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# **GOLD POINT ENERGY CORP.**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED  
JUNE 30, 2008 AND 2007

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

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**GOLD POINT ENERGY CORP.**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**GOLD POINT ENERGY CORP.**  
**INTERIM CONSOLIDATED BALANCE SHEETS**

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

	<b>June 30, 2008</b>	<b>December 31, 2007</b>
	<u>\$</u>	<u>\$</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	2,599,937	4,462,692
Amounts receivable (Note 4)	57,620	224,853
Prepays and deposits	38,978	15,790
	<u>2,696,535</u>	<u>4,703,335</u>
<b>EQUIPMENT</b> , net of accumulated depreciation of \$23,853 (2007-\$11,281)	50,983	15,581
<b>OIL AND GAS INTERESTS</b> (Note 5)	867,891	1,892,658
<b>OTHER ASSETS</b> (Note 6)	35,689	48,705
	<u>3,651,098</u>	<u>6,660,279</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	490,624	109,556
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL</b> (Note 7)	14,109,553	13,967,412
<b>CONTRIBUTED SURPLUS</b> (Note 9)	2,138,490	1,889,105
<b>DEFICIT</b>	<u>(13,087,569)</u>	<u>(9,305,794)</u>
	3,160,474	6,550,723
	<u>3,651,098</u>	<u>6,660,279</u>

**NATURE OF OPERATIONS AND GOING CONCERN** (Note 1)  
**COMMITMENTS** (Note 5)  
**SUBSEQUENT EVENTS** (Note 15)

APPROVED BY THE DIRECTORS

"Jack Steinhäuser" , Director  
"Anthony Harvey" , Director

**GOLD POINT ENERGY CORP.**  
**CONSOLIDATED STATEMENTS OF LOSS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30**

*(Expressed in Canadian dollars unless otherwise stated)*

*(Unaudited – Prepared by Management)*

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>REVENUES</b>				
Petroleum and natural gas sales	37,721	56,472	79,247	111,827
	<u>37,721</u>	<u>56,472</u>	<u>79,247</u>	<u>111,827</u>
<b>EXPENSES</b>				
General and administrative	584,572	460,517	911,476	894,381
Operating costs	26,191	34,023	53,458	58,883
Exploration	45,678	99,012	138,273	493,328
Depletion and depreciation	31,870	14,993	52,571	57,455
Dry-hole costs (Note 5)	2,682,958	–	2,682,958	246,862
Impairment of oil and gas interests	–	289,582	–	300,937
Stock-based compensation (Note 9)	154,540	726,075	155,385	735,075
	<u>3,525,809</u>	<u>1,624,202</u>	<u>3,994,121</u>	<u>2,786,921</u>
<b>LOSS FROM OPERATIONS</b>	<u>(3,488,088)</u>	<u>(1,567,730)</u>	<u>(3,914,874)</u>	<u>(2,675,094)</u>
<b>OTHER ITEMS</b>				
Interest and other income	9,075	35,519	34,553	50,244
Foreign exchange gain (loss)	54,226	(170,209)	98,546	(151,685)
	<u>63,301</u>	<u>(134,690)</u>	<u>133,099</u>	<u>(101,441)</u>
<b>NET LOSS FOR THE PERIOD</b>	<u>(3,424,787)</u>	<u>(1,702,420)</u>	<u>(3,781,775)</u>	<u>(2,776,535)</u>
<b>BASIC AND DILUTED LOSS PER SHARE</b>				
	<u>(0.08)</u>	<u>(0.05)</u>	<u>(0.09)</u>	<u>(0.09)</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>				
	<u>43,074,255</u>	<u>36,560,935</u>	<u>42,444,310</u>	<u>29,438,054</u>

**GOLD POINT ENERGY CORP.**  
**INTERIM CONSOLIDATED STATEMENTS OF DEFICIT**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30**

*(Expressed in Canadian dollars unless otherwise stated)*

*(Unaudited – Prepared by Management)*

	Three months ended		Six months ended	
	June 30, 2008 \$	June 30, 2007 \$	June 30, 2008 \$	June 30, 2007 \$
<b>DEFICIT - BEGINNING OF PERIOD</b>	<u>(9,662,782)</u>	<u>(5,954,966)</u>	<u>(9,305,794)</u>	<u>(4,880,851)</u>
	(9,662,782)	(5,954,966)	(9,305,794)	(4,880,851)
<b>NET LOSS FOR THE PERIOD</b>	<u>(3,424,787)</u>	<u>(1,702,420)</u>	<u>(3,781,775)</u>	<u>(2,776,535)</u>
<b>DEFICIT - END OF PERIOD</b>	<u>(13,087,569)</u>	<u>(7,657,386)</u>	<u>(13,087,569)</u>	<u>(7,657,386)</u>

**GOLD POINT ENERGY CORP.**  
**INETERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30**

*(Expressed in Canadian dollars unless otherwise stated)*

*(Unaudited – Prepared by Management)*

	<b>Three months ended</b>	<b>June 30,</b>	<b>Six months ended</b>	<b>June 30,</b>
	<b>June 30,</b>	<b>2007</b>	<b>June 30,</b>	<b>2007</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>CASH PROVIDED FROM (USED FOR)</b>				
<b>OPERATING ACTIVITIES</b>				
Net loss for the year	(3,424,787)	(1,702,420)	(3,781,775)	(2,776,535)
Adjustment for items not affecting cash:				
Professional fees				
Stock-based compensation	154,540	726,075	155,385	735,075
Depreciation and depletion	31,870	14,993	52,571	57,455
Dry-hole costs	2682,958	–	2,682,958	246,862
Impairment of oil and gas interests	–	289,582	–	300,937
	<u>(555,419)</u>	<u>(671,770)</u>	<u>(890,861)</u>	<u>(1,436,206)</u>
Decrease (increase) in amounts receivable	65,596	33,021	167,233	(68,098)
Increase in prepaids	(27,334)	(3,750)	(23,188)	(6,955)
Increase (decrease) in accounts payable and accrued liabilities	(15,538)	(740,157)	381,068	(1,392,432)
Decrease (increase) in drilling advances	–	(255,829)	347,424	(255,829)
	<u>(532,695)</u>	<u>(1,638,485)</u>	<u>(18,324)</u>	<u>(3,159,520)</u>
<b>INVESTING ACTIVITIES</b>				
Oil and gas interests expenditures	(971,513)	(1,374,181)	(2,045,614)	(1,862,309)
Purchase of equipment	(44,663)	(2,187)	(47,974)	(2,187)
Other assets	239	7,341	13,016	7,004
	<u>(1,015,937)</u>	<u>(1,369,027)</u>	<u>(2,080,572)</u>	<u>(1,857,492)</u>
<b>FINANCING ACTIVITIES</b>				
Issuance of common shares	244,000	6,507,850	244,000	6,835,850
Share issue costs	(7,859)	(676,676)	(7,859)	(740,261)
	<u>236,141</u>	<u>5,831,174</u>	<u>236,141</u>	<u>6,095,589</u>
<b>DECREASE IN CASH DURING THE PERIOD</b>	(1,312,491)	2,823,662	(1,862,755)	1,078,577
<b>CASH - BEGINNING OF PERIOD</b>	3,912,428	1,028,593	4,462,692	2,773,678
<b>CASH - END OF PERIOD</b>	<u><u>2,599,937</u></u>	<u><u>3,852,255</u></u>	<u><u>2,599,937</u></u>	<u><u>3,852,255</u></u>

**SUPPLEMENTAL CASH FLOW  
INFORMATION - (Note 12)**

**GOLD POINT ENERGY CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007**

*(Expressed in Canadian dollars unless otherwise stated)*  
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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Gold Point Energy Corp. (“the Company” or “GPE”) is an independent oil and gas exploration company. During fiscal 2007 the Company sold its oil and gas properties situated in the United States. As at June 30, 2008, the Company’s petroleum activities are conducted in Argentina. The Company is also investigating potential acquisitions of oil and gas properties in Central Europe, and the United States.

