COBRA VENTURE CORPORATION

INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)

SIX MONTH PERIOD ENDED MAY 31, 2008

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the six month period ended May 31, 2008.

COBRA VENTURE CORPORATION
BALANCE SHEETS
(Unaudited – Prepared by Management)

	May 31, 2008	November 30, 2007
ASSETS		
Current		
Cash	$ 2,271,520	$ 878,075
Receivables	109,426	112,800
Prepaid expenses	25,200	24,872
Income taxes receivable	31,467	-
	2,437,613	1,015,747
Equipment (Note 4)	5,331	6,489
Petroleum and natural gas interests (Note 5)	-	521,992
	$ 2,442,944	$ 1,544,228
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 52,483	$ 67,740
Income taxes payable	338,000	63,192
	390,483	130,932
Future income taxes	23,000	80,000
	413,483	210,932
Shareholders' equity		
Capital stock (Note 6)	3,608,027	3,240,052
Subscription received in advance (Note 6)	-	25,000
Contributed surplus (Note 6)	153,987	112,076
Deficit	(1,732,553)	(2,043,832)
	2,029,461	1,333,296
	$ 2,442,944	$ 1,544,228

Basis of presentation (Note 1)
Nature and continuance of operations (Note 2)

On behalf of the Board:

"Dan Evans" Director *"Cyrus Driver"* Director

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

COBRA VENTURE CORPORATION
STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited – Prepared by Management)

	Three Month Period Ended May 31, 2008	Three Month Period Ended May 31, 2007	Six Month Period Ended May 31, 2008	Six Month Period Ended May 31, 2007
OIL AND GAS REVENUE	$ 54,348	$ -	$ 54,348	$ -
DIRECT COSTS				
Depletion	59,521	-	59,521	-
	(5,173)	-	(5,173)	-
ADMINISTRATIVE EXPENSES				
Amortization	579	357	1,158	636
Consulting fees	16,480	9,823	34,958	14,823
Corporate services	11,280	7,500	21,780	15,000
Management fees	36,000	25,500	72,000	51,000
Media and website	8,249	8,800	20,802	12,772
Mineral rights tax	(184)	1,404	966	2,554
Office and miscellaneous	3,751	3,642	15,637	6,790
Professional fees	55,296	45,778	79,901	51,394
Rent	300	300	600	600
Stock-based compensation (Note 7)	5,552	-	41,911	7,866
Transfer agent and regulatory fees	8,974	8,253	14,709	10,713
Travel and promotion	8,778	4,999	12,864	13,429
	(155,055)	(116,356)	(317,286)	(187,577)
Loss before other items	(160,228)	(116,356)	(322,459)	(187,577)
OTHER ITEMS				
Gain on sale of leased land (Note 5)	(68,944)	-	702,056	-
Lease income	-	-	50,680	7,596
Interest income	(2,139)	926	11,748	3,073
	(71,083)	926	764,484	10,669
Income (loss) before income taxes	(231,311)	(115,430)	442,025	(176,908)
(Provision for) recovery of income tax	(30,746)	63,400	(130,746)	63,400
Income (loss) and comprehensive loss for the period	(262,057)	(52,030)	311,279	(113,508)
Deficit, beginning of period	(1,470,496)	(1,849,842)	(2,043,832)	(1,788,364)
Deficit, end of period	$ (1,732,553)	$ (1,901,872)	$ (1,732,553)	$ (1,901,872)

- Continued -

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

COBRA VENTURE CORPORATION
STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited – Prepared by Management)

	Three Month Period Ended May 31, 2008	Three Month Period Ended May 31, 2007	Six Month Period Ended May 31, 2008	Six Month Period Ended May 31, 2007
Continued…				
Basic income (loss) per share	$ (0.02)	$ (0.01)	$ 0.02	$ (0.01)
Diluted income (loss) per share	(0.02)	(0.01)	0.02	(0.01)
Weighted average common shares outstanding basic earning (loss) per share	14,940,750	12,796,003	14,675,332	12,796,003
Plus incremental shares from assumed conversions:				
Stock options	-	-	641,546	-
Warrants	-	-	188,678	-
Dilutive potential common shares	-	-	830,224	-
Adjusted weighted average shares	14,940,750	12,796,003	15,505,556	12,796,003

