
GOLD POINT ENERGY CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2007

(Expressed in Canadian dollars unless otherwise stated)
(Unaudited - Prepared by Management)

**MANAGEMENT'S COMMENTS ON UNAUDITED
INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited interim consolidated financial statements of Gold Point Energy Corp. for the six months ended June 30, 2007 have been prepared by and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

GOLD POINT ENERGY CORP.
INTERIM CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian dollars unless otherwise stated)
(Unaudited - Prepared by Management)

	June 30, 2007 \$	December 31, 2006 \$
ASSETS		
CURRENT ASSETS		
Cash	3,852,255	2,773,678
Amounts receivable	91,180	23,082
Prepays and deposits	<u>44,911</u>	<u>37,956</u>
	3,988,346	2,834,716
CAPITAL ASSETS , net of accumulated depreciation of \$5,166 (2006 - \$4,070)	21,696	20,605
OIL AND GAS PROPERTIES (Note 4)	4,278,261	3,020,110
OTHER ASSETS (Note 5)	<u>84,090</u>	<u>91,094</u>
	<u><u>8,372,393</u></u>	<u><u>5,966,525</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	137,013	1,529,445
Drilling advances	50,684	306,513
Asset retirement obligation (Note 6)	<u>36,707</u>	<u>36,707</u>
	<u>224,404</u>	<u>1,872,665</u>
COMMITMENTS (Notes 4 and 10)		
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 7)	13,886,031	8,025,452
SHARE SUBSCRIPTIONS (Note 7(a))	-	86,000
CONTRIBUTED SURPLUS (Note 9)	1,919,344	863,259
DEFICIT	<u>(7,657,386)</u>	<u>(4,880,851)</u>
	<u>8,147,989</u>	<u>4,093,860</u>
	<u><u>8,372,393</u></u>	<u><u>5,966,525</u></u>

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

APPROVED BY THE DIRECTORS

"Jack Steinhauer" , Director

"Nick DeMare" , Director

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

GOLD POINT ENERGY CORP.
INTERIM CONSOLIDATED STATEMENTS OF LOSS

(Expressed in Canadian dollars unless otherwise stated)

(Unaudited - Prepared by Management)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
REVENUES				
Petroleum and natural gas sales	56,472	-	111,827	-
Gain on sale of oil and gas properties	-	18,931	-	722,165
	<u>56,472</u>	<u>18,931</u>	<u>111,827</u>	<u>722,165</u>
EXPENSES				
Impairment of oil and gas properties	289,582	-	300,937	-
General and administrative	460,517	296,209	894,381	801,062
Operating costs	34,023	24,420	58,883	64,199
Exploration	99,012	173,864	493,328	253,661
Depreciation, depletion and amortization	14,993	-	57,455	-
Dry-hole costs	-	97,170	246,862	767,442
Stock-based compensation (Note 8)	726,075	48,180	735,075	174,890
	<u>1,624,202</u>	<u>639,843</u>	<u>2,786,921</u>	<u>2,061,254</u>
LOSS FROM OPERATIONS	<u>(1,567,730)</u>	<u>(620,912)</u>	<u>(2,675,094)</u>	<u>(1,339,089)</u>
OTHER ITEMS				
Interest and other income	35,519	32,349	50,244	53,232
Foreign exchange	(170,209)	(121,280)	(151,685)	(172,360)
	<u>(134,690)</u>	<u>(88,931)</u>	<u>(101,441)</u>	<u>(119,128)</u>
NET AND COMPREHENSIVE LOSS FOR THE PERIOD	<u>(1,702,420)</u>	<u>(709,843)</u>	<u>(2,776,535)</u>	<u>(1,458,217)</u>
BASIC AND DILUTED LOSS PER SHARE	<u>\$(0.05)</u>	<u>\$(0.04)</u>	<u>\$(0.09)</u>	<u>\$(0.10)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u>36,560,935</u>	<u>16,326,782</u>	<u>29,438,054</u>	<u>14,790,575</u>

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

GOLD POINT ENERGY CORP.
INTERIM CONSOLIDATED STATEMENTS OF DEFICIT

(Expressed in Canadian dollars unless otherwise stated)
(Unaudited - Prepared by Management)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
DEFICIT - BEGINNING OF PERIOD	(5,954,966)	(15,260,522)	(4,880,851)	(14,512,148)
ELIMINATION OF DEFICIT	<u>-</u>	<u>13,116,441</u>	<u>-</u>	<u>13,116,441</u>
	(5,954,966)	(2,144,081)	(4,880,851)	(1,395,707)
NET LOSS FOR THE PERIOD	<u>(1,702,420)</u>	<u>(709,843)</u>	<u>(2,776,535)</u>	<u>(1,458,217)</u>
DEFICIT - END OF PERIOD	<u><u>(7,657,386)</u></u>	<u><u>(2,853,924)</u></u>	<u><u>(7,657,386)</u></u>	<u><u>(2,853,924)</u></u>

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

GOLD POINT ENERGY CORP.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars unless otherwise stated)
(Unaudited - Prepared by Management)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
CASH PROVIDED FROM (USED FOR)				
OPERATING ACTIVITIES				
Net and comprehensive loss for the period	(1,702,420)	(709,843)	(2,776,535)	(1,458,217)
Adjustment for items not affecting cash				
Depreciation, depletion and amortization	14,993	431	57,455	862
Impairment of oil and gas properties	289,582		300,937	
Corporate finance fee	-	-	-	40,000
Dry-hole costs	-	(71,943)	246,862	598,329
Gain on sale of oil and gas properties	-	(18,931)	-	(722,165)
Stock-based compensation	726,075	48,180	735,075	174,890
	(671,770)	(752,106)	(1,436,206)	(1,366,301)
Decrease (increase) in amounts receivable	33,021	(2,810)	(68,098)	(11,185)
Increase in prepaids and deposits	(3,750)	(7,766)	(6,955)	(32,446)
Decrease in accounts payable and accrued liabilities	(740,157)	(66,314)	(1,392,432)	(24,080)
Increase (decrease) in drilling advances	(255,829)	8,870	(255,829)	161,470
	(1,638,485)	(820,126)	(3,159,520)	(1,272,542)
INVESTING ACTIVITIES				
Proceeds on sale of oil and gas properties	-	18,931	-	1,122,047
Additions to capital assets	(2,187)	-	(2,187)	(874)
Oil and gas properties expenditures	(1,374,181)	(1,309,041)	(1,862,309)	(1,582,183)
Other assets	7,341	(33,165)	7,004	(45,674)
	(1,369,027)	(1,323,275)	(1,857,492)	(506,684)
FINANCING ACTIVITIES				
Issuance of common shares	6,507,850	516,875	6,835,850	4,474,875
Share issue costs	(676,676)	530	(740,261)	(346,950)
	5,831,174	517,405	6,095,589	4,127,925
INCREASE (DECREASE) IN CASH DURING THE PERIOD	2,823,662	(1,625,996)	1,078,577	2,348,699
CASH - BEGINNING OF PERIOD	1,028,593	4,506,200	2,773,678	531,505
CASH - END OF PERIOD	3,852,255	2,880,204	3,852,255	2,880,204

