PETROWORTH RESOURCES INC.

Financial Statements
(An Exploration Stage Company)

December 31, 2007

PetroWorth Resources Inc.
(An Exploration Stage Company)
Financial Statements
Index

AUDITORS' REPORT

To the Shareholders of
PetroWorth Resources Inc.

We have audited the balance sheet of PetroWorth Resources Inc. (an exploration stage company) as at December 31, 2007 and 2006 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Signed"

Markham, Ontario
April 11, 2008

Harris & Partners, LLP
Licensed Public Accountants

PetroWorth Resources Inc.
(An Exploration Stage Company)
Balance Sheet
As at December 31,

	2007	2006
ASSETS		
Current		
Cash and cash equivalents	$ 9,585,580	$ 287,890
Sales tax receivable	494,405	165,241
Prepaid expenses and sundry assets	713,601	207,112
	10,793,586	660,243
Equipment (Note 3)	44,983	53,774
Natural gas exploration (Note 4)	12,861,648	8,615,294
	$ 23,700,217	$ 9,329,311
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 1,150,980	$ 740,636
Future income taxes	220,000	1,309,000
	1,370,980	2,049,636
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	26,725,207	9,125,366
Contributed surplus (Note 5)	5,164,120	366,976
Deficit, accumulated during the exploration stage	(9,560,090)	(2,212,667)
	22,329,237	7,279,675
	$ 23,700,217	$ 9,329,311

Approved by the Board

Director "Amy Stephenson" Director "Neal Mednick"

See accompanying notes

PetroWorth Resources Inc.
(An Exploration Stage Company)
Statement of Operations and Deficit
For the Year Ended December 31,

	Cumulative Since Inception	2007	2006
Revenue			
Revenues	$ 104,491	$ 104,491	$ -
Royalty expense	(20,342)	(20,342)	-
Production expense	(38,680)	(38,680)	-
	45,469	45,469	-
Expenses			
Stock based compensation	5,298,731	5,064,488	-
Salaries and management fees	1,486,121	1,065,816	299,722
Impairment of oil and gas properties (Note 4)	868,383	868,383	-
Consulting fees	761,284	726,958	57,227
General and administrative	975,454	305,880	160,140
Travel and promotion	594,900	231,926	91,400
Professional fees	1,925,145	220,011	495,357
Depletion, amortization and accretion	235,226	183,930	19,019
	12,145,244	8,667,392	1,122,865
Loss before the following items	(12,099,775)	(8,621,923)	(1,122,865)
Interest income	367,685	232,500	95,977
Loss before income taxes	(11,732,090)	(8,389,423)	(1,026,888)
Future income tax recovery (Note 7)	(2,172,000)	(1,042,000)	-
Net loss and comprehensive loss	(9,560,090)	(7,347,423)	(1,026,888)
Deficit, beginning of year	-	(2,212,667)	(1,185,779)
Deficit, accumulated during the exploration stage, end of year	$ (9,560,090)	$ (9,560,090)	$ (2,212,667)
Net loss per share		$ (0.22)	$ (0.05)
Fully diluted loss per share		$ (0.22)	$ (0.05)
Weighted average number of shares - basic		32,927,204	21,938,720
Weighted average number of shares - fully diluted		35,109,726	21,938,720

See accompanying notes

PetroWorth Resources Inc.
(An Exploration Stage Company)
Statement of Cash Flows
For the Year Ended December 31,

