

GREAT PACIFIC INTERNATIONAL INC.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009



MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of
Great Pacific International Inc.

We have audited the consolidated balance sheets of Great Pacific International Inc. as at March 31, 2010 and 2009 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

July 28, 2010

**GREAT PACIFIC INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS
AS AT MARCH 31, 2010 AND 2009**

	2010 \$	2009 \$
ASSETS		
Current assets		
Cash	1,871	21,881
Accounts receivable (Note 3)	47,287	72,101
Prepaid expenses	7,712	12,328
Amounts due from related parties (Note 4)	223,303	123,182
	280,173	229,492
Oil and gas properties (Note 5)	523,678	1,217,450
Equipment (Note 7)	19,608	57,862
TOTAL ASSETS	823,459	1,504,804
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	291,719	338,425
Amounts due to related parties (Note 9)	50,833	38,054
Provision for current asset retirement obligations (Note 8)	111,425	93,247
	453,977	469,726
Provision for long-term asset retirement obligations (Note 8)	134,841	321,461
	588,818	791,187
Shareholders' equity		
Share capital (Note 10)	10,338,987	9,706,508
Contributed surplus (Note 10)	698,768	455,077
Deficit	(10,803,114)	(9,447,968)
	234,641	713,617
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	823,459	1,504,804

Nature of operations and going concern (Note 1)

Commitments and contingency (Note 12)

On behalf of the Board:

"Thal S. Poonian"

Thal S. Poonian, Director

"Ronald Bobowski"

Ronald Bobowski, Director

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

GREAT PACIFIC INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
YEARS ENDED MARCH 31, 2010 AND 2009

	2010	2009
	\$	\$
REVENUE		
Oil and natural gas sales:	140,474	305,278
Less: royalties	(6,115)	(5,680)
	<u>134,359</u>	<u>299,598</u>
Oil and gas production costs		
Operating expenses	95,634	118,078
Depletion, depreciation and accretion	93,238	1,029,720
	<u>188,872</u>	<u>1,147,798</u>
Loss from oil and gas operations	(54,513)	(848,200)
EXPENSES		
Accounting and audit	161,253	143,190
Amortization (Note 7)	13,902	28,822
Bank charges and interest	7,318	2,379
Consulting fees	177,431	145,557
Insurance	17,326	34,209
Management fees (Note 9)	150,000	150,000
Office and miscellaneous	60,573	62,884
Professional fees	16,741	91,322
Property and investment evaluation expense	17,105	134,315
Shareholder and corporate communications	16,141	74,822
Regulatory and transfer agent fees	20,154	22,135
Rent	58,200	55,650
Stock-based compensation (Note 10)	175,670	189,217
Travel and entertainment	54,602	61,315
	<u>(946,416)</u>	<u>(1,195,817)</u>
Loss before other income (expenses)	<u>(1,000,929)</u>	<u>(2,044,017)</u>
OTHER INCOME (EXPENSES)		
Foreign exchange gain (loss)	(1,231)	9,160
Gain on de-recognition of accounts payable	-	21,618
Gain on sale of vehicles (Note 7)	1,648	-
Interest income on related party advances (Note 4)	386	2,166
Loss on abandonment of oil and gas properties (Note 5)	(355,020)	-
Loss on long-term investment (Note 6)	-	(1)
Provision for bad debts	-	(21,849)
Vehicle rental revenue, net of operating costs and depreciation	-	47,357
	<u>(354,217)</u>	<u>58,451</u>
Loss and comprehensive loss for the year	(1,355,146)	(1,985,566)
Deficit, beginning of year	(9,447,968)	(7,462,402)
Deficit, end of year	<u>(10,803,114)</u>	<u>(9,447,968)</u>
Basic and diluted loss per common share	(0.05)	(0.09)
Weighted average number of common shares outstanding	25,836,091	22,274,947

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

GREAT PACIFIC INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2010 AND 2009

	2010 \$	2009 \$
OPERATING ACTIVITIES		
Loss for the year	(1,355,146)	(1,985,566)
Items not affecting cash:		
Accretion	25,183	37,185
Amortization and impairment of equipment	13,902	35,635
Depletion and depreciation	68,055	992,535
Gain on de-recognition of accounts payable	-	(21,618)
Gain on sale of vehicles	(1,648)	-
Interest income on related party advances	(386)	(2,166)
Loss on abandonment of oil and gas properties	355,020	-
Loss on long-term investments	-	1
Provision for bad debts	-	21,849
Stock-based compensation	175,670	189,217
Vehicle rental revenue	-	(61,425)
	<u>(719,350)</u>	<u>(794,353)</u>
Changes in non-cash working capital items (Note 13)	(17,276)	120,177
Net cash used in operating activities	<u>(736,626)</u>	<u>(674,176)</u>
INVESTING ACTIVITIES		
Acquisition, exploration and development of oil and gas properties	(107,928)	(463,444)
Disposition of oil and gas properties	175,000	-
Disposition (acquisition) of equipment (Note 7)	26,000	(78,184)
Net cash provided (used) in investing activities	<u>93,072</u>	<u>(541,628)</u>
FINANCING ACTIVITIES		
Shares issued for cash, net of cash share issuance costs	700,500	673,553
Net of repayments from (advances to) related parties	(76,956)	(70,310)
Net cash provided by financing activities	<u>623,544</u>	<u>603,243</u>
Decrease in cash during the year	(20,010)	(612,561)
Cash, beginning of year	<u>21,881</u>	<u>634,442</u>
Cash, end of year	<u>1,871</u>	<u>21,881</u>

Supplemental cash flow information (Note 13)

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

**GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010 AND 2009**

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of business

Great Pacific International Inc. ("Great Pacific") was incorporated on November 4, 1993 in Alberta, Canada. Great Pacific is a junior public resource company in the business of oil and gas exploration and development with oil and gas operations and property interests in Alberta, Canada and Texas and Arkansas, U.S.A.

The common shares of Great Pacific trade on the TSX Venture Exchange ("TSX.V trading symbol: GPI").

Going concern

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern. The use of such principles presupposes that the Company will continue its operations in the foreseeable future and that it will be able to realize its assets and discharge its liabilities in the normal course of operations.

Until the Company has attained a self-sustaining level of revenue from oil and gas production, it will remain dependent upon its ability to secure additional financing through the issuance of share capital. At March 31, 2010 the Company has a working capital deficiency of \$173,804, and is not yet generating positive cash flow from operations. Accordingly, external financing will be required in order for the Company to continue as a going concern through the twelve months ended March 31, 2011. In order to continue as a going concern, meet property payment, participation and lease obligations, discharge all liabilities, and meet all commitments, the Company expects to have to raise approximately \$926,000 of equity financing in the twelve months ended March 31, 2011.

