

GREAT PACIFIC INTERNATIONAL INC.

CONSOLIDATED FINANCIAL STATEMENTS

***FIRST QUARTER REPORT FOR
THE THREE MONTHS ENDED***

JUNE 30, 2008

The accompanying financial statements for the three months ended June 30, 2008 have not been reviewed or audited by the Company's Auditors.

GREAT PACIFIC INTERNATIONAL INC.
Consolidated Balance Sheets
 Unaudited

	June 30, 2008 (Unaudited)	March 31, 2008
	\$	\$
ASSETS		
Current assets		
Cash	720,904	634,442
Accounts receivable and prepaid expenses (Notes 4, 8, 13)	163,280	128,176
	<u>884,184</u>	<u>762,618</u>
Drilling deposit	100,000	100,000
Oil and gas properties (Note 5)	1,792,261	1,677,474
Long-term investment	1	1
Equipment (Note 6)	89,614	15,313
	<u>2,866,060</u>	<u>2,555,406</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	196,849	273,366
	<u>196,849</u>	<u>273,366</u>
Future asset retirement obligations (Note 7)	486,498	476,675
	<u>683,347</u>	<u>750,041</u>
Shareholders' equity		
Share capital (Note 9)	9,565,070	8,145,853
Contributed surplus (Note 9)	358,618	307,316
Share subscriptions received in advance	-	814,598
Deficit	(7,740,975)	(7,462,402)
Total shareholders' equity	<u>2,182,713</u>	<u>1,805,365</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>2,866,060</u>	<u>2,555,406</u>

Nature and continuance of operations (Note 1)

Commitments (Note 10)

On behalf of the Board:

"Thal S. Poonian" Director "Ronald Bobowski" Director
 Thal S. Poonian Ronald Bobowski

The accompanying financial statements for the three months ended June 30, 2008 have not been reviewed or audited by the Company's Auditors.

GREAT PACIFIC INTERNATIONAL INC.
Consolidated Statements of Operations and Deficit
Three Months Ended June 30 2008 and 2007

	Three months ended,	
	June 30, 2008 (Unaudited)	June 30, 2007 (Unaudited)
	\$	\$
Revenue		
Oil and gas sales	81,921	3,072
Oil and gas production expenses		
Operating expenses	29,112	3,459
Depletion and accretion	62,112	4,035
	<u>(91,224)</u>	<u>(7,494)</u>
Loss on oil and gas operations	<u>(9,303)</u>	<u>(4,422)</u>
General and administrative expenses		
Accounting and audit	24,720	17,118
Amortization expense	1,874	699
Consulting fees	33,959	30,643
Insurance	7,767	113
Management fees	30,000	29,250
Office and miscellaneous	13,997	14,520
Professional fees	22,235	11,651
Property evaluation and due diligence	28,096	-
Shareholder communication and investor relations	21,263	11,958
Regulatory and transfer agent fees	3,257	10,235
Rent	12,000	12,000
Stock-based compensation expense	51,302	-
Travel and entertainment	20,058	25,137
Loss on foreign exchange	126	-
Vehicle cost recoveries, net of vehicle expenses	(1,384)	-
	<u>(269,270)</u>	<u>(163,324)</u>
Net loss for the period	(278,573)	(167,746)
Deficit, beginning of period	7,462,402	6,594,618
Deficit, end of period	<u>7,740,975</u>	<u>6,762,364</u>
Basic and diluted loss per common share	<u>\$(0.01)</u>	<u>\$(0.01)</u>
Weighted average number of common shares outstanding	<u>22,045,631</u>	<u>16,754,155</u>

The accompanying financial statements for the three months ended June 30, 2008 have not been reviewed or audited by the Company's Auditors.