	Cumulative Since Inception	2007	2006
Cash provided by (used in):			
Operating activities			
Net loss	$ (9,560,090)	$ (7,347,423)	$ (1,026,888)
Adjustments for items not affecting cash			
Depletion, amortization and accretion	235,226	183,930	19,019
Stock based compensation (Note 12)	5,250,814	5,064,488	-
Shares issued for services	798,875	798,875	-
Options exercised for services	72,800	72,800	-
Impairment of oil and gas properties	868,383	868,383	-
Future income tax recovery	(2,172,000)	(1,042,000)	-
	(4,505,992)	(1,400,947)	(1,007,869)
Changes in non-cash components of working capital			
Sales tax receivable	(494,405)	(329,164)	(95,316)
Prepaid expenses	(713,601)	(506,489)	384,438
Accounts payable and accrued liabilities	1,150,981	410,345	620,101
	(4,563,017)	(1,826,255)	(98,646)
Investment activities			
Natural gas exploration	(13,852,644)	(5,285,268)	(3,475,251)
Purchase of equipment	(109,679)	(4,608)	(1,890)
	(13,962,323)	(5,289,876)	(3,477,141)
Financing activities			
Sale of common shares and special warrants	22,654,083	12,317,055	-
Exercise of warrants	3,749,066	3,749,066	-
Exercise of options	347,700	347,700	-
Exercise of purchase warrants	1,360,071	-	-
	28,110,920	16,413,821	-
Increase (decrease) in cash and cash equivalents	9,585,580	9,297,690	(3,575,787)
Cash and cash equivalents, beginning of year	-	287,890	3,863,677
Cash and cash equivalents, end of year	$ 9,585,580	$ 9,585,580	$ 287,890
Supplementary information:			
Interest paid		$ -	$ -
Income taxes paid		$ -	$ -

See accompanying notes

1. Nature of operations

(a) PetroWorth Resources Inc. is in the process of exploring its natural gas properties and has not as yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amount shown for these properties and related expenditures is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and future profitable production or proceeds from disposition of such properties.

(b) These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete equity financing, or generate profitable operations in the future.

2. Summary of significant accounting policies

(a) Natural Gas Properties

The Company accounts for crude oil and natural gas properties in accordance with the Canadian Institute of Chartered Accountants' guideline on full cost accounting in the oil and gas industry. Under this method, all costs associated with the acquisition of, exploration for and the development of, natural gas and crude oil reserves, including asset retirement costs, are capitalized within a separate cost centre for each country in which the Company has oil and gas activities. Such costs include lease acquisition, lease rentals on undeveloped properties, geological and geophysical, drilling both productive and non-productive wells, production equipment and overhead charges directly related to acquisition, exploration and development activities. All costs have been capitalized in a single Canadian cost centre, which is currently in the preproduction stage, and such costs are excluded from costs subject to depletion. Capitalized costs are assessed at the end of each reporting period to determine if the total of such costs may be recovered in the future. Any costs considered unlikely to be recovered are written off and a corresponding loss is recognized in net income.

When the cost centre is no longer in the preproduction stage, costs accumulated within each cost centre are depreciated, depleted and amortized using the unit-of-production method based on estimated gross proved reserves as determined by independent engineers. For purposes of this calculation, gas is converted to oil on an energy equivalent basis. Capitalized costs subject to depletion are net of equipment salvage values and include estimated future costs to be incurred in developing proved reserves. Proceeds from the disposal of properties are normally deducted from the full cost pool without recognition of gain or loss unless that deduction would result in a change to the rate of depreciation, depletion and amortization of 20 percent or greater in which case a gain or loss is recorded. Costs of major development projects and costs of acquiring and evaluating significant unproved properties are excluded, on a cost centre basis, from costs subject to depletion until it is determined whether or not proved reserves are attributable to the properties, or impairment has occurred.

2. Summary of significant accounting policies (cont'd)

(a) Natural Gas Properties (cont'd)

An impairment loss is recognized in net earnings when the carrying amount of a cost centre is not recoverable and the carrying amount of the cost centre exceeds its fair value.

The carrying amount of the cost centre is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows from proved reserves. If the sum of the cash flows is less than the carrying amount, the impairment loss is limited to the amount by which the carrying amount exceeds the sum of: (a) the fair value of proved and probable reserves; and (b) the costs of unproved properties that have been subject to a separate impairment test and contain no probable reserves.

(b) Environmental and site restoration costs

A provision for environmental and site restoration costs is made when restoration requirements are established and costs can be reasonably estimated. The accrual is based on management's best estimate of the present value of the expected cash flows. Site restoration costs increase the carrying amount of the oil and gas properties and are amortized on the same basis as the properties.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) Future income taxes

Future income taxes are recognized for the expected future consequences of differences between the carrying amount of the balance sheet items and the corresponding tax values using the enacted corporate income tax rates for the years in which the differences will reverse.

