

GREAT PACIFIC INTERNATIONAL INC.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2007 and 2006

AUDITORS' REPORT

To the Shareholders of
Great Pacific International Inc.

We have audited the consolidated balance sheets of Great Pacific International Inc. as at March 31, 2007 and 2006 and the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 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.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

June 8, 2007

A Member of SC INTERNATIONAL

**GREAT PACIFIC INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS
AS AT MARCH 31**

	2007	2006 (Note 3)
ASSETS	\$	\$
Current assets		
Cash	527,637	174,467
Accounts receivable and prepaid expenses	9,829	22,504
Current assets of discontinued operations held for sale (Note 8)	2,000	-
	<u>539,466</u>	<u>196,971</u>
Oil and gas properties (Note 4)	777,055	-
Advances receivable (Note 5)	1	1
Long-term investments (Note 6)	29,517	35,330
Equipment (Note 7)	576	1,047
Non-current assets of discontinued operations held for sale (Note 8)	-	129,569
	<u>1,346,615</u>	<u>362,918</u>
TOTAL ASSETS		
	<u>1,346,615</u>	<u>362,918</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	442,458	105,042
Liabilities of discontinued operations held for sale (Note 8)	-	18,569
Loans payable (Note 9)	-	18,549
Convertible debentures – principal and interest payable (Note 10)	-	116,753
	<u>442,458</u>	<u>258,913</u>
Future asset retirement obligations (Note 11)	165,055	-
	<u>607,513</u>	<u>258,913</u>
Shareholders' equity		
Share capital (Note 13)	6,953,219	5,633,079
Contributed surplus (Note 13)	380,501	330,031
Deficit	(6,594,618)	(5,859,105)
Total shareholders' equity	<u>739,102</u>	<u>104,005</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,346,615</u>	<u>362,918</u>

Nature and continuance of operations (Note 1)

Commitments (Note 15)

Subsequent events (Note 19)

On behalf of the Board:

"Thal S. Poonian"

Director

"Matthew Hoogendoorn"

Chief Financial Officer

Thal S. Poonian

Matthew Hoogendoorn

The accompanying notes are an integral part of these consolidated financial statements.

GREAT PACIFIC INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEARS ENDED MARCH 31 2007 AND 2006

	2007	2006 (Note 3)
	\$	\$
EXPENSES		
Accounting and audit	65,255	27,409
Amortization	2,729	666
Bank charges and interest	7,249	19,678
Consulting fees	145,992	95,333
Investor relations	3,038	3,055
Office and miscellaneous	26,655	14,117
Professional fees	16,566	12,797
Shareholder communication	51,071	7,888
Regulatory and transfer agent fees	31,057	26,277
Rent	40,725	40,017
Stock-based compensation (Note 13)	87,000	293,016
Travel and entertainment	83,661	48,742
Web site costs	1,260	3,472
Change of business costs	46,167	-
Gain on settlement of accounts payable	(2,321)	(8,611)
Gain on settlement of the convertible debentures (Note 10)	(36,623)	-
Loss from continuing operations	(569,481)	(583,856)
Loss from discontinued operations (Note 8)	(166,032)	(62,073)
Net loss for the year	(735,513)	(645,929)
Deficit, beginning of year	(5,859,105)	(5,213,176)
Deficit, end of year	(6,594,618)	(5,859,105)
Loss per share information		
Basic and diluted loss per share attributable to continued operations	\$ (0.04)	\$ (0.06)
Basic and diluted loss per share attributable to discontinued operations held for sale	(0.01)	(0.00)
Basic and diluted loss per common share	\$ (0.05)	\$ (0.06)
Weighted average number of common shares outstanding	13,763,299	10,462,118

The accompanying notes are an integral part of these consolidated financial statements.

GREAT PACIFIC INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31 2007 AND 2006

	2007	2006
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS		
Loss for the year from continuing operations	(569,481)	(583,856)
Items not affecting cash:		
Amortization	2,729	666
Interest on convertible debentures	7,005	7,804
Stock-based compensation	87,000	293,016
Recovery of accounts payables and accrued liabilities	(2,321)	(8,611)
Gain on settlement of the convertible debentures	(36,623)	-
	<u>(511,691)</u>	<u>(290,981)</u>
Changes in non-cash working capital items (Note 16)	21,225	(156,083)
Net cash used in operating activities of continuing operations	<u>(490,466)</u>	<u>(447,064)</u>
CASH FLOWS FROM INVESTING ACTIVITIES OF CONTINUING OPERATIONS		
Acquisition of oil and gas properties	(25,000)	-
Long-term investments	-	(35,330)
Purchase of equipment	(2,258)	(4,770)
Net cash used in investing activities	<u>(27,258)</u>	<u>(40,100)</u>
CASH FLOWS FROM FINANCING ACTIVITIES OF CONTINUING OPERATIONS		
Shares issued for cash	1,033,610	1,202,800
Repayment of loans and loans and advances from related parties	(18,549)	(567,842)
Advances from related parties	-	192,600
Repayment of convertible debentures	(87,135)	(7,350)
Net cash provided by financing activities	<u>927,926</u>	<u>820,208</u>
Net cash provided by continuing operations	410,202	333,044
Net cash used in discontinued operations held for sale	(57,032)	(158,871)
Cash, beginning of year	<u>174,467</u>	<u>294</u>
Cash, end of year	<u>527,637</u>	<u>174,467</u>
Cash paid during the year for:		
Income taxes	-	-
Interest expense	7,135	43,493

