Financial Statements of

FORENT ENERGY LTD

December 31, 2007 and January 31, 2007

Management's Responsibility for Financial Reporting

The Management of Forent Energy Ltd. is responsible for the preparation of all information included in these financial statements. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect Management's best estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

Management maintains appropriate systems of internal control that provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or unauthorized use and financial records provide reliable and accurate information for the preparation of financial statements.

PricewaterhouseCoopers LLP, an independent firm of chartered accountants, was appointed by the shareholders of Forent Energy Ltd. to audit the financial statements of the Corporation and provide an independent professional opinion. Their report is presented with the financial statements.

The Board of Directors, through its Audit Committee, has reviewed the financial statements including notes thereto with Management and PricewaterhouseCoopers LLP. The members of the Audit Committee are composed of independent directors who are not employees of the Corporation. The Corporation's Board of Directors has approved the information contained in the financial statements based on the recommendation of the Audit Committee.

(signed) "Dennis Forgeron"	(signed) "Brian Korney"
Dennis Forgeron President	Brian Korney CFO

See accompanying notes to financial statements

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
111 5th Avenue SW, Suite 3100
Calgary, Alberta
Canada T2P 5L3
Telephone +1 (403) 509 7500
Facsimile +1 (403) 781 1825

AUDITORS' REPORT

To the Shareholders of Forent Energy Ltd.

We have audited the balance sheets of Forent Energy Ltd. as at December 31, 2007 and January 31, 2007 and the statements of income (loss), comprehensive income (loss) and retained earnings (deficit) and cash flows for each of the periods 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 December 31, 2007 and January 31, 2007 and the results of its operations and its cash flows for each of the periods then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta

August 21, 2008

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

FORENT ENERGY LTD.

Balance Sheets

As at December 31, 2007 and January 31, 2007

	December 31 2007 $	January 31 2007 $
ASSETS		
CURRENT		
Cash and cash equivalents	1,480,716	-
Marketable securities	13,223	13,223
Accounts receivable (note 11)	1,981,801	1,248,946
Prepaid expenses	64,508	9,259
	3,540,248	1,271,428
Property, plant and equipment (note 4)	4,276,422	903,949
	7,816,670	2,175,377
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (note 11)	1,593,650	1,640,348
Shareholder loan (note 12)	29,651	53,875
	1,623,301	1,694,223
Long-term debt (note 5)	500,000	-
Asset retirement obligation (note 6)	230,351	123,919
Future tax liability (note 7)	-	28,092
	2,353,652	1,846,234
SHAREHOLDERS' EQUITY		
Share capital (note 8)	5,320,641	1,000
Warrants (note 8)	182,716	-
Contributed surplus (note 9)	160,274	-
Retained earnings (deficit)	(200,613)	328,143
	5,463,018	329,143
	7,816,670	2,175,377

APPROVED BY THE BOARD

(signed) "Dennis Forgeron" Director

(signed) "Dave Campbell" Director

See accompanying notes to financial statements

FORENT ENERGY LTD.

Statements of Income (Loss), Comprehensive Income (Loss) and Retained Earnings (Deficit)

	Eleven months ended December 31 2007 $	Twelve months ended January 31 2007 $
REVENUE		
Oil and natural gas income	540,646	355,198
Royalties	(80,959)	(31,625)
Interest income	34,697	359
	494,384	323,932
EXPENSES		
Operating and production	206,750	170,656
Transportation	7,615	1,582
General and administrative (note 11)	459,356	18,743
Interest expense on long term debt	44,253	13
Stock based compensation and warrants (note 8)	180,968	-
Depletion, depreciation and accretion	152,290	71,248
	1,051,232	262,242
NET INCOME (LOSS) BEFORE TAXES	(556,848)	61,690
Future income tax expense (recovery)	(28,092)	13,301
NET INCOME (LOSS) and COMPREHENSIVE INCOME (LOSS)	(528,756)	48,389
RETAINED EARNINGS, BEGINNING OF PERIOD	328,143	279,754
RETAINED EARNINGS (DEFICIT), END OF PERIOD	(200,613)	328,143
NET INCOME (LOSS) PER SHARE (note 8) – basic and diluted	($0.03)	$0.003

See accompanying notes to financial statements

FORENT ENERGY LTD.

