

**GREAT PACIFIC INTERNATIONAL INC.**

***CONSOLIDATED FINANCIAL STATEMENTS***

***THIRD QUARTER REPORT FOR  
THE THREE AND NINE MONTHS ENDED***

**DECEMBER 31, 2008**

The accompanying financial statements for the three and nine months ended December 31, 2008 have not been reviewed or audited by the Company's Auditors.

**GREAT PACIFIC INTERNATIONAL INC.**  
**Consolidated Balance Sheets**  
Unaudited

	December 31, 2008 (Unaudited) \$	March 31, 2008 (Audited) \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	11,444	634,442
Accounts receivable (Notes 4, 7 and 12)	158,224	114,422
Related party advances (Notes 7 and 12)	128,318	-
Prepaid expenses	21,923	13,754
	<u>319,909</u>	<u>762,618</u>
<b>Oil and gas properties</b> (Note 5)	1,291,434	1,677,474
<b>Drilling deposit</b> (Note 5)	-	100,000
<b>Long-term investment</b>	1	1
<b>Equipment</b> (Note 6)	<u>66,147</u>	<u>15,313</u>
<b>TOTAL ASSETS</b>	<u><u>1,677,491</u></u>	<u><u>2,555,406</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	<u>221,497</u>	<u>273,366</u>
	221,497	273,366
<b>Future asset retirement obligations</b>	<u>504,780</u>	<u>476,675</u>
	<u>726,277</u>	<u>750,041</u>
<b>Shareholders' equity</b>		
Share capital (Note 8)	9,707,077	8,145,853
Contributed surplus (Note 8)	364,935	307,316
Share subscriptions received in advance	-	814,598
Deficit	<u>(9,120,798)</u>	<u>(7,462,402)</u>
<b>Total shareholders' equity</b>	<u>951,214</u>	<u>1,805,365</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>1,677,491</u></u>	<u><u>2,555,406</u></u>
<b>Nature and continuance of operations</b> (Note 1)		
<b>Commitment</b> (Note 9)		
<b>Subsequent events</b> (Note 12)		

**On behalf of the Board:**

"Thal S. Poonian"  
Thal S. Poonian

Director

"Ronald Bobowski"  
Ronald Bobowski

Director

The accompanying financial statements for the three and nine months ended December 31, 2008 have not been reviewed or audited by the Company's Auditors.

**GREAT PACIFIC INTERNATIONAL INC.**  
**Consolidated Statements of Operations and Deficit**  
**Three and nine months ended December 31, 2008 and 2007**

	Three months ended		Nine months ended	
	December 31,	December 31,	December 31	December 31
	2008	2007	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	\$	\$	\$	\$
<b>Revenue</b>				
Oil and gas sales	68,701	177,658	215,465	272,220
<b>Oil and gas production expenses</b>				
Operating expenses	25,791	60,908	70,852	115,914
Depletion and accretion	572,295	87,828	1,025,576	125,220
	(598,086)	(148,736)	(1,096,428)	(241,134)
<b>(Loss) gain on oil and gas operations</b> (Note 11)	(529,385)	28,922	(880,963)	31,086
<b>General and administrative expenses</b>				
Accounting and audit	29,250	24,000	83,940	71,945
Amortization expense	1,421	1,122	4,262	2,966
Consulting fees	37,597	27,000	107,963	85,143
Finance fees	-	1,508	-	26,508
Insurance	9,502	3,125	25,987	3,575
Management fees	45,000	30,100	105,000	109,350
Office and miscellaneous	15,530	12,698	52,135	40,204
Professional fees	6,041	14,895	31,759	48,105
Prospect evaluation and due diligence	(2,623)	-	110,129	-
Shareholder and corporate communications	7,850	7,763	71,727	45,060
Regulatory and transfer agent fees	2,044	2,463	9,961	21,400
Rent	14,550	12,000	41,100	36,000
Stock-based compensation expense (Note 8)	17,938	-	99,626	-
Travel and entertainment	8,777	5,718	46,866	59,246
	(192,877)	(142,392)	(790,455)	(549,502)
<b>Other gains (losses)</b>				
Gain on foreign exchange	2,573	-	77	-
Vehicle cost recoveries, net of expenses (Note 6)	25,681	-	31,081	-
Provision for impairment of accounts receivable (Notes 4 and 13)	(18,136)	-	(18,136)	-
	10,118	-	13,022	-
<b>Net loss for the period</b>	(712,144)	(113,470)	(1,658,396)	(518,416)
<b>Deficit, beginning of period</b>	8,408,654	6,999,564	7,462,402	6,594,618
<b>Deficit, end of period</b>	9,120,798	7,113,034	9,120,798	7,113,034
<b>Basic and diluted loss per common share</b>	\$(0.03)	\$(0.01)	\$(0.07)	\$(0.03)
<b>Weighted average number of common shares outstanding</b>	22,373,390	19,985,884	22,229,782	18,145,745

