

COBRA VENTURE CORPORATION

**INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)**

SIX MONTHS ENDED MAY 31, 2007

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, 2007

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

	May 31, 2007	November 30, 2006
ASSETS		
Current		
Cash	\$ 620,291	\$ 610,174
Receivables	79,134	57,088
Prepaid expenses	23,650	29,584
Income tax receivable	<u>221,460</u>	<u>221,460</u>
	944,535	918,306
Equipment (Note 4)	5,827	3,817
Petroleum and natural gas interests (Note 5)	<u>722,962</u>	<u>1,068,737</u>
	<u>\$ 1,673,324</u>	<u>\$ 1,990,860</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 73,594	\$ 282,013
Future income taxes	<u>139,000</u>	<u>202,400</u>
	<u>212,594</u>	<u>484,413</u>
Shareholders' equity		
Capital stock (Note 6)	3,274,052	3,214,127
Contributed surplus (Notes 6 & 7)	88,550	80,684
Deficit	<u>(1,901,872)</u>	<u>(1,788,364)</u>
	<u>1,460,730</u>	<u>1,506,447</u>
	<u>\$ 1,673,324</u>	<u>\$ 1,990,860</u>

Nature and continuance of operations (Note 3)

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
(Unaudited – Prepared by Management)

	Three month period ended May 31, 2007	Three month period ended May 31, 2006	Six month period ended May 31, 2007	Six month period ended May 31, 2006
ADMINISTRATIVE EXPENSES				
Amortization	\$ 357	\$ 533	\$ 636	\$ 1,143
Consulting fees	9,823	7,134	14,823	7,337
Corporate services	7,500	7,500	15,000	15,000
Management fees	25,500	25,500	51,000	58,500
Mineral rights tax	1,404	-	2,554	-
Media and website	8,800	-	12,772	180
Non recoverable property costs	-	4,889	-	4,889
Office and miscellaneous	3,642	2,311	6,790	4,103
Professional fees	45,778	40,790	51,394	51,253
Rent	300	300	600	600
Stock-based compensation	-	11,158	7,866	42,619
Transfer agent and regulatory fees	8,253	6,220	10,713	12,816
Travel and promotion	4,999	2,666	13,429	7,152
Loss before other items	<u>(116,356)</u>	<u>(109,001)</u>	<u>(187,577)</u>	<u>(205,592)</u>
OTHER ITEMS				
Royalty income net of expenses	-	-	-	11,684
Interest income	926	2,963	3,073	5,461
Lease income	-	-	7,596	-
	<u>926</u>	<u>2,963</u>	<u>10,669</u>	<u>17,145</u>
Loss before income taxes	(115,430)	(106,038)	(176,908)	(188,447)
Income tax recovery	<u>63,400</u>	<u>67,800</u>	<u>63,400</u>	<u>67,800</u>
Loss for the period	(52,030)	(38,238)	(113,508)	(120,647)
Deficit, beginning of period	<u>(1,849,842)</u>	<u>(1,697,421)</u>	<u>(1,788,364)</u>	<u>(1,615,012)</u>
Deficit, end of period	\$ (1,901,872)	\$ (1,735,659)	\$ (1,901,872)	\$ (1,735,659)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	12,796,003	12,291,902	12,792,541	12,132,102

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, 2007	Three month period ended May 31, 2006	Six month period ended May 31, 2007	Six month period ended May 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (52,030)	\$ (38,238)	\$ (113,508)	\$ (120,647)
Items not involving cash:				
Amortization	357	533	636	1,143
Stock-based compensation	-	11,158	7,866	42,619
Future income tax recovery	-	(31,400)	-	(31,400)
Changes in non-cash working capital items:				
(Increase) decrease in receivables	38,135	(2,113)	(22,046)	20,643
Decrease (increase) in prepaid expenses	8,788	875	5,934	(1,858)
Increase in income tax recoverable	-	(36,400)	-	(36,400)
Increase (decrease) in accounts payable and accrued liabilities	821	142	(208,419)	(23,163)
Decrease in income taxes payable	(63,400)	-	(63,400)	(130,000)
Cash used in operating activities	(67,329)	(95,443)	(392,937)	(279,063)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of capital assets	(2,646)	-	(2,646)	-
Petroleum and natural gas expenditures	-	(219,058)	(1,500)	(213,667)
Cost recoveries of petroleum and natural gas interests	165,075	-	347,275	-
Cash provided by (used in) investing activities	162,429	(219,058)	343,129	(213,667)
CASH FLOWS FROM FINANCING ACTIVITIES				
Common shares issued for cash	53,925	-	59,925	520,000
Cash provided by financing activities	53,925	-	59,925	520,000
Change in cash	149,025	(314,501)	10,117	27,270
Cash, beginning of period	471,266	1,626,521	610,174	1,284,750
Cash, end of period	\$ 620,291	\$ 1,312,020	\$ 620,291	\$ 1,312,020
Cash, paid for interest	\$ -	\$ -	\$ -	\$ -
Cash, paid for income taxes	\$ -	\$ -	\$ -	\$ -

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 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. CHANGE IN ACCOUNTING POLICIES

Effective October 1, 2006, the Company adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA): Handbook Section 1530, *Comprehensive Income*, Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3251, *Equity*, and Section 3861, *Financial Instruments – Recognition and Measurement*. These standards were adopted prospectively and accordingly, comparative amounts for prior periods have not been restated.

