

AUDITORS' REPORT

To the Shareholders of
Pacific Rodera Energy Inc.

We have audited the balance sheets of **Pacific Rodera Energy Inc.** as at December 31, 2007 and November 30, 2007 and the statements of operations and deficit and cash flows for the periods then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2007 and November 30, 2007 and the results of its operations and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada,
February 15, 2008.

Ernst + Young LLP
Chartered Accountants

Balance Sheets

Assets	December 31, 2007	November 30, 2007
Current Assets		
Cash and short-term investments (Note 4)	\$ 23,626,946	\$ 24,632,058
Accounts receivable	179,836	196,325
Prepaid expenses	108,087	115,122
	23,914,869	24,943,505
Refundable term deposits (Note 5)	1,002,672	738,875
Equipment	49,194	35,764
Petroleum and natural gas properties (Note 6)	16,794,866	16,233,933
	\$ 41,761,601	\$ 41,952,077
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 563,692	\$ 707,305
	563,692	707,305
Asset retirement obligation (Note 7)	17,472	17,363
Future income taxes (Note 8)	1,450,936	1,075,512
	2,032,100	1,800,180
Shareholders' equity		
Share capital (Note 9)	50,159,446	50,465,686
Warrant equity (Note 9)	8,608,550	8,608,550
Contributed surplus	4,805,858	4,765,298
Deficit	(23,844,353)	(23,687,637)
	39,729,501	40,151,897
	\$ 41,761,601	\$ 41,952,077

See accompanying notes to the financial statements

Contingencies and commitments Note 11

Subsequent events Note 12

Approved by the Board

Michael G. Greenwood
Director

David J.L. Williams
Director

Statements of Operations, Comprehensive Loss and Deficit

	One month period ended December 31, 2007	Year ended November 30, 2007
Revenue		
Oil and gas	\$ 74,651	\$ 1,189,786
Royalties net of royalty tax credit	(11,258)	(168,756)
	63,393	1,021,030
Expenses		
Production and operating	28,240	466,971
General and administration	137,273	720,517
Interest	-	1,872
Depletion, amortization and accretion	34,077	631,531
Impairment of petroleum & natural gas properties	-	411,248
Stock based compensation	40,560	264,658
	240,150	2,496,797
Loss from (used in) operations	(176,757)	(1,475,767)
Interest and other income	89,225	835,035
Loss before income taxes	(87,532)	(640,732)
Future income tax (expense) recovery (Note 8)	(69,184)	139,112
Net loss and other comprehensive loss	(156,716)	(501,620)
Deficit, beginning of period	(23,687,637)	(23,186,017)
Deficit, end of period	\$ (23,844,353)	\$ (23,687,637)
Loss per share – basic and diluted	\$ (0.00)	\$ (0.01)
Weighted average shares outstanding	109,391,058	94,789,867

See accompanying notes to the financial statements

Statements of Cash Flows

	One month period ended December 31, 2007	Year ended November 30, 2007
Cash provided by (used in):		
Operations		
Net loss	\$ (156,716)	\$ (501,620)
<i>Items not involving cash</i>		
Depletion, amortization and accretion	34,077	631,531
Stock based compensation	40,560	264,658
Future income tax	69,184	(139,112)
Impairment loss on petroleum and natural gas properties	-	411,248
Asset retirement expenditures	109	(6,648)
Funds from (used in) operations	(12,786)	660,057
Change in non cash working capital related to operations	(120,089)	(3,331,143)
	(132,875)	(2,671,086)
Financing		
Issue of shares	-	22,613,597
Warrants issued with shares	-	8,608,550
	-	31,222,147
Investing activities		
Exploration and development expenditures	(595,010)	(4,829,248)
Equipment	(13,430)	(25,513)
Redemption (issue) of security deposits	(263,797)	61,250
	(872,237)	(4,793,511)
Increase (decrease) in cash	(1,005,112)	23,757,550
Cash and short term investments, beginning of period	24,632,058	874,508
Cash and short term investments, end of period	\$ 23,626,946	\$ 24,632,058
Interest paid during the period	\$ -	\$ 1,872
Taxes paid during the period	\$ -	\$ -

See accompanying notes to the financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Basis of Presentation

Pacific Rodera Energy Inc. ("the Company") was formed in the Province of British Columbia, Canada, by the amalgamation on March 1, 1999, of two predecessor companies. The Company changed its name from Pacific Rodera Ventures Inc. to Pacific Rodera Energy Inc. on June 21, 2004 and trades on the TSX Venture Exchange under the symbol PRD.