GREAT PACIFIC INTERNATIONAL INC.
Consolidated Statements of Cash Flows
Three Months Ended June 30, 2008 and 2007

	Three months ended June 30, 2008 (Unaudited) \$	June 30, 2007 (Unaudited) \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(278,573)	(167,746)
Items not affecting cash:		
Amortization	2,328	699
Depletion and accretion	62,112	4,035
Stock based compensation expense	51,302	-
	<u>(162,831)</u>	<u>(163,012)</u>
Changes in non-cash working capital items (Note 11)	<u>(62,297)</u>	<u>39,214</u>
Net cash used in operating activities	<u>(225,128)</u>	<u>(123,798)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition, exploration and development of oil and gas property interests	(185,298)	(656,487)
Purchase of equipment	(76,630)	(21,981)
Proceeds of sale of discontinued operations	-	2,000
Net cash used in investing activities	<u>(261,928)</u>	<u>(676,468)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued for cash, net of share issuance costs	573,518	321,800
Share subscriptions received	-	231,000
Net cash provided by financing activities	<u>573,518</u>	<u>552,800</u>
Net cash flows in the period	86,462	(247,466)
Cash, beginning of period	<u>634,442</u>	<u>527,637</u>
Cash, end of period	<u><u>720,904</u></u>	<u><u>280,171</u></u>
Supplemental disclosure with respect to cash flows (Note 11)		

The accompanying financial statements for the three months ended June 30, 2008 have not been reviewed or audited by the Company's Auditors.

GREAT PACIFIC INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
June 30, 2008
Unaudited

1. NATURE AND CONTINUANCE OF OPERATIONS

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. Great Pacific's operations are primarily in Alberta, Canada, where it holds varying working interests and property option interests in certain petroleum leases. The common shares of Great Pacific trade on the TSX Venture Exchange ("TSX-V").

Consolidation

The financial statements for the three months ended June 30, 2008 include, on a consolidated basis, the assets and liabilities and revenues and expenses 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, and GPI Petroleum Inc, which was incorporated in Texas in the three months ended June 30, 2008.

The balance sheet as at March 31, 2008 and the comparative figures for the three months ended June 30, 2007 include, on a consolidated basis, the assets and liabilities and revenues and expenses of Great Pacific International Inc. and GPI Oil and Gas Inc.

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".

Going concern assumption

These financial statements have been prepared in accordance with accounting principles that apply to a going concern. The use of such principles presuppose 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. Management has assessed the going concern assumption as appropriate for the Company.

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. Management is actively pursuing new financing, 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. Failure to secure additional financing in a timely manner will prevent the Company from realizing its oil and gas assets.

At June 30, 2008 the Company has working capital of \$687,335 (March 31, 2008: \$489,252), and accumulated losses of \$7,740,975 (March 31, 2008: \$7,462,402). Furthermore, the Company additionally has a firm commitment to participate in its share of the drilling of the Midland Basin prospect area, which is expected to cost approximately \$164,000 but which is a performance-based commitment and may therefore be subject to material cost increases.

The Company estimates that it will require additional equity financing of \$2,200,000 in the remainder of the fiscal year ended March 31, 2009 in order to meet its commitments (including its drilling commitments on the Midland Basin prospect area and its earn-in requirements on the Haro East and RLE Red Earth farm-in lands), to cover corporate overhead costs and general and administrative expenses, and to keep its oil and gas property interests in good standing.

GREAT PACIFIC INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
June 30, 2008
Unaudited

2. FINANCIAL STATEMENT PRESENTATION

The unaudited interim financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. These interim financial statements have been prepared using the same accounting policies and method of application as the audited financial statements of the Company. These unaudited interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended March 31, 2008. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The results of operations for the interim periods are not necessarily indicative of the results of operations for the entire year.

Comparative figures have been reclassified, where applicable, to conform with the current quarter's presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies not disclosed in the consolidated financial statements of the Company for the year ended March 31, 2008 are as follows:

Foreign currency translation

The Company follows the temporal method of foreign currency translation. Monetary assets and liabilities are translated at the foreign exchange rate observed at the balance sheet date. Non-monetary items are translated at the historical exchange rates, unless such items are carried at market in which case they are translated at the exchange rate in effect at the balance sheet date. Revenues and expense items are translated at the exchange rate in effect on the dates they occurred.