Furthermore, the Company will require additional financing to carry out the petroleum exploration and development required to offset production declines, grow oil and gas reserves and achieve a self-sustaining level of revenue. Management is actively pursuing new financings, and while it has been successful in the past, there can be no assurance that it will be able to raise sufficient funds on acceptable terms in the future. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis for presentation

These financial statements include, on a consolidated basis, the accounts of Great Pacific International Inc. and its wholly-owned subsidiaries: GPI Oil and Gas Inc., which was incorporated in British Columbia in the year ended March 31, 2008, GPI Oil and Gas Overseas Inc., which was incorporated in British Columbia in the year ended March 31, 2009, and GPI Petroleum Inc., which was incorporated in Texas, U.S.A. in the year ended March 31, 2009.

All inter-company transactions and balances have been eliminated on consolidation.

Great Pacific International Inc. and its subsidiaries are collectively referred to in these financial statements as "the Company".

Certain comparative figures have been reclassified to conform the current year's presentation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the periods reported. Significant estimates are required in the determination of the recoverability or valuation of accounts receivable, the fair value of future asset retirement obligations, depletion costs per unit of production, stock-based compensation expense, and the fair value of financial instruments, in measuring impairment losses and the recoverability of amounts shown for oil and gas properties, and in respect of the utilization of future income tax assets and tax rates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period in which they become known.

Any amounts recorded for depletion of oil and gas properties and any provision for future site restoration and abandonment costs are based on estimates. The ceiling test is based on estimates of proven reserves, production rates, oil and gas prices, future costs 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 material.

Oil and gas properties

The Company follows the full cost method of accounting for oil and gas operations and assets whereby all costs related to the acquisition of, exploration of, and development of oil and gas reserves in a single country are capitalized into a single cost centre. Under the full cost method, such capitalized costs include leasehold acquisition costs, geological and geophysical costs, lease rentals on non-producing properties, drilling, and amortization of support plant and equipment costs. Government incentives are credited to the cost of the oil and gas properties at the time the qualifying expenditures are incurred. Proceeds from the disposal of properties are applied as a reduction of the cost of the remaining assets with no gain or loss recognized, unless such a sale would result in a change of more than 20% in the depletion rate.

Costs of acquiring unproven properties are initially excluded from costs subject to depletion and depreciation and are assessed yearly to determine whether impairment has occurred. When proven reserves are subsequently assigned to a previously unproven property or the property is determined to be impaired, the cost of the property or the amount of the impairment is transferred to costs subject to depletion and depreciation. Impairment is considered to have occurred when the carrying value of an oil or gas property exceeds its fair value.

Depletion of oil and gas properties and depreciation of production equipment is calculated using the unit of production method based upon estimated proven reserves, before royalties, as determined by an independent engineer. For purposes of the calculation, natural gas reserves and production are converted to equivalent volumes of oil based upon relative energy content.

The Company applies a ceiling test to capitalized costs to ensure that such costs are recoverable and do not exceed their fair value. The carrying value is assessed to be recoverable when the carrying value is not greater than the sum of the undiscounted cash flows expected from the production of proven reserves using forecasted future prices plus the lower of the cost and the market value of unproven properties plus the cost of major development projects. When the carrying value is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying value of assets exceeds the sum of the fair value of proven and probable reserves plus the cost, less any impairment, of unproven properties assigned no probable reserves. An impairment loss recognized on oil and gas properties is recorded in depletion and depreciation expense.

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010 AND 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term investment

Long-term investment is classified as available for sale and carried at cost, as the investment does not have a quoted market value in an active market. If it is determined that there is a decline in value other than temporary, the investment is written-down to its estimated net realizable value. Long-term investment was written off in fiscal 2009. See Note 6.

Equipment

Equipment, consisting of computers, office equipment and vehicles, is recorded at cost less accumulated amortization and impairment charges. For computers and office equipment, amortization is provided on a straight-line basis over the expected useful lives of the assets of five years. For vehicles, amortization is provided on a per-kilometer basis over the expected useful life.

Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognizing and measuring an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

Impairment of oil and gas properties is recognized and measured in accordance with the Company's accounting policies related to oil and gas properties.

Future asset retirement obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of oil and gas properties when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the declining balance method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

Revenue recognition

Revenue from the sale of oil and gas products is recognized upon the passage of title, when there is persuasive evidence of a contract or other arrangement, and when ultimate collection is reasonably assured.

Stock-based compensation

The Company has a plan for granting stock options to management, directors, employees and consultants as described in Note 10. The Company recognizes compensation expense under this plan using the fair value method in accordance with CICA Handbook section 3870 "Stock-Based Compensation and Other Stock-Based Payments". Under this method, the fair value of stock options granted to employees is recognized as stock-based compensation expense over the vesting period and credited to contributed surplus.

**GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010 AND 2009**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-based compensation (continued)

Stock options granted to non-employees are measured at their fair value on the vesting date. Prior to the vesting date, the then-current fair value of stock options granted to non-employees is recognized as stock-based compensation expense from the date of grant to the reporting date and credited to contributed surplus. Upon the exercise of stock options, consideration paid and the fair value amounts previously credited to contributed surplus are recorded as share capital. The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options granted.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Loss per share

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the year. Diluted loss per share is not presented separately from loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive.

The Company uses the treasury stock method to compute the diluted earnings or loss per share, to reflect the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

Joint interests

Substantially all of the Company's exploration, development and production activities are conducted jointly with others, and, accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

Translation of foreign currencies

Transactions in foreign currencies are translated into Canadian dollars at the exchange rates in effect on the transaction date. Monetary assets and liabilities expressed in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. The resulting exchange gains and losses are recognized in income.

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010 AND 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments including derivatives are measured at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recorded in net income. Available-for-sale financial assets are measured at fair value, with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. Equity instruments that do not have a quoted market price in an active market are carried at cost. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value. Changes in the fair value of derivatives that are not exempt are recorded in the statement of operations. Transaction costs on the acquisition of financial assets and liabilities that are classified as other than held-for-trading are expensed.

The Company has made the following designations of its financial instruments: cash as held-for-trading; accounts receivable, and amounts due from related parties as loans and receivables; accounts payable and due to related parties as other financial liabilities.

CICA Handbook Section 3862 "Financial Instruments – Disclosure" requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The accounting standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. CICA Handbook Section 3862 prioritizes the inputs into three levels that may be used to measure fair value:

- Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- Level 3 – Applies to assets or liabilities for which there are unobservable market data.

Comprehensive Income (loss)

The Company follows the accounting guidelines of CICA Handbook Section 1530 "Comprehensive Income". Section 1530 establishes standards for reporting and presenting of comprehensive income or loss, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net earnings. At March 31, 2010 and 2009, the Company does not have any comprehensive income adjustments arising from its financial instruments.

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010 AND 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new accounting policies

During the year ended March 31, 2010, the Company adopted the following new guidance issued by the CICA. The Company's adoption of the guidance or Handbook section has not resulted in a restatement of comparative information.

CICA 3862, "Financial Instruments – Disclosures"

During the year, the CICA amended Section 3862 to enhance fair value and liquidity disclosures. The standard now requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels. Each level is based on the transparency of inputs to the valuation of the financial asset or liability as of the measurement date. Adoption of this standard did not have any material effect on the consolidated financial statements. The disclosures required by this amendment are disclosed in Note 2 and Note 15.

