

GREAT PACIFIC INTERNATIONAL INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

The following Management Discussion and Analysis (“MD & A”) dated November 19, 2008 should be read in conjunction with the Company’s unaudited interim financial statements at September 30, 2008, the Company’s audited consolidated financial statements and MD & A for the year ended March 31, 2008, the Company’s Form 51-101F1 dated July 19, 2008, as well as the reference to forward-looking statements within this report. These documents are available at www.Sedar.com.

The fiscal years ended March 31, 2009 and 2008 are referred to as “FY-2009” and “FY-2008”, respectively. The three month periods ended September 30, 2008 and 2007 are referred to as “Q2-2009” and “Q2-2008”, respectively. The period from April 1, 2008 and up to November 19, 2008 is referred to herein as “YTD 2009”.

CORPORATE OVERVIEW

Great Pacific International Inc. (also referred to as “the Company”, “Great Pacific”, “our” or “we”) is a development stage junior public oil and gas company. Great Pacific commenced operations as an oil and gas company in fiscal 2007.

Great Pacific’s oil and gas operations are primarily located in Alberta, Canada, though in YTD-2009 we expanded the geographic scope of our operations when we made a significant investment in participation rights in the Midland Basin area of Texas, USA, and subsequently participated in an exploratory well on that property.

Great Pacific is a publicly-traded Canadian corporation. The common shares of Great Pacific trade on the TSX Venture Exchange (“TSX-V”).

OIL AND GAS PROPERTIES

Great Pacific’s capital assets consist primarily of various oil and gas property rights in Alberta, Canada and Texas, U.S.A.

Great Pacific holds the following oil and gas property interests:

	<u>Gross</u> area (ha)	<u>Net</u> Area (ha)	<u>Well interests (net)</u>	
			<u>Producing</u>	<u>Suspended</u>
<u>Canada</u>				
Mistahiya-group properties	1,680	430	2	2
Alberta crown leases (undeveloped)	7,060	6,350	-	-
Alberta farm-out lands (lapsing December 2008)	2,050	1,020	-	-
<u>U.S.A.</u>				
Arkansas natural gas well	1,280	20	0	0
Midland Basin prospect area, participation rights	2,110	210	-	-
	<u>14,180</u>	<u>8,030</u>	<u>2</u>	<u>3</u>

(numbers may not add due to rounding)

Details on these property interests are as follows:

Mistahiya-group properties

The Mistahiya-group properties include all our Canadian production. We hold a minority non-operated interest in the Mistahiya-group properties. The Mistahiya-group properties were primarily acquired pursuant to a block acquisition in the fiscal year ended March 31, 2007, though certain non-producing acreages forming part of the Mistahiya-group properties were earned by participating in the 3-20 project in FY-2008.

The Mistahiya-group properties include minority interests in 6 producing oil wells in the Red Earth/Peerless Lake area of north-central Alberta, a minority interest in 1 producing gas well in south-central Alberta, and interests in 5 undeveloped targets and 1 re-work target. Additionally these lands include interests in 7 gross (2 net) suspended wells requiring abandonment. The Mistahiya-group properties are presented in greater detail in our most recent annual MD & A and our Form 51-101F1 reserves report dated July 19, 2008.

Alberta crown leases

We hold a number of undeveloped petroleum and natural gas leases throughout Alberta. These were acquired through purchase by Crown land sale. These leases are primarily located in northern Alberta, and include a 1,024 ha tract of leases near Manning, Alberta, and a 1,024 ha tract of leases near Otter Lake.

These leases are unexplored, and in the coming months, the Company intends to commence trade seismic acquisition on those lands. In Q2-2009, the Company commenced geological evaluation of certain of these leases.

The Alberta crown leases expire between the fiscal years ended 2012 and 2013 unless sooner held by production.

Alberta farm-out lands

At November 19, 2008 our Alberta farm-out lands consist of our "Haro East" and "RLE Red Earth" farm-out lands. The Alberta farm-out lands will expire in December 2008, as we have decided not to carry out the drilling required to earn-in on those lands.

Our Haro East and RLE Red Earth farm-out agreements required us to drill three wells on those farm-out lands in FY-2009 (two Bluesky targets on the "Haro East" farm-out lands and a Devonian test on the Red Earth farm-out) in order to earn those lands. Subsequent to September 30, 2008, the Company decided not to drill these earn-in wells.

Upon the lapsing of the option period in December 2008, we will lose all further option rights to our Alberta farm-out lands, and will forfeit a \$100,000 deposit. We will retain a 65% interest in two sections of P & NG leases adjacent to the RLE Red Earth farm-in lands, which we acquired in Q2-2009.

Please see our annual MD & A and audited financial statements for a more detailed description of the Haro East and RLE Red Earth farm-out agreements.

As announced in our news release dated September 15, 2008, the Company also farmed-in on two additional Bluesky gas targets adjacent to our Haro East farm-out lands described above. However, due to unfavourable surface access issues, the Company dropped these options in Q2-2009, and we therefore hold no further interest or option rights to those lands.

Arkansas natural gas interest

Our Arkansas natural gas interest is a minority non-operated working interest in an Arkoma Basin natural gas well, located in Arkansas, U.S.A. Over the last twelve months, net production from this well to Great Pacific's interest averaged 180 mcf natural gas per month.

Midland Basin prospect area

The Midland Basin prospect area participation rights entitle us to participate to a 13% working interest (9.75% net revenue interest) in the exploration and development of certain lease-held and option-held lands held by the project operator located within an 8.25 square mile prospect area in Texas, USA. We must participate to our working interest in each drilled well within that prospect area in order to retain our participation rights in the entire block. This prospect area is located in Scurry County, on the southeastern flank of the Canyon Reef of the Horseshoe Atoll. It holds several Strawn-age and Ellenburger-age light oil drill targets.

The Company participated in the drilling of an initial exploration well on this property in YTD-2009. Though recovering hydrocarbon shows in several Strawn horizons, including a significant oil recovery from a drill-stem test on the most prospective Strawn formation, the partners assessed the formation as uneconomic, and the decision was made not to complete this well. Please see our news releases dated May 26, 2008, August 26, 2008, and October 14, 2008 (available on www.Sedar.com) for more information on this well.

