COBRA VENTURE CORPORATION

FINANCIAL STATEMENTS

NOVEMBER 30, 2006

CHARTERED ACCOUNTANTS
MacKay LLP

1100 – 1177 West Hastings Street
Vancouver, BC V6E 4T5
Tel: 604-687-4511
Fax: 604-687-5805
Toll Free: 1-800-351-0426
www.MacKayLLP.ca

mackay.ca

Auditors' Report

To the Shareholders of
Cobra Venture Corporation

We have audited the balance sheets of Cobra Venture Corporation as at November 30, 2006 and 2005 and the statements of operations and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at November 30, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"MacKay LLP"
Chartered Accountants

Vancouver, Canada.
March 12, 2007

COBRA VENTURE CORPORATION
BALANCE SHEETS
AS AT NOVEMBER 30

		2006		2005
ASSETS				
Current				
Cash	$	610,174	$	1,284,750
Receivables		57,088		81,552
Prepaid expenses		29,584		29,475
Income tax receivable (Note 8)		221,460		-
		918,306		1,395,777
Deferred financing costs (Note 8)		-		25,500
Equipment (Note 3)		3,817		6,885
Future income taxes (Note 8)		-		16,600
Petroleum and natural gas interests (Note 4)		1,068,737		5,391
	$	1,990,860	$	1,450,153
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	282,013	$	34,874
Income taxes payable (Note 8)		-		221,890
		282,013		256,764
Future income taxes (Note 8)		202,400		-
		484,413		256,764
Shareholders' equity				
Capital stock (Note 5)		3,214,127		2,759,811
Contributed surplus (Note 5)		80,684		33,590
Obligation to issue shares (Note 4)		-		15,000
Deficit		(1,788,364)		(1,615,012)
		1,506,447		1,193,389
	$	1,990,860	$	1,450,153

Nature and continuance of operations (Note 1)
Subsequent events (Note 12)

On behalf of the Board:

"Daniel B. Evans" ____________________ Director

"David H. Evans" ____________________ Director

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

COBRA VENTURE CORPORATION
STATEMENTS OF OPERATIONS AND DEFICIT
YEAR ENDED NOVEMBER 30

	2006	2005
ADMINISTRATIVE EXPENSES		
Amortization	$ 3,068	$ 4,050
Computer services	-	11,230
Consulting fees	28,687	15,500
Corporate services	30,000	30,000
Insurance and licenses	10	10,000
Loan fee	-	15,000
Management fees	109,500	75,000
Mineral rights tax	4,044	1,308
Office and miscellaneous	16,111	21,091
Professional fees	96,551	60,116
Recovery of consulting fees	(15,000)	–
Rent	1,200	4,312
Stock-based compensation (Note 6)	36,910	33,590
Transfer agent and regulatory fees	17,268	13,846
Travel and promotion	20,390	(588)
Loss before other items	(348,739)	(294,455)
OTHER ITEMS		
Lease income	-	25,191
Interest income	27,927	10,977
	27,927	36,168
Loss before income taxes	(320,812)	(258,287)
Income tax recovery (Note 8)	147,460	55,710
Loss for the year	(173,352)	(202,577)
Deficit, beginning of year	(1,615,012)	(1,412,435)
Deficit, end of year	$ (1,788,364)	$ (1,615,012)
Basic and diluted loss per common share	$ (0.01)	$ (0.02)
Weighted average number of common shares outstanding	12,249,538	9,471,250

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

COBRA VENTURE CORPORATION
STATEMENTS OF CASH FLOWS
YEAR ENDED NOVEMBER 30

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (173,352)	$ (202,577)
Items not involving cash:		
Amortization	3,068	4,050
Future income tax recovery	74,000	(277,600)
Stock-based compensation	36,910	33,590
Shares for consulting services	-	15,000
Recovery of consulting services	(15,000)	-
Changes in non-cash working capital items:		
Decrease in receivables	24,464	50,572
(Increase) decrease in prepaid expenses	(109)	7,640
Increase (decrease) in accounts payable and accrued liabilities	8,710	(67,958)
Decrease in deferred revenue	-	(25,191)
Increase (decrease) in income taxes payable	(221,890)	221,890
Increase in income tax receivable	(221,460)	-
Cash used in operating activities	(484,659)	(240,584)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of petroleum and natural gas interests	-	1,442,563
Petroleum and natural gas expenditures	(887,295)	(73,620)
Cost recoveries of petroleum and natural gas interests	77,378	148,248
Purchase of equipment	-	(512)
Cash provided by (used in) investing activities	(809,917)	1,516,679
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue costs	-	(25,500)
Common shares issued for cash	620,000	-
Cash provided by (used in) financing activities	620,000	(25,500)
Change in cash	(674,576)	1,250,595
Cash, beginning of year	1,284,750	34,155
Cash, end of year	$ 610,174	$ 1,284,750
Cash paid for interest	$ -	$ 4,044
Cash paid for income taxes	221,890	-

Supplemental disclosure with respect to cash flows (Note 9)

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

1. 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.