The accompanying financial statements for the three and nine months ended December 31, 2008 have not been reviewed or audited by the Company's Auditors.

**GREAT PACIFIC INTERNATIONAL INC.**  
**Consolidated Statements of Cash Flows**  
**Three and nine months ended December 31, 2008 and 2007**

	Three months ended		Nine months ended	
	December 31, 2008 (Unaudited)	December 31, 2007 (Unaudited)	December 31, 2008 (Unaudited)	December 31, 2007 (Unaudited)
	\$	\$	\$	\$
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>				
Loss for the period	(712,144)	(113,470)	(1,658,396)	(518,416)
Items not affecting cash:				
Amortization	20,336	1,122	27,351	2,966
Depletion and accretion	572,295	87,828	1,025,576	125,220
Stock-based compensation expense	17,938	-	99,626	-
	(101,575)	(24,520)	(505,843)	(390,230)
Change in non-cash working capital items (Note 10)	80,268	(44,389)	(6,591)	(35,896)
<b>Net cash used in operating activities</b>	<b>(21,307)</b>	<b>(68,909)</b>	<b>(512,434)</b>	<b>(426,126)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>				
Acquisition, exploration and development of oil and gas properties	(71,783)	(199,814)	(448,106)	(1,105,543)
Purchase of equipment	-	-	(78,184)	(21,832)
Proceeds of sale of discontinued operations	-	-	-	2,000
<b>Net cash used in investing activities</b>	<b>(71,783)</b>	<b>(199,814)</b>	<b>(526,290)</b>	<b>(1,125,375)</b>
<b>CASH FLOWS (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>				
Common shares issued for cash	52,000	37,100	673,517	1,047,540
Net repayments and advances (to) from related parties	(110,875)	(21,107)	(257,791)	3,840
Share subscriptions returned	-	(354,700)	-	-
<b>Net cash (used in) provided by financing activities</b>	<b>(58,875)</b>	<b>(338,707)</b>	<b>415,726</b>	<b>1,051,380</b>
<b>Net cash out-flows for the period</b>	<b>(151,965)</b>	<b>(607,430)</b>	<b>(622,998)</b>	<b>(500,121)</b>
<b>Cash, beginning of period</b>	<b>163,409</b>	<b>634,946</b>	<b>634,442</b>	<b>527,637</b>
<b>Cash, end of period</b>	<b>11,444</b>	<b>27,516</b>	<b>11,444</b>	<b>27,516</b>

**Supplemental disclosure with respect to cash flows (Note 10)**

The accompanying financial statements for the three and nine months ended December 31, 2008 have not been reviewed or audited by the Company's Auditors.

**GREAT PACIFIC INTERNATIONAL INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 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 and Texas, U.S.A., where it holds varying interests in certain petroleum properties. The common shares of Great Pacific trade on the TSX Venture Exchange ("TSX-V").

**Consolidation**

The financial statements for the three and nine months ended December 31, 2008 include, on a fully 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; GPI Petroleum Inc, which was incorporated in Texas in the nine months ended December 31, 2008; and GPI Oil and Gas Overseas Inc., which was incorporated in British Columbia in the nine months ended December 31, 2008.

