

## GREAT PACIFIC INTERNATIONAL INC.

### MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

The following Management Discussion and Analysis dated August 20, 2007 should be read in conjunction with the Company's consolidated financial statements for the quarter ended June 30, 2007, and the consolidated financial statements for the year ended March 31, 2007, as well as the reference to forward-looking statements within this report.

*The three month periods ended June 30, 2007 and June 30, 2006 are referred to as "Q1-2008" and "Q1-2007", respectively. The period including Q1-2008 and up to August 20, 2007 is referred to herein as "YTD 2008".*

#### **OVERVIEW OF OPERATIONS-Three Months Ended June 30, 2007**

Great Pacific International Inc. (also referred to as "the Company", "Great Pacific", "our" or "we") is a development stage oil and gas company. This current fiscal year is Great Pacific's first full year of operations in the oil and gas business. We discontinued our prior operations as a development-stage loyalty points program business in the fiscal year ended March 31, 2007.

In the fourth quarter of fiscal 2007, the Company obtained its initial oil and gas assets by way of a block acquisition from Mistahiya Resources Ltd. ("Mistahiya"), comprising:

- 12% – 36% net revenue interests in 6 oil wells holding proved producing oil reserves
- 36% net revenue interest in an operating oil well with probable developed reserves
- 36% net revenue interests in 5 operating oil wells with no reserves assigned
- 12% – 18% net revenue interests in 3 properties with probable undeveloped oil reserves
- 9% net revenue interest in 1 property with probable undeveloped gas reserves
- 3.8% net revenue interest in 1 property with a producing gas well with no reserves assigned.

The majority of the interests acquired from Mistahiya are situated in the Peerless Lake region of north-central Alberta. The Company started participating in oil and gas production from the Mistahiya properties on April 1, 2007, the start of Q1-2008. Gross revenue and production volume to the company's interest in the Mistahiya properties for Q1-2008 was nominal (\$1,607) due to seasonal factors. The eleven operable Mistahiya oil wells in which the Company holds interests are primarily located in the muskeg-bound regions of northern Alberta, and accordingly, truck access to the well-sites is generally limited to the summer and winter seasons. This seasonality severely limits the productive capacity of our Peerless Lake wells in the months of April to June. This sensitivity to ground conditions was magnified in Q1-2008 by the unseasonably wet conditions in north-central Alberta. Subsequent to June 30, 2007, the Company successfully resumed production at 4 oil wells in the Peerless Lake area, including two recently re-worked oil wells. The seasonal factor will for the most part continue to affect the timing of the Company's oil and gas revenue from quarter to quarter.

In Q1 2008 the Company identified and acquired a number of new property interests, as follows:

#### **Devon/Paramount farm-in**

The Company's major investment and operating activity in the current period was the acquisition of a 32 – 36% before payout (16 – 18% after payout) non-operated net revenue interest in a re-entered well in the Peerless Lake region of north-central Alberta ("the Devon/Paramount farm-in"). Under the terms of the Devon/Paramount farm-in agreement, by earning our interest in the re-entered well, we also acquired a 64-72% net revenue interest in 320 gross acres adjoining the re-entered well ("the farm-in lands") plus certain option rights to 5 adjoining sections of petroleum and natural gas ("P & NG") leases ("the option lands").

Under the terms of this option, we can acquire a 64-72% net revenue interest in up to two additional option wells and a 32-36% net revenue interest in up to 3,200 gross acres of adjoining P & NG leases by participating in the drilling of up to two option wells, to a 75% working interest. This option will last until 30 days after the completion of a seismic program, which must commence prior to December 1, 2007, subject to access and weather. Along with our joint interest partner, Mistahiya, the Company intends to perform a seismic survey on this property in the third quarter of fiscal 2008. The Company's estimated share of the seismic survey will be approximately \$56,000 (Note 10).

This farm-in agreement has not yet been approved by the TSX Venture Exchange ("TSX-V"). We do not presently have the financial resources to undertake the drilling of the option wells. Management is pursuing new equity financing for this drilling program – see the Discussion under the section *Liquidity and Capital Resources* on Page 16 below.

We earned our interest in the re-entered well and the farm-in lands by reimbursing 37.5% of the costs of re-entering and completing the above-described well, being \$324,000.

This re-entered well targeted light oil in both an up-hole zone and in a higher-risk down-hole zone. Initial production to date on this well (commencing in July, 2007) has been from the down-hole zone with production commencing at 2.25 barrels per day to Great Pacific's before pay-out interest. However, this production from the lower zone has proven to be only marginally economic due to a high water content in the recovered fluids, which imposes resultant salt water disposal costs. Management believes that an up-hole zone, though currently unproved, may offer exploitable reserves. We are moving production to the up-hole zone in early September, 2007.

#### Rocky Layman Energy Inc. farm-in

Great Pacific entered into a farm-in agreement ("the RLE farm-in") under which we can earn interests in up to 2,996 net acres of P & NG leases in Peerless Lake by the drilling of a well to the top of the Pre-Cambrian formation ("the test well"), which must be done by December 1, 2007.

Under the terms of the RLE farm-in, by drilling the test well we will acquire: a 68-76% net revenue interest in the test well; a 44-49% net revenue interest in nine sections (2,996 net acres) of P & NG leases ("the RLE farm-in lands"); and an option to acquire both a 44-49% net revenue interest in two additional sections ("the option lands") of P & NG leases and a 85-95% net revenue interest in an option well. The option can be exercised by the drilling of the option well within 270 days of the completion of the test well.

If certain seismically-indicated drilling targets identified by the farmor are found to exist upon the RLE farm-in lands, Great Pacific will be obliged to begin drilling the test well before December 1, 2007. We estimate that drilling this test well to contract depth (1,430m subsurface) will cost \$1,100,000.

This farm-in agreement has not yet been approved by the TSX-V. We do not currently have the working capital to drill this test well. Management is pursuing new equity financing for the drilling of this well – please see the discussion under the section *Liquidity and Capital Resources* on Page 16 (below).

In YTD-2008, Great Pacific incurred geophysical and geological expenditures of \$17,500 in order to identify seismic-indicated drill targets on the RLE farm-in lands.

### Leases acquired by Crown Auction

We acquired a 100% interest in two undeveloped properties through a Crown P & NG lease auction in May, 2007 at a cost of approximately \$25,000. These properties are 160 acres and 560 acres, respectively.

Currently, we do not plan on drilling these properties in the coming drill season. Our geological analysis suggests that the oil and gas structures we posit to exist on other Peerless Lake properties may extend to these properties, and as such we may drill these properties in the future.

### Two Mistahiya wells reworked

Also in YTD-2008 (subsequent to June 30, 2007), the Company successfully re-worked and re-equipped two oil wells in the Peerless Lake area, one of which holds proved developed oil reserves and one of which had been attributed probable developed oil reserves. We had initially acquired a 36% revenue interest in these wells through the Mistahiya block acquisition in fiscal 2007. The Company paid 100% of the cost of these reworks, and will receive all production revenue from the wells until we have recovered 125% of the aggregate re-working and re-equipping costs of the two wells, after which time our stake in each well will revert to a 36% revenue interest. Production from these re-equipped wells re-commenced in July, 2007 at an aggregate rate of 36 barrels per day to our 100% before pay-out interest.