(e) Values

The amounts shown for natural gas properties represent costs to date, and do not represent present or future values, as they are entirely dependent upon the economic recovery on future reserves.

(f) Property and equipment

Equipment is recorded at cost. Amortization is calculated using the diminishing balance method over the useful life of the assets at the following annual rates.

Office furniture	20%
Computer hardware	30%

2. Summary of significant accounting policies (cont'd)

(g) Stock based compensation

Stock options and warrants granted are accounted for using the fair value method under which compensation expense is recorded based on the estimated fair value of the options and warrants at the grant date with a credit to contributed surplus.

(h) Flow-through shares

The Corporation will from time to time issue flow-through shares to finance a portion of its capital expenditure program. Pursuant to the terms of flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. Accordingly, share capital will be reduced and a future tax liability will be recorded equal to the estimated amount of future income taxes payable by the Corporation as a result of the renunciations, when the renunciations are made.

(i) Earnings per share

Basic income per share is computed using the weighted average number of common shares outstanding during the year. Diluted income per share is computed using the weighted average number of common and potential common shares outstanding during the year. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options and warrants using the treasury stock method.

(j) Revenue recognition

Oil and natural gas sales are recognized when the commodities are delivered to purchasers and collection is reasonably assured.

(k) Accounting changes

The CICA issued section 1506 of the CICA Handbook, *Accounting Changes*, which establishes criteria for changing accounting policies and describes how to apply changes in accounting policies, accounting estimates, and changes resulting from the correction of errors. These changes, including the related disclosure requirements, came into effect as of January 1, 2007 and did not impact our financial statements.

2. **Summary of significant accounting policies** (cont'd)

(l) Changes in accounting policy

Effective January 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under CICA Handbook Section 1530 "Comprehensive Income" (Section 1530), Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement" ("Section 3855"), Section 3861 "Financial Instruments – Disclosure and Presentation" and Section 3865 "Hedges". These new sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; (2) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is unrecognised or impaired; and (3) all derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sale, normal purchase exemption and changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

As a result of the adoption of these new standards, the Company has classified its cash as held-for-trading.

Receivables are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities, all of which are measured at amortized cost.

Section 3855 also provides guidance on accounting for transaction costs incurred upon the issuance of debt instruments or modification of a financial liability. Transaction costs are now deducted from the financial liability and are amortized using the effective interest method over the expected life of the related liability.

As a result of the application of Section 3855, the Company has determined that no adjustment is necessary to the opening deficit balance.

2. Summary of significant accounting policies (cont'd)

(m) Impact of accounting policies not yet adopted

In December 2006, the Canadian Institute of Chartered Accountants published new Section 1535, "Capital Disclosures". The new section establishes standards for disclosing information about an entity's capital and how it is managed. This new standard is effective for fiscal years beginning on or after October 1, 2007 and the Company will implement it as of January 1, 2008. The new accounting standard only addresses disclosures and will have no impact on the Company's financial results.

In June 2007, the Canadian Institute of Chartered Accountants modified Section 1400, "General Standards of Financial Statement Presentation", in order to require that management make an assessment of the Company's ability to continue as a going concern over a period which is at least, but is not limited to, twelve months from the balance sheet date. These new requirements are effective for fiscal years beginning on or after January 1, 2008 and the Company will implement them as of January 1, 2008. The new requirements only address disclosures and will have no impact on the Company's financial results.

"Financial Instrument-Disclosures", Section 3862, describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. The section complements the principles of recognition, measurement and presentation of financial instruments of Section 3855, "Financial Instrument-Recognition and Measurement".

Section 3863, "Financial Instruments-Presentation", establishes standards for presentation of financial instruments and non-financial derivatives. It complements standards of Section 3861 "Financial Instruments - Disclosures and Presentation". The Company is currently evaluating the impact of the adoption of this new Section on the financial statements.

3. Equipment

		Accumulated	Net Book Value	
	Cost	Amortization	2007	2006
Computer hardware	$ 71,044	$ 46,202	$ 24,842	$ 32,549
Office furniture	38,635	18,494	20,141	21,225
	$ 109,679	$ 64,696	$ 44,983	$ 53,774

4. Natural gas exploration

The Corporation was founded to operate as a natural gas exploration, development and production company.

