

AUDITORS' REPORT

To the Shareholders of
Pacific Roder Energy Inc.

We have audited the balance sheets of **Pacific Roder Energy Inc.** as at November 30, 2007 and 2006 and the statements of operations and 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 November 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada,
February 15, 2008.

Ernst + Young LLP

Chartered Accountants

Balance Sheets

Assets	November 30, 2007	November 30, 2006
Current Assets		
Cash and short-term investments (Note 4)	\$ 24,632,058	\$ 874,508
Accounts receivable	196,325	36,651
Prepaid expenses	115,122	23,248
Deferred financing costs	-	57,500
	24,943,505	991,907
Refundable term deposits (Note 5)	738,875	800,125
Equipment	35,764	10,251
Petroleum and natural gas properties (Note 6)	16,233,933	12,447,464
	\$ 41,952,077	\$ 14,249,747
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 707,305	\$ 3,844,400
	707,305	3,844,400
Asset retirement obligation (Note 7)	17,363	24,011
Future income taxes (Note 8)	1,075,512	913,242
	1,800,180	4,481,653
Shareholders' equity		
Share capital (Note 9)	50,465,686	28,153,471
Warrant equity (Note 9)	8,608,550	-
Contributed surplus	4,765,298	4,500,640
Deficit	(23,687,637)	(23,186,017)
	40,151,897	9,468,094
	\$ 41,952,077	\$ 14,249,747

See accompanying notes to the financial statements

Contingencies and commitments Note 11

Subsequent events Note 12

Approved by the Board

(signed) "Michael G. Greenwood"

Michael G. Greenwood

Director

(signed) "David J.L. Williams"

David J.L. Williams

Director

Statements of Operations, Comprehensive Loss and Deficit

Years ended November 30

	2007	2006
Revenue		
Oil and gas	\$ 1,189,786	\$ 423,347
Royalties net of royalty tax credit	(168,756)	(80,647)
	1,021,030	342,700
Expenses		
Production and operating	466,971	222,685
General and administration	720,517	335,876
Interest	1,872	19,106
Depletion, amortization and accretion	631,531	211,493
Impairment of petroleum & natural gas assets	411,248	2,112,109
Stock based compensation	264,658	1,649,524
	2,496,797	4,550,793
Loss from operations	(1,475,767)	(4,208,093)
Interest income	835,035	62,471
Loss before income taxes	(640,732)	(4,145,622)
Future income tax recovery (Note 8)	139,112	782,671
Net loss and comprehensive loss	(501,620)	(3,362,951)
Deficit, beginning of year	(23,186,017)	(19,823,066)
Deficit, end of year	\$ (23,687,637)	\$ (23,186,017)
Loss per share - basic and diluted	\$ (0.01)	\$ (0.07)
Weighted average shares outstanding	94,789,867	48,521,407

See accompanying notes to the financial statements

Statements of Cash Flows

Years ended November 30

	2007	2006
Cash provided by (used in):		
Operations		
Net loss	\$ (501,620)	\$ (3,362,951)
<i>Items not involving cash</i>		
Depletion, amortization and accretion	631,531	211,493
Stock based compensation	264,658	1,649,524
Future income tax (recovery)	(139,112)	(782,671)
Impairment loss on oil and gas properties	411,248	2,112,109
Asset retirement expenditures	(6,648)	23,042
Funds from (used in) operations	660,057	(149,454)
Change in non cash working capital related to operations	(3,331,143)	1,255,723
	(2,671,086)	1,106,269
Financing		
Issue of shares	22,613,597	511,600
Warrants issued with shares	8,608,550	-
Redemption (issue) of security deposits	61,250	(328,410)
Deferred financing costs	-	(57,500)
	31,283,397	125,690
Investing activities		
Exploration and development expenditures	(4,829,248)	(5,885,970)
Equipment	(25,513)	(3,030)
	(4,854,761)	(5,889,000)
Increase (decrease) in cash	23,757,550	(4,657,041)
Cash and short term investments, beginning of year	874,508	5,531,549
Cash and short term investments, end of year	\$ 24,632,058	\$ 874,508
Interest paid during the year	\$ 1,872	\$ 19,109
Taxes paid during the year	\$ -	\$ -

See accompanying notes to the financial statements

Notes to Consolidated Financial Statements

Note 1: Basis of Presentation

Pacific Roder 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 Roder Ventures Inc. to Pacific Roder Energy Inc. on June 21, 2004 and trades on the TSX Venture Exchange under the symbol PRD.

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 Roder Energy Inc. is engaged in the acquisition, exploration, development and production of oil and gas in Canada. The Corporation 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 Corporation'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 Corporation 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 Corporation 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 Corporation'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 Corporation 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 Corporation's exploration and development activities related to oil and gas are conducted jointly with others. The accounts reflect only the Corporation's proportionate interest in such activities.
- e) Income Taxes - The Corporation 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 Corporation, 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 Corporation'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 Corporation 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 Corporation 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) Development Stage – The Corporation is no longer reporting as a Development stage corporation however all prior periods have been reported as such.