Statements of Cash Flows

	Eleven months ended December 31 2007 $	Twelve months ended January 31 2007 $
CASH PROVIDED BY (USED IN)		
OPERATING		
Net income (loss)	(528,756)	48,389
Add items not affecting cash		
Depletion, depreciation and accretion	152,290	71,248
Stock based compensation and warrants	180,968	-
Future income tax expense (recovery)	(28,092)	13,301
	(223,590)	132,938
Change in non-cash working capital	(703,633)	761,237
	(927,223)	894,175
FINANCING		
Issuance of common shares, net	1,969,908	-
Issuance of flow-through shares	3,511,755	-
Loan proceeds	500,000	-
	5,981,663	-
INVESTING		
Acquisition of property, plant and equipment	(3,418,331)	(483,682)
Change in non-cash working capital	(155,393)	(1,077,510)
	(3,573,724)	(1,561,192)
CASH INFLOW (OUTFLOW)	1,480,716	(667,017)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	-	667,017
CASH AND CASH EQUIVALENTS, END OF PERIOD	1,480,716	-
Cash interest paid	44,253	13

See accompanying notes to financial statements

1. NATURE OF OPERATIONS

Forent Energy Ltd. (the "Corporation" or "Forent") was incorporated pursuant to the provisions of the Alberta Business Corporations Act on April 6, 1999 and is engaged in the exploration, development and production of petroleum and natural gas in Nova Scotia and Western Canada.

2. CHANGES IN ACCOUNTING POLICIES

Effective at the beginning of its December 31, 2007 fiscal period, the Corporation adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income, CICA Handbook Section 3251, Equity, CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation, and CICA Handbook Section 3865, Hedges. These new Handbook Sections, which apply to fiscal years beginning on or after October 31, 2006, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Handbook Section 1530 also establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles.

Under these new standards, all financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value with the exception of loans and receivables, investments held-to-maturity and other financial liabilities, which will be measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their classification. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in income in the period in which they arise. Available-for-sale financial instruments are generally measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet.

2. CHANGES IN ACCOUNTING POLICIES (continued)

The standards require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. Derivatives that qualify as hedging instruments must be designated as either a "cash flow hedge," when the hedged item is a future cash flow, or a "fair value hedge," when the hedged item is a recognized asset or liability. The unrealized gains and losses of the effective portion related to a cash flow hedge are included in other comprehensive income. For a fair value hedge, both the derivative and the hedged risk of the hedged item are recorded at fair value in the balance sheet and the unrealized gains and losses from both items are included in income. Any derivative instrument that does not qualify for hedge accounting is marked-to-market at each reporting date and the gains or losses are included in income.

The Corporation has classified its financial instruments as follows:

- Cash is classified as a financial asset held for trading and is measured at fair value. Changes in fair value are recorded in income.
- Marketable securities are recorded as available for sale and are measured at cost as they relate to unquoted equity securities.
- Accounts receivable are classified as loans and receivables and are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities and bank loan are classified as other liabilities and are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method.

The Corporation's financial statements were not affected in the adoption period by these changes in accounting policy.

On February 1, 2007, the Corporation adopted CICA Section 1506 – "Accounting Changes", which provides expanded disclosures for changes in accounting policies, accounting estimates and corrections of errors. Under the new standard, accounting changes should be applied retrospectively unless otherwise permitted or where impractical to determine. As well, voluntary changes in accounting policy are made only when required by a primary source of GAAP or the change results in more relevant and reliable information.