Prince Edward Island

On May 30, 2003, the Company secured a 100% interest in Oil and Natural Gas Permit No. 03-01 on Prince Edward Island, consisting of approximately 35,664 hectares (88,126 acres). The permit has a six year term with an annual rental of $8,809.

On July 1, 2003, the Company secured a 100% interest in the Oil and Natural Gas permit No. 03-02 on Prince Edward Island, adjacent to Permit No. 03-01, consisting of approximately 71,249 hectares (176,056 acres). The permit has a term of six years with an annual rental of $17,624.

On December 17, 2004, the Company secured a 100% interest in Oil and Natural Gas Permit No. 04-05 on Prince Edward Island consisting of approximately 53,962 hectares (133,340 acres). The permit has a six year term with an annual rental of $13,329.

On December 17, 2004, the Company also secured a 100% interest in Oil and Natural Gas Permit No. 04-06 on Prince Edward Island consisting of approximately 8,648 hectares (21,360 acres). The permit has a six year term with an annual rental of $2,136.

On December 17, 2004, the Company also secured a 100% interest in Oil and Natural Gas Permit No. 04-07 on Prince Edward Island consisting of approximately 8,672 hectares (21,420 acres). The permit has a six year term with an annual rental of $2,142.

On December 17, 2004, the Company also secured a 100% interest in Oil and Natural Gas Permit No. 04-08 on Prince Edward Island consisting of approximately 1,348 hectares (3,418 acres). The permit has a six year term with an annual rental of $342.

The permits were obtained under the laws of the Province of Prince Edward Island. The Company has the exclusive right to explore the properties for up to six years so long as the Company has complied with the provisions of the permits and paid the annual rental.

On May 10, 2007, the Company entered into a data exchange and option agreement with Corridor Resources Inc. Under the terms of the agreement each of Corridor and the Company made available to the other parties seismic information relating to certain properties in PEI and NB. The agreement also gives Corridor the option to farm-in on the Company's PEI exploration license 03-02 whereby Corridor will pay 100% of the cost of drilling and completion of an exploration well to a minimum ("commitment well"). Provided the commitment well is drilled, Corridor will have the option to drill the second and third exploratory wells on the Company's PEI licenses at 50% of the cost prior to October 1, 2008 to earn a 50% working interest in the licenses. Corridor has completed the first exploratory well known as New harmony #1 in October 2007. Corridor retains the option to drill the two additional wells on the Company's PEI licenses which expires in October 2008.

4. Natural gas exploration (cont'd)

Nova Scotia

On January 15, 2004, the Company secured a 100% interest in the Exploration Agreement No. 04-01-15-01 in the Cumberland/Colchester counties of Nova Scotia, consisting of approximately 24,997 hectares (61,768 acres) for a term of three years with an annual rental of $3,000. This permit expired on January 15, 2007. The Company did not fulfill the work commitment of $1,200,000 and forfeited a bond of $60,000.

On July 15, 2004, the Company secured a 100% interest in the Exploration Agreement No. 04-07- 15-03 in the Victoria counties of Nova Scotia, consisting of approximately 155,292 hectares (383,727 acres) for a term of three years with an annual rental of $18,635. In August 2007, the Nova Scotia Department of Energy extended the Exploration Agreement for a further three years, contingent upon the Company meeting its annual work commitment. The Company has put up a deposit of $300,000. The Company has the right to explore the properties until July 15, 2010 so long as the Company has complied with the provisions of the permits, paid the annual rental of $18,635 and expends a total of $4,500,000 of which $1,500,000 must be spent prior to July 1, 2008.

New Brunswick

On October 26, 2004, the Company secured a 100% interest in New Brunswick Permit No. ONG/lic 04-06 for 13,660 hectares (33,754 acres). The permit has a three year term with an annual rental of $2,049 and a commitment of $325,000 of exploratory work.

On November 3, 2006, the Company secured a 100% interest in New Brunswick Permit No. ONG/lic 06-05 for 717.5 hectares (1,773 acres). The permit has a three year term commencing August 15, 2006 with an annual rental of $108 and a commitment of $125,563 of exploratory work.