In order to be comparable with industry peers the Company changed its year end from November 30 to December 31. Accordingly these financial statements reflect result of operations for the one month period ended December 31, 2007 in comparison to the twelve month period ended November 30, 2007. Canada Revenue Agency has been notified of this change in year end.

The financial statements are presented in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, they have been prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Note 2: Significant Accounting Policies

a) Cash and short-term investments - Cash and short-term investments consist of balances with banks and investments in highly liquid short-term deposits with a maturity date of less than ninety days.

b) Petroleum and Natural Gas Properties and Equipment – Pacific Rodera Energy Inc. is engaged in the acquisition, exploration, development and production of oil and gas in Canada. The Company follows the full-cost method of accounting for oil and gas operations whereby all costs relating to the acquisition of, exploration for and development of oil and gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling both productive and nonproductive wells, costs of production equipment and overhead charges related to acquisition, exploration and development activities.

The costs are amortized using the unit-of-production method based upon the estimated proved oil and gas reserves, before royalties, as determined by the Company's independent engineers. The relative volumes of oil and natural gas reserves and production are converted to equivalent barrels of oil based on the relative energy content of each product on a one barrel to six thousand cubic feet basis.

Costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the

cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

The Company performs a ceiling test in a two-stage test performed at least annually:

- i) Impairment is recognized if the carrying value of the oil and gas assets less accumulated depletion and amortization and the lesser of cost and fair value of unproven properties exceeds the estimated future cash flows from proved oil and gas reserves, on an undiscounted basis, using forecast prices and costs.
- ii) If impairment is indicated by applying the calculations described in i) above, the Company will measure the amount of the impairment by comparing the carrying value of the oil and gas assets less accumulated depletion and amortization and the lesser of cost and fair value of unproven properties to the estimated future cash flows from the proved and probable oil and gas reserves, discounted at the Company's credit-adjusted risk-free rate of interest, using forecast prices and costs. Any impairment is included in earnings for the year.

Proceeds received from disposals of properties and equipment are credited against capitalized costs unless the disposal would alter the rate of depletion and depreciation by more than 20%, in which case a gain or loss on disposal is recorded. Amortization of other equipment is provided on a diminishing balance basis at rates ranging from 20% to 100% per annum. Gains and losses from disposals are included in income.

- c) Asset Retirement Obligation – The Company follows the recommendations for asset retirement obligations as set out in the CICA Handbook section 3110. This standard requires the recognition and measurement of liabilities related to the legal obligation to abandon and reclaim property, plant and equipment incurred upon acquisition, construction, development and/or normal use of the asset. The initial liability must be measured at fair value and subsequently adjusted for the accretion of discount and changes in fair value. The asset retirement cost is capitalized as part of property and equipment and depleted into earnings based on units of production. Actual costs incurred upon settlement of the obligations are charged against the liability.
- d) Joint Ventures - The Company's exploration and development activities related to oil and gas are conducted jointly with others. The accounts reflect only the Company's proportionate interest in such activities.
- e) Income Taxes - The Company follows the liability method of accounting for income taxes. Temporary differences arising from the differences between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