The balance sheet as at March 31, 2008 and the comparative figures for the three and nine months ended December 31, 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.

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

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

**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 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. 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 business objectives. The Company expects to require additional financing of a minimum of approximately \$600,000 to fund operations, meet petroleum lease payment obligations, and continue as a going concern for the coming twelve month period. Furthermore, additional capital will be required to carry out the exploration and development required to attain a self-sustaining level of revenue.

At December 31, 2008 the Company has working capital of \$98,412 (March 31, 2008: \$489,252).

**GREAT PACIFIC INTERNATIONAL INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**  
Unaudited

**2. FINANCIAL STATEMENT PRESENTATION**

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies and methods 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 to 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 takes into account all information about the future extending at least twelve months from the balance sheet date.

In accordance with Section 1400, 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 Notes 1 and 14.

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.

**GREAT PACIFIC INTERNATIONAL INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 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 affect the presentation of the financial statements.

Financial Instruments, CICA Handbook Sections 3862 and 3863

The Company adopted CICA Handbook Sections 3862, Financial Instruments - Disclosures and Section 3863 Financial Instruments – Presentation. These pronouncements have replaced CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation. The adoption of these standards did not require a re-statement of deficit or comparative figures. The disclosures required by the adoption of these standards have been included in Note 13.

**4. ACCOUNTS RECEIVABLE**

The amounts classified as accounts receivable consists of the following:

	December 31, 2008	March 31, 2008
Net revenue receivable from oil and gas property operators	\$ 76,933	\$ 96,794
Oil and gas property expenditures incurred on behalf of joint interest-holders	-	3,243
Cost recovery billings (Note 7)	63,134	1,708
Recovery of goods and services tax	18,157	12,677
	<u>\$ 158,224</u>	<u>\$ 114,422</u>

Accounts receivable are classified as “loans and receivables”, Additional disclosures on these financial instruments are included in Note 13.

Details on certain significant items comprising accounts receivable are as follows:

Net revenue receivable from oil and gas property operators

Net revenue receivable from oil and gas property operators consists of the Company’s share of production revenues, net of operating and lease expenses, arising from petroleum production in the period presented.

Cost recovery billings

Cost recovery billings were made to two private companies controlled by a director of the Company. These billings were made pursuant to the rental of Company-owned vehicles by one such party, and for overhead recoveries.

Provision for impairment

The carrying value of accounts receivable at December 31, 2008 is presented net of a provision for impairment of \$18,362.

**GREAT PACIFIC INTERNATIONAL INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**  
Unaudited

**5. OIL AND GAS PROPERTIES**

**Property transactions**

Acquisitions

In the nine months ended December 31, 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 several Alberta petroleum and natural gas leases with the Crown by way of a expenditures totalling \$60,902. This includes lease bonus payments, first year lease payments and certain lease fees. The leases have a primary term of 5 years, and annual lease payments of approximately \$22,500 per year.

Certain of these leases are held jointly with an arms-length party.

*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 a petroleum prospect in Texas, U.S.A. This prospect area comprises an exploration block of leased and option-held petroleum properties held by the project operator near Snyder, Texas.

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

GPI Petroleum elected to participate, to its proportionate interest, in the drilling of a test well on that property in the nine months ended December 31, 2008. 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. Drilling of this test well was completed in the nine months ended December 31, 2008. The Company's share of drilling costs totalled \$209,000. The well did not encounter sufficient oil reserves to warrant completing, and was accordingly 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, these participation rights and lease interest are subject to the operator's right of non-judicial foreclosure, as the Company owes approximately \$45,200 (\$37,000 United States Dollars) against the initial test well at December 31, 2008 (Note 13). The Company is in a state of un-notified default pursuant to its joint operating agreement in respect of this amount, and failure to repay this amount within twenty days of notification may result in loss of further participation rights. This amount accrues interest at the prevailing Texas prime interest rate plus 1%.