On November 3, 2006, the Company secured a 100% interest in New Brunswick Permit No. ONG/lic 06-06 for 2,152.5 hectares (5,319 acres). The permit has a three year term commencing August 15, 2006 with an annual rental of $323 and a commitment of $376,688 of exploratory work.

The permits were obtained under the laws of the Province of New Brunswick. The Company has the exclusive right to explore the properties for up to three years so long as the Company has complied with the provisions of the permits, paid the annual rental and fulfilled the work commitment.

During the year ended December 31, 2007, the total capitalized natural gas exploration expenditures were $5,285,268 (2006 - $3,475,251) of which $3,662,539 (2006 - $1,517,453) was spent on the New Brunswick properties, $1,203,428 (2006 - $621,967) was spent on the Alberta properties, $207,922 (2006 - Nil) was spent on the Nova Scotia properties and $161,267 (2006 - $1,335,831) was spent on the PEI properties. This amount includes general exploration costs of $50,112 (2006 - Nil) and capitalized general and administrative costs of Nil (2006 - $42,690).

As at December 31, 2007, unproved property costs of $12,123,402 (2006 - $8,615,294) were excluded from costs subject to depletion. At December 31, 2007, $1,777,160 (2006 - Nil) of future development costs were included in the costs subject to depletion.

4. Natural gas exploration (cont'd)

During the year ended December 31, 2007, the Company performed a ceiling test calculation at December 31, 2007 resulting in undiscounted cash flows from proved reserves not exceeding the carrying value of its oil and gas assets. Consequently, the Company performed stage two of the ceiling test assessing whether discounted future cash flows from the production of proved plus probable reserves exceeded the carrying value of its oil and natural gas properties. As a result of performing this test, a ceiling test impairment loss of $868,383 has been recorded as an impairment of oil and natural gas properties in the statements of operations and deficit and is included in accumulated depletion. The prices used in the ceiling test evaluation of the Company's oil and natural gas reserves at December 31, 2007 were:

Forecast year	WTI Crude Oil	Edmonton par Price 40° API	Alberta AECO-C Spot	Inflation Rate	Exchange Rate
2008	89.61	88.17	6.51	2.0	1.000
2009	86.01	84.54	7.22	2.0	1.000
2010	84.65	83.16	7.69	2.0	1.000
2011	82.77	81.26	7.70	2.0	1.000
2012	82.26	80.73	7.61	2.0	1.000

Various escalation rates thereafter.

	Beginning Balance	Addition	Depletion Total	Cumulative
December 31, 2006	$ 5,140,043	$ 3,475,251	$ -	$ 8,615,294
December 31, 2007	$ 8,615,294	$ 5,285,268	$ 1,038,914	$ 12,861,648

5. Share capital

(a) Common shares

	Number of shares	Amount
Authorized		
Unlimited Common shares		
Issued		
Balance, December 31, 2005	21,938,720	$ 10,053,366
Reduction for future income tax liability	-	928,000
Balance, December 31, 2006	21,938,720	9,125,366
Flow-through shares issued for cash	2,763,182	3,102,750
Common shares issued for cash	10,427,371	9,358,329
Share issue costs (net of income tax recovery of $47,000)	-	(97,023)
Extension of warrants	-	(716,451)
Exercise of warrants	1,874,533	4,512,074
Exercise of options	575,000	641,287
Shares issued for services	585,000	798,875
Balance, December 31, 2007	38,163,806	26,725,207

5. **Share capital** (cont'd)

(a) Common shares (cont'd)

(i) On February 28, 2007 the Company completed a non-brokered private placement of 4,307,871 common shares at $0.55 per share, and 1,968,599 flow-through shares at $0.60/share to raise a total of $3,550,488. The proceeds for the flow- through shares are to be used for qualifying Canadian Development Expenses and Canadian Exploration Expenses. The proceeds of the common shares are to be used for general working capital purposes.

(ii) On April 3, 2007 the Company completed a non-brokered private placement of 4,000,000 common shares at $0.60 per share to raise a total of $2,400,000.

(iii) On April 11, 2007 the Company issued a total of 450,000 shares at a deemed value of $1.152 per share to directors, officers and management for services provided.