SUPPLEMENTAL CASH FLOW INFORMATION - Note 13

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

GOLD POINT ENERGY CORP.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited - Prepared by Management)

1. NATURE OF OPERATIONS AND GOING CONCERN

Gold Point Energy Corp. ("the Company") is an independent oil and gas exploration company and its petroleum activities are currently conducted in the United States and Argentina. These interim consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

As at June 30, 2007, the Company had a net loss of \$2,776,535 and accumulated deficit of \$7,657,386. The Company's current revenues, cash balances and working capital are not sufficient to fund all of its obligations with respect to its ongoing work program requirements related to its oil and gas properties (Note 3). The Company's ability to meet its obligations and continue as a going concern is dependent upon its ability to obtain additional financing, the discovery, development or sale of oil and gas reserves and achievement of profitable operations. The Company is planning to meet its future expenditures and obligations through the development of proven reserves, raising funds through private placements or by farm-outs of oil and gas properties. It is not possible to predict whether these efforts will be successful or whether the Company will attain profitable levels of operation.

Accordingly, the interim consolidated financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The interim consolidated financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality. These interim consolidated financial statements should be read in conjunction with the most recent annual consolidated financial statements. The significant accounting policies follow that of the most recently reported annual consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2007 the Company has adopted two new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

Financial Instruments - Recognition and Measurement (Section 3855)

In accordance with this new standard, the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held-for-trading, loans and receivables, or other financial liabilities. Financial

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3. CHANGES IN ACCOUNTING POLICIES (continued)

assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized on the statement of loss.

Upon adoption of this new standard, the Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Exploration advances and other receivables are classified as 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. As at June 30, 2007, the Company did not have any financial assets classified as available-for-sale and therefore the adoption of the standards noted above had no effect on the presentation of the Company's financial statements.

Comprehensive Income (Section 1530)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, the Company now reports a statement of comprehensive income and a new category, accumulated other comprehensive income, in the shareholders' equity section of the balance sheet. The components of this new category will include unrealized gains and losses on financial assets classified as available-for-sale.

4. OIL AND GAS PROPERTIES

	June 30, 2007 \$	December 31, 2006 \$
Database	173,340	173,340
Unproved leasehold costs	1,009,317	694,588
Drilling in progress	3,249,740	1,947,926
Proved leasehold costs	<u>558,052</u>	<u>558,052</u>
	4,990,449	3,373,906
Accumulated depletion, amortization and impairment	<u>(712,188)</u>	<u>(353,796)</u>
	<u><u>4,278,261</u></u>	<u><u>3,020,110</u></u>

(a) Costs of unproved properties excluded from costs subject to depletion and depreciation at June 30, 2007 were \$4,259,057.

(b) The Company acquired a 100% interest in a leasehold covering approximately 60,800 acres and 135 miles of 3-D seismic data in South Cedar Creek, Harding County, South Dakota ("South Cedar Creek Project").

On October 18, 2005, as amended November 17, 2005 and December 2, 2005, the Company entered into an exploration and development agreement with Spyglass Cedar Creek, LP ("Spyglass"), an arm's-length party, to jointly develop the South Cedar Creek Project. Under the terms of the agreement, Spyglass paid the Company a total of US \$1,122,381 for, amongst other items, a 70% working interest in the South Cedar Creek Project, with the Company retaining the remaining 30% working interest. The Company and Spyglass propose to drill five exploratory test wells. After

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4. OIL AND GAS PROPERTIES (continued)

project payout on the first five wells, and in any subsequent wells, the Company will have a 47.5% working interest and Spyglass will have a 52.5% working interest.

The Company has assigned an overriding royalty interest, ranging from 0.5% to 1.5%, on the South Cedar Creek Project to the President of the Company as a condition of his engagement as the President of the Company.

- (c) The Company acquired a 95% interest, with Silver Tip Energy LLC (“Silver Tip”) holding a 5% interest, in leases totalling 50,325 acres in the North Short Pine Hills Oil and Gas Exploration Project (“North Short Pine Hills Project”), located in South Dakota.

Effective January 25, 2006, the Company entered into an exploration and development agreement with Spyglass NSPH, LLC (“Spyglass NSPH”) and Silver Tip, entities which are arm’s-length to the Company, to jointly develop the North Short Pine Hills Project. Under the terms of the agreement, the Company assigned a 25% working interest to Spyglass NSPH for \$494,785 (US \$376,071), after adjustments, with the Company retaining the remaining 70% working interest.

On the first two wells to be drilled, the Company will have a 61.67% working interest (70% after payout), Spyglass NSPH will have a 33.33% working interest (25% after payout) and Silver Tip will have a 5% working interest.

- (d) On August 8, 2006, the Company entered into a letter of intent with Petrolero del Comahue S.A. (“PDC”), which was subsequently superseded in November 2006 by two farm-in agreements, whereby the Company can earn a 50% interest in the 292 square kilometre General Roca Block and the 66.5 square kilometre Blanco de los Olivivos Block, located on the southeastern flank of the Neuquen Basin in Rio Negro Province, Argentina, by funding 100% of an estimated US \$6 million program. As at June 30, 2007, the Company has earned a 12.5% interest in two wells.

Subsequent to June 30, 2007, the Company announced the cancellation of the farm-in agreements, due to PDC’s inability to obtain an extension from the Province of Rio Negro to the underlying concession. The Company wrote-off, as at June 30, 2007, \$289,582 (US \$247,168) of seismic data processing costs incurred on the property.