Property forfeitures

*Haro East and RLE Red Earth farm-in properties*

In the prior 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.

**GREAT PACIFIC INTERNATIONAL INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**  
Unaudited

**5. OIL AND GAS PROPERTIES (Continued)**

In the three month period ended December 31, 2008, 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. The Company will retain a 65% working interest in a petroleum and natural gas leases acquired pursuant to the "Area of Mutual Interest" clause of the farm-in agreements.

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 contiguous to the Haro East option lands in the nine months ended December 31, 2008 (the "Chinchaga" lands). The Chinchaga land drilling options were allowed to lapse in the three months ended December 31, 2008. No significant costs were incurred by the Company in respect of the Chinchaga land drilling options, and no obligations remain in respect of those options.

*Manitoba*

In the nine months ended December 31, 2008, the Company's petroleum leases in Manitoba, Canada expired (Note 12). The Company retains its interest in a surface lease associated with the lapsed petroleum leases.

**Carrying value of oil and gas properties**

Amounts classified as oil and gas properties are as follows, presented by cost centre:

	Cost	Accumulated depletion	Net book value
	\$	\$	\$
<b><u>Canada</u></b>			
<b>Balance, March 31, 2008</b>	2,015,810	(355,458)	1,660,352
Acquisition of oil and gas property interests	60,902	-	60,902
Re-estimation of future asset retirement obligations	(2,707)	-	(2,707)
Exploration and development	136,777	-	136,777
Drilling deposit forfeited	100,000	-	100,000
Depletion	-	(730,650)	(730,650)
	<u>294,972</u>	<u>(730,650)</u>	<u>(435,678)</u>
<b>Balance, December 31, 2008</b>	<u>2,310,782</u>	<u>(1,086,108)</u>	<u>1,224,674</u>

**GREAT PACIFIC INTERNATIONAL INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**  
Unaudited

**5. OIL AND GAS PROPERTIES (Continued)**

**Carrying value of oil and gas properties (Continued)**

	Cost \$	Accumulated depletion \$	Net book value \$
<b><u>U.S.A.</u></b>			
<b>Balance, March 31, 2008</b>	32,673	(15,551)	17,122
Acquisition of oil and gas property interests	104,765	-	104,765
Exploration	208,987	-	208,987
Depletion	-	(264,114)	(264,114)
	<u>313,752</u>	<u>(264,114)</u>	<u>49,638</u>
<b>Balance, December 31, 2008</b>	<u>346,425</u>	<u>(279,665)</u>	<u>66,760</u>
<b>Total oil and gas properties, December 31, 2008</b>	<u>2,657,207</u>	<u>(1,365,773)</u>	<u>1,291,434</u>

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

	December 31, 2008 \$	March 31, 2008 \$
<b>Canada</b>		
Oil and gas expenditures subject to depletion	497,972	790,192
Oil and gas expenditures not subject to depletion	726,702	870,160
	<u>1,224,674</u>	<u>1,660,352</u>
<b>USA</b>		
Oil and gas expenditures subject to depletion	13,142	17,122
Oil and gas expenditures not subject to depletion	53,618	-
	<u>66,760</u>	<u>17,122</u>
	<u>1,291,434</u>	<u>1,677,474</u>

Oil and gas expenditures classified as not subject to depletion relate to 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.

**GREAT PACIFIC INTERNATIONAL INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**  
Unaudited

**5. OIL AND GAS PROPERTIES (Continued)**

**Ceiling test (continued)**

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.

The forecasted future prices used in the ceiling test evaluations of the Company's oil and gas interests at December 31, 2008 are as follows:

	2009	2010	2011	2012	2013	Increase thereafter to 2018
Oil (Edmonton light sweet 40° API C\$/Bbl)	\$56	\$64	\$69	\$77	\$84	Constant
Natural gas (Alberta average field C\$/MMBtu)	\$6.07	\$6.95	\$7.21	\$7.85	\$7.85	1.5% 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.