### Manitoba

We acquired 50-100% working interests (43.8 – 100% net revenue interests) in a number of petroleum and natural gas leases in south-western Manitoba. This property has produced natural gas in the past, and management believes it may be prospective for additional natural gas targets. The property was acquired for nominal cash consideration, plus the assumption of asset retirement obligations arising from past development on the property, the present value of which management estimates to be approximately \$17,500.

Property Interest	Interest Type	Net Revenue Interest	Royalties	Status	Gross Acres	Net Acres
Manitou	Operated	44-100%	Crown, plus 0-12.5% GORR	Exploration	4,366	3,720

We have no plans to drill this property in the immediate future.

### Logan County, Arkansas, USA

We acquired a non-operated interest in a gas well in Logan County, Arkansas in May, 2007 for a cash payment of approximately \$32,000 (CDN).

Property Interest	Interest Type	Net Revenue Interest	Royalties	Status	Gross Acres	Net Acres
Sedna-Nicko #4-4	Non-operated	3.1% BPO; 2.8% APO	30% GORR	Producing	3,200	100

We are not aware of any material capital costs (including exploration and development) which we will have to participate in pursuant to our interest in this property.

In the six months prior to acquisition, our pro forma share of average daily production was 6.5 thousand cubic feet of gas per day. We do not have NI51-101 compliant reserve, depletion, well-

life or production information on this property interest, and the reader should be cautioned that past performance of a well is not necessarily a reliable indicator of future performance.

We realized gross revenue of \$1,465 from one month of production from this property in Q-1 2008.

#### Financing

We do not expect to close on the brokered portion of our private placement offering. The private placement was first announced April 18, 2007 as a fully brokered \$25,000,000 private placement, and later revised July 25, 2007 to \$15,000,000 brokered (to close by August 31, 2007) and \$10,000,000 non-brokered. We were seeking to raise up to \$25,000,000 at the price of \$0.95 and \$1.05 per unit (non-flow-through and flow-through, respectively) for an aggressive drilling program on the newly acquired farm-in lands as well as targets on the Mistahiya properties. We have scaled back our exploration and development plans for the remainder of the year and will be seeking to raise financing on a best-efforts basis under the non-brokered portion and terms. We estimate that we will be required to raise a minimum of \$2,800,000 in new equity to maintain our existing property interests in good standing, and to cover corporate overhead for the remainder of the fiscal year.

In Q1-2008, the Company recorded a net loss of \$167,746 (Q1-2007: \$77,996 of which \$1,231 was directly attributable to the discontinued loyalty points program operations).

### **MISTAHIYA OIL AND GAS INTERESTS ACQUIRED PREVIOUSLY**

#### **Peerless Lake Area Of Interest, Alberta Canada**

Management believes that the Peerless Lake region of north-central Alberta offers promising geological potential. In the prior fiscal year we acquired working interests in several producing and non-producing P & NG leases in the Peerless Lake region, including the Equisetum, Loon Lake and Red Earth property groups, from Mistahiya Resources Ltd. We seek to continue to expand our land position in Peerless Lake, and we have made several additional property interest acquisitions in this area in Q1-2008 as discussed above. We have non-operated interests in six Peerless Lake wells to which proved developed producing oil reserves have been assigned.

#### Details of the Peerless Lake properties acquired from Mistahiya

<b>Property Interest</b>	<b>Interest Type</b>	<b>Net Revenue Interest</b>	<b>Royalties</b>	<b>Status</b>	<b>Gross Acres</b>	<b>Net Acres</b>
Equisetum Keg River C	Non-operated	36%	Crown	Proved	160	58
Equisetum Keg River AAA	Non-operated	100% BPO/ 36% APO	Crown	Proved	160	58
Equisetum Keg River KK	Non-operated	36%	Crown	Proved	160	58
Equisetum Kidney	Non-operated	36%	Crown	Probable	160	58
Equisetum Keg River A	Non-operated	36%	Crown	Unproved	160	58
Red Earth I (2 wells)	Non-operated	36%	Crown	Proved	320	116
Red Earth Granite Wash	Non-operated	100% BPO/ 36% APO	Crown	Probable	160	58
Loon Slave Point E	Non-operated	36%	Crown	Proved	160	58
Loon Granite O	Non-operated	36%	Crown	Unproved	160	58
Loon Granite Q	Non-operated	36%	Crown	Unproved	160	58
Loon Granite N	Non-operated	36%	Crown	Unproved	160	58
Loon Granite Wash S2S	Non-operated	12%	Crown	Unproved	160	58

### Equisetum Property Group (Peerless Lake)

We hold non-operated interests in several Peerless Lake P & NG leases collectively known as the "Equisetum property group", pursuant to our block acquisition agreement in fiscal 2007. This property includes three wells to which proved developed producing reserves have been assigned (Keg River C, Keg River AAA and Keg River KK), and several suspended wells with no reserves assigned. In addition, we acquired an interest in an undrilled lease (Kidney) holding probable and possible oil reserves.

The Equisetum Keg River C, Keg River KK and Keg River AAA leases contain proved producing oil wells. The Keg River C and Keg River KK wells were suspended from the time of acquisition to August 20, 2007 due to normal seasonal factors. Specifically, these wells are located in muskeg environments that cannot be economically accessed when the ground is not frozen.

Based on historical production results and our analysis of proved reserves, we expect production from the Keg River C to re-commence in November, 2007 at an average rate of 3.3 barrels per day of oil to GPI's interest. The expected remaining economic life of this well, based on proved reserves, is four years, with production expected to occur six months per year during the winter months. These estimates do not give effect to the probable reserves attributed to this property.

Based on historical production results and our analysis of proved reserves data, we expect production from the Keg River KK well to resume in November, 2007 at an aggregate rate of 7 barrels per day to Great Pacific's interest while producing. The expected remaining well life of this well, based on proved reserves, is three years. We expect production will take place for four to six months per year, during the winter months.

The Keg River AAA well was suspended at the time of acquisition due to mechanical deficiencies in the down-hole lift equipment. This re-work was successfully performed subsequent to June 30, 2007 at a cost of approximately \$45,000.

We paid 100% of the costs of re-working Keg River AAA, in addition to 100% of the costs of re-working the Red Earth Granite Wash M well, in return for a 100% net revenue interest (subject to Crown royalties) in both wells until Great Pacific has earned net revenue from production of those wells equalling 125% of the combined aggregate re-working costs. In July, 2007 these wells resumed production at aggregate rates of approximately 36 barrels per day to our before payout revenue interest.