UPDDATE: OVERVIEW OF OPERATIONS – Six months ended September 30, 2008

An updated overview of the operations of the Company is presented by the following functional areas:

- 1.) YTD-2009 Petroleum operations – Canada
- 2.) YTD-2009 Petroleum operations – USA
- 3.) Other corporate activities – International investment evaluation
- 4.) YTD-2009 Financing
- 5.) Q2-2009 Net loss

This update expands on the comprehensive overview of operations presented in our annual MD & A for the fiscal year ended March 31, 2008. This update presents and discusses material changes in our business operations and our assets in YTD-2009, and therefore, should be read in conjunction with our annual MD & A dated March 31, 2008. Unless disclosed herein, our operations are otherwise as detailed in the annual MD & A, and the reader is directed to our annual MD & A for a full description of our business at the start of Q1-2009.

1. YTD-2009 Petroleum operations: Canada

Alberta land acquisitions

In YTD-2009, the Company expanded its Canadian petroleum lease portfolio by acquiring certain undeveloped Crown petroleum and natural gas ("P & NG") leases in Alberta, Canada, as follows:

<u>Period</u>	<u>Leases acquired, by net area (ha)</u>
Q1-2009	1,800
Q2-2009	3,010
Total, November 19, 2008	4,810

Production

Canadian oil and gas production for Q2-2009 and the comparative period Q2-2008 is as follows:

	<u>Q2-2009</u>		<u>Q2-2008</u>	
	Production Volumes	Producing Wells (net)	Production Volumes	Producing Wells (net)
Oil (bbls/d)	5.2	1.44	11.2	2.72
Gas (mcf/d)	1.4	0.04	3.0	0.04
Total (boe/d) - based on 92 days for the quarter	5.4	1.48	11.7	2.76
Realized oil price, CDN\$ per bbl	\$ 127		\$ 84	
Realized gas price, CDN\$ per mcf	\$ 7.5		\$ 4.4	
Operating cost, per boe	\$ 58		\$ 48	

The Company's Canadian oil and gas revenues and production volumes were significantly lower in Q2-2009 than in Q2-2008, despite the higher oil prices prevailing in Q2-2009. This decrease primarily reflected two factors:

- In Q2-2009, Canadian oil and gas production only represented two months of production, due to on-going delays by the project operator in providing joint production accounting and revenue for September;
- In Q2-2008, production was from 1.28 additional net wells, as the Company held a temporarily enhanced interest in two gross wells in FY-2008 as compensation for funding the joint interest-holder's share of certain capital expenditures; and
- Natural reservoir decline

The Company is involved in a dispute with the incumbent 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 \$72,000 on account of unauthorized expenses deducted from past production. The Company retained legal counsel to attempt to collect this amount and has elected to "take in kind" its future share of production revenue at the point of sale.

The Company has been advised that the present purchaser of oil and gas has given one month's notice of termination of the arrangements for purchase of product from the operator. The Company is awaiting information as to the implementation of the "take in kind" rights it has to its share of production.

Since September 30, 2008, the Company's Canadian oil leases have been significantly impacted by the worldwide fall in crude oil prices. Since September 30, 2008 the benchmark price of oil has decreased from approximately US \$100/barrel to approximately US \$54/barrel. This continues a slide from a high of approximately US\$ 145/barrel in the last six months. Substantially all of the Company's production is derived from its Alberta properties which have cash operating costs of approximately Cdn \$40/barrel. The Company's operating cash flow is expected to decline significantly during the next several months, which corresponds with its peak production months, to the extent that production, if any, may generate substantially less cash.

Haro East and RLE Red Earth farm-out agreements

In Q2-2009, we conducted a significant amount of pre-drill work on the Haro East targets, including surface surveying, well, pipeline and gathering system engineering, and negotiating for access to surface and marketing infrastructure. We also conducted engineering and preliminary procurement work on the RLE Red Earth earn-in target.

However, subsequent to September 30, 2008, we decided not to proceed with the drilling of these wells. This decision reflected a number of factors, including significant declines in oil and gas prices, continued escalation of capital costs, and a lack of acceptably priced equity capital. On the Haro East property, surface right restrictions had a particularly significant negative impact on estimated lease construction, access and gathering system costs. Higher than expected financing costs triggered by the recent credit market volatility, coupled with the recent, dramatic fall in oil and gas prices, led management to re-assess the risk-return profiles of the Haro East and RLE Red Earth drilling programs as no longer suitable. Moreover, given current capital market conditions, these did not prove to be readily financeable projects.

Manitoba land expiries

The Company's Manitoba petroleum leases lapsed due to lease term expiry in YTD-2009.

2. YTD-2009 Petroleum operations: USA

The Company's U.S.A. petroleum operations consist of our operations in the Midland Basin prospect area, and our minority interest in an Arkansas natural gas well. Details on our Q2-2009 petroleum operations in the U.S.A. are as follows:

Midland Basin Prospect Area

In YTD-2009, we acquired participation rights to an 8.25 square mile prospect (the "Midland Basin prospect area"). Our participation rights to the Midland Basin prospect area, held by our wholly-owned subsidiary GPI Petroleum Inc., are to a 13% working interest (9.75% net revenue interest), subject to GPI Petroleum funding 17.3% of the costs of drilling the initial test well to casing-point. GPI Petroleum acquired these participation rights by cash payment of \$103,350. These initial prospect fees also granted the Company access to proprietary 3-D seismic covering the prospect area.

We participated in the drilling of the initial test well on this property in YTD-2009, with the initial test well spudded in September. This well reached total depth of approximately 2,400m sub-surface in mid-October, 2008. Drilling was completed substantially on budget, without incidence. Drill-stem testing of the most prospective Strawn-age formations failed to yield commercial quantities of hydrocarbons at economic flow-rates, however, and thus, the well was not completed.

We expect to participate in the drilling of at least one additional well on this property in future periods, subject to financing. Our geophysical and geological consultants have identified several additional drilling targets within this prospect area that may be suitable follow-up targets should a second hole prove economic. As we are not the operator of this project, the timing of well drilling is at the election of the joint participants, subject to the joint operating agreement in place. We do not expect that further drilling will be conducted on the prospect area in the balance of FY-2009.

Our investment in the Midland Basin prospect area has increased the size and relative importance of our United States geographic segment. The breakdown of the carrying value of our oil and gas property interests by geographic cost centre is provided in Note 5 to the accompanying interim financial statements.