- (e) On October 4, 2006, the Company entered into a farm-out agreement with APCO Argentina Inc. (“APCO”) and Antrim Argentina S.A. (“Antrim”) to earn a 25% working interest in the Martinez del Tineo Oeste Prospect (the “Martinez Project”) in the Yacimiento Norte 1/B Block in Salta Province, Argentina by funding 50% of Phases 1 and 2 of the work program. The Martinez Project covers approximately 54 square kilometres of the 2,023 square kilometres that comprise the total Capricorn License.

Under the terms of the farm-out agreement the Company has committed to pay US \$500,000 for Phase 1 and US \$1.0 million for Phase 2. If costs exceed the estimated costs, then the Company will be obligated to fund 50% of the first US \$100,000 in excess costs under Phase 1 and the first US \$200,000 in excess costs under Phase 2. Thereafter, the Company will be obligated to fund only 25%.

During fiscal 2006, the Company advanced \$576,500 (US \$500,000) to APCO and Antrim for the first stage of its obligations under the farm-out agreement.

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5. OTHER ASSETS

	June 30, 2007 \$	December 31, 2006 \$
Rent deposit	-	7,341
Deposit (Note 10)	15,000	15,000
Exploration bonds	69,090	68,753
	<u>84,090</u>	<u>91,094</u>

6. ASSET RETIREMENT OBLIGATION

	June 30, 2007 \$	December 31, 2006 \$
Balance, beginning of period	36,707	-
Obligations incurred during the period	-	36,707
Balance, end of period	<u>36,707</u>	<u>36,707</u>

The Company has obligations to plug and abandon petroleum and natural gas wells at the end of their useful lives. The reclamation obligation incurred during fiscal 2006 relate to the Woody Creek Prospect. The Company expects to complete the reclamation obligation in mid 2007. The reclamation liability may be subject to change based on management's estimate of reclamation costs, changes in remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur.

7. SHARE CAPITAL

Authorized - unlimited common shares without par value

Issued:	Six Months Ended June 30, 2007		Year Ended December 31, 2006	
	Shares	\$	Shares	\$
Balance, beginning of period	21,685,507	8,025,452	12,010,757	15,632,292
Reduction of capital	-	-	-	(13,116,441)
	<u>21,685,507</u>	<u>8,025,452</u>	<u>12,010,757</u>	<u>2,515,851</u>
Issued during the period				
For cash				
Private placements	19,628,858	6,921,850	8,430,000	5,718,000
Exercise of warrants	-	-	1,133,750	564,875
For corporate finance fee	-	-	111,000	55,620
	<u>19,628,858</u>	<u>6,921,850</u>	<u>9,674,750</u>	<u>6,338,495</u>
Less share issue costs	-	(1,061,271)	-	(828,894)
	<u>19,628,858</u>	<u>5,860,579</u>	<u>9,674,750</u>	<u>5,509,601</u>
Balance, end of period	<u>41,314,365</u>	<u>13,886,031</u>	<u>21,685,507</u>	<u>8,025,452</u>

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7. SHARE CAPITAL (continued)

(a) During the six months ended June 30, 2007, the Company:

- i) completed the remaining tranche of the brokered private placement and issued 285,000 units for gross proceeds of \$114,000. Each unit comprised one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share at a price of \$0.50 per share on or before January 25, 2009. The Company paid a cash commission of \$9,120 and issued agent's warrants to purchase 22,800 shares at a price of \$0.50 per share on or before January 25, 2009. The Company incurred \$37,803 in legal and other costs on the private placement.

The fair value of the agent's warrants have been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield - 0%; expected volatility - 82%; a risk-free interest rate of 4.07%; and an expected life of 2 years. The value assigned to the agent's warrants was \$4,104.

As at December 31, 2006, the Company had received \$86,000 of share subscriptions on the private placement.

- ii) completed a non-brokered private placement and issued 750,000 units for gross proceeds of \$300,000. Each unit comprised one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share at a price of \$0.50 per share on or before February 9, 2009. The Company incurred \$16,661 in legal and other costs on the private placement; and
- iii) completed a brokered private placement with Union Securities Ltd. (the "Agent") for 18,593,858 units ("Units") at \$0.35 per unit for gross proceeds of \$6,507,850. Each Unit comprised one common share and one transferable common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at an exercise price of \$0.45 per share on or before April 24, 2009.

In consideration for the services provided by the Agent, the Company paid the Agent \$519,508 in cash commission, a \$10,000 work fee, and granted 1,859,386 compensation options (the "Compensation Options") entitling the Agent to acquire 1,859,386 units (the "Compensation Option Units") at a purchase price of \$0.35 per Compensation Option Unit for a period of two years. Each Compensation Option Unit comprised one common share and one non-transferable common share purchase warrant (a "Compensation Warrant"). Each Compensation Warrant entitles the holder to acquire one common share at an exercise price of \$0.45 per share for a period of two years.

The fair value of the agent's options have been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield - 0%; expected volatility - 89%; a risk-free interest rate of 4.07%; and an expected life of 2 years. The value assigned to the agent's options was \$316,906.

The Company incurred \$156,289 in legal and other costs on the private placement.

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7. SHARE CAPITAL (continued)

- (b) A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at June 30, 2007 and 2006 and the changes for the six months ending on those dates is as follows:

	<u>Six Months Ended June 30, 2007</u>		<u>Six Months Ended June 30, 2006</u>	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	10,329,400	0.66	4,269,250	0.50
Issued	19,651,658	0.45	2,253,800	1.24
Exercised	-	-	(1,133,750)	0.50
Expired	<u>(2,223,000)</u>	0.48	<u>(12,500)</u>	0.50
Balance, end of period	<u><u>27,758,058</u></u>	0.53	<u><u>5,376,800</u></u>	0.81

The following table summarizes information of the number of common shares reserved pursuant to the warrants outstanding and exercisable at June 30, 2007:

Number	Exercise Price \$	Expiry Date
900,000	0.55	September 20, 2007
712,500	1.25	February 28, 2008
114,000	1.15	February 28, 2008
1,242,500	1.25	March 7, 2008
184,800	1.15	March 7, 2008
4,952,600	0.50	December 28, 2008
307,800	0.50	January 25, 2009
750,000	0.50	February 8, 2009
18,578,858	0.45	April 24, 2009
<u>15,000</u>	0.45	May 1, 2009
<u><u>27,758,058</u></u>		

8. STOCK OPTIONS AND STOCK-BASED COMPENSATION

The Company has established a rolling stock option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV. During the six months ended June 30, 2007, the Company granted 2,316,500 (2006 - 453,000) stock options to directors, employees and consultants, and recognized compensation expense of \$536,420 (2006 - \$174,890).