During the six months ended June 30, 2008, the Company has incurred a loss of \$3,781,775. The Company has working capital as at June 30, 2008 of \$2,205,911. Nevertheless, 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-ins 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.

These interim consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”), 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. Accordingly, the 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. NEW ACCOUNTING POLICIES**

Effective January 1, 2008, the Company has adopted the new accounting standards related to capital disclosures that were issued by the Canadian Institute of Chartered Accountants (“CICA”) in 2007. This accounting policy change is adopted on a prospective basis with no restatement of prior period financial statements. There was no impact on opening retained earnings. The new standard and accounting policy changes are as follows:

*Capital Disclosures (CICA Handbook Section 1535)*

The CICA issued a new accounting standard, Section 1535, Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity’s objectives, policies and processes for managing capital.

*Financial Instruments – Disclosures (CICA Handbook Section 3862)*

The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity’s financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks.

*Financial Instruments – Presentation (CICA Handbook Section 3863)*

The provisions of Section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

**GOLD POINT ENERGY CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**3. RECENT ACCOUNTING PRONOUNCEMENTS**

As of January 1, 2009, the Company will be required to adopt the CICA Handbook Section 3064 “Goodwill and Intangible Assets”, which will replace the existing Goodwill and Intangible Assets standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard should not have a material impact on the Company’s Consolidated Financial Statements.

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, the AcSB confirmed in February 2008 that International Financial Reporting Standards (“IFRS”) will replace Canadian GAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As the Company will be required to report its results in accordance with IFRS starting 2011, the Company is assessing the potential impacts of this changeover and developing its plan accordingly.

**4. AMOUNTS RECEIVABLE**

	<b>June 30, 2008 \$</b>	<b>December 31, 2007 \$</b>
Production receivable	42,210	94,509
GST receivable	14,138	19,207
Grosso Group Management Ltd. (“Grosso Group”)(Note 10(b))	–	54,515
Spyglass Cedar Creek, LP	–	56,622
Other	1,272	–
	<b>57,620</b>	<b>224,853</b>

**5. OIL AND GAS INTERESTS**

	<b>June 30, 2008 \$</b>	<b>December 31, 2007 \$</b>
Database, seismic and other	933,671	1,107,726
Drilling in progress	–	810,712
Proved leasehold costs	558,052	558,052
	1,491,723	2,476,490
Accumulated depletion and impairment	(623,832)	(583,832)
	<b>867,891</b>	<b>1,892,658</b>

- (a) Costs of unproved interests and other associated costs excluded from costs subject to depletion and depreciation at June 30, 2008, were \$760,331 (2007 - \$4,259,057).

**GOLD POINT ENERGY CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**5. OIL AND GAS INTERESTS (continued)**

- (b) 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 could earn a 50% interest in the 292 square kilometre General Roca Block and the 66.5 square kilometre Blanco de los Olivos Block, located on the southeastern flank of the Neuquen Basin in Rio Negro Province, Argentina. During fiscal 2007 the Company announced the cancellation of the second farm-in agreement due to PDC’s inability to obtain an extension from the Province of Rio Negro to the underlying concession. As a result, the Company earned a 12.5% working interest in production from two wells under the first farm-in agreement.
- (c) On October 4, 2006, the Company entered into a farm-in agreement with APCO Argentina Inc. (“APCO”) and Antrim Argentina S.A. (“Antrim”) to earn a 25% working interest in portions of the Yacimiento Norte 1/B Block (the “Capricorn License”) in Salta Province, Argentina. Under the terms of the farm-out agreement the Company committed to pay 50% of an estimated US \$1 million 3-D seismic program (“Phase 1”) and 50% of the costs of two exploratory wells, at an estimated cost of US \$2 million each (“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%.
- (d) During fiscal 2006 the Company funded the US \$500,000 Phase 1 commitment. During fiscal 2007 the first exploratory well under Phase 2 was drilled, evaluated and plugged and abandoned. Accordingly, the Company recorded \$901,879 as dry-hole costs. In addition, the drilling of the second exploratory well under Phase 2 was initiated in December 2007. For the six months ended June 30, 2008, the second exploratory well under Phase 2 was drilled, evaluated and plugged and abandoned. As a result, the Company recorded \$2,682,958 as dry-hole costs.

**6. OTHER ASSETS**

	<b>June 30, 2008</b>	<b>December 31, 2007</b>
Exploration bonds	\$ <u>35,690</u>	\$ <u>48,705</u>

**GOLD POINT ENERGY CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007**

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**7. SHARE CAPITAL**

Authorized - unlimited common shares without par value

	<b>June 30, 2008</b>		<b>December 31, 2007</b>	
	<b>Shares</b>	<b>\$</b>	<b>Shares</b>	<b>\$</b>
Balance, beginning of period	41,814,365	13,967,412	21,685,507	8,025,452
Issued during the period:				
For cash:				
Private placements	3,050,000	244,000	19,628,858	6,921,850
For shares for debt	–	–	500,000	90,000
	–	244,000	20,128,858	7,011,850
Less share issue costs		(7,859)	–	(1,069,890)
Less fair value of warrants issued for private placement	–	(94,000)	–	–
	–	142,141	20,128,858	5,941,960
Balance, end of period	44,864,365	14,109,553	41,814,365	13,967,412

**a) Common Shares**

For the six month ended June 30, 2008, the Company completed a non-brokered private placement of 3,050,000 units, at a price of \$0.08 per unit, for gross proceeds of \$244,000 which closed in two tranches. Each unit consists of one common share in the capital of the company and one share purchase warrant. Each warrant entitles the holder to purchase one common share at 10 cents per share for 24 months. The proceeds from the private placement will be used to finance the Company's continuing exploration, property acquisitions and general working capital.

The fair value of the warrants in connection with the above private placement was \$94,000. The fair value of the warrants was calculated using the Black-Scholes option-pricing model, based on the following range of assumptions:

Risk-free interest rate	2.77% - 3.28%
Estimated volatility	88% - 90%
Expected life	2 years
Expected dividend yield	0%

**GOLD POINT ENERGY CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007**

*(Expressed in Canadian dollars unless otherwise stated)*  
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**7. SHARE CAPITAL (continued)**

**b) Warrants**

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at June 30, 2008 and December 31, 2007 is as follows:

	June 30, 2008		December 31, 2007	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, beginning of period	27,358,058	\$ 0.43	10,329,400	\$ 0.66
Issued	3,050,000	0.10	20,151,658	0.45
Expired	<u>(2,253,800)</u>	<u>1.24</u>	<u>(3,123,000)</u>	<u>0.50</u>
Balance, end of period	<u>28,154,258</u>	<u>\$ 0.42</u>	<u>27,358,058</u>	<u>\$ 0.43</u>

The following table summarizes information of the number of common shares reserved pursuant to the warrants outstanding and exercisable at June 30, 2008:

Number	Exercise Price \$	Expiry Date
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
15,000	0.45	May 1, 2009
500,000	0.35	August 10, 2009
2,700,000	0.10	May 20, 2010
350,000	0.10	June 10, 2010
<u>28,154,258</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. For the six months ended June 30, 2008, the Company granted 2,250,000 (2007 – 2,316,500) stock options to directors, employees and consultants, and recorded compensation expense of \$154,000 (2007 – \$536,420). In addition the Company also recorded \$1,385 (2007 - \$7,600) on stock options vested granted in prior periods.