(iv) On June 18, 2007 the Company completed a non-brokered private placement of 1,419,500 common shares at $2.00 per share and 629,583 flow-through common shares at $2.30 to raise a total of $4,287,041.

(v) On July 3, 2007 the Company completed a non-brokered private placement of 700,000 common shares at $2.50 per share and 165,000 flow-through common shares at $2.87 to raise a total of $2,223,550.

(vi) On July 25, 2007 the Company issued 35,000 shares at a deemed value of $1.785 per share to a consultant for services provided.

(vii) On September 25, 2007, the Company issued 100,000 shares at a deemed value of $2.18 per share, to a consultant for services provided.

(b) Warrants

A summary of the status of the Company's purchase warrants as of December 31, 2007 and changes during the period then ended are as follows:

	Number of warrants	Weighted Average Exercise Price
Balance, December 31, 2005 and 2006	2,386,093	$ 1.92
Issued	1,250,000	1.30
Exercised	(1,874,533)	(2.00)
Expired	(511,560)	(1.64)
Balance, December 31, 2007	1,250,000	$ 1.30

5. **Share Capital** (cont'd)

(b) Warrants (cont'd)

As at December 31, 2007, the following share purchase warrants were outstanding:

Expiry date	**Exercise Price**	**Warrants**
April 16, 2009	$ 1.00	1,000,000
November 7, 2009	2.50	250,000
		1,250,000

The following is a summary of warrant activities during the year:

(i) On March 14, 2007 the Company extended the expiring date of the 2,013,433 common shares purchase warrants exercisable at $2.00 per share from April 11, 2007 to October 12, 2007.

(ii) On April 11, 2007 171,317 non-transferable flow-through broker's warrants and 201,303 non-transferable broker's warrants issued to registered brokers in connection with the initial public offering expired without being exercised.

(iii) On April 16, 2007 the Company issued 1,000,000 common share purchase warrants exercisable at $1.00 until April 16, 2009 to a consultant in lieu of upfront fees and cash retainer for services provided.

(iv) 1,874,533 common shares purchase warrants exercisable on or before October 12, 2007 at $2.00 per share were exercised and 138,900 warrants expired without being exercised.

(v) On November 7, 2007 the Company issued 250,000 common share purchase warrants exercisable at $2.50 until November 7, 2009 to a consultant for services provided.

The estimated fair value of the 1,000,000 share purchase warrants was $870,000 using the Black-Scholes option pricing model based on the following weighted average assumptions:

Expected dividend yield	0%
Expected annual volatility	170%
Risk-free interest rate	4.00%
Expected average life	2 Years

The estimated fair value of the 2,013,433 extended share purchase warrants was $716,451 using the Black-Scholes option pricing model based on the following weighted average assumptions.

Expected dividend yield	0%
Expected annual volatility	218%
Risk-free interest rate	4.00%
Expected average life	0.58 Years

5. **Share Capital** (cont'd)

(b) Warrants (cont'd)

The estimated fair value of the 250,000 share purchase warrants was $367,500 using the Black-Scholes option pricing model based on the following weighted average assumptions:

Expected dividend yield	0%
Expected annual volatility	125%
Risk-free interest rate	4.25%
Expected average life	2 Years

(c) Stock options

A summary of the status of the Company's employee stock option plan as of December 31, 2007 and changes during the period then ended are as follows:

	Number of options	Weighted Average Exercise Price
Balance, December 31, 2005	1,487,974	$ 0.69
Cancelled during year	(455,000)	(0.90)
Balance, December 31, 2006	1,032,974	0.60
Granted	3,401,100	1.36
Exercised	(575,000)	(0.73)
Cancelled during year	(45,000)	(0.50)
Balance, December 31, 2007	3,814,074	$ 1.25

At December 31, 2007, the following employee stock options were outstanding:

Expiry Date	**Exercise Price**	**Options**
September 30, 2009	$ 0.50	687,974
February 28, 2010	0.62	730,000
April 16, 2010	1.10	150,000
April 17, 2010	1.15	25,000
April 23, 2010	1.33	850,000
April 30, 2010	1.50	632,100
August 21, 2010	2.24	529,000
October 31, 2010	2.65	210,000
		3,814,074