Supplemental disclosure with respect to cash flows (Note 16)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Nature of business

Great Pacific International Inc. (the "Company") was incorporated on November 4, 1993 in Alberta, Canada. During the fiscal year ended March 31, 2007, the Company was engaged in the exploration and development of oil and gas properties in Alberta, Canada. To date, the Company has not earned significant revenues and is considered to be in the development stage with respect to its oil and gas exploration and development business.

The Company was previously engaged in development stage operations of a loyalty points program, known as "GPI-Rewards". The Company abandoned development of the loyalty points program business in fiscal 2007, concurrent with the commencement of development stage oil and gas exploration and development activities. At March 31, 2007, the Company held for sale the discontinued loyalty points program business, including the assets, liabilities and subsidiaries related to that business.

Going concern assumption

These financial statements have been prepared in accordance with accounting principles that apply to a going concern. The use of such principles presuppose that the Company will continue its operations in the foreseeable future and that it will be able to realize its assets and discharge its liabilities in the normal course of operations.

Until the Company has attained a self-sufficient level of business, it will remain dependent upon its ability to secure additional financing through the issuance of debt or shares. Management is actively pursuing additional financing, and while it has been successful in the past, there can be no assurance it will be able to raise sufficient funds on acceptable terms in the future.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

	At March 31,	
	2007	2006
	\$	\$
Working capital (deficiency)	97,008	(61,942)
Deficit	(6,594,618)	(5,859,105)

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of Great Pacific International Inc., and its wholly owned subsidiaries GPI Rewards (Canada) Inc. (a company incorporated in British Columbia) and GPI Rewards (U.S.A.) Inc. (a company incorporated in the State of Washington, U.S.A.). These subsidiaries were sold subsequent to March 31, 2007 (Notes 8 and 19).

All inter-company transactions and balances have been eliminated on consolidation.

Great Pacific International Inc. and its subsidiaries are collectively referred to in these financial statements as "Great Pacific" or "the Company".

Use of 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 and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period in which they become known.

Oil and gas properties

The Company follows the full cost method of accounting for oil and gas operations and assets whereby all costs related to the acquisition of, exploration for, and development of oil and gas reserves in a single country are capitalized into a single cost centre. Under the full cost method, such capitalized costs may include leasehold acquisition costs, geological and geophysical costs, lease rentals on non-producing properties, drilling, plant and equipment costs and related overhead. Government incentives are credited to the cost of the oil and gas properties at the time the qualifying expenditures are incurred. Proceeds from the disposal of properties are applied as a reduction of the cost of the remaining assets with no gain or loss recognized, unless such a sale would result in a change of more than 20% in the depletion rate.

Costs of acquiring unproved properties are initially excluded from the full cost pool and are assessed yearly to determine whether impairment has occurred. When proved reserves are assigned to a previously unproven property or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to the full cost pool. Impairment is considered to have occurred when the carrying value of an oil or gas property exceeds its fair value.

Depletion of oil and gas properties and depreciation of production equipment is calculated using the unit of production method based upon estimated proven reserves, before royalties, as determined by an independent engineer. For purposes of the calculation, natural gas reserves and production will be converted to equivalent volumes of oil based upon relative energy content.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Oil and gas properties (continued)

The Company places a limit on the carrying value of property, plant and equipment and other assets, which may be depleted against revenues of future periods (the "ceiling test"). The carrying value is assessed to be recoverable when the sum of the undiscounted cash flows expected from the production of proved reserves using forecasted future prices, the lower of the cost and the market value of unproved properties, and the cost of major development projects, exceeds the carrying value of the assets. When the carrying value is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying value of assets exceeds the fair value of proved and probable reserves, and the cost, less any impairment, of unproved properties that contain no probable reserves.

Any amounts recorded for depletion and depreciation of oil and gas properties and equipment and any provision for future site restoration and abandonment costs are based on estimates. The ceiling test is based on estimates of proved reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates in future periods could be significant.

Long-term investments

Long-term investments are carried at cost. If it is determined that there is a decline in value other than temporary, the investment is written down to its estimated net realizable value.