- f) Revenue recognition - Revenue from the sale of oil and gas is recognized based on volumes delivered to customers at contractual delivery points and rates. The costs associated with the delivery, including operating and maintenance costs, transportation, and production-based royalty expenses are recognized in the same period in which the related revenue is earned and recorded.
- g) Flow-through shares - The Company, from time to time, issues flow-through shares to finance a portion of its oil and gas exploration activities. The exploration and development expenditures funded by flow-through shares are renounced to subscribers in accordance with the Income Tax Act (Canada). The estimated value of the tax pools foregone is reflected as a reduction in share capital with a corresponding increase in the future income tax liability at the time the relevant expenditures are renounced.
- h) Measurement Uncertainty - The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, royalties and expenses during the reporting period. Actual results could differ materially from those estimates. The amounts recorded for depletion and depreciation of petroleum and natural gas properties, the provision for asset retirement obligations and the ceiling test are based on estimates of proven reserves, production rates, oil and gas prices and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates, in future periods, could be significant.
- i) Stock Based Compensation – The Company follows the accounting standard on stock based compensation as presented in the CICA handbook section 3870. This standard requires the recognition of stock-based compensation expense for “awards to” or “grants to” employees and non-employees using the fair value method. The standard requires the fair value of all stock based compensation awards to be expensed over the vesting period of the award with an offsetting credit to contributed surplus. The Black-Scholes option pricing model has been used to calculate the fair value of the options granted. Consideration paid by the optionees on exercise of the stock option is credited to share capital together with any amounts previously included in contributed surplus. Stock based compensation amounts are determined using certain assumptions. (see note 9)
- j) Per share amounts – The Company follows the treasury stock method for the computation of diluted per share amounts. This method assumes the proceeds from the exercise of dilutive options and warrants are used to purchase common shares at the weighted average market price during the period.

k) Financial Instruments – Recognition and Measurement - The Financial Instruments standard, Section 3855 establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods is dependent on whether the financial instrument has been classified as “held-for-trading”, “available-for-sale”, “held-to-maturity”, “loans and receivables”, or “other financial liabilities” as defined by the standard. Financial assets and financial liabilities “held-for-trading” are measured at fair value with changes in those fair values recognized in net earnings. Financial assets “available-for-sale” are measured at fair value, with changes in those fair values measured in OCI. Financial assets “held-to-maturity”, “loans and receivables”, and “other financial liabilities” are measured at amortized cost using the effective interest method of amortization.

Cash is designated as “held-for-trading” and is measured at carrying value, which approximates fair value due to the short-term nature of this instrument. Accounts receivable are designated as “loans and receivables” and are subsequently measured at amortized cost. Accounts payable, and accrued liabilities are designated as “other liabilities” and are also subsequently measured at amortized cost.

Note 3: Changes in Accounting Policies

Effective December 1, 2007, the Company adopted the recommendations of the CICA Handbook Section 1535, “Capital Disclosures”, which requires disclosure of information related to the objectives, policies and processes for managing capital. In addition, the disclosures include whether externally imposed capital requirements have been complied with. The new standard is effective for fiscal years beginning on or after October 1, 2007 and as this standard only addresses disclosure requirements, there is no impact on the Company's operating results.

Effective December 1, 2007, the Company adopted the recommendations of the CICA Handbook Section 3862, “Financial Instruments Disclosures” and Section 3863, “Financial Instruments – Presentation”, which replaces Section 3861 “Financial Instruments – Disclosure and Presentation”. The new disclosure standards increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standards carry forward the former presentation requirements and are effective for fiscal years beginning on or after October 1, 2007. As these standards only address presentation and disclosure requirements, there is no impact on the Company's operating results.

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board has now confirmed that the use of IFRS will be required in 2011 for publicly accountable, profit oriented enterprises. IFRS will replace current Canadian GAAP followed by the Company. The Company will be required to begin reporting under IFRS effective January 1, 2011 and will be required to provide information for IFRS for the comparative period in 2010. The Company is currently evaluating the impact of adopting IFRS.

Note 4: Cash and Short Term Deposits

The Company has cash and short term investments of \$23,626,946 (November 2007 - \$24,632,058) available to fund future opportunities and operations.