2. CHANGES IN ACCOUNTING POLICIES (continued)

Accounting pronouncements

The Corporation has assessed new and revised accounting pronouncements that have been issued that are not yet effective and determined that the following may have a significant impact on the Corporation:

(a) As of January 1, 2008, the Corporation will be required to adopt two new CICA standards, Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation", which will replace Section 3861 "Financial Instruments – Disclosure and Presentation". The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements. The new financial instruments presentation and disclosure requirements were issued in October 2006 and the Corporation is assessing the impact on its financial statements.

(b) As of January 1, 2008, the Corporation will be required to adopt Section 1535 "Capital Disclosures", which will require companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements. The new capital disclosure requirements were issued in October 2006 and the Corporation is assessing the impact on its financial statements.

(c) In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards (IFRS) by the end of 2011. The Corporation continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements necessarily involves the use of estimates and approximations which have been made using careful judgment. The financial statements have, in management's opinion, been properly prepared within the framework of the significant accounting policies summarized below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement uncertainty

The amounts recorded for depletion and amortization of property, plant and equipment, the provision for and accretion of asset retirement obligations and the ceiling test calculations are based on estimates of proven reserves, production rates, petroleum and natural gas prices, future costs and other relevant assumptions.

The assumptions used in the determination of the fair value of stock options issued are based on estimates of the future volatility of the Corporation's stock price, expected lives of the options, expected dividends and other relevant assumptions.

By their nature, these estimates are subject to measurement uncertainty, and the effect of changes in such estimates on the financial statements of future periods could be significant.

Property, plant and equipment

(i) Petroleum and natural gas properties

The Corporation follows the full cost method of accounting whereby all costs related to the acquisition of, exploration for and the development of petroleum and natural gas reserves are initially capitalized on a country by country cost centre basis. Costs capitalized include land acquisition costs, geological and geophysical expenditures, lease rentals on undeveloped properties, costs of drilling productive and non-productive wells, together with overhead and interest directly related to exploration and development activities, and lease and well equipment.

Gains or losses are not recognized upon disposition of petroleum and natural gas properties unless such a disposition would alter the rate of depletion and depreciation by more than 20%.

(ii) Depletion

Costs capitalized are depleted and amortized on a cost centre basis using the unit-of-production method based on estimated proved petroleum and natural gas reserves before royalties as determined by independent engineers. For purposes of this calculation, petroleum and natural gas reserves before royalties are converted to a common unit of measure on the basis of their relative energy content where one barrel of oil or liquids equals six thousand cubic feet of gas.

In determining its depletion base, the Corporation includes estimated future capital costs to be incurred in developing proved reserves and excludes the cost of significant unproved properties until it is determined whether proved reserves are attributable to the unproved properties or impairment has occurred. Unproved properties are evaluated separately for impairment based on management's assessment of future drilling.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Ceiling test

Under the full cost method of accounting, a limit is placed on the carrying amount of petroleum and natural gas properties. A ceiling test is performed on a country by country cost centre basis to recognize and measure impairment, if any.

Impairment is recognized if the carrying amount of petroleum and natural gas properties, less the cost of unproved properties not subject to depletion (the "adjusted carrying amount"), exceeds the estimated undiscounted future cash flows from the Corporation's proved reserves. The future cash flows are based on forecast prices and costs, as provided by an independent third party. If recognized, the magnitude of the impairment is measured by comparing the adjusted carrying amount to the estimated, discounted future cash flows of the Corporation's proved plus probable reserves. Any recognized impairment is recorded as additional depletion and amortization expense.

(iv) Other assets

Computer equipment is carried at cost and amortized over the estimated useful lives of the assets at a rate of 45% per annum calculated on a declining balance basis. Amortization is charged at half rates in the year of acquisition.