**Depletion expense**

The amounts recorded for depletion expense consist of charges related to both the depletion of capitalized oil and gas expenses upon the production of oil and gas reserves, as well as impairment charges recorded against the carrying value of the oil and gas asset.

Included in depletion expense for the nine months ended December 31, 2008 are additional depletion charges recorded against impaired properties. Impairment charges recorded in the nine months ended December 31, 2008 arose primarily as a result of: the effect of significantly reduced oil prices on the reserves value of the Company's "Mistahiya-group" producing wells and petroleum targets, the decision not to proceed with the Haro East and RLE Red Earth earn-in wells, and the uneconomic results of the Midland Basin test well.

**6. EQUIPMENT**

The carrying amount of equipment consist of the following:

	December 31, 2008			March 31, 2008		
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Cost \$	Accumulated Amortization \$	Net Book Value \$
<b>Computers and office equipment</b>	58,416	(47,365)	11,051	58,416	(43,103)	15,313
<b>Vehicles</b>	78,184	(23,088)	55,096	-	-	-
	<u>136,600</u>	<u>(70,453)</u>	<u>66,147</u>	<u>58,416</u>	<u>(43,103)</u>	<u>15,313</u>

**GREAT PACIFIC INTERNATIONAL INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**  
Unaudited

**7. RELATED PARTY TRANSACTIONS**

Related party transactions and balances entered into during the nine month period ended December 31, 2008 and the comparative period ended December 31, 2007 ("December 31, 2007"), and not disclosed elsewhere in these financial statements, are as follows:

- a) The Company paid management fees to three officers totalling \$105,000 (December 31, 2007: \$109,250 to three officers).
- b) The Company paid or accrued professional engineering fees to a private company controlled by an officer, totalling \$27,710 (December 31, 2007: \$ nil).
- c) Accounts payable and accrued liabilities at December 31, 2008 include \$21,111 (March 31, 2008: \$89,158) due to officers, directors, and persons related, for management fees and for expense reimbursements.
- d) Accounts receivables includes \$63,134 (March 31, 2008: \$ 1,708) owing from two private companies, each having a director in common with the Company.
- e) Related party advances recoverable consist of the following items:

	December 31, 2008	March 31, 2008
	\$	\$
(i) Expense advances made to a director	106,223	-
(ii) Advance to a private company controlled by a director of the Company	22,095	-
	128,318	-

(i) Expense advances made to a director

Expense advances made to a director represent advances for travel and out-of-pocket expenses which were expected to be incurred by a director on the Company's behalf in the normal course of operations. These will be offset against travel and other out-of-pocket advances, as well as management fees, in the coming months.

(ii) Advance to a private company controlled by a director of the Company

The advance to a private company controlled by a director is a short-term loan bearing interest at 3.56% per annum.

- f) 340,000 stock options were granted to related parties, having exercise prices escalating from \$1.50 per share to \$2.20 per share (December 31, 2007: \$-nil).
- g) The Company paid finders' fees of \$75,000 to a relative of a director in connection with a private placement offering (December 31, 2007: \$ nil).
- h) The Company paid or accrued professional geological fees to a private company controlled by a former director, totalling \$2,265 (December 31, 2007: \$ nil).

These fees and transactions are measured at the exchange amount, which is the consideration established and agreed to by the related parties.

**GREAT PACIFIC INTERNATIONAL INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**  
Unaudited

**8. 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: 22,411,433 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 December 31, 2008 is as follows:

	Number of Shares #	Amount \$
<b>Balance, March 31, 2008</b>	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)
Warrants exercised	48,000	48,000
Options exercised	120,000	52,000
	<u>22,411,433</u>	<u>9,665,070</u>
Grant-date fair value of stock options exercised	-	42,007
<b>Balance, December 31, 2008</b>	<u><u>22,411,433</u></u>	<u><u>9,707,077</u></u>

**Private placement**

In the nine months ended December 31, 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 nine months ended December 31, 2008 by the granting of equity units.