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

COBRA VENTURE CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

	Three Month Period Ended May 31, 2008	Three Month Period Ended May 31, 2007	Six Month Period Ended May 31, 2008	Six Month Period Ended May 31, 2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) for the period	$ (262,057)	$ (52,030)	$ 311,279	$ (113,508)
Items not involving cash:				
Amortization	579	357	1,158	636
Depletion	59,521	-	59,521	-
Stock-based compensation	5,552	-	41,911	7,866
Gain from sale of leased land	68,944	-	(702,056)	-
Future income tax recovery	(137,000)	-	(207,000)	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	65,558	38,135	3,374	(22,046)
(Increase) decrease in prepaid expenses	860	8,788	(328)	5,934
Increase (decrease) in accounts payable and accrued liabilities	(53,666)	821	(38,303)	(208,419)
Increase (decrease) in income tax payable	168,000	(63,400)	274,808	(63,400)
Increase in income tax receivable	(15,939)	-	(31,467)	-
Cash used in operating activities	(99,648)	(67,329)	(287,103)	(392,937)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of capital assets	-	(2,646)	-	(2,646)
Petroleum and natural gas expenditures	(92,887)	-	(34,512)	(1,500)
Royalties received from oil and natural gas interests	250,913	-	432,085	-
Proceeds from sale of leased land	-	-	790,000	-
Cash recoveries of petroleum and natural gas interests	-	165,075	-	347,275
Cash provided by investing activities	158,026	162,429	1,187,573	343,129
CASH FLOWS FROM FINANCING ACTIVITY				
Common shares issued for cash	-	53,925	492,975	59,925
Cash provided by financing activities	-	53,925	492,975	59,925
Change in cash	58,378	149,025	1,393,445	10,117
Cash, beginning of period	2,213,142	471,266	878,075	610,174
Cash, end of period	$ 2,271,520	$ 620,291	$ 2,271,520	$ 620,291
Cash paid for interest	$ -	$ -	$ -	$ -
Cash paid for income taxes	15,939	-	31,467	-

Supplemental disclosure with respect to cash flows (Note 9)

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

1. BASIS OF PRESENTATION

The interim period financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements except as disclosed in Note 3. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the audited financial statements and the accompanying notes included in the Company's latest annual filing. In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

2. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the Business Corporation Act (Alberta) on August 18, 1998 and its principal business activity is the exploration and development of petroleum and natural gas interests.

The Company has yet to earn significant revenues and is considered to be in the development stage.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future. These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue business.

	May 31, 2008	November 30, 2007
Working capital	$ 2,047,130	$ 884,815
Deficit	(1,732,553)	(2,043,832)

3. SIGNIFICANT ACCOUNTING POLICIES

Accounting Changes

Effective December 1, 2007, the Company implemented the new CICA Handbook Section 1506 “accounting changes”. Under these new recommendations, voluntary changes in accounting policy are permitted only when they result in the financial statements providing reliable and more relevant information. This section requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and requires enhanced disclosures about the effects of change in accounting policies, estimates and error on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Accounting changes (cont'd...)

These recommendations also require the disclosure of new primary sources of generally accepted accounting principles that have been issued that the company has not adopted because there are not yet in effect.

The adoption of this new section is not expected to have an impact on the Company’s financial statements.

Capital disclosures

Effective December 1, 2007, the Company implemented the new CICA Handbook Section 1535 “Capital disclosures” The section specifies the disclosure of (i) an entity’s objectives, policies, and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with an capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. This new Section relates to disclosures and did not have an impact on the Company’s financial results.