Recent Canadian accounting developments

Recent Canadian accounting pronouncements that have been announced but are not yet effective are as follows:

Business Combinations - CICA Handbook Section 1582

In January 2009, the CICA issued Section 1582, "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The adoption of this standard is not expected to have a material effect on the Company's financial statements.

Consolidated Financial Statements and Non-Controlling Interests – CICA Handbook Sections 1601 and 1602

In January 2009, the CICA issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests" which replace Section 1600 "Consolidated Financial Statements." Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations." The adoption of this standard is not expected to have a material effect on the Company's financial statements.

Equity - CICA Handbook Section 3251

In August 2009, Section 3251 Equity was issued in response to issuing Section 1602 Non-controlling Interests. The amendments require non-controlling interests to be recognized as a separate component of equity. The amendments apply only to entities that have adopted Section 1602. The adoption of this section is not expected to have a material impact on the financial statements.

Comprehensive Revaluation of Assets and Liabilities - CICA Handbook Section 1625

In August 2009, Section 1625 Comprehensive Revaluation of Assets and Liabilities was issued for consistency with new Section 1582 Business Combinations. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. The adoption of this section is not expected to have a material impact on the financial statements.

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010 AND 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") has published a strategic plan that calls for the convergence of Canadian GAAP (Generally Accepted Accounting Principles) with IFRS over an expected five year transitional period commencing 2006. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. As the Company has a non-calendar fiscal year it will be required to produce the first IFRS financial statements in the first quarter of its 2012 fiscal year (the quarter ending June 30, 2012). The transition date of April 1, 2012 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011. 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.

The Company is monitoring the impact of these convergence initiatives on its financial reporting and disclosure. At present, significant differences from the Company's Canadian GAAP financial reporting and disclosure are expected to be with respect to the carrying value and impairment testing of its oil and gas assets. The International Accounting Standards Board is undertaking a project on the extractive industries; however this project is not anticipated to be complete by the time of Canada's changeover to IFRS.

3. ACCOUNTS RECEIVABLE

Amounts presented as accounts receivable comprise the following:

	2010 \$	2009 \$
Net revenue receivable from oil and gas property operators, net impairment provision	24,516	59,669
Oil and gas property expenditures incurred on behalf of joint interest-holders	208	412
Recovery of goods and services tax	22,563	12,020
	<u>47,287</u>	<u>72,101</u>

4. AMOUNTS DUE FROM RELATED PARTIES

Amounts due from related parties consist of the following balances:

	2010 \$	2009 \$
Advances due from a Director for future management fees and expenses (a)	-	59,591
Interest on related party advances (b)	-	2,166
Vehicle rental charged to a private company controlled by a Director (c)	18,425	61,425
Advance to a private company controlled by a Director (d)	204,878	-
	<u>223,303</u>	<u>123,182</u>

Amounts due from related parties are due on demand and unsecured.

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. AMOUNTS DUE FROM RELATED PARTIES (Continued)

Details on specific amounts due from related parties are as follows:

- (a) Advances due from a Director were payments made to the President of the Company. These advances were settled by the monthly offset of management fees and out-of-pocket costs paid by the President on behalf of the Company. No advances were made for the year ended March 31, 2010.
- (b) Advances made to related parties accrued interest at an effective annual rate of prime plus 1%.
- (c) A private company controlled by a Director rented vehicles owned by the Company for certain periods during the fiscal year ended March 31, 2009.
- (d) The Company entered into a Land Agreement with a private company (the "Agent") controlled by a Director, to provide oil and gas properties acquisition services at the direction of the Company, in Alberta, Canada, for a term expiring October 31, 2010. Under the terms of the agreement, the Company may advance up to \$450,000 to the Agent (\$204,878 at March 31, 2010). These funds shall be held in trust by the Agent to be used by the Agent for the sole purposes of paying expenses and fees in the respect of conducting negotiations, property examinations and acquisition of oil and gas properties in Alberta, Canada. Subsequent to the year end these funds were returned to the Company.

5. OIL AND GAS PROPERTIES

Amounts presented as oil and gas properties at March 31, 2010 consist of capitalized property acquisition costs and exploration and development expenditures, less depletion, attributable to the petroleum and natural gas property interests of the Company.

Canadian oil and gas properties

Details on the Canadian oil and gas properties held by the Company at March 31, 2010 are as follows:

Developed Alberta lease interests

In the fiscal year ended March 31, 2007 the Company obtained its initial oil and gas assets by way of a block acquisition from Mistahiya Resources Ltd., an arms-length private corporation. The Company acquired net revenue interests ranging from 3.8% to 36%, subject to Crown royalties, for cash consideration of \$362,000, and the issuance of 500,000 common shares having a fair value of \$0.50 per share.

On April 1, 2007, the Company started participating on a non-operated basis in oil and gas production. In the years ended March 31, 2010 and 2009, all production and sales attributed to the Canadian oil and gas cost centre was earned from the Alberta properties.

Oil production from the Alberta properties came from 4 (2009: 7) oil wells in which the Company holds a 36% working interest. These wells are all located near Red Earth Village, Alberta. Gas production from the Alberta properties came from 1 gas well (2009: 1 gas well), in which the Company holds a 3.8% working interest.

In the year-ended March 31, 2010, the Company incurred development expenditures of \$21,269 (2009: \$23,246) on proven and producing properties.

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. OIL AND GAS PROPERTIES (Continued)

Canadian oil and gas properties (continued)

Undeveloped Alberta lease interests

At March 31, 2010 the Company holds certain petroleum and natural gas ("P & NG") leases from the Crown throughout Alberta. These undeveloped, non-producing leases are exploration lands that are undrilled and have no reserves assigned. They are as follows:

- § 100% working interest in certain P & NG leases throughout Alberta, Canada
- § 65% interest in a P & NG lease near Red Earth, Alberta
- § 100% interest in P & NG leases on four sections (2,560 acres) of land in the Manning area of Northern Alberta
- § 25% interest in a P & NG lease near Drumheller, Alberta. At the time of acquisition, a joint working interest holder on this property was related to the Company by way of a common officer.

In the year-ended March 31, 2010, the Company incurred property carrying costs and exploration and development expenditures of \$16,509 (2009: \$2,015) on certain unproven properties.

Acquisitions

In fiscal 2010 the Company acquired a 100% interest in 18 leases totaling 4,864 hectares for cash payments of \$68,895. These properties were purchased from the Province of Alberta and are held in trust for the Company at March 31, 2010.

Dispositions

In fiscal 2010 the Company sold its minority interests in 6 non producing wells and 3 producing wells, as well as one 100% owned 128 hectare property. The consideration payable to the Company for these properties totalled \$175,000, which was received in full on December 23, 2009. No gain or loss was recognized on the disposition of these properties and the proceeds received of \$175,000 and the asset retirement obligations transferred of \$245,921 have been applied against the Company's Canadian cost centre depletion and depreciation pool.