**Contributed surplus**

The amounts classified as contributed surplus are as follows:

	\$
<b>Balance, March 31, 2008</b>	307,316
Stock-based compensation expense recognized on employee stock options granted in prior periods	57,275
Stock-based compensation recognized on stock options granted in the period	42,351
Grant-date fair value of stock options exercised	(42,007)
<b>Balance, December 31, 2008</b>	<u><u>364,935</u></u>

**GREAT PACIFIC INTERNATIONAL INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**  
Unaudited

**8. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)**

**Warrants**

A summary of warrants granted and exercised in the nine months ended December 31, 2008 is as follows:

	Number of warrants	Weighted Average Exercise Price per warrant \$
<b>Warrants outstanding, March 31, 2008</b>	1,996,000	0.60
Granted	2,000,000	1.00
Exercised	(48,000)	1.00
<b>Warrants outstanding, December 31, 2008</b>	3,948,000	0.80
<b>Warrants exercisable December 31, 2008</b>	3,948,000	0.80

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	1,952,000
		3,948,000

**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**  
**December 31, 2008**  
Unaudited

**8. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)**

**Stock options (continued)**

A summary of employee stock options granted, expired and exercised in the nine months ended December 31, 2008 is as follows:

	Number of options	Weighted Average Exercise Price per Option \$
<b>Balance, March 31, 2008</b>	1,816,000	1.02
Granted	390,000	2.01
Cancelled	(35,000)	(1.67)
Exercised	(120,000)	(0.43)
<b>Balance, December 31, 2008</b>	<u>2,051,000</u>	<u>\$1.23</u>
<b>Options exercisable, December 31, 2008</b>	<u>921,500</u>	<u>\$0.50</u>

Of the unvested options outstanding at December 31, 2008, 86,500 vest in the remainder of the fiscal year ending 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
215,000	0.35	May 21, 2009
481,000	0.35	October 3, 2010
100,000	0.45	March 9, 2009
865,000	\$1.25 - \$1.83	February 18, 2013
390,000	\$1.50 - \$2.20	April 14, 2013
<u>2,051,000</u>		

Fiscal 2009 option grant

390,000 stock options were granted in the nine months ended December 31, 2008, with 340,000 options granted to a director and an officer, and 50,000 granted to a non-employee consultant.

These options vest as to 10% every six months, with the initial tranche of 39,000 vesting in the three months ended December 31, 2008

The exercise price of these options is escalated annually, as follows:

Period ended:	Exercise price per share
April 14, 2009	\$1.50
April 14, 2010	\$1.65
April 14, 2011	\$1.82
April 14, 2012	\$2.00
April 14, 2013	\$2.20

**GREAT PACIFIC INTERNATIONAL INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**  
Unaudited

**8. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)**

**Stock-based compensation expense**

The fair value of employee stock options granted was calculated using the Black-Scholes option pricing model.

In the nine months ended December 31, 2008, 340,000 stock options were granted to employees and directors, having a grant date fair value of \$273,360. Of this amount, \$38,726 was charged to stock based compensation expense in the current period, with the unamortized balance, \$234,634, to be recognized into stock-based compensation expense over the period ended April 14, 2013.

Additionally, stock based compensation expense totalling \$41,091 was recognized in the nine months ended December 31, 2008 in respect of 690,000 options granted to employees and directors in a prior period. A further unamortized balance of \$228,273 of stock-based compensation expense is to be charged to operations over the life of these options.

Stock-based compensation expense recorded in the nine months ended December 31, 2008 also includes \$19,809 recorded pursuant to 50,000 options granted in the current period, and 190,000 options granted in a prior period, to non-employee consultants. The fair value of these options is recorded as they are earned over the life of the options.

The following weighted average assumptions were used in the Black-Scholes option pricing model to determine stock-based compensation expense in the nine months ended December 31, 2008:

Risk-free interest rate	2.96%
Expected life of options	5.00 years
Annualized volatility	68%
Dividend rate	0.00%

**9. COMMITMENT**

**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. In the quarter ended December 31, 2008, the Company amended its management service agreement. Pursuant to the amended terms of the agreement, fees of \$10,000 per month are paid for the services of the President of the Company.