Note 3: Changes in Accounting Policies

On January 1, 2007, the Corporation adopted six new accounting standards that were issued by the Canadian Institute of Chartered Accountants; Handbook Section 1530, Comprehensive Income, Handbook Section 3855, Financial Instruments-Recognition and Measurement, Handbook Section 3861, Financial Instruments – Disclosure and Presentation and Handbook Section 3865, Hedges. As required by the new standards, prior periods have not been restated. The adoption of these standards has had no material impact on the Corporation's net earnings or cashflows. The other effects of the implementation of the new standards are discussed below.

Comprehensive Income

Section 1530 introduces Comprehensive Income, which consists of net income and other comprehensive income ("OCI"). This section requires companies to present a statement of comprehensive income, defined as a change in net assets arising from transactions and other events from non-owner sources. The statement presents net income and each component recognized in other comprehensive income. For the year ended November 30, 2007 the Corporation did not recognize any OCI. Should the Corporation recognize any OCI in the future, the cumulative changes in OCI would be recognized in Accumulated Other Comprehensive Income ("AOCI"), which would be presented as a new category within Shareholders' Equity in the Consolidated Balance Sheet.

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. The methods used by the Corporation in determining the fair value of financial instruments are unchanged as a result of implementing the new standard.

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". Accounts payable, and accrued liabilities are designated as "other liabilities".

The adoption of the Financial Instruments standards has resulted in no change in the previous accounting treatment or reporting by the Corporation.

Accounting Changes

In July 2006, the CICA issued a revised section 1506, Accounting Changes which was to harmonize section 1506 with current International Financial Reporting Standards. The changes covered by this section include changes in accounting policy, changes in accounting estimates and correction of errors. Under CICA section 1506, voluntary changes in accounting policy are only permitted if they result in financial statements that provide more reliable and relevant information. When a change in accounting policy is made, this change is applied retrospectively unless impractical to do so. Changes in accounting estimates are generally applied prospectively and material prior period errors are corrected retrospectively. This section also outlines additional disclosure requirements when accounting changes are applied including justification for voluntary changes, complete description of the policy, primary source of GAAP and detailed effect on financial statement line items. CICA section 1506 is effective for fiscal years beginning on or after January 1, 2007.

Equity

Section 3251 describes the changes in how to report and disclose equity and changes in equity as a result of the new requirements of Section 1530, including the changes in equity for the period arising from OCI. Accumulated changes in OCI are included in accumulated other comprehensive income ("AOCI") and are presented as a separate component of shareholders' equity.

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

Financial Instruments – Disclosures and Presentation

As of January 1, 2008, the Corporation will be required to adopt two new CICA standards. Handbook Section 3862, Financial Instruments – Disclosures and Handbook Section 3863, Financial Instruments – Presentation. These Handbook Sections will replace existing Handbook Section 3861, Financial Instruments – Presentation and Disclosure. The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements.

Capital Disclosures

Also as of January 1, 2008, the Corporation will be required to adopt Handbook Section 1535, Capital Disclosures which will require companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements. Both new standards were issued in December 2006 and the Corporation is assessing the impact on its financial statements.

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 Corporation has cash and short term investments of \$24,632,058 (2006 - \$874,508) available to fund future opportunities and operations. The large increase was due to the private placements December 5, 2006, January 8, 2007, March 2, 2007 and September 5, 2007.

Note 5: North West Territories Licenses and Related Term Deposits

Under the terms of the licenses listed below the Corporation has assigned term deposits totaling \$738,875 (2006 - \$800,125) to cover the work commitments made by the Corporation on the licenses and accordingly, the deposits have been classified as a non-current asset. To the extent eligible expenditures are incurred by the Corporation the term deposits will be released on the basis of 25% of the eligible expenditures. If they are not incurred within the period allowed, the Corporation would forfeit its proportionate share of any remaining deposits relating to the unexpended work commitment. To meet the conditions of the licenses the Corporation, 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 Corporation, in conjunction with partners, is drilling two wells on EL 423 this winter which will complete the work commitment on EL 423. The Corporation 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	\$ 410,750	\$1,643,000	June 8, 2008	June 8, 2012
EL 441	\$ 328,125	\$1,312,500	May 10, 2010	May 10, 2014
Total	\$ 738,875	\$2,955,500		

Note 6: Petroleum and Natural Gas Properties.

	2006	Additions	Impairment	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 Corporation 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. During the year the Corporation drilled four wells, completed three and recompleted one in the Trutch area. The Corporation has also been accumulating land in a new core area in east central Alberta.