The Equisetum Kidney property has no operating wells. However, we feel that this property has considerable oil exploration potential, based on our hypothesized geological model for the region. We intend to drill an oil well on this property in the future, subject to entering into an economically satisfactory arrangement with Mistahiya. Drilling this lease is also conditional on obtaining adequate financing and the continued receipt in the interim of exploration and drilling results from elsewhere in the region that are consistent with our geological hypothesis for the property. The likelihood of these outcomes is indeterminate, and there is no assurance we will be able to drill this property, and if so, whether this property will contain economic hydrocarbon reserves. We estimate that the gross capital costs of drilling, completing and equipping this well will be \$850,000. In Q1-2008, we incurred approximately \$17,250 of geological and seismic costs in relation to the Kidney property, the results of which were consistent with our geological hypothesis.

The Equisetum Keg River A property contains two suspended oil wells which, based on current reserve estimates, have negligible remaining oil and gas reserves. However, we intend to re-work a suspended well on the Keg River A property in the current fiscal year, as management believes that we may be able to achieve economic production once that well is re-worked. Such a re-work would entail servicing and repairing deficient and inoperable components of the well and pumping equipment. We feel that such a re-work may allow us to continue with economic production,

though the likelihood of this cannot be determined at this time. We expect that the gross cost of the re-work to be \$132,000, of which Great Pacific will contribute its share, being \$48,000 to our 36% interest. This re-work expenditure should be considered as exploratory in nature, as no reserves have been attributed to this well.

#### Loon Lake Property Group (Peerless Lake)

The Loon Lake property group within the Peerless Lake area comprises 12%-36% interests in five P & NG leases, of which one contains an active oil well to which proved and probable reserves have been assigned, and four which contain producing wells of marginal economics to which no reserves have been assigned.

Subsequent to June 30, 2007, the Company incurred lease road construction costs of approximately \$12,000 (\$36,000 gross) in order to improve well site access to the Slave Point E well. This oil well did not produce in Q1-2008, as the well site was impassable to tanker trucks prior to the lease road improvement. Production recommenced in July, 2007 at a rate of 1 barrel per day net to our interest. With the new road constructed, we expect that the Slave Point E well will produce for substantially the entire year, excepting a brief suspension of production during winter break-up in early spring.

#### Red Earth Property Group (Peerless Lake)

The Red Earth property group within the Peerless Lake area comprises an interest in two P & NG leases acquired pursuant to our block acquisition agreement.

The Red Earth I property contains two proved oil wells, the Bluesky and the Slave Point EE, that are currently suspended due to normal seasonal factors. We hold a 36% non-operated interest in both wells, pursuant to our interest in the underlying P & NG lease. Based on our analysis of the proved developed producing reserves attributed to this property, (see our Form 51-101 report dated July 11, 2007), we expect the Slave Point EE well to economically produce oil for about another nine years, during the approximately three months of the year when the ground is sufficiently frozen to permit access to the muskeg-bound well site. We expect the well to be recommenced at a flow rate of 4.5 barrels of oil per day to the Company's 36% interest. These values do not give effect to probable reserves located on the property.

A second well on the Red Earth I property, the Bluesky, is also currently suspended due to normal seasonal factors. Based on our analysis of proved developed producing reserves attributed to this property, we expect this well to economically produce oil for another six years. The well will only produce for approximately three months per year, roughly from January to March, when the ground is sufficiently frozen to permit access to the muskeg-bound well site. We expect the well to be recommenced at a flow rate of 4.5 barrels per day to the Company's 36% interest. These estimates do not give effect to probable reserves located on the property.

The Red Earth Granite Wash site contains a light oil well, the Granite Wash M, which holds probable developed reserves. This well was shut-in at June 30, 2007 due to pump problems. Subsequent to June 30, 2007 this well was re-worked and a new motor was installed for the pump, in conjunction with the re-work of the Equisetum-group Keg River AAA well. Under the terms of the re-work agreement, we financed 100% of the costs of re-working this well and purchasing the new motor, as well as 100% of the costs of re-working the Keg River AAA well, in return for a 100% net revenue interest (subject to Crown royalties) in both properties until 125% of our combined aggregate re-work and motor purchase costs have been repaid from the joint net operating revenues of both wells, after which we will revert to a 36% net revenue interest.

The re-working and re-equipping of this well was completed successfully at a cost of approximately \$65,000, and production recommenced from this well in July, 2007 at 30 barrels per day to our 100% before payout net revenue interest. This re-commenced flow rate was in

excess of management's projections. Historical production results suggest that we will be able to produce from this well over ten months per year, with a seasonal shut-down in early spring. The reader is cautioned that there is significantly less certainty in regards to an estimate of reserves classified as probable as compared to reserves classified as proved.

There is no oil pipeline gathering system in the Peerless Lake area. As a result, all production must be stored at the wellsite, and shipped by truck to the purchaser. Accordingly, production requires regular truck access to the well site, which in the case of many wells in the Peerless Lake region, can only occur when the ground is frozen.

#### **Other-Grand Forks, Alberta**

Pursuant to our block Mistahiya property acquisition, we acquired a 12% net revenue interest in a Crown petroleum and natural gas and private surface lease in southern Alberta, the Sawtooth II. Our interest in this property includes a 7.2% working interest and an approximately 5% gross over-riding royalty interest. Details of the property are as follows:

<b>Property Interest</b>	<b>Interest Type</b>	<b>Net Revenue Interest</b>	<b>Royalties</b>	<b>Status</b>	<b>Gross Acres</b>	<b>Net Acres</b>
Grand Forks Sawtooth II	Non-operated	12%	Crown + Surface	Exploration	120	14

There are currently six abandoned wells on this property which we do not believe are economical. However, geological inference indicates that existence of probable and possible crude oil reserves on that property in a hypothesized structural attic to the existing pool, as indicated by 3-D seismic testing. While we do not believe this well will be drilled in the next twelve months, we do expect, based on the existence of probable and possible reserves, that it may be economic to do so in the future.

The estimated gross cost to drill, complete and equip this well is \$475,000, of which we would be liable for our proportionate share, being approximately \$34,000.

#### **Other-South/Central Alberta**

Pursuant to our block Mistahiya property acquisition, we acquired a 3.8% non-operated working interest in a producing natural gas well in the Empress, Alberta area. Details of this property are as follows:

<b>Property Interest</b>	<b>Interest Type</b>	<b>Net Revenue Interest</b>	<b>Royalties</b>	<b>Status</b>	<b>Gross Acres</b>	<b>Net Acres</b>
Empress/Acadia	Non-operated	3.8%	Crown	Production	640	24

This property contains two natural gas wells, of which one is suspended and one is producing. Though the producing well had no remaining proved reserves at March 31, 2007, this well has nevertheless operated on a cash-flow positive basis in YTD-2008, accounting for our nominal Canadian gas production in the quarter.

There are no additional exploration or development plans for this property at present.

### **Other-Rainbow Lake, Alberta**

Our Rainbow Lake property is our northern-most oil asset, located in the far north-western corner of Alberta. It comprises a single property interest, as follows:

<b>Property Interest</b>	<b>Interest Type</b>	<b>Net Revenue Interest</b>	<b>Royalties</b>	<b>Status</b>	<b>Gross Acres</b>	<b>Net Acres</b>
Rainbow Lake	Non-operated	18%	Crown	Exploration	640	115

This property is a possible future exploration target; however, we believe there are currently no plans for exploring or developing this property in the coming drilling season.