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 range of assumptions used for the grants made during the six months ended June 30, 2008:

**GOLD POINT ENERGY CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007**

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

	<b>Six months ended</b>	
	<b>June 30, 2008</b>	<b>June 30, 2007</b>
Risk-free interest rate	3.04%-3.33%	4.07%
Estimated volatility	79%-90%	82%-89%
Expected life	2 years -5 years	3 years
Expected dividend yield	0%	0%

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 for the six months ended June 30, 2008 and 2007 and the changes respectively on those dates is presented below:

	<b>June 30, 2008</b>		<b>December 31, 2007</b>	
	<b>Number of Options Outstanding</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Options Outstanding</b>	<b>Weighted Average Exercise Price</b>
Balance, beginning of period	3,906,000	\$ 0.40	1,695,500	\$ 0.58
Granted	2,250,000	0.10	2,436,500	0.40
Expired / Cancelled	(1,778,350)	0.40	(226,000)	0.40
Balance, end of period	4,377,650	\$ 0.25	3,906,000	\$ 0.48

The following table summarizes information about the stock options outstanding and exercisable at June 30, 2008:

<b>Number Outstanding</b>	<b>Number Exercisable</b>	<b>Exercise Price \$</b>	<b>Expiry Date</b>
140,000	140,000	0.36	December 31, 2008
125,000	125,000	0.45	December 31, 2008
159,650	159,650	0.38	December 31, 2008
40,000	40,000	0.40	September 25, 2008
58,000	58,000	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
100,000	100,000	0.40	February 20, 2010
39,500	39,500	0.40	September 27, 2010
200,000	200,000	0.40	July 4, 2011
1,135,500	1,135,500	0.40	May 2, 2012
60,000	60,000	0.40	September 6, 2012
2,250,000	2,200,000	0.10	May 27, 2013
4,377,650	4,327,650		

**GOLD POINT ENERGY CORP.**  
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**9. CONTRIBUTED SURPLUS**

Contributed surplus is comprised of the following:

	<b>June 30, 2008</b>	<b>December 31, 2007</b>
Balance, beginning of the period	\$ 1,889,105	\$ 863,259
Stock-based compensation on stock options (Note 8)	155,385	644,380
Stock-based compensation on broker's and finders' warrants	–	321,466
Stock-based compensation on warrants for shares for debt	–	60,000
Fair value of warrants issued for private placement (Note 7 (a))	94,000	–
Balance, end of the period	<u>\$ 2,138,490</u>	<u>\$ 1,889,105</u>

**10. RELATED PARTY TRANSACTIONS**

- (a) The Company was charged for various services provided by directors and officers, and by companies controlled by current and former directors and officers of the Company, as follows:

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30, 2008</b>	<b>June 30, 2007</b>	<b>June 30, 2008</b>	<b>June 30, 2007</b>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Accounting and administration	20,800	19,975	43,900	36,275
Consulting fees	31,500	–	61,500	–
Management salaries and benefits	86,302	38,163	141,293	78,878
	<u>138,602</u>	<u>58,138</u>	<u>246,693</u>	<u>115,153</u>

As at June 30, 2008, accounts payable and accrued liabilities include \$nil due to these related parties. These transactions were measured at the exchanged amount which was the amount of consideration established and agreed to by the related parties.

- (b) The Company had engaged the Grosso Group to provide services and facilities to the Company. On February 29, 2008, the Company terminated its arrangement with Grosso Group. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. For the six months ended June 30, 2008 the Company incurred fees of \$35,696 (2007 - \$143,500) to the Grosso Group.

**GOLD POINT ENERGY CORP.**  
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*(Unaudited – Prepared by Management)*

**11. SEGMENTED INFORMATION**

As of June 30, 2008, the Company only holds oil and gas interests in Argentina and its corporate assets are located in Canada. Geographical information is as follows:

<b>June 30, 2008</b>	<b>Canada</b>	<b>United States</b>	<b>Argentina</b>	<b>Colombia</b>	<b>Poland</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
Current assets	2,356,787	248,999	43,509	23,314	23,925	2,696,535
Equipment	32,310	10,251	8,423	–	–	50,983
Oil and gas interests	86,670	–	781,221	–	–	867,891
Other assets	–	35,689	–	–	–	35,689
<b>Total assets</b>	<b>2,475,767</b>	<b>294,939</b>	<b>833,153</b>	<b>23,314</b>	<b>23,925</b>	<b>3,651,098</b>

<b>December 31, 2008</b>	<b>Canada</b>	<b>United States</b>	<b>Argentina</b>	<b>Colombia</b>	<b>Poland</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
Current assets	1,689,836	2,871,286	106,483	35,729	–	4,703,334
Equipment	–	5,672	9,909	–	–	15,581
Oil and gas interests	115,560	–	1,777,099	–	–	1,892,659
Other assets	–	48,705	–	–	–	48,705
<b>Total assets</b>	<b>1,805,396</b>	<b>2,925,663</b>	<b>1,893,491</b>	<b>35,729</b>	<b>–</b>	<b>6,660,279</b>

**12. SUPPLEMENTAL CASH FLOW INFORMATION**

Other supplemental cash flow information:

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30, 2008</b>	<b>June 30, 2007</b>	<b>June 30, 2008</b>	<b>June 30, 2007</b>
	\$	\$	\$	\$
<b>Interest paid in cash</b>	–	–	–	–
<b>Income taxes paid in cash</b>	–	–	–	–

**GOLD POINT ENERGY CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007**

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

**13. FINANCIAL INSTRUMENTS**

**Overview**

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors approves and monitors the risk management processes.

**Credit risk**

The Company's exposure to credit risk is on its cash and cash equivalents.

Cash and cash equivalents consist of cash bank balances and short-term deposits. The Company manages the credit exposure related to short-term investments by selecting counter parties based on stability of the counter party and avoids complex investment vehicles with higher risk.

The carrying amount cash and cash equivalents represents the maximum credit exposure.

**Liquidity risk**

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts and are available on demand. The company's short-term investment is available on demand after 30 days without penalty.

**Market risk**

The Company is subject to normal market risks including fluctuations in foreign exchange rates and interest rate. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

The Company is exposed to interest rates fluctuations on its short-term investments as it is based on a floating rate of interest. As at June 30, 2008, the Company was not invested in short-term interest bearing instruments.

**Fair value of financial assets and liabilities**

The carrying amount for cash and cash equivalent, amounts receivable, accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments.

**14. CAPITAL MANAGEMENT**

As the Company is in the exploration stage, its principal source of capital is from the issuance of common shares. The Company's capital management objective is to obtain sufficient capital to maintain its exploration programs for the benefit of its stakeholders. To meet the objectives, management monitors the Company's ongoing capital requirements against unrestricted net working capital and assesses additional capital requirements on specific exploration properties on a case by case basis. The Company is not subject to any externally imposed capital requirements.