These oil and gas properties interests were part of a group of properties acquired from Mistahiya Resources Ltd. in March 2007. The Company retains its interest in the balance of the properties acquired from Mistahiya Resources Ltd. in 2007.

In fiscal 2010, the Company sold, for gross proceeds of \$10,000, two P & NG leases that were purchased from the Province of Alberta and held in trust for the Company. The gain of \$5,663 recognized on the disposition of these properties has been applied against the Company's Canadian cost centre depletion and depreciation pool.

GREAT PACIFIC INTERNATIONAL INC.
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5. OIL AND GAS PROPERTIES (Continued)

Canadian oil and gas properties (continued)

Oil and gas properties forfeited

Haro East and RLE Red Earth farm-in properties

In the fiscal year ended March 31, 2008, the Company acquired options to earn working interests in certain Alberta P & NG leases. These options, collectively referred to as the "Haro East and RLE Red Earth farm-in", granted the Company the right to acquire working interests in the "Haro East" and "RLE Red Earth" properties by drilling a total of 3 earn-in wells in the fiscal year ending March 31, 2009.

Pursuant to these option agreements, the Company placed a \$100,000 drilling deposit in trust with the property owner, to be applied against the cost of drilling the earn-in wells.

In the year ended March 31, 2009 the Company decided not to proceed with drilling the earn-in wells. As a result of this election not to drill those three earn-in wells, the Company forfeited all earn-in rights to the Haro East and the RLE Red Earth farm-in lands and forfeited the drilling deposit. The Company has no additional commitments in respect of those farm-in agreements.

Prior to the forfeiture of these options, the Company incurred cumulative assessment and pre-drill costs of \$74,244 on the RLE Red Earth farm-in lands and \$138,091 on the Haro East lands. In the year ended March 31, 2009, the Company determined these interests were impaired and the related costs were transferred to the Canadian cost centre's depletion and depreciation pool.

Chinchaga farm-lands

In addition to the Haro East and RLE Red Earth farm-in, the Company also obtained certain drilling options to a petroleum and natural gas lease adjacent to the Haro East option lands (the "Chinchaga" lands). The drilling options to the Chinchaga lands were allowed to lapse in the year ended March 31, 2009, upon the Company's decision to forfeit the Haro East farm-in. No significant pre-drill costs were incurred in respect of the Chinchaga lands, and no obligations remain in respect of those options.

Manitoba

The Company acquired certain petroleum and natural gas leases in Manitoba, believed to be prospective for tight shale gas. These leases were purchased in the year ended March 31, 2008, and had expired by March 31, 2009. The Company is in the process of determining its reclamation obligations in respect of an abandoned well-bore on this property.

3-20 project

In the year ended March 31, 2008, the Company acquired by cash purchase totalling approximately \$309,000 certain rights to a light oil prospect referred to as the "3-20 project". At the time of acquisition, the Company's interest in the 3-20 project consisted of a 37.5% interest in a re-entry target in the "3-20 wellbore.

GREAT PACIFIC INTERNATIONAL INC.
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5. OIL AND GAS PROPERTIES (Continued)

Canadian oil and gas properties (continued)

3-20 project (continued)

In fiscal 2010, the Company's interest in the 3-20 well-bore increased to 60%, as a result of the default of a third-party joint interest-holder in that property. Pursuant to the joint venture agreement governing the property, as a result of the default by that party, the Company was deemed to have acquired its proportionate share of the defaulting working interest. The Company was obligated to reimburse the operator \$8,629 being the Company's proportionate share of the amount in default. Upon the acquisition of the Company's interest, the Company recorded a current provision for future asset retirement obligations of \$28,080 attributable to the additional well-bore interest obtained.

In fiscal 2010, the Alberta government denied the operator of the 3-20 project permission to complete further exploration work on the property. As a result, the Company is required to participate to its 60% working interest in the reclamation costs for this project. Due to the abandonment of this project, the Company has written down the carrying value to \$nil and recognized a loss of \$355,020 as inclusion in the depletion and depreciation pool would result in a change to the depletion and depreciation rate of 20% or more.

United States oil and gas properties

Midland Basin prospect area, Texas, USA

In fiscal 2009, GPI Petroleum Inc. ("GPI Petroleum"), a wholly-owned subsidiary of Great Pacific, acquired non-operated participation rights to a 13% working interest (9.75% net revenue interest) in a petroleum prospect in Texas, U.S.A. This prospect area consists of certain leased and option-held petroleum interests held by the project operator in Scurry County, Texas, U.S.A.

GPI Petroleum acquired these participation rights by paying \$104,760 to the property operator. As partial consideration for these acquisition fees, the Company also obtained 3-D seismic data for the prospect block.

GPI Petroleum elected to participate, to its proportionate interest, in the drilling of a test well on that property in the year ended March 31, 2009. Pursuant to the terms of the participation agreement, the Company committed itself to fund 17.3% of the costs of the test well to casing point. The well did not encounter sufficient oil reserves to warrant completing, and was accordingly plugged and abandoned after reaching total depth.

The Company, by participating in the initial test well, retained its 13% participation rights to the remainder of the prospect area, and acquired a 13% working interest in the drilled lease. However, the Company's participation rights and lease interest are subject to the operator's right of non-judicial foreclosure, as the Company owes approximately \$28,613 (\$28,173 U.S. Dollars) against the costs of the initial test well at March 31, 2010 (Note 12).

Logan County, Arkansas, USA

In the fiscal year ended March 31, 2008, the Company acquired, for cash consideration of \$32,166, a non-operated minority working interest in a producing natural gas lease in Arkansas, U.S.A.

GREAT PACIFIC INTERNATIONAL INC.
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5. OIL AND GAS PROPERTIES (Continued)

The components of the carrying value of oil and gas properties are as follows:

	Canada \$	United States \$	Total \$
Balance, March 31, 2008	1,660,352	17,122	1,677,474
Acquisition of oil and gas property interests	60,006	104,767	164,773
Drilling deposit forfeited	100,000	-	100,000
Re-estimated future asset retirement obligations (Note 8)	(99,152)	-	(99,152)
Exploration and development of oil and gas properties	145,836	221,054	366,890
Depletion and depreciation	(719,233)	(273,302)	(992,535)
Balance, March 31, 2009	1,147,809	69,641	1,217,450
Acquisition of oil and gas property interests	103,295	-	103,295
Exploration and development of oil and gas properties	29,634	3,079	32,713
Sale of oil and gas property interests	(430,921)	-	(430,921)
Abandonment of oil and gas property interests	(355,020)	-	(355,020)
Re-estimated future asset retirement obligations (Note 8)	24,216	-	24,216
Depletion and depreciation	(64,455)	(3,600)	(68,055)
Balance, March 31, 2010	454,558	69,120	523,678

Capitalized expenditures for oil and gas property acquisition, exploration and development are subject to depletion and depreciation as follows:

	2010 \$	2009 \$
<u>Canada</u>		
Oil and gas expenditures subject to depletion and depreciation	104,886	673,462
Oil and gas expenditures not subject to depletion and depreciation	349,672	474,347
	454,558	1,147,809
<u>United States</u>		
Oil and gas expenditures subject to depletion and depreciation	9,542	13,142
Oil and gas expenditures not subject to depletion and depreciation	59,578	56,499
	69,120	69,641
Oil and gas properties	523,678	1,217,450

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. OIL AND GAS PROPERTIES (Continued)

Ceiling test

The oil and gas assets are tested for impairment at each reporting date to ensure the carrying value does not exceed the fair value of the assets. Impairment tests are conducted separately for each oil and gas cost centre, and for each individual unproven property having a carrying value representing 10% or more of the total cost centre carrying amount.