The Rainbow Lake property contains a previously drilled oil well which is owned by the Company (as to an 18% working interest). This well had been suspended by its prior owner due to the water content in the Bluesky formation. However, the results of that well and the results of an offset well on an adjoining property may substantiate the geological inference that probable undeveloped and possible reserves exist on the property (see our Form 51-101 report). Based on our analysis of the available geological data, including the results of the earlier well, we believe that a re-entry of the well (at an estimated gross cost of \$750,000, including \$150,000 of equipping costs) may be economical. As disclosed in our Form 51-101 report dated July 11, 2007, there is geological evidence that in light of the probable and possible reserves, a re-entry may allow 5 years of economic production. In order to maintain this property, a well must be drilled prior to March, 2009.

### **Other-Redwater, Alberta**

The Redwater property, located in Central Alberta, is summarized as follows:

<b>Property Interest</b>	<b>Interest Type</b>	<b>Net Revenue Interest</b>	<b>Royalties</b>	<b>Status</b>	<b>Gross Acres</b>	<b>Net Acres</b>
Redwater	Non-operated	8.7%	Crown + 3%GORR	Exploration	560	49

Management believes that the Redwater property, which includes seven abandoned oil wells, may provide an exploitable natural gas target. This target is believed to intersect two natural-gas bearing zones, each of which has been assigned probable reserves based on existing geological data ( see our NI51-101 report). We do not believe there are plans at the present to drill such a well or otherwise explore or develop this property interest in fiscal 2008.

### **Cautionary note regarding production disclosure**

The reader is cautioned that though the expected production disclosure for the wells acquired from Mistahiya is based on analysis of proved reserves data as disclosed in our Form 51-101 report as at March 31, 2007, the estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. For reserves data pertaining to properties held at March 31, 2007, please refer to our Form 51-101 report dated July 11, 2007 available on [www.sedar.com](http://www.sedar.com).

### **FUTURE PLANS**

Management believes that the Peerless Lake land position we are accumulating provides a number of potentially attractive drilling targets on a hypothesized north-northeastern trending hydrocarbon-bearing reef structure (present in both the Devonian Keg River and Devonian Watt Mountain time structure maps) that may host Keg River carbonates. Our hypothesized geological

model indicates that within our Peerless Lake property portfolio there are several locations where the anomalous Keg River structures may present favourable “high” features where oil may be encountered above the oil/water interfaces.

As we have a minority interest in all of the Mistahiya properties our ability to further develop them is dependant upon our ability to negotiate the participation of Mistahiya and in some cases other interest holders. In addition, our ability to carry out the oil and gas exploration programs, as with other aspects of our business plan, is subject to a number of risk factors. These include, but are not limited to such operational risks as geological conditions, both in terms of realized hydrocarbon reserves and the amenability of lease lands to drilling; the demand for drilling rigs, and the resultant availability and cost of drilling resources; and environmental conditions, such as climate and landscape, and the effect of such factors on well site accessibility and the cost of site maintenance and reclamation. Our ability to execute our exploration and development plans are also subject to such economic risks as commodity price risk, capital market conditions and interest rates, and overall economic conditions. These factors may determine our ability to raise adequate financing and obtain adequate resources. These drilling plans are also subject to obtaining adequate licensing. *Please see our Form 51-101 report as at March 31, 2007 for a more detailed discussion of risk factors.*

### **OVERALL PERFORMANCE**

Our business goals for Q1-2008 were developmental in nature. We were focused on identifying, acquiring and financing the acquisition of additional oil and gas properties in order to expand producing reserves by exploration and development drilling. Of particular interest to us were farm-in properties in the Peerless Lake area of Alberta. These remain our goals going forward.

In Q1-2008 Great Pacific was able to obtain interests and farm-in rights to several attractive properties in the Peerless Lake region of north-central Alberta. We feel these acquisitions will provide us with a significant number of promising drill targets. Unfortunately, our failure to obtain adequate financing in a timely manner has limited our ability to expand our land position in this region to the extent that we had hoped, or to commence the required drilling.

Great Pacific’s major investment in Q1-2008 was our participation in the re-entry of the Peerless Lake oil well under the Devon/Paramount farm-in. While we were disappointed in the performance of the down-hole zone, we nevertheless believe that the up-hole zone from which we will commence production should provide a return on this well. Moreover, the data gleaned from test production of the down-hole zone, notwithstanding the water content, clarifies and develops our geological model for the area.

While the results of that re-entry were mixed, we were satisfied with the results of the re-workings of our two Peerless Lake wells completed subsequent to June 30, 2007. These wells recommenced at higher levels than were expected, and the re-works were completed on budget and on-time.

In Q1-2008, Great Pacific expended \$324,000 to earn its interest in the Devon/Paramount test well, and spent \$25,396 of development and geophysical exploration costs on its other oil and gas properties, primarily in the preparation of geological analysis and reports, the collection and interpretation of seismic data on planned drill targets in the Peerless Lake region, and expenses relating to the planning and preparation of the two well re-works described above. Lease maintenance costs on non producing properties totalled \$22,672. All of the costs above were capitalized, together with \$24,645 and \$32,166 incurred on the acquisition of the Peerless Lake crown leases and the Logan County, Arkansas gas property interest, respectively.

The operating results discussed below mainly relate to general and administrative expenses, as our proved producing wells are typically inoperable in the period April – June. During the comparative period ended June 30, 2006, we were still engaged in the development stage of our previous business plan.

**Results of Operations for the 3 months ended June 30, 2007 and 2006.**

	Three Months Ended June 30,		
	2007	2006	Increase (Decrease) in loss for period
	\$	\$	\$
Oil and natural gas sales	3,072	-	(3,072)
Production expenses	(3,459)		3,459
Depletion, depreciation and accretion	(4,035)		4,035
Loss on oil and gas operations	(4,422)	-	4,422
General and administrative expenses			
Remuneration and staffing	59,893	36,573	23,320
Accounting and audit	17,118	5,407	11,711
Regulatory and transfer agent	10,235	1,394	8,841
Corporate communications and shareholder communications	11,958	2,079	9,879
Professional fees	11,651	-	11,651
Office, rent and miscellaneous	27,332	15,093	12,239
Travel and entertainment	25,137	16,219	8,918
	(163,324)	(76,765)	86,559
<b>Net loss from continuing operations</b>	<b>(167,746)</b>	<b>(76,765)</b>	<b>90,981</b>
Loss from discontinued operations			
General and administrative expenses	-	(1,231)	(1,231)
<b>Net loss from discontinued operations</b>	<b>-</b>	<b>(1,231)</b>	<b>(1,231)</b>
<b>Net loss for the period</b>	<b>(167,746)</b>	<b>(77,996)</b>	<b>89,750</b>

**Significant Changes in Operating Items (3 months ended March 31, 2007 and 2006)**

Significant changes in operating items for the three months ended June 30, 2007 (Q1-2008) compared to the three months ended June 30, 2006 (Q1-2007) are as follows:

**Remuneration and staffing**

The higher remuneration and staffing costs in Q1-2008 compared to Q1-2007 reflected a higher level of corporate activity and investment in the current fiscal year relating to our development stage oil and gas operations.