Asset retirement obligations

The estimated fair value of each asset retirement obligation is recorded in the period a well or related asset is drilled, constructed or acquired. Fair value is estimated using the present value of the estimated future cash outflows to abandon the asset at the Corporation's credit-adjusted risk-free interest rate. The discounted obligation is initially capitalized as part of the carrying amount of the related petroleum and natural gas properties, and a corresponding liability is recognized. The increase in petroleum and natural gas properties is depleted and amortized on the same basis as the remainder of the petroleum and natural gas properties. The liability is accreted against income until it is settled or the property is sold and is recorded as accretion expense. Actual restoration expenditures are charged to the accumulated obligation as incurred. Any settlements are charged to income in the period of settlement.

The obligation is reviewed regularly by management based upon current regulations, costs, technologies and industry standards.

Joint venture accounting

Substantially all of the Corporation's exploration and production activities are conducted jointly with others and, accordingly, these financial statements reflect only the Corporation's proportionate interest in such activities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income taxes are accounted for using the liability method of income tax allocation. Under the liability method, future income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at their carrying values. Future income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determined based on the substantively enacted tax laws and rates that are anticipated to apply in the period of realization.

Flow-through shares

Expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are to be renounced to investors in accordance with Income Tax legislation. Share capital is reduced by the estimated cost of the renounced tax deductions when the Corporation files the renouncement forms.

The Corporation records the future income taxes associated with the renunciation of expenditures for income tax purposes on the date the Corporation files the renouncement forms.

Stock-based compensation

The Corporation has a stock based compensation plan as described in note 8. Under the fair value method, compensation costs attributable to all stock options granted are measured at fair value at the date of grant and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital and the contributed surplus balance is reduced.

The Corporation has not incorporated an estimated forfeiture rate for stock options that will not vest, rather, the Corporation accounts for actual forfeitures as they occur.

Revenue recognition

Revenue from the sale of petroleum and natural gas is recorded on a gross basis when title passes to an external party and is recognized based on volumes delivered to customers at contractual delivery points and rates and when the significant risks and rewards of ownership have been transferred to the buyer and collectibility is reasonably assured.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents consists of cash in the bank, less outstanding cheques, and deposits with a maturity of less than three months at the time of purchase.

4. PROPERTY, PLANT & EQUIPMENT

	December 31, 2007			January 31, 2007		
	Cost	Accumulated Depletion & Depreciation	Net Book Value	Cost	Accumulated Depletion & Depreciation	Net Book Value
Petroleum and natural gas properties and equipment	$4,547,275	292,965	$4,254,310	$1,052,358	153,394	$898,964
Other	35,487	13,375	22,112	13,951	8,966	4,985
	$4,582,762	306,340	$4,276,422	$1,066,309	162,360	$903,949

As of December 31, 2007, the cost of petroleum and natural gas properties includes $102,408 (January 31, 2007 - $nil) relating to unproved properties which have been excluded from costs subject to depletion and depreciation. Future development costs on proved undeveloped reserves of $3,298,300 (January 31, 2007 - $2,187,200) are included in the depletion calculation.

The Corporation performed an impairment (ceiling) test review at December 31, 2007 and January 31, 2007 to assess the recoverable value of the petroleum and natural gas properties and determine that it does not exceed its fair value. A write down was not required for the period ended December 31, 2007 or January 31, 2007. The expected future prices of petroleum and natural gas are based on December 31, 2007 commodity price forecasts of the Corporation's independent reserve evaluators. The benchmark prices used in the ceiling test are as follows:

Year	Light/medium Oil ($/bbl)	Gas ($/MMBtu)	NGL ($/bbl)
2008	90.45	7.61	56.44
2009	87.57	7.73	51.91
2010	65.39	7.70	51.24
2011	79.46	7.54	47.13
2012	79.68	7.61	47.26
Escalation Rate of 2% Thereafter			

5. LONG-TERM DEBT

Long-term debt consists of a promissory note in the amount of $500,000, initiated on February 12, 2007 and maturing on January 22, 2010. The note bears interest at 10% per annum, which is payable monthly. Additionally, the Corporation was obligated to and has provided a gross overriding royalty equal to 7.5% on the sales proceeds relating to a well subsequently reactivated and a 5% gross overriding royalty on a well subsequently drilled. Under the terms of the note, the Corporation is required to meet certain financial and other reporting requirements, which have been discharged. The note is secured by a general security agreement constituting a first ranking security interest in all personal property and real property of the Corporation as well as a debenture in the amount of $1,000,000 and the personal guarantee from a shareholder, officer and director of the Corporation in the amount of $500,000.

