2009.

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results may differ from these estimates.

Reclassification

Certain information provided for the prior period has been reclassified to conform to the presentation adopted in the current period.

2. Financial instruments and financial risk factors

Financial instruments

The Company's financial instruments include cash and cash equivalents, restricted cash, bank debt, accounts receivable and payable, for which the amounts recorded on the balance sheet are reasonable estimates of their fair values due to the relatively short periods to maturity and the commercial terms of these instruments.

Financial risk factors

The Company is exposed to a number of different financial risks arising from normal course business exposures, as well as the Company's use of financial instruments. These risk factors include market risk relating to commodity prices, foreign currency risk and interest rate risk, as well as liquidity risk and credit risk.

(a) Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The market price movements that could adversely affect the value of the Company's financial assets, liabilities and expected future cash flows include commodity price risk (crude oil and natural gas), foreign currency exchange risk and interest rate risk. Refer to Section 5.2 of Management's Discussion and Analysis for a sensitivity analysis relating to commodity price and foreign exchange fluctuations.

(i) Commodity price risk

The Company's financial performance is closely linked to crude oil prices. The Company may use derivative instruments from time to time to hedge its exposure to commodity prices. As at March 31, 2010, Winstar has no such derivative instruments in effect.

(ii) Foreign currency exchange risk

The Company is exposed to fluctuations of foreign exchange rates in its international subsidiaries as revenues, expenses, capital expenditures, or financial instruments may fluctuate due to changes in rates. As crude oil, the Company's primary product, is priced in US dollars, fluctuations in US \$/Cdn \$ exchange rates may impact revenues. The Company's exposure is partially offset by sourcing capital projects in US dollars.

(iii) Interest rate risk

The Company is exposed to interest rate risk as changes in interest rates may affect future cash flows and the fair values of its financial instruments. The primary exposure is related to short term Bankers' Acceptance notes and interest on its short term credit facility.

(b) Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulties in meeting obligations associated with financial liabilities. The Company believes that it has access to sufficient capital through internally generated cashflows, external sources and committed borrowing facilities to meet current spending forecasts.

Surplus cash is primarily held in the Company's Tunisian bank accounts and restricted cash is invested into a range of short-term Bankers' Acceptance notes. The Company seeks to ensure security and liquidity of those investments.

The Company has no long term debt instruments; therefore financial liabilities consist of trade and other payables, all of which are classified as current. The Company has an available line of credit up to \$10 million, which is undrawn as of March 31, 2010.

(c) Credit risk

Credit risk is the risk that a customer or counter party will fail to perform an obligation or fail to pay amounts due causing a financial loss. The Company constantly monitors the exposure to any single customer or counterparties along with the financial position of the customer or counter party. Approximately 75% of the \$4.7 million reported March 31, 2010, balance has been subsequently received. The remaining receivables are expected to be received within the pre-existing terms and are primarily related to various entities of the Tunisian state; being the Tunisian state oil company, ETAP; the Tunisian national utility company, STEG; and the Tunisian taxation authorities.

3. Capital disclosures

The Company's capital structure consists of shareholders' equity excluding accumulated other comprehensive loss and cash and cash equivalents. The Company's primary capital management objectives are: to maintain a flexible capital structure which optimizes the costs of capital at acceptable risk while providing an appropriate return to its shareholders; and to maintain a strong capital base so as to maintain investor confidence and sustain ongoing development. The Company has the ability to adjust its capital structure by issuing new equity, modifying its capital expenditures program to the extent the capital expenditures are not committed, and conducting capital projects through joint ventures.

At March 31, 2010 the Company had \$5.9 million of working capital, no long term debt and a \$10 million available line of credit. The working capital surplus is anticipated to be invested primarily into Winstar's Tunisian operations together with Satu Mare at year end.

4. Discontinued operations

Discontinued Operations

(CDN \$ thousands) As at	March 31, 2010	December 31, 2009
ASSETS - DISCONTINUED OPERATIONS		
Current		
Accounts receivable	123	76
Prepays	130	132
	253	208
Current		
Accounts payable and accrued liabilities	488	676
Asset retirement obligations and other provisions	249	249
	737	925
Non-current		
Asset retirement obligations and other provisions	280	280
	1,017	1,205

(CDN \$ thousands) Three months ended March 31,	2010	2009
REVENUE		
Petroleum and natural gas sales	-	973
Royalties	-	(123)
	-	850
EXPENSES		
Operating	-	517
General and administration	-	115
Exploration expense	26	19
Depletion, depreciation and accretion	-	573
Expiry of undeveloped land	-	31
Other (income)	(150)	(9)
	(124)	1,246
Income/(loss) before tax	124	(396)
Future income tax expense	-	(153)
Net income/(loss) from discontinued operations	124	(243)

On August 11, 2009, the Company entered into an agreement with a third party for the sale of its Canadian oil and natural gas interests for a purchase price of \$9.5 million less sales costs of approximately \$300,000. The sale was effective September 1, 2009, so that the Company's only remaining Canadian oil and gas interest relates to its Sturgeon Lake assets. These assets continue to be classified as held for sale. The assets and liabilities of the Canadian operations have been reclassified as discontinued operations or liabilities of discontinued operations on the Consolidated Balance Sheets. Operating results related to these assets have been included in net income from discontinued operations of the Consolidated Statements of Operations and Deficit.

