Financial Statements of

Canoel International Energy Ltd.

For the Three Months Ended June 30, 2008

(Unaudited)

Canoel International Energy Ltd.

Balance Sheet
As at June 30, 2008
(Unaudited)

	June 30 2008	March 31 2008
Assets		
Cash (note 3)	$ 809,385	$ 894,779
Accounts receivable	4,580	3,751
Prepaid expenses	12,750	-
Current assets	826,715	898,530
Deferred Costs (note 2)	13,259	-
	839,974	898,530
Liabilities		
Accounts payable and accrued liabilities	54,647	82,961
Shareholders' Equity		
Share capital (note 5)	806,186	806,186
Contributed surplus (note 5)	70,583	21,383
Deficit	(91,442)	(12,000)
	785,327	898,530
	$ 839,974	$ 898,530

Commitments (note 8)
Subsequent events (note 9)
See accompanying notes to the financial statements.

Canoel International Energy Ltd.
Statement of Operations and Deficit
For the Three Months Ended June 30, 2008
(Unaudited)

		For three months ended June 30, 2008
Revenue		
Interest Income	**$**	**4,006**
		4,006
Expenses		
General and administrative	**$**	**34,248**
Stock based compensation expense		**49,200**
		83,448
Loss for the period		**79,442**
Deficit, beginning of period		**12,000**
Deficit, end of period		**91,442**
Loss per share basic and diluted (note 6)	**$**	**(0.012)**

See accompanying notes to the financial statements.

Canoel International Energy Ltd.

Statement of Cash Flows
For the Three Months Ended June 30, 2008
(Unaudited)

		June 30 2008
Cash provided by (used in):		
Operating activities		
Net loss	**$**	**(79,442)**
Items not involving cash:		
Stock based compensation expense		**49,200**
		(30,242)
Change in non-cash operating working capital		**(41,893)**
		(72,135)
Financing activities		
Deferred costs		**(13,259)**
		(13,259)
Decrease in cash		**(85,394)**
Cash balance, beginning of period		**894,779**
Cash balance, end of period	**$**	**809,385**

See accompanying notes to the financial statements.

1. Incorporation:

Canoel International Energy Ltd. (the “Corporation”) was incorporated under the *Business Corporations Act* (British Columbia) on September 20, 2007 and is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange Inc ("TSXV").

The Corporation is involved in securing equity financing with which it plans to identify and evaluate potential acquisitions or businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholder approval in order for the Corporation to complete a Qualifying Transaction as defined in the Policy 2.4 of the TSXV. The ability of the Corporation to execute on a Qualifying Transaction and to fund its potential operations and commitments is dependent upon the ability of the Corporation to obtain additional financing.

As described in note 10 (a) the Corporation has identified a transaction which it intends to use as the Qualifying Transaction (subject to regulatory approval) as defined in the policies of the TSXV.

The Corporation was incorporated on September 20, 2007 and has a fiscal year end of March 31, 2008. As a result the Corporation has no comparative quarterly information for the period ending June 30, 2007.

2. Significant accounting policies:

The unaudited interim financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), using the same accounting policies as those set out in note 2 to the audited financial statements for the period ended March 31, 2008. The interim financial statements contain disclosures that are supplemental to the Corporation's March 31, 2008 audited financial statements. Certain disclosures, which are normally required to be included in the notes to the annual audited financial statements, have been condensed or omitted. In the opinion of management, these interim financial statements contain all adjustments of a normal and recurring nature to present fairly the Corporation’s financial position as at June 30, 2008 and the results of its operations for the three months ended June 30, 2008. The interim financial statements should be read in conjunction with Corporation’s audited financial statements and notes thereto for the period ended March 31, 2008.

Deferred Costs:

Costs directly incurred for the purpose of our application and completion of the Qualifying Transaction, have been deferred. Upon the successful completion of the Corporation completing its Qualifying Transaction the costs incurred will be charged to the acquisition or written off if the transaction is not successful.

3. Cash:

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that the lessor of 30% of the gross proceeds and $210,000 may be used to cover prescribed costs of issuing the common shares or general and administrative expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the policies of the Exchange.

