
GOLD POINT ENERGY CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

(Expressed in Canadian dollars unless otherwise stated)

AUDITORS' REPORT

To the Shareholders of
Gold Point Energy Corp.

We have audited the consolidated balance sheets of Gold Point Energy Corp. as at December 31, 2007 and 2006 and the consolidated statements of loss, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, B.C.
April 23, 2008

"D+H Group LLP"
Chartered Accountants

GOLD POINT ENERGY CORP.
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31

(Expressed in Canadian dollars unless otherwise stated)

	2007	2006
	\$	\$
A S S E T S		
CURRENT ASSETS		
Cash	4,462,692	2,773,678
Amounts receivable (Note 3)	224,853	23,082
Prepays and deposits	<u>15,790</u>	<u>37,956</u>
	4,703,335	2,834,716
EQUIPMENT , net of accumulated depreciation of \$11,281 (2006 - \$4,070)	15,581	20,605
OIL AND GAS INTERESTS (Note 4)	1,892,658	3,020,110
OTHER ASSETS (Note 5)	<u>48,705</u>	<u>91,094</u>
	<u><u>6,660,279</u></u>	<u><u>5,966,525</u></u>
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	109,556	1,529,445
Drilling advances	-	306,513
Asset retirement obligation (Note 6)	<u>-</u>	<u>36,707</u>
	<u>109,556</u>	<u>1,872,665</u>
S H A R E H O L D E R S ' E Q U I T Y		
SHARE CAPITAL (Note 7)	13,967,412	8,025,452
SHARE SUBSCRIPTIONS (Note 7(a))	-	86,000
CONTRIBUTED SURPLUS (Note 9)	1,889,105	863,259
DEFICIT	<u>(9,305,794)</u>	<u>(4,880,851)</u>
	<u>6,550,723</u>	<u>4,093,860</u>
	<u><u>6,660,279</u></u>	<u><u>5,966,525</u></u>

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

SUBSEQUENT EVENTS (Note 15)

APPROVED BY THE DIRECTORS

"Jack Steinhauser" , Director

"Anthony Harvey" , Director

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

GOLD POINT ENERGY CORP.
CONSOLIDATED STATEMENTS OF LOSS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in Canadian dollars unless otherwise stated)

	2007 \$	2006 \$ <i>(Note 2)</i>
REVENUES		
Petroleum and natural gas sales	165,746	9,080
Gain on sale of oil and gas interests (Note 4(d))	<u>228,939</u>	<u>722,165</u>
	<u>394,685</u>	<u>731,245</u>
EXPENSES		
General and administrative	1,759,406	1,562,760
Operating costs	65,828	6,328
Exploration	722,128	670,074
Depletion and depreciation	186,748	23,399
Dry-hole costs (Note 4)	1,009,577	1,257,782
Impairment of oil and gas interests (Note 4)	369,053	333,891
Stock-based compensation (Note 8)	<u>644,380</u>	<u>336,740</u>
	<u>4,757,120</u>	<u>4,190,974</u>
LOSS FROM OPERATIONS	<u>(4,362,435)</u>	<u>(3,459,729)</u>
OTHER ITEMS		
Interest and other income	124,348	94,081
Foreign exchange	<u>(186,856)</u>	<u>(119,496)</u>
	<u>(62,508)</u>	<u>(25,415)</u>
NET LOSS FOR THE YEAR	<u>(4,424,943)</u>	<u>(3,485,144)</u>
BASIC AND DILUTED LOSS PER SHARE	<u>\$(0.12)</u>	<u>\$(0.22)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u>35,599,667</u>	<u>15,982,128</u>

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

GOLD POINT ENERGY CORP.
CONSOLIDATED STATEMENTS OF DEFICIT
FOR THE YEARS ENDED DECEMBER 31
(Expressed in Canadian dollars unless otherwise stated)

	2007 \$	2006 \$
DEFICIT - BEGINNING OF YEAR	(4,880,851)	(14,512,148)
ELIMINATION OF DEFICIT (Note 7(d))	<u>-</u>	<u>13,116,441</u>
	(4,880,851)	(1,395,707)
NET LOSS FOR THE YEAR	<u>(4,424,943)</u>	<u>(3,485,144)</u>
DEFICIT - END OF YEAR	<u><u>(9,305,794)</u></u>	<u><u>(4,880,851)</u></u>

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

GOLD POINT ENERGY CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in Canadian dollars unless otherwise stated)

	2007	2006
	\$	\$
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Net loss for the year	(4,424,943)	(3,485,144)
Adjustment for items not affecting cash		
Professional fees	150,000	-
Stock-based compensation	644,380	336,740
Depreciation and depletion	186,748	23,399
Dry-hole costs	1,278,726	1,257,782
Impairment of oil and gas interests	99,903	333,891
Gain on sale of oil and gas interests	<u>(228,939)</u>	<u>(722,165)</u>
	(2,294,125)	(2,255,497)
Increase in amounts receivable	(186,771)	(11,839)
Decrease (increase) in prepaids	22,166	(17,518)
(Decrease) increase in accounts payable and accrued liabilities	(1,419,889)	92,477
(Decrease) increase in asset retirement obligation	(36,707)	36,707
Decrease in drilling advances	<u>(306,513)</u>	<u>-</u>
	<u>(4,221,839)</u>	<u>(2,155,670)</u>
INVESTING ACTIVITIES		
Oil and gas interests expenditures	(3,002,593)	(2,507,525)
Proceeds from sale of oil and gas interests	2,800,818	1,122,047
Purchase of equipment	(2,187)	(19,348)
Other assets	<u>27,389</u>	<u>(41,116)</u>
	<u>(176,573)</u>	<u>(1,445,942)</u>
FINANCING ACTIVITIES		
Issuance of common shares	6,835,850	6,282,875
Share issue costs	(748,424)	(525,090)
Share subscriptions	<u>-</u>	<u>86,000</u>
	<u>6,087,426</u>	<u>5,843,785</u>
INCREASE IN CASH DURING THE YEAR	1,689,014	2,242,173
CASH - BEGINNING OF YEAR	<u>2,773,678</u>	<u>531,505</u>
CASH - END OF YEAR	<u><u>4,462,692</u></u>	<u><u>2,773,678</u></u>