As at June 30, 2008, total managed capital was \$3,160,474 (December 31, 2007 - \$6,550,723), comprised of share capital of \$14,109,553 (December 31, 2007 - \$13,967,412), contributed surplus of \$2,138,490 (December 31, 2007 - \$1,889,105) and deficit of \$13,087,569 (December 31, 2007 - \$9,305,794).

**GOLD POINT ENERGY CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007**

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

**15. SUBSEQUENT EVENTS**

**a) Oil and gas interests:**

**i) Letter of Intent on Bulgaria Gas Project**

Subsequent to June 30, 2008, the Company entered into a Letter of Intent with JKX Oil & Gas PLC ("JKX") and Aurelian Oil & Gas PLC ("Aurelian") to farm-in to a portion of two oil and gas licenses comprising 1,480 square kilometers (365,516 acres) in eastern Bulgaria. GPE has agreed to pay 40% of a 250 square kilometer 3D seismic survey plus 40% of the cost of two shallow test wells to earn a 20% working interest in the block. GPE's obligation to pay 40% of the seismic and drilling costs is subject to a cap of \$5.0 million, after which it pays 20% of the costs.

Under the terms of the Letter of Intent, GPE has agreed to pay 40% of the costs associated with a 250 square kilometer 3D seismic survey ("the 3D Survey") of the eastern area of the Golitza B and B1 Licenses ("the Eastern Golitza Area"). The current estimate of the cost of the 3D Survey is US\$7.5 million. GPE's share of that US\$7.5 million would be US\$3.0 million. Data acquisition for the 3D Survey is scheduled to commence in September, 2008, and be completed by year-end. The processed seismic data is expected to be available to GPE in the beginning of the second quarter of fiscal 2009. Within three months of receipt of the processed seismic data GPE will make an election to obtain a 20% participating interest in the Eastern Golitza Area and continue in the project; or exit the project if it considers that the results of the 3D Survey are unfavourable.

If GPE elects to continue in the project it shall then be responsible for 40% of the cost of drilling and completing, or plugging and abandoning, the two exploration wells that are to be drilled in the Eastern Golitza Area by the end of the four quarter of fiscal 2009 until such time as GPE's cumulative investment in the 3D Survey and the two exploration wells shall total \$5.0 million; thereafter GPE will be responsible for only 20% of any additional project costs.

**ii) Letter of Intent on North Dakota Oil Project**

Subsequent to June 30, 2008, GPE Energy Inc. ("GPEI"), the Company's wholly-owned U.S. subsidiary, entered into a Letter of Intent with RTR Energy, LLC of Lone Tree, Colorado ("RTR") to farm-in for a working interest of 37.5% in the redevelopment of the Tepee Butte oil field in Hettinger County, North Dakota.

Under the terms of the Letter of Intent, GPEI has agreed to pay 50% of the cost of the 3D seismic survey which is estimated to cost a total of \$300,000. GPEI will manage the acquisition, processing and interpretation of the seismic, expected to take place during Q3-08. GPEI then has the option to earn a 37.5% working interest in the Tepee Butte field by paying 50% of the cost of drilling, completing and equipping a development well. GPEI will be the Operator of the well.

**GOLD POINT ENERGY CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007**

*(Expressed in Canadian dollars unless otherwise stated)*

*(Unaudited – Prepared by Management)*

**15. SUBSEQUENT EVENTS (continued)**

**a) Oil and gas interests (continued):**

**iii) Farm-in on Polish Oil and Gas Project**

Subsequent to June 30, 2008, the Company entered into a letter agreement ("Agreement") with Gas Plus International B.V. ("Gas Plus") to farm-in to a fifty percent working interest in Block 106 ("the Block") comprising 920 square kilometers (227,000 acres) located around the city of Szczecinek in northwest Poland. GPE has agreed to pay approximately US\$250,000 in back costs and US\$135,000 in estimated exploration expenditures for the remainder of 2008, plus 100% of the cost of a US\$2.5 million 3D seismic survey, to be acquired in early 2009, to earn a fifty percent working interest in the Block. GPE and Gas Plus will share 50:50 in any future costs of exploring and developing the Block including exploratory drilling on the Sylvania Prospect targeting 10 million barrels of potential oil reserves from the Zechstein Main Dolomite at approximately 3,500 meters (11,500 feet) and the previously-discovered Czarne gas field from the Rotliegend sandstone at approximately 3,100 meters (10,200 feet).

**b) Share Capital:**

**i) Stock options expired**

On July 28, 2008, a total of 467,650 stock options expired with a weighted average price of \$0.39.

**ii) Stock options granted**

On August 1, 2008, the Company granted incentive stock options to certain directors, officers and a consultant of the Company to purchase 550,000 common shares of the Company at an exercise price of \$0.12 per shares for a term of 5 years. The options vest immediately.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008**

*The following discussion of the financial condition and results of operations of Gold Point Energy Corp. ("Gold Point" or the "Company") should be read in conjunction with the Company's consolidated interim financial statements for the three and six months ended June 30, 2008 as well as the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2007. The Consolidated Interim Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles.*

*Certain statements contained in the following Management's Discussion and Analysis constitute forward-looking statements within the meaning of applicable laws and regulations. These forward-looking statements are not guarantees of future performance and involve risks and uncertainties, which could cause actual results to differ materially from those anticipated. The Company expressly disclaims any obligation to update forward-looking statements, unless so required by applicable laws.*

*All dollar amounts are expressed in Canadian dollars unless otherwise indicated. Note that additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).*

### **Date**

This Management's Discussion and Analysis is prepared as of August 28, 2008.

### **Company Overview**

The Company is an independent oil and gas exploration and development company with oil and gas interests in Central Europe, the 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".

### **Corporate Update**

Since the end of the First Quarter of FY2008 ("Q1-2008"), the Company has added James Hersch to the Board of Directors. Mr. Hersch is currently the Chief Executive Officer for Century Petroleum Corp. in Texas and has over 30 years of experience in the oil and gas industry. The Board of Directors currently stands with six directors, they being, Anthony Harvey as Chairman, John (Jack) Steinhäuser, Peter Carpenter, Andrew Malim, James Hersch, and Clive Stockdale. The Audit Committee members are Andrew Malim, Clive Stockdale, and Peter Carpenter. Mr. Malim has been appointed Chairman of the Audit Committee. The Compensation Committee is comprised of Anthony Harvey, Andrew Malim, and Clive Stockdale with Mr. Harvey as Chairman of the Compensation Committee.

On August 20, 2008, Dr. John Buggenhagen was appointed as the Vice President of Exploration for Europe.

### **Property Updates**

During the three months ended June 30, 2008 (the "Q2-2008") the Company completed and tested the second of two exploratory wells in the Capricorn farmout in Argentina. The second well, called the Lomos de Guayacan x-1 well, was completed based upon a combination of oil and gas shows observed during drilling as well as the results of the logs. The test results of the well were non-commercial.

The Company has also been active in seeking out new oil and gas project opportunities in Central Europe, the United States and Colombia. Several transactions were announced after the close of Q2-2008, which are detailed below under

“New Business Development”.

