COBRA VENTURE CORPORATION

INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)

NINE MONTH PERIOD ENDED AUGUST 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 nine month period ended August 31, 2008.

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

	August 31, 2008	November 30, 2007
ASSETS		
Current		
Cash	$ 2,038,218	$ 878,075
Receivables	95,241	112,800
Prepaid expenses	26,725	24,872
	2,160,184	1,015,747
Investment (Note 4)	250,000	-
Equipment (Note 5)	4,753	6,489
Petroleum and natural gas interests (Note 6)	-	521,992
	$ 2,414,937	$ 1,544,228
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 96,581	$ 67,740
Income taxes payable	398,000	63,192
	494,581	130,932
Future income taxes	23,000	80,000
	517,581	210,932
Shareholders' equity		
Capital stock (Note 7)	3,608,027	3,240,052
Subscription received in advance (Note 7)	-	25,000
Contributed surplus (Note 7)	179,340	112,076
Deficit	(1,890,011)	(2,043,832)
	1,897,356	1,333,296
	$ 2,414,937	$ 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 August 31, 2008	Three Month Period Ended August 31, 2007	Nine Month Period Ended August 31, 2008	Nine Month Period Ended August 31, 2007
OIL AND GAS REVENUE	$ 41,655	$ -	$ 96,003	$ -
DIRECT COSTS				
Depletion	27,732	-	87,253	-
	13,923	-	8,750	-
ADMINISTRATIVE EXPENSES				
Amortization	578	335	1,736	970
Consulting fees	2,489	8,760	37,447	23,583
Corporate services	7,100	7,500	28,880	22,500
Management fees	42,000	25,500	114,000	76,500
Media and website	8,977	6,975	29,779	19,907
Mineral rights tax	-	-	966	2,554
Non-recoverable property costs	-	895	-	895
Office and miscellaneous	18,791	3,894	34,428	10,683
Professional fees	52,927	12,825	132,828	64,220
Rent	9,191	300	9,791	900
Stock-based compensation	25,353	12,072	67,264	19,938
Transfer agent and regulatory fees	5,376	2,120	20,085	10,833
Travel and promotion	618	2,604	13,482	17,874
	(173,400)	(83,780)	(490,686)	(271,357)
Loss before other items	(159,477)	(83,780)	(481,936)	(271,357)
OTHER ITEMS				
Gain on sale of leased land (Note 6)	87,944	-	790,000	-
Lease income	-	-	50,680	7,596
Interest income	21,262	20,315	33,010	23,388
	109,206	20,315	873,690	30,984
Income (loss) before income taxes	(50,271)	(63,465)	391,754	(240,373)
Provision for income tax	(107,187)	-	(237,933)	-
Income (loss) and comprehensive loss for the period	(157,458)	(63,465)	153,821	(176,973)
Deficit, beginning of period	(1,732,553)	(1,901,872)	(2,043,832)	(1,788,364)
Deficit, end of period	$ (1,890,011)	$ (1,965,337)	$ (1,890,011)	$ (1,965,337)

- 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 August 31, 2008	Three Month Period Ended August 31, 2007	Nine Month Period Ended August 31, 2008	Nine Month Period Ended August 31, 2007
Continued…				
Basic income (loss) per share	$ (0.01)	$ (0.01)	$ 0.01	$ (0.01)
Diluted income (loss) per share	(0.01)	(0.01)	0.01	(0.01)
Weighted average common shares outstanding basic earning (loss) per share	14,940,750	13,135,750	14,775,688	12,907,779
Plus incremental shares from assumed conversions:				
Stock options	-	-	641,252	-
Warrants	-	-	188,366	-
Dilutive potential common shares	-	-	829,618	-
Adjusted weighted average shares	14,940,750	13,135,750	15,605,306	12,907,779