Financial instruments

Effective December 1, 2007, the Company implemented the new CICA Handbook Section 3862, *Financial Instruments – Disclosures*, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments – Recognition and Measurement,* Section 3863, *Financial Instruments – Presentation,* and Section 3865, *Hedges.* This new Section relates to disclosures and did not have an impact on the Company’s financial results.

Effective December 1, 2007, the Company implemented the new CICA Handbook Section 3863, *Financial Instruments – Presentation*, which is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This new Section relates to disclosures and did not have an impact on the Company’s financial results.

Recent accounting pronouncements

Assessing going concern

The AcSB amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity’s ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. This new Section relates to disclosures and will not have an impact on the Company’s financial results.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Recent accounting pronouncements (cont'd...)

Goodwill and intangible assets

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Adoption of Section 3064 is not expected to have a significant impact on the Company's financial results.

International financial reporting standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4. EQUIPMENT

	May 31, 2008			November 30, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer hardware	$ 13,636	$ 8,568	$ 5,068	$ 13,636	$ 7,674	$ 5,962
Computer software	12,860	12,597	263	12,860	12,333	527
Furniture and equipment	684	684	-	684	684	-
	$ 27,180	$ 21,849	$ 5,331	$ 27,180	$ 20,691	$ 6,489

5. PETROLEUM AND NATURAL GAS INTERESTS

		Total
Balance, November 30, 2006		1,068,737
Acquisition costs		111,328
Mineral leases		64
Deferred costs:		
Engineering and consulting		346
Drilling		163,888
Geological fees		8,604
Geochemical services		-
Surface location costs		1,500
Cost recoveries		(17,598)
Royalties received		(814,877)
Balance, November 30, 2007	$	521,992
Acquisition costs		1,404
Sale of leased land		(87,944)
Deferred costs:		
Abandonment costs		9,655
Engineering and consulting		1,385
Drilling		20,558
Geological fees		21,551
Geochemical services		3,005
Surface location costs		-
Depletion		(59,521)
Cost recoveries		-
Royalties received		(432,085)
Balance, May 31, 2008	$	-

Viewfield area, Saskatchewan

On October 10, 2002, the Company completed an agreement for the purchase of petroleum and natural gas assets (“Assets”) from Charter Oil Corporation (“Charter”). The petroleum and natural gas assets consisted of an approximate 90% net working interest in 2,880 freehold acres in the Viewfield region of southeast Saskatchewan. In consideration of the acquisition of the Assets from Charter, the Company paid cash consideration of $150,000, issued 400,000 common shares at an agreed value of $240,000 and issued 830,000 Participating Redeemable Series “A” Preferred Shares at an agreed value of $830,000, for total consideration of $1,220,000.

5. PETROLEUM AND NATURAL GAS INTERESTS (cont'd…)

Viewfield area, Saskatchewan (cont'd…)

The Company entered into several leases on portions of the Company's freehold acreage in the Viewfield area, Saskatchewan totaling approximately 1,440 acres. These leases have terms varying from six months to two years. The Company is currently receiving fee simple royalty and rental revenue from 3 wells drilled in 2004.

On May 27, 2005, the Company entered into a sale agreement, for the sale of a non-producing undivided four-fifths 1,440 gross (1,152 net) acres situated in the Province of Saskatchewan for a total purchase price of $1.45 million. The transaction closed June 6, 2005, and the Company received the funds on July 15, 2005. The sale of the freehold properties represents approximately 39 percent of the Company's non-producing Saskatchewan landholdings.

During the year ended November 30, 2007, the Company entered into a multi-well farmout with a privately owned, Calgary based oil exploration company Acero Energy Inc. ("Acero"). The Company has an average 75% working interest in all of the combined lands in the farmout, and has negotiated a gross overriding royalty of 16% with no deductions on all production achieved on the subject lands.

During the six month period ended May 31, 2008, the Company received $432,085 in royalties from production on Company lands in Southeast Saskatchewan.

During the six month period ended May 31, 2008, the Company sold 480 acres of 640 acres in the Province of Saskatchewan for proceeds of $790,000, resulting in a gain of $702,056.