Note 5: North West Territories Licenses and Related Term Deposits

Under the terms of the licenses listed below the Company has assigned term deposits totaling \$1,002,672 (November 2007 - \$738,875) to cover the work commitments made by the Company on the licenses and accordingly, the deposits have been classified as a non-current asset. The Company acquired an additional 4.2548% in license EL 423 which required the additional deposit. To the extent eligible expenditures are incurred by the Company the term deposits will be released on the basis of 25% of the expenditures. If they are not incurred within the period allowed, the Company would forfeit its proportionate share of any remaining deposits relating to the unexpended work commitment. To meet the conditions of the licenses the Company, along with partners, is required to drill a well on the license before the expiry of period 1 and before the end of period 2 apply for a Significant discovery license. The funds relating to the work deposit must be expended in period 1. As long as a well is drilling before the end of period 1, period 1 is extended until the well has been completed. Period 1 can also be extended by posting a drilling deposit and paying annual lease rentals. The Company, in conjunction with partners, is drilling two wells on EL 423 this winter which will complete the work commitment on EL 423. The Company expects the application for the release of the term deposits to be completed later in 2008.

License	Work Deposit	Remaining Commitment	Expiry Date Period 1	Expiry Date Period 2
EL 423	\$ 674,547	\$2,698,188	June 8, 2008	June 8, 2012
EL 441	328,125	1,312,500	May 10, 2010	May 10, 2014
Total	\$ 1,002,672	\$4,010,688		

Note 6: Petroleum and Natural Gas Properties.

	November 30 2007	Additions	Impairment	December 31 2007
Petroleum and natural gas properties	\$ 17,054,038	593,939	-	\$ 17,647,977
Accumulated depletion	\$ 820,105	33,006	-	\$ 853,111
Net carrying values P&NG properties	<u>\$ 16,233,933</u>			<u>\$ 16,794,866</u>

	November 30 2006	Additions	Impairment	November 30 2007
Petroleum and natural gas properties	\$12,655,425	4,809,861	(411,248)	\$ 17,054,038
Accumulated depletion	\$ 207,961	612,144	-	\$ 820,105
Net carrying values P&NG properties	<u>\$12,447,464</u>			<u>\$16,233,933</u>

During the year the Company invested in the pre-drilling costs of the Dahadinni B-20 well (formerly named Haywood B-20) in the North West Territories which was spudded after the end of the year.

Unproven oil and gas properties excluded from depletion

	One month period ended December 31, 2007	Year ended November 30, 2007
North West Territories	\$ 10,019,491	\$ 9,480,492
Tulita	3,864,405	3,864,405
International	2,002	-
Western Canada	777,630	724,802
Total	<u>\$ 14,663,528</u>	<u>\$ 14,069,699</u>

Capitalized General and Administrative costs

	One month period ended December 31, 2007	Year ended November 30, 2007
Western Canada	\$ 50,722	\$ 298,607
Total	\$ 50,722	\$ 298,607

The Company started capitalizing the portion of its general and administrative costs that relate to future prospects in 2007.

The benchmark prices, on which the ceiling test is based, are as follows:

Year	WTI Crude Oil	Exchange Rate	Edmonton Light Crude	AECO Natural Gas
	US\$/bbl	US\$/CDN\$	CDN\$/bbl	CDN\$/mmbtu
2008	92.00	1.00	91.10	6.75
2009	88.00	1.00	87.10	7.55
2010	84.00	1.00	83.10	7.60
2011	82.00	1.00	81.10	7.60
2012	82.00	1.00	81.10	7.60
2013	82.00	1.00	81.10	7.60
2014	82.00	1.00	81.10	7.80
2015	82.00	1.00	81.10	7.97
2016	82.02	1.00	81.12	8.14
2017	83.66	1.00	82.76	8.31

Benchmark prices increase at a rate of 2.0% per year for both oil and natural gas after 2017. Adjustments were made to the benchmark prices above, for purposes of the ceiling test, to reflect varied delivery points and quality differentials in the products delivered. The ceiling test compares the carrying costs of the developed operations of the Company as compared to the future value of the cash flows expected to be generated by those developed properties. Any costs that exceed the future value of the cash flows must be written down. For the period ended December 31, 2007 the ceiling test write-down was nil (Year ended November 30, 2007 \$550,311).