### ***Capricorn License Farm-In***

Location: Yacimiento 1/B Block, Salta Province, Argentina  
Acreage: 250,000 gross acres  
Working Interest: 25% working interest in portions of the Block  
Operator: APCO Argentina Inc. (Sucursal Argentina)

In Q2-2008 GPE and its partners completed the testing and evaluation of the Lomas de Guayacán x-1 well of the Martinez del Tineo Oeste Prospect. No commercial production of oil and/or gas was found in the well. The Lomas de Guayacán x-1 well had been drilled to a total depth of 2,264 meters in the Cretaceous Lecho formation. It was the second of two exploratory wells to be drilled on the Capricorn License in Salta Province of Northern Argentina in 2007-08. The two exploration wells are part of a farm-in agreement dated October 4, 2006 between Gold Point Energy, Antrim Argentina S.A. and APCO Argentina Inc.

The Company has now fulfilled its earning requirements for a 25% working interest the 54 square kilometer Martinez del Tineo Oeste Prospect. Management will be meeting with the Project Operator, APCO Argentina, to evaluate further potential for the project based upon oil and gas shows noted during drilling and testing.

### ***Flor de Roca Farm-In***

Under the terms of a farm-in agreement with Petrolera Comahue S.A. of Buenos Aires, Argentina, 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 wells are currently producing at gross production rate of 80 BOPD.

### **New Business Development**

Subsequent to the end of Q2-2008 the Company announced its participation in three new projects located in Bulgaria, Poland and North Dakota (United States).

### ***East Golitza Project, Bulgaria***

Location: Eastern area of the B-Golitza licence and B1-Golitza licence, Bulgaria  
Acreage: 365,516 gross acres  
Working Interest: Option to earn a 20% working interest in portions of the Block  
Operator: JKX Bulgaria Limited

The Company reported on July 2, 2008 that it had entered into a Letter of Intent with **JKX Oil & Gas PLC** ("**JKX**") and **Aurelian Oil & Gas PLC** ("**Aurelian**") to farm-in to a portion of two oil and gas licenses comprising 1,480 square kilometers (365,516 acres) in eastern Bulgaria. GPE has agreed to pay 40% of a 250 square kilometer 3D seismic survey plus 40% of the cost of two shallow test wells to earn a 20% working interest in the block. GPE's obligation to pay 40% of the seismic and drilling costs is subject to a cap of \$5.0 million, after which it pays 20% of the costs.

The farm-in block is located onshore in eastern Bulgaria along the Black Sea coast. The primary objective on the block is shallow Tertiary age (Eocene and Oligocene) sandstone reservoirs in the Varna Trough of the Western Black Sea Basin. The potentially productive Tertiary sediments cover an area of approximately 500 square kilometers, which is completely covered by the JKX and Aurelian licenses.

Previous exploration drilling conducted between 1941 and 1992 indicates good potential for gas development in this basin. According to statistics published by IHS Energy, a total of 205 exploration wells were drilled and 54 of those encountered significant gas shows or tests of gas to surface, despite the use of primitive seismic and drilling techniques.

Under the terms of the Letter of Intent, GPE has agreed to pay 40% of the costs associated with a 250 square kilometer 3D seismic survey ("the 3D Survey") of the eastern area of the Golitza B and B1 Licenses ("the Eastern Golitza Area"). The current estimate of the cost of the 3D Survey is US\$7.5 million. GPE's share of that US\$7.5 million would be

US\$3.0 million. Data acquisition for the 3D Survey is scheduled to commence in September, 2008, and be completed by year-end. The processed seismic data is expected to be available to GPE in early Q2-09. Within three months of receipt of the processed seismic data GPE will make an election to obtain a 20% participating interest in the Eastern Golitza Area and continue in the project; or exit the project if it considers that the results of the 3D Survey are unfavourable.

If GPE elects to continue in the project it shall then be responsible for 40% of the cost of drilling and completing, or plugging and abandoning, the two exploration wells that are to be drilled in the Eastern Golitza Area by the end of Q4 2009 until such time as GPE's cumulative investment in the 3D Survey and the two exploration wells shall total \$5.0 million; thereafter GPE will be responsible for only 20% of any additional project costs.

### ***Block 106 Project, Poland***

Location: Block 106, northwest Poland  
Acreage: 227,000 gross acres  
Working Interest: Option to earn a 50% working interest in portions of the Block  
Operator: Gas Plus International B.V.

On August 5, 2008 the Company reported that it had entered into a letter agreement ("Agreement") with Gas Plus International B.V. ("Gas Plus") to farm-in to a fifty percent working interest in Block 106 ("the Block") comprising 920 square kilometers (227,000 acres) located around the city of Szczecinekin in northwest Poland. GPE has agreed to pay approximately US\$250,000 in back costs and US\$135,000 in estimated exploration expenditures for the remainder of 2008, plus 100% of the cost of a US\$2.5 million 3D seismic survey, to be acquired in early 2009, to earn a fifty percent working interest in the Block. GPE and Gas Plus will share 50:50 in any future costs of exploring and developing the Block including exploratory drilling on the Sylvania Prospect targeting 10 million barrels of potential oil reserves from the Zechstein Main Dolomite at approximately 3,500 meters (11,500 feet) and the previously-discovered Czarne gas field from the Rotliegend sandstone at approximately 3,100 meters (10,200 feet).

**Gas Plus International B.V.** is a company formed in 2006 for the purpose of managing the international assets of Gas Plus Italiana S.p.A outside of Italy. The company has interests in licences in the U.K., Romania and the Netherlands, and is participating in tenders for exploration and production of hydrocarbons in other European countries. Gas Plus Italiana SpA is the operator of 25 onshore gas fields in Italy, and produces around 8.5 BCF of gas per year.

Gas Plus began its activity in Poland in the spring of 2007 and participated in the first-ever bid round in Poland. The company's key employees each have more than 20 years industry experience and possess expert knowledge of Rotliegend and Zechstein geology acquired in southern North Sea exploration. The Permian Basin of NW Poland, where Block 106 is located, is an extension of the southern North Sea gas basin and has similar geology. To facilitate its exploration efforts in Poland, Gas Plus contracted with the Polish Geological Institute (PGI) to perform a country-wide prospectivity study of hydrocarbons in Poland. Based upon the results of this study, further talks with experts from PGI, and review of material provided by the Central Geological Archive of Poland, Gas Plus decided to focus on Block 106 as having the best exploration potential.

The most prospective intervals on Block 106 are the Permian Main Dolomite of the Zechstein Formation (Z2), and underlying Permian Rotliegend sandstone of Saxonian age. In and near the concession area the existence of hydrocarbons has been discovered in basinal facies of the Main Dolomite in the Debrzno-2 and Brzozówka--1 wells. The Brzozówka Field produced 206,414 barrels of oil and 0.234 BCF of gas from 1996 to 1999 (data from IHS Energy). Reservoir rocks of Rotliegend age are present in the north-eastern portion of block 106. These are sediments deposited on the flanks of the ancestral Rotliegend basin as fluvial sandstones. The depth of the top of the Rotliegend is approximately 3100 meters. Previous drilling at the Czarne-1 well discovered and tested 10.1 MMCFGD gas in the Rotliegend sandstone on a 10mm choke. This discovery was appraised with 2 more wells, but remains to be produced.