Comprehensive Income

Section 1530 introduces Comprehensive Income, which consists of Net Income and Other Comprehensive Income (OCI). OCI represents changes in shareholder's equity during a period arising from transactions and other events with non-owner sources and includes such items as unrealized gains and losses on financial assets classified as "available for sale", and changes the fair value of the effective portion of cash flow hedging instruments. There was no impact on the Company's interim financial statements as a result of implementing this change.

Financial Instruments – Recognition and Measurement

Section 3855 requires that all financial assets and financial liabilities (including derivatives) be measured at fair value on initial recognition except for certain related party transaction. Measurement in subsequent periods depends on whether the financial asset or liability has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other liabilities.

Financial instruments classified as held-for-trading are measured at fair value and unrealized gains and losses are included in net income in the period in which they arise. The Company does not have any investments classified as held for trading.

Available-for-sale assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as held-for-trading, held-to-maturity, or loans and receivables. Available-for-sale assets are measured at fair value with unrealized gains and losses recorded in other comprehensive income until realized, at which time they will be recognized in net income. The Company does not have any financial assets classified as available-for-sale.

COBRA VENTURE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
MAY 31, 2007

2. CHANGE IN ACCOUNTING POLICIES (con't)

Financial Instruments – Recognition and Measurement (con't)

Other accounting implications arising upon the adoption of Section 3855 include the use of the effective interest method (“EIM”) for any transaction costs or financing fees earned or incurred for financial instruments measured at amortized cost, and the recognition of the fair value of the obligation undertaken in issuing a guarantee that meets the definition of a guarantee pursuant to Accounting Guidelines 14, Disclosure of Guarantees (AcG 14). No subsequent re-measurement at fair value is required unless financial guarantee qualifies as a derivative. If the financial guarantee meets the definition of a derivative, it is re-measured at fair value at each balance sheet date.

Financial Instruments – disclosure and presentation

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated.

On adopting of these new standards, the Company designated its cash and investments as held-for-trading, which are measured at fair value. Receivables are classified under loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

There was no effect on the interim statements as a result of adopting these policies.

3. 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.

	May 31, 2007	November 30, 2006
Working capital	\$ 870,941	\$ 636,293
Deficit	(1,901,872)	(1,788,364)

COBRA VENTURE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
MAY 31, 2007

4. EQUIPMENT

	May 31, 2007			November 30, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer hardware	\$ 12,293	\$ 7,034	\$ 5,259	\$ 10,238	\$ 6,421	\$ 3,817
Computer software	12,860	12,292	568	12,270	12,270	-
Furniture and equipment	684	684	-	684	684	-
	<u>\$ 25,837</u>	<u>\$ 20,010</u>	<u>\$ 5,827</u>	<u>\$ 23,192</u>	<u>\$ 19,375</u>	<u>\$ 3,817</u>

5. PETROLEUM AND NATURAL GAS INTERESTS

	British Columbia	Alberta	Saskatchewan	Total
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	-	2,808	-	2,808
Geological and geophysical	-	135,000	-	135,000
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
Acquisition costs	-	-	(35,000)	(35,000)
Sale of mineral leases	-	-	64	64
Deferred costs:				
Surface location costs	-	-	1,500	1,500
Royalties received	-	-	(312,339)	(312,339)
Additions, May 31, 2007	-	-	(345,775)	\$ (345,775)
Balance, May 31, 2007	\$ 160,051	\$ 991,732	\$ (428,821)	\$ 722,962

5. PETROLEUM AND NATURAL GAS INTERESTS (con't)

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.

During the year ended November 30, 2003, the Company entered into two participation and option agreements with Celtic Exploration Ltd. ("Celtic") on the Company's acreage in the Stoughton area, Saskatchewan. The agreements provide Celtic with the option to earn an interest in the Stoughton property by drilling up to three exploration wells.

The Company retained an entitlement to participate directly in the drilling of the exploration wells as to a 25% working interest, with Celtic paying the balance of the drilling and completion costs. Following completion of each exploration well, Celtic will have earned a 50% interest in designated lands of the Company. In addition, the agreements provide for a regional area of mutual interest between the Company and Celtic on a 50/50 basis.