3. International investment evaluation

In late Q1-2009 and through much of Q2-2009, GPI Oil and Gas Overseas Inc ("GPI Overseas") evaluated the merits of bidding on certain overseas oil and gas opportunities, and we presented ourselves to the governing bodies of that country for qualification to bid on oil and gas opportunities. We had consultants overseas for the bulk of Q2-2009 presenting GPI Overseas to the oil authorities of that country, pursuant to applicable qualifying procedures. Prospect evaluation and due diligence expenses of \$84,656 recorded in Q2-2009 related to this undertaking.

At November 19, 2008 we are no longer incurring consulting costs in respect of this undertaking. We understand there may be opportunities moving forward to continue to evaluate possible investments.

4. YTD-2009 Financing

Private placement

In Q1-2009 the Company completed a \$1,419,217 (net) equity financing, by private placement of 2,000,000 equity units (the "Q1-2009 Equity Financing"). Each unit consisted of one common share and one 2-year, \$1.00 warrant. (Please see the section "*Liquidity and Capital Resources*" within this document.) This financing was announced in FY-2008, but closed in Q1-2009. The Company expects to complete an additional, albeit smaller, private placement in the balance of the fiscal year in order to finance on-going corporate expenses.

Exercise of warrants and options

During Q2-2009, the Company issued 48,000 shares at \$1.00 per share pursuant to warrant exercises. Subsequent to Q2-2009, an additional 120,000 shares were issued at a weighted average price of \$0.43 per share pursuant to stock option exercises.

5. Q2-2009 Net loss

Net loss in Q2-2009 was \$667,679, or \$0.03 per share. This compared to \$237,200, or \$0.01 per share, in the comparative period Q2-2008. Total cash used in operations in Q2-2009 was \$317,506 (Q2-2008: \$200,169).

Details of this net loss are provided in the section "*Results of operations*", and in the accompanying unaudited interim financial statements.

FUTURE PLANS

Q2-2009 marked 18 months since Great Pacific commenced oil and gas operations. During that time, we conducted exploration work (including a 2-D seismic program, and a multi-zone re-entry test) and a 3 well re-work program in the Red Earth area of Alberta, and we participated in the drilling of a test well in the Midland Basin prospect area.

During Q2-2009, we were completing preparation for our winter 2008-2009 drill program. Initially, we contemplated drilling 4 earn-in targets (1 Devonian oil, three Bluesky targets) in FY-2009. This was to be our most significant capital program since inception, as it was our first major 100% owned and operated exploration and development undertaking. This project, if successful, had the potential to generate a self-sufficient level of revenue, though considerable operational and geological risk existed. Permitting, engineering, surface rights acquisition and procurement was substantially advanced in anticipation of drilling by December 1, 2008.

However, as with many companies, macro-economic events subsequent to September 30, 2008 seriously affected those capital plans. We were simultaneously impacted by a nearly 2/3 decrease in commodity prices from July 2008 levels, and the rapid decrease in the availability of risk capital across the resource sector. These factors significantly hurt the economics of our planned drill targets, by reducing the value of any hydrocarbons recovered, while increasing our cost of capital. Regrettably, our engineering and procurement work quickly made it apparent that these factors were not being met by an offsetting decrease in drilling costs.

Re-assessment of these targets, in light of these intervening macro-economic events, led management to cancel the planned drilling on the Haro East and RLE Red Earth targets. In particular, the RLE Red Earth target, an exploratory target, had a risk-profile considered unsuitable for the current capital market environment. The Haro East project was effectively impaired by the escalating cost estimates for lease construction and gathering system installation, cost increases

which were largely attributable to the restricted surface access characteristics of the area. Furthermore, both projects were greatly diminished by the fall in oil and gas prices since summer 2008.

Until that time that the availability and cost of capital for the junior oil and gas sector considerably improve, and until oil and gas prices recover significantly from their current levels, we do not anticipate undertaking major drilling programs. Accordingly, while our overall business model remains the same – growth into a mid-tier junior exploration and development company – the drilling required to achieve those future plans will likely be deferred until the investment climate improves. In short, management intends to defer significant exploration and development programs until capital market conditions for junior resource companies improve, and until a sustained increase in oil and gas prices occur.

In the interim, management is analyzing opportunities for the acquisition (by asset purchase or corporate merger) of minor oil and gas property assets, or minority participation in smaller drilling programs. In the current state of the industry, management believes these may be more judicious methods of growing our reserves versus drilling.

Despite the decidedly negative impact of these macro-economic conditions, management nevertheless believes that Great Pacific may be in a relatively advantageous position to weather the current market volatility, to the extent that we are debt-free and have no major unfunded commitments at November 19, 2008. Given that, we are taking a very conservative approach to capital investment until the industry, economic and financial market outlooks improve.

While our farm-out lands will expire this winter, we still retain interests in a number of oil and gas targets having expiries no shorter than 1 year from the present. Accordingly, these locations may provide initial drill targets should that time come that we are in a position to conduct an aggressive drilling program. Our Alberta oil and gas leases also have several years remaining on their primary lease terms, and are potential seismic-exploration targets suitable for a broader exploration and development program. We also retain our Midland Basin prospect area targets for future development.

In general, our ability to carry out oil and gas exploration projects in future periods, as with other aspects of our business plan, is subject to a number of risk factors. These include, but are not limited, to such 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; 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 conduct our business is also subject to such economic risks as commodity price risk, capital market conditions and interest and inflation rates, and overall economic factors. These factors may impact our ability to raise adequate financing and obtain adequate resources. *Please see our Form 51-101 report as at March 31, 2008 for a more detailed discussion of risk factors.*

CAPITAL SPENDING:

Capital spending in FY-2009 to September 30, 2009 has been as follows:

	<u>Q2-2009</u>	<u>Q1-2009</u>	<u>6 months ended September 30, 2008</u>
<u>Canada</u> (Alberta)			
Engineering and management expenditures, Red Earth area producing well interests	\$ 1,964	\$ 14,545	\$ 16,509
Haro East and RLE Red Earth farm-in lands pre-drill development	38,000	9,246	47,246
Crown P & NG lease acquisition	31,968	28,934	60,902
Other exploration expenditures	4,210	-	4,210
Other development expenditures	6,325	3,414	9,739
	<u>82,467</u>	<u>56,139</u>	<u>138,606</u>
<u>USA</u> (Midland Basin prospect area)			
Acquisition	-	103,351	103,351
Exploration	122,326	6,171	128,497
	<u>122,326</u>	<u>109,522</u>	<u>231,848</u>
<u>Non-oil and gas</u>			
Equipment purchase - vehicles	1,554	76,630	78,184
	<u>\$ 206,347</u>	<u>\$ 242,291</u>	<u>\$ 448,638</u>

Capital spending in Q3-2008 (the three months ended December 31, 2008) is expected to be considerably less than Q2-2009 or Q1-2009.