New accounting policies

Effective April 1, 2008 the Company adopted the following pronouncements of the Canadian Institute of Chartered Accountants ("CICA")

Assessing going concern, CICA Handbook Section 1400

Section 1400 requires management to make an assessment of an entity's ability to continue as a going concern, and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. In making this assessment, management shall take into account all information about the future extending, at least, twelve months from the balance sheet date. The financial statements of the Company are prepared on a going concern basis.

The adoption of this policy has had no impact on the financial statements. Management's assessment of the ability of the Company to continue as a going concern, and details of material uncertainties considered in the determination of that assessment, are provided in Note 1.

Capital disclosures, CICA Handbook Section 1535

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. Section 1535 also requires the disclosure of any externally-imposed capital requirements, whether the entity has complied with them, and if not, the consequences.

In accordance with Section 1535, the Company has detailed its capital disclosures in Note 14 to these financial statements. The Company has no externally-imposed capital requirements.

GREAT PACIFIC INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
June 30, 2008
Unaudited

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories, CICA Handbook Section 3031

Section 3030 established new standards for the measurement and disclosure of inventories. The adoption of this standard did not require a re-statement of deficit or comparative figures, and does not effect the presentation of the financial statements.

4. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

The amounts classified as accounts receivable and prepaid expenses comprise the following:

	June 30, 2008	March 31, 2008
	\$	\$
Net revenue receivable from oil and gas property operators	126,561	96,794
Oil and gas property expenditures on behalf of joint interest-holders and sundry cost recovery billings submitted	7,560	4,951
Recovery of goods and services tax	14,783	12,677
Prepaid expenses	14,376	13,754
	<u>163,280</u>	<u>128,176</u>

5. OIL AND GAS PROPERTIES

Property transactions

Acquisitions

In the three months ended June 30, 2008, the Company identified and acquired a number of new oil and gas property interests, as follows:

Crown leases, Alberta, Canada

The Company entered into leases with the Crown for 1,800 hectares of petroleum and natural gas ("P & NG") leases in Alberta, Canada for total cash consideration of \$28,934.

Midland Basin prospect area, Texas, USA

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 the exploration and development of a petroleum prospect in Texas, U.S.A. (Note 10)

GPI Petroleum acquired these participation rights by paying approximately \$104,750 to the property vendor (who is also the project operator).

GPI Petroleum has elected to participate, to its proportionate interest, in the drilling of a test well on that property. Pursuant to the terms of the participation agreement, the Company must fund 17.3% of the costs of the well to casing point, and 13% of the costs thereafter should the well be completed.

At June 30, 2008, the Company has paid \$4,842 to the project operator for GPI Petroleum's share of pre-drilling capital costs incurred to-date.

GREAT PACIFIC INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
June 30, 2008
Unaudited

5. OIL AND GAS PROPERTIES (Continued)

Property forfeiture

Manitoba

In the three months ended June 30, 2008, the Company elected not to extend the lease term of certain of its Manitoba petroleum leases totalling 1,536 net hectares.

Carrying value of oil and gas properties

Amounts classified as oil and gas properties are as follows:

	Cost \$	Accumulated depletion \$	Net \$
<u>Canada</u>			
Balance, March 31, 2008	2,015,810	(355,458)	1,660,352
Acquisition of Alberta P & NG leases	28,934	-	28,934
Exploration and development	27,204	-	27,204
Depletion	-	(50,468)	(50,468)
	56,138	(50,468)	5,670
Balance, June 30, 2008	2,071,948	(405,926)	1,666,022
<u>U.S.A.</u>			
Balance, March 31, 2008	32,673	(15,551)	17,122
Acquisition of Midland Basin prospect area	104,767	-	104,767
Exploration and development	6,171	-	6,171
Depletion	-	(1,821)	(1,821)
	110,938	(1,821)	109,117
Balance June 30, 2008	143,611	(17,372)	126,239
Total oil and gas properties, June 30, 2008	2,215,559	(423,298)	1,792,261