SUPPLEMENTAL CASH FLOW INFORMATION - See Note 13

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

GOLD POINT ENERGY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Expressed in Canadian dollars unless otherwise stated)

1. NATURE OF OPERATIONS AND GOING CONCERN

Gold Point Energy Corp. (“the Company”) 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 described in Note 4(d)). As at December 31, 2007, the Company’s petroleum activities are conducted in Argentina. The Company is also investigating potential acquisitions of oil and gas properties in Columbia.

During fiscal 2007 the Company incurred a net loss of \$4,424,943 and, as at December 31, 2007, had accumulated a deficit of \$9,305,794. 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 and costs of potential acquisitions. 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.

These 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. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian GAAP. The consolidated financial statements includes the accounts of the Company and its wholly-owned subsidiaries, GPE Energy Inc., GPE Argentina S.A., Gold Point Peru S.A.C. (“Gold Point Peru”) and Gold Point Energy (B.V.I.) Ltd. Gold Point Peru is currently inactive. Inter-company balances and transactions are eliminated on consolidation.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Petroleum and Natural Gas Interests

(i) *Capitalized Costs*

The Company uses the successful efforts method to account for exploration and development expenditures. Leasehold acquisition costs are capitalized. If proved reserves are found on an undeveloped interest, leasehold costs are transferred to proved interests. In certain cases, a determination of whether a drilled exploration well has found proved reserves cannot be made

GOLD POINT ENERGY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Expressed in Canadian dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

immediately. This is generally due to the need for a major capital expenditure to produce and/or evacuate the hydrocarbons found. The determination of whether to make such a capital expenditure is usually dependent on whether further exploratory wells find a sufficient quantity of additional reserves.

The Company capitalizes well costs in property, plant and equipment when the well has found a sufficient quantity of reserves to justify its completion as a producing well, and the Company is making sufficient progress assessing the reserves and the economic and operating viability of the project. The Company re-evaluates its capitalized drilling costs at least annually to ascertain whether drilling costs continue to qualify for ongoing capitalization. Other exploratory costs are charged to expense as incurred. Development costs, including unsuccessful development wells, are capitalized. The Company does not capitalize general and administrative costs.

Oil and gas interests are evaluated by field for potential impairment if a significant event or change occurs. This can include a significant decrease in oil and gas prices, revisions to proved reserves, changes in operating expenses or changes in its operating environment. Other interests are evaluated for impairment on a specific asset basis or in groups of similar assets as applicable. An impairment is recognized when the estimated undiscounted before tax future net cash flows of an evaluated asset are less than its carrying value.

(ii) *Depletion and Depreciation*

Depreciation and depletion of producing oil and gas interests is recorded based on units of production. Unit rates are computed for unamortized exploration drilling and development costs using proved developed reserves and for unamortized leasehold costs using all proved reserves. Proved reserves are estimated by independent engineers and are subject to future revisions based on availability of additional information. Asset retirement costs are amortized over proved reserves using the unit-of-production method. Gains and losses on asset disposals or retirements are included in income as a separate component of revenue.

Equipment

Equipment is amortized using the declining balance method at a rate of 20% per annum for office equipment and 30% per annum for computer equipment.

Asset Retirement Obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. The fair value is determined through a review of engineering studies, industry guidelines, and management's estimate on a site-by-site basis. The liability is subsequently adjusted for the passage of time and is recognized as an accretion expense in the statement of operations. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. The increase in the carrying value of the asset is amortized using the unit-of-production method based on estimated proved developed reserves as determined by independent engineers. Actual costs incurred upon settlement of the asset retirement obligations are charged against the asset retirement obligation to the extent of the liability recorded. Any difference between the actual costs incurred upon settlement of the asset retirement obligations and the recorded liability is recognized as a gain or loss in the Company's statement of operations in the period in which the settlement occurs.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Long-Lived Assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings. Fair value is generally determined using a discounted cash flow analysis.

Translation of Foreign Currencies

Monetary assets and liabilities are translated into Canadian dollars at the balance sheet date rate of exchange and non-monetary assets and liabilities at historical rates. Revenues and expenses are translated at appropriate transaction date rates except for amortization, depreciation and depletion, which are translated at historical rates. Gains and losses resulting from the fluctuation of foreign exchange rates have been included in the determination of income.

Stock-Based Compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are charged to expense as awards vest, with offsetting amounts recognized as contributed surplus.

Revenue Recognition

Petroleum and natural gas sales are recognized when the commodities are delivered to purchasers.

Income Taxes

Future income tax liabilities and assets are recognized for the estimated income tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective income tax bases, using substantially enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change is substantively enacted. Future income tax assets are recognized to the extent that they are considered more likely than not to be realized.

Earnings (Loss) Per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

GOLD POINT ENERGY CORP.
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(Expressed in Canadian dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative Figures

Certain of the fiscal 2006 figures have been reclassified to conform with the presentation used in fiscal 2007.

Financial Instruments

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments - Recognition and Measurement, Section 3861, Financial Instruments - Disclosure and Presentation and Section 3865, Hedges. These sections apply to fiscal years beginning on or after October 1, 2006, and provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities, and non-financial derivatives, and describe when and how hedge accounting may be applied. Section 1530 provides standards for the reporting and presentation of comprehensive income, which is defined as the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. A statement of comprehensive income has not been presented as no components of comprehensive income have been identified and therefore have not affected the current or comparative period balances on the financial statements. Under these new standards, all financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available for sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of change in the fair value of financial instruments depends on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, investments held to maturity and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, derecognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to financings will be recognized in the period incurred.