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8. STOCK OPTIONS AND STOCK-BASED COMPENSATION (continued)

The fair value of stock options granted to directors and consultants is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for the grants made during the six months ended June 30, 2007 and 2006:

	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Risk-free interest rate	4.07%	3.80% - 4.07%
Estimated volatility	82% - 89%	96% - 105%
Expected life	3 years	1.5 years - 2.5 years
Expected dividend yield	0%	0%

The weighted average fair value of all stock options granted during the six months ended June 30, 2007 to the Company's directors, employees and consultants was \$0.23 (2006 - \$0.39) per option.

During the six months ended June 30, 2007, the Company also extended the terms of 914,500 existing stock options which were to expire from February 1, 2008 to July 4, 2008, to now expire on December 31, 2008. Furthermore, the Company amended the exercise prices of 656,000 existing stock options, with original exercise prices ranging from \$0.70 to \$1.00 per share, to an amended price of \$0.40 per share. The fair value of the extensions and amendments to the stock options have been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield - 0%; expected volatility - 89%; a risk-free rate of 4.07%; and an expected life ranging from 1.5 years to 3 years. The value assigned to the extension and amendments of the stock options was \$198,655

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

A summary of the Company's stock options at June 30, 2007 and 2006 and the changes for the six months ended on those dates is presented below:

	Six Months Ended June 30, 2007		Six Months Ended June 30, 2006	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	1,695,500	0.38	1,184,500	0.46
Granted	2,316,500	0.40	453,000	0.99
Cancelled /Expired	<u>(25,000)</u>	0.88	<u>(250,000)</u>	1.00
Balance, end of period	<u>3,987,000</u>	0.38	<u>1,387,500</u>	0.54

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(Unaudited - Prepared by Management)

8. STOCK OPTIONS AND STOCK-BASED COMPENSATION (continued)

The following table summarizes information about the stock options outstanding and exercisable at June 30, 2007:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
100,000	100,000	0.24	August 24, 2007
400,000	400,000	0.36	December 31, 2008
40,000	40,000	0.36	December 31, 2008
245,500	245,500	0.45	December 31, 2008
229,000	229,000	0.38	December 31, 2008
60,000	60,000	0.40	September 25, 2008
161,000	161,000	0.40	March 17, 2009
2,000	2,000	0.40	April 21, 2009
30,000	30,000	0.40	June 21, 2009
38,000	38,000	0.40	August 2, 2009
160,000	40,000	0.40	February 20, 2010
165,000	165,000	0.40	September 27, 2010
200,000	200,000	0.40	July 4, 2011
<u>2,156,500</u>	<u>2,156,500</u>	0.40	May 2, 2012
<u><u>3,987,000</u></u>	<u><u>3,867,000</u></u>		

9. CONTRIBUTED SURPLUS

Contributed surplus for the six months ended June 30, 2007 and 2006 is comprised of the following:

	Six Months Ended June 30, 2007 \$	Six Months Ended June 30, 2006 \$
Balance, beginning of period	863,259	278,335
Stock-based compensation (Note 8)	735,075	174,890
Stock-based compensation on agent's options and warrants (Notes 7(a)(i) and (iii))	<u>321,010</u>	<u>122,508</u>
Balance, end of period	<u><u>1,919,344</u></u>	<u><u>575,733</u></u>

10. COMMITMENTS

The Company has engaged Grosso Group Management Ltd. (the "Grosso Group") to provide general administrative support and corporate development services to the Company. The Grosso Group is a private corporation which was incorporated to provide geological, corporate development, administrative and management services to the Company and other public companies which have certain common directors, officers and shareholders. The Grosso Group intends to provide its services to its clients on a cost recovery basis. The Grosso Group is owned by its client companies, each of which owns one share.

GOLD POINT ENERGY CORP.
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(Expressed in Canadian dollars unless otherwise stated)
(Unaudited - Prepared by Management)

10. COMMITMENTS (continued)

During the six months ended June 30, 2007, the Company was billed a total of \$143,500 (2006 - \$80,814) by the Grosso Group. As at June 30, 2007, \$16,163 (2006 - \$44,176) remains outstanding and is included in accounts payable and accrued liabilities. The Company has also paid a deposit of \$15,000 to the Grosso Group.

11. RELATED PARTY TRANSACTIONS

(a) During the six months ended June 30, 2007 the Company:

- i) was charged \$36,275 (2006 - \$36,881) for accounting, management and administrative services provided by a director and Chase Management Ltd. ("Chase") a private corporation owned by a director of the Company; and
- ii) paid a total of \$78,878 (2006 - \$94,601) for compensation, management fees, bonus and benefits to the President of the Company in his capacity as President. See also Note 4(b).

(b) See also Note 10.

Unless otherwise stated, related party transactions are measured at the exchange amount, being the amount of consideration established and agreed to by the related parties.

12. SEGMENTED INFORMATION

As of June 30, 2007, the Company holds oil and gas interests in the United States and Argentina and its corporate assets are located in Canada. Identifiable assets, revenues and net loss in each of these geographic areas are as follows:

	<u>June 30, 2007</u>			<u>December 31, 2006</u>		
	<u>Identifiable Assets</u> \$	<u>Revenues</u> \$	<u>Net Income (Loss)</u> \$	<u>Identifiable Assets</u> \$	<u>Revenues</u> \$	<u>Net Income (Loss)</u> \$
Argentina	1,929,814	111,827	(308,563)	1,027,778	9,080	(424,563)
United States	2,783,602	-	(825,899)	2,365,569	722,165	(1,543,596)
Canada	<u>3,658,977</u>	<u>-</u>	<u>(1,642,073)</u>	<u>2,573,178</u>	<u>-</u>	<u>(1,516,985)</u>
	<u>8,372,393</u>	<u>111,827</u>	<u>(2,776,535)</u>	<u>5,966,525</u>	<u>731,245</u>	<u>(3,485,144)</u>

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13. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash operating and financing activities were conducted by the Company during the six months ended June 30, 2007 and 2006 as follows:

	Six Months Ended June 30, 2007 \$	Six Months Ended June 30, 2006 \$
Operating activities		
Corporate finance fee	-	(40,000)
Financing activities		
Shares issued for non-cash consideration	-	162,500
Contributed surplus	321,010	-
Share issue costs financed through broker and finder warrants	(321,010)	(122,508)
	<u>-</u>	<u>40,000</u>

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial instruments at June 30, 2007, were estimated based on relevant market information and the nature and terms of financial instruments. Management is not aware of any factors which would significantly affect the estimated fair market amounts, however, such amounts have not been comprehensively revalued for purposes of these financial statements. Disclosure subsequent to the balance sheet dates and estimates of fair value at dates subsequent to June 30, 2007, may differ significantly from that presented.