Discontinued operations held for sale

Results of operations and cash flows are classified as pertaining to "discontinued operations held for sale" if those operations and cash flows are attributable to a distinguishable component of the Company that will be eliminated from the ongoing operations of the Company as a result of an expected sale transaction.

For the purposes of making such a classification, the contemplated sale of a business component is considered to be an expected sale transaction if management commits to a plan to sell that component of the Company; that component of the Company is immediately available for sale at a marketable price in its present condition subject only to usual and customary sale terms; an active program to locate a buyer and other actions required to complete the sale plan have been initiated; the sale is probable; and it is unlikely that significant changes to the sale plan will be made.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discontinued operations held for sale (continued)

The results of discontinued operations are classified separately in both the current period and prior years. The results of discontinued operations are presented net of applicable income taxes.

If certain long-term assets and liabilities of the Company can be distinguished as being directly related to the discontinued operations, and if those assets and liabilities are expected to be disposed of pursuant to the expected sale of the discontinued business component, then those assets and liabilities are classified on the balance sheet in both the current and prior periods as current or non-current assets of discontinued operations held for sale and liabilities of discontinued operations held for sale, respectively.

Current and non-current assets and liabilities of discontinued operations held for sale are re-measured at the time of discontinuation at the lower of their carrying amount or their fair value less cost to sell. Any resultant unrealized gains or losses are recognized in net income in the period when the Company substantially discontinues and implements a plan to sell the related operations.

Deferred business development costs

Research and business development costs are expensed as incurred except for development costs that are recoverable and directly relate to the development of new commercial products

During the year, the Company incurred certain costs relating to the development of its new business project and database system that have been deferred and recorded at cost (Note 8). Such costs are expensed if the business project is no longer considered viable by management. If the business project to which the business development costs relate is abandoned or sold, deferred business development costs are re-classified as pertaining to discontinued operations.

Amortization will be provided over the estimated useful life of the related project, once commercial use has commenced. To date, the Company has not recorded any amortization on the deferred business development costs.

Equipment

Equipment, consisting of computers and office equipment, is recorded at cost less accumulated amortization. Amortization is provided, over the expected useful lives of the assets, on a straight-line basis at a rate of 20% per annum.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of the recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

Convertible debentures

Upon issuance, the convertible debentures are classified into equity and financial liability components at their present value. The financial liability is accreted by way of a charge to earnings over the maturity of the debt.

Future asset retirement obligations

The amounts classified as the future asset retirement obligations comprise the present value of the estimated future costs that the Company must incur upon the future retirement or abandonment of oil and gas properties. Such costs are the Company's proportionate share of the well site reclamation and remediation work currently required to satisfy all statutory, regulatory or contractual conditions and requirements governing the retirement or abandonment of the oil and gas properties, including, but not limited to, removal of oil and gas production equipment and gathering installations, capping of wells, and the remediation of any alterations to the terrain, soil and flora that may have occurred in the normal course of oil and gas operations.

Future asset retirement obligations are measured at their fair value. The estimated cash flows required to settle asset retirement obligations are discounted to the reporting date using a risk-adjusted discount rate, with such risk-adjustment reflecting credit adjustments and the uncertainty of the estimated asset retirement cash flows.

At each reporting date, changes in the value of the asset retirement obligation due to the passage of time are recognized by the Company by charging an "accretion expense" against net income in the reporting period. The accretion expense is measured as the increase in the present value of the asset retirement obligation in the accounting period that is attributable to the passage of time.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future asset retirement obligations (continued)

Changes in the estimated future asset retirement obligations arising due to revisions in the estimates of the timing or amounts of future asset retirement cash flows are recognized by an increase or decrease in the carrying amount of the future asset retirement obligations liability and a corresponding increase or decrease in the related capitalized future asset retirement cost presented as a portion of the oil and gas properties asset value. Any change in the amount reported as the future asset retirement obligations is recognized by a charge to earnings in the period affected by the change.

Future asset retirement obligations only include those expected retirement and abandonment expenditures arising from the normal and planned course of operations and proper use of the underlying long-lived asset. Asset retirement obligations relating to environmental remediation or reclamation obligations necessitated by improper operation of the long-term assets are recognized and expensed in the period in which the improper operation occurred.

Stock-based compensation

The Company accounts for all stock-based payments to employees or non-employees using the fair-value based method. Under this method, the fair value of stock-based compensation issued is determined using the Black-Scholes option pricing model. Compensation costs attributable to stock options are measured at fair value at the grant date and amortized over the vesting period.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the year. Diluted loss per share is not presented separately from loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive.

3. COMPARATIVE FIGURES

Comparative figures have been reclassified, where applicable, to conform with the current year's presentation. Certain of the comparative figures have been reclassified in the accounts of the Company as pertaining to discontinued operations held for sale. This reclassification occurred upon the Company undergoing a change of business in the year ended March 31, 2007.