The increase of \$23,320 was primarily attributable to the following expenses:

-In Q1-2008 remuneration and staffing included fees of \$14,250 paid to our new Chief Financial Officer, whereas in the comparative period in fiscal 2007 no such fees were incurred.

-In Q1-2007, \$5,250 of consulting fees for administrative and human resources services were deferred as business development costs, as they directly related to the development of the loyalty points program. We retained the same consultant in Q1-2008 in our new business; however, in Q1-2008 all such consulting fees were expensed as remuneration and staffing charges as incurred, resulting in a higher reported expense despite a constant expenditure level.

-In Q1-2008 remuneration and staffing expenses included consulting fees paid to an information technology consultant. We retained an information technology consultant to support our higher activity and investment level and to implement and manage the I.T. processes necessary to manage our oil and gas assets.

These increases in remuneration and staffing expenses were partially offset by an immaterial decrease in staffing fees paid for corporate communication services.

Remuneration and staffing expenses are not expected to decrease in subsequent quarters.

#### Accounting and audit

Our increased accounting and audit fees were attributable to an increase in staff accounting hours, reflecting a higher number of accounting hours billed by a part-time staff accountant, and the hiring of a second staff accountant on a full-time basis. The increase in accounting expenses reflected a significant increase in the volume and complexity of transactions, which necessitated more complex financial reporting and control requirements.

Accounting and audit expenses are not expected to decrease in subsequent quarters.

#### Regulatory and transfer agent

Our increases in regulatory and transfer agent expenses were primarily attributable to our applications for TSX-V approval for certain oil and gas property agreements. As our business objectives include the acquisition of further oil and gas properties, these expenditures can be expected to continue.

The increase in regulatory and transfer agent fees in Q1-2008 over the comparative period also includes \$3,000 of fees levied in respect of our on-going application for Ontario Securities Commission ("O.S.C.") registration in Q1-2008. While these application fees are by nature non-recurring transactions, registration with an additional securities commission can be expected to contribute to a sustained increase in regulatory and transfer agents relative to Q1-2007.

#### Corporate communications, shareholder communications and travel and entertainment

The increases in corporate communications, shareholder communications and travel and entertainment expenses related to the on-going management focus on raising capital to fund our planned drill programs, as outlined in our oil and gas business plan. Management conducted a "road show" in Q1-2008, meeting with potential investors and financiers, as part of our capital-raising efforts. This contributed to an increase in these expenses.

Given the on-going capital-intensity of our oil and gas business model, we expect these expenses to remain above Q1-2007 levels; however, these costs are nevertheless expected to decrease in subsequent quarters relative to Q1-2008.

Professional fees:

Professional fees incurred in Q1-2008 comprised legal fees paid to our corporate counsel, and fees paid to our qualified oil and gas reserves evaluator.

Legal fees arose mainly in respect of the brokered private placement announced in Q1-2008, our application for TSX-V approval for farm-in agreements entered into in Q1-2008, and general corporate counsel purposes. A higher level of corporate activity, particularly in regards to our oil and gas investments and our proposed financing, necessitated the increased services of our legal counsel.

Fees paid to our qualified oil and gas reserves evaluator were incurred as part of a due diligence review of a potential oil and gas acquisition.

Office, rent and miscellaneous expenses:

Office and miscellaneous expenses increased due to the increase in staffing expenditures and corporate activity level. Significant increases in courier, telephone and fax fees and office supplies, reflected an increase in operational activity and staffing levels.

Office rent did not increase in Q1-2008 compared to Q1-2007.

Office rent and miscellaneous expenses are not expected to decrease significantly in subsequent quarters.

Net loss from Continuing Operations

Net loss from continuing operations for the three months ended June 30, 2007 was \$167,746 (\$0.01 per share) compared with \$76,765 for the comparative period in fiscal 2006 (\$0.01 per share), an increase in net loss from continuing operations of \$90,981. The increase in net loss from continuing operations is due primarily to the reasons described above.

Loss from Discontinued Operations

Loss from discontinued operations comprised general and administrative expenses directly attributable to discontinued operations that were not deferred as business development costs. In Q1-2007, the loss from discontinued operations primarily consisted of immaterial office administration costs and amortization charges on websites used in the development stage loyalty points program business.

No losses from discontinued operations were recorded in Q1-2008, as all operations pertaining to the discontinued loyalty points program business were suspended in fiscal 2007, and the subsidiaries related to the discontinued business component were sold in Q1-2008.

**EIGHT QUARTER REVIEW**

	June 30, 2007 \$	March 31, 2007 \$	Dec. 31, 2006 \$	Sept. 30 2006 \$
Sales	3,072	-	-	-
Loss from continuing operations	167,746	227,033	82,870	182,816
Loss from discontinued operations	-	162,555	1,209	1,035
<b>Net Loss for the quarter</b>	<b>167,746</b>	<b>389,588</b>	<b>84,079</b>	<b>183,851</b>
<u>Loss per share data</u>				
Loss per share – continuing operations	\$0.01	\$0.02	\$0.01	\$0.01
Loss per share – discontinued operations	-	0.01	0.00	0.00
<b>Net loss per share</b>	<b>\$0.01</b>	<b>\$0.03</b>	<b>\$0.01</b>	<b>\$0.01</b>

	June 30, 2006 \$	March 31, 2006 \$	Dec. 31, 2005 \$	Sept. 30, 2005 \$
Sales	-	-	-	-
Loss from continuing operations	76,765	362,349	12,754	95,159
Loss from discontinued operations	1,231	18,111	9,770	4,650
<b>Net Loss</b>	<b>77,996</b>	<b>380,460</b>	<b>22,524</b>	<b>99,809</b>
<u>Loss per share data</u>				
Loss per share – continuing operations	\$0.01	\$0.03	\$0.00	\$0.01
Loss per share – discontinued operations	0.00	0.00	0.00	0.00
<b>Net loss per share</b>	<b>\$0.01</b>	<b>\$0.03</b>	<b>\$0.00</b>	<b>\$0.01</b>

The trends inherent in this data reflect the economic and operational factors that drove the annual trends over the same period. The substantial increase in loss from discontinued operations in the fourth quarter ended March 31, 2007 can be largely attributed to the effect of the write-off of deferred business development costs in that quarter. The large loss from continuing operations in the quarter ended September 30, 2006 reflects the effect of the stock option grant in that period. The relatively smaller loss from continuing operations in the third quarter ended December 31, 2007 reflects, among other factors, the one time gain on the settlement of the convertible debenture.

The large increase in loss from continuing operations in the fourth quarter ended March 31, 2006 compared to immediately prior periods is largely attributable to the stock option grant and re-pricing recorded in that quarter.