For a cost centre, an impairment loss is recognized when the carrying amount of a cost centre is not recoverable and exceeds its fair value. This is presumed to occur when the carrying value of the cost centre exceeds the sum of the undiscounted cash flows expected to be earned from the assets within the cost centre, and the cost of unproven properties subject to a separate test for impairment.

In the year ended March 31, 2010, an impairment charge of \$nil (2009: \$513,374) was recognized in the Canadian oil and gas cost centre, included in depletion. An impairment charge of \$nil was recognized in the United States cost centre, pertaining to the uneconomic test well on the Midland Basin prospect area (2009: \$269,322).

The forecasted future prices used in the ceiling test evaluations of the Company's oil and gas interests at March 31, 2010 are as follows:

	2010	2011	2012	2013	2014	Increase thereafter to 2019
Oil (Edmonton light sweet 40° API C\$/Bbl)	\$83	\$86	\$90	\$94	\$97	2.0% per year
Natural gas (Alberta average field C\$/MMBtu)	\$4.50	\$5.25	\$6.00	\$6.50	\$7.00	2.3% per year

Future prices received by the Company for oil and gas products may differ from the ones listed above because of purchase price variations, market conditions, quality differentials or marketing arrangements.

6. LONG-TERM INVESTMENT

	2010	2009
	\$	\$
Carrying value, investment in common shares of OG International Inc.	-	1
Less: provision for impairment	-	(1)
Long-term investment	-	-

The Company completely wrote-off the balance of the carrying value of its long term investment in fiscal 2009, upon its assessment that the investee, OG International Inc., had substantially abandoned all operations.

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. EQUIPMENT

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	
Computers and office equipment	58,416	(53,666)	4,750	58,416	(47,469)	10,947
Vehicles	24,991	(10,133)	14,858	78,184	(31,269)	46,915
	<u>83,407</u>	<u>(63,799)</u>	<u>19,608</u>	<u>136,600</u>	<u>(78,738)</u>	<u>57,862</u>

Amortization expense recorded in the years presented consists of the following:

	2010	2009
	\$	\$
Amortization expense, computers and office equipment	6,198	4,366
Amortization expense and impairment allowance, vehicles	7,704	24,456
	<u>13,902</u>	<u>28,822</u>

In the year ended March 31, 2010, the Company sold two trucks for \$26,000 which resulted in a gain of \$1,648. The Company currently owns one truck. In fiscal 2010, vehicle amortization of \$nil (2009: \$6,813) was credited to "Vehicle rent revenue, net of operating costs and depreciation".

In the year ended March 31, 2009, the Company determined that the carrying value of its vehicles may not be fully recoverable, resulting in an impairment charge of \$18,043 which was included in amortization and impairment of equipment expense. The fair value of vehicles at March 31, 2009 was determined by reference to market prices of comparable assets.

8. FUTURE ASSET RETIREMENT OBLIGATIONS

Future asset retirement obligations consist of the present value of the expected future cost of reclaiming the Company's oil and gas assets, including well-sites and lease roads, storage tanks, and well-bores, in accordance with regulations and statute, licensing requirements, and contractual obligations.

Estimated undiscounted cash flows required to fulfill and settle future asset retirement obligations net of any expected salvage are as follows:

Year	Undiscounted asset retirement cash flow
	\$
2011	114,000
2012	50,000
2015	50,000
2018	50,000
Thereafter to 2025	64,000
	<u>328,000</u>

GREAT PACIFIC INTERNATIONAL INC.
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8. FUTURE ASSET RETIREMENT OBLIGATIONS (Continued)

For producing wells or properties considered to have development potential, the timing of asset retirement expenditures is estimated based on the expected reserves exhaustion date. Should any property be depleted earlier than expected, due to such factors as commodity prices, reservoir geology, or equipment failure, statutory asset retirement obligation dates may be accelerated. Additionally, as the Company holds a non-operated minority working interest in its Canadian oil and gas wells, the estimated dates for asset retirement on non-producing properties are generally subject to the election of the operator, among other factors.

In determining the fair value of the future asset retirement obligation at March 31, 2010, the estimated undiscounted asset retirement cash flows were discounted using a credit adjusted risk-free rate of 8%.

Long-term provision for future asset retirement obligations

The long-term provision for future asset retirement obligations arises as follows:

	2010 \$	2009 \$
Balance, beginning of year	414,708	476,675
Accretion	25,183	37,185
Obligation recognized during the year	28,080	-
Obligations transferred during the year (Note 5)	(245,921)	-
Re-estimate of future asset retirement obligations capitalized in prior years	24,216	(99,152)
	<u>246,266</u>	<u>414,708</u>
Less: current portion	<u>(111,425)</u>	<u>(93,247)</u>
Balance, end of year	<u>134,841</u>	<u>321,461</u>

Current provision for future asset retirement obligations

The Company has recorded a current provision for the fair value of asset retirement obligations which it expects to settle in the fiscal year ended March 31, 2011. The provision relates to the estimated costs of retiring two suspended well-bores, on properties which either have a lease expiring prior to March 31, 2011, or in respect of which the operator has notified the Company of its intention to commence abandonment in the near-term.

9. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances entered into during the years ended March 31, 2010 and 2009 and not disclosed elsewhere in these financial statements are as follows:

- (a) In the year ended March 31, 2010 the Company paid or accrued management fees to three officers totalling \$150,000 (2009: \$150,000).

GREAT PACIFIC INTERNATIONAL INC.
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9. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

- (b) The Company paid or accrued professional and consulting fees to related parties (or to private companies controlled by related parties, or parties affiliated with related parties) in the years ended March 31, 2010 and 2009 as follows:

	2010	2009
	\$	\$
Private companies controlled by directors, officers or persons related to them	–	45,435
Directors, officers, or persons related to them	6,000	6,000
	<u>6,000</u>	<u>51,435</u>

Of these professional and consulting fees, \$nil (2009: \$28,042) were capitalized as oil and gas property expenditures in the fiscal year ended March 31, 2010.