Unproven oil and gas properties excluded from depletion

	2007	2006
North West Territories	\$ 9,480,492	\$ 6,817,268
Tulita	3,864,405	3,739,158
Western Canada	724,802	-
Total	<u>\$ 14,069,699</u>	<u>\$ 10,556,426</u>

Capitalized General and Administrative costs to

	2007	2006
Western Canada	\$ 298,607	\$ -
Total	<u>\$ 298,607</u>	<u>\$ -</u>

During 2007 the Corporation 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:

	WTI Crude Oil	Exchange Rate	Edmonton Light Crude	AECO Natural Gas
Year	US\$/bbl	US\$/CDN\$	CDN\$/bbl	CDN\$/mmbtu
2008	75.00	1.00	74.10	6.60
2009	71.50	1.00	70.60	6.80
2010	69.75	1.00	68.85	6.80
2011	68.00	1.00	67.10	6.85
2012	67.50	1.00	66.60	7.10
2013	67.50	1.00	66.60	7.23
2014	68.50	1.00	67.60	7.39
2015	69.13	1.00	68.23	7.55
2016	70.51	1.00	69.61	7.71
2017	71.92	1.00	71.00	7.86

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 Corporation 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. Subsequent to the year end the Company had an offer for their producing assets which the company has used in the application of the ceiling test. For the years ended November 30, 2007 the ceiling test write-down was \$411,248 (2006 \$2,112,109).

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.

	2007	2006
Asset retirement obligation, beginning of year	\$ 24,011	\$ -
Liabilities incurred	2,481	23,042
Revisions	(9,476)	-
Accretion expense	347	969
Asset retirement obligation, end of year	\$ 17,363	\$ 24,011

With the November 2007 year end the Corporation enacted a more accurate model for calculating the asset retirement obligation that recalculated the estimated reclamation date of all the wells. This resulted in a reduction of the asset retirement obligation. The Corporation estimates the total undiscounted amount of cash flows required to settle its asset retirement obligation is approximately \$77,900 (2006 – \$61,000) 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:

	2007	2006
Future tax liabilities		
Oil and gas assets in excess of tax balances	\$ 1,916,797	\$ 1,725,242
Future tax assets		
Share issue costs and others	(360,561)	(55,316)
Asset retirement obligation	(5,296)	(7,684)
Loss carry forward	(475,428)	(749,000)
	<u>(841,285)</u>	<u>(812,000)</u>
Net future income tax liability	<u>\$ 1,075,512</u>	<u>\$ 913,242</u>

b) Reconciliation of income taxes calculated at the Canadian statutory rate of 34.0% (2006 – 34.12) with actual income taxes:

	2007	2006
Loss before income taxes	\$ (640,732)	\$ (4,145,622)
Combined federal and provincial income tax rate	33.12%	34.12%
Computed income tax recovery	\$ (212,210)	\$ (1,414,486)
Increase (decrease) resulting from:		
Stock based compensation	89,984	562,818
Tax adjustment from rate change	(78,880)	39,633
Other adjustments	61,994	29,364
Future income tax recovery	<u>\$ (139,112)</u>	<u>\$ (782,671)</u>

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, 2005	47,674,783	\$ 28,002,434
Exercise of stock options	199,400	23,928
Value of stock options exercised from contributed surplus		13,958
Exercise of share purchase warrants	1,083,715	487,672
Tax benefit renounced to subscribers		(374,521)
Balance, November 30, 2006	<u>48,957,898</u>	<u>\$ 28,153,471</u>

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		(970,800)
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
Purchase warrants issued:	Number	Amount
Balance, November 30, 2006	-	-
Issued – private placements	30,125,000	8,608,550
Balance November 30, 2007	30,125,000	8,608,550
Share capital, November 30, 2007		\$ 59,074,236

d) Stock options:

The Corporation 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 Exercise Price
Balance November 30, 2005	6,381,400	\$ 1.05
Granted	3,975,000	0.57
Exercised	(199,400)	0.12
Cancelled/expired	(6,850,800)	1.12
Balance, November 30, 2006	3,306,200	0.39
Granted	3,010,000	0.50
Balance, November 30, 2007	6,316,200	\$ 0.44

The following table summarizes information about the stock options outstanding at November 30, 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	1.18	\$ 0.24	81,200	\$ 0.24		
0.39	3,225,000	4.00	0.39	1,935,000	0.39		
0.50	3,000,000	4.77	0.50	-	0.50		
0.60	10,000	4.90	0.60	-	0.60		
\$ 0.24-0.60	6,316,200	4.33	\$ 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 during 2007 was \$0.36 per option.

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.

Note 10: Related Party Transactions

During the year the Corporation paid consulting fees of \$85,000 (2006 - \$102,000) to a company controlled by Mr. Williams when he was the President of the Corporation, and \$22,094 (2006 - \$12,590) for secretarial fees to the spouse of Mr. Williams. The Corporation also paid \$11,000 (2006 - \$12,000) to a company controlled by the former Secretary of the Corporation. During the year Mr. Williams and his spouse became employees of the Corporation which terminated the consulting fees, and the services of the company controlled by the former Secretary was terminated.

During the year the Corporation issued:

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

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 \$738,875 [2006 - \$800,125], given by the Corporation's bank to the Receiver General of Canada, on behalf of the Company, for its share of refundable work deposits on various prospects in the Northwest Territories [see note 4]. The letters of credit are secured by an assignment of cash of equal amounts. The Corporation is contingently liable under the letters of credit for any portion of the work commitment not fulfilled. The Corporation is confident that all requirements of the work commitments will be fulfilled, the letters of credit will be cancelled and the funds released.

[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 the following:

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 Corporation 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] During the year, the Corporation renewed its operating lease agreement for its office premises. The lease is 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 only being involved 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.