Note 7: Asset Retirement Obligation

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of oil and gas properties.

	One month period ended December 2007	Year ended November 2007
Asset retirement obligation, beginning of period	\$ 17,364	\$ 24,011
Liabilities incurred	107	2,481
Revisions	-	(9,476)
Accretion expense	1	347
Asset retirement obligation, end of period	<u>\$ 17,472</u>	<u>\$ 17,363</u>

The Company estimates the total undiscounted amount of cash flows required to settle its asset retirement obligation is approximately \$77,900 (November 2007 – \$77,900) which will be incurred between 2015 and 2054. A credit adjusted risk free rate of 4.0% and an inflation rate of 1.5% were used to calculate the fair value of the asset retirement obligation.

Note 8: Income Taxes

a) Summary of temporary differences giving rise to future income tax liability:

	December 31, 2007	November 30, 2007
Future tax liabilities		
Oil and gas assets in excess of tax balances	\$ 2,227,895	\$ 1,916,797
Future tax assets		
Share issue costs and other	(351,150)	(360,561)
Asset retirement obligation	(5,329)	(5,296)
Loss carry forward	(420,480)	(475,428)
	<u>(776,959)</u>	<u>(841,285)</u>
Net future income tax liability	<u>\$ (1,450,936)</u>	<u>\$ (1,075,512)</u>

- b) Reconciliation of income taxes calculated at the Canadian statutory rate of 34.0% with actual income taxes:

	One month period ended December 2007	Year ended November 2007
Loss before income taxes	\$ (87,532)	\$ (640,732)
Combined federal and provincial income tax rate	33.12%	33.12%
Computed income tax recovery	\$ (28,991)	\$ (212,210)
Increase (decrease) in expense resulting from:		
Stock based compensation	13,433	89,984
Tax adjustment from rate change	(9,829)	(78,880)
Other adjustments	94,571	61,994
Future income tax expense	\$ 69,184	\$ (139,112)

Note 9: Share Capital

- a) Authorized:
- Unlimited number of common shares
 - Unlimited number of preferred shares
- b) Voting common shares issued:

	Number	Amount
Balance, November 30, 2006	48,957,898	\$ 28,153,471
Issued - private placements	60,433,160	24,038,346
Issue costs net of future tax reduction of \$393,991		(970,880)
Issue costs net of future tax reduction of \$19,186		(40,771)
Tax benefit renounced to subscribers		(714,560)
Balance, November 30, 2007	109,391,058	50,465,686
Tax benefits renounced to subscribers		(306,240)
Balance December 31, 2007		\$ 50,159,446
Balance, November 30, 2006	-	-
Issued – private placements	30,125,000	\$ 8,608,550
Balance, November 30, 2007 and December 31, 2007	30,125,000	\$ 8,608,550
Share capital, December 31, 2007		\$ 58,767,996

c) Stock options:

The Company has a stock option plan for its directors, officers, employees and key consultants. The exercise price for stock options granted is no less than the quoted market price on the grant date. Options have vesting periods that range from the date of grant up to three years. An option's maximum term is five years.

	Number of Options	Weighted Average price
Balance, November 30, 2006	3,306,200	\$ 0.39
Granted	3,010,000	0.50
Balance, November 30, 2007 and December 31, 2007	6,316,200	\$ 0.44

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

Options Outstanding				Options Exercisable		
Exercise Price	Number of options	Weighted Average of Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	
\$ 0.24	81,200	1.09	\$ 0.24	81,200	\$ 0.24	
0.39	3,225,000	3.92	0.39	1,935,000	0.39	
0.50	3,000,000	4.68	0.50	-	0.50	
0.60	10,000	4.82	0.60	-	0.60	
\$ 0.24-0.60	6,316,200	4.25	\$ 0.44	2,016,200	\$ 0.38	

A Black-Scholes option pricing model, with the following weighted average assumptions for the year ended November 30, 2007, was used to estimate the fair value of options on the date of the grant, for the inclusion as stock based compensation expense:

Risk free interest rate (%)	3.8
Expected lives (years)	5.0
Expected volatility (%)	92-94
Dividend per share	0.00

The grant date weighted average fair value of options issued in the year ended November 20, 2007 was \$0.36 per option.