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.

New Accounting Pronouncements

Assessing Going Concern

The Accounting Standards Board (“AcSB”) amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity’s ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

Financial Instruments

The AcSB issued CICA Handbook Section 3862, Financial Instruments - Disclosures, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity’s financial position and performance; and (b) the nature and extent of risks arising

GOLD POINT ENERGY CORP.
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, Financial Instruments - Recognition and Measurement, Section 3863, Financial Instruments - Presentation, and Section 3865, Hedges. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The AcSB issued CICA Handbook Section 3863, Financial Instruments - Presentation, which is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and nonfinancial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

Capital Disclosures

The AcSB issued CICA Handbook Section 1535, which establishes standards for disclosing information about an entity's capital and how it is managed. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The Company is currently assessing the impact of the above new accounting standards on the Company's financial position and results of operations.

International Financial Reporting Standards ("IFRS")

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. AMOUNTS RECEIVABLE

	2007 \$	2006 \$
Production receivable	94,509	2,782
GST receivable	19,207	9,752
Grosso Group Management Ltd. ("Grosso Group") (Note 10(b))	54,515	-
Other	56,622	10,548
	<u>224,853</u>	<u>23,082</u>

GOLD POINT ENERGY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian dollars unless otherwise stated)

4. OIL AND GAS INTERESTS

	2007 \$	2006 \$
Database, seismic and other	1,107,726	867,928
Drilling in progress	810,712	1,947,926
Proved leasehold costs	<u>558,052</u>	<u>558,052</u>
	2,476,490	3,373,906
Accumulated depletion and impairment	<u>(583,832)</u>	<u>(353,796)</u>
	<u><u>1,892,658</u></u>	<u><u>3,020,110</u></u>

- (a) Costs of unproved interests and other associated costs excluded from costs subject to depletion and depreciation at December 31, 2007, were \$1,745,098 (2006 - \$2,815,854).
- (b) On August 8, 2006, the Company entered into a letter of intent with Petrolero del Comahue S.A. ("PDC"), which was subsequently superceded 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 has earned a 12.5% working interest in production from two wells under the first farm-in agreement.

As a result of a ceiling test which was performed effective December 31, 2007, it was determined that the net book value of the two wells exceeded the net recoverable amount calculated under the successful efforts accounting guideline and a write-down of \$99,903 (2006 - \$284,487) was recorded as additional impairment. The ceiling test is a cost-recovery test and is not intended to result in an estimate of fair market value.

During fiscal 2007 the Company wrote-off \$269,150 of seismic data processing costs incurred on the property.

- (c) 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 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 has 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%.

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 dry-hole costs. In addition, the drilling of the second exploratory well under Phase 2 was initiated in December 2007. As at December 31, 2007, the Company's share of the drilling costs attributable to the second exploratory well was \$810,712.

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4. OIL AND GAS INTERESTS (continued)

(d) The Company had previously acquired interests in leases in South Dakota, United States (the "South Dakota Assets"), as follows:

- i) an initial 100% interest in a leasehold covering approximately 60,800 acres and 135 miles of 3-D seismic data in South Cedar Creek, Harding County, (the "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.

- ii) an initial 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 (the "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; and

- iii) an initial 70% interest in a leasehold covering approximately 5,364 acres in Harding County, South Dakota (the "Saddle Butte Project").

On May 1, 2006, as amended August 10, 2007, the Company entered into an exploration and development agreement with Silver Tip and Grizzly Energy LLC ("Grizzly"), entities which are arms-length to the Company, to jointly develop the Saddle Butte Project. Under the terms of the agreement the Company assigned a 37.5% working interest to Grizzly for \$61,903 (US \$60,369) with the Company retaining a 37.5% working interest.

During October 2007, the Company and Spyglass completed an agreement whereby the Company sold all of its working interests in the South Dakota Assets for \$2,738,915 (US \$2,806,488), recognizing a gain of \$228,939.

5. OTHER ASSETS

	2007	2006
	\$	\$
Rent deposit	-	7,341
Deposit (Note 10(b))	-	15,000
Exploration bonds	48,705	68,753
	<u>48,705</u>	<u>91,094</u>

GOLD POINT ENERGY CORP.
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(Expressed in Canadian dollars unless otherwise stated)

6. ASSET RETIREMENT OBLIGATION

	2007 \$	2006 \$
Balance, beginning of year	36,707	-
Obligations incurred during the year	-	36,707
Reclamation expenditures incurred	<u>(36,707)</u>	<u>-</u>
Balance, end of year	<u>-</u>	<u>36,707</u>

The Company, from time to time, 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. During fiscal 2007 the Company completed the reclamation expenditures on the Woody Creek Prospect and, as of December 31, 2007, has no further asset retirement obligations.

7. SHARE CAPITAL

Authorized - unlimited common shares without par value

Issued:	December 31, 2007		December 31, 2006	
	Shares	\$	Shares	\$
Balance, beginning of year	21,685,507	8,025,452	12,010,757	15,632,292
Reduction of capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,116,441)</u>
	<u>21,685,507</u>	<u>8,025,452</u>	<u>12,010,757</u>	<u>2,515,851</u>
Issued during the year				
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
For shares for debt	<u>500,000</u>	<u>90,000</u>	<u>-</u>	<u>-</u>
	20,128,858	7,011,850	9,674,750	6,338,495
Less share issue costs	<u>-</u>	<u>(1,069,890)</u>	<u>-</u>	<u>(828,894)</u>
	<u>20,128,858</u>	<u>5,941,960</u>	<u>9,674,750</u>	<u>5,509,601</u>
Balance, end of year	<u>41,814,365</u>	<u>13,967,412</u>	<u>21,685,507</u>	<u>8,025,452</u>

(a) During fiscal 2007 the Company:

- i) completed a non-brokered private placement of 750,000 units, at a price of \$0.40 per unit, 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;
- ii) completed a brokered private placement of 18,593,858 units, at a price of \$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.