**GREAT PACIFIC INTERNATIONAL INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**  
Unaudited

**10. 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		Nine months ended	
	December 31,		December 31,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Accounts receivable	6,628	(2,107)	17,624	(17,953)
Prepaid expenses	45,708	(9,600)	(8,169)	(12,200)
Accounts payable and accrued liabilities	27,932	(32,682)	(16,046)	(5,743)
<b>Changes in non-cash working capital items</b>	<b>80,268</b>	<b>(44,389)</b>	<b>(6,591)</b>	<b>(35,896)</b>

**Significant non-cash investing and financing transactions**

- Included in accounts payable and accrued liabilities at December 31, 2008 are \$104,096 (March 31, 2008: \$40,770) in oil and gas property expenditures and \$-nil in accrued finders' fees (March 31, 2008: \$31,102).
- In the nine months ended December 31, 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.
- The carrying value of the oil and gas properties includes \$456,586 in capitalized estimated future reclamation and asset retirement costs (March 31, 2008: \$459,293).

**11. 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 December 31,		Nine months ended December 31,	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Revenue from oil and gas sales</b>				
Canada	66,185	175,298	205,937	266,313
United States	2,516	2,360	9,528	5,907
<b>Total revenue from oil and gas sales</b>	<b>68,701</b>	<b>177,658</b>	<b>215,465</b>	<b>272,220</b>
<b>Oil and gas operating costs, including depletion and accretion</b>				
Canada	481,289	142,089	831,608	231,054
United States	116,797	6,647	264,820	10,080
<b>Total operating costs</b>	<b>598,086</b>	<b>148,736</b>	<b>1,096,428</b>	<b>241,134</b>

**GREAT PACIFIC INTERNATIONAL INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**  
Unaudited

**11. SEGMENTED INFORMATION (Continued)**

The Company's corporate assets are all in Canada. The Company's oil and gas assets are located in Alberta, Canada, Texas, U.S.A. (the Midland Basin prospect area), and Arkansas, U.S.A. Total assets located in the U.S.A. have a carrying value of \$66,760 (March 31, 2008: \$17,122).

**12. SUBSEQUENT EVENTS**

Significant subsequent events not disclosed elsewhere herein are as follows:

Operating dispute on Canadian oil and gas properties

The Company has filed a statement of claim in the Court of Queen's Bench of Alberta, in Calgary, Alberta, against the acting operator of its 36%-owned Canadian oil and gas properties. The Company has in the past had difficulty in obtaining timely accounting and payment for its share of production revenue, and is presently owed approximately \$82,500 on account of disputed expenses deducted from past production. The Company has retained legal counsel to collect this amount, and to assert its rights to take in kind production from the jointly owned wells.

**13. FINANCIAL INSTRUMENTS**

**Financial instruments**

The Company classifies its financial instruments as follows:

- Cash as "held for trading"
- Accounts receivable and related party advances 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.

Details on the Company's significant financial instruments are as follows:

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,

Accounts receivable

The Company has recorded a provision for impairment of \$18,136 against accounts receivable.

Management does not assess material credit risk to exist in respect of accounts receivable other than in regards to those amounts subject to a provision for impairment.

**GREAT PACIFIC INTERNATIONAL INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**  
Unaudited

**13. FINANCIAL INSTRUMENTS (Continued)**

Related party advances

At December 31, 2008, related party advances consist of expense advances and an interest-bearing cash advance (Note 7). These amounts are due on demand, and have no fixed terms.

Subsequent to December 31, 2008, a significant portion of the interest-bearing cash advance was repaid.

The expense advance to a director is expected to be settled in the next 6 months against management fees accruing to that director and out-of-pocket expenses incurred by that person on the Company's behalf from time to time.