- (c) Amounts due to related parties consists of amounts owing to officers, directors (or to persons related to them or companies controlled by them) for services as noted in a) and b), above, and for expense reimbursements. The amounts are non-interest bearing, unsecured and due on demand.
- (d) The Company paid finders' fees of \$75,000 to a person related to a director of the Company in connection with a private placement financing conducted in the year ended March 31, 2009.

These transactions occur in the normal course of operations and are measured at the exchange, which is the amount of consideration established and agreed to by the parties.

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Share capital

Authorized: an unlimited number of common shares without par value
an unlimited number of preferred shares without par value

Issued: 32,411,433 common shares (2009: 22,411,433 common shares)
Nil preferred shares (2009: Nil preferred shares)

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10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

A summary of common shares issued in the years ended March 31, 2010 and 2009 is as follows:

	2010		2009	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Balance, beginning of year	22,411,433	9,706,508	20,243,433	8,145,853
Issued in the year for cash				
Private placement	10,000,000	750,000	2,000,000	1,500,000
Private placement finders' fees	-	(45,000)	-	(80,801)
Share issue costs	-	(4,500)	-	-
Exercise of warrants	-	-	48,000	48,000
Exercise of options	-	-	120,000	52,000
	<u>32,411,433</u>	<u>10,407,008</u>	<u>22,411,433</u>	<u>9,665,052</u>
Fair value warrants issued for finder's fees	-	(68,021)	-	-
Reclassified from contributed surplus on exercise of stock options	-	-	-	41,456
Balance, end of year	<u>32,411,433</u>	<u>10,338,987</u>	<u>22,411,433</u>	<u>9,706,508</u>

Private placements

In the year ended March 31, 2010, the Company completed a private placement of 10,000,000 units at a price of \$0.075 for total proceeds of \$750,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.15 per share until November 26, 2011. The Company paid \$45,000 in cash finder's fees and issued 600,000 agent warrants exercisable at \$0.15 per warrant for two years, expiring on November 26, 2011. The warrants had an estimated fair value of \$68,021 computed using the Black-Scholes option pricing model. Share issuance costs in the amount of \$4,500 include legal, closing, listing and filing fees.

In the year ended March 31, 2009, the Company issued 2,000,000 private placement units at \$0.75 per unit. Each private placement unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company at \$1.00 per share until April 14, 2010. In the year ended March 31, 2010, these warrants were re-priced (see Warrants).

Escrow agreement

At March 31, 2010, 334,365 (2009: 1,003,095) issued common shares of the Company were held subject to an escrow agreement. The final release of shares held in escrow was completed in April 2010.

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10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

Contributed surplus

The amounts classified as contributed surplus are as follows:

	2010 \$	2009 \$
Balance, beginning of year	455,077	307,316
Stock-based compensation on stock options	175,670	189,217
Fair value of warrants issued for finder's fees	68,021	-
Less: reclassification on exercise of employee stock options previously granted	-	(41,456)
Balance, end of year	698,768	455,077

Warrants

A summary of share purchase warrants issued and exercised in the years ended March 31, 2010 and 2009 is as follows:

	2010		2009	
	Number of warrants	Weighted Average Exercise Price per warrant \$	Number of warrants	Weighted Average Exercise Price per warrant \$
Balance, beginning of year	1,952,000	0.13 ^(a)	1,996,000	0.60
Granted	10,600,000	0.15	2,000,000	1.00
Exercised	-	-	(48,000)	1.00
Expired	-	-	(1,996,000)	0.60
Warrants outstanding and exercisable, end of year	12,552,000	0.15	1,952,000	1.00

A summary of warrants outstanding is as follows:

Exercise Price	Expiry	Outstanding at March 31,	
		2010	2009
\$0.13 ^(a)	April 14, 2011	1,952,000	1,952,000
\$0.15 ^(b)	November 26, 2011	10,600,000	-
		12,552,000	1,952,000

GREAT PACIFIC INTERNATIONAL INC.
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10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

Warrants (continued)

- (a) On February 18, 2010, the Company received TSX Venture Exchange approval to re-price these warrants to \$0.13 per common share from \$1.00 per common share. If the closing price for the Company's shares exceeds \$0.1575 for a period of 10 consecutive trading days, then the warrant holders will have 30 days to exercise their warrants; otherwise the warrants will expire on the 31st day.
- (b) These warrants were issued pursuant to the private placement of 10,000,000 common shares and include 600,000 agent warrants granted in the third quarter ended December 31, 2009.

Stock options

The Company established a stock option plan in the year ended March 31, 2006 (revised in fiscal 2010) under which it may grant stock options totalling in aggregate up to 10% of the Company's total number of shares issued and outstanding on a non-diluted basis. The stock option plan provides for the granting of stock options to regular employees and persons providing investor-relation or consulting services up to a limit of 5% and 2% respectively of the Company's total number of issued and outstanding shares per year. The option price must be greater or equal to the discounted market price on the grant date and the option expiry date cannot exceed ten years after the grant date. The stock options vest immediately on the date of the grant or over a period of time as determined by the Board of Directors.

A summary of share purchase options cancelled, issued and exercised in the years ended March 31, 2010 and 2009 follows:

	2010 Number of options	Weighted average exercise price \$	2009 Number of options	Weighted average exercise price \$
Balance, beginning of year	1,951,000	1.04	1,816,000	1.02
Cancelled or expired	(390,000)	0.75	(135,000)	0.66
Granted	-	-	390,000	1.50
Exercised	-	-	(120,000)	0.43
Balance, end of year	1,561,000	0.20	1,951,000	1.04
Options exercisable, end of year	874,000	0.20	908,000	0.67

A summary of stock options outstanding is as follows:

Exercise price	Date of Grant	Expiry Date	March 31, 2010		March 31, 2009	
			Outstanding	Exercisable	Outstanding	Exercisable
\$0.20 - \$0.27 ^(a)	April 15, 2008 ^(b)	April 14, 2013	390,000	117,000	390,000	39,000
\$0.22 - \$0.27 ^(a)	February 18, 2008 ^(c)	February 17, 2013	690,000	276,000	865,000	173,000
\$0.18 ^(a)	October 3, 2005	October 3, 2010	481,000	481,000	696,000	696,000
Total			1,561,000	874,000	1,951,000	908,000

GREAT PACIFIC INTERNATIONAL INC.
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10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

Stock options (continued)

- (a) On January 26, 2010, the Company received TSX Venture Exchange approval for a reduction in the price of 1,561,000 stock options granted in prior periods as approved at the annual and special general meeting held on December 30, 2009.
- (b) These options vest as to 10% every six months, commencing April 14, 2008, with the last 20% vesting on October 14, 2012. The initial exercise price was \$1.50 per share escalating at 10% per year on each anniversary date up to \$2.20 per share through fiscal 2014. Upon approval of the re-pricing the options now have escalated exercise pricing of \$0.18 in year two to \$0.27 in year five. The exercise price at March 31, 2010 is \$0.20 (2009: \$1.65) per share.
- (c) These options vest as to 10% every six months, commencing February 18, 2008, with the last 20% vesting on August 18, 2012. The initial exercise price was \$1.25 per share, escalating at 10% per year on each anniversary date up to \$1.83 per share through fiscal 2013. Upon approval of the re-pricing the options now have escalated exercise pricing of \$0.18 in year two to \$0.27 in year five. The exercise price at March 31, 2010 is \$0.22 (2009: \$1.38) per share.