Pembina area, Alberta

On November 14, 2005, the Company entered into a Participation Agreement with an operating industry partner to participate in the drilling of an initial three (3) exploration wells and earn a working interest in the Pembina area of Alberta. The Company had the right to earn a 27% net working interest by paying 45% of all costs associated with the drilling program to earn a 40% net working interest in the prospect area comprised of seven (7) sections or approximately 4,480 acres.

In the summer of 2006, the Company participated in the drilling of two natural gas wells. These wells encountered multiple natural gas zones, one (1) has subsequently been abandoned in 2007, and one (1) remains standing pending recompletion.

The Company issued 100,000 shares as finder's fee valued at $15,000 during the year ended November 30, 2006.

The Company has earned a 27% working interest in two (2) natural gas wells and is receiving production revenue from one (1) well and one (1) remains standing pending recompletion. The Company subsequently has earned a 40% net working interest in 4,200 acres.

Alderson area, Alberta

During the year ended November 30, 2007, the Company obtained a 50% net working interest in 320 acres of land in Central Alberta for $77,215.

5. PETROLEUM AND NATURAL GAS INTERESTS (cont'd…)

Willesden Green area, Alberta

During the year ended November 30, 2007, the Company obtained a 40% net working interest in 160 acres of land in Central Alberta for $18,570.

Iosegun area, Alberta

During the year ended November 30, 2007, the Company obtained a 20% net working interest in 160 acres of land in Central Alberta for $15,543.

Inga area N.E. British Columbia

During the year ended November 30, 2006, the Company obtained a 5 year crown lease of one section of land in Northeastern British Columbia for annual rental fees. The Company's net working interest is 75%.

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Authorized:

Unlimited number of common voting shares

Unlimited number of preferred shares, issuable in series

Issued:

	May 31, 2008			November 30, 2007		
	Shares	Amounts	Contributed Surplus	Shares	Amounts	Contributed Surplus
Common shares						
Balance, beginning of period	13,135,750	$ 3,240,052	$ 112,076	12,746,250	$3,214,127	$ 80,684
Issued for:						
Private placement	1,000,000	300,000	-	-	-	-
Warrants exercised	386,500	154,600	-	30,000	6,000	-
Stock options exercised	418,500	63,375	-	359,500	53,925	-
Stock-based compensation	-	-	41,911	-	-	31,392
Future income taxes on exploration expenditures renounced	-	(150,000)	-	-	(34,000)	-
Balance, end of period	14,940,750	$ 3,608,027	$ 153,987	13,135,750	$ 3,240,052	$ 112,076

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

During the six month period ended May 31, 2008, the Company:

a) issued 386,500 common shares on exercise of warrants for gross proceeds of $154,600, $25,000 of which was received prior to the six month period ended May 31, 2008;

b) issued 418,500 common shares on exercise of stock options for gross proceeds of $63,375; and

c) issued 1,000,000 flow-through units pursuant to a non-brokered private placement for gross proceeds of $300,000. Each unit consisted of one common share and one common share purchase warrant enabling the holder to purchase an additional common share at $0.35 per share until December 13, 2009.

d) renounced $454,600 of property expenditures to flow-through share subscriptions resulting in a tax liability of $150,000.

During the year ended November 30, 2007, the Company:

a) issued 30,000 common shares on exercise of warrants for gross proceeds of $6,000;

b) received $25,000 in advance for 62,500 warrants exercised subsequent to year end at $0.40;

c) issued 359,500 common shares on exercise of stock options at a price of $0.15 per share for gross proceeds of $53,925; and

d) renounced $100,000 of property expenditures to flow-through share subscriptions resulting in a future tax liability of $34,000.

7. STOCK OPTIONS AND WARRANTS

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. Options vest as determined by the board of directors. The options can be granted for a maximum term of 5 years.