Based upon data obtained from the Polish Geological Institute, and former operator Calenergy, Gas Plus has identified a significant number of structures at the Zechstein Main Dolomite and Rotliegend levels. The largest and most attractive of these prospects is the Silvia Prospect, a Main Dolomite prospect situated east of the Czarne gas field and north of the depleted Brzozowka oil field. The recoverable reserves of the Silvia Prospect from the Zechstein Main Dolomite are estimated by Gas Plus at 10 million barrels of oil at a depth of approximately 3,500 meters (11,500 feet). Note: The foregoing reserve information is a historical estimate and GPE has not concluded its internal studies to verify this estimate. Accordingly, readers should use caution when considering this information and should not rely on the accuracy of such information. Future geological and geophysical work in Block 106 will be focused on supporting the drilling of

an exploratory well on the Silvia Prospect, the development of the Czarne gas field if internal studies show a positive economic potential for this project, as well as developing additional prospects at both the Main Dolomite and Rotliegend levels.

**Tepee Butte Project, Hettinger County, North Dakota**

Location: Section 24, T133N R97W, Hettinger County, North Dakota  
 Acreage: 480 gross acres  
 Working Interest: Option to earn a 37.5% working interest in portions of the Block  
 Operator: GPE Energy Inc.

On July 7, 2008 the Company reported that its US subsidiary, GPE Energy Inc. ("GPEI"), has entered into a Letter of Intent with RTR Energy, LLC of Lone Tree, Colorado ("RTR") to farm-in for a working interest of 37.5% in the redevelopment of the Tepee Butte oil field in Hettinger County, North Dakota.

Tepee Butte is a one-well oil field located in Hettinger County, North Dakota, discovered by Amoco in 1980. The Urlacher #1-24 well produced 227,000 barrels of 40° API oil, 309,000 MCF of gas, and 1,662,000 barrels of water from the C and D zones of the Ordovician Red River Formation at a depth of approximately 10,000 feet. The high water production was attributed to a poor initial cement job and the Urlacher well was abandoned in 2002. Evaluation of existing 2D seismic lines indicates 160 or more acres of structural closure at the Red River horizon which could contain substantial undeveloped oil resources. GPE plans to conduct a five square mile 3D seismic survey to evaluate the potential for remaining undeveloped oil resources and drill a development well.

Under the terms of the Letter of Intent, GPEI has agreed to pay 50% of the cost of the 3D seismic survey which is estimated to cost a total of \$300,000. GPEI will manage the acquisition, processing and interpretation of the seismic, expected to take place during Q3-2008. GPEI then has the option to earn a 37.5% working interest in the Tepee Butte field by paying 50% of the cost of drilling, completing and equipping a development well. GPEI will be the Operator of the well.

**Selected Financial Data**

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

	Years Ended December 31,		
	2007 \$	2006 \$	2005 \$
<b>Operations:</b>			
Revenues	394,685	731,245	Nil
Expenses	(4,757,120)	(4,190,974)	(1,327,463)
Other items	(62,508)	(25,415)	(68,244)
Income (loss)	(4,424,943)	(3,485,144)	(1,395,707)
Basic and diluted income (loss) per share	(0.12)	(0.22)	(0.14)
Dividends per share	Nil	Nil	Nil
<b>Balance Sheet:</b>			
Working capital (deficiency)	4,593,779	962,051	410,617
Total assets	6,660,279	5,966,525	1,551,048
Total long-term liabilities	Nil	Nil	Nil

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

	Jun. 30, 2008 \$	Mar. 31, 2008 \$	Dec. 31, 2007 \$	Sep. 30, 2007 \$	Jun 30, 2007 \$	Mar. 31, 2007 \$	Dec. 31, 2006 \$	Sep. 30, 2006 \$
<b>Operations:</b>								
Revenues	37,721	41,526	219,800	63,058	56,472	55,355	9,080	Nil
Expenses	(3,525,809)	(468,312)	(1,162,663)	(807,536)	(1,624,202)	(1,162,719)	(1,528,899)	(600,821)
Other items	63,301	69,798	214,245	(175,312)	(134,690)	33,249	67,069	26,644
Net income (loss)	(3,424,787)	(356,988)	(728,618)	(919,790)	(1,702,420)	(1,074,115)	(1,452,750)	(574,177)
Basic and diluted income (loss) per share	(0.08)	(0.01)	(0.02)	(0.02)	(0.05)	(0.05)	(0.09)	(0.03)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Balance Sheet:</b>								
Working capital	2,205,911	3,541,126	4,593,779	3,157,688	3,763,942	223,751	962,051	2,116,727
Total assets	3,651,098	6,700,742	6,660,279	7,657,488	8,372,393	4,263,364	5,966,525	4,114,375
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

## Results of Operations

*Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2007*

During the six months ended June 30, 2008, the Company incurred a loss of \$3,781,775 (\$0.09 per share) compared to a loss of \$2,776,535 (\$0.09 per share) for the six months ended June 30, 2007, an increase in loss of \$1,005,240. The primary reason for the increase in loss relates to the dry-hole costs of \$2,682,958 incurred in Q2-2008.

General and administrative expenses for the six months ended June 30, 2008 and 2007 are as follows:

	2008 \$	2007 \$
Accounting and administrative	89,823	179,775
Audit	41,385	32,478
Consulting	208,043	162,843
Corporate development	47,085	59,438
Delay rentals	–	44,538
Legal	52,318	49,028
Management salaries and benefits	237,496	157,286
Office	72,990	50,715
Regulatory fees	10,848	9,198
Rent	38,067	21,852
Transfer agent fees	3,918	8,132
Travel	109,503	119,098
	<u>911,476</u>	<u>894,381</u>

General and administrative expenses increase by decreased by \$17,095 from \$894,381 reported in the Q2-2007 to \$911,476 in Q2-2008. Specific expenses of note during the six months ended June 30, 2008 and 2007 are as follows:

- The Company paid a total of \$141,293 (2007 - \$122,844) for Management salaries and benefits to Jack Steinhauser, the Company's President and CEO, and Helen Tuttle, the Company's Corporate Secretary who work out of the Denver, CO office. The Company also paid \$48,298 (2007 - \$nil) for salaries and benefits to staff in the Argentina office;
- The Company paid a total of \$45,817 for wages and benefits to Kevin Allison, the Vice President Exploration, who works out of the Denver, CO office.
- The Company incurred \$43,900 (2007 - \$36,881) for accounting and administrative services provided by Chase Management Ltd. ("Chase") a private corporation owned by Mr. Nick DeMare, a former director of

- the Company. In addition, the Company incurred \$34,946 (2007 - \$143,500) for administrative services provided by Grosso Group Management Ltd. ("Grosso Group"), a private corporation in which the Company had a one-sixth share of Grosso Group. On February 29, 2008, the Company terminated its arrangement with Grosso Group;
- The Company paid \$14,000 (2007 - \$nil) for rent, accounting and administrative services provided by ESO Uranium Corp. a publicly traded company with a common director;
  - Incurred audit fees of \$41,385 (2007 - \$32,478) on the audit of the fiscal 2007 year-end consolidated financial statements;
  - The Company paid \$50,000 in consulting fees paid to ARH Management Limited, a private corporation owned by Anthony Harvey, a director of the Company. The Company also paid \$11,500 in consulting fees to 1235615 Ontario Inc., a private corporation owned by Peter Carpenter, a director of the Company;
  - Consulting fees increased by \$45,200, from \$162,843 reported in Q2-2007 to \$208,043 during Q2-2008. The increase was related to additional consultants assisting the Company in raising capital, and reviewing and evaluating oil and gas properties in the Bulgaria, Poland, United States, Argentina, and Colombia;
  - Office expenses increased by \$22,275 from \$50,715 reported in Q2-2007 to \$72,990 in Q2-2008, primarily due to additional staff and operating costs in both the Vancouver, BC and Denver, CO offices;
  - The Company paid \$ 12,818 in rent related costs for its Vancouver, BC office and \$25,248 for its Denver, CO office.
  - Travel expenses slightly decreased by \$9,595 from \$119,098 reported in Q2-2007 to \$109,503 in Q2-2008. These travel expenses are related to an on-going review of potential oil and gas property acquisitions and current properties, as well as participation in investment conferences in Canada, South America, USA and Europe;
  - Corporate development expenses decreased by \$12,353 from \$59,438 reported in Q2-2007 to \$47,085 in Q2-2008. The decrease is related to the Company not participating in as many investment conferences, where as in Q2-2007 the Company had attended conferences in Canada, USA and Europe, and incurred higher costs for market awareness programs;