6. ASSET RETIREMENT OBLIGATION

The total future asset retirement obligations were estimated by management based on the Corporation's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon said wells and facilities and the estimated timing of the costs to be incurred in future periods. As at December 31, 2007, the Corporation has estimated the total undiscounted asset retirement obligation as $429,063 (January 31, 2007 - $278,226), which will be incurred over the next 51 years. The Corporation used a credit adjusted risk free rate of 7.5% (January 31, 2007 – 7.5%) and an estimated inflation rate of 2.5% (January 31, 2007 – 2.5%) to calculate the present value of the asset retirement obligation.

The changes to the asset retirement obligation for the period is as follows:

	Period Ended December 31, 2007 $	Year Ended January 31, 2007 $
Asset retirement obligation, beginning of period	123,919	96,262
Liabilities incurred	116,618	18,351
Revision in cost estimate	(18,496)	3,287
Accretion	8,310	6,019
Asset retirement obligation, end of period	230,351	123,919

7. FUTURE INCOME TAXES

(a) Significant components of the future income tax liability are as follows:

	December 31, 2007	January 31, 2007
Property and equipment	$ (72,640)	$ (53,893)
Asset retirement obligation	32,249	19,951
Non-capital loss carry forward	75,930	5,850
Share issue costs	33,584	-
Valuation allowance	(69,123)	-
	$ -	$ (28,092)

A valuation allowance has been recorded as the realization of the asset is not more likely than not.

(b) Income tax expense differs from that which would be expected from applying the combined effective Canadian federal and provincial corporate tax rates of 16.1% (January 31, 2007 – 16.1%) to income before income taxes as follows:

	December 31, 2007	January 31, 2007
Expected income tax provision	$ (89,653)	$ 9,932
Increase (decrease) resulting from:		
Non-deductible crown payments net of Alberta Royalty Tax Credits	-	1,397
Resource allowance	-	(1,510)
Stock based compensation	29,136	-
Change in future tax rates and other	5,282	3,482
Change in valuation allowance	35,539	-
Recognition of future income tax benefit not previously recognized	(8,396)	-
	$ (28,092)	$ 13,301

(c) The Corporation has estimated tax pools totaling $4,549,200 (January 31, 2007 - $569,200), as follows:

	Rate of claim	December 31, 2007	January 31, 2007
Canadian exploration expense	100%	$ 2,907,000	$ 300
Canadian development expense	30%	398,200	306,000
Canadian oil and gas property expense	10%	156,000	57,100
Undepreciated capital cost	various	296,400	205,800
Non-capital losses		551,700	
Undeducted share issue costs		239,900	
		$ 4,549,200	$ 569,200

8. SHARE CAPITAL

(a) Authorized
Unlimited number of voting Class A common shares
Unlimited number of preferred shares, issuable in series

(b) Issued and Outstanding

	Number of Shares	Amount $
Common shares		
Balance, February 1, 2007 and 2006 (i)	100	1,000
Stock split (ii)	14,999,900	-
Issued pursuant to private placement (iii)	2,235,000	2,235,000
Issued pursuant to flow-through share offering (iv)	3,053,700	3,511,755
Share issue costs	-	(427,114)
Balance, December 31, 2007	20,288,700	5,320,641

(i) On April 6, 1999, 100 common shares were issued at $10 per common share to the sole shareholder of the Corporation. On April 6, 1999, a declaration of trust was signed to entitle the spouse of the sole shareholder to 50 common shares.