Accounts payable and accrued liabilities

At December 31, 2008 accounts payable consists of amounts owing to suppliers on trade credit terms, and amounts owing to the operator of the Midland Basin prospect area for our share of drilling costs.

Included in the balance of accounts payable at December 31, 2008 is approximately \$45,200 owing to the operator of the Midland Basin prospect area. We are in an un-notified state of default with respect to substantially all of that amount. In order to maintain our interest in that exploration block, we must make the payment within a specified 20-day "grace period" should we be formally notified of our default.

Management believes the face value of accounts payable and accrued liabilities approximates the fair value, due to their short-term nature.

**Financial instrument risk**

Significant sources of financial instrument risk are detailed as follows:

Concentration of credit risk

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, and from cost-recovery billings. Credit valuations are performed on a regular basis and the financial statements take into account any requirement for an allowance for bad debts.

*Canadian oil and gas operations*

The Company is exposed to on-going concentration of credit risk because its Canadian oil and gas assets, representing approximately 96% of its gross revenue, are owned and operated by a single counterparty. Accordingly, our dealings with that party account for the bulk of our cash in-flows from operating activities, and accordingly, a significant amount of our accounts receivable are regularly owing from that one party.

**GREAT PACIFIC INTERNATIONAL INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**  
Unaudited

**13. FINANCIAL INSTRUMENTS (Continued)**

**Financial instrument risk (continued)**

*Cost recoveries*

Of the \$63,134 of "cost recovery billings" owed to the Company at December 31, 2008 (March 31, 2008: \$-nil), approximately 97% (March 31, 2008: \$ - 0%) is owed from a single party, namely a private company controlled by a director. This amount is owing in respect of the use of vehicles owned by the Company by that party, pursuant to an equipment sharing arrangement.

Interest rate risk

The Company is not exposed to material interest rate risk, due to the short-term nature of its interest-bearing trade payables. The Company has no long-term interest-bearing investments or liabilities.

Currency risk

The Company generates approximately 4% 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 approximately \$66,760. Accordingly, changes in the U.S. denominated value of the Canadian dollar will impact the Canadian dollar cost of meeting any future obligations under that prospect area and will affect the Canadian dollar-denominated value of that petroleum property. As a result of the depreciation of the Canadian dollar over the nine month period ended December 31, 2008, the Company suffered a significant increase in the Canadian-dollar cost of funding its obligations on the Midland Basin test well.

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.

In the quarter ended December 31, 2008 the Company acutely realized the impact of commodity price decreases, as a material decrease in prevailing oil and gas prices has rendered the Company's main production assets marginally economic. As a result of this, the Company expects to sustain a material decrease in operating cash flow from its oil and gas properties below those reported for the nine months ended December 31, 2008 until a significant increase in commodity prices occurs.

Liquidity risk

The Company faces material liquidity risk in that it has approximately \$130,000 in accounts payable which are overdue 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.

**Other comprehensive income**

The Company had no material "other comprehensive income or loss" transactions during the nine months ended December 31, 2008 and no opening or closing balances for accumulated other comprehensive income or loss.

#### **14. 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 December 31, 2008 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 based on 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, management of 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 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. Towards that end, we had no debt securities outstanding at December 31, 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.

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.

**GREAT PACIFIC INTERNATIONAL INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**  
Unaudited

**14. CAPITAL MANAGEMENT (Continued)**

**Capital resources**

At December 31, 2008, the Company does not have adequate capital to complete its business development plans and fund corporate overhead for the forthcoming 12 month period. Accordingly, management is seeking one or more financings in the remainder of fiscal 2009. The Company is seeking financing of at least \$600,000 in the balance of the 12 month period ending December 31, 2009. Additional financing beyond that amount will be required in order to finance the capital expenditures on petroleum exploration and development required for the Company to achieve its development stage business goals and achieve a self-sustaining leacn-14586ng one t 119( )e.22(theTBT1 0 0 1 238.37 676.94 T[s]-5(usETBT1 0 0 1 68.424 5