	2006	2005
Working capital	$ 636,292	$ 1,139,013
Deficit	(1,788,364)	(1,615,012)

2. SIGNIFICANT ACCOUNTING POLICIES

Measurement uncertainty and estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of assets, and useful lives for amortization. Financial results as determined by actual events could differ from those estimates.

Financing costs

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on a declining balance basis at the following annual rates:

Computer hardware	30%
Computer software	100%
Furniture and equipment	20%

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Petroleum and natural gas interests

The Company follows the full cost method of accounting for oil and natural gas operations, whereby all costs of exploring for and developing oil and natural gas reserves are capitalized and accumulated in cost centres on a country-by-country basis. Costs include land acquisition costs, geological and geophysical charges, carrying charges on non-productive properties and costs of drilling both productive and non-productive wells. General and administrative costs are not capitalized other than to the extent of the Company's working interest in operated capital expenditure programs on which operator's fees have been charged equivalent to standard industry operating agreements.

The costs in each cost centre, including the costs of well equipment, are depleted and amortized using the unit-of-production method based on the estimated proved reserves before royalties. Natural gas reserves and production are converted to equivalent barrels of crude oil based on relative energy content. The costs of acquiring and evaluating significant unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion. While the Company is in the preproduction stage, any costs considered unlikely to be recovered are written off.

The capitalized costs less accumulated depletion and amortization in each cost centre are limited to an amount equal to the estimated future net revenue from proved reserves (based on prices and costs at the balance sheet date) plus the cost (net of impairments) of unproved properties. The total capitalized costs less accumulated depletion and amortization, site restoration provision and future income taxes of all cost centres is further limited to an amount equal to the future net revenue from proved reserves plus the cost (net of impairments) of unproved properties of all cost centres less estimated future site restoration costs, general and administrative expenses, financing costs and income taxes.

Estimated future site restoration and abandonment costs, net of expected recoveries, are provided over the life of the proved reserves using the unit-of-production method. Costs are estimated each year by management based on current regulations, costs, technology and industry standards.

Certain of the Company's exploration and production activities are conducted jointly with others and, accordingly, the accounts reflect only the Company's proportionate interest in such activities.

Proceeds from the sale of oil and gas properties are applied against capitalized costs, with no gain or loss recognized unless such a sale significantly alters the rate of depletion by greater than 20%.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability and the related long-lived asset.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Flow-through shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences.

Effective March 19, 2004, the Emerging Issues Committee of the Canadian Institute of Chartered Accountants requires that, when flow-through expenditures are renounced, a portion of the future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, be recognized as a recovery of income taxes in the statement of operations.

Stock-based compensation

The fair value of stock options granted is determined using the Black-Scholes option pricing model and recorded as stock-based compensation expense, and expensed over the vesting period.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Lease and fee simple revenue

Revenue from petroleum and natural gas leases is recognized over the term of the lease on a straight-line basis. Payments received in advance are recorded as deferred revenue.

3. EQUIPMENT

	2006			2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer hardware	$ 10,238	$ 6,421	$ 3,817	$ 10,238	$ 4,785	$ 5,453
Computer software	12,270	12,270	-	12,270	10,915	1,355
Furniture and equipment	684	684	-	684	607	77
	$ 23,192	$ 19,375	$ 3,817	$ 23,192	$ 16,307	$ 6,885

4. PETROLEUM AND NATURAL GAS INTERESTS

	British Columbia	Alberta	Saskatchewan	Total
Balance, November 30, 2004	$ -	$ -	$ 1,522,582	$ 1,522,582
Acquisition costs				
Sale of mineral lease	-	-	(1,442,563)	(1,442,563)
Mineral leases	-	-	855	855
Deferred costs:				
Drilling	-	-	10,000	10,000
Engineering	-	-	10,348	10,348
Geological and geophysical	-	-	31,518	31,518
Insurance	-	-	933	933
Seismic	-	-	15,000	15,000
Surface location costs	-	-	4,966	4,966
Cost recoveries and proceeds	-	-	(4,503)	(4,503)
Royalties received	-	-	(143,745)	(143,745)
Balance, November 30, 2005	-	-	5,391	5,391
Acquisition costs	160,051	15,000	-	175,051
Deferred costs:				
Drilling	-	838,420	120	838,540
Engineering and consulting	-	2,808	-	2,808
Geochemical	-	135,000	-	135,000
Insurance	-	-	-	-
Mineral taxes	-	504	504	1,008
Royalties received	-	-	(89,061)	(89,061)
Balance, November 30, 2006	$ 160,051	$ 991,732	$ (83,046)	$ 1,068,737

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

Stoughton Area, Saskatchewan

On October 10, 2002, the Company completed its' 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 Stoughton 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 with Mission Oil and Gas Partnership ("Mission") (formerly Bison Resources Ltd.) on portions of the company's fee acreage in the Stoughton area, Saskatchewan totaling approximately 1440 acres. These leases have terms varying from six months to two years. The Company is currently receiving fee simple royalty and rental revenue from wells drilled by Mission.