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 August 31, 2008	Three Month Period Ended August 31, 2007	Nine Month Period Ended August 31, 2008	Nine Month Period Ended August 31, 2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) for the period	$ (157,458)	$ (63,465)	$ 153,821	$ (176,973)
Items not involving cash:				
Amortization	578	335	1,736	970
Depletion	59,521	-	87,253	-
Stock-based compensation	25,353	12,072	67,264	19,938
Gain from sale of leased land	(87,944)	-	(790,000)	-
Future income tax recovery	-	-	(207,000)	(63,400)
Changes in non-cash working capital items:				
(Increase) decrease in receivables	97,121	7,169	100,495	(2,208)
(Increase) decrease in prepaid expenses	(1,525)	190	(1,853)	6,124
Increase (decrease) in accounts payable and accrued liabilities	7,199	(56,674)	(8,058)	(265,093)
Increase in income tax payable	107,187	323	381,995	323
(Increase) decrease in income tax receivable	(15,720)	221,460	(47,187)	221,460
Cash used in operating activities	34,312	121,410	(261,534)	(258,859)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of capital assets	-	(107,178)	-	(2,645)
Petroleum and natural gas expenditures	(135,470)	-	(169,982)	(97,797)
Royalties received from oil and natural gas interests	117,856	-	558,684	-
Proceeds from sale of leased land	-	-	790,000	-
Deposit on property	-	(150,001)	-	(150,001)
Investment	(250,000)	-	(250,000)	-
Cost recoveries of Petroleum and natural gas interests	-	200,214	-	523,939
Cash provided by investing activities	(267,614)	(56,965)	928,702	273,496
CASH FLOWS FROM FINANCING ACTIVITY				
Common shares issued for cash	-	-	492,975	59,925
Cash provided by financing activities	-	-	492,975	59,925
Change in cash	(233,302)	64,445	1,160,143	74,562
Cash, beginning of period	2,271,520	620,291	878,075	610,174
Cash, end of period	$ 2,038,218	$ 684,736	$ 2,038,218	$ 684,736
Cash paid for interest	$	$ -	$	$ -
Cash paid for income taxes		-		-

Supplemental disclosure with respect to cash flows (Note 10)

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 2. 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.

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.

	August 31, 2008	November 30, 2007
Working capital	$ 1,665,603	$ 884,815
Deficit	(1,890,011)	(2,043,832)

3. SIGNIFICANT ACCOUNTING POLICIES

New 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 other then the additional disclosures in note 13, the adoption of this new Section did not have an impact on the Company’s financial statements.

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.* Other then the additional disclosures in Note 11, the adoption of this new Section relates to disclosures and did not have an impact on the Company’s financial statements.

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.

Investments

Long-term investments are classified under Section 3855 as held-for-trading and are carried at fair market value. Unrealized gains and losses are included in net income in the period in which they arise.

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

Recent accounting pronouncements (cont'd...)

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.

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 December 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 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. INVESTMENT

	August 31, 2008	November 30, 2007
Shares in a private company, carrying value	$ 250,000	$ -

The Company holds 2,500,000 shares of a private company (November 30, 2007 - NIL) representing a 4.5% (November 30, 2007 - NIL) interest in that company. At August 31, 2008, the fair value of the shares was $250,000.

5. EQUIPMENT

	August 31, 2008			November 30, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer hardware	$ 13,637	$ 9,016	$ 4,621	$ 13,636	$ 7,674	$ 5,962
Computer software	12,860	12,728	132	12,860	12,333	527
Furniture and equipment	684	684	-	684	684	-
	$ 27,181	$ 22,428	$ 4,753	$ 27,180	$ 20,691	$ 6,489

6. PETROLEUM AND NATURAL GAS INTERESTS

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	75,265
Deferred costs:	
Abandonment costs	11,120
Engineering and consulting	4,637
Drilling	52,403
Geological fees	23,551
Geochemical services	3,006
Surface location costs	-
Depletion	(87,253)
Cost recoveries	-
Royalties received	(604,721)
Balance, August 31, 2008	$ -

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

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.

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 nine month period ended August 31, 2008, the Company received $626,137 in royalties from production on Company lands in Southeast Saskatchewan, $21,417 of which was recorded as income.

During the nine month period ended August 31, 2008, the Company sold 480 acres of 640 acres in the Province of Saskatchewan for a total purchase price of $790,000, resulting in a gain of $790,000.