4. OIL AND GAS PROPERTIES

The oil and gas properties asset consists of non-operated interests in several oil and gas properties in Alberta, Canada. These properties comprise Crown petroleum and natural gas leases, private surface leases, and interests in oil and gas production and gathering equipment located on several of those properties. Net revenue interests acquired range from 3.8% to 36%, subject to Crown royalties.

The Company acquired these interests pursuant to a letter agreement dated October 27, 2006 with Mistahiya Resources Ltd. ("Mistahiya"). The Company acquired the properties interests in exchange for the payment of \$350,000 cash, of which \$325,000 was paid subsequent to year end, and 500,000 common shares of the Company to Mistahiya at a value of \$0.50 per share. The company paid a finders' fee of \$12,000 after year end in relation to this agreement.

While Great Pacific acquired legal title to these properties in fiscal 2007, under the terms of the acquisition agreement, the right to jointly participate in production was effective April 1, 2007. Accordingly, the Company did not recognize any revenue, operating costs, or depletion and depreciation expenses in the year ended March 31, 2007.

Amounts classified as oil and gas properties comprise the following:

	Cost \$	Accumulated depletion and depreciation \$	Net \$
Balance, March 31, 2006	-	-	-
Acquisition of oil and gas properties	612,000	-	612,000
Present value of the estimated future asset retirement obligations for oil and gas properties (Note 11)	165,055	-	165,055
Balance, March 31, 2007	<u>777,055</u>	<u>-</u>	<u>777,055</u>

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31 2007 AND 2006

4. OIL AND GAS PROPERTIES (Continued)

At March 31, 2007 the capitalized costs comprising oil and gas properties are attributable to unproven properties and proven and producing properties as follow:

	2007 \$	2006 \$
Acquisition costs attributable to unproven properties not subject to depletion and depreciation	478,653	-
Acquisition costs attributable to proven and producing properties that are subject to depletion and depreciation	298,402	-
Oil and gas properties	777,055	-

Property interests classified as unproven properties not subject to depletion and depreciation are in the pre-production stage.

The oil and gas assets are tested for impairment at each reporting date to ensure the carrying value does not exceed the fair value of the assets. Management does not believe that the carrying value of the oil and gas properties exceeds their fair value at March 31, 2007.

The forecasted future price used in the ceiling test evaluations of the Company's oil and gas interests at March 31, 2007 are as follows:

	2007	2008	2009	2010	2011	2012	Increase thereafter to 2018
Oil (Edmonton light sweet 40° API C\$/Bbl)	\$71	\$68	\$67	\$65	\$64	\$65	2% per year
Oil (Cromer Medium C\$/Bbl)	61	58	57	55	54	55	
Natural gas (Alberta average field C\$/MMBtu)	6.8	\$7.25	\$7.35	\$7.45	\$7.60	\$7.75	2% per year
US\$ (expressed in CDN \$)		\$1.15	\$1.15	\$1.15	\$1.15	\$1.15	(2%) per year

Prices received by the Company for their oil and gas products may differ from the ones listed above because of purchase price variations, market conditions, quality differentials or marketing arrangements.

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31 2007 AND 2006

5. ADVANCES RECEIVABLE

Amounts classified as advances receivable are as follows:

	2007	2006
	\$	\$
Due from a former director	88,283	88,283
Other advances	35,804	35,804
	124,087	124,087
Less: Provision for advances doubtful as to recovery	(124,086)	(124,086)
Advances receivable	<u>1</u>	<u>1</u>

The Company has reduced the carrying value of advances made to a former Director, and advances made to a contractor, to a nominal value based upon management's assessment that these amounts are doubtful as to collectability. The Company is continuing in its efforts to recover these amounts and commenced legal action in 2004 to recover the amounts.

6. LONG-TERM INVESTMENTS

Long-term investments consist of investments in available for sale securities, being common shares, as follows:

	2007	2006
	\$	\$
OG International Inc.	29,517	29,517
SA Minerals Exploration Inc.	-	5,813
Long-term investments	<u>29,517</u>	<u>35,330</u>

OG International Inc. ("OG International")

Great Pacific's investment in OG International consists of 2,500,000 (2006: 2,500,000) common shares. There exists no active market for the exchange of the common shares of OG International from which a quoted market value of these common shares can be obtained. At the time the investment was made, Great Pacific and OG International had a common officer and a common director.

SA Minerals Exploration Inc. ("SA Minerals")

Great Pacific's investment in SA Minerals consisted of a subscription for 1,000,000 common shares in a development stage company with a common director. In the 2007 fiscal year it was decided not to proceed with this investment and accordingly the investment was written-off against the amount payable of \$5,813.