GREAT PACIFIC INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
June 30, 2008
Unaudited

5. OIL AND GAS PROPERTIES (Continued)

Capitalized oil and gas property expenditures are subject to depletion and depreciation as follows:

	June 30, 2008 \$	March 31, 2008 \$
Canada		
Oil and gas expenditures subject to depletion	754,270	790,192
Oil and gas expenditures not subject to depletion	911,752	870,160
	1,666,022	1,660,352
U.S.A.		
Oil and gas expenditures subject to depletion	15,301	17,122
Oil and gas expenditures not subject to depletion	110,938	-
	126,239	17,122
	1,792,261	1,677,474

Property interests classified as not subject to depletion are unproven properties in the pre-production stage.

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 three months ended June 30, 2008, the Company recognized an impairment charge on the Canadian oil and gas cost centre of \$19,257 which is included in depletion.

The forecasted future prices used in the ceiling test evaluations of the Company's oil and gas interests at June 30, 2008 are as follows:

	2008	2009	2010	2011	2012	2013	Increase thereafter to 2018
Oil (Edmonton light sweet 40° API C\$/Bbl)	\$96	\$91	\$87	\$83	\$82	\$82	2.5% per year
Natural gas (Alberta average field C\$/MMBtu)	\$8.00	\$7.85	\$7.65	\$7.55	\$7.55	\$7.65	2.5% per year
US\$ (expressed in CDN \$)		\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	(0%) per year

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

GREAT PACIFIC INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
June 30, 2008
Unaudited

6. EQUIPMENT

	June 30, 2008			March 31, 2008		
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Cost \$	Accumulated Amortization \$	Net Book Value \$
Computers and office equipment	58,416	(44,525)	13,891	58,416	(43,103)	15,313
Vehicles	76,630	(907)	75,723	-	-	-
	<u>135,046</u>	<u>(45,432)</u>	<u>89,614</u>	<u>58,416</u>	<u>(43,103)</u>	<u>15,313</u>

7. FUTURE ASSET RETIREMENT OBLIGATIONS

The provision for future asset retirement obligations arises as follows:

	\$
Balance, March 31, 2008	476,675
Accretion	9,823
Balance, June 30, 2008	<u>486,498</u>

8. RELATED PARTY TRANSACTIONS

Related party transactions and balances entered into during the period ended June 30, 2008 and the comparative period ended June 30, 2007 ("Q1-2008"), and not disclosed elsewhere in these financial statements, are as follows:

- a) The Company paid management fees to three officers totalling \$30,000 (Q1-2008: \$29,250 to two officers).
- b) The Company paid or accrued professional engineering fees to a private company controlled by an officer, totalling \$20,202 (Q1-2008: \$ nil).
- c) The Company paid or accrued professional geological fees to a private company controlled by a director, totalling \$2,156 (Q1-2008: \$ nil).
- d) The Company paid finders' fees of \$75,000 to a relative of a director in connection with a private placement offering (Q1-2008: \$ nil).
- e) Accounts payable and accrued liabilities at June 30, 2008 include \$38,551 (March 31, 2008: \$89,158) due to officers, directors, the spouse of a director, and to companies controlled by them, for services as noted in a), b) and c) as above, and for expense reimbursements.
- f) Accounts receivable and prepaid expenses include \$2,608 (March 31, 2008: \$ nil) owing from two public companies, each having a director in common with the Company, for cost recovery billings submitted.
- g) 340,000 stock options were granted to related parties, having exercise prices escalating from \$1.50 per share to \$2.20 per share (Q1-2008: \$ nil).

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 related parties.