For the six months ended June 30 2008, the Company recorded a total of \$155,385 (2007 - \$735,075) stock-based compensation expense. The expense for Q2-2008 is related to the vesting of 2,200,000 stock options granted on May 27, 2008 and vesting expense of 55,000 investor relations stock options previously granted. Stock-based compensation expense for the six month ended Q2-2007 was attributed to the granting of 2,316,500 stock options and the amendment and extension of 1,570,500 stock options.

For the six month ended June 30, 2008, the company recorded a dry-hole expense of \$2,682,958 related to the Capricornio well in Argentina (2007 - \$246,862).

During Q2-2008, the Company reported exploration expenses of \$138,273 (2007 -\$493,328), a decrease of \$355,055.

During Q2-2008, the Company reported interest and other income of \$34,553 compared to \$50,244 reported in Q2-2007. The interest income is derived mainly from the cash balance in bank accounts.

### **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.

As at June 30, 2008, the Company had working capital of \$2,205,911. The Company does not have sufficient financial resources to undertake all of its anticipated exploration activities and ongoing level of corporate activities for the ensuing year. The Company will need to obtain additional capital to meet its current obligations over the ensuing year. However, exploration activities may change due to ongoing results and recommendations or the Company may acquire additional

mineral properties, which may entail significant funding or exploration commitments. The Company has relied solely on equity financing to raise the requisite financial resources. While it has been successful in the past, there can be no assurance that the Company will be successful in raising future financings should the need arise.

On May 27, 2008, the Company completed the first tranche of a non-brokered private placement, which was originally announced on April 21, 2008, consisting of 2.7 million units at a price of 8-cents per unit, for gross proceeds of \$216,000. Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one common share at ten cents per share for 24 months. The securities are subject to a hold period, which expires on Sept. 22, 2008. The proceeds from the private placement will be used to finance the Company's continuing exploration, property acquisitions and general working capital.

On June 11, 2008, the Company completed the second tranche of a non-brokered private placement previously announced on April 21, 2008, consisting of 350,000 units at a price of 8-cents per unit, for gross proceeds of \$28,000. Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one common share at ten cents per share for 24 months. The securities are subject to a hold period, which expires on October 12, 2008. The proceeds from the private placement will be used to finance the Company's continuing exploration, property acquisitions and general working capital.

### **Commitments**

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

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Proposed Transactions**

As at June 30, 2008, the Company did not have any proposed transactions.

### **Critical Accounting Estimates**

The Company is a venture issuer; therefore, this section is not applicable.

### **Changes in Accounting Principles**

Effective January 1, 2008, the Company has adopted the new accounting standards related to capital disclosures that were issued by the Canadian Institute of Chartered Accountants ("CICA") in 2007. This accounting policy change is adopted on a prospective basis with no restatement of prior period financial statements. The new standard and accounting policy changes are as follows:

#### *Capital Disclosures (CICA Handbook Section 1535)*

The CICA issued a new accounting standard, Section 1535, Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and processes for managing capital.

#### *Financial Instruments – Disclosures (CICA Handbook Section 3862)*

The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity's financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks.

#### *Financial Instruments – Presentation (CICA Handbook Section 3863)*

The provisions of Section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

There are no effects on opening retained earnings resulting from these changes.

As of January 1, 2009, the Company will be required to adopt the CICA Handbook Section 3064 "Goodwill and

Intangible Assets”, which will replace the existing Goodwill and Intangible Assets standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard should not have a material impact on the Company’s consolidated financial statements.

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, the AcSB confirmed in February 2008 that International Financial Reporting Standards (“IFRS”) will replace Canadian GAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As the Company will be required to report its results in accordance with IFRS starting 2011, the Company is assessing the potential impacts of this changeover and developing its plan accordingly.

### Transactions With Related Parties

- (a) The Company was charged for various services provided by directors and officers, and by companies controlled by current and former directors and officers of the Company, as follows:

	Three months ended		Six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
	\$	\$	\$	\$
Accounting and administration	20,800	19,975	43,900	36,275
Consulting fees	31,500	–	61,500	–
Management salaries and benefits	86,302	38,163	141,293	78,878
	<u>138,602</u>	<u>58,138</u>	<u>246,693</u>	<u>115,153</u>

As at June 30, 2008, accounts payable and accrued liabilities include \$nil due to these related parties. These transactions were measured at the exchanged amount which was the amount of consideration established and agreed to by the related parties.

- (b) The Company had engaged the Grosso Group to provide services and facilities to the Company. On February 29, 2008, the Company terminated its arrangement with Grosso Group. The Grosso Group provided its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. For the six months ended June 30, 2008 the Company incurred fees of \$35,696 (2007 - \$143,500) to the Grosso Group.

### Financial Instruments and Other Instruments

The carrying values of the Company’s financial instruments, consisting of cash and cash equivalents, interest receivable, accounts payable and accrued liabilities, approximate their fair values due to the short-term maturity of such instruments. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

### Subsequent Events

#### a) Oil and gas interests:

##### i) Letter of Intent on Bulgaria Gas Project

Subsequent to June 30, 2008, the Company entered into a Letter of Intent with JKX Oil & Gas PLC (“JKX”) and Aurelian Oil & Gas PLC (“Aurelian”) to farm-in to a portion of two oil and gas licenses comprising 1,480 square kilometers (365,516 acres) in eastern Bulgaria. GPE has agreed to pay 40% of a 250 square kilometer 3D seismic survey plus 40% of the cost of two shallow test wells to earn a 20% working interest in the block. GPE's obligation to pay 40% of the seismic and drilling costs is subject to a cap of \$5.0 million, after which it pays 20% of the costs.

Under the terms of the Letter of Intent, GPE has agreed to pay 40% of the costs associated with a 250 square kilometer 3D seismic survey ("the 3D Survey") of the eastern area of the Golitza B and B1 Licenses ("the Eastern Golitza Area"). The current estimate of the cost of the 3D Survey is US\$7.5 million. GPE's share of that US\$7.5 million would be US\$3.0 million. Data acquisition for the 3D Survey is scheduled to commence in September, 2008, and be completed by year-end. The processed seismic data is expected to be available to GPE in the beginning of the second quarter of fiscal 2009. Within three months of receipt of the processed seismic data GPE will make an election to obtain a 20% participating interest in the Eastern Golitza Area and continue in the project; or exit the project if it considers that the results of the 3D Survey are unfavourable.

If GPE elects to continue in the project it shall then be responsible for 40% of the cost of drilling and completing, or plugging and abandoning, the two exploration wells that are to be drilled in the Eastern Golitza Area by the end of the four quarter of fiscal 2009 until such time as GPE's cumulative investment in the 3D Survey and the two exploration wells shall total \$5.0 million; thereafter GPE will be responsible for only 20% of any additional project costs.