In accordance with CICA 3870, modifications to the terms of an award are treated as an exchange of the original award for a new award. Incremental compensation cost is measured as the excess, if any, of the fair value of the original award immediately before its terms are modified, measured based on the share price and other pertinent factors at that date. The Company recognized an incremental compensation cost of \$19,036 for these modified stock options. The incremental compensation cost was estimated using the Black-Scholes option pricing model using the following weighted average assumptions: risk free rate of 1.38%, expected life of 2.5 years, volatility of 128%, and no expected dividends.

The Company recognized \$175,670 (including incremental cost of \$19,036) (2009 - \$189,217) for the vested portion of the employee and non employee stock options which have been recorded as contributed surplus and charged to operations for the year ended March 31, 2010.

The weighted average fair value of each option granted during the year ended March 31, 2009 was \$0.82, computed by using the Black-Scholes option pricing model using the following weighted average assumptions:

	2010	2009
Risk-free interest rate	-	3.2%
Expected life of options	-	5.00 years
Annualized volatility	-	62%
Dividend rate	-	0.00%

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11. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes (recovery) is as follows:

	2010 \$	2009 \$
Loss for the year	(1,355,146)	(1,985,566)
	28.75%	29.50%
Expected income tax recovery at statutory rates	(389,605)	(585,742)
Change in valuation allowance	222,158	(60,048)
Expiry of non-capital losses	86,767	604,263
Other differences	52,331	(17,242)
Permanent differences	28,349	58,769
Total income tax recovery	<u><u>-</u></u>	<u><u>-</u></u>

The significant components of the Company's future income tax assets are as follows:

	2010 \$	2009 \$
Future income tax assets attributable to:		
Property and equipment	3,279	19,086
Share issue costs	36,497	-
Reserves	61,567	103,677
Oil and gas properties	389,785	257,806
Non-capital losses available for future periods	1,116,276	1,004,677
	<u>1,607,404</u>	<u>1,385,246</u>
Less: valuation allowance	<u>(1,607,404)</u>	<u>(1,385,246)</u>
Total future income tax assets	<u><u>-</u></u>	<u><u>-</u></u>

As at March 31, 2010, the Company has non-capital losses carried forward of \$4,342,515 which are available to offset future years' taxable income. These losses expire as follows:

	\$
2014	734,037
2015	441,007
2026	369,274
2027	648,811
2028	438,259
2029	964,707
2030	746,420
	<u>4,342,515</u>

The potential income tax benefits relating to future income tax assets have not been recognized in the financial statements as their realization does not meet the requirement of "more likely than not" under the liability method of tax allocation.

GREAT PACIFIC INTERNATIONAL INC.
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12. COMMITMENTS AND CONTINGENCY

Significant commitments at March 31, 2010 are as follows:

Midland Basin Prospect area

In order to maintain its participation rights in the Midland Basin prospect area, the Company must participate in future approved oil and gas exploration and development activities conducted by the prospect area operator and the other co-venturers. At March 31, 2010 and subsequent thereto, there are no authorized work programs pending. Should the operator propose additional exploration and development programs within the prospect area, the Company would have thirty days to elect to participate and to advance its share of the estimated program costs.

Property lease payments

In order to keep the Company's Alberta Crown leases in good standing, the Company must pay lease expenses totalling \$34,595 per year.

Property participation, Alberta

In order to maintain its interest in its minority working interests in oil and gas properties, the Company must participate in duly conducted exploration and development conducted on those properties by its co-venturers on those properties. Failure to participate in work programs initiated by a property operator or other joint interest-holder may result in the Company losing substantially all its interest in those properties. As the Company holds non-operated working interests in substantially all its jointly owned Alberta oil and gas properties, it may have little discretion as to the timing of such exploration and development expenditures. As at March 31, 2010 and subsequent thereto, there are no authorized work programs pending.

Operatorship dispute

In the fiscal year ended March 31, 2009, the Company filed a Statement of Claim in the Court of Queen's Bench of Alberta in the Judicial District of Calgary, against the operator of the Company's Mistahiya-group properties (Note 5).

The Statement of Claim is in respect of certain operatorship issues and seeks a judicial resolution of disputed revenue with-holdings, the assertion of our take-in-kind rights to oil revenue, and other issues. A trial date has not yet been set.

In the interim the Company has obtained an Order in the Court of Queen's Bench of Alberta, Judicial District of Calgary requiring that the operator pay Great Pacific its proportional 36% share of the gross revenue and provide a statement of expenses arising out of the joint venture operations on our Red Earth wells within 50 days of the end of each production month. Upon receipt of the revenue, Great Pacific is to pay the Operator its share of proper expenses, with any disputed expenses to be paid into Court with an explanation as to the nature of the dispute.

The operator has filed a Statement of Defense in respect of this matter, and has also filed a counter-claim against the Company. The counter-claim is seeking unspecified punitive and compensatory damages against the Company in respect of alleged interference with an oil marketing contract formerly held in respect of the jointly owned wells. Management believes the counter-claim to be completely without merit, and the Company is vigorously defending itself against these allegations. No amounts related to the counter-claim have been accrued as at March 31, 2010.

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13. SUPPLEMENTAL CASH FLOW INFORMATION

Amounts classified on the consolidated statements of cash flows as changes in non-cash working capital items are as follows:

	2010 \$	2009 \$
Decrease in accounts receivable	24,814	18,763
Decrease in prepaid expenses	4,616	1,426
Increase (decrease) in accounts payable and accrued liabilities	(46,706)	99,988
Changes in non-cash working capital items	(17,276)	120,177
	2010 \$	2009 \$
Cash paid for:		
Interest	-	-
Income taxes	-	-
Non-cash investing and financing activities:		
Re-estimation of future asset retirement obligations capitalized in prior years	24,216	(99,152)
Forfeited drilling deposit transferred to oil and gas properties	-	100,000

14. SEGMENTED INFORMATION

In the years ended March 31, 2010 and 2009, the Company operated in one reportable business segment, being oil and gas exploration and development.

The Company's assets and operations are located in Canada and the United States. The Company receives production revenue from oil and gas properties in Alberta, Canada and Arkansas, U.S.A. The Company has undertaken oil and gas exploration and development in Alberta, Canada and Texas, U.S.A. (Note 5).

