Financial Statements of

Canoel International Energy Ltd.

For the Six Months Ended September 30, 2008
(Unaudited)

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not preformed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements of Canoel International Energy Ltd. (the "Corporation") have been prepared by and are the responsibility of the management of the Corporation. The Corporation's independent auditor has not preformed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for review of interim financial statements by an entity's auditor.

Canoel International Energy Ltd.

Balance Sheets
(Unaudited)

		September 30, 2008		Period Ended March 31, 2008
Assets				
Cash (note 3)	$	**469,464**	$	**894,779**
Accounts receivable		**12,971**		**3,751**
Deposits (note 10)		**150,000**		**-**
Prepaid expenses		**9,563**		**-**
Deferred costs (note 2)		**118,837**		**-**
Current assets		**760,835**		**898,530**
Deferred costs (note 2)		**117,463**		**-**
		878,298		**898,530**
Liabilities				
Accounts payable and accrued liabilities		**119,434**		**82,961**
Shareholders' Equity				
Share capital (note 6)		**806,186**		**806,186**
Contributed surplus (note 6)		**70,583**		**21,383**
Deficit		**(117,905)**		**(12,000)**
		758,864		**815,569**
	$	**878,298**	**$**	**898,530**

Commitments (note 9)
Subsequent events (note 10)
See accompanying notes to the financial statements.

Canoel International Energy Ltd.
Statement of Operations and Deficit
(Unaudited)

		Three months ended September 30, 2008		Six months ended September 30, 2008
Revenue				
Interest Income	$	1,652	$	5,658
		1,652		5,658
Expenses				
General and administrative	$	28,115	$	62,363
Stock based compensation expense		-		49,200
		28,115		111,563
Loss for the period		26,463		105,905
Deficit, beginning of period		91,442		12,000
Deficit, end of period		117,905		117,905
Loss per share basic and diluted (note 6)	$	(0.004)	$	(0.016)

See accompanying notes to the financial statements.

Canoel International Energy Ltd.

Statement of Cash Flow
(Unaudited)

	Three months ended September 30, 2008	Six months ended September 30, 2008
Cash provided by (used in):		
Operating activities		
Net loss	$ **(26,463)**	$ **(105,905)**
Items not involving cash:		
Stock based compensation expense	**-**	**49,200**
	(26,463)	**(56,705)**
Change in non-cash operating working capital	**(209,254)**	**(251,147)**
	(235,717)	**(307,852)**
Financing activities		
Deferred costs	**(104,204)**	**(117,463)**
	(104,204)	**(117,463)**
Increase (decrease) in cash	**(339,921)**	**(425,315)**
Cash balance, beginning of period	**809,385**	**894,779**
Cash balance, end of period	$ **469,464**	$ **469,464**

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.

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation’s shares from trading.

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 and September 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 September 30, 2008 and the results of its operations for the six months ended September 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 either the acquisition/or financing costs.

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 lesser 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. Financial instruments:

The Corporation's financial instruments include cash, accounts receivable, and accounts payable and accrued liabilities which approximates its fair value due to its short-term nature.

5. 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:

	Three months ended September 30, 2008	Six months ended September 30, 2008
	$	$
Corporate income tax rate	29.38%	29.38%
Loss for the period before income taxes	(26,463)	(105,905)
Expected income tax reduction	7,775	31,115
Rate change effect	(366)	(783)
Add (deduct) stock based compensation	-	(14,455)
Valuation allowance	(7,409)	(15,877)
	-	-

5. Income Taxes (continued):

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:

	Six months ended September 30, 2008	Year ended March 31, 2008
	$	$
Share issue costs	44,913	49,938
Non-capital losses	30,833	9,305
	75,746	59,242
Valuation allowance	(75,746)	(59,242)
Future income tax asset	-	-

The Corporation has an income tax loss of $110,000 which expires in 2022 and 2023 and available unused share issue costs of $160,000.

6. 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 September 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.

6. Share capital (continued):

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.

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.

6. Share capital (continued):

g) Stock Option Plan (continued):

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

	Number of Options	Weighted Average Exercise Price
		($/share)
Outstanding, beginning of year	-	-
Granted	**525,000**	**0.20**
Forfeited	**(225,000)**	**0.20**
Outstanding, end of period	**300,000**	**0.20**
Exercisable, end of period	**300,000**	**0.20**

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

Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Number of Options Exercisable
($/share)		*(years)*	
0.20	**300,000**	**4.50**	**300,000**
	300,000	**4.50**	**300,000**

h) Contributed Surplus:

Stock based compensation expense relating to the Corporation's 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.

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

6. Share capital (continued):

i) Per Share Information:

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

7. 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.

8. 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

Liquidity Risk
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liability when due, under obth 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 have 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.

9. 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

10. Subsequent Event

On November 21, 2008 the Corporation closed a private placement financing (“Private Placement”) and a financing pursuant to a TSX Venture Exchange Short Form Offering Document (the "SFOD Offering" and together with the Private Placement, the "Financings") for aggregate gross proceeds of $2,305,400, from the sale of 9,221,600 units of the Corporation at $0.25 per unit.

Each whole unit consists 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.

The selling group members for the SFOD Offering, received a commission and were granted agent’s options to purchase in the aggregate 371,756 units of the Corporation at a price of $0.25 per unit, which agent's options are subject to a four month hold period ending March 22, 2009. In addition, a commission was paid and agent's options were granted to certain arm's length parties to the Corporation in connection with the Financings.

The Corporation previously announced, in its news releases dated July 21, September 19, October 21 and November 14, 2008, that it had entered into a farm-out and participation agreement for the acquisition of oil and gas interests in three onshore exploration permits in the Bazma, Jorf and Sud Tozeur areas of Tunisia from another Calgary based public company. The Corporation intends for its participation in the exploration permits to qualify as the Corporation's Qualifying Transaction. The funds from the Financings together with the $150,000 and the residual working capital will be used by the Corporation to pay its earning costs under the farm-out and participation agreement.

Trading in the common shares of the Corporation is currently halted. Trading will resume following the issuance by the TSX Venture Exchange of the Final Exchange Bulletin in respect of the Corporation's Qualifying Transaction.