5. Restricted cash

As at March 31, 2010, the Company had a \$1.4 million irrevocable standby letter of credit issued by a Canadian chartered bank as required to meet future abandonment obligations existing on certain oil and gas properties. The Company has pledged \$1.4 million of short term investments as security, which are recorded as restricted cash.

6. Property and equipment

March 31, 2010 (\$ thousands)	Cost	Accumulated Depletion and Depreciation	Net Book Value
Petroleum and natural gas properties			
Tunisia	113,439	48,234	65,205
Hungary	7,641	6,694	947
	121,080	54,928	66,152
Work in progress			
Tunisia	13,267	-	13,267
Other property and equipment	1,771	1,058	713
	136,118	55,986	80,132
December 31, 2009			
(\$ thousands)			
Petroleum and natural gas properties			
Tunisia	114,897	46,855	68,042
Hungary	8,215	7,190	1,025
	123,112	54,045	69,067
Work in progress			
Tunisia	7,998	-	7,998
Other property and equipment	1,737	1,013	724
	132,847	55,058	77,789

During the three months ended March 31, 2010, \$8,000 of engineering salaries (2009 - \$49,000) and \$14,000 of stock-based compensation expense (2009 - \$7,000) relating to those employees were capitalized.

7. Asset retirement obligation and other provisions

(CDN \$ thousands) As at	March 31, 2010	December 31, 2009
Balance, beginning of period	5,889	5,829
Change in estimate	-	412
Translation adjustment	(213)	(851)
Settlement of obligations during the period	-	(3)
Accretion expense	142	502
Balance, end of period	5,818	5,889
Other provisions	399	411
Asset retirement obligations and other provisions	6,217	6,300

The future asset retirement obligation relates to the Company's wells and facilities and was calculated by management using estimated costs to abandon and reclaim the properties and the estimated timing of the costs to be incurred in future periods. At March 31, 2010, the estimated total undiscounted asset retirement obligation from continuing operations was \$15.6 million (2009 - \$16.4 million). These obligations will be settled based on the useful lives of the underlying assets, the majority of which are expected to be settled within the next 20 years, primarily between 2022 and 2030. The discounted future asset retirement obligation was calculated using a weighted average discount rate of 10% and an expected inflation rate of 2%.

8. Share capital

(a) Authorized

Unlimited number of voting common shares with no par value

Unlimited number of first preferred shares

Unlimited number of second preferred shares

The first and second preferred shares may be issued in one or more series. The directors of the Company are authorized to fix the number of preferred shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the preferred shares.

	Number of shares (thousands)	Amount \$ thousands
Balance, December 31, 2008 and December 31, 2009	34,223	108,490
Issued on exercise of stock options	100	325
Re-classification of contributed surplus on exercise of options	-	125
Balance, March 31, 2010	34,323	108,940

(b) Stock-based compensation

The Company has established a stock option plan whereby options may be granted to the Company's directors, officers, employees and consultants for up to 10% of the outstanding common shares. As at March 31, 2010, the maximum number of remaining grantable options was 834,000 (2009 – 945,000). The exercise price of each option shall not be less than the weighted average trading price of the common shares on the TSX for the five trading days immediately prior to the grant date. Existing options have a maximum term of five years and option vesting is determined by the Board of Directors.

The following is a continuity of stock options outstanding for which shares have been reserved:

	Three months ended March 31, 2010		Year ended December 31, 2010	
	Options (thousands)	Weighted Average Exercise Price (\$ per share)	Options (thousands)	Weighted Average Exercise Price (\$ per share)
Opening balance	2,698	3.69	2,509	3.75
Granted	-	-	355	2.02
Exercised	(100)	3.25	-	-
Forfeited	-	-	(166)	4.96
Closing balance	2,598	3.42	2,698	3.69

The fair market value of options was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions:

Three months ended March 31,	2010	2009
Risk free interest rate (%)	N/A	3
Expected life (years)	N/A	4
Expected volatility (%)	N/A	49

Based on fair market values, compensation expense for the three months ended March 31 2010, was \$87,000 (2009 - \$149,000) of which \$70,000 (2009 - \$134,000) has been recorded as non-cash stock-based compensation expense classified as general and administrative expense. No stock options were granted during the first quarter of 2010.