4. Income Taxes

The provision for income taxes is different from the amount computed by applying the combined Federal and Provincial tax rates to loss before income taxes. The reason for the difference follows:

	June 30, 2008
	$
Corporate income tax rate	29.38%
Loss for the period before income taxes	(79,442)
Expected income tax reduction	23,340
Rate change effect	(417)
Add (deduct) stock based compensation	(14,455)
Valuation allowance	(8,468)
	-

The future income tax asset is composed of temporary differences which result in future deductible amounts. The following table shows the tax affected amounts of those items:

	June 30, 2008
	$
Share issue costs	47,113
Non-capital losses	20,598
	67,711
Valuation allowance	(67,711)
Future income tax asset	-

The Corporation has an income tax loss of $73,000 which expires in 2022 and 2023 and available unused share issue costs of $170,000.

5. Share capital:

a) Authorized:

(i) Unlimited number of voting common shares without par value.

(ii) Unlimited number of preferred shares issuable in series and without par value.

b) Issued and outstanding:

	Number of shares	**Amount $**
Balance March 31, 2008 and June 30, 2008	6,580,000	806,186

c) Private Placement:

On February 1, 2008, the Corporation closed a private placement to issue 3,080,000 common shares at a price of $0.10 per share for gross proceeds of $308,000.

d) Public Offering:

On March 28, 2008, the Corporation completed its initial public offering raising gross proceeds of $700,000, pursuant to a Prospectus dated March 5, 2008. A total of 3,500,000 common shares in the capital of the Corporation were subscribed for a price of $0.20 per Common Share. The agent received an administration fee, and a cash commission equal to 9% of the gross proceeds of the Offering as well as an Agent's option.

e) Shares held in escrow:

Of the issued and outstanding common shares, 3,080,000 will be held in escrow pursuant to the requirements of the Exchange to be released as to 10% thereof on the completion of the Corporation's Qualifying Transaction and as to 15% thereof on each of the 6^{th}, 12^{th}, 18^{th}, 24^{th}, 30^{th} and 36^{th} month following the completion of the Qualifying Transaction.

f) Agent's Option:

Pursuant to the agency agreement and the closing of the offering on March 28, 2008, the Agent was granted a non-transferable option to purchase up to 350,000 Common Shares at $0.20 per share. The option is exercisable at any time from issuance to 24 months from the date of listing of the Company's shares on the TSX Venture Exchange. Not more than 50% of the Common Shares received on the exercise of the Agent's option may be sold by the Agent prior to the completion of the Qualifying Transaction. The remaining 50% may be sold after the completion of the Qualifying Transaction.

5. Share capital (continued):

g) Stock Option Plan:

The Corporation has a stock option plan for the benefit of directors, officers, employees and consultants. Option exercise prices approximate the market price for the common shares when issued. Options granted under the plan vest immediately at the date of grant and expire five years from the date of grant.

Stock Options

The table below sets forth a reconciliation of Corporation's stock option plan for the three months ended June 30, 2008.

	Number of Options	Weighted Average Exercise Price
		($/share)
Outstanding, beginning of period	-	-
Granted	**525,000**	**0.20**
Outstanding, end of period	**525,000**	**0.20**
Exercisable, end of period	**525,000**	**0.20**

The table below summarizes information regarding stock options outstanding at June 30, 2008.

Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Number of Options Exercisable
($/share)		*(years)*	
0.20	**525,000**	**4.75**	**525,000**
	525,000	**4.75**	**525,000**

5. Share capital (continued):

h) Contributed Surplus:

Stock based compensation expense relating to the Corporations' stock options were calculated using the Black-Scholes option pricing model, using risk free interest rate of 3.1%, and expected life of 5 years, and expected average volatility factor of 50% and no dividends.

	June 30, 2008
	$
Balance, beginning of period	**21,383**
Stock based compensation expense	**49,200**
Balance June 30, 2008	**70,583**

i) Per Share Information:

The weighted average number of common shares outstanding as at June 30, 2008 for basic and fully diluted was 6,580,000 common shares.

6. Capital Disclosure

The Corporation manages its common shares, options and warrants as capital. As the Corporation is in the development stage its principal source of funds is from the issuance of common shares. It is the objective to safe- guard its ability to continue as a going concern, so that it can continue to explore and develop projects for the benefit of its stakeholders.

7. Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board intends to establish risk management policies designed to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Corporation's activities.

Credit Risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. As part of our cash management policy the Corporation has and will continue to buy short term treasury bills from time to time that are callable at any time. The yield on the most recent treasury bill was 2.93%. All short term deposits are with investment grade institutions where the risk of counterparty default is low.

7. Financial Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporations approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation. The Corporation only invests in short term treasury bills which are callable at any time. Accounts receivable, accounts payable and accrued liabilities are due on standard industry terms.

Market Risk

Our short term investments in treasury bills are fixed at the date of purchase and the term has been 30 days with a callable feature. A change of one percent on the interest rate for the quarter would increase or decrease the interest return on an after tax basis by approximately $964.

8. Commitments:

On May 26, 2008 the Corporation entered into a non exclusive Engagement Agreement with an independent contractor to assist the Corporation in identifying a transaction which could be a "Qualifying Transaction" as defined in the policies of the TSX Venture Exchange. Under the terms of the engagement a fee will be paid to the contractor being the lesser of 4% or $200,000 of the total value of the transaction. In addition the Corporation will issue pursuant to a standard form TSX Venture Exchange "Warrant Agreement" warrants totalling 2% of the number of shares that would have been issued for the "Qualifying Transaction" if all consideration paid by the Corporation was paid in shares. The warrants are non – transferable and will expire in two years from the date of issue. Expenses will be reimbursed subject to the approval of the Corporation to the contractor

9. Subsequent events:

a) On July 21, 2008, the Corporation announced that it had entered into a farm-out and participation agreement (the "Participation Agreement) with a Calgary-based public company in certain oil and gas interests in the Bazma, Sud Touzer and Jorf areas of Tunisia. The Corporation intends for the Participation Agreement to constitute the Qualifying Transaction of the Corporation as such term are defined in the policies of the TSXV.

Upon the completion of the Qualifying Transaction, the Corporation will be an oil and gas company focused on international oil and gas exploration opportunities.

The Participation Agreement is subject to the satisfaction of the following conditions precedent:

1) Final approval by the TSX Venture Exchange of the Qualifying Transaction for the Corporation;
2) Completion of a financing by the Corporation in an amount not less than $4,000,000;

9. Subsequent events (continued):

3) The Corporation has paid a refundable deposit of $125,000 and a non-refundable deposit of $25,000.

The Participation Agreement will become null and void, and the refundable deposit shall be returned to the Corporation, in the event that the first two conditions are not satisfied by September 30, 2008.

b) On July 14, 2008 the Corporation entered into a non exclusive "Finder's Fee Agreement" with an independent contractor to assist the Corporation in finding the necessary capital to finance the proposed "Qualifying Transaction" as defined by the TSXV. Under the terms of the agreement the contractor will be paid a maximum commission of 3% commission on the total funds raised subject to a minimum of $4,000,000 and the closing of the "Qualifying Transaction." The Corporation will issue pursuant to a standard form of the TSXV "Warrant Agreement" a maximum number of warrants totalling 2% of the amount raised subject to the approval of the TSXV. The agreement is subject to approval by the TSXV

c) On August 8, 2008, the Corporation entered into a letter of intent to offer for sale, on a best efforts basis, a minimum of 8,000,000 units and a maximum of 32,000,000 units for gross proceeds of up to $8,000,000. In addition, the Corporation has engaged an independent contractor pursuant to the Finder's Fee Agreement to locate potential investors as part of a non-brokered offering. The total maximum gross proceeds of the brokered and non-brokered offerings will not exceed $8,000,000. Each whole unit will consist of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share for a period of 24 months at $0.40 per common share with a forced exercise provision following the expiry of four months plus one day from the date of closing ("special hold period"). If at any time after the special hold period the closing price of the listed shares of the Corporation exceeds $0.60 for 15 consecutive trading days the exercise period for the warrants will be shortened to a period of 30 days following notice. Under the terms of the Offering the Agent will receive an 8% commission on the aggregate gross proceeds of the Offering placed by the Agent and an Agent's option equal to 8.5% of the number of units sold pursuant to the offering. In addition the Agent will receive a work fee of $50,000 conditional on closing the Offering and reasonable fees, disbursements and legal fees to a maximum of $30,000 whether the Offering closes or not.