Fair value approximates the amounts reflected in the financial statements for cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities.

The Company may be subject to currency risk due to the fluctuations of exchange rates between the Canadian dollar and other foreign currencies. However, the Company is not subject to significant interest and credit risks arising from these instruments.

GOLD POINT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30, 2007

Background

This discussion and analysis of financial position and results of operation is prepared as at August 27, 2007 and should be read in conjunction with the unaudited interim consolidated financial statements for the six months ended June 30, 2007 and audited consolidated financial statements for the years ended December 31, 2006 and 2005 of Gold Point Energy Corp. (the "Company") where necessary. Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities, can be found on SEDAR at www.sedar.com.

Company Overview

The Company is an independent oil and gas exploration and development company with oil and gas interests in Western United States and Argentina. The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange ("TSXV") under the symbol "GPE".

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Property Updates

South Cedar Creek Anticline Project

Location:	Harding County, South Dakota
Acreage:	60,319 gross / 28,562 net acres
Working Interest:	BPO 30%; APO 47.5%
Operator:	Spyglass Cedar Creek, LP

The South Cedar Creek Anticline Project located in Harding County, South Dakota, was the first project undertaken by the Company after Jack Steinhauser joined the Company as President and CEO in 2005. As part of his agreement to join the Company, Mr. Steinhauser was assigned a 0.5%-1.5% overriding royalty interest in the Project.

The Company, through its wholly-owned subsidiary, GPE Energy Inc., entered into an exploration and development agreement (as amended November 17, 2005 and December 2, 2005) (collectively the "Spyglass E&D Agreement") with Spyglass Cedar Creek, LP ("Spyglass") of New Braunfels, Texas, to jointly develop the South Cedar Creek Anticline Project.

Under the terms of the Spyglass E&D Agreement, Spyglass was obliged to drill five exploratory test wells on the Project leasehold. Spyglass has fulfilled this commitment. As a result, the Company has a 30% cost and working interest in these five wells and Spyglass has 70%. After project payout of the first five wells, and in all subsequent wells, the Company has a 47.5% working interest and Spyglass has 52.5%.

Spyglass is one of a series of LPs managed by Karen Christensen, Kevin Sellers and March Kimmel. This group combines a high level of technical expertise through Ms. Christensen (formerly a successful exploration manager with Conoco and Venaco), with extensive financial experience provided by Messrs. Sellers and Kimmel.

The South Cedar Creek Anticline Project is an exploratory oil and gas project located along the southern extension of the 70 mile long Cedar Creek Anticline, with potential for gas in the Cretaceous and oil in the Paleozoic sections. The Project is strategically located in a region where historical production includes: Cedar Creek Anticline (769 MMBO and 470 BCFG), Buffalo Field (29.3 MMBO) and West Short Pine Hills Field (23 BCFG).

The Company controls a leasehold position on the South Cedar Creek Anticline Project that consists of 60,319 gross and 28,652 net acres. Technical support for the Project comes from a combination of geophysical data and interpretation and geologic studies that define up to 14 different zones prospective for oil and gas, at depths of 1,500 to 9,000 feet. There are 16 square miles of 3-D seismic data and 141 miles of existing 2D data that define the location and extent of the existing oil and gas traps. The 141 miles of proprietary 2-D seismic data includes 28 miles of seismic acquired in Q1-07 with plans for acquisition of an additional 18 miles in Q2-07.

Five initial exploratory wells were drilled in this project starting in 2006 and ending in early 2007. All five wells have been cased based upon oil and gas shows encountered during drilling in combination with promising log readings. Two of these wells have been tested for gas production from perforations in the shallow Shannon formation at rates indicative of commercial potential, both confirming separate new field gas discoveries.

A five well appraisal program of the Shannon play was drilled in May, 2007. This appraisal program was intended to demonstrate the economic viability of the Shannon play on project leasehold. All five wells were cased and completed. In July of 2007 the seven Shannon wells were tested at a combined, natural rate of 1.8 million cubic feet of gas per day.

The Project leasehold is 12 miles to the east of a 16-inch gas north-south pipeline with available take-away capacity that can provide access to North American gas markets. The projected cost for a connecting pipeline and gathering system with compression is US \$4 million.

At the present time the Company is evaluating the development plan and economics for a full-scale development of the Shannon play on the South Cedar Creek Anticline Project leasehold.

North Short Pine Hills Prospect

Location:	Harding County, South Dakota
Acreage:	47,335 gross / 33,135 net acres
Working Interest:	BPO 61.667% / APO 70%
Operator:	GPE Energy Inc.

On January 25, 2006, the Company, through its wholly-owned subsidiary, entered into an exploration and development agreement (the "Spyglass Silver Tip Agreement") with Spyglass NSPH, LLC of Phoenix, Arizona ("Spyglass") and Silver Tip Energy, LLC of Red Lodge, Montana ("Silver Tip") to jointly develop the North Short Pine Hills Prospect.

A two-well drill program costing approximately US \$0.6 million was drilled in 2006 on the Prospect leasehold. The Company has a 61.667% working interest in these two wells, Spyglass has 33.333% and Silver Tip has 5%. On subsequent wells the Company will have a 70% working interest, Spyglass will have 25% and Silver Tip will have 5%. The Company is the operator of all wells drilled for the North Short Pine Hills Prospect.

The North Short Pine Hills Project is an exploratory oil and gas project located west of the southern extension of the 70 mile long Cedar Creek Anticline, with potential for gas in the Cretaceous and oil in the Paleozoic sections. The Company's acreage position is strategically located in close proximity to existing gas production. Just to the south and west of the Project is the West Short Pine Hills Field that has produced 23 Bcf gas from the Shannon formation at depths of 1,000 to 1,500 feet.