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7. SHARE CAPITAL (continued)

The Company paid the agent \$519,508 in cash commissions, a \$10,000 work fee and granted the agent an option entitling the agent to acquire 1,859,386 units, at a purchase price of \$0.35 per unit, for a period of two years. Each unit will comprise one common share and one non-transferable common share purchase warrant entitling the agent to acquire one additional common share at a price of \$0.45 per share for a period of two years. As at December 31, 2007, the agent's option remained unexercised.

The fair value of the agent's option has 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 option was \$316,906.

The Company incurred \$155,331 in legal and other costs on the private placement; and

- iii) issued 500,000 units, at a deemed value of \$0.30 per unit, to settle an outstanding debt of \$150,000. 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 \$0.35 per share, on or before August 10, 2009.

The fair value of the warrants 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 4.56%; and an expected life of 2 years. The value assigned to the warrants was \$60,000.

- b) During fiscal 2006 the Company:

- i) agreed to conduct a brokered private placement, by way of a short form offering, of 4,805,000 units, at a price of \$0.40 per unit, for total gross proceeds of \$1,922,000. 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 for a period of two years.

During December 2006, the Company closed on the first tranche of the brokered private placement and issued 4,520,000 units for gross proceeds of \$1,808,000. The Company paid a cash commission of \$144,640, a \$3,000 administration fee, and issued 71,000 units ("Corporate Fee Units"), at a value of \$28,400, for a corporate finance fee. Each Corporate Fee Unit comprised one common share and one share purchase warrant ("Corporate Fee Warrant") exercisable on the same terms as the private placement. In addition, agent's warrants were issued which entitle the holder to purchase 361,600 common shares, at a price of \$0.50 per share, on or before December 28, 2008. The fair values of the Corporate Fee Warrants and the agent's warrants have been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield - 0%; expected volatility - 83%; a risk-free interest rate of 3.82%; and an expected life of 2 years. The values assigned to the Corporate Fee Warrants was \$12,780 and the agent's warrants was \$65,088, respectively.

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7. SHARE CAPITAL (continued)

During fiscal 2007, the Company completed the remaining tranche of the brokered private placement and issued 285,000 units for gross proceeds of \$114,000. The Company paid a cash commission of \$9,120 and issued agent's warrants, which entitles the holder to purchase 22,800 shares, at a price of \$0.50 per share, on or before January 25, 2009.

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 - 93%; a risk-free interest rate of 4.07%; and an expected life of 2 years. The value assigned to the agent's warrants was \$4,560.

The Company incurred \$37,803 in legal and other costs on the private placement.

As at December 31, 2006, the Company had received \$86,000 in share subscriptions for the remaining portion of the private placement; and

- ii) completed a private placement of 3,910,000 units, at a price of \$1.00 per unit, for total gross proceeds of \$3,910,000. Each unit comprised one common share and one-half share purchase warrant, with each full warrant entitling the holder to purchase an additional common share at a price of \$1.25 per share for a period of two years. A director of the Company purchased 33,000 units of the private placement.

The Company paid a cash commission of \$114,000, a \$5,000 administration fee, and issued broker warrants to purchase 114,000 common shares and issued 40,000 common shares, at a fair value of \$40,000, for a corporate finance fee. Each broker warrant is exercisable to purchase a common share, at a price of \$1.15 per share, on or before February 28, 2008.

The Company also paid finders' fees of \$184,800 cash and issued warrants to purchase 184,800 common shares to finders for certain of the 2,485,000 unit non-brokered portion of the private placement. Each finder warrant is exercisable to purchase a common share at a price of \$1.15 per share on or before March 7, 2008.

The fair value of the broker warrants and finder warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield - 0%; expected volatility - 96%; a risk-free interest rate of 3.97%; and an expected life of two years. The value assigned to the 114,000 broker warrants and 184,800 finder warrants was \$170,316.

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7. SHARE CAPITAL (continued)

- c) A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at December 31, 2007 and 2006 and the changes for the years ending on those dates is as follows:

	2007		2006	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of year	10,329,400	0.66	4,269,250	0.50
Issued	20,151,658	0.45	7,206,400	0.73
Exercised	-	-	(1,133,750)	0.50
Expired	<u>(3,123,000)</u>	0.50	<u>(12,500)</u>	0.50
Balance, end of year	<u>27,358,058</u>	0.43	<u>10,329,400</u>	0.66

The following table summarizes information of the number of common shares reserved pursuant to the warrants outstanding and exercisable at December 31, 2007:

Number	Exercise Price \$	Expiry Date
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
15,000	0.45	May 1, 2009
<u>500,000</u>	0.35	August 10, 2009
<u>27,358,058</u>		

- d) On June 14, 2006, the shareholders of the Company passed a special resolution to reduce the Company's capital by \$13,116,441, being an amount equal to the deficit of the Company at December 31, 2004. This deficit arose as a result of prior unsuccessful business activities previously carried out by the Company under the direction of its former management and board. The reduction of capital resulted in a corresponding elimination of \$13,116,441 of the deficit.
- e) See also Note 15.

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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 fiscal 2007, the Company granted 2,436,500 (2006 - 771,000) stock options to directors, employees and consultants, and recorded compensation expense of \$547,820 (2006 - \$305,790). In addition the Company also recorded \$20,800 (2006 - \$30,950) on stock options vested.