(ii) On May 31, 2007, Forent Energy Ltd. effected a 150,000 to 1 stock split and the shareholder of record on May 31, 2007 received 150,000 new shares for every common share held. On May 31, 2007 the trust was collapsed and on June 1, 2007, 7,500,000 common shares were transferred to the spouse of the sole shareholder.

(iii) On September 17, 2007, the Corporation completed the final portion of a private placement totaling 2,235,000 common shares at a price of $1.00 per common share for gross proceeds of $2,235,000. The private placement closed in three tranches on the following dates June 1, 2007, July 30, 2007 and September 17, 2007. The number of common shares issued on each of the respective dates totalled 1,645,000 common shares, 540,000 common shares and 50,000 common shares. In connection with the private placement and the flow-through issuance, the agents were paid a cash commission of $247,243 and were issued broker warrants to purchase common shares of the Corporation. The fair value was charged to cost of issue.

(iv) On September 17, 2007, the Corporation issued the last of the 3,053,700 flow-through common shares at a price of $1.15 for gross proceeds of $3,511,755. Income tax deductions of $3,511,755 will be renounced to subscribers of the flow through shares effective December 31, 2007 with the remaining qualifying expenditures to be incurred in 2008.

8. SHARE CAPITAL (continued)

The following table summarizes information about the Corporation's flow-through share commitments as at December 31, 2007:

		Qualifying Expenditures		
Issued	**Renounced**	**Flow-through Amount**	**Incurred to Dec 31/07**	**Amount Remaining**
2007	2008	$3,511,755	2,613,616	898,139

(c) Warrants

	Number of Warrants	Amount $
Warrants		
Balance, February 1, 2007 and February 1, 2006	-	-
Share purchase warrants (i)	108,000	20,694
Broker warrants (ii)	284,250	162,022
Performance warrants (iii)	3,730,000	-
Balance, December 31, 2007	4,122,250	182,716

(i) On October 17, 2007 the Corporation issued 108,000 common share purchase warrants to early close investors whereby each whole warrant may be exercised to acquire one common share of the Corporation at a price of $1.00 until August 31, 2012. These share purchase warrants have an estimated value of $20,694. The fair value for warrants granted was estimated using the Black-Scholes option pricing model using the following assumptions: dividend yield 0%; expected volatility 85%; risk-free interest rate 4.35%; and an expected life of 4.87 years.

(ii) Broker warrants – In connection with the private placement on September 17, 2007, the agents were issued broker warrants to purchase 284,250 common shares of the Corporation at a price of $1.00 per common share until August 10, 2010. The fair value assigned to these warrants was calculated using the Black-Scholes option pricing model with the following assumptions: dividends 0%, expected volatility 85%, risk-free interest rate 4.35% and an expected maturity date of 3 years. The fair value was determined to be $162,022 and this was charged to cost of issue.

8. SHARE CAPITAL (continued)

(iii) Performance warrants - On October 17, 2007 the Corporation issued 3,730,000 performance warrants to employees and directors, whereby each warrant may be exercised to acquire one common share of the Corporation at a price of $1.25 per share (if exercised prior to May 31, 2008), $1.75 per share (if exercised after May 31, 2008 and prior to November 30, 2008) or $2.25 per share (if exercised after November 30, 2008 and prior to the Expiry Date). These warrants expire on November 30, 2012. The performance warrants vest as follows:

(1) 20% of Performance Warrants vest on drilling the first earning well to agreed depth on or before agreed date and earning some of the land position in the Nova Scotia lands as defined by the “Farmout and Option Agreement” with EOG and another industry partner;

(2) 10% of Performance Warrants vest on successfully evaluating target formations within the Stewiak Salt and within the Gays River (as defined in Article 4 of the Farmout and Option Agreement mentioned above);