GREAT PACIFIC INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
June 30, 2008
Unaudited

9. 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: 22,243,433 common shares (March 31, 2008: 20,243,433 common shares)
Nil preferred shares (March 31, 2008: Nil preferred shares)

A summary of common shares issued and outstanding at June 30, 2008 and March 31, 2008 is as follows:

	Number of Shares	Amount
	#	\$
Balance, March 31, 2008	20,243,433	8,145,853
Issued in the period for cash:		
Private placement	2,000,000	1,500,000
Share issuance costs	-	(80,783)
Balance, June 30, 2008	<u>22,243,433</u>	<u>9,565,070</u>

Private placement

In the three months ended June 30, 2008, the Company completed a private placement offering of 2,000,000 equity units at a price of \$0.75 per equity unit, for gross proceeds of \$1,500,000 (the "Q1-2009 Equity Offering"). Each equity unit consisted of 1 common share of the Company, and 1 share purchase warrant. Each share purchase warrant entitles the holder to purchase 1 additional common share of the Company at a price of \$1.00 per share until April 14, 2010. The Company paid cash finders' fees of \$80,783 in connection with this offering, for net proceeds of \$1,419,217.

At March 31, 2008, the Company had recorded share subscriptions received of \$814,598. These subscription amounts related to unit subscriptions under the Q1-2009 Equity Offering, and were satisfied in the three months ended June 30, 2008 by the granting of equity units.

Contributed surplus

The amounts classified as contributed surplus are as follows:

	\$
Balance, March 31, 2008	307,316
Stock-based compensation expense recognized on employee stock options granted in prior periods	36,367
Stock-based compensation recognized on stock options granted in the period	<u>14,935</u>
Balance, June 30, 2008	<u>358,618</u>

GREAT PACIFIC INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
June 30, 2008
Unaudited

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

Warrants

A summary of warrants granted, expired and exercised in the three months ended June 30, 2008 is as follows:

	Number of warrants	Weighted Average Exercise Price per warrant \$
Warrants outstanding, March 31, 2008	1,996,000	0.60
Granted	<u>2,000,000</u>	<u>1.00</u>
Warrants outstanding, June 30, 2008	<u>3,996,000</u>	<u>0.80</u>
Warrants exercisable June 30, 2008	<u>3,996,000</u>	<u>0.80</u>

Warrants outstanding at June 30, 2008 have a weighted average remaining life of 1.24 years.

A summary of share purchase warrants outstanding is as follows:

Exercise Price	Expiry Date	Warrants outstanding
\$0.60	March 9, 2009	1,996,000
\$1.00	April 14, 2010	<u>2,000,000</u>
		<u>3,996,000</u>

Stock options

The Company established a stock option plan in the year ended March 31, 2006 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-relations 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 five years after the grant date. The stock options vest immediately on the date of the grant or over a period of time determined by the Board of Directors.

GREAT PACIFIC INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
June 30, 2008
Unaudited

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

Stock options (continued)

A summary of employee stock options granted, expired and exercised in the three months ended June 30, 2008 and the year ended March 31, 2008 are as follows:

	Number of options	Weighted Average Exercise Price per Option \$
Balance, March 31, 2008	1,816,000	1.02
Granted	390,000	2.01
Cancelled	(10,000)	(1.67)
Balance, June 30, 2008	<u>2,196,000</u>	<u>\$1.19</u>
Options exercisable, June 30, 2008	<u>916,000</u>	<u>\$0.37</u>

Of the unvested options outstanding at June 30, 2008, 256,000 vest in the remainder of the fiscal year ended March 31, 2009, having a weighted average exercise price of \$1.77 per share.

A summary of stock options outstanding is as follows:

Number of shares	Exercise price \$	Expiry Date
235,000	0.35	May 21, 2009
481,000	0.35	October 3, 2010
200,000	0.45	September 8, 2011
890,000	\$1.25 - \$1.83	February 18, 2013
390,000	\$1.50 - \$2.20	April 14, 2013
<u>2,196,000</u>		

The total stock based compensation recognized for stock options granted in the quarter under the fair value method using the Black-Scholes option pricing model was \$263,348, being \$0.68 per option. There is an unamortized balance of \$481,410 to be recognized into stock-based compensation expense over the period ended April 14, 2013, relating to the earning and vesting of outstanding options that are not exercisable at June 30, 2008.