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 fiscal 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Risk-free interest rate	4.07% - 4.56%	3.91% - 4.47%
Estimated volatility	87% - 89%	95% - 105%
Expected life	2 years - 5 years	2 years - 5 years
Expected dividend yield	0%	0%

The weighted average fair value of all stock options granted during fiscal 2007 to the Company's directors, employees and consultants was \$0.22 (2006 - \$0.40) per option.

During fiscal 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 \$75,760.

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 December 31, 2007 and 2006 and the changes for the fiscal years then ended on those dates is presented below:

	<u>2007</u>		<u>2006</u>	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	1,695,500	0.58	1,184,500	0.46
Granted	2,436,500	0.40	771,000	0.89
Expired / Cancelled	<u>(226,000)</u>	0.40	<u>(260,000)</u>	1.00
Balance, end of year	<u>3,906,000</u>	0.40	<u>1,695,500</u>	0.58

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

The following table summarizes information about the stock options outstanding and exercisable at December 31, 2007:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
440,000	440,000	0.36	December 31, 2008
245,500	245,500	0.45	December 31, 2008
229,000	229,000	0.38	December 31, 2008
40,000	40,000	0.40	September 25, 2008
148,000	148,000	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	50,000	0.40	February 20, 2010
157,000	157,000	0.40	September 27, 2010
200,000	200,000	0.40	July 4, 2011
2,156,500	1,911,500	0.40	May 2, 2012
<u>120,000</u>	<u>120,000</u>	0.40	September 6, 2012
<u>3,906,000</u>	<u>3,611,000</u>		

9. CONTRIBUTED SURPLUS

Contributed surplus is comprised of the following:

	2007 \$	2006 \$
Balance, beginning of year	863,259	278,335
Stock-based compensation on stock options (Note 8)	644,380	336,740
Stock-based compensation on broker's and finders' warrants (Note 7)	321,466	248,184
Stock-based compensation on warrants for shares for debt	<u>60,000</u>	<u>-</u>
Balance, end of year	<u>1,889,105</u>	<u>863,259</u>

10. RELATED PARTY TRANSACTIONS

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

	2007 \$	2006 \$
Accounting and administration	65,125	65,900
Legal	-	60,644
Professional fees	88,991	11,335
Management fees and bonus	<u>-</u>	<u>56,394</u>
	<u>154,116</u>	<u>194,273</u>

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10. RELATED PARTY TRANSACTIONS (continued)

As at December 31, 2007, accounts payable and accrued liabilities include \$19,500 (2006 - \$35,979) 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 engages the Grosso Group to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, Golden Arrow Resources Corporation, Amera Resources Corporation, Astral Mining Corporation, IMA Exploration Inc. and Blue Sky Uranium Corp., each of which owns one share. 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. During fiscal 2007 the Company incurred fees of \$235,884 (2006 - \$252,569) to the Grosso Group.

Effective February 29, 2008, the Company terminated its arrangement with Grosso Group. Accordingly, all deposits and prepaids have been recorded as part of amounts receivable at December 31, 2007.

- (c) See also Note 7(b)(ii).

11. INCOME TAXES

Future income tax assets and liabilities of the Company as at December 31, 2007 and 2006 are as follows:

	2007 \$	2006 \$
Future income tax assets (liabilities)		
Losses carried forward	2,028,700	1,502,800
Share issue costs	484,100	244,200
Resource interests	<u>3,312,000</u>	<u>1,744,000</u>
	5,824,800	3,491,000
Valuation allowance	<u>(5,824,800)</u>	<u>(3,491,000)</u>
Net future income tax asset	<u><u>-</u></u>	<u><u>-</u></u>

The recovery of income taxes shown in the consolidated statements of loss and deficit differ from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2007	2006
Combined federal and provincial statutory tax rate	<u><u>34.12%</u></u>	<u><u>34.12%</u></u>

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11. INCOME TAXES (continued)

	2007 \$	2006 \$
Expected income tax recovery	(1,509,800)	(1,189,100)
Non-deductible stock-based compensation	219,900	114,900
Exploration costs capitalized for tax	-	430,700
Other	(114,400)	(62,200)
Losses for which no tax benefit has been recognized	<u>1,404,300</u>	<u>705,700</u>
Actual income tax recovery	<u>-</u>	<u>-</u>

As at December 31, 2007, the Company has accumulated non-capital losses of approximately \$4,671,000 and accumulated unclaimed pools of approximately \$9,379,000 for Canadian income tax purposes to offset in certain circumstances against future taxable income. The non-capital losses expire from 2008 to 2027. Approximately \$1,379,000 of the pools are to be deducted over the next four years and the remaining \$8,000,000 of the pools can be carried forward indefinitely.

The Company also has accumulated non-capital losses for United States and Argentinean income tax purposes of approximately \$1,024,700, expiring from 2025 to 2027, and \$159,700, expiring from 2011 to 2012, respectively, which are available for application against future taxable income.

Future income tax benefits which may arise as a result of these losses have not been recognized in the consolidated financial statements as their realization is unlikely.

12. SEGMENTED INFORMATION

As of December 31, 2007, the Company only holds oil and gas interests in 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>2007</u>			<u>2006</u>		
	Identifiable Assets \$	Revenues \$	Net Income (Loss) \$	Identifiable Assets \$	Revenues \$	Net Income (Loss) \$
Argentina	2,009,051	165,746	(1,167,598)	1,027,778	9,080	(424,563)
Canada	4,596,851	-	(2,630,754)	2,573,178	-	(1,516,985)
United States	<u>54,377</u>	<u>228,939</u>	<u>(626,591)</u>	<u>2,365,569</u>	<u>722,165</u>	<u>(1,543,596)</u>
	<u>6,660,279</u>	<u>394,685</u>	<u>(4,424,943)</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 activities were conducted by the Company as follows:

	2007	2006
	\$	\$
Financing activities		
Contributed surplus	321,466	248,184
Shares issued for professional fees	150,000	-
Shares issued for finder's fee	-	68,400
Share issue costs	<u>(321,466)</u>	<u>(316,584)</u>
	<u>150,000</u>	<u>-</u>
Operating activity		
Professional fees	<u>150,000</u>	<u>-</u>
Other supplemental cash flow information:		
	2007	2006
	\$	\$
Interest paid in cash	<u>-</u>	<u>-</u>
Income taxes paid in cash	<u>-</u>	<u>-</u>

The fair values of financial instruments at December 31, 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 December 31, 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.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments consist of cash, amounts receivable, and accounts payable and accrued liabilities.