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31 2007 AND 2006

7. EQUIPMENT

	2007			2006		
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Cost \$	Accumulated Amortization \$	Net Book Value
Computers and office equipment	<u>36,584</u>	<u>(36,008)</u>	<u>576</u>	<u>34,326</u>	<u>(33,279)</u>	<u>1,047</u>

8. DISCONTINUED OPERATIONS HELD FOR SALE

Discontinued operations held for sale refer to the Company's development stage loyalty program business. The discontinued loyalty points program business operations were sold subsequent to March 31, 2007. In accordance with the plan for the sale of discontinued operations that existed at March 31, 2007, the sale of the loyalty points program involved the sales of the Company's two wholly owned subsidiaries.

At March 31, 2007 the assets of the discontinued operations were recorded at their estimated fair value less costs to sell. In the balance sheet presentation at March 31, 2007, liabilities of discontinued operations held for sale were netted against long-term assets of discontinued operations held for sale prior to recording the valuation allowance.

Non-current assets of discontinued operations held for sale comprise the following:

	2007 \$	2006 \$
Internet Website		
Deferred Expenditures	48,985	48,985
Accumulated Amortization	(46,418)	(36,909)
Write-down to net realizable value, less costs to sell	(567)	-
Reclassification to current assets of discontinued operations held for sale	(2,000)	-
	<u>-</u>	<u>12,076</u>
Deferred business development costs		
Deferred development costs	173,357	117,493
Write-down to fair value, less costs to sell	(154,788)	-
Book value of current liabilities held for sale	(18,569)	-
	<u>-</u>	<u>117,493</u>
Non-current assets of discontinued operations held for sale	<u>-</u>	<u>129,569</u>

These assets were reclassified as current in the year ended March 31, 2007, as they were sold subsequent to year end (see Note 19).

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. DISCONTINUED OPERATIONS HELD FOR SALE (Continued)

Deferred business development costs comprise the following:

March 31,	2007 \$	2006 \$
Opening Balance	117,493	-
Database website development costs	16,616	14,837
Consulting fees for project marketing and business development	29,570	87,451
Overhead allocation	9,678	15,205
Deferred business development costs	173,357	117,493

Liabilities of discontinued operations held for sale comprise accounts payables incurred in the normal course of the operations of the loyalty points program business. Liabilities of the discontinued operations totaling \$2,327 that are guaranteed by the Company have been reclassified as accounts payable and accrued liabilities at March 31, 2007 (2006: \$1,207). Liabilities of the discontinued operations that are guaranteed by the Company are payable to a director and officer.

Loss from discontinued operations includes the following amounts:

March 31,	2007 \$	2006 \$
Amortization of website	9,509	20,695
Office and website operation costs	1,168	1,878
Consulting fees	-	39,500
Write-down of website to fair value	567	-
Write-down of deferred business development	154,788	-
Loss from discontinued operations	166,032	62,073

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. LOANS PAYABLE

The amounts classified as loans payable consist of the following:

	2007	2006
	\$	\$
Loans payable, unsecured, payable on demand, and bearing interest at 15% per annum	-	10,000
Accrued interest payable	-	2,549
Loans payable to a related party, unsecured, payable on demand and non-interest bearing	-	6,000
Loans payable	-	18,549

10. CONVERTIBLE DEBENTURES

The amounts classified as Convertible debentures consist of the following:

	2007	2006
	\$	\$
Opening balance:		
Principal	80,000	85,000
Accrued interest	36,753	32,798
	<u>116,753</u>	<u>117,798</u>
Payments made in year	(87,135)	(7,350)
Interest expense charged in year	7,005	6,305
Gain on settlement of debentures in year	(36,623)	-
	<u>-</u>	<u>116,753</u>

The convertible debentures bore interest at 8% per annum on principal and outstanding interest amounts, and were secured by way of a first floating-charge on the undertakings and on all property and assets of the Company.

At March 31, 2006, the Company was in default under the terms of the convertible debenture, and as a result the entire amount of principal and interest owing was due on demand. As a consequence of the state of default, the debentures holders filed suit in BC Supreme Court against the Company seeking settlement of the convertible debentures. The Company settled with the debenture-holders in the year-ended March 31, 2007 with the payment of cash consideration. No further liability remains at March 31, 2007.

GREAT PACIFIC INTERNATIONAL INC.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11. FUTURE ASSET RETIREMENT OBLIGATIONS

Estimated undiscounted cash flows required to fulfill and settle future asset retirement obligations are as follows:

Year	Undiscounted asset retirement cash flow
	\$
2008	24,000
2010	100,000
2011	1,000
2012	83,000
2018	12,000
2022	3,000
	<u>223,000</u>

The estimated undiscounted cash flows were discounted using a discount rate of 8% and an inflation rate of 2.5%.