Capital expenditures – Alberta oil and gas

The engineering and management expenditures on the Red Earth area wells provided the basis for refining our estimate of the expected future asset retirement obligations associated with our producing, shut-in and depleted Mistahiya-group oil well interests.

Haro East and RLE Red Earth farm-in land pre-drill development was conducted in anticipation of carrying out drilling programs on those properties in December 2008.

Crown P & NG leases acquired in the six months ended September 30, 2008 totalled 4,810 net hectares.

Capital expenditures – Midland Basin prospect area

As discussed elsewhere in this document, acquisition costs were paid to the vendor and property operator of the Midland Basin prospect area. Exploration and development expenditures consisted of geological and geophysical evaluation, and our share of drilling completed through September 30, 2008.

Results of Operations for the 3 months ended September 30, 2008 compared to the three months ended September 30, 2007

	Three Months Ended September 30		
	2008	2007	Variance
	\$	\$	\$
Oil and natural gas sales	(64,843)	(91,489)	26,646
Costs of oil and gas operations	407,118	84,903	322,215
Net loss (gain) on oil and gas production	342,275	(6,586)	348,864
General and administrative expenses			
Remuneration and staffing	97,793	76,500	21,293
Accounting, audit and professional fees	33,453	52,946	(19,493)
Financing	-	25,000	(25,000)
Regulatory and transfer agent	4,660	8,142	(3,482)
Prospect evaluation and due diligence	84,656	-	84,656
Corporate communications, shareholder communications, travel and entertainment	59,645	54,730	4,915
Office, rent and miscellaneous	42,827	26,468	16,359
Loss on foreign exchange	2,370	-	2,370
Net loss for the period	667,679	237,200	430,479

Significant Variances in Operating Items (3 months ended September 30, 2008 and 2007)

Significant variances in operating items for the three months ended September 30, 2008 compared to the three months ended September 30, 2007 include the following

Oil and natural gas sales and costs of sales

Oil and natural gas volumes were significantly lower in Q2-2009 than in Q2-2008 and per unit sales prices were significantly higher. The overall affect was that we achieved \$26,646 less gross revenue in Q2-2009. The reasons for the decline in volumes are as discussed in the section *YTD-2009 Petroleum Operations – Canada*.

Reference should be made to the section of this document *YTD-2009 Petroleum Operations – Canada* in regards to certain joint operatorship matters relating to these properties. In particular, the Company is awaiting information as to the implementation of the “take-in-kind” right it holds in respect of future production. It is unknown the effect these matters will have on our production volumes in Q3-2009.

Per unit depletion charges were significantly higher in Q2-2009 compared to Q2-2008. This was a result of a higher balance of oil and gas expenditures which were subject to depletion, and the recording of certain impairment charges to depletion expense. The balance of oil and gas expenditures subject to depletion grew since September 30, 2007, as additional development costs were incurred on proven properties, and thus added to the depletable cost pool, and because a material balance of future abandonment costs on properties subject to depletion were capitalized since Q2-2008. Impairment charges recorded to depletion in Q2-2009 related to our written-down drilling costs on the Midland Basin prospect area, and our pre-drill costs on the Haro East and RLE Red Earth farm-out lands.

Remuneration and staffing

Amounts classified in this MD & A as “Remuneration and staffing expenses” for Q2-2009 consist of management fees to three officers, consulting and staffing costs, and stock-based compensation expenses. These expenses are itemized as follows:

	<u>Q2-2009</u>	<u>Q2-2008</u>	<u>Variance</u>
Management fees	\$ 30,000	\$ 50,000	\$ (20,000)
Consulting and staffing	37,407	26,500	10,907
Stock-based compensation	30,386	-	30,386
	<u>\$ 97,793</u>	<u>\$ 76,500</u>	<u>\$ 21,293</u>

Management fees in Q2-2009 were paid to the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.

The increase in consulting and staffing expenses reflected the hiring of several additional part-time personnel, and increased rates paid for most consultants in the latter period.

Remuneration and staffing expenses for Q2-2009 included \$30,386 (Q2-2008: \$ nil) in stock-based compensation expense. This reflects the value of stock options granted in prior periods which vested or were earned in the current period Q2-2009.

The Company expects that cash costs on consulting, staffing and management fees will average approximately \$82,000 per quarter for the balance of the fiscal year.

In subsequent quarters, the Company will recognize approximately \$28,000 per quarter of stock-based compensation expense on options previously granted to employees. Furthermore, the Company will also recognize stock option expense on options previously granted to non-employees; the amount of such expense will be a function of the fair value of the options at the date such options are earned by performance.

The significant portion of remuneration and staffing fees relate to core corporate functions, such as management time, project management, accounting and financial reporting, and land management. Because such expenditures relate to basic corporate overhead, we do not expect to see significant variation in these items in coming periods.

As with many general and administrative cost items presented herein, expenditures on consultants were primarily incurred pursuant to a comprehensive office services, supplies and administrative staffing contract (the “Office Services Agreement”), through which Great Pacific obtains such services for a flat fee of \$27,600 per month.

Accounting, audit and professional fees

The aggregate increases in spending on accounting, audit and professional fees reflected the following expense items:

	<u>Q2-2009</u>	<u>Q2-2008</u>	<u>Variance</u>
Accounting and audit	\$ 29,970	\$ 31,387	\$ (1,417)
Legal fees	3,483	15,657	(12,174)
Reserves reporting expense	-	5,902	(5,902)
	<u>\$ 33,453</u>	<u>\$ 52,946</u>	<u>\$ (19,493)</u>

Accounting fees relate to staff time incurred on book-keeping and financial report preparation. In Q2-2009, legal fees primarily related to joint operating issues in respect of our Red Earth wells.

The Company expects accounting and legal fees to continue substantially at Q2-2009 levels in the coming quarters.

Financing

The \$25,000 Financing expense incurred in Q2-2008 (Q2-2009: \$-nil) was a break-up fee with an investment banker we had retained as part of a planned brokered private placement offering.

Prospect evaluation and due diligence

In Q2-2009, prospect evaluation and due diligence expenses were incurred in respect of the application of GPI Overseas for qualified bidder status with the petroleum authorities of an overseas country, and the investment evaluation expenses incurred in respect of that undertaking. A significant portion of these costs relate to overseas travel and accommodation costs.

Office, rent and miscellaneous

The aggregate increase in spending on office, rent and miscellaneous items reflected the following variances:

	<u>Q2-2009</u>	<u>Q2-2008</u>	<u>Variance</u>
Office services and supplies	\$ 17,644	\$ 8,300	\$ 9,344
Telephone, website and utilities	4,964	4,685	279
Insurance	8,718	338	8,380
Office premises rent	14,550	12,000	2,550
Vehicle cost recoveries	(4,016)	-	(4,016)
Amortization of equipment	967	1,145	(178)
	<u>\$ 42,827</u>	<u>\$ 26,468</u>	<u>\$ 16,359</u>

The increase in office supplies and services costs arose both as a result of increased rates charged for such items, and the overall increase in supplies and services usage associated with greater staffing and activity levels. Office service and supplies costs, as well as office premises rent, are provided primarily pursuant to our flat-fee Office Services Agreement.

The increase in insurance costs reflected an increase in coverage as deemed appropriate for our oil and gas business operations. These coverages were acquired subsequent to Q2-2008.

Spending on office, rent and miscellaneous is not expected to vary materially in coming quarters.

Net loss

The material increase in net loss is primarily attributable to the items discussed above. Smaller variations in spending in other general and administrative expense items were primarily attributable to our year-over-year growth in corporate size and activity.

Results of Operations for the six months ended September 30, 2008 compared to the six months ended September 30, 2007

	Six Months Ended September 30		
	2008	2007	Variance
	\$	\$	\$
Oil and natural gas sales	(146,764)	(94,562)	(52,202)
Costs of oil and gas operations	498,342	92,398	405,944
Net loss (gain) on oil and gas production	351,578	(2,164)	353,742
General and administrative expenses			
Remuneration and staffing	212,054	136,393	75,661
Accounting, audit and professional fees	80,408	81,715	(1,307)
Financing	-	25,000	(25,000)
Regulatory and transfer agent	7,917	18,377	(10,460)
Prospect evaluation and due diligence	112,752	-	112,752
Corporate communications, shareholder communications, travel and entertainment	101,966	91,825	10,141
Office, rent and miscellaneous	77,081	53,800	23,281
Gain on foreign exchange	2,496	-	2,496
Net loss for the period	946,252	404,946	541,306

Significant Variances in Operating Items (6 months ended September 30, 2008 and 2007)

Significant variances in operating items for the six months ended September 30, 2008 compared to the six months ended September 30, 2007 include the following

Oil and natural gas sales and costs of sales

Oil and natural gas sales revenues were significantly higher in the six months ended September 30, 2008 than in the six months ended September 30, 2007. Production volumes in each six month period remained approximately unchanged at approximately 6.7 boe/d. However, realized oil and gas prices were significantly higher in the latter period, reflecting global commodity prices.

Higher volumes in Q1-2009 compared to Q1-2008 were substantially offset by lower volumes in Q2-2009 compared to Q2-2008. Production volumes do not equate to flow-rates, and a number of mutually off-setting factors affected sales volumes in the periods presented:

- FY-2009 production was from 1.28 fewer net wells than Q2-2008 production, due to the lapsing of an enhanced interest (as discussed in YTD-2009 Petroleum Operations)
- Q1-2008 production was from 0.72 fewer net wells than Q1-2009 production, as two wells which were suspended in Q1-2008 had been re-activated by Q1-2009.
- We recorded oil production in April 2008, whereas we did not in April 2007, due to inclement access conditions prevailing in the earlier period.
- Q2-2009 oil sales volumes represented 2 months production, whereas Q2-2008 oil sales volumes represented 3 months production

Reference should be made to the section of this document *YTD-2009 Petroleum Operations – Canada* in regards to certain joint operatorship matters relating to these properties. In particular, the Company is awaiting information as to the implementation of the “take-in-kind” right it holds in respect of production. It is unknown the effect these matters will have on our production volumes in Q3-2009.

As discussed in the three-month analysis, the increase in depletion charges for the six months ended September 30, 2008 compared to the comparative period in FY-2008 were due both to more costs being subject to depletion, and the recording of certain impairment charges in Q2-2009.

Remuneration and staffing

Amounts classified in this MD & A as "Remuneration and staffing expenses" for the 6 month periods presented consist of:

	<u>Six months ended September 30</u>		<u>Variance</u>
	<u>2008</u>	<u>2007</u>	
Management fees (3 officers)	60,000	79,250	(19,250)
Consultants and staff	70,366	57,143	13,223
Stock-based compensation	81,688	-	81,688
	<u>212,054</u>	<u>136,393</u>	<u>75,661</u>

The largest source of variation in remuneration and staffing costs related to stock based compensation expense. In the six months ended September 30, 2007, no incentive stock options were granted. However, in the comparable period in FY-2009, the Company granted 390,000 stock options to employees (340,000) and consultants (50,000), and also recognized \$51,577 of stock-based compensation expense relating to options granted in the prior fiscal year.

In each of the coming quarters through Q2-2014, the Company will record stock option expense related to past option grants, with the actual amount of the expense to be based on the current value of the non-employee options at the quarterly performance completion date.

Spending on consultants and staff increased as a result of both the hiring of additional part time staff since September 30, 2007, and an increase in the labour costs for such personnel. Current spending levels on consultants and staff are expected to continue into the near-term.

Management fees are paid to three officers. Total management fees will increase to \$45,000 per quarter effective Q3-2009.

Accounting, audit and professional fees

The aggregate increases in spending on accounting, audit and professional fees reflected the following variances:

	<u>Six months ended September 30</u>		<u>Variance</u>
	<u>2008</u>	<u>2007</u>	
Accounting	\$54,690	\$48,505	\$ 6,185
Legal fees	27,790	21,407	6,383
Reserves reporting expense	(2,072)	11,803	(13,875)
	<u>\$80,408</u>	<u>\$81,715</u>	<u>\$ (1,307)</u>

Increases in accounting costs reflected an increase in staffing employed on accounting and financial report preparation. Costs on this item are not expected to vary materially from current levels.

Increases in legal fee spending were largely due to non-recurring legal expenditures made in regards to co-tenancy matters on our minority-owned Canadian oil properties, and matters concerning the operatorship thereof.

Financing

The \$25,000 financing expense incurred in the six months ended September 30, 2007 was as described in the corresponding 3-month analysis, presented elsewhere herein.

Regulatory and transfer agent

	<u>Six months ended September 30</u>		<u>Variance</u>
	<u>2008</u>	<u>2007</u>	
Listing and filing fees	\$ 3,157	\$ 13,093	\$ (9,936)
Transfer agent fees	4,760	5,284	(524)
	<u>\$ 7,917</u>	<u>\$ 18,377</u>	<u>\$ (10,460)</u>

Listing and filing fees were considerably lower in the current six month period than in the comparable period in FY-2008, because in FY-2008 we had non-recurring filing fees in respect of obtaining TSX-V approval for certain property transactions, and regarding certain securities registrations. Costs are not expected to materially differ from FY-2009 levels in Q3-2009.

Prospect evaluation and due diligence

Prospect evaluation and due diligence expense incurred in YTD-2009 comprised the following:

- Approximately \$27,750 in property evaluation expenses were incurred in regards to several Canadian asset acquisition opportunities which we assessed and considered, but did not proceed with. This item included engineering evaluation, legal fees and management travel costs. A significant portion of these costs were incurred in respect of the proposed acquisition of the 64% interest in our Red Earth oil wells which we do not own. Upon the completion of due diligence, we did not proceed with this acquisition.
- Approximately \$85,000 of such costs were incurred pursuant to our overseas pre-qualification application for approved petroleum sector contractor status, as described in the section of this document, *International Investment Evaluation*.

Consistent with our future plans, we expect to continue incurring prospect evaluation and due diligence expenditures from time-to-time. However, spending on this item has not been significant in Q3-2009 to date, and we expect it to remain significantly below Q2-2009 levels in the immediate future. That said, as part of our long-term future plans, we will continue to identify and evaluate potentially suitable oil and gas properties as opportunities for asset acquisitions arise, and thus spending on this item will continue to varying degrees in coming periods.

Corporate communications, shareholder communications, and travel and entertainment

Increases in overall spending on corporate communications, shareholder communications and travel and entertainment consist of the following items:

	<u>Six months ended September 30</u>		<u>Variance</u>
	<u>2008</u>	<u>2007</u>	
Corporate communications and promotion	\$ 58,482	\$ 38,157	20,325
Shareholder communications	5,396	140	5,256
Travel, meals and entertainment	38,088	53,528	(15,440)
	<u>\$ 101,966</u>	<u>\$ 91,825</u>	<u>10,141</u>

Office, rent and miscellaneous

Major sources of the increase in office, rent and miscellaneous expenses were as follows:

- Insurance expense increased as Great Pacific acquired oil and gas coverage and other specialized policies since September 30, 2007.
- Office services and rent costs increased by \$9,355, primarily due to an increase in the monthly flat fees for rent and office services and supplies charged pursuant to our Office Services Agreement in Q2-2009.

Increases in the costs of these items were partially offset by a net gain of \$5,400 earned by renting several vehicles acquired by the Company in YTD-2009. This gain is net of depreciation and operating costs.

Spending on office, rent and miscellaneous items is not expected to vary materially from current rates in Q3-2009 or beyond.

Net loss

The material increase in net loss is primarily attributable to the items discussed above. Smaller variations in spending in other general and administrative expense items were primarily attributable to our year-over-year growth in corporate size and activity.

EIGHT QUARTER REVIEW

	Sept 30, 2008 \$	June 30, 2008 \$	March 31, 2008 \$	Dec. 31 2007 \$
Sales	64,843	81,921	245,193	177,659
Net loss for the quarter	667,679	278,573	349,366	113,472
Net loss per share	\$0.03	\$0.01	\$0.02	\$0.01
Total assets	2,213,106	2,866,060	2,555,406	1,646,210
Deficit	8,408,654	7,740,975	7,462,402	7,113,034

	Sept 30, 2007 \$	June 30, 2007 \$	March 31, 2007 \$	Dec. 31, 2006 \$
Sales	91,489	3,072	-	-
Loss from continuing operations	237,200	167,746	227,033	82,870
Loss from discontinued operations	-	-	162,555	1,209
Net loss for the quarter	237,200	167,746	389,588	84,079
<u>Loss per share data</u>				
Loss per share – continuing operations	\$0.01	\$0.01	\$0.02	\$0.01
Loss per share – discontinued operations	-	-	0.01	0.00
Net loss per share	\$0.01	\$0.01	\$0.03	\$0.01
Total assets	2,237,979	1,597,989	1,346,615	280,843
Deficit	6,999,564	6,762,364	6,594,618	6,205,031

The trends inherent in this data reflect the economic and operational factors that drove the annual trends over the same periods. These trends are discussed in our annual MD & As for the periods presented, dated July 19, 2008 and July 25, 2007, available on www.Sedar.com. It should be noted that the Company did not commence oil and gas operations until the interim period ended March 31, 2007; therefore the results presented for periods before that time related to Great Pacific's discontinued operations.

The increase in quarterly loss in Q2-2009 and Q1-2009 compared to prior quarters was due to such factors as:

- A significant increase in per-unit depletion charges. These depletion charges, which were primarily incurred in Q2-2009, largely account for the decrease in asset size subsequent to Q1-2009.
- Year over year increases in corporate overhead, administration, and management expenses, reflecting both higher levels of corporate activity, and higher rates.
- In Q2-2008 to Q3-2008, the Company recorded a gain on oil and gas production that partially offset spending on general and administrative items, and thus served to reduce net loss for each of those periods. This offsetting gain on oil and gas production was not achieved in Q4-2008 and thereafter.
- A significant increase in stock-based compensation expense in YTD-2009 compared to several prior quarters.
- Property evaluation expenditures made in respect of our overseas bidder qualification application contributed significantly to net loss in FY-2009, but were not incurred in prior periods.
- Those additional factors discussed in the sections “Results of operations” for the 3-month and 6-month periods ended September 30, 2008.

LIQUIDITY AND CAPITAL RESOURCES

Great Pacific’s major source of liquidity is the issuance of equity capital. Our development stage oil and gas assets have not generated sufficient cash to finance our development-stage business model and to fund corporate overhead activities. As described elsewhere herein, our producing oil and gas properties may not generate material liquidity for the balance of FY-2009.

The Company obtains equity capital from private placement offerings of shares and share purchase warrants, and the exercise of share purchase warrants and stock options. The Company conducts private placement equity financings from time-to-time, based on cash flow needs and subject to investor interest.

In YTD-2009, the Company completed the \$1.41 million (net) Q1-2009 equity financing, pursuant to the issuance of 2,000,000 common shares and 2-year, \$1 warrants.

In order to continue as a going concern, meeting our commitments and current obligations, we will require additional net equity financing of at least \$600,000 in the coming twelve months. Anticipated sources of this financing include the exercise of existing warrants, and private placement equity offerings. The Company is considering a range of financing alternatives. Working capital at November 19, 2008 is approximately \$120,000.

Additional equity financing will be required in order to carry out the drilling and asset acquisitions necessary to grow beyond the development stage, achieve a self-sustaining level of production and reserves, and achieve our oil and gas business goals. There is no assurance that we will be successful in obtaining such financing. We expect that substantially all external financing will need to be provided by the sale of common shares.

Our ability to obtain financing is 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. Being a development stage oil and gas company reliant on external financing, a

sustained economic recession resulting in a continued reduction of available capital would materially harm Great Pacific. Current financial market conditions and the deterioration of oil prices have exposed Great Pacific, as with many junior resource sector peers, to material liquidity risk, as available equity capital has significantly decreased below recent levels, and the cost of such capital has simultaneously increased. In short, much of the equity financing on which we rely to finance our business development goals has “dried-up” since Q2-2009, and the continued scarcity of risk capital may materially increase our liquidity risk further.

The Company had no long-term debt or financial liabilities outstanding at November 19, 2008 or September 30, 2008.

Aside from accounts and advances receivable (which arise in the normal course of trade), the only significant non-cash financial assets that Great Pacific held at either November 19, 2008 or September 30, 2008 was our investment in 2,500,000 common shares of OG International Inc., having a nominal carrying value of \$1. As there is no active market for the exchange of these securities, management considers them to be significantly illiquid, and of negligible realizable value.

CONTRACTUAL OBLIGATIONS

Material contractual obligations not disclosed elsewhere in this MD & A are as follows:

1. The Company is required to pay its proportionate share of gross asset retirement costs having a future value estimated by management to be approximately \$631,000 over the next fifteen years. The present value of Great Pacific's share of these costs is estimated at approximately \$490,805. 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).
2. Under the terms of the Company's oil and gas property interests, Great Pacific faces dilution or complete loss of certain oil and gas property interests should it fail to pay its share of expenditures authorized by the project operator and the other joint interest participants.
3. At September 30, 2008, the Company had an unfunded commitment of approximately \$40,000 to participate in the remaining stage of drilling on the initial test well in the Midland Basin prospect area.
4. The company has a consulting agreement for the services of the President paying \$10,000 per month. The contract expires in September, 2009, and is terminable on twelve months notice. The Company also has a contract with an office and administration services management company paying \$27,600 per month, for office rent, office services and supplies, and administration staffing services (the “Office Services Agreement”, as described elsewhere).
5. The Company has on-going lease payments (to both the Crown and several private leaseholders) for P & NG property rights. 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.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no material off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows:

- Cash as “held for trading”
- Accounts receivable, advances recoverable and prepaid expenses as “loans and receivables”
- Long term investment as “available for sale securities” measured at fair value
- Accounts payable and accrued liabilities as “other liabilities”, measured at amortized cost.

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

Concentration of credit risk

Cash

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

Accounts receivable

At September 30, 2008 28% of the total balance of accounts receivable, advances recoverable and prepaid expenses is owing from a single counterparty. This amount totals approximately \$72,000. As a result, the Company is exposed to material credit risk. This amount is owing from the operator of the Company’s Alberta oil properties. Management is confident the Company has sufficient recourse to ensure repayment. Accordingly, no provision for impairment has been recorded against this amount.

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

Advances recoverable

As of September 30, 2008, 27% of the total balance of accounts receivable, advances recoverable and prepaid expenses is owing from a single counterparty, being a director of the Company. This amount was extended as an expense advance for expenses expected to be incurred by that director on the Company’s behalf in the normal course of the Company’s operations. The Company anticipates that these funds will be substantially applied against offsetting expenses by March 31, 2009.

Interest rate risk

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

Commodity price risk

The Company is exposed to material oil and gas commodity price risk. A relative decrease in the price of oil and gas would reduce the Company's cash flows, reduce the realizable market value of the Company's oil and gas assets, reduce the Company's economic reserves, and make it more difficult for the Company to raise the equity capital required to meet its commitments and carry out its development-stage business plans. Management has assessed that the Company's degree of exposure to commodity price risk is material, but consistent with our development stage oil and gas business operations.

The Company particularly realized the impact of commodity price decreases subsequent to September 30, 2008, when a material decrease in prevailing oil and gas prices 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 until a significant increase in commodity prices occurs.

Foreign exchange risk

The Company is subject to foreign exchange risk as fluctuations in the value of the Canadian dollar relative to the United States dollar impacts the realized Canadian dollar value of its oil sales (as oil is denominated in United States dollars), while our operating expenses are primarily incurred in Canadian dollars. Moreover, the Company is exposed to foreign exchange risk as its participation costs under the Midland Basin prospect area are denominated in United States dollars, and a relative depreciation of the Canadian dollar would increase the effective cost of carrying out drilling in the U.S.

Subsequent to September 30, 2008, a sustained depreciation of the Canadian dollar had a significantly negative impact on the Canadian-dollar cost of funding the Midland Basin prospect area drilling commitments.

Capital market risk and liquidity risk

The Company is a development stage enterprise, and is accordingly reliant on external financings to fund day to day operations. As a result of this, our operations are materially sensitive to our cost of capital which is subject to macro-economic factors beyond our control.

Recently, the cost of equity capital has increased significantly, and a scarcity of risk capital is observed sector-wide. Accordingly, management has assessed that significant risk may exist in respect of our ability to raise sufficient acceptably-priced equity financing to carry out our exploration and development goals, meet our future asset retirement obligations, and ensure adequate liquidity.

RELATED PARTY TRANSACTIONS

Related party transactions and balances entered into during the six month period ended September 30, 2008 and the comparative period ended September 30, 2007 ("September 30, 2007"), and not disclosed elsewhere in the accompanying interim unaudited financial statements, are as follows:

- a) The Company paid management fees to three officers totalling \$60,000 (September 30, 2007 \$79,250 to three officers).
- b) The Company paid or accrued professional engineering fees to a private company controlled by an officer, totalling \$27,710 (September 30, 2007 \$ nil).
- c) The Company paid or accrued professional geological fees to a private company controlled by a director, totalling \$2,265 (September 30, 2007: \$ nil).

- d) The Company paid finders' fees of \$75,000 to a relative of a director in connection with a private placement offering (September 30, 2007 \$ nil).
- e) Accounts payable and accrued liabilities at September 30, 2008 include \$25,622 (March 31, 2008: \$89,158) due to officers, directors, and persons related, for services as noted in a), b) and c) as above, and for expense reimbursements.
- f) Accounts receivable, advances recoverable and prepaid expenses include \$15,725 (March 31, 2008: \$ nil) owing from two private companies, each having a director in common with the Company, for cost recovery billings submitted. Accounts receivable, advances recoverable, and prepaid expenses also includes a \$69,363 expense advance made to a director of the Company, for out-of-pocket expenses expected to be incurred on the Company's behalf in the normal course of the Company's operations.
- g) 340,000 stock options were granted to related parties, having exercise prices escalating from \$1.50 per share to \$2.20 per share (September 30, 2007: \$-nil).

OUTSTANDING SHARE DATA

Common shares (22,291,433)

At November 19, 2008 there are 22,411,433 common shares of Great Pacific issued and outstanding.

Details of share issuances between September 30, 2008 and November 19, 2008 are as follows:

	<u>Shares issued and outstanding</u>
Opening balance, September 30, 2008	22,291,433
Option exercise (\$0.45 per share)	100,000
Option exercise (\$0.35 per share)	20,000
Common shares issued and outstanding, November 19, 2008	22,411,433

In the six months ended September 30, 2008, the Company issued 2,000,000 shares pursuant to the Q1-2009 Equity Financing (for gross proceeds of \$1,500,000, and net proceeds of \$1,419,217), and issued 48,000 shares on the exercise of share purchase warrants, for gross proceeds of 48,000.

The company is authorized to issue an unlimited number of common shares without par value.

Preferred shares (nil)

At November 19, 2008 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.

Debt securities (nil)

Share purchase instruments

Outstanding share purchase instruments comprise share purchase warrants and incentive stock options. Details of outstanding share purchase warrants and employee stock options as at November 19, 2008 are as follows:

Warrants

	Number of underlying shares	Exercise Price	Expiry Date
FY-2007 grant	1,996,000	\$0.60	March 9, 2009
FY-2009 grant	1,952,000	\$1.00	April 14, 2010
<i>Weighted average totals</i>	<u>3,948,000</u>	<u>\$0.80</u>	<i>0.85 years remaining</i>
Exercisable at November 19, 2008	<u>3,948,000</u>		

Incentive stock options

	Number of underlying shares	Exercise Price	Expiry Date
FY-2005 grant	215,000	\$0.35	May 21, 2009
FY-2006 grant	481,000	\$0.35	October 3, 2010
FY-2007 grant	100,000	\$0.45	Sept 8, 2011
FY-2008 grant*	890,000	\$1.67	February 18 2013
FY-2009 grant*	390,000	\$2.01	April 14 2013
<i>Weighted average totals</i>	<u>2,076,000</u>	<u>\$1.23</u>	<i>3.27 years remaining</i>
Exercisable at November 19, 2008	<u>924,000</u>	<u>\$0.56</u>	

The weighted average exercise price for the FY-2008 and FY-2009 grants reflect graduated exercise prices and straight-line, semi-annual vesting, wherein the exercise prices increase from \$1.25 to \$1.83 and \$1.50 to \$2.20, respectively, with vesting as to 10% every six months. In Q2-2009, 89,000 FY-2008 options became exercisable at \$1.25 per share. Subsequent to Q2-2009, 39,000 FY-2009 options became exercisable at \$1.50 per share, respectively.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Accounting policies adopted at April 1, 2008 are as follows:

Assessing going concern (Canadian Institute of Chartered Accountants Handbook ("CICA Handbook") Section 1400

The Accounting Standards Board (AcSB) amended section 1400 to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern.

Capital disclosures – CICA Handbook Section 1535

This new pronouncement 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. Please see Note 14 to the accompanying unaudited interim financial statements.

Inventories – CICA Handbook Section 3031

The AcSB issued Section 3031 (superseding Section 3030) establishing new standards for the measurement and disclosure of inventories. 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.

Financial instruments – CICA Handbook Section 3862 and 3863 – disclosures and presentation

These new Sections, 3862 (on disclosures) and 3863 (on presentation), replace Section 3861, revising and enhancing the disclosure requirements, and carrying forward unchanged its presentation requirements. Section 3862 complements the principles for recognizing, measuring and presenting financial assets and financial liabilities in Financial Instruments. Section 3863 deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and liabilities are offset. New disclosures as required by Sections 3861 and 3863 are included in Note 14 to the accompanying interim financial statements.

International Financial Reporting Standards (“IFRS”)

The Canadian Accounting Standards Board (“AcSB”) has published a strategic plan that calls for the convergence of Canadian GAAP (Generally Accepted Accounting Principles) over an expected five year transitional period commencing 2006. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada’s own GAAP. For the Company this will require all interim and financial statements commencing April 1, 2011 to be based upon IFRS. The Company will monitor and assess the impact of these convergence initiatives on its financial reporting and disclosure.

CRITICAL ACCOUNTING ESTIMATES

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

Similarly, references herein to oil and gas reserves, future value of oil and gas production, estimates of future production, and estimates of future petroleum exploration, development and decommissioning costs are subject to estimates by management and our independent reserves evaluator. These estimates are made in accordance with the terms of National Instrument 51-101, and are made on a best efforts’ basis, however, they are subject to variance and actual results may differ materially from expected outcomes.

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, 2008 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, 2008 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

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 as disclosed in our Form 51-101 report. This document is to be read in conjunction with that report, dated July 19, 2008, and available at 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.

Quantities and conversions:

In this MD & A the following acronyms are used:

ac	Acres	P & NG	Petroleum and natural gas
bbls	Barrels of oil	/d	Per day
Boe	Barrels of oil equivalent	Ha	Hectare

Please note that oil equivalency measures are expressed based on energy equivalence, assumed at 6 mcf natural gas = 1 bbl oil = 1 boe. Energy equivalence values differ materially from market value equivalency measures.

Per diem production (expressed in terms of bbls/d, mcf/d or boe/d) is expressed on the basis of total volumes produced in a specified period, divided by the total number of calendar days within that period.

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

On behalf of the Board of Directors

"Thal S. Poonian"

Thal S. Poonian, President