The following summarizes information about stock options outstanding at March 31, 2010:

Range of exercise prices (\$ per share)	Weighted average exercise price (\$ per share)	Options Outstanding		Options Exercisable	
		Number outstanding at March 31, 2010 (thousands)	Weighted average remaining contractual life (years)	Weighted average exercise price (\$ per share)	Number outstanding at March 31, 2010 (thousands)
2.02 – 2.70	2.32	655	2.82	2.48	438
2.90 – 4.36	3.34	1,441	1.00	3.34	1,441
4.90 – 5.65	5.13	502	2.98	5.14	368
	3.42	2,598	1.61	3.47	2,247

(c) Contributed surplus

The following table outlines the changes in the contributed surplus balance:

(\$ thousand)	March 31, 2010	December 31, 2009
Balance, opening	3,740	3,242
Stock-based compensation costs	87	498
Re-classification to common shares on exercise of stock options	(125)	-
Balance, closing	3,702	3,740

(d) Earnings per share

The following is a reconciliation of basic and diluted net (loss)/earnings per common share:

(CDN \$ thousands)	2010	2009
Three months ended March 31,		
Net income/(loss) from continuing operations	419	(790)
Net income/(loss) from discontinued operations	124	(243)
Net income/(loss) for the period	543	(1,033)
<i>(thousands of common shares)</i>		
Weighted average number of common shares	34,237	34,233
Dilutive securities issued under stock compensation plan	301	-
Weighted average number of diluted common shares	34,538	34,233
<i>(dollars per common share)</i>		
Basic and diluted from continuing operations	0.01	(0.02)
Basic and diluted from discontinued operations	-	(0.01)
Basic and diluted	0.02	(0.03)

Options have a dilutive effect under the treasury stock method only when the average market price of the common stock during the year exceeds the exercise price of the option.

9. Segmented disclosure

(CDN \$ Thousands)

Three month period ended March 31,	Tunisian Operations		European Operations (2)		Corporate (1)		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenues								
Oil and liquids	9,485	5,694	-	-	-	-	9,485	5,694
Natural gas	904	555	140	439	-	-	1,044	994
Petroleum and natural gas sales	10,389	6,249	140	439	-	-	10,529	6,688
International royalty income	338	242	-	-	-	-	338	242
Royalties	(1,370)	(842)	(10)	(49)	-	-	(1,380)	(891)
	9,357	5,649	130	390	-	-	9,487	6,039
Segmented expenses								
Operating	1,972	1,852	198	359	-	-	2,170	2,211
Exploration expense	139	301	162	46	-	-	301	347
DD&A	3,013	3,630	21	14	18	35	3,052	3,679
General and administrative	609	435	177	197	632	736	1,418	1,368
Interest expense	13	22	-	-	-	1	13	23
Foreign exchange loss/(gain)	130	1	-	-	17	21	147	22
Other (income)	(5)	(2)	-	(7)	-	2	(6)	(7)
	5,871	6,239	558	609	667	795	7,095	7,643
Earnings before tax	3,486	(590)	(428)	(219)	(667)	(795)	2,392	(1,604)
Current tax provision	-	212	-	-	-	-	-	212
Future income tax (recovery)/expense	1,973	(1,026)	-	-	-	-	1,973	(1,026)
Net earnings/(loss) from continuing operations	1,513	224	(428)	(219)	(667)	(795)	419	(790)
Net earnings/(loss) from discontinued operations	-	-	-	-	125	(243)	124	(243)
Net earnings/(loss)	1,513	224	(428)	(219)	(542)	(1,038)	543	(1,033)
Capital expenditures								
Development	7,615	10,343	-	-	-	-	7,615	10,343
Other	10	30	-	-	57	12	67	42
Discontinued operations	-	-	-	-	-	27	-	27
Total capital expenditure	7,625	10,373	-	-	57	39	7,682	10,412
Total assets	64,889	82,749	1,366	1,828	32,140	48,409	98,395	132,986

(1) As at March 31, 2010, Canadian operations were reclassified as discontinued operations in the corporate segment.

(2) European operations consist of two wholly owned subsidiary companies: Winstar Hungary Ltd. and Winstar Satu Mare SRL operating in Hungary and Romania respectively.

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ABBREVIATIONS

bbl	barrel
boe	barrel of oil equivalent. A BOE is converted on the basis of one barrel of crude oil for 6,000 cubic feet of natural gas (6 Mcf = 1 bbl). This conversion factor is not based on either energy or current prices.
boepd	barrels of oil equivalent per day
bopd	barrels of oil per day

mdbl	thousand barrels
mboe	thousands of barrels of oil equivalent
mcf	thousand cubic feet
mcfcd	thousand cubic feet per day
mmbbl	millions of barrels
mmscf	millions of standard cubic feet
NGL	natural gas liquids