	2007 \$	2006 \$
	<u> </u>	<u> </u>
Opening Balance	-	-
Present value of future asset retirement obligations for oil and gas assets acquired in the year	<u>165,055</u>	<u>-</u>
Ending balance	<u>165,055</u>	<u>-</u>

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12. RELATED PARTY TRANSACTIONS

Related party transactions and balances entered into during the year ended March 31, 2007 and not disclosed elsewhere in these financial statements are as follows:

- a) The Company paid or accrued consulting fees to related parties in the years ended March 31, 2007 and 2006 as follows:

Related party	2007 \$	2006 \$
Private company controlled by the spouse of a director	30,000	60,000
Spouse of a director	26,250	3,500
Director	38,000	-
Private company controlled by a director	-	5,000
Private company controlled by a relative of a director	30,000	-
	124,250	68,500

- b) The Company made deferred business development expenditures to related parties in the years ended March 31, 2007 and 2006 as follows:

Related party	2007 \$	2006 \$
Spouse of a director	15,750	38,500
Private company controlled by a director	-	10,000
	15,750	48,500

- c) Accounts payable and accrued liabilities include \$24,425 (2006: \$17,554) owing to officers, directors, the spouse of a director, and to companies controlled by them, and to a company controlled by a relative of a director, for services as noted in a) and b) as above and expense reimbursements.
- d) Accounts receivable and prepaid expenses included \$ nil due from a company with common management (2006: \$1,125).
- e) Received loans of \$ nil (2006: \$192,600) from a spouse and a relative of a director and/or from their private companies. In addition, these related parties assumed \$ nil (2006: \$110,648) of the Company's accounts payable and accrued liabilities and loans payable and accrued interest of \$ nil (2006: \$7,768). The total balance of outstanding and accrued interest of \$ nil (2006: \$555,178) was repaid to the related parties.

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12. RELATED PARTY TRANSACTIONS (Continued)

- f) In the year ended March 31, 2007 the Company granted 200,000 employee stock options to a director of the company. In the year ended March 31, 2006, the company granted 725,000 employee stock options to directors and officers of the Company, and re-priced 280,000 employee stock options previously granted to directors.

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

13. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Share capital

- Authorized: an unlimited number of common shares without par value
an unlimited number of preferred shares without par value
- Issued: 16,291,933 common shares (2006: 13,168,433 common shares)
Nil preferred shares (2006: Nil preferred shares)

A summary of common shares issued in the years ended March 31, 2007 and 2006 is as follows:

	2007		2006	
	Number of Shares	Amount	Number of Shares	Amount
	#	\$	#	\$
Balance, beginning of year	13,168,433	5,633,079	7,323,433	4,430,279
Issued in the year for cash				
Private placement	1,500,000	750,000	5,000,000	1,000,000
Exercise of warrants	996,500	239,160	845,000	202,800
Exercise of options	127,000	44,450	-	-
Issued for the acquisition of interests in oil and gas properties	500,000	250,000	-	-
	16,291,933	6,916,689	13,168,433	5,633,079
Reclassified from contributed surplus on exercise of employee stock options	-	36,530	-	-
Balance, end of year	16,291,933	6,953,219	13,168,433	5,633,079

13. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

Private placements:

In the year ended March 31, 2007 the Company completed the private placement offering of 1,500,000 units at \$0.50 per unit, for total proceeds of \$750,000. Each unit comprised one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company at \$0.60 per share until March 9, 2009. 1,220,000 units were issued to directors and officers of the Company.

Also, a private placement subscription agreement for the purchase of 500,000 units was entered into in fiscal 2007 pursuant to the above private placement. Subsequent to March 31, 2007 the company issued an additional 500,000 units in accordance with this private placement subscription agreement, as described more fully in Note 19.

In the year ended March 31, 2006 the Company completed the private placement offering of 5,000,000 units at \$0.20 per unit, for total proceeds of \$1,000,000. Each unit comprised one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company at \$0.24 per share until September 16, 2007.

Common shares issued for the acquisition of oil and gas properties

Pursuant to the acquisition agreement, the Company issued 500,000 common shares to the vendor at a value of \$0.50 per common share. These shares are subject to the 2007 escrow agreement.

Escrow agreement

At March 31, 2007 2,150,600 issued common shares of the Company were held subject to an escrow agreement (the "2007 escrow agreement"). Common shares held subject to the 2007 escrow agreement will be released from escrow as follows:

April, 2007	215,060
October, 2007	322,590
April, 2008	322,590
October, 2008	322,590
April, 2009	322,590
October, 2009	322,590
April, 2010	322,590
	<u>2,150,600</u>

Subsequent to March 31, 2007, 215,060 shares were released from escrow.