The Company has paid \$26,570 for its share of the acquisition costs for the joint lands. The Company exercised its right to participate in the drilling of the first exploration well as per the terms of the agreement and has paid \$130,000 for its 50% share of the drilling costs. Celtic did not elect to drill on the Company's optioned land and subsequently did not earn the 50% working interest in the Stoughton lands under the terms of the agreement and the option expired.

In 2004, the Company entered into several leases with Bison Resources Ltd. ("Bison") 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 Bison in 2004 - 2005.

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.

During the six month period ended May 31, 2007, the Company received \$312,399 (2006 - \$89,061) in royalties

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

COBRA VENTURE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
MAY 31, 2007

5. PETROLEUM AND NATURAL GAS INTERESTS (con't)

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.

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%.

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Authorized:

Unlimited number of common voting shares

Unlimited number of preferred shares

Issued:

	May 31, 2007			November 30, 2006		
	Shares	Amounts	Contributed Surplus	Shares	Amounts	Contributed Surplus
Common shares						
Balance, beginning of period	12,746,250	\$3,214,127	\$ 80,684	9,471,250	\$2,759,811	\$ 33,590
Issued for:						
Private placements	-	-	-	3,175,000	620,000	-
Agent's warrants	-	-	-	-	-	10,184
Issue costs	-	-	-	-	(35,684)	-
Stock-based compensation	-	-	7,866	-	-	36,910
Warrants exercised	30,000	6,000	-	-	-	-
Stock options exercised	359,500	53,925	-	-	-	-
Finder's fees	-	-	-	100,000	15,000	-
Future income taxes on exploration expenditures renounced	-	-	-	-	(145,000)	-
Balance, end of period	13,135,750	\$3,274,052	\$ 88,550	12,746,250	\$3,214,127	\$ 80,684

COBRA VENTURE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
MAY 31, 2007

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (con't)

During the six month period ended May 31, 2007:

- a) 30,000 common shares were issued on exercise of warrants at \$0.20.
- b) 359,500 incentive stock options were exercised at a price of \$0.15 per share for gross proceeds of \$53,925.

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 \$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.

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

COBRA VENTURE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
MAY 31, 2007

7. STOCK OPTIONS AND WARRANTS (con't)

As at May 31, 2007, the following incentive stock options and share purchase warrants are outstanding:

	Number of Shares	Exercise Price	Expiry Date
Options	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	0.40	December 9, 2007

	Number of Options	Weighted Average Exercise Price
Balance, November 30, 2005	1,283,500	\$ 0.15
Options granted	<u>300,000</u>	0.20
Balance, November 30, 2006	1,583,500	\$ 0.16
Options exercised	(359,500)	0.15
Options expired	<u>(500)</u>	0.15
Balance, May 31, 2007	<u>1,223,500</u>	\$ 0.15
Exercisable	<u>1,223,500</u>	\$ 0.15

Stock-based compensation

During the six month period ended May 31, 2006, the Company granted 300,000 stock options, which were valued at \$31,461. A total amount of \$7,866 (2006 - \$42,619) was recognized as expense during the six month period ended May 31, 2007 for the vested portions of options.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the six month period ended May 31, 2006:

	<u>2006</u>
Risk-free interest rate	4.18%
Expected life of options	5 years
Annualized volatility	87%
Dividend rate	0%

COBRA VENTURE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
MAY 31, 2007

7. STOCK OPTIONS AND WARRANTS (con't)

Warrants

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

	Number of Shares	Weighted Average Exercise Price
Outstanding at November 30, 2005	140,000	\$ 0.35
Granted	1,037,500	0.29
Exercised	(30,000)	(0.35)
Expired	<u>(110,000)</u>	(0.35)
Outstanding at November 30, 2006	1,037,500	0.40
Exercised	<u>(30,000)</u>	(0.20)
Outstanding at May 31, 2007	1,007,500	\$ 0.30

8. RELATED PARTY TRANSACTIONS

During the six month period ended May 31, 2007, the Company paid or accrued \$15,000 (2006 - \$15,000) in corporate service fees, \$600 (2006 - \$600) in rent and \$51,000 (2006 - \$58,500) in management fees to companies with common directors and former directors. The Company also paid or accrued \$17,208 (2006 - \$20,943) in professional fees to a firm in which a director and an officer is a partner.

Included in accounts payable and accrued liabilities at May 31, 2007 is \$11,877 (2006 - \$4,179) due to a company with a common director, and to a firm in which a director and officer is a partner.

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, 2006, the Company allocated \$25,500 of deferred financing costs incurred in 2005 to issued share capital.

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, and income taxes 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.