On December 1, 2006, the Corporation completed a non-brokered private placement of 7,700,000 flow-through units and 131,250 non flow-through units at a price of \$0.32 per unit for gross proceeds of \$2,506,000. Each unit consisted of one common share and one-half of one non-transferable share purchase warrant. Each whole warrant entitles the holder upon exercise to purchase an additional non flow-through common share at \$0.40 on or before December 1, 2008.

December 5, 2006, the Corporation completed a non-brokered private placement of 468,750 non flow-through units at a price of \$0.32 per unit for gross proceeds of \$150,000. Each unit consisted of one common share and one-half of one non-transferable share purchase warrant. Each whole warrant entitles the holder upon exercise, to purchase an additional non flow-through common share at \$0.40 on or before December 5, 2008.

January 4, 2007, the Corporation completed a non-brokered private placement of 3,300,000 flow-through units at a price of \$0.32 per unit for gross proceeds of \$1,056,000. Each unit consisted of one common share and one-half of one non-transferable share purchase warrant. Each whole warrant entitles the holder upon exercise, to purchase an additional non flow-through common share at \$0.40 on or before January 4, 2009.

March 2, 2007, the Corporation completed the private placement sale of 42,620,082 units at a price of \$0.60 per unit for gross proceeds of \$25,572,049. The Corporation paid an agency fee of \$1,068,816 and 183,160 common shares. Each unit consisted of one common share and one half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder upon exercise, to purchase an additional common share at a price of \$0.70 per share. The Warrants expire on March 2, 2009 unless (i) during the period commencing on the date that is four months following the closing date and ending on the second anniversary of the closing date, the daily volume weighted average trading price of the share on the TSX Venture Exchange exceeds \$1.00 for each a day of a period of 20 consecutive trading days, and (ii) the Corporation gives the holders of the warrants written notice of such occurrence within 30 days of such occurrence, in which case the warrants will expire on the 30th day following the giving of such notice.

March 14, 2007, the Corporation completed the private placement sale of 2,379,918 units at a price of \$0.60 per unit for gross proceeds of \$1,427,951. The Corporation paid an agency fee of \$62,543. Each unit consisted of one common share and one half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder upon exercise, to purchase an additional common share at a price of \$0.70 per share. The Warrants expire on March 14, 2009 unless (i) during the period commencing on the date that is four months following the closing date and ending on the second anniversary of the closing date, the daily volume weighted average trading price of the share on the TSX Venture Exchange exceeds \$1.00 for each day of a period of 20 consecutive trading days.

September 5, 2007 the Corporation completed a private placement of 3.65 million units at a price of \$0.50 per unit for gross proceeds of \$1.825 million. Each unit consisted of one common share of the Corporation to be issued on a flow-through basis and one-half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to subscribe for one additional common share at a price of \$0.70 per common share. The warrants will expire on March 2, 2009, unless: During the period commencing on the date that is four months following the closing date and ending on March 2, 2009, the daily volume-weighted average trading price of the common shares on the TSX Venture Exchange (or such other stock exchange where the majority of the trading volume occurs) exceeds \$1.00 for each day of a period of 20 consecutive trading days; the Corporation gives the holders of the warrants written notice of such occurrence within 30 days of such occurrence, in which case the warrants will expire at 4 p.m. (Calgary time) on the 30th day following the giving of notice.