5. **Share Capital** (cont'd)

(c) Stock options (cont'd)

During the year, the Company issued the following options to directors, senior officers, employees and consultants:

(i) 1,005,000 options were granted on February 28, 2007 to directors, officers, employees and consultants of the Company exercisable until February 28, 2010 at $0.62 per share. The estimated fair value was $592,950 using the Black-Scholes option pricing model based on the following weighted average assumptions:

Expected dividend yield	0%
Expected annual volatility	227%
Risk-free interest rate	4.00%
Expected average life	3 Years

(ii) 150,000 options were granted on April 16, 2007 to a director of the Company exercisable until April 16, 2010 at $1.10 per share. The estimated fair value was $142,500 using the Black-Scholes option pricing model based on the following weighted average assumptions:

Expected dividend yield	0%
Expected annual volatility	170%
Risk-free interest rate	4.00%
Expected average life	3 years

(iii) 25,000 options were issued on April 17, 2007 to a director of the Company exercisable until April 17, 2010 at $1.15 per share. The estimated fair value was $25,000 using the Black-Scholes option pricing model based on the following weighted average assumptions:

Expected dividend yield	0%
Expected annual volatility	169%
Risk-free interest rate	4.00%
Expected average life	3 years

(iv) 850,000 options were issued on April 23, 2007 to directors, officers, employees and consultants of the Company exercisable until April 23, 2010 at $1.33 per share. The estimated fair value was $918,000 using the Black-Scholes option pricing model based on the following weighted average assumptions:

Expected dividend yield	0%
Expected annual volatility	166%
Risk-free interest rate	4.00%
Expected average life	3 years

5. **Share Capital** (cont'd)

(c) Stock options (cont'd)

(v) 632,100 options were issued on April 30, 2007 to directors, officers, employees and consultants of the Company exercisable until April 30, 2010 at $1.50 per share. The estimated fair value was $809,088 using the Black-Scholes option pricing model based on the following weighted average assumptions:

Expected dividend yield	0%
Expected annual volatility	163%
Risk-free interest rate	4.00%
Expected average life	3 years

(vi) 529,000 options were issued on August 21, 2007 to directors, officers, employees and consultants of the Company exercisable until August 21, 2010 at $2.24 per share. The estimated fair value was $925,750 using the Black-Scholes option pricing model based on the following weighted average assumptions:

Expected dividend yield	0%
Expected annual volatility	138%
Risk-free interest rate	4.25%
Expected average life	3 years

(vii) 210,000 options were issued on October 31, 2007 to directors, officers, employees and consultants of the Company exercisable until October 31, 2010 at $2.65 per share. The estimated fair value was $413,700 using the Black-Scholes option pricing model based on the following weighted average assumptions:

Expected dividend yield	0%
Expected annual volatility	126%
Risk-free interest rate	4.25%
Expected average life	3 years

(d) Contributed surplus

Balance, December 31, 2005 and 2006	366,976
Fair value of stock based compensation	5,064,488
Extension of purchase warrants issued at initial public offering	716,451
Exercise of warrants	(763,008)
Exercise of options	(220,787)
Balance, December 31, 2007	5,164,120

6. **Stock option plan**

The Corporation has established a stock option plan whereby the Corporation may grant options to its officers, directors, employees and consultants to a maximum of 10% of the issued and outstanding shares of the Corporation. Options are non-assignable and may not have a term greater than 5 years. The options will expire on the earlier of 90 days after the holder ceases to be an officer, director or employee and the option's respective expiry date.

7. Income taxes

a)

	2007	2006
Income Tax rate	32.49%	32.49%
Expected income tax recovery at statutory rates	$ (2,726,000)	$ (334,000)
Deductible share issue costs	(9,000)	-
Non-deductible items	1,693,000	3,000
Valuation allowance	-	331,000
Future income tax recovery	$ (1,042,000)	$ -

b) The tax effect of significant temporary differences representing future tax liability is as follows:

	2007	2006
Future income tax liabilities:		
Natural gas exploration	$ 2,287,000	$ 2,608,000
Future income tax assets:		
Operating loss carry forwards	(2,016,000)	(1,299,000)
Equipment	(14,000)	-
Share issue costs	(37,000)	-
Net future income tax liability	$ 220,000	$ 1,309,000

c) The losses amounting to approximately $6,205,000 expire in varying amounts between 2010 and 2017.