By the fourth quarter of fiscal 2007 (“Q4-2007”), the company was fully engaged in its development stage oil and gas business operations, and had ceased operating a development stage loyalty points program business. With this change in industry and business model, the nature of continuing operations were significantly different after Q4-2007 as compared to earlier quarters.

The expense item relating to loss on discontinued operations is in respect of our development-stage loyalty points program operations in which we were previously engaged. These operations related to the development of a number of strategies connected to our loyalty program business, including the creation of our own private label program and strategies connected to enhancing the mature rewards points programs of third parties. Significant components of the losses recognized

with respect to the loyalty program business model comprised website, software and database development expenses. The loyalty points program business model could not be commercialized and the Company decided to discontinue further work in late fiscal 2007. Subsequently, the Company disposed of its subsidiary companies involved in the loyalty program business, GPI Rewards (Canada) Inc. and GPI Rewards (U.S.A.) Inc., for nominal consideration in Q1-2008. The Company retains no assets related to the discontinued projects at this date.

**SELECTED QUARTERLY INFORMATION**

	Three months ended June 30,		
	2007	2006	2005
	\$	\$	\$
Net revenue	3,072	-	-
Loss before discontinued operations	167,746	76,765	113,594
Loss before discontinued operations, per share	0.01	0.01	\$0.02
Loss on discontinued operations	-	1,231	29,542
Loss on discontinued operations, per share	-	0.01	\$0.00
<b>Net loss</b>	<b>167,746</b>	<b>77,996</b>	<b>143,136</b>
<b>Net loss, per share</b>	<b>0.01</b>	<b>0.01</b>	<b>\$0.02</b>
Total assets	1,597,989	269,035	45,483
Total long-term financial liabilities	-	-	-

The comparative figures in the above table for 2006 and 2005 are based upon the interim financial statements for those years as originally filed, but have been reclassified to allocate certain of the operating expenses to discontinued operations in accordance with generally accepted accounting principles.

Loss before discontinued operations was significantly lower in the three months ended June 30, 2006 compared to the three months ended June 30, 2005 and the just completed first quarter. This is partially attributable to the capitalization of \$31,305 of corporate expenses to deferred business development costs in Q1-2007, compared to \$ nil in both Q1-2008 and Q1-2006.

Overall, our major general and administrative costs have historically been variable in nature. However, given the sustained increase in the level of business operations and the increase in operational complexity due to our change of business to oil and gas exploration, development and production, we expect an increase in most general and administrative accounts in the upcoming year.

The composition of our assets and liabilities in each of the quarters differed significantly. At June 30, 2007, \$1,240,920 of the total assets (78% of total assets) consisted of oil and gas properties, whereas in the comparative quarters, the Company held no oil and gas assets. Alternatively, at June 30, 2006, the total assets included \$155,673 of deferred business development costs and capitalized website development costs related to the discontinued loyalty points program business (2005: \$12,875), whereas at June 30, 2007 the Company had no assets related to that discontinued business.

The Company had no financial liabilities related to debt issuances at June 30, 2007 (excepting trade payables). However, while the company had no long-term debt outstanding at June 30, 2007, 2006 and 2005, the Company did have \$116,753 of convertible debenture principal and interest classified as a current liability at June 30, 2006 (June 30, 2005: \$117,798), and \$356,891 of loans payable classified as current liabilities at June 30, 2005 (June 30, 2006: \$nil). Thus, while the level of long-term financial liabilities has remained constant at \$-nil at each of the three selected reporting dates, the level of overall corporate debt, both short and long term, has decreased significantly.

## **LIQUIDITY AND CAPITAL RESOURCES**

At June 30, 2007, the Company had working capital of approximately \$ 35,000. At August 20, 2007, the company had working capital of approximately \$25,000 (comprising \$210,000 of current assets and \$185,000 in current liabilities). Currently, Great Pacific does not have the liquidity or capital resources to meet its financial commitments and implement its business plan over the next twelve months

The Company's cash flow from operations is expected to be negative for the balance of fiscal 2008. Our anticipated level of oil and gas production from our existing producing properties is not expected to provide sufficient cash flow to cover our general and administrative expenses or to finance our planned capital spending. Therefore, we will require external equity financing to both cover the operating shortfall, and to fund the exploration and development program we plan for the coming months.

We anticipate that over the coming months, general and administrative expenditures will average \$65,000 per month. Expected net income from the producing Mistahiya properties will contribute approximately \$200,000 in working capital. In order to meet capital expenditure commitments already made, maintain the Devon/Paramount farm-in in good standing (given that the drilling window is December to March), and to meet our commitment to drill a test well on the RLE farm-in, we will need to incur exploration and development expenditures of approximately \$2,500,000 in the balance of the fiscal year ended March 31, 2008. Total new capital required to complete the year and maintain our existing property rights in good standing is estimated to be \$2,800,000.

We intend to fund both operating shortfalls and capital spending through the private placement sale of "flow-through" and "non-flow through" common shares, and share purchase warrants. To June 30, 2007 we raised \$231,000 from the issue of flow through units under the terms of the non brokered private placement, and subsequently received approximately \$74,000 from the exercise of previously issued share purchase warrants.

Unless we are successful in obtaining new financing in a timely manner, we will not be able to carry out our normal operations, discharge our liabilities in the normal course of business, or carry out our development stage activities (namely, oil and gas exploration and development). There is no guarantee that we will be able to obtain adequate financing (if any) to meet our operating costs or to fund capital spending. Further, as is typical of many development stage enterprises, we do not expect to obtain significant levels of debt financing, and we expect that substantially all external financing will need to be provided by the sale of common shares and share purchase warrants, and the exercise of outstanding share purchase warrants.

There is also a seasonal element to our expected operating cash flows that will bear on our liquidity position going forward. As the bulk of our proved and producing oil and gas reserves are located in the muskeg landscape of north-central Alberta, exploration, development and production are largely limited to the winter months, when the ground is frozen sufficiently solid to permit truck and rig access to the well site. Therefore, we do not expect production from all proved developed producing wells until November, 2007. Similarly, the bulk of our planned drilling will occur in the winter portion of fiscal 2008.

Our interests in certain of our oil and gas interests are sensitive to our liquidity, as failing to participate in the operations of non-operated, jointly-owned properties due to a lack of adequate capital could result in a dilution or loss of interest.

Our ability to obtain financing is also sensitive to economic factors beyond the control of management. Declines in the Canadian-dollar price of oil and gas, changes in interest rates and economic recession or disruption could significantly and plausibly affect our ability to obtain adequate private placement financing.

The company had no long-term debt or financial liabilities outstanding at August 20, 2007 or June 30, 2007. (June 30, 2006: \$116,753 of current convertible debentures).

The only significant financial assets that Great Pacific held at August 20, 2007 and June 30, 2007 and 2006 were investments in 2,500,000 common shares of OG International Inc., having a book value of \$29,517. As there is no active market for the exchange of these securities, management considers them to be significantly illiquid, and their realized values may differ from their book value.