**ii) Letter of Intent on North Dakota Oil Project**

Subsequent to June 30, 2008, GPE Energy Inc. ("GPEI"), the Company's wholly-owned U.S. subsidiary, entered into a Letter of Intent with RTR Energy, LLC of Lone Tree, Colorado ("RTR") to farm-in for a working interest of 37.5% in the redevelopment of the Tepee Butte oil field in Hettinger County, North Dakota.

Under the terms of the Letter of Intent, GPEI has agreed to pay 50% of the cost of the 3D seismic survey which is estimated to cost a total of \$300,000. GPEI will manage the acquisition, processing and interpretation of the seismic, expected to take place during Q3-08. GPEI then has the option to earn a 37.5% working interest in the Tepee Butte field by paying 50% of the cost of drilling, completing and equipping a development well. GPEI will be the Operator of the well.

**iii) Farm-in on Polish Oil and Gas Project**

Subsequent to June 30, 2008, the Company entered into a letter agreement ("Agreement") with Gas Plus International B.V. ("Gas Plus") to farm-in to a fifty percent working interest in Block 106 ("the Block") comprising 920 square kilometers (227,000 acres) located around the city of Szczecinek in northwest Poland. GPE has agreed to pay approximately US\$250,000 in back costs and US\$135,000 in estimated exploration expenditures for the remainder of 2008, plus 100% of the cost of a US\$2.5 million 3D seismic survey, to be acquired in early 2009, to earn a fifty percent working interest in the Block. GPE and Gas Plus will share 50:50 in any future costs of exploring and developing the Block including exploratory drilling on the Sylvania Prospect targeting 10 million barrels of potential oil reserves from the Zechstein Main Dolomite at approximately 3,500 meters (11,500 feet) and the previously-discovered Czarne gas field from the Rotliegend sandstone at approximately 3,100 meters (10,200 feet).

**b) Share Capital:**

**i) Stock options expired**

On July 28, 2008, a total of 467,650 stock options expired with a weighted average price of \$0.39.

**ii) Stock options granted**

On August 1, 2008, the Company granted incentive stock options to certain directors, officers and a consultant of the Company to purchase 550,000 common shares of the Company at an exercise price of \$0.12 per shares for a term of 5 years. The options vest immediately.

## Additional Information

### Disclosure of Outstanding Share Data

- a) The Company is authorized to issue an unlimited number of common shares, without nominal or par value
- b) The common share issued as at June 30, 2008 and August 28, 2008 are as follows:

	<u>Number</u>
Balance, June 30, 2008	44,864,365
Balance, August 28, 2008	44,864,365

- c) The number of options exercisable and exercise prices at June 30, 2008 were as follows:

<u>Number Outstanding</u>	<u>Number Exercisable</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
\$			
140,000	140,000	0.36	December 31, 2008
125,000	125,000	0.45	December 31, 2008
159,650	159,650	0.38	December 31, 2008
40,000	40,000	0.40	September 25, 2008
58,000	58,000	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
100,000	100,000	0.40	February 20, 2010
39,500	39,500	0.40	September 27, 2010
200,000	200,000	0.40	July 4, 2011
1,135,500	1,135,500	0.40	May 2, 2012
60,000	60,000	0.40	September 6, 2012
2,250,000	2,200,000	0.10	May 27, 2013
<u>4,377,650</u>	<u>4,327,650</u>		

- d) The number of share purchase warrants and exercise prices at June 30, 2008 were as follows

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
\$		
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
15,000	0.45	May 1, 2009
500,000	0.35	August 10, 2009
2,700,000	0.10	May 20, 2010
350,000	0.10	June 10, 2010
<u>28,154,258</u>		

### Investor Relations Activities

The Company did not engage any outside consultants to provide investor relations activities for the six months ended June 30, 2008. All investor relation activities are conducted by Company personnel.

## **Risks and Uncertainties**

### General

The oil and gas industry is very competitive and is subject to many risks. Many of these risks are outside the Company's control. Management has identified certain key risks, which are discussed below, along with their potential impact on the Company's operations. There is no assurance that commercial quantities of oil and natural gas will be discovered by the Company.

### Exploration, Drilling and Operating Risks

The business of exploration for and production of oil, gas and other resources involves a high degree of risk. In particular, the operations of the Company may be disrupted, curtailed or cancelled by a variety of risks and hazards which are beyond the control of the Company, including environmental hazards, industrial accidents, occupational and health hazards, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to increment or hazardous weather conditions, mechanical difficulties, shortage or delays in the delivery of rigs and/or other equipment, compliance with governmental requirements, explosions and other accidents. These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruptions, monetary losses and possible legal liability.

### Titles to properties

Title to oil and gas interest is often not capable of conclusive determination, without incurring substantial expense. In accordance with industry practice, the Company will conduct such title review in connection with its principal properties as it believes is commensurate with the value of such properties. Governmental regulations and processing, approvals license and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental offices. The Company must comply with known standards, existing laws and regulations, new laws and regulations, amendments to existing laws and regulations, or more

### Fluctuations in the Prices of Oil and Natural Gas

Oil and natural gas prices have fluctuated widely during recent years and are determined by various factors outside the Company's control, including supply and demand factors, weather, general economic conditions, political instability, government regulation and taxes, the price and availability of alternative fuels, and conditions in oil and gas regions around the world. Such fluctuations will have a positive or negative effect on any revenue that the Company receives. If oil and natural gas prices become depressed or decline, the Company's potential revenue and earnings and the value of its assets would be expected to decline.

### Dependence on Key Personnel

The Company has a small management team and the loss of a key individual or the inability to attract suitably qualified personnel in the future could materially and adversely affect the Company's business.

### Additional Financing

To the extent that external sources of capital, including the issuance of additional Common Shares, become limited or unavailable, the Company's ability to make necessary capital investments to maintain or expand its oil and gas exploration and development activities will be impaired.

### Reserve and Resource Estimates

Information on resources and reserves are only estimates and the actual production and ultimate reserves from the properties may be greater or less than the estimates contained herein. In addition, probable reserve estimates for properties may require revision based on the actual development strategies employed to prove such reserves. Estimated reserves may also be affected by changes in oil and natural gas prices. Declines in reserves that are not offset by the acquisition or development of additional reserves may reduce the underlying value of shares to shareholders.

### Foreign Exchange Rates

The Company will be subject to normal market risks including fluctuations in foreign exchange rates. While the Company expects to manage its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

#### Foreign Investments

The Company expects that its oil and gas exploration activities will take place principally outside Canada for the foreseeable future. As such, the Company's operations are subject to a number of risks over which it has no control. These risks may include risks related to economic, social or political instability or change, terrorism, hyperinflation, currency non-convertibility or instability and changes of laws affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, petroleum and export licensing and export duties as well as government control over domestic oil and gas pricing. The Company endeavours to operate in such a manner as to minimize and mitigate its exposure to these risks. However, there can be no assurance the Company will be successful in protecting itself from the impact of all of these risks.

#### Environment Regulation

The oil and gas industry is subject to environmental regulation. A breach of such legislation may result in the imposition of fines or issuance of clean up orders in respect of the Company or its properties. Such legislation may be changed to impose higher standards and potentially more costly obligations. The Company is putting policies and practices in place to ensure its operations conform to the standards and government regulations required for each jurisdiction in which it operates.