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 corporation's non-producing Saskatchewan landholdings.

During the year ended November 30, 2006, the Company entered into a multi-well farmout with a privately owned, Calgary based oil exploration company Acero Energy Inc. ("Acero"). Under the terms of the agreement, it is contemplated that Acero will drill a minimum of 3 wells to test the Frobisher and Bakken formations. 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.

Cessford Area, Alberta

The Company announced that it had entered into an agreement on October 25, 2005 to acquire an interest in a Fairmount and Participation Agreement to immediately commence an initial four well drilling program in the Cessford area of Alberta. The development properties are held 100% by the operating industry partner and target multiple natural gas prospective zones. The Company has the right to earn 50% working interest before payout and 25% working interest after payout by paying 50% of all costs associated with the drilling program. There is a finder's fee payable on the transaction of 100,000 common shares at a price of $0.15 per share which was recorded in the year ended November 30, 2005 as an obligation to issue shares.

Effective November 14, 2005, the Company will not be proceeding with the four development well program in the Cessford area of Alberta. The finder's fee was expensed as consulting during the year ended November 30, 2005 (Note 9).

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

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 exploration wells and earn a working interest in seven sections in the Pembina area of Alberta. The Company has the right to earn a 27% working interest by paying 45% of all costs associated with the drilling program and will earn a 40% working interest in the prospect area comprised of seven sections or approximately 4,480 acres on which an additional nine target locations have been identified.

In the summer of 2006, the Company participated in the drilling of two natural gas wells, Pembina 01/05-19-48-8-W5M and Pembina 02/10-24-48-9-W5M. The Company has earned a 27% net interest in each of these two wells.

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

Inga Area N.E. British Columbia

Early in the summer of 2006, the Company obtained one section of land in Northeastern British Columbia. The Company's net working interest is 75%.

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Authorized:

Unlimited number of common voting shares
Unlimited number of preferred shares, issuable in series

Issued:

	2006			2005		
	Shares	Amounts	Contributed Surplus	Shares	Amounts	Contributed Surplus
Common shares						
Balance, beginning of year	9,471,250	$2,759,811	$ 33,590	9,471,250	$ 2,759,811	$ -
Issued for:						
Private placements	3,175,000	620,000	-	-	-	-
Agent's warrants	-	-	10,184			
Issue costs	-	(35,684)	-	-	-	-
Stock-based compensation	-	-	36,910	-	-	33,590
Finder's fees	100,000	15,000	-	-	-	-
Future income taxes on exploration expenditures renounced (Note 8)	-	(145,000)	-	-	-	-
Balance, end of year	12,746,250	$ 3,214,127	$ 80,684	9,471,250	$ 2,759,811	$ 33,590

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

Issued (cont'd…)

During the year ended November 30, 2006, the Company:

a) Completed a private placement of 2,075,000 units ("Units") at a purchase price of $0.20 per Unit, for gross proceeds of $415,000. Each Unit is comprised of one common share issuable on a flow through basis and one half of a flow through share purchase warrant entitling the holder thereof to purchase one common share on a flow through basis for each full warrant held at an exercise price of $0.30 in the first twelve months after issuance and $0.40 in the next twelve months after issuance. The securities issued pursuant to the private placements are subject to a four month hold period from the date of issuance.

   The Company paid of $25,500 to a broker in connection with the sale of 1,400,000 of the Units during the 2005 fiscal year. The Company also granted the broker Agents Warrants entitling the holder to purchase up to 140,000 common shares at an exercise price of $0.20 per common share valued at $10,184 for a period of twelve months from the date of closing.

b) Completed a private placement of 700,000 common shares at a price of $0.15 per common share, for gross proceeds of $105,000. The securities issued pursuant to the private placement are subject to a four month hold period from the date of issuance.

c) Issued 100,000 common shares at a price of $0.15 pursuant to a finder's fee agreement for the Pembina oil and gas interest.

d) Renounced $415,000 of property expenditures to flow-through share subscribers resulting in a future tax liability of $145,000.

e) Completed a private placement of 400,000 flow-through common shares at a price of $0.25 per common share, for gross proceeds of $100,000. The securities issued pursuant to the private placement are subject to a four month hold period from the date of issuance.