### **CONTRACTUAL OBLIGATIONS**

Material contractual obligations are as follows:

1. The Company is required to drill a well of up to 1,430 metres pursuant to the RLE farm-in agreement. Drilling must commence on or before December 1, 2007. Management expects that our cost of drilling this well will be approximately \$1,100,000. However, this obligation is not a financial liability, but is rather a performance liability - our obligation is to drill to depth. Should the market for drilling resources experience a supply shortage, or should the drilling or climatic conditions prove more adverse than expected, the cost of the well could materially increase beyond the forecasted level.
2. The Company is obliged to undertake a seismic program on the Peerless Lake option lands pursuant to the Devon/Paramount farm-in agreement prior to December 1, 2007. Management estimates that the cost for this seismic program will be \$56,000 to the Company's interest.
3. The Company is required to pay its proportionate share of gross asset retirement costs having a future value estimated by management to be approximately \$800,000. The present value of Great Pacific's share of these costs is estimated at approximately \$322,000. This is a non-financial commitment, and our obligation is performance-based (i.e. we must reclaim and remediate well sites to the satisfaction of regulatory, statutory and contractual standards).
4. The company has a consulting agreement with a private company controlled by the spouse of a Director for the services of the President at a fee of \$5,000 per month. The contract expires in September, 2009, and is terminable on twelve months notice.
5. The Company has on-going, monthly lease payments (to both the Crown and several private leaseholders) for P & NG property rights, in addition to other fees that may be billed from time to time. While these lease payments are individually immaterial, failure by the Company (or the Company's operator, in the case of non-operated property interests) to pay these fees in a timely manner would result in a loss of property rights.
6. At June 30, 2007 the Company had authorized expenditures of \$90,000 (net to Great Pacific's interest) on two oil wells on which the Company holds a 36% revenue interest. These expenditures were made subsequent to June 30, 2007.
7. The Company is committed to issue 220,000 units comprising 1 common share having tax flow through rights, and warrants for the purchase of an additional 110,000 common shares at a price of \$1.25 per share in the first year or \$1.45 per share in the second year pursuant to share subscriptions totalling \$231,000 received under the terms of the non-brokered portion of the current private placement offering.

Under the terms of the Company's oil and gas property interests, Great Pacific faces dilution of its interest in its oil and gas properties should it fail to pay its share of expenditures authorized by the project operator and the other joint interest participants. Great Pacific is contractually bound to make such payments as they arise if we are to maintain our oil and gas property interests.

### **OFF BALANCE SHEET ARRANGEMENTS**

The Company has no material off-balance sheet arrangements.

### **FINANCIAL INSTRUMENTS**

#### **Fair value of financial instruments**

The Company's financial instruments consist of cash, accounts receivable and prepaid expenses, and accounts payable and accrued liabilities. It is management's opinion that the fair value of these financial instruments corresponds to their carrying value due to their short-term nature.

#### **Concentration of credit risk**

The Company is not subject to material credit risk with respect to the carrying value of its accounts and advances receivable.

#### **Interest rate risk**

The Company has no short or long term interest bearing debt.

#### **Foreign exchange rate risk**

Oil and gas is typically denominated in US dollars, whereas our development and operating costs are almost entirely incurred in Canadian dollars. The Company is therefore subject to risk due to fluctuations in currency exchange rates. The Company does not use derivative instruments to manage its exposure to foreign exchange rate risk.

The company has also acquired a 3.05% net revenue interest (2.8% after payout) in a natural gas well in Arkansas, U.S. This well is an additional source of foreign exchange risk, as the Canadian dollar value of the asset and the realized, Canadian dollar revenue and operating expenses of that well are exposed to Canadian/U.S. dollar exchange rate volatility.

### **RELATED PARTY TRANSACTIONS**

In Q1-2008, consulting fees of \$21,000 (Q1-2007: \$8,250) were paid to a director and a spouse of a director.

In Q1-2008, management fees of \$15,000 (Q1-2007: \$15,000) were for the services of our President, and management fees of \$14,250 (Q1-2007: \$ nil) were paid for the services of our Chief Financial Officer.

In Q1-2008, business development expenditures of \$ nil (Q1-2007: \$5,250) were paid to the spouse of a director.

Accounts payable at June 30, 2007 include approximately \$79,000 (June 30, 2006: \$1,500) owing to officers, directors, the spouse of a director, and to companies controlled by them, for consulting fees, managerial services, expense reimbursements and amounts owing on joint interest billings.

Accounts payables owing to directors and officers reflect the frequent working capital shortages that we face, due to our reliance on external financing, and the favourable trade credit and borrowing terms which several related parties have provided, and continue to provide. Trade credit and loans payable from related parties have proven to be a low-cost source of working capital financing relative to the terms typically available to a start-up firm in public markets. Accounts payable to related parties include both billings for consulting fees, and any amounts owing for expense reimbursements and joint interest billings as may arise from time to time in the normal course of business.

Since acquiring a number of oil and gas property interests from Mistahiya pursuant to our block acquisition, we named the principal of Mistahiya as our vice-president of oil and gas operations. At the time of the block acquisition, Mistahiya and GPI were arms length parties. However, at this time Mistahiya is a related party by way of a common officer. Mistahiya holds an operating 25% before payout/12.5% after payout working interest in the test well and farm-in lands acquired pursuant to the Devon/Paramount farm-in and re-entry. Mistahiya is also the operator of the wells acquired pursuant to the block acquisition.

### **OUTSTANDING SHARE DATA**

At August 20, 2007 there are 17,395,933 common shares of Great Pacific issued and outstanding. The company is authorized to issue an unlimited number of common shares without par value.

At August 20, 2007 there are nil preferred shares of Great Pacific issued and outstanding. The company is authorized to issue an unlimited number of preferred shares without par value.

The company has no additional equity securities authorized, issued or outstanding.

At June 30, 2007 and August 20, 2007 the company has no debt securities outstanding.

A reconciliation of the number of common shares outstanding at June 30, 2007 (the last financial statement date) and August 20, 2007 is as follows

	<b><u>Shares Outstanding</u></b>	<b><u>Price per share received</u></b>
Common shares outstanding, June 30, 2007	17,091,933	
Issued pursuant to exercise of warrants	300,000	\$0.24
Issued pursuant to exercise of warrants	4,000	\$0.60
Common shares outstanding, August 20, 2007	<u>17,395,933</u>	

At August 20, 2007 the Company has share purchase warrants and employee stock options (“ESO”) outstanding for the purchase of 5,759,500 common shares at a weighted average exercise price of \$0.39 per share, with a weighted average remaining life of 1.4 years, Details of outstanding share purchase warrants and employee stock options as at August 20, 2007 are as follows:

<b>Instrument</b>	<b>Number of underlying shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Warrants	2,558,500	\$0.24	September 16, 2007
Warrants	1,996,000	\$0.60	March 9, 2009
ESO	280,000	\$0.35	May 21, 2009
ESO	725,000	\$0.35	October 3, 2010
ESO	200,000	\$0.45	September 8, 2011
	<u>5,759,500</u>		

### **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

The Company has neither changed any accounting policies nor adopted new policies in the quarter ended June 30, 2007 or the year-to-date period ended August 20, 2007.