(a) Concentration of Credit Risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk are cash and amounts receivable. The maximum potential loss on all financial instruments is equal to the carrying value of these items.

(b) Fair Value of Financial Instruments

The fair value of cash, amounts receivable and accounts payable and accrued liabilities are believed to equal their carrying value due to their short terms to maturity.

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14. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(c) Foreign Currency Risk

The Company is subject to foreign exchange rate risk as certain of the Company's subsidiaries and operations incur transactions and have assets and liabilities denominated in currencies other than the Company's functional currency, which is the Canadian dollar.

15. SUBSEQUENT EVENTS

- (a) Subsequent to December 31, 2007 warrants to purchase 2,253,800 common shares of the Company expired without exercise.
- (b) On April 21, 2008, the Company announced a non-brokered private placement financing of up to 3,000,000 units at a price of \$0.08 per unit, subject to regulatory approval. Each unit will consist of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share of the Company, exercisable at a price of \$0.10 per share for two years. Directors, officers and business associates will subscribe for a portion of the financing.
- (c) See also Note 10(b).

GOLD POINT ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

Background

This discussion and analysis of financial position and results of operation is prepared as at April 22, 2008 and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2007 and 2006 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 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".

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.

Corporate Update

Since the end of the fiscal year 2007, the composition of the Board of Directors has changed substantially. Five board members have resigned and been replaced by three new board members. The board members who have resigned include Joseph Grosso, Harvey Lim, Nick DeMare, Andrew Carter and Hernan Celorrio. The new board members include Anthony Harvey, Peter Carpenter and Andrew Malim. Mr. Harvey has been appointed Chairman of the Board. The Board of Directors currently stands with five directors, they being, Anthony Harvey, Jack Steinhauer, Peter Carpenter, Andrew Malim, and Clive Stockdale.

Additionally, Harvey Lim resigned as the Corporate Secretary and Helen Tuttle has been appointed as the Corporate Secretary and Vice President of Administration. We have also newly appointed Kevin Allison as the Vice President of Exploration. The changes that occurred in the Board composition required new appointments of members for the Audit Committee so this Committee, which also serves as the Compensation Committee is now comprised of Andrew Malim, Peter Carpenter, and Clive Stockdale. Mr. Malim has been appointed Chairman of the Audit Committee.

Property Updates

During 2007 the Company made progress in five areas:

- Drilling of exploratory wells in the U.S.;
- Subsequent sale of the U.S. properties;
- Initial drilling in Argentina;
- Raising capital;
- Entry into the Colombia oil market.

During 2007 eight exploratory wells were drilled in the U.S., seven in South Dakota and one in Wyoming. The South Dakota wells were drilled in the Company's South Cedar Creek Project. All of the wells tested gas from the Cretaceous Shannon formation and were cased. The Wyoming well in the Company's Kaycee Dome project was cased but not

successful in establishing commercial oil production from the Pennsylvanian Tensleep formation. All of the Company's properties in South Dakota were sold effective August 31, 2007 to Spyglass Cedar Creek LP for consideration of US \$2.75 Million that was received on October 17, 2007.

In Argentina the Company drilled its first two exploratory wells in the Capricorn farmout. The first well was found to be dry and was plugged. The second well, called the Lomos de Guayacan x-1 well, was cased based upon a combination of oil and gas shows observed during drilling as well as the results of the logs. This well is being completed in Q2 of 2008. In addition, the Company participated in a workover of two wells in the Flor de Roca field in late 2006 that initiated the Company's first production. Based upon a ceiling test, which measures the remaining undepreciated value of the asset against an estimate of future value performed by an independent engineer, a downward adjustment of \$99,903 has been made to the net book value of the asset at year-end 2007.

The Company completed a private placement of capital in Q2-07 consisting of 18,578,858 units at C\$0.35 per unit which raised \$6,502,600.

During 2007 executives of the Company established an office in Bogota, Colombia and secured the services of Segundo Antonio Gonzalez to assist in finding oil and gas project opportunities in the country. No actual transactions have been closed yet, however the Company is actively seeking and reviewing project opportunities. Based upon the results of these efforts the Company may need to raise additional capital for acquisition, exploration and development costs associated with these projects in Colombia.

Capricorn License Farm-In

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

The Company entered into a farm-out agreement dated October 4, 2006 with APCO Argentina Inc. ("APCO") and Antrim Argentina S.A. ("Antrim") 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 Yacoraita sandstone adjacent to the Puesto Guardian Block which has estimated ultimate production of 22 MMBO from the upper Cretaceous Yacoraita in five fields according to reserve estimates maintained by the Argentine Secretariat of Energy. The total Capricorn License was contracted to approximately 1,011 square kilometers effective January 1, 2008 under the requirements of the exploration license agreement with the Province of Salta.

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 two exploratory wells costing US \$2 million each (Phase 2) to earn a 25% working interest in portions of the Capricorn License. After completion of Phase 1 and Phase 2 the Company pays only its proportionate 25% share of any further development costs on lands earned within the Capricorn License.