(3) 20% of Performance Warrants vest on execution of seismic and or on drilling the option well off of the existing 3D seismic program to agreed depth and earning of additional Nova Scotia lands (as defined in Article 5 of the Farmout and Option Agreement mentioned above);

(4) 15% of Performance Warrants vest on Forent production reaching 500 boed (6:1 gas/oil ratio) exit volume in any quarter; and

(5) the remainder vest on Forent production reaching 1000 boed (6:1 gas/oil ratio) exit volume in any quarter. (collectively, the “Performance Warrant Vesting Schedule”)

These performance warrants have an estimated value of $nil. The fair value was estimated using the Black-Scholes option pricing model using the following assumptions: dividend yield 0%; expected volatility 0%; risk-free interest rate 4.35%; and an expected life of 5 years.

During the period ended December 31, 2007, the Corporation achieved the performance criteria (1) and (2) as noted above. No warrants were exercised during the period.

Exercise Price $	Average Remaining Contractual Life (Years)	Number Outstanding	Number Exercisable
1.75 – 2.25	4.9	3,730,000	1,119,000

8. SHARE CAPITAL (continued)

(d) Stock options

The Corporation maintains an employee stock option plan under which the Board of Directors, or a committee appointed for such a purpose, may from time to time grant to employees, officers, directors or, consultants of the Corporation, options to acquire common shares in such numbers, for such terms, and at such exercise prices, as may be determined by the Board of Directors or such committees.

The stock option plan provides that the maximum number of common shares in the capital of the Corporation that may be reserved for issuance for all purposes under the stock option plan shall be equal to 10% of the total issued and outstanding common shares and that the maximum number of common shares which may be reserved for issuance to any one optionee pursuant to share options may not exceed 5% of the common shares outstanding at the time of grant.

Options granted under the plan generally have a 5 year term and vest as determined by the Board of Directors. The exercise price of each option equals the market value of the Corporation's common shares at the date of grant.

The changes in stock options for each of the periods ended December 31, 2007 and January 31, 2007 are as follows:

	December 31, 2007		January 31, 2007	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding, beginning of period	-	-	-	-
Granted	1,880,000	1.00	-	-
Outstanding, end of period	1,880,000	1.00	-	-

8. SHARE CAPITAL (continued)

(d) Stock options (continued)

The following table summarizes additional information about the Corporation's outstanding stock options as at December 31, 2007:

Exercise Price $	Average Remaining Contractual Life (Years)	Number Outstanding	Number Exercisable	Weighted Average Exercise Price $
1.00	4.79	1,880,000	626,667	1.00

The Corporation accounts for its stock-based compensation plan using the fair value method. Under this method, a compensation cost is charged over the vesting period for stock options and share purchase warrants granted to employees, officers, directors and other service providers. The Corporation has not incorporated an estimated forfeiture rate for stock options that will not vest, rather the Corporation accounts for actual forfeitures as they occur.

The fair value of stock options granted were estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions and resulting values:

Fair value of options granted	$1.00
Risk free interest rate (%)	4.35%
Expected life (years)	5 years
Expected volatility (%)	1%
Dividend per share	$0.00

(e) Per share amounts

Basic income (loss) per share is computed using the weighted average number of common shares outstanding during the year. The treasury stock method is used for the calculation of diluted loss per share. Under this method, it is assumed that proceeds on the exercise of stock options and warrants are used by the Corporation to repurchase Corporation shares at the average market price. During the year, the average price of the Corporation shares was $1.00.

8. SHARE CAPITAL (continued)

(e) Per share amounts

A reconciliation of the denominators for the basic and diluted net income per share calculations is as follows:

	December 31, 2007	January 31, 2007
Basic weighted average shares	17,372,230	15,000,000
Effect of dilutive stock options and warrants (i)	-	-
Diluted weighted average shares	17,372,230	15,000,000

The January 31, 2007 figures have been adjusted to reflect the stock split in the current period.

(i) Stock options and warrants were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive.