6. 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. The options can be granted for a maximum term of 5 years.

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

As at November 30, 2006, the following incentive stock options and share purchase warrants are outstanding:

	Number of Shares	Exercise Price	Expiry Date
Options	360,000	$ 0.15	May 28, 2007
	423,500	0.15	February 5, 2008
	500,000	0.15	October 25, 2010
	300,000	0.20	December 9, 2010
Warrants	1,037,500	0.30	December 9, 2006
		0.40	December 9, 2007
	140,000	0.20	December 9, 2006 (Note 12)

	Number of Options		Weighted Average Exercise Price
Balance, November 30, 2004	791,500	$	0.48
Options granted	500,000		0.15
Options repriced	(783,500)		(0.48)
Options repriced	783,500		0.15
Options expired	(8,000)		0.20
Balance, November 30, 2005	1,283,500		0.15
Options granted	300,000		0.20
Balance, November 30, 2006	1,583,500	$	0.16
Exercisable	1,308,500	$	0.15

Stock-based compensation

During the 2005 fiscal year, the Company re-priced 783,500 stock options which resulted in compensation expense of $23,000 and granted 500,000 options which were valued at $42,358. A total of $21,179 (2005 - $10,590) was recognized as expense during the current year for the vested portion.

During the year ended November 30, 2006, the Company granted 300,000 stock options, which were valued at $31,461. A total amount of $15,731 (2005 - $Nil) was recognized as expense during the year ended November 30, 2006 for the vested portions of these options. 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.

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

Stock-based compensation (cont'd…)

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

	2006	2005
Risk-free interest rate	3.95%	3.39%
Expected life of options	5 years	3 years
Annualized volatility	56.6%	104%
Dividend rate	0%	0%

Warrants

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

	Number of Shares		Weighted Average Exercise Price
Outstanding at November 30, 2005	140,000	$	0.35
Granted	1,177,500		0.29
Expired	(140,000)		(0.35)
Outstanding at November 30, 2006	1,177,500	$	0.29

7. RELATED PARTY TRANSACTIONS

During the year ended November 30, 2006, the Company paid or accrued $30,000 (2005 - $30,000) in corporate service fees, $1,200 (2005 - $4,250) in rent and $109,500 (2005 - $75,000) in management fees to companies with common directors and former directors. The Company also paid or accrued $82,078 (2005 - $53,671) in professional fees to partnerships in which a director and an officer are partners.

During the year ended November 30, 2005, interest and loan fees totaling $14,638 was paid on $60,000 of loans advanced and repaid during the year by a director and a company controlled by a director.

Included in accounts payable and accrued liabilities at November 30, 2006 is $21,062 (2005 - $ Nil) due to companies with common directors.

7. RELATED PARTY TRANSACTIONS (cont'd…)

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.

8. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2006	2005
Loss before income taxes	$ (320,813)	$ (258,287)
Income tax recovery at statutory rates	$ (116,400)	$ (100,926)
Items only deductible for tax	-	(84,482)
Non-deductible items	21,314	19,589
Amounts (deducted) recognized for tax	(110,954)	503,547
Effect of tax rate changes	(15,420)	(115,786)
Total current income taxes (recovery)	(221,460)	221,890
Total future income taxes (recovery)	74,000	(277,600)
Total income tax recovery	$ (147,460)	$ (55,710)

The significant components of the Company's future income taxes assets are as follows:

	2006	2005
Future income tax assets:		
Share issue costs	$ 11,780	$ 19,270
	11,780	19,270
Future income tax liabilities		
Oil and gas interests and equipment	(214,180)	(2,670)
Net future income tax assets (liabilities)	$ (202,400)	$ 16,600

During the 2006 fiscal year, the Company issued common shares on a flow-through basis for gross proceeds of $415,000. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's oil and gas interests. The total expenditures were renounced, resulting in a future tax liability of $145,000.

The Company has available for deduction against future taxable income resource expenditures of approximately $380,600.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended November 30, 2006, the Company:

a) allocated $25,500 of deferred financing costs incurred in 2005 to issued share capital.

b) issued 100,000 common shares at a value of $15,000 for a finder's fee on the Pembina oil and gas interest.

c) recovered $15,000 of consulting fees expensed and recorded in the 2005 fiscal year as an obligation to issue shares.

d) included in accrued liabilities at November 30, 2006 were $238,429 of oil and gas costs.

There were no significant non-cash transactions for the year ended November 30, 2005.

10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities, income taxes payable and receivable. 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.

11. SEGMENTED INFORMATION

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

12. SUBSEQUENT EVENTS

On December 9, 2006, 30,000 common shares were issued on exercise of warrants at $0.20. The balance of 110,000 warrants outstanding at November 30, 2006 expired unexercised on December 9, 2006.