Resource pools

PetroWorth has tax pools associated with Natural gas properties of approximately $5,822,000 available to offset future taxable income. The tax benefits pertaining to these amounts are available for carry forward indefinitely.

The issue of flow-through common shares requires the renunciation of resource expenditures in the same tax year and in an amount of equal value to the shares issued. In accordance with income tax legislation, the Company must incur these resource expenditures on a date forward basis in the year of renunciation or in the subsequent year. A tax is calculated monthly on any unspent balance in the subsequent year.

Under the terms of a flow-through share issuances completed during 2007, the Company is obligated to renounce Canadian Exploration Expenditures to subscribers in the amount of $3,102,750 and to incur these costs prior to December 31, 2008.

8. Supplemental disclosure with respect to cash flows

During the year ended December 31, 2007, the Company issued 450,000 common shares with a value of $1.152 per share to directors, officers and management for services provided, 35,000 common shares at a deemed value of $1.785 per share and 100,000 common shares at a deemed value of $2.18 per share for consulting services provided. In addition, 117,000 options were exercised to purchase 117,000 common shares for consideration of $72,800 in services provided.

9. Financial instruments

Canadian generally accepted accounting principles require that the company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties in significant matters of judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

Fair value

The carrying amounts for cash, accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments.

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations exposes the Company to industry credit risks and interest rate risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

Credit risk

A significant portion of the Company's cash is currently held with the same financial institution and, as such, the Company is exposed to concentration of credit risk.

Commodity price risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market prices of oil and gas.

10. Commitments

In order to maintain the Company's Oil and Natural Gas Permits in good standing, the Company must pay a yearly rental and incur certain explorations costs aggregating approximately $4,500,000 over the next three years. The Company has lodged promissory notes aggregating $1,909,317 as a security for the completion of exploration in accordance with the terms of the permits.

The Company has paid an amount of $588,189 and lodged promissory notes in the amount of $288,750 to the Government of Prince Edward Island, $1,620,627 to the Government of New Brunswick as a commitment to explore for natural gas under the terms of the agreements for the respective properties.

Minimum annual rentals are approximately as follows:

2008	$ 123,473
2009	96,610

11. Related party transactions

Except as disclosed elsewhere in these financial statements, the Company had the following related party transactions:

a) Included in natural gas exploration is Nil (2006 - $8,777) for consulting and geological services paid or payable to a company owned by a director of the Company.

b) Included in general and administrative is Nil (2006 - $14,654) that was paid or payable for consulting and administrative fees either to a company that is owned by a director and officer of the Company or personally.

c) Included in salaries and management fees were $622,284 (2006 - $185,250) that were paid to either a company that is owned by a director and officer of the Company or personally. Of the $622,284, $360,884 was paid in cash, $230,400 was paid in shares at a deemed value of $1.152 per share and $31,000 was applied to exercise stock options.

d) Included in consulting fees was $41,800 (2006 - $45,618) that was paid to former directors for services provided and was applied to exercise stock options.

e) Included in travel and promotion and general and administration were $104,098 (2006 - Nil) that was paid to directors and officers as disbursements for expenses incurred on behalf of the Company.

These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. Contingencies

During May 2006, Khalid Amin was terminated as vice president by the Company. Mr Amin has filed a wrongful dismissal lawsuit against the Company, alleging, among other things, wrongful termination of an Executive Agreement with the Company. The Company believes the lawsuit is entirely without merit and subsequently, has not accrued any amounts for these claims. The Company has filed a counterclaim against Mr. Amin.

13. Subsequent Events

On February 5, 2008, the Company issued 100,000 shares to a consultant for services provided.

On February 7, 2008, the Company announced a normal course issuer bid to purchase up to 1,980,190 or 5% of its common shares outstanding.

14. Comparative figures

Certain of the expenses in 2006 have been reclassified to conform with the financial statement presentation adopted for December 31, 2007 .