GREAT PACIFIC INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
June 30, 2008
Unaudited

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

Stock options (continued)

The following weighted average assumptions were used in the Black-Scholes option pricing model:

	Fiscal 2009	Fiscal 2008
Risk-free interest rate	3.01%	3.15%
Expected life of options	5.00 years	5.00 years
Annualized volatility	72.0%	69.0%
Dividend rate	0.00%	0.00%

10. COMMITMENTS

Significant commitments at June 30, 2008 are as follows:

Haro East and RLE Red Earth farm-ins

The Company must commence the drilling of two test wells on the Haro East project as soon as weather, ground and industry conditions permit reasonable drill-site access to the Haro East option-lands. This is expected to occur in December, 2008. Further, the Company must commence drilling the RLE Red Earth 11-89 test well by December 1, 2008. Should the Company not meet those drilling commitments, it will forfeit a \$100,000 drilling deposit held in trust at June 30, 2008 and lose all further interest in the undrilled farm-in acreage.

Midland Basin prospect area

The Company must fund its proportionate share (being 17.33% of the before casing point costs and 13% of the after-casing point costs) of a test well in the Midland Basin prospect area. Furthermore, subsequent to the drilling of the initial well, in order to maintain its rights to the entire prospect area, the Company must participate in the drilling of any additional wells within that prospect area to its 13% working interest.

Management services agreement

The Company has entered into a management services agreement for a term of five years expiring on September 9, 2009, paying \$5,000 per month for the services of our President, terminable on 12 months notice.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Changes in non-cash working capital items

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

	Three months ended June 30,	
	2008	2007
	\$	\$
Accounts receivable and prepaid expenses	(35,104)	(15,694)
Accounts payable and accrued liabilities	(27,193)	54,908
Changes in non-cash working capital items	(62,297)	39,214

GREAT PACIFIC INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
June 30, 2008
Unaudited

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (Continued)

Significant non-cash transactions

- a) Included in accounts payable and accrued liabilities at June 31, 2008 are \$22,548 (March 31, 2008: \$40,770) in oil and gas property expenditures and \$ nil in accrued finders' fees (March 31, 2008: \$31,102).
- b) In the three months ended June 30, 2008, the company issued 1,127,600 equity units pursuant to the Q1-2009 Equity offering in satisfaction of share subscriptions received in the prior period. As a result, the Company reclassified \$814,598 from share subscriptions received in advance to share capital in the quarter. The reclassified amount consisted of share subscriptions of \$845,700, less accrued finders' fees of \$31,102.

12. SEGMENTED INFORMATION

The Company operates in one business segment, being oil and gas exploration and production. The Company operates in two cost centres defined by geographic area, being Canada and the United States. The results of oil and gas operations are presented by geographic cost centre, as follows:

	Three months ended	
	June 30, 2008	June 30, 2007
	\$	\$
Revenue from oil and gas sales		
Canada	79,285	1,607
United States	2,636	1,465
Total revenue from oil and gas sales	81,921	3,072
Oil and gas operating costs, including depletion and accretion		
Canada	89,053	6,153
United States	2,171	1,341
Total operating costs	91,224	7,494

The Company's oil and gas and corporate assets are all in Canada, aside from the Arkansas natural gas well interest and the Midland Basin prospect area interest, which are located in the U.S.A. Assets located in the U.S.A, have an aggregate carrying value of \$126,239 at June 30, 2008 (March 31, 2008: \$17,122).

13. FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows:

- Cash as held for trading
- Accounts receivable and drilling deposit as loans and receivables
- Long term investment as available for sale securities measured at fair value
- Accounts payable and accrued liabilities as other liabilities, measured at amortized cost.