Oil and gas revenues and costs are presented for each cost centre as follows:

Year ended March 31, 2010:

	Canada \$	U.S.A. \$	Total \$
Oil and gas revenue, net of royalties	127,465	6,894	134,359
Oil and gas operating costs	(94,327)	(1,307)	(95,634)
Depletion and accretion	(89,638)	(3,600)	(93,238)
	(56,500)	1,987	(54,513)

Year ended March 31, 2009:

	Canada \$	U.S.A. \$	Total \$
Oil and gas revenue, net of royalties	287,748	11,850	299,598
Oil and gas operating costs	(117,144)	(934)	(118,078)
Depletion and accretion	(756,418)	(273,302)	(1,029,720)
	(585,814)	(262,386)	(848,200)

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15. FINANCIAL INSTRUMENTS

(a) Fair Values of Financial Instruments

The Company has various financial instruments including cash, accounts receivable, amounts due from related parties, amounts due to related parties and accounts payable. The carrying values of cash, accounts receivable, and accounts payable approximate their fair values due to their relatively short periods to maturity. The carrying values of amounts due from related parties and amounts due to related parties approximate their fair values as these instruments have no fixed terms of repayment.

(b) Fair Value Measurements

The fair value of cash is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. The fair values of amounts due from/to related parties are determined based on "Level 2" inputs which consist of model-driven valuations in which significant inputs can be corroborated by observable market data.

Assets measured at fair value on a recurring basis were presented on the Company's balance sheet as of March 31, 2010 as follows:

	Fair Value Measurements Using			Total \$
	Quoted Prices in Active Markets For Identical Instruments (Level 1) \$	Significant Other Observable Inputs (Level 2) \$	Significant Unobservable Inputs (Level 3) \$	
Assets:				
Cash	1,871	–	–	1,871

(c) Financial Risks

Concentration of credit risk

The maximum amount of credit risk the Company is exposed to at March 31, 2010 is \$272,461, which consists of the face value of cash, accounts receivable, and amounts due from related parties.

Cash

Cash is held in demand accounts at a Canadian chartered bank. The Company does not believe it is subject to any significant counterparty risk with respect to cash as amounts do not exceed federally insured limits.

Accounts receivable

The Company is exposed to on-going concentration of credit risk because its Canadian oil and gas assets, representing approximately 94% of its gross revenue, are operated by a single counterparty. Accordingly, our dealings with that party account for the bulk of our cash in-flows from operating activities. At March 31, 2010, amounts owing from that party comprised 47% of accounts receivable (2009: 63%).

Accounts receivables typically arise from normal joint operating arrangements governing the Company's producing oil and gas properties, and from cost-recovery billings.

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15. FINANCIAL INSTRUMENTS AND RISK (Continued)

(c) Financial Risks (Continued)

Accounts receivable (Continued)

Credit valuations are performed on a regular basis and the financial statements take into account any requirement for an allowance for bad debts.

Amounts due from related parties

At March 31, 2010 related party advances consist of advances due from a private company controlled by a Director (Note 4(d)). These amounts are due on demand, and have no fixed terms. Subsequent to year end, these funds were returned to the Company.

Interest rate risk

The Company has no debt instruments outstanding, besides trade credit as provided from time to time. The Company does not believe its overall exposure to interest rate risk is significant.

Currency risk

The Company generates approximately 5% of its gross revenue from a natural gas well in the United States, and holds petroleum land interests in the United States having a book value of \$69,120. Oil and gas tend to be priced in US dollars. A decrease in the value of the US dollar could have a material impact on the results of operations.

Commodity price risk

The Company is exposed to material oil and gas commodity price risk. A relative decrease in the price of oil and gas would reduce the Company's cash flows, reduce the realizable market value of the Company's oil and gas assets, reduce the Company's economic reserves, and make it more difficult for the Company to raise the equity capital required to meet its commitments and carry out its development-stage business plans. Management has assessed that the Company's degree of exposure to commodity price risk is material, but consistent with our development stage oil and gas business operations and the nature of the industry. The Company has not entered into any arrangements to mitigate this risk.

Liquidity risk

The Company faces material liquidity risk in that it has approximately \$292,000 in accounts payable which are overdue at March 31, 2010 and insufficient cash on hand to satisfy those debts should they be demanded. The Company is seeking equity financing in order to obtain additional liquidity to mitigate this risk (Note 1).

Contractual undiscounted cash flow requirements for financial liabilities as at March 31, 2010 are as follows:

	Less Than 1 Month \$	1-3 Months \$	Total \$
Accounts payable and accrued liabilities	291,719	–	291,719
Due to related parties	50,833	–	50,833
	342,552		342,552

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16. CAPITAL MANAGEMENT

Capital management objectives

The primary capital management objective of the Company is to ensure adequate working capital is available to adequately fund both the Board-approved business development plans (i.e. oil and gas exploration and development), and the working capital requirements of each annual operating cycle, while also seeking to minimize the risk-adjusted cost of capital. At March 31, 2010 the Company lacked sufficient capital to carry out the necessary drilling to grow beyond the development stage.

Capital is raised and retained for the purposes and to the extent necessary to fund exploration projects and corporate overhead costs, subject to the availability of financing on acceptable terms. Given its objectives, the Company determines the amount of capital to be raised and retained based on the scope of planned exploration activity, and management's assessment of the expected availability of acceptably priced capital in future periods.

The Company's capital management plan seeks to ensure adequate resources are available to fund our activities through the balance of the current fiscal year. A significant measure used in assessing capital adequacy is thus the expected number of days of operations that can be funded from current working capital. In general, capital levels are considered sufficient if they can fund the balance of the annual exploration season and fund corporate overhead expenses in the near-term. Current capital levels are not sufficient given those objectives.

As the Company's major assets – oil and gas properties – are collectively illiquid and not fully developed, they require significant additional expenditures to be fully monetized. As a result of this, and because the Company is not yet earning positive cash flow from operations, externally-financed working capital is, by necessity, a major capital management objective of the Company. The ability of the Company to continue as a going concern is materially sensitive to the availability and cost of such capital, which is in part subject to macro-economic factors beyond the control of the Company.

Targeted financial structure

The Company defines managed capital as shareholders' equity. Our targeted capital structure approaches 100% capital equity. Management believes that such a capital structure is the most suitable in light of the Company's capital management objectives, and it is considered commensurate with our development-stage operations. Towards that end, we had no debt securities outstanding at March 31, 2010.

The Company's current financial structure represents a negative deviation from our target structure, as the Company has a working capital deficiency and lacks the financial resources to carry out necessary exploration and development. The Company estimates that it will require additional equity financing of at least \$926,000 in the coming 12 months to remain a going concern, to continue to meet property payments, participation and lease obligations, and to continue to participate to our working interest in our Canadian oil and gas properties. Beyond that, additional financing will be required to move beyond the development stage and achieve a self-sustaining level of oil and gas revenues.

The chief source of liquidity and working capital is equity financing obtained through the sale of common shares and share purchase warrants, and the exercise of warrants and options. The Company from time to time receives loan payables from related parties and trade credit, but such financial instruments are typically only supplementary to equity financings, on a short-term basis.

In any case, the Company does not consider debt to be a sustainable source of working capital, for until we achieve self-sustaining positive operating cash flows, any debt obtained must be retired with funds raised through equity financing. The Company does not have any externally imposed capital constraints.