Technical support for the Project comes from a combination of geophysical data and interpretation and geologic studies. Current exploration efforts are focused on developing gas from shallow Cretaceous zones.

Two wells were drilled in 2006, the first of which was plugged and abandoned, and the second which was cased, based upon shows encountered while drilling plus log interpretation. The State #32-1 well has been cased based upon indications of gas pay in the Carlisle zone at approximately 2,500 feet. Evaluation of the Carlisle zone is planned for late 2007. If successful, additional wells will be drilled to the Carlisle.

Saddle Butte Prospect

Location: Harding County, South Dakota
Acreage: 5,156 gross / 1,933 net acres
Working Interest: BPO 37.5%; APO 37.5%
Operator: GPE Energy Inc.

On May 1, 2006 the Company, through its wholly-owned subsidiary, entered into an exploration and development agreement with Silver Tip Energy, LLC of Red Lodge, Montana (“Silver Tip”) to jointly develop the Saddle Butte Prospect, which prospect is a southern extension of the Cedar Creek Anticline in Harding County, South Dakota. The Company has amended and re-stated the exploration and development agreement to include Grizzly Energy, LLC as the operator and an additional working interest partner. The Company has a working interest of 37.5%, Grizzly Energy has 37.5%, and Silver Tip has 25%.

The Company has committed to acquiring 2D seismic and other Geoscience Data within the Project Area in order to explore for, delineate, and define the possible existence of structural closures along the crest of the anticline; determining whether to drill a test well or wells, and acquiring additional mineral interests within the Saddle Butte prospect area.

Woody Creek Prospect

Location: Big Horn County, Crow Tribal Lands, Montana
Acreage: 1,840 gross and 736 net acres
Working Interest: 70%
Operator: GPE Energy Inc.

An initial exploratory well was drilled to evaluate the Tensleep formation and a decision was made to plug and abandon the well due to insufficient development of the reservoir facies. Based upon the initial well result no additional wells are planned and the Company has relinquished its Indian Mineral Development Act Oil and Gas Exploration Lease with the Crow Indian Tribe.

The Company is working through the reclamation process on the land and well site with the Federal Bureau of Land Management and the Bureau of Indian Affairs and expects conclusion in the late spring of 2008.

Kaycee Dome Prospect

Location: Johnson County, Wyoming
Acreage: 1,597 gross and 558.95 net acres
Working Interest: 35%
Operator: GPE Energy Inc.

In late 2006, early 2007, a well was drilled in the Kaycee Dome Prospect to the primary objective is the Tensleep formation at 1720 feet of depth. Based upon oil shows encountered during drilling plus interpretation of logs by an independent professional petrophysicist, a decision was made to set casing and attempt a completion. Production testing indicated the well was not capable of commercial oil production.

The Company has sold its interest in the Prospect to other working interest partners and is pending completion paperwork from the Federal Bureau of Land Management to close out its interest.

Capricorn License Farm-In

Location: Yacimiento 1/B Block, Salta Province, Argentina
Acreage: 500,000 gross acres
Working Interest: Option to earn a 25% working interest in all or portions of the Block
Operator: APCO Argentina Inc. (Sucursal Argentina)

The Company has entered into a farm-out agreement dated October 4, 2006 with APCO and Antrim Argentina S.A. to earn a 25% interest in portions of the Yacimiento Norte 1/B Block, also known as the Capricorn License, in Salta Province, Argentina.

The Capricorn License is strategically located along an oil producing trend in the Yacoraite sandstone. It is situated adjacent to the Puesto Guardian Block which has estimated ultimate production of 22 MMBO from the upper Cretaceous Yacoraite in five fields according to reserve estimates maintained by the Argentine Secretariat of Energy. The Company's strategy is to utilize 3-D seismic to guide a drilling program in search of any extensions of the hydrocarbon bearing Yacoraite sandstone onto the Capricorn License.

Under the terms of the farm-out agreement the Company has committed to pay 50% of a US \$1 million, 60 square kilometer 3-D seismic program (Phase 1) plus 50% of a US \$2 million, 2,300 meter exploration well (Phase 2) to earn a 25% working interest in the Martinez del Tineo Oeste Prospect. Exploration costs on the prospect after completion of Phase 1 and Phase 2 will be funded as to 25% by the Company and as to 75% by APCO/Antrim. The Martinez del Tineo Oeste Prospect covers approximately 54 square kilometers of the 4,050 square kilometers that comprise the total Capricorn License. This License was contracted to 2,023 square kilometers effective 1/1/07 under the requirements of the exploration license agreement, and will be contracted again by 50% at the end of 2007.

The Company has advanced US \$500,000 to fulfill its initial seismic program funding commitment. Field acquisition of the 3-D seismic data for the Martinez del Tineo Oeste Prospect was completed in Q3-06. The data has been processed and interpreted and a location selected for drilling scheduled in Q4-07. The Company has previously funded its US \$750,000 share of the drilling portion of the initial test well for the Martinez del Tineo Oeste Prospect.

On April 21, 2007 the Company committed to a second earning program in the Capricorn license consisting of a 3D seismic program of up to 150 square kilometers and the drilling of two wells in the Estacion Pizarro Area in the southern portion of the Capricorn license area. Under this earning program, the Company will earn a 25% interest in the Estacion Pizarro Area by funding 50% of the seismic program and the costs of two exploratory wells. The Estacion Pizarro Exploration Program was developed by APCO, the operator of the Capricorn license, based upon a combination of 2D seismic and geologic data which indicate the presence of two large structures that represent potential traps for oil in the Yacoraite.

Roca-Olivos Farm-Ins

Location:	General Roca and Blanco de los Olivos Blocks, Neuquen Basin, Rio Negro Province, Argentina
Acreage:	88,000 gross acres
Working Interest:	Option to earn a 50% working interest in all or portions of the Block
Operator:	Petrolera del Comahue S.A. of Buenos Aires, Argentina

The Company has entered two farm-in agreements to earn a 50% interest in the General Roca and Blancos de los Olivos Blocks located on the southeastern flank of the Neuquen Basin in Rio Negro Province, Argentina referred to herein as the "Roca-Olivos Farm-ins".

Under the terms of the first Roca-Olivos farm-in agreement, the Company earned a 12.5% interest of PDC's 90% interest in existing and future production of the Flor de Roca Field within the General Roca Block by funding a work over program on two wells. The work over program required by the first Roca-Olivos farm-in agreement was funded by the Company and completed on the AN-X-1 and GR-X-6 wells in Q4-06, resulting in a production rate of over 120 BOPD.