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13. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

Contributed surplus

The amounts classified as contributed surplus are as follows:

	2007 \$	2006 \$
Balance, beginning of year	330,031	37,015
Stock-based compensation on stock options granted and re-priced	87,000	293,016
Less: reclassified on exercise of employee stock options previously granted	(36,530)	-
Contributed surplus	380,501	330,031

Warrants

	2007		2006	
	Number of warrants	Weighted Average Exercise Price per warrant \$	Number of warrants	Weighted Average Exercise Price per warrant \$
Balance, beginning of year	4,155,000	0.24	2,478,000	0.75
Granted	1,500,000	0.60	5,000,000	0.24
Expired			(2,478,000)	0.75
Exercised	(996,500)	0.24	(845,000)	0.24
Warrants outstanding, end of year	4,658,500	0.36	4,155,000	0.24
Warrants exercisable, end of year	4,658,500	0.36	4,155,000	0.24

A summary of warrants outstanding is as follows:

Exercise Price	Expiry Date	2007	2006
\$0.24	September 16, 2007	3,158,500	4,155,000
\$0.60	March 9, 2009	1,500,000	-
		4,658,500	4,155,000

13. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

Warrants (continued)

At March 31, 2007, 78,500 of the warrants expiring on September 16, 2007 and 1, 220,000 of the warrants expiring on March 9, 2009 are subject to the 2007 escrow agreement, such that if any shares are issued upon exercise of those warrants they will be subject to the terms of the 2007 escrow agreement, as it pertains to additional share issuances.

Stock options

The Company established a stock option plan in the year ended March 31, 2006 under which it may grant stock options totalling in aggregate up to 10% of the Company's total number of shares issued and outstanding on a non-diluted basis. The stock option plan provides for the granting of stock options to regular employees and persons providing investor-relation or consulting services up to a limit of 5% and 2% respectively of the Company's total number of issued and outstanding shares per year. The option price must be greater or equal to the discounted market price on the grant date and the option expiry date cannot exceed five years after the grant date. The stock options vest immediately on the date of the grant or over a period of time determined by the Board of Directors.

Any shares issued pursuant to stock options outstanding at March 31, 2007 will be subject to the terms of the 2007 escrow agreement.

	2007		2006	
	Number of options	Weighted Average Exercise Price per Option \$	Number of options	Weighted Average Exercise Price per Option \$
Balance, beginning of year	1,232,000	0.35	477,000	0.70
Cancelled	(100,000)	0.35	(170,000)	0.70
Repriced	-	-	(307,000)	0.70
Repriced	-	-	307,000	0.35
Granted	200,000	0.45	925,000	0.35
Exercised	(127,000)	0.35	-	-
Balance, end of year	1,205,000	\$0.35	1,232,000	0.35
Options exercisable, end of year	1,205,000	\$0.37	1,142,000	0.35
Weighted average fair value per option granted and repriced during 2007 and 2006		\$0.35		\$0.25

GREAT PACIFIC INTERNATIONAL INC.
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MARCH 31 2007 AND 2006

13. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

Stock options (Continued)

A summary of stock options outstanding is as follows:

Number of shares	Exercise price \$	Expiry Date
280,000	0.35	May 21, 2009
725,000	0.35	October 3, 2010
200,000	0.45	September 8, 2011
<u>1,205,000</u>		

The total stock-based compensation recognized for stock options granted and repriced under the fair value method using the Black-Scholes option pricing model was \$70,512 (2006: \$308,724). The Company expensed \$87,000 (2006: \$293,016) having an unamortized balance of \$nil (2006: \$15,708).

The following weighted average assumptions were used in the Black-Scholes option pricing model:

	2007	2006
Risk-free interest rate	3.99%	3.52%
Expected life of options	5.00 years	4.63 years
Annualized volatility	65.49%	76.33%
Dividend rate	0.00%	0.00%

14. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes (recovery) is as follows:

	2007	2006
Loss for the year	\$ (735,513)	\$ (645,929)
Expected income tax recovery at statutory rates	\$ (250,957)	\$ (222,813)
Amortization	931	7,368
Non-deductible expenses	5,091	-
Loss on discontinued operation	56,650	-
Stock-based compensation	29,685	101,076
Unrecognized benefits of non-capital losses	<u>158,600</u>	<u>114,369</u>
Total income tax recovery	\$ -	\$ -

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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14. INCOME TAXES (Continued)

The significant components of the Company's future income tax assets are as follows:

	2007	2006
Future income tax assets		
Property and equipment	\$ 31,600	\$ 54,600
Non-capital losses available for future periods	<u>1,464,400</u>	<u>1,706,300</u>
	1,496,000	1,760,900
Less: valuation allowance	<u>(1,496,000)</u>	<u>(1,760,900)</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company has non-capital losses for Canadian income tax purposes of approximately \$4,723,000 (2006: \$4,976,000), which can be carried forward to reduce taxable income in future years. Unless utilized, these losses will expire through 2027. Future tax benefits, which may arise as a result of these losses have not been recognized in these financial statements due to the uncertainty of their realization.