### **RECENT CANADIAN ACCOUNTING DEVELOPMENTS**

Recently issued Canadian accounting pronouncements from the Canadian Institute of Chartered Accountants (“CICA”) are outlined below:

In April 2005, the CICA issued Section 1530 of the CICA Handbook on “Comprehensive Income”. This Section applies to fiscal years beginning on or after October 1, 2006. It describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in shareholders’ equity that results from transactions and events from sources other than the Company’s shareholders. These transactions and events include changes in the currency translation adjustment relating to self-sustaining foreign operations and unrealized gains and losses resulting from changes in fair value of certain financial instruments. The adoption of this section on April 1, 2007 implies that the Company will in future present comprehensive income and its components in a separate financial statement.

In April 2005, the CICA issued Section 3855 of the CICA Handbook on “Financial Instruments – Recognition and Measurement Income”. This Section applies to fiscal years beginning on or after October 1, 2006. It describes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Financial assets available for sale, assets and liabilities held for trading and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value. The Company does not believe that the adoption of this pronouncement on April 1, 2007 will have a material impact on its financial reporting and disclosures.

In April 2005, the CICA issued Section 3865 of the CICA Handbook on “Hedges”. This Section applies to fiscal years beginning on or after October 1, 2006. The recommendations expand the guidelines exposed in Accounting Guideline 13 (AcG-13), Hedging Relationships. This Section describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from the derivative financial instruments in the same period as for those related to the hedged item. The Company does not believe that the adoption of this pronouncement on April 1, 2007 will have a material impact on its financial reporting and disclosures.

In July 2007 the CICA amended Section 1400 of the CICA Handbook on “General Standards of Financial Statement Presentation” to include the requirement to assess and disclose the entity’s ability to continue as a going concern. The new requirements are effective for fiscal years beginning on or after January 1, 2008. The Company’s current assessment and disclosure practices meet the requirements of new Section 1400 amendments requiring disclosure of events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern, accordingly the Company does not believe that the adoption of this pronouncement on April 1, 2008 will have a material impact on its financial reporting and disclosures.

In July 2007 the CICA issued new Section 3031 “Inventories” which replaces the former Section 3030. New Section 3031 is effective for fiscal periods beginning on or after January 1, 2008, establishes standards for the measurement and disclosure of inventories, and provides the Canadian equivalent of International Financial Reporting Standard IAS 2. The main features of new Section 3031 are to provide guidelines on the allocation of overheads and other costs to inventory, specific identification of individual costs to inventories that are not ordinarily interchangeable, consistent use of the first in- first out or weighted cost formulae for other inventories, and the reversal of previous write downs to net realizable value for subsequent increases in value. The Company does not believe that the adoption of this new CICA Section 3031 on April 1, 2008 will have a material impact on its financial reporting and disclosures.

### **LEGAL PROCEEDINGS**

#### **Ordinary course business proceedings**

The Company is subject from time to time to various legal proceedings and claims that arise in the ordinary course of business. Management is of the opinion that such claims are not likely to have a material adverse effect on the Company’s future operations or financial position. The Company is not subject to any material claims at this time.

### **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS**

#### *Disclosure Control Risks*

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. The Company’s management has concluded, based on their evaluation of the effectiveness of the Company’s disclosure controls and procedures as of March 31, 2007 that disclosure controls and procedures provide reasonable assurance that material information is made known to them by others within the Company subject to the reportable weakness identified below regarding segregation of duties. However, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

#### *Internal Control Risks*

Management is responsible for certifying the design of the Company’s internal control over financial reporting (“ICFR”) as required by Multilateral Instrument 52-109 – “Certification of Disclosure in Issuers Annual and Interim Filings”. Our ICFR is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principals (GAAP). ICFR includes those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and disposition of our assets:
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP:

- receipts and expenditures only being made in accordance with authorizations of management and the Board of Directors; and
- reasonable assurance regarding prevention or timely detection of unauthorized collection, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, the effectiveness of ICFR is subject to the risk that controls may become inadequate because of changes in condition, or that the degree of compliance with the policies or procedures may deteriorate. Management carried out the design of the Company's internal controls over financial reporting and concluded, subject to the inherent limitations noted above, the Company has sufficient controls to meet the requirements as stated above and that one reportable weakness existed at March 31, 2007 as detailed below.

#### *Segregation of Duties*

Segregation of duties is a basic, key internal control and one of the most difficult to achieve in a small company. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. Due to limited resources, a complete segregation of duties within the Company's operating and accounting groups can not be fully achieved. The result is that the Company is highly reliant on the qualifications, experience and integrity of its staff and on the performance of mitigating procedures during its financial close processes in order to ensure the financial statements are presented fairly in all material respects. Any changes in the current control process will be dependant upon the growth of the Company's operations and the number of its staff to allow further segregation of duties. Management will continue to review existing mitigating controls and, if appropriate, implement changes to its internal control processes whereby more effective mitigating controls will be adopted.

### **OTHER MATTERS**

#### **Stock Exchange**

The shares of the Company trade in Canada on the TSX-Venture Exchange under the trading symbol "GPI-V".

#### **Corporate Governance**

Management believes that quality corporate governance is essential to ensuring effective management of our Company. The Company's corporate governance policy is substantially aligned with the guidelines set out in the report of The Toronto Stock Exchange Committee on Corporate Governance in Canada.

#### **Oil and gas production estimates**

Oil and gas reserves and expected production information disclosed herein reflect the reserves attributed to particular properties at March 31, 2007 as disclosed in our Form 51-101 report. This document is to be read in conjunction with that report, dated July 11, 2007, and available at [www.sedar.com](http://www.sedar.com). The reader is cautioned that the estimates of reserves (and, by extension, estimates of well life and production rates derived from reserves estimates) and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

#### **Note Regarding Forward-Looking Statements**

**Statements herein that are not historical facts are forward-looking statements that are subject to risks and uncertainties. Words such as "expects", "intends", "may", "could",**

**“should”, “anticipates”, “likely”, “believes” and words of similar import also identify forward-looking statements. Forward-looking statements are based on current facts and analyses and other information that are based on forecasts of future results, estimates of amounts not yet determined and assumptions of management, including, but not limited to, the Company’s ability to raise additional debt and/or equity financing to fund operations and working capital requirements and the Company’s oil and gas reserves. Actual results may differ materially from those currently anticipated due to a number of factors including, but not limited to, general economic conditions, the geology of oil and gas properties, oil and gas industry conditions, the Company’s ability to generate sufficient cash flows from operations and financing to support general operating activities and capital expansion plans, and laws and regulations and changes thereto that may affect operations, and other factors beyond the reasonable control of the Company. Additional information on factors that may affect the business and financial results of the Company can be found in filings of the Company with the British Columbia Securities Commissions on [www.sedar.com](http://www.sedar.com)**