In Q3-07 GP Energy, Antrim and APCO, the Project Operator, agreed to drill the Lomas de Guayacán x-1 well on the 30.5 square kilometer Martinez del Tineo Oeste Prospect ("MDTO Prospect") and the Peña Azul x-1 well on the Estacion Pizarro Oeste Prospect ("EPO Prospect") as the earning wells under the farm-out agreement.

Key Energy Services S.A. Rig #106 was contracted to drill the two earning wells on the Capricorn License. Drilling on the Peña Azul x-1 well on the EPO Prospect was commenced in late October, 2007. By late November, 2007, the well had been drilled to total depth, evaluated and plugged & abandoned based upon the recommendation of the Project Operator. Drilling operations commenced on the Lomas de Guayacán x-1 well on the MDTO Prospect in early December. On January 21, 2008 the Company reported that well had been drilled to a total depth of 2,264 meters, cased and cemented based upon a combination of positive indications including oil shows observed during drilling, the results of logging and the results of sidewall coring. Possible pays include both sandstone and carbonate intervals in the Yacoraita formation. A completion rig has been scheduled to test the well in Q2-08.

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 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-in agreement".

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 cancelled the second of the 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 audited annual consolidated financial statements of the Company prepared in accordance with Canadian GAAP.

	Years Ended December 31,		
	2007 \$	2006 \$	2005 \$
Operations:			
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
Balance Sheet:			
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.

	Fiscal 2007				Fiscal 2006			
	Dec. 31 \$	Sep. 30 \$	Jun 30 \$	Mar. 31 \$	Dec. 31 \$	Sep. 30 \$	Jun. 30 \$	Mar. 31 \$
Operations:								
Revenues	219,800	63,058	56,472	55,355	9,080	Nil	18,931	703,234
Expenses	(1,162,663)	(807,536)	(1,624,202)	(1,162,719)	(1,528,899)	(600,821)	(639,843)	(1,421,411)
Other items	214,245	(175,312)	(134,690)	33,249	67,069	26,644	(88,931)	(30,197)
Net income (loss)	(728,618)	(919,790)	(1,702,420)	(1,074,115)	(1,452,750)	(574,177)	(709,843)	(748,374)
Basic and diluted income (loss) per share	(0.02)	(0.02)	(0.05)	(0.05)	(0.09)	(0.03)	(0.04)	(0.06)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Balance Sheet:								
Working capital	4,593,779	3,157,688	3,763,942	223,751	962,051	2,116,727	2,665,557	4,223,533
Total assets	6,660,279	7,657,488	8,372,393	4,263,364	5,966,525	4,114,375	4,573,036	4,774,738
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Results of Operations

Three Months Ended December 31, 2007 Compared to Three Months Ended December 31, 2006

During the three months ended December 31, 2007 (the “December 2007 Quarter”) the Company incurred a loss of \$728,618, (\$0.02 per share) compared to a loss of \$1,452,750 (\$0.09 per share) for the three months ended December 31, 2006 (the “December 2006 Quarter”), a decrease in loss of \$724,132. The primary factors for the decrease in loss was during the 2006 Quarter, the Company recorded impairment of \$333,891 and an increase in dry-hole costs of \$489,854 on their oil and gas properties in the United States.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

During the year ended December 31, 2007 (“fiscal 2007”), the Company incurred a loss of \$4,424,943 (\$0.12 per share) compared to a loss of \$3,485,144 (\$0.22 per share) for the year ended December 31, 2006 (“fiscal 2006”), an increase in loss of \$939,799. The increase in loss is attributable to the increase in stock-based compensation and overall increase in general and administrative expenses offset against the decrease in the gain on sale of oil and gas properties.

The Company has two producing wells in Argentina. During the fiscal 2007, the Company reported petroleum sales of \$165,746 and operating costs of \$65,828. The Company’s net share of oil produced is 5,017 barrels. The average price received for oil was \$33 per barrel and the average production costs was \$13 per barrel. In addition the Company recorded depletion of \$121,757 based on units of production.

General and administrative expenses for fiscal 2007 and 2006 are as follows:

	2007	2006
	\$	\$
Accounting and administrative	301,009	318,469
Audit	32,478	-
Consulting	478,510	397,699
Corporate development	90,177	42,404
Investor relations	-	28,974
Legal	120,374	224,129
Management fees	-	56,394
Office	164,848	69,915
Regulatory fees	14,848	17,266
Rent	41,244	52,019
Salaries and benefits	321,492	189,019
Transfer agent fees	10,074	8,200
Travel	184,352	158,272
	<u>1,759,406</u>	<u>1,562,760</u>

General and administrative expenses increased by \$196,646 from \$1,562,760 in fiscal 2006 to \$1,759,406 in fiscal 2007. Specific expenses of note during fiscal 2007 and 2006 are as follows:

- The Company paid a total of \$160,690 (2006 - \$165,016) for salaries, management fees, bonuses and benefits to Mr. Jack Steinhauser, the Company’s President, \$79,147 (2006 - \$69,937) for salaries and benefits to administrative staff in the Denver office and \$81,655 (2006 - \$nil) for salaries and benefits to staff in the Argentina office;
- The Company incurred \$65,125 (2006 - \$65,900) for accounting and administrative services provided by Chase Management Ltd. (“Chase”) a private corporation owned by Mr. Nick DeMare, a director of the Company. In addition the Company incurred \$235,884 (2006 - \$252,569) 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;
- Incurred audit fees of \$32,478 on the audit of the 2006 year-end consolidated financial statements;
- Consulting fees increased by \$80,811, from \$397,699 during fiscal 2006 to \$478,510 during fiscal 2007.