15. COMMITMENTS

The Company has entered into a management services agreement with a related company controlled by the relative of a director, for a term of five years expiring on September 9, 2009, at remuneration of \$5,000 per month. This agreement is subject to termination on twelve months' notice.

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Amounts classified on the consolidated statements of cash flows as changes in non-cash working capital items are as follows:

	2007	2006
	\$	\$
Accounts receivable and prepaid expenses	12,675	(11,839)
Accounts payable and accrued liabilities	8,550	(144,244)
Changes in non-cash working capital items	<u>21,225</u>	<u>(156,083)</u>

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (Continued)

The significant non-cash transactions for the years ended March 31, 2007 and 2006 not disclosed elsewhere are as follows:

- a) The acquisition cost of the oil and gas properties acquired in the year ended March 31, 2007 includes \$250,000 attributable to the issuance of 500,000 common shares of the Company as partial consideration for the property interests and \$337,000 attributable to accounts payable and accrued liabilities.
- b) The carrying value of the oil and gas properties includes \$165,055 in estimated future reclamation costs.
- c) The Company recorded the write-off of its \$5,813 investment in SA Minerals Exploration Inc. which was offsetted by a reduction in accounts payable and accrued liabilities.
- d) In the year ended March 31, 2006 accounts payable and accrued liabilities of \$110,648 were assigned to related parties who assumed the amounts as loans payable to related parties.
- e) In the year ended March 31, 2006 loans payable and accrued interest of \$7,768 were assigned to related parties as loans payable to related parties.

17. SEGMENTED INFORMATION

At March 31, 2007, the Company operated in one reportable operating segment, being oil and gas exploration and development located in Canada.

The Company's assets and liabilities classified as "current or non-current assets of discontinued operations held for sale" and "liabilities of discontinued operations held for sale" related to operations of a business component that was in a single, different reportable segment, being the establishment of a loyalty points program in Canada. Upon discontinuation of that business component (Note 8) the Company had no further operations in that segment.

At March 31, 2006, the Company operated in one reportable operating segment, being the establishment of a loyalty points program in Canada.

18. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, advances receivable, long-term investments, accounts payable and accrued liabilities, and loans and convertible debentures. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

19. SUBSEQUENT EVENTS

Subsequent events are as follows:

Oil and gas properties

Subsequent to March 31, 2007, the Company acquired several additional oil and gas property interests.

- a) Farm-in rights for an Alberta oil and gas property. Under the terms of this farm-in, Great Pacific has a firm and binding commitment to drill a test well of up to 1,430 metres depth by December 1, 2007. The cost to drill this test well is estimated at \$1,060,000.
- b) Farm-in rights for an Alberta oil and gas property. Under the terms of the farm-in, Great Pacific must pay 37.5% of the costs to complete a test well on the property in order to acquire a working interest in the property. Great Pacific's estimated share of the test well costs is \$325,000. Under the terms of this agreement, the Company paid \$250,000 in drilling costs and recorded a commitment of an additional \$75,000 in drilling costs.
- c) The Company acquired a 3.05% before pay-out net revenue interest (2.8% after pay-out net revenue interest), being a 4.4% before pay-out (3.3% after pay-out) working interest, in a producing natural gas well in Arkansas, U.S., for cash payment of \$32,160.

Share issuances

Subsequent to the year end, the Company issued 500,000 units in accordance with a share subscription agreement that was entered into in fiscal 2007 pursuant to the private placement outlined in Note 13. Each issued unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of Great Pacific at \$0.60 per share until March 9, 2009.

Subsequent to March 31, 2007, the Company received total proceeds of \$48,000 pursuant to the exercise of 300,000 warrants at \$0.24 per share.

The Company has retained an investment banking firm to raise new equity financing to fund the Company's commitments, as well as further planned exploration on their properties, and to fund working capital requirements. The terms of the engagement are to raise, on a best efforts basis, flow-through and non-flow-through financing at prices of \$1.05 and \$0.95 per unit respectively (one share and one warrant at \$1.25 for one year, and \$1.45 if exercised in year two). Under the terms of the engagement, the investment banker is entitled to a commission of up to 7% on all proceeds raised and Agent's Warrants totalling 10% of the number of units sold under this offering. Each Agent's Warrant will grant the investment banker the right to purchase a common share of the Company for a period of two years from the closing date at a price of \$0.95.

Sale of discontinued operations

In April, 2007 the Company sold its two wholly-owned subsidiaries pursuant to a sale of its discontinued operations. The Company received proceeds of \$2,000 from the sale of the discontinued operations.