9. CONTRIBUTED SURPLUS

	December 31, 2007 $	January 31, 2007 $
Balance, February 1, 2006 and 2007	-	-
Stock-based compensation	160,274	-
		-
Balance, December 31, 2007	160,274	-

10. FINANCIAL INSTRUMENTS

(a) Fair values

The fair values of accounts receivable, accounts payable and accrued liabilities approximate their carrying value due to the relatively short-term maturity of these financial instruments.

The fair value of the long-term debt approximates its carrying value. The fair value estimation of the shareholder loan and the marketable securities is not possible.

(b) Credit risk

Virtually all of the Corporation's accounts receivable are with companies in the petroleum and natural gas industry in Canada and are subject to normal industry credit risks. The Corporation generally extends unsecured credit to these companies and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by the size and reputation of the companies to which they extend credit. The Corporation's maximum credit risk exposure is limited to the carrying value of its accounts receivable.

(c) Commodity price risk

The nature of the Corporation's operations results in exposure to fluctuations in commodity prices. Management continuously monitors commodity prices and initiates instruments to manage exposure to these risks when it deems necessary. There were no commodity price risk contracts outstanding at December 31, 2007 or January 31, 2006.

(d) Interest Rate Risk

The Corporation manages its exposure to interest rate risk by entering into fixed rate loan agreements.

11. RELATED PARTY TRANSACTIONS

During the year, the Corporation incurred $17,000 (January 31, 2007 - $nil) of capital costs, $2,085 (January 31, 2007 - $9,771) of operating costs and $165,000 (January 31, 2007 - $nil) of administrative costs from a corporation controlled by the majority shareholder. Included in accounts payable is $10,600 (January 31, 2007 - $107,164) due to this corporation.

During the year, the Corporation incurred $300,124 (January 31, 2007 - $29,007) of capital costs and $106,530 (January 31, 2007 - $83,497) of operating costs relating to pipeline and facility rental fees. These costs were recovered from a corporation controlled by the majority shareholder. Included in accounts payable is $1,268 (January 31, 2007 - $174,937) due to this corporation and included in accounts receivable is $300,069 (January 31, 2007 - $nil) due from this corporation which was received subsequent to year end.

A corporation controlled by the majority shareholder has a working interest in some of the wells that Forent operates. The current balance in accounts receivable is $6,108 (January 31, 2007 - $6,008).

In prior years, a loan was advanced to a corporation controlled by the majority shareholder. The current balance in accounts receivable is $3,000 (January 31, 2007 - $3,000).

These transactions were undertaken in the normal course of business and were measured at the monetary exchange amount which is the amount of consideration established, agreed to and paid by the related parties based on standard commercial terms.

12. SHAREHOLDER LOAN

The due to shareholder balance of $29,651 (January 31, 2007 – $53,875) comprises unsecured loans due to a shareholder. The amounts are due on demand and bear no interest.

13. COMMITMENTS

Subsequent to year end, the Corporation entered into an exploration agreement with the government of Nova Scotia committing to spend $2,070,000 of exploration expenditures by April 30, 2010.

14. SUBSEQUENT EVENTS

On August 19, 2008, the Corporation completed a private placement whereby the Corporation issued 3,048,700 flow-through units at a price of $1.15 per unit for total proceeds of $3,506,005. Each unit consisted of one common share to be issued on a flow-through basis, one-tenth of a common share purchase warrant and one liquidity warrant that will convert into one tenth of a common share should the company not be a public company by year end. Each whole common share purchase warrant may be exercised to acquire one common share of the Corporation at a price of $1.10 for a period of 12 months from the date of the listing of the Corporation on a recognized stock exchange.

In connection with the offering, the agents received a 5% cash commission and broker warrants equaling 5% of the total transaction value for a total of 175,300 warrants. These warrants are exercisable at $1.00 for a period of 12 months from the date of the listing of the Corporation on a recognized Canadian stock exchange.