Additional capital disclosure

The Company continues to optimize its capital structure with a view to ensuring a strong financial position to support its growth strategies. The capital structure of the Company is as follows:

	December 31, 2007	November 30, 2007	Change %
Total shareholders' equity	\$ 39,729,501	\$ 40,151,897	(0.0)
Total shareholders' equity as a % of total capital	100%	100%	
Short and long term debt	-	-	0.0
Total debt as a % of total capital	0%	0%	
Total capital	39,729,501	40,151,897	

Equity is defined as share capital, warrant equity, contributed surplus and deficit. During the one month period ended December 31, 2007, total equity decreased \$422,396 to \$39,729,801. The decrease is a result of the net loss for the period of \$156,716 and tax benefits renounced to subscribers of \$306,240 which were offset by an increase of \$40,560 in contributed surplus due to the recognition of stock based compensation expense.

The Company intends to use its capital to finance future drilling opportunities as well as fund future acquisition opportunities in the oil and gas industry.

The Company is not subject to any statutory requirements or any other externally imposed capital requirements.

Commitments exist to issue common shares in connection with existing warrants as well as the established stock option plan with such share issuances to occur from treasury.

Note 10: Related Party Transactions

There were no related party transactions during the one month period December 2007. During the year ended November 30, 2007 the Company paid consulting fees of \$85,000 to a company controlled by Mr. Williams when he was the President of the Company, and \$22,094 for secretarial fees to the spouse of Mr. Williams. The Company also paid \$11,000 to a company controlled by the former Secretary of the Company. During the year ended November 30, 2007 Mr. Williams and his spouse became employees of the Company which terminated the consulting fees, and the services of the company controlled by the former Secretary was also terminated. During the year ended November 30, 2007 the Company issued:

- 11,000,000 flow-through units at \$0.32 per unit and 443,750 non flow-through units to directors of the Company.
- 9,815,700 units at \$0.60 per unit to directors and companies controlled by directors of the Company
- 3,650,000 units at \$0.50 per unit to management of the Company

These transactions were all in the normal course of operations and undertaken with the same terms and conditions as transactions with unrelated parties.

Note 11: Contingencies and Commitments

- [a] There is a contingent liability in respect of two irrevocable standby letters of credit for \$1,002,672 (November 30, 2007 - \$738,875), given by the Company's bank to Canada Revenue Agency, on behalf of the Company, for its share of refundable work deposits on various prospects in the Northwest Territories (see note 5). The letters of credit are secured by an assignment of cash of equal amounts. The Company is contingently liable under the letters of credit for any portion of the work commitment not fulfilled. The Company is confident that all requirements of the work commitments will be fulfilled and the letters of credit will be cancelled.
- [b] The Company and its consortium have an outstanding take or pay contract with Keyera Energy Partnership for a period of 5 years commencing July 1, 2006. The consortium has an obligation to deliver over the term of the contract:

Contract Year	Nomination e3m3/day
1	141.0
2	112.7
3	90.1
4	72.1
5	57.7

In the event the consortium does not meet its entire obligation the Company will be charged the following for its portion:

	\$
June 2008	50,869
June 2009	40,666
June 2010	32,541
June 2011	26,044

- [c] The Company has a lease for office premises for a period of 2 years and 4 months commencing on December 1, 2006 and expiring on March 31, 2009. Under the terms of the lease, the Company is committed to payments of \$21,775 per annum plus operating expenses and property taxes.
- [d] The Chairman and Chief Executive Officer has the right to maintain his percentage ownership in future share issues.

Note 12: Subsequent Events

Subsequent to the end of the year the Company agreed to sell its 8% working interest in its Trutch property for \$2.2 million dollars payable in cash subject to customary price adjustments. The production attributed to Pacific Rodera's working interest in these properties represents approximately 45 barrels of oil equivalent of production per day. The sale of such a low working interest is consistent with Pacific Rodera's objective of being focused in high working interest, operated properties. Completion of the sale is subject to the approval of the TSX Venture Exchange and consent of the purchaser's lenders which is expected to be received.