The Company had no "other comprehensive income or loss" transactions during the three months ended June 30, 2008 and no opening or closing balances for accumulated other comprehensive income or loss.

GREAT PACIFIC INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
June 30, 2008
Unaudited

13. FINANCIAL INSTRUMENTS (Continued)

The Company is not in a position of default in respect of any of its financial instruments at June 30, 2008. Furthermore, the Company has not recorded any impairment losses on financial instruments in the three months ended June 30, 2008.

Concentration of credit risk

Cash

The Company does not believe it is subject to any significant credit risk with respect to cash, even though it is held in excess of federally insured limits with a single major banking institute.

Accounts receivable

At June 30, 2008 76% of the total balance of accounts receivable and prepaid expenses is owing to a single counterparty. As a result, the Company is exposed to material concentration of credit risk. A portion of this receivable, totalling approximately \$73,000, is in dispute, and there can be no assurance made as to the collectability of the disputed amount. The Company is continuing with normal course collection procedures and there is no indication of impairment at this time.

The Company grants credit to its customers in the normal course of business. Furthermore, accounts receivables also arise from normal joint operating arrangements governing the Company's producing oil and gas properties. Credit valuations are performed on a regular basis and the financial statements take into account any requirement for an allowance for bad debts.

Interest rate risk

The Company is not subject to material interest rate risk as it does not have any interest bearing debt.

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 consistent with our development stage oil and gas business operations.

Foreign exchange risk

The Company is subject to foreign exchange risk as fluctuations in the value of the Canadian dollar relative to the United States dollar impacts the realized Canadian dollar value of its oil sales (as oil is denominated in United States dollars). Moreover, the Company is exposed to foreign exchange risk as its commitments under the Midland Basin prospect area are in United States dollars, and a relative depreciation of the Canadian dollar would increase the effective cost of meeting our drilling commitments.

14. CAPITAL MANAGEMENT

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.

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 activities, and management's assessment of the expected availability of acceptably priced capital in future periods.

The Company defines capital as shareholders' equity. Our targeted capital structure approaches 100% shareholder equity. Towards that end, we had no debt instruments outstanding at June 30, 2008 or March 31, 2008. 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.

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 revenue from operations, management of externally-financed working capital is, by necessity, a major capital management objective of the Company. The chief source of 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.

In any case, the Company does not consider debt to be a sustainable source of working capital, as in the absence of positive cash flows from operations, any debt obtained must be retired with funds raised through equity financing.

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.

At June 30, 2008, the Company does not have adequate capital to complete its business development plans for the fiscal year. Accordingly, management is seeking one or more equity financings in the remainder of fiscal 2009. Additional capital raised will primarily be invested in oil and gas exploration and development activities, and to fund corporate overhead. The Company is seeking financing of at least \$2,200,000 in the balance of the fiscal year ended March 31, 2009.

Financing, and thus capital spending, will generally be limited to the extent that capital is available on acceptable terms. The acceptability of financing terms is generally determined by reference to the prevailing market price of our shares. The terms on which we obtain financings are furthermore subject to the guidelines of the TSX-V.

The Company is not subject to material externally-imposed capital constraints.

GREAT PACIFIC INTERNATIONAL INC.
Notes to the Consolidated Financial Statements
June 30, 2008
Unaudited

14. CAPITAL MANAGEMENT (Continued)

At the balance sheet dates presented, components of managed capital consist of the following:

	June 30, 2008 \$	March 31, 2008 \$
Oil and gas properties, net of future asset retirement obligations	1,305,763	1,200,799
Drilling deposit	100,000	100,000
Net oil and gas assets	1,405,763	1,300,799
Equipment	89,614	15,313
Cash	720,904	634,442
Other financial instruments, net	(33,568)	(145,189)
Net financial assets	687,336	489,253
Total managed capital	2,182,713	1,805,365