Under the terms of the second Roca-Olivos farm-in agreement, the Company could earn a 50% interest in PDC's 90% interest in both by completing a staged work program of seismic processing and interpretation and drilling estimated to cost US \$6.0 million. The Company has cancelled the second of two farm-in agreements with Petrolera del Comahue of Buenos Aires (PDC) due to delay of approval by the Province of Rio Negro of a proposed extension of the exploration license covering the General Roca and Blancos de los Olivos Blocks located on the southeastern flank of the Neuquen Basin in Rio Negro Province, Argentina.

Selected Financial Data

The following selected financial information is derived from the unaudited interim consolidated financial statements of the Company prepared in accordance with Canadian GAAP.

	Fiscal 2007		Fiscal 2006				Fiscal 2005	
	Jun 30 \$	Mar. 31 \$	Dec. 31 \$	Sept. 30 \$	Jun. 30 \$	Mar. 31 \$	Dec. 31 \$	Sept. 30 \$
Operations:								
Revenues	56,472	55,355	9,080	Nil	18,931	703,234	Nil	Nil
Expenses	(1,624,202)	(1,162,719)	(1,528,899)	(600,821)	(639,843)	(1,421,411)	(568,002)	(403,346)
Other items	(134,690)	33,249	67,069	26,644	(88,931)	(30,197)	6,051	(1,166)
Net income (loss)	(1,702,420)	(1,074,115)	(1,452,750)	(574,177)	(709,843)	(748,374)	(561,951)	(404,512)
Basic and diluted income (loss) per share	(0.05)	(0.05)	(0.09)	(0.03)	(0.04)	(0.06)	(0.06)	(0.04)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Balance Sheet:								
Working capital	3,763,942	223,751	962,051	2,116,727	2,665,557	4,223,533	410,617	257,264
Total assets	8,372,393	4,263,364	5,966,525	4,114,375	4,573,036	4,774,738	1,551,048	2,090,381
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Results of Operations

During the six months ended June 30, 2007 (the “2007 period”) the Company incurred a net loss of \$2,577,880, (\$0.09 per share) compared to a net loss of \$1,458,217 (\$0.10 per share) for the six months ended June 30, 2006 (the “2006 period”), an increase in loss of \$1,119,663.

General and administrative expenses for the six months ended June 30, 2007 and 2006 are as follows:

	2007 \$	2006 \$
Accounting and administrative	179,775	110,195
Audit	32,478	-
Consulting	162,843	227,832
Corporate development	59,438	8,572
Corporate finance fee	-	40,000
Delay rentals	44,538	-
Investor relations	-	28,974
Legal	49,028	111,051
Management fees	-	63,198
Office	50,715	29,718
Regulatory fees	9,198	9,067
Rent	21,852	20,082
Salaries and benefits	157,286	57,392
Transfer agent fees	8,132	6,390
Travel	119,098	88,591
	<u>894,381</u>	<u>801,062</u>

General and administrative expenses increased by \$93,319 from \$801,062 in the 2006 period to \$894,381 in the 2007 period. Specific expenses of note during the 2007 and 2006 periods are as follows:

- \$ the Company paid a total of \$78,878 (2006 - \$94,610) for salaries, management fees, bonuses and benefits to Mr. Jack Steinhäuser, the Company’s President and \$43,966 (2006 - \$18,480) for salaries to an administrative assistant;
- \$ the Company paid \$21,852 (2006 - \$20,082) for office rent on an executive office in Denver, Colorado and a mining office in Buenos Aires, Argentina;

- \$ the Company incurred \$36,275 (2006 - \$36,881) for accounting and administrative services provided by Chase Management Ltd. (“Chase”) a private corporation owned by Mr. Nick DeMare, a director of the Company;
- \$ incurred audit fees of \$32,478 on the audit of December 31, 2006 consolidated financial statements;
- \$ incurred \$53,411 (2006 - \$76,460) for consulting services provided by Trinity Petroleum Mgmt. LLC (“Trinity”). Trinity prepares monthly accounting information on the Company’s current oil and gas properties;
- \$ incurred \$143,500 (2006 - \$80,814) for administrative services provided by Grosso Group Management Ltd. (“Grosso Group”), a private corporation in which the Company has a one quarter share of Grosso Group. See “Commitments”;
- \$ consulting fees decreased by \$64,989, from \$227,832 during the 2006 period to \$162,843 during the 2007 period. During the 2006 period, the Company paid consultants to assist the Company in raising financing and reviewing and evaluating oil and gas properties in the United States and Argentina;
- \$ legal expense decreased by \$62,023, from \$111,051 during the 2006 period to \$49,028 during the 2007 period. During the 2006 period, the Company paid for services in the acquisition, review and evaluation of the Company’s current petroleum interests;
- \$ office expenses increased by \$20,997 from \$29,718 in the 2006 period to \$50,715 in the 2007 period due to supplies and office furnishings acquired for the Denver office and a general increase in activities during the 2007 period;
- \$ travel expenses increased by \$30,507, from \$88,591 in the 2006 period to \$119,098 in the 2007 period relating to travel and accommodations associated with on-going review of potential oil and gas property acquisitions and current properties and participation in investment conferences in Canada, USA and Europe;
- \$ effective September 21, 2005, the Company entered into an investor relations agreement with Pascal Geraths Gesellschaft Fur Presse (“Pascal Geraths”) to provide market awareness and investor relations activities in Europe on a monthly basis. Pascal Geraths is paid a monthly fee of EUR \$7,500. During the 2006 period, the Company paid \$28,974 for investor relations to Pascal Geraths. The agreement with Pascal Geraths was terminated March 21, 2006; and
- \$ corporate development increased by \$50,866 from \$8,572 in the 2006 period to \$59,438 in the 2007 period. During the 2007 period, the Company participated in investment conferences in Canada, USA and Europe, and incurred costs for an on-going market awareness program.

During the 2007 period, the Company recorded a total of \$735,075 (2006 - \$174,890) stock-based compensation expense attributed to the granting of 2,316,500 (2006 - 453,000) stock options and the amendment and extension of 1,570,500 (2006 - nil) stock options.

During the 2007 period, the Company reported interest and other income of \$50,244 compared to \$53,232 in the 2006 period. The interest income is derived from short-term deposits held with financial institutions based on levels of cash.