As at May 31, 2008, the following incentive stock options and share purchase warrants are outstanding:

	Number of Shares	Exercise Price	Expiry Date
Options	500,000	0.15	October 25, 2010
	300,000	0.20	December 12, 2010
	100,000	0.23	May 15, 2009
	5,000	0.27	June 19, 2012
	500,000	0.34	December 18, 2012
Warrants	1,000,000	0.35	December 13, 2009

7. STOCK OPTIONS AND WARRANTS (cont'd…)

	Number of Options		Weighted Average Exercise Price
Balance, November 30, 2006	1,583,500		0.16
Options granted	110,000		0.23
Options exercised	(359,500)		0.15
Options expired	(500)		0.15
Balance, November 30, 2007	1,333,500	$	0.17
Options granted	500,000		0.34
Options exercised	(418,500)		0.15
Options expired	(10,000)		0.27
Balance, May 31, 2008	1,405,000	$	0.23
Exercisable	1,025,000	$	0.20

Stock-based compensation

During the six month period ended May 31, 2008, the Company granted 500,000 stock options, which were valued at $131,514 using the Black-Scholes option pricing model. A total amount of $32,879 (2007 - $7,866) was recognized as expense during the six month period ended May 31, 2008.

During the year ended November 30, 2007, the Company granted 110,000 stock options, which were valued at $9,899 using the Black-Scholes option pricing model. A total amount of $9,032 (2007 – $Nil) was recognized as expense during the six month period ended May 31, 2008 for the vested portions of these options.

During the year ended November 30, 2006, the Company granted 300,000 stock options, which were valued at $31,461. The Company also issued Agent's Warrants to acquire 140,000 common shares at a price of $0.20 per share which were valued at $10,184 using the Black-Scholes option pricing model. A total amount of $7,866 was recognized as expense during the six month period ended May 31, 2007 for the vested portions of these options.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted or re-priced during the:

	Six Month Period Ended May 31, 2008	Year Ended November 30, 2007
Risk-free interest rate	3.86%	4.57%
Expected life of options	5 years	2.27 years
Annualized volatility	81.79%	61.09%
Dividend rate	0%	0%

7. STOCK OPTIONS AND WARRANTS (cont'd…)

Warrants

The following is a summary of warrant transactions during the period:

	Number of Shares	Weighted Average Exercise Price
Outstanding at November 30, 2006	1,177,500	$ 0.29
Exercised	(30,000)	0.35
Expired	(110,000)	0.35
Outstanding at November 30, 2007	1,037,500	0.40
Issued	1,000,000	0.35
Exercised	(386,500)	0.40
Expired	(651,000)	0.35
Outstanding at May 31, 2008	1,000,000	$ 0.35

8. RELATED PARTY TRANSACTIONS

During the six month period ended May 31, 2008, the Company paid or accrued $600 (2007 - $600) in rent, $72,000 (2007 - $51,000) in management fees, and $21,000 (2007 - $15,000) in administrative fees to companies with common directors. The Company also paid or accrued $53,526 (2007 - $45,708) in professional fees to partnerships in which a director and an officer are partners.

Included in accounts payable and accrued liabilities at May 31, 2008 is $10,807 (2007 - $11,877) due to companies with common directors.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the six month period ended May 31, 2008, the Company:

a) included in accrued liabilities at May 31, 2008 were $23,046 of oil and natural gas costs.

b) allocated $25,000 subscriptions received in advance to capital stock.

There were no significant non-cash financing or investing transactions during the six month period ended May 31, 2007.

10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at May 31, 2008, the Company had a cash balance of $2,271,520 (November 30, 2007 - $878,075) to settle current liabilities of $487,592 (November 30, 2007 - $63,192). All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company is satisfied with the credit ratings of its banks. As of May 31, 2008, the Company did not hold any investments.

(b) Foreign currency risk

The Company is not exposed to foreign currency risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

11. SEGMENTED INFORMATION

The Company operates in one business segment, being the exploration and development of petroleum and natural gas interests, in Canada.

12. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern.

In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (ie share capital and retained earnings).

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements.