GREAT PACIFIC INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD & A") dated February 20, 2009 should be read in conjunction with the Company's unaudited interim financial statements at December 31, 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 December 31, 2008 and 2007 are referred to as "Q3-2009" and "Q3-2008", respectively. The period from April 1, 2008 and up to February 20, 2009 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 then 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:

			Well interests (net)	
	Gross area (ha)	Net Area (ha)	Producing	Suspended
Canada				
Mistahiya-group properties	1,680	430	2	2
Alberta crown leases (undeveloped)	7,060	6,350	-	-
U.S.A.				
Arkansas natural gas well	1,280	20	-	0
Midland Basin prospect area, participation rights	2,110	210	-	-
	12,130	7,010	2	3

(numbers may not add due to rounding)

Details on significant 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. Please see our annual MD & A for fiscal 2008 and 2007 for more details on these acquisitions.

The Mistahiya-group properties include minority interests in 6 producing oil wells in the Red Earth/Peerless Lake area of north-central Alberta (the “Red Earth wells”), 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 also include interests in 7 gross (2 net) suspended wells. 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. All our proven and probable reserves are attributable to the Mistahya-group properties.

Alberta crown leases

We hold a number of undeveloped petroleum and natural gas leases throughout Alberta. These were acquired through purchase at 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 are exploration-grade properties, and in the coming months, the Company intends to commence trade seismic acquisition on those lands. In the second quarter of FY-2009 (“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.

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 leased and option-held petroleum properties held by the project operator located within a 2,110 ha 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 to the entire exploration 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 strong hydrocarbon oil shows in several Strawn horizons, including a significant oil recovery from a drill-stem test on the most prospective Strawn formation, the co-venturers assessed the formation as uneconomic, and the decision was made not to complete this well. In light of the results of the initial well, the co-venturers have not determined whether additional drilling will be conducted. 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 – Nine months ended December 31, 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.) Q3-2009 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 which have occurred 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 the current fiscal year.

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, totalling 4,810 net hectares. These properties are held 100%, except for 1 section of P & NG rights to which we hold a 65% operated interest.

Production

Canadian oil and gas production for Q3-2009 and the comparative period Q3-2008 is as follows:

	Q3-2009		Q3-2008	
	Production Volumes	Producing Wells (net)	Production Volumes	Producing Wells (net)
Oil (bbls/d)	11.9	1.4	20	2.7
Gas (mcf/d)	2.6	0.04	6.4	0.04
Total (boe/d) - based on 91 days for the quarter	12.4	1.5	21.2	2.8
Realized oil price, CDN$ per bbl	$ 59		$ 93	
Realized gas price, CDN$ per mcf	$ 6		$ 5	
Operating cost, per boe	$ 22		$ 29	

The Company's Canadian oil and gas revenues and production volumes were significantly lower in Q3-2009 than in Q3-2008. This decrease primarily reflected three factors:

- The decrease in average realized oil prices in Q3-2009 over the comparative period
- In Q3-2008, production was from 1.28 additional net wells, as the Company held a temporarily enhanced interest in two gross wells in FY-2008; and
- Natural reservoir decline

Stated production volumes do not equate directly to flow-rates, as sales revenues (and thus sales volumes) are recognized by the Company when net revenue statements are provided by the property Operator. As a result of this timing variable, Q3-2009 production represents four months production (since September 2009 production was not booked until net revenue statements were provided by the Operator, in Q3-2009), whereas Q3-2008 production only represents three months production.

The Company is involved in a dispute with the incumbent operator of its Mistahiya-group properties. (See *Legal Proceedings*). The Company has in the past had difficulty in obtaining timely accounting and payment for its share of production revenue, and is presently owed approximately $82,500 on account of disputed expenses deducted from past production. The Company has filed a statement of claim in the Court of Queen's Bench of Alberta, in Calgary, Alberta to attempt to collect this amount, to resolve our operator's refusal to provide certain operations data, and to assert our rights to "take-in-kind" our share of future production at the point of sale.

Alberta farm-in lands – Haro East and RLE Red Earth farm-out agreements (lapsed unexercised)

In FY-2008, Great Pacific acquired option rights to certain petroleum and natural gas leases in Alberta, namely our "Haro East" and "RLE Red Earth" farm-in lands. These acquisitions were as described in our press release dated January 11, 2008.

The Haro East and RLE Red Earth farm-out agreements required us to drill three wells on those farm-out lands by Q3-2009 (two Bluesky targets on the "Haro East" farm-out lands and a Devonian test on the Red Earth farm-out) in order to earn working interest in those properties. To that end, through 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, and obtained a drilling permit on that property.

However, early in Q3-2009 the Company decided not to drill these earn-in 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 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.

Due to our decision not to drill these earn-in wells, we lost all further option rights to our Alberta farm-out lands, and forfeited a $100,000 deposit. We will retain a 65% interest in a P & NG lease adjacent to the RLE Red Earth farm-in lands, which we acquired in Q2-2009 pursuant to Area of Mutual Interest rights granted under the option agreement.

Please see our annual MD & A and audited financial statements for the year ended March 31, 2008 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 (the "Chinchaga lands"). However, due to unfavourable surface access issues, the Company dropped these options in Q3-2009, and we therefore hold no further interest or option rights to those lands. No significant costs were incurred on these option lands, and no further obligations remain in respect of that agreement.

Manitoba land expiries

The Company's Manitoba petroleum leases lapsed due to lease term expiry in YTD-2009. The Company is in consultation with the previous owner of certain of those leases in respect of possible asset retirement obligations concerning a well-bore on that property. The Company retains a surface lease associated with that former property.

Rainbow Lake property

The Company holds a 18% working interest in a "Muskeg" formation oil target near Rainbow Lake, Alberta. In our NI51-101 reserves report effective March 31, 2008, this property was assigned 23,000 barrels of probable undeveloped reserves (gross). The primary expiry term of this lease is March 4, 2009, however, the Operator of that property has advised that an application to "continue" the lease has been made to the Alberta Department of Energy, and a decision is pending. Should we fail to obtain a continuation of that lease, we will have to participate in the immediate abandonment of a suspended well-bore on that property

2. *YTD-2009 Petroleum operations: U.S.A.*

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 Q3-2009 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). GPI Petroleum acquired these participation rights by cash payment of $104,765 These initial prospect fees also gave 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 2008. This well reached total depth of approximately 2,400m sub-surface in mid-October, 2008. Drilling was completed substantially on budget, without incident. 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 may 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*

GPI Oil and Gas Overseas Inc. ("GPI Overseas"), a wholly owned subsidiary of Great Pacific, has recently engaged in an active evaluation of opportunities for investment in the petroleum sector of the Republic of Iraq. We had consultants overseas for much 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 $82,350 recorded in the nine months ended December 31, 2009 related to this undertaking.

In order to be in a position to pursue any opportunities, GPI Overseas has, subsequent to Q3-2009, submitted to the Iraq Ministry of Oil a formal application for pre-qualification as an approved petroleum-sector contractor, pursuant to the Ministry's pre-qualification process. Successfully being pre-qualified and approved is a pre-condition for making direct investments in the Iraqi upstream oil and gas sector. Currently, GPI Overseas is awaiting the results of that pre-qualification round. Should GPI Overseas be successful in obtaining such approval, it will be eligible to bid on petroleum-sector capital projects throughout Iraq. In the interim, Great Pacific is no longer incurring consulting costs in respect of this undertaking.

We expect that, should we successfully be approved as an eligible petroleum-sector contractor in Iraq, management's time and Great Pacific's corporate resources will be focused primarily on opportunities in Iraq in the near-term.

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.

Exercise of warrants and options

In YTD-2009, the Company issued shares pursuant to warrant and option exercises as follows:

- 48,000 shares at $1.00 per share under warrant exercises
- 100,000 shares at $0.45 per share under option exercises
- 20,000 shares at $0.35 per share under to option exercises

5. ***Q3-2009 Net loss***

Net loss in Q3-2009 was $712,144, or $0.03 per share. This compared to $113,470, or $0.01 per share, in the comparative period Q3-2008. Total cash used in operating activities in Q3-2009 was $101,575 (Q3-2008: $24,520).

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

FUTURE PLANS

Q3-2009 marked nearly two years 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) in Alberta 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.

For much of YTD-2009, through September 2008, we worked on completing preparation for our planned 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 in Q3-2009 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 yet 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 development-stage oil and gas sector

predominantly on resultant opportunities in the Republic of Iraq, with a de-emphasis on the aforementioned North America-based exploration and development plans.

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 December 31, 2008 has been as follows:

Canada (Alberta)	Q3-2009	Q2-2009	Q1-2009	9 months ended Dec. 31, 2008
Engineering and management expenditures, Red Earth area producing well interests	9,060	$ 1,964	$ 14,545	$ 25,569
Haro East and RLE Red Earth farm-in lands pre-drill development	48,916	38,000	9,246	96,162
Crown P & NG lease acquisition	-	31,968	28,934	60,902
Other exploration expenditures	34	4,210	-	4,244
Other development expenditures	1,063	6,325	3,414	10,802
	59,073	82,467	56,139	197,679
USA (Midland Basin prospect area)				
Acquisition	-	-	104,765	104,765
Exploration and development	80,490	122,326	6,171	208,987
	80,490	122,326	110,936	313,752
Non-oil and gas				
Equipment purchase - vehicles	-	1,554	76,630	78,184
	$ 139,563	$ 206,347	$ 243,705	$ 589,615

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 YTD-2009 totalled 4,810 net hectares. Acquisition costs consisted of bonus payments, and lease rentals and fees.

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 the costs drilling the initial test well on that exploration block.

RESULTS OF OPERATIONS

Results of Operations for the 3 months ended December 31, 2008 compared to the three months ended December 31, 2007

	Three months ended December 31,		
	2008	2007	*Variance*
	$	$	*$*
Oil and natural gas sales	(68,701)	(177,658)	*(108,957)*
Costs of oil and gas operations	598,086	148,736	*(449,349)*
Loss (gain) on oil and gas operations	**529,385**	**(28,922)**	*(558,307)*
General and administrative expenses			
Remuneration and staffing	100,535	57,100	*(43,435)*
Accounting, audit and professional fees	35,291	38,895	*3,604*
Financing	-	1,508	*1,508*
Regulatory and transfer agent	2,044	2,463	*419*
Prospect evaluation and due diligence	(2,623)	-	*2,623*
Provisions for bad debt expense	18,136	-	*(18,136)*
Corporate communications, shareholder communications, travel and entertainment	16,627	13,481	*(3,146)*
Office, rent, insurance, amortization and miscellaneous	41,003	28,945	*(12,058)*
Vehicle cost recoveries, net of expenses	(25,681)	-	*25,681*
(Gain) loss on foreign exchange	(2,573)	-	*2,573*
Net loss for the period	**(712,144)**	**(113,470)**	*(598,674)*

Significant Variances in Operating Items (3 months ended December 31, 2008 and 2007)

Significant variances in operating items for the three months ended December 31, 2008 compared to the three months ended December 31, 2007 include the following

Oil and natural gas sales and costs of sales

Oil and natural gas volumes and revenues were significantly lower in Q3-2009 than in Q3-2008. The reasons for the decline in volumes and revenue are as discussed in the section *YTD-2009 Petroleum Operations – Canada*.

Depletion charges were significantly higher in Q3-2009 compared to Q3-2008. 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 following factors contributed to the quarter-over-quarter increase in per-unit depletion charges:

- The cost base of proven properties subject to depletion increased considerably in the fourth quarter of FY-2008 ("Q4-2008") when approximately $300,000 of future additional asset retirement obligation costs were accrued and capitalized. These related to a re-estimation of the cost of re-mediating the Red Earth area wells.

- Capitalized costs on the 3-20 re-entry project became subject to depletion in Q4-2008, after the uneconomic test of the Keg River formation on that property.

- Impairment charges on the Midland Basin test well were recorded to depletion expense in YTD-2009 upon the uneconomic Strawn-formation test.

- The material decline in the fair value of Company reserves due to the significant fall of forecast-case oil revenues in Q3-2009 triggered an impairment charge which was recorded to depletion expense in Q3-2009.

- The depletable cost base of proven properties grew due to the cost of re-working a Red Earth area well in Q4-2008

Depletion charges in the three and nine months ended December 31, 2008 included significant impairment charges. As these are non-recurring cost items, depletion charges are expected to be materially lower in Q4-2009 compared to Q3-2009.

Remuneration and staffing

Amounts classified in this MD & A as "Remuneration and staffing expenses" for Q3-2009 consist of management fees to three officers, consulting and staffing costs, and stock-based compensation expenses. These expenses are itemized as follows:

	Q3-2009	Q3-2008	Variance
Management fees	$ 45,000	$ 30,000	$ (15,000)
Consulting and staffing	37,597	27,100	(10,497)
Stock-based compensation	17,938	-	(17,938)
	$ 100,535	$ 57,100	$ (43,435)

Management, staffing and consulting fees

Management fees in Q3-2009 were paid to the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. In Q3-2009, management fees increased to $45,000 per quarter from $30,000 per quarter, contributing to the increase in remuneration and staffing expense.

The increase in consulting and staffing expenses reflected the hiring of several additional part-time personnel since Q3-2008. 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. The flat fee charged under the Office Services Agreement increased by approximately $3,000 per month in Q2-2009, contributing to quarter-over-quarter increases in consulting and staffing expenses, among other items.

The Company expects that cash costs on consulting, staffing and management fees will average approximately $82,500 per quarter in the coming quarters. A 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.

Stock-based compensation

Remuneration and staffing expenses for Q3-2009 also included $17,938 (Q3-2008: $ 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 Q3-2009.

In each subsequent quarter through 2013, the Company will recognize approximately $28,000 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.

Office, rent, insurance, amortization and miscellaneous

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

	Q3-2009	Q3-2008	Variance
Office services and supplies	$ 15,530	$ 13,820	$ (1,710)
Insurance	9,502	3,125	(6,377)
Office premises rent	14,550	12,000	(2,550)
Amortization of equipment	1,421	-	(1,421)
	$ 41,003	$ 28,945	$ (12,058)

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 higher 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 primarily reflected an increase in coverage as deemed appropriate for our oil and gas business operations. These coverages were acquired subsequent to Q3-2008.

Spending on office, rent and miscellaneous is not expected to vary materially in coming quarters from Q3-2009 levels.

Vehicle cost recoveries, net of expenses

In Q1-2009, the Company acquired certain vehicles for use in its oil and gas business activities. As the Company did not commence planned drilling activities in Alberta in Q3-2008, the Company was able to rent these trucks out. Gains classified as vehicle cost recoveries consisted of rental revenues charged for the use of these vehicles, net of operating costs and depreciation.

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 nine months ended December 31, 2008 compared to the nine months ended December 31, 2007:

	Nine months ended December 31,		
	2008	2007	Variance
	$	$	$
Oil and natural gas sales	(215,465)	(272,220)	*(56,755)*
Costs of oil and gas operations	1,096,428	241,134	*(855,294)*
Loss (gain) on oil and gas operations	**880,963**	**(31,086)**	*(912,049)*
General and administrative expenses			
Remuneration and staffing	312,589	194,493	*(118,096)*
Accounting, audit and professional fees	115,699	120,050	*4,351*
Financing	-	26,508	*26,508*
Regulatory and transfer agent	9,961	21,400	*11,439*
Prospect evaluation and due diligence	110,129	-	*(110,129)*
Provisions for bad debt expense	18,136	-	*(18,136)*
Corporate communications, shareholder communications, travel and entertainment	118,593	104,306	*(14,287)*
Vehicle cost recoveries, net of expenses	(31,081)	-	*31,081*
Office, rent, insurance, amortization and miscellaneous	123,484	82,745	*(40,739)*
(Gain) loss on foreign exchange	(77)	-	*77*
Net loss for the period	**(1,658,396)**	**(518,416)**	*(1,139,980)*

Significant Variances in Operating Items (9 months ended December 31, 2008 and 2007)

Significant variances in operating items for the nine months ended December 31, 2008 compared to the nine months ended December 31, 2007 include the following

Oil and natural gas sales and costs of sales

Oil and natural gas sales revenues decreased 21% in the nine months ended December 31, 2008 compared to the nine months ended December 31, 2007. Production volumes in each nine month period decreased from approximately 11 boe/d to approximately 9boe/d., more than offsetting the effects of realized commodity prices which increased to an average of $91/boe in the nine months ended December 31, 2008 compared to an average of $88/boe in the prior period.

A number of off-setting factors impacted sales volumes in the nine month periods presented:

- FY-2009 production was from 1.28 fewer net wells than FY-2008 production, due to the lapsing of an enhanced interest (as discussed in YTD-2009 Petroleum Operations)
- Q1-2009 production was from 0.72 more net wells than Q1-2008 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.

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.

The increase in depletion charges for the nine months ended December 31, 2008 compared to the comparative period in FY-2008 was substantially a result of those factors driving depletion expenses in Q3-2009 over Q3-2008. These are discussed in the section of this document "*Results of Operations – 3 months*".

Remuneration and staffing

Amounts classified in this MD & A as "Remuneration and staffing expenses" for the 9 month periods presented are as follows:

	Nine months ended December 31,		
	2008	2007	Variance
Management fees (3 officers)	105,000	109,350	$ 4,350
Consultants and staff	107,963	85,143	(22,820)
Stock-based compensation	99,626	-	(99,626)
	312,589	194,493	$ (118,096)

The largest source of variation in remuneration and staffing costs related to stock based compensation expense. In the nine months ended December 31, 2008, the Company recorded $99,626 of stock-based compensation expense related both to the granting of 390,000 stock options and the recognition of stock-based compensation expense on options granted in Q4-2008 but earned in YTD-2009. In the nine months ended December 31, 2007, no incentive stock options were granted.

Spending on consultants and staff increased as a result of both the hiring of additional part time staff since December 31, 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. As explained in the section of this document *Results of operations – 3 months*, consultants and staffing expenses are largely procured through our flat-fee Office Services Agreement. Rates under this agreement increased subsequent to December 31, 2007 to their current levels, resulting in higher spending on this expense item.

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

Financing

The $26,508 financing expense incurred in the nine months ended December 31, 2007 was primarily attributable to a $25,000 break-up fee paid to an investment bank retained in Q1-2008 and Q2-2008. This is a non-recurring charge.

Regulatory and transfer agent

Regulatory and transfer agent fees were considerably lower in the current nine 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 coming quarters.

Prospect evaluation and due diligence

Prospect evaluation and due diligence expenses incurred in YTD-2009 are as follows:

- 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 $82,350 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 and subsequent. While we are not incurring such costs at the present, we do expect that 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:

	Nine months ended December 31,		
	2008	2007	Variance
Shareholder and corporate communications	$ 71,727	$ 45,060	$ (26,667)
Travel, meals and entertainment	46,866	59,246	12,380
	$ 118,593	$ 104,306	$ (14,287)

Office, rent and miscellaneous

Spending on office, rent and miscellaneous expenses increased in the nine-month periods presented as follows:

	YTD-2009	YTD-2008	Variance
Office services and supplies	$ 52,135	$ 43,170	$ (8,965)
Insurance	25,987	3,575	(22,412)
Office premises rent	41,100	36,000	(5,100)
Amortization of equipment	4,262	-	(4,262)
	$ 123,484	$ 82,745	$ (40,739)

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 December 31, 2007.
- Office services and rent costs increased by $14,067 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 FY-2009.
- In FY-2009 the Company incurred monthly office expenses at our Calgary office location, which was acquired subsequent to Q3-2008.

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

Vehicle cost recovery, net of expenses

A gain recorded on vehicle cost recovery, net of expenses, arose from the vehicle rental arrangement discussed in the analysis of results of operations for the three month periods ended December 31, 2008.

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

	Dec 31. 2008 $	Sept 30, 2008 $	June 30, 2008 $	March 31, 2008 $
Sales	68,701	64,843	81,921	245,193
Net loss for the quarter	712,144	667,679	278,573	349,366
Net loss per share	$0.03	$0.03	$0.01	$0.02
Total assets	1,677,491	2,213,106	2,866,060	2,555,406
Deficit	9,120,798	8,408,654	7,740,975	7,462,402

	Dec. 31 2007 $	Sept 30, 2007 $	June 30, 2007 $	March 31, 2007 $
Sales	177,659	91,489	3,072	-
Loss from continuing operations	113,472	237,200	167,746	227,033
Loss from discontinued operations	-	-	-	162,555
Net loss for the quarter	113,472	237,200	167,746	389,588
Loss per share data				
Loss per share – continuing operations	$0.01	$0.01	$0.01	$0.02
Loss per share – discontinued operations	-	-	-	0.01
Net loss per share	$0.01	$0.01	$0.01	$0.03
Total assets	1,646,210	2,237,979	1,597,989	1,346,615
Deficit	7,113,034	6,999,564	6,762,364	6,594,618

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.

Results over the eight quarters presented were significantly impacted by the following events, transactions and business trends:

- A significant increase in per-unit depletion charges in YTD-2009. These depletion charges largely account for the decrease in asset size subsequent to Q1-2009 and much of the increase in net loss.
- Year over year increases in corporate overhead, administration, and management expenses, reflecting both higher levels of corporate activity, and higher costs
- The private placement equity financing conducted in Q4-2008 and Q1-2009 significantly increased asset size over prior quarters.
- Those additional factors discussed in the sections “Results of operations” for the 3-month and 9-month periods ended December 31, 2008.

LIQUIDITY AND CAPITAL RESOURCES

Great Pacific’s major source of liquidity has been the issuance of equity capital. The Company obtains equity capital financing 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. Our 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 due to the significant decline in oil prices observed since Q3-2009.

In YTD-2009, the Company completed the $1.41 million (net) Q1-2009 equity financing, pursuant to the issuance of 2,000,000 equity units, each consisting of one common share and one 2-year, $1 warrant. We also obtained equity financing in YTD-2009 through the exercise of 48,000 warrants and 120,000 options, for net proceeds of $100,000.

In order to continue as a going concern, meeting our commitments and current obligations, we will require additional net equity financing of at least $680,000 in the coming twelve months. Anticipated sources are private placement equity offerings. Working capital at February 20, 2009 is approximately $10,000.

Additional equity financing will be required in order to carry out the exploration and development necessary to grow beyond the development stage, achieve a self-sustaining level of production and reserves, and achieve our oil and gas business goals. We expect that additional financing – in the order of $1.5 - $5 million dollars, will be required to carry out a drilling program sufficient to attain a self-sustaining level of revenue. 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 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 February 20, 2009 or December 31, 2008.

CONTRACTUAL OBLIGATIONS

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

Accounts payable and accrued liabilities. The Company's accounts payable and accrued liabilities consist of:

- Short-term trade credit owing to related parties: $20,886
- Short-term trade credit owing to other vendors: $155,409
- Amounts owing to the operator of our Midland Basin prospect area: $45,221

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

Accounts receivable

The amounts recorded for accounts receivable are presented net of a provision for impairment of $18,136.

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

Related party advances

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

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

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

Accounts payable and accrued liabilities

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

Included in the balance of accounts payable at December 31, 2008 is approximately $45,000 owing to the operator of the Midland Basin prospect area. We are in an un-notified state of default with respect to that amount. In order to maintain our interest in that exploration block, we must make the payment within a specified 20-day "grace period" should we be formally notified of our default. That debt is U.S. dollar denominated, and accrues interest at a variable rate. Therefore, the settlement-date value of that liability will be subject to change, based on changes in the U.S. prime interest rate and the United States/Canada foreign exchange rate.

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

Financial instrument risk: Significant sources of financial instrument risk are detailed as follows:

Concentration of credit risk

Canadian oil and gas operations

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

Cost recovery billings

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

Interest rate risk

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

Currency risk

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

Commodity price risk

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

In the quarter ended December 31, 2008 the Company acutely realized the impact of commodity price decreases, 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 below those reported for the nine months ended December 31, 2008 until a significant increase in commodity prices occurs.

Liquidity risk

The Company faces material liquidity risk in that it has approximately $130,000 in accounts payable which are overdue and insufficient cash on hand to satisfy those debts should they be demanded. The Company is seeking equity financing in order to obtain additional liquidity to mitigate this risk.

RELATED PARTY TRANSACTIONS

Significant related party transactions and balances entered into during the nine month period ended December 31, 2008 are as follows:

Remuneration paid to related parties

a) The Company paid management fees to three officers totalling $105,000

b) The Company paid or accrued professional engineering fees to a private company controlled by an officer, totalling $27,710

c) 340,000 stock options were granted to related parties, having exercise prices escalating from $1.50 per share to $2.20 per share

d) The Company paid finders' fees of $75,000 to a relative of a director in connection with a private placement offering

e) The Company paid or accrued professional geological fees to a private company controlled by a former director, totalling $2,265

Amounts owing from/to related parties

f) Accounts payable and accrued liabilities at December 31, 2008 include $21,111 (March due to officers, directors, and persons related, for management fees and expense reimbursements.

g) Accounts receivable includes $63,134 (March 31, 2008: $ nil) owing from two private companies, each having a director in common with the Company.

h) Related party advances recoverable consist of the following items:

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

(i) Expense advances made to a director

Expense advances made to a director represent advances on management fees and advances for travel and out-of-pocket expenses expected to be incurred by a director on the Company's behalf in the normal course of operations.

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

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

OUTSTANDING SHARE DATA

Common shares (22,411,433)

At February 20, 2009 there are 22,411,433 common shares of Great Pacific issued and outstanding. There have been no shares issued subsequent to December 31, 2008.

Share purchase instruments

Outstanding share purchase instruments consist of share purchase warrants and incentive stock options. Details of outstanding share purchase warrants and incentive stock options as at February 20, 2009 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
Weighted average totals	*3,948,000*	*$0.80*	*0.6 years remaining*
Exercisable at February 20, 2009	***3,948,000***		

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	March 9, 2009
FY-2008 grant*	865,000	$1.69	February 18 2013
FY-2009 grant*	390,000	$2.01	April 14 2013
Weighted average totals	*2,051,000*	*$1.24*	*2.9 years remaining*
Exercisable at February 20, 2009	***1,008,000***	***$0.65***	

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 on each anniversary date from $1.25 to $1.83 and $1.50 to $2.20, respectively, with vesting as to 10% every six months.

Subsequent to December 31, 2008, an additional 86,500 options granted under the FY-2008 grant became exercisable.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

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

Assessing going concern, CICA Handbook Section 1400

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

The required disclosures are included in Notes 1 and 14 to the accompanying unaudited interim financial statements.

Capital disclosures, CICA Handbook Section 1535

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

The required disclosures are included in Note 14 to these financial statements.

Inventories, CICA Handbook Section 3031

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

Financial Instruments, CICA Handbook Sections 3862 and 3863

The Company adopted CICA Handbook Sections 3862, Financial Instruments - Disclosures and Section 3863 Financial Instruments – Presentation. These pronouncements have replaced CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation. The adoption of these standards did not require a re-statement of deficit or comparative figures. The disclosures required by the adoption of these standards have been included in Note 13 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. Critical estimates are required, for example, in the determination of the fair value of future asset retirement obligations, depletion costs per unit of production, impairment charges, stock-based compensation expense, fair values of financial instruments, and in measuring the recoverability of amounts shown for oil and gas properties. These critical 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.

Operatorship dispute

Subsequent to December 31, 2008 the Company filed a Statement of Claim in the Court of Queen's Bench of Alberta in the city of Calgary, against the operator of the Company's producing oil properties in Alberta, Canada. The Statement of Claim is in respect of certain operatorship issues and seeks a judicial resolution of disputed revenue with-holdings, the assertion of our take-in-kind rights to oil revenue, and other issues. A trial date has not yet been sent.

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