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.

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 where an additional 10-12 drill targets have been identified and are being evaluated for future development.

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

Pembina area, Alberta (cont'd…)

During the nine month period ended August 31, 2008, the Company received $74,586 in production revenue.

Alderson area, Alberta

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

Willesden Green area, Alberta

During the year ended November 30, 2007, the Company acquired 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 acquired 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 acquired 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%.

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Authorized:

Unlimited number of common voting shares

Unlimited number of preferred shares, issuable in series

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

Issued:

	August 31, 2008			November 30, 2007		
	Shares	Amounts	Contributed Surplus	Shares	Amounts	Contributed Surplus
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	-	-	67,264	-	-	31,392
Future income taxes on exploration expenditures renounced	-	(150,000)	-	-	(34,000)	-
Balance, end of period	14,940,750	$ 3,608,027	$ 179,340	13,135,750	$ 3,240,052	$ 112,076

During the nine month period ended August 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 nine month period ended August 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 flow through common share and one non-flow through 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 share issue costs and a future 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

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

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

8. 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 August 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 9, 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

Stock option transations are as follows:

	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, August 31, 2008	1,405,000	$	0.23
Exercisable	1,025,000	$	0.20

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

Stock-based compensation

During the nine month period ended August 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 $67,264 (2007 - $19,938) was recognized as expense during the nine month period ended August 31, 2008 for the vested portion of these options.

During the nine month period ended August 31, 2006, the Company granted 300,000 stock options, which were valued at $31,461. The Company also issued agents warrants to acquire 140,000 common shares at a price of $0.20 per share which were valued at $10,184. A total amount of $19,938 (2006 - $53,776) was recognized as expense during the nine month period ended August 31, 2007 for the vested portion of options.

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

	Nine Month Period Ended August 31, 2008	Nine Month Period Ended August 31, 2007	Nine Month Period Ended August 31, 2006
Risk-free interest rate	3.86%	-	4.66%
Expected life of options	5 years	-	1 – 3 years
Annualized volatility	81.79%	-	104.58%
Dividend rate	0%	-	0%

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 August 31, 2008	1,000,000	$ 0.35

9. RELATED PARTY TRANSACTIONS

The fair value of the amounts due to or from related parties is not determinable as they have no fixed terms of repayment, do not bear interest and are unsecured.

During the nine month period ended August 31, 2008, the Company paid or accrued:

i) $900 (2007 - $900) in rent to a company owned by a director.

ii) $108,000 (2007 - $76,500) in management fees to a company owned by a director and officer of the Company.

iii) $6,000 (2007 - $NIL) in directors fees, recorded as management fees, to directors and officers of the Company.

iv) $28,100 (2007 - $22,500) in administrative fees to a company owned by a director of the Company.

v) $57,700 (2007 - $28,500) in professional fees to a firm in which a director and an officer of the Company is partner.

vi) $28,438 (2007 - $23,720) in professional fees to a firm in which an officer of the Company is a partner.

Included in accounts payable is $13,000 (November 30, 2007 - $NIL) due to a firm in which an officer of the Company is a partner and $4,000 (November 30, 2007 - $Nil) due to directors and officers.

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.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the nine month period ended August 31, 2008, the Company had the following significant non-cash transactions:

a) At August 31, 2008 accounts payable included $36,899 of oil and natural gas costs.

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

c) At August 31, 2008, accounts receivable included $82,936 (2007 - $63,278) of royalty revenue.

11. FINANCIAL INSTRUMENTS AND RISK

The Company's financial instruments consist of cash, receivables, investments, accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

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

11. FINANCIAL INSTRUMENTS AND RISK (cont'd…)

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 August 31, 2008, the Company had a cash balance of $2,038,218 (November 30, 2007 - $878,075) to settle current liabilities of $434,581 (November 30, 2007 - $130,932). 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 August 31, 2008, the Company did not have any investments that were subject to interest rate risk.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in US Dollars (US).

(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 of oil, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

12. SEGMENTED INFORMATION

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

13. 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.