The Company’s operations and capital activities are funded by the sale of equity. During the 2007 period the Company issued 19,628,858 common shares for gross proceeds of \$6,921,850. The Company incurred cash costs totalling \$740,261 and recorded a further \$321,010 for the value attributed to broker and finder warrants, as share issue costs. The net financing of \$5,860,579 in the 2007 period was \$1,855,162 higher than in the 2006 period when the Company recorded a net financing of \$4,005,417.

During the 2007 period the Company incurred \$1,862,309 on the acquisition and exploration of its oil and gas properties, an increase of \$280,126 from the \$1,582,183 incurred during the 2006 period. See “Property Updates”.

Financial Condition / Capital Resources

The Company’s current revenues from its oil and gas properties, cash balances and working capital are not sufficient to fund all of its obligations with respect to its ongoing work program requirements and anticipated acquisitions. The

Company's ability to meet these obligations and anticipated capital expenditures is dependent upon its ability to obtain additional financing, the discovery, development or sale of oil and gas reserves and achievement of profitable operations.

During the 2007 period the Company raised gross proceeds of \$6,835,850 from the private placements of its common stock. As at June 30, 2007, the Company had working capital of \$3,763,942. The Company anticipates that it will need to raise further equity financing in the upcoming months. No assurances can be given, however, that the Company will be able to obtain sufficient additional resources.

Commitments

The Company has engaged Grosso Group Management Ltd. (the "Grosso Group") to provide general administrative support and corporate development services to the Company. The Grosso Group is a private corporation which was incorporated to provide geological, corporate development, administrative and management services to the Company and other public companies which have certain common directors, officers and shareholders. The Grosso Group intends to provide its services to its clients on a cost recovery basis. The Grosso Group is owned by its client companies, each of which owns one share.

During the 2007 period, the Company was billed a total of \$143,500 (2006 - \$80,814) by the Grosso Group. As at June 30, 2007, \$16,163 (2006 - \$44,176) remains outstanding and is included in accounts payable and accrued liabilities. The Company has also paid a deposit of \$15,000 to the Grosso Group.

The Company also has a number of projects in which it is earning interests or is participating. See "Property Updates".

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

There are no proposed transactions which will have an impact on the Company's financial condition.

Critical Accounting Estimates

A detailed summary of all the Company's significant accounting policies is included in Note 2 to the annual consolidated financial statements for the year ended December 31, 2006.

Changes in Accounting Principles

Effective January 1, 2007 the Company has adopted two new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

Financial Instruments - Recognition and Measurement ((Section 3855)

In accordance with this new standard, the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held-for-trading, loans and receivables, or other financial liabilities. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized on the statement of loss.

Upon adoption of this new standard, the Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Exploration advances and other receivables are classified as 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. As at June 30, 2007, the Company did not have any financial assets classified as

available-for-sale and therefore the adoption of the standards noted above had no effect on the presentation of the Company's financial statements.

Comprehensive Income (Section 1530)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, the Company now reports a statement of comprehensive income and a new category, accumulated other comprehensive income, in the shareholders' equity section of the balance sheet. The components of this new category will include unrealized gains and losses on financial assets classified as available-for-sale.

Transactions With Related Parties

During the six months ended June 30, 2007, the Company:

- (i) was charged \$36,275 (2006 - \$36,81) for accounting, management and administrative services provided by a director and Chase Management Ltd. ("Chase") a private corporation owned by a director of the Company; and
- (ii) paid a total of \$78,878 (2006 - \$94,601) for compensation, management fees, bonus and benefits to the President of the Company in his capacity as President.

The transaction with the Grosso Group is described in "Commitments".

Unless otherwise stated, related party transactions are measured at the exchange amount, being the amount of consideration established and agreed to by the related parties.

Risks and Uncertainties

The Company's business plan has been to grow through exploration for oil and natural gas. The Company's principal risks, as an exploration company, are that it must find and develop economic petroleum production efficiently and be able to fund the associated capital expenditures. The Company currently relies on equity financing. If any components of the business plan should be missing the Company may not be able to continue executing the entire business plan.

Exploration projects are reviewed at a very early stage from all aspects including: corporate fit, environmental issues, timing, costs and reward potential. Identified risks are addressed and excessive risks are mitigated before any project is approved.

Operational risk is mitigated by addressing the continued development of a new or established reservoir, on a go-forward basis, in the same careful and calculated manner that the Company's professionals have addressed exploration risk. Reserves are produced based on the amount of capital employed, production practices and reservoir quality. The Company evaluates reservoir development based on timing and the amount of additional capital required and the expected change in production volumes. Funding and development costs are controlled when capital is employed effectively on an economic basis.

Investor Relations Activities

The Company did not engage any outside consultants to provide investor relations activities during the six months ended June 30, 2007. All investor relation activities were conducted by Company personnel.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at August 27, 2007, there were 41,814,365 outstanding common shares, 3,987,000 stock options outstanding with exercise prices ranging from \$0.24 to \$0.40 per share, 27,758,058 warrants outstanding with exercise prices ranging from \$0.45 to \$1.25 per share and 1,857,886 agent compensation options at an exercise price of \$0.35 per share.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer has concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings ("52-109"), are effective to ensure that the information required to be disclosed in reports that are filed or submitted under Canadian Securities legislation are recorded, processed, summarized and reported within the time period specified in those rules. In conducting the evaluation it has become apparent that management relies upon certain informal procedures and communication, and upon "hands-on" knowledge of senior management. Management intends to formalize certain of its procedures. Due to the small staff, however, the Company will continue to rely on an active Board and management with open lines of communication to maintain the effectiveness of the Company's disclosure controls and procedures. Lapses in the disclosure controls and procedures could occur and/or mistakes could happen. Should such occur, the Company will take whatever steps necessary to minimize the consequences thereof.

Internal Controls and Procedures over Financial Reporting

Management is also responsible for the design of the Company's internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. During the process of management's review and evaluation of the design of the Company's internal control over financial reporting, it was determined that certain weaknesses existed in internal controls over financial reporting. As is indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring which exists. The Company is taking steps to augment and improve the design of procedure and controls impacting these areas of weakness over internal control over financial reporting. It should be noted that a control system, no matter how well conceived or operated, can only provide reasonable assurance, not absolute assurance, that the objectives of the control system are met.