- During fiscal 2007, the Company paid consultants to assist the Company in raising financing and reviewing and evaluating oil and gas properties in the United States, Argentina and Columbia;
- Legal expense decreased by \$103,755, from \$224,129 during fiscal 2006 to \$120,374 during fiscal 2007. During fiscal 2006, the Company paid for services in the acquisition, review and evaluation of the Company's current petroleum interests;
 - Office expenses increased by \$94,933 from \$69,915 in fiscal 2006 to \$164,848 in fiscal 2007 due to supplies and office furnishings acquired for the Denver and Buenos Aires office and an overall general increase in activities during fiscal 2007;
 - Travel expenses increased by \$26,080, from \$158,272 in fiscal 2006 to \$184,352 in fiscal 2007 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, South America, 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 fiscal 2006, 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 \$47,773 from \$42,404 in fiscal 2006 to \$90,177 in fiscal 2007. During fiscal 2007, the Company participated in investment conferences in Canada, USA and Europe, and incurred costs for an on-going market awareness program.

During fiscal 2007, the Company recorded a total of \$644,380 (2006 - \$336,740) stock-based compensation expense attributed to the granting of 2,436,500 (2006 - 771,000) stock options, the amendment and extension of 1,570,500 (2006 - nil) stock options and the vesting of stock options previously granted.

During fiscal 2007, the Company reported interest and other income of \$124,348 compared to \$94,081 in fiscal 2006. 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 fiscal 2007 the Company issued 19,628,858 common shares for gross proceeds of \$6,921,850. The Company incurred cash costs totalling \$748,424 and recorded a further \$321,466 for the value attributed to broker and finder warrants, as share issue costs.

During fiscal 2007 the Company incurred \$3,002,593 on the acquisition and exploration of its oil and gas properties, an increase of \$495,068 from the \$2,507,525 incurred during fiscal 2006. 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 fiscal 2007 the Company raised gross proceeds of \$6,921,850 from the private placements of its common stock. As at December 31, 2007, the Company had working capital of \$4,593,779. The Company has sufficient financial resources to undertake all of its anticipated exploration activities and ongoing level of corporate activities for 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. In the event that the occasion arises, the Company may be required to obtain additional financing. 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 April 21, 2008, the Company announced a non-brokered private placement financing of up to 3,000,000 units at a price of \$0.08 per unit, subject to regulatory approval. Each unit will consist of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share in the

capital of the Company exercisable at a price of \$0.10 per share for two year, commencing on the date of the closing of the placement. Directors, officers and business associates will subscribe for a portion of the financing. The proceeds will be used to finance the Company's ongoing exploration, property acquisitions and for general working capital. The placement securities will be issued subject to a four-month hold period.

Commitments

The Company 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, 2007.

Changes in Accounting Principles

Financial Instruments

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments - Recognition and Measurement, Section 3861, Financial Instruments - Disclosure and Presentation and Section 3865, Hedges. These sections apply to fiscal years beginning on or after October 1, 2006 and provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities, and non-financial derivatives, and describe when and how hedge accounting may be applied. Section 1530 provides standards for the reporting and presentation of comprehensive income, which is defined as the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. A statement of comprehensive income has not been presented as no components of comprehensive income have been identified and therefore have not affected the current or comparative period balances on the financial statements. Under these new standards, all financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available for sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of change in the fair value of financial instruments depends on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, investments held to maturity and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, derecognition, impairment write downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to financings will be recognized in the period incurred.

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.

New Accounting Pronouncements

Assessing Going Concern

The Accounting Standards Board (“AcSB”) amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity’s ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

Financial Instruments

The AcSB issued CICA Handbook Section 3862, Financial Instruments - Disclosures, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity’s financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, Financial Instruments - Recognition and Measurement, Section 3863, Financial Instruments - Presentation, and Section 3865, Hedges. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The AcSB issued CICA Handbook Section 3863, Financial Instruments - Presentation, which is to enhance financial statement users’ understanding of the significance of financial instruments to an entity’s financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and nonfinancial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

Capital Disclosures

The AcSB issued CICA Handbook Section 1535, which establishes standards for disclosing information about an entity’s capital and how it is managed. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The Company is currently assessing the impact of the above new accounting standards on the Company’s financial position and results of operations.

International Financial Reporting Standards (“IFRS”)

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Transactions With Related Parties

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

	2007 \$	2007 \$
Accounting and administration	65,125	65,900
Legal	-	60,644
Professional fees	88,991	11,335
Management fees and bonus	-	56,394
	<u>154,116</u>	<u>194,273</u>

As at December 31, 2007, accounts payable and accrued liabilities include \$19,500 (2006 - \$35,979) 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 engages the Grosso Group to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, Golden Arrow Resources Corporation, Amera Resources Corporation, Astral Mining Corporation, IMA Exploration Inc. and Blue Sky Uranium Corp., each of which owns one share. 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. During fiscal 2007 the Company incurred fees of \$235,884 (2006 - \$252,569) to the Grosso Group.

Effective February 29, 2008, the Company terminated its arrangement with Grosso Group. Accordingly, all deposits and prepaids have been recorded as part of amounts receivable at December 31, 2007.

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 fiscal 2007. All investor relation activities were conducted by Company personnel.

Effective September 21, 2005, the Company entered into a six month agreement with Pascal Geraths Gesellschaft Fur Presse ("Pascal Geraths") to provide market awareness and investor relations activities in Europe. Pascal Geraths is paid a monthly fee of EUR \$7,500. During fiscal 2006, the Company incurred \$28,974 for services provided by Pascal Geraths. The agreement was terminated on March 21, 2006.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at April 22, 2008, there were 41,814,365 outstanding common shares, 3,914,000 stock options outstanding with exercise prices ranging from \$0.36 to \$0.45 per share, 27,358,058 warrants outstanding with exercise prices ranging from \$0.35 to \$1.25 per share and 1,859,386 agent compensation options at an exercise price of \$0.35 per share.