

GREAT PACIFIC INTERNATIONAL INC.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2008 and 2007

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

	2008 \$	2007 \$
ASSETS		
Current assets		
Cash	634,442	527,637
Accounts receivable and prepaid expenses (Note 4)	128,176	9,829
Net assets of discontinued operations (Note 10)	-	2,000
	<u>762,618</u>	<u>539,466</u>
Drilling deposit (Note 5)	100,000	-
Oil and gas properties (Note 7)	1,677,474	777,055
Advances receivable (Note 6)	-	1
Long-term investment (Note 8)	1	29,517
Equipment (Note 9)	15,313	576
	<u>2,555,406</u>	<u>1,346,615</u>
TOTAL ASSETS		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 12)	273,366	442,458
	<u>273,366</u>	<u>442,458</u>
Future asset retirement obligations (Note 11)	476,675	165,055
	<u>750,041</u>	<u>607,513</u>
Shareholders' equity		
Share capital (Note 13)	8,145,853	6,953,219
Contributed surplus (Note 13)	307,316	380,501
Share subscriptions received in advance (Note 14)	814,598	-
Deficit	(7,462,402)	(6,594,618)
	<u>1,805,365</u>	<u>739,102</u>
Total shareholders' equity		
	<u>2,555,406</u>	<u>1,346,615</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		

Nature and continuance of operations (Note 1)

Commitments (Note 16)

Subsequent events (Note 19)

On behalf of the Board:

"Thal Poonian"

Thal Poonian

Director

"Ronald Bobowski"

Ronald Bobowski

Director

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

GREAT PACIFIC INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
YEARS ENDED MARCH 31, 2008 AND 2007

	2008	2007
	\$	\$
REVENUE		
Oil and natural gas sales (Note 18)	517,413	-
Oil and gas production costs		
Operating expenses	175,917	-
Depletion and accretion (Note 7)	388,391	-
	564,308	-
Loss from oil and gas operations	(46,895)	-
EXPENSES		
Accounting and audit	140,945	65,255
Amortization	7,095	2,729
Consulting fees	118,290	85,992
Financing costs	25,000	7,021
Insurance	7,696	-
Management fees	142,330	60,000
Office and miscellaneous	57,574	28,143
Professional fees	69,864	16,566
Shareholder communication	50,065	54,109
Regulatory and transfer agent fees	37,635	31,057
Rent	48,000	40,725
Stock-based compensation (Note 13)	7,859	87,000
Travel and entertainment	79,020	83,661
Loss on impairment of long-term investment (Note 8)	29,516	-
Change of business costs	-	46,167
Gain on settlement of accounts payable	-	(2,321)
Gain on settlement of the convertible debentures	-	(36,623)
	(820,889)	(569,481)
Loss from continuing operations	(867,784)	(569,481)
Loss from discontinued operations (Note 10)	-	(166,032)
Loss and comprehensive loss for the year	(867,784)	(735,513)
Deficit, beginning of year	(6,594,618)	(5,859,105)
Deficit, end of year	(7,462,402)	(6,594,618)
Loss per share information		
Basic and diluted loss per share attributable to continued operations	\$(0.05)	\$ (0.04)
Basic and diluted loss per share attributable to discontinued operations	-	(0.01)
Basic and diluted loss per common share	\$(0.05)	\$ (0.05)
Weighted average number of common shares outstanding	18,625,736	13,763,299

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, 2008 AND 2007

	2008	2007
	\$	\$
CASH USED IN OPERATING ACTIVITIES OF CONTINUING OPERATIONS		
Loss for the year from continuing operations	(867,784)	(569,481)
Items not affecting cash:		
Depletion	371,009	-
Accretion	17,382	-
Amortization	7,095	2,729
Stock-based compensation	7,859	87,000
Loss on impairment of long-term investments	29,516	-
Advances receivable	1	-
Interest on convertible debentures	-	7,005
Recovery of accounts payables and accrued liabilities	-	(2,321)
Gain on settlement of the convertible debentures	-	(36,623)
	<u>(434,922)</u>	<u>(511,691)</u>
Changes in non-cash working capital items (Note 17)	<u>(22,311)</u>	<u>21,225</u>
Net cash used in operating activities of continuing operations	<u>(457,233)</u>	<u>(490,466)</u>
CASH USED IN INVESTING ACTIVITIES OF CONTINUING OPERATIONS		
Acquisition, exploration and development of oil and gas property interests	(1,273,420)	(25,000)
Drilling deposit	(100,000)	-
Purchase of equipment (Note 9)	(21,832)	(2,258)
	<u>(1,395,252)</u>	<u>(27,258)</u>
Net cash used in investing activities of continuing operations	<u>(1,395,252)</u>	<u>(27,258)</u>
CASH PROVIDED BY FINANCING ACTIVITIES OF CONTINUING OPERATIONS		
Shares issued for cash	1,111,590	1,033,610
Share subscriptions received	845,700	-
Repayment of loans and loans and advances from related parties	-	(18,549)
Repayment of convertible debentures	-	(87,135)
	<u>1,957,290</u>	<u>927,926</u>
Net cash provided by financing activities of continuing operations	<u>1,957,290</u>	<u>927,926</u>
Net cash provided by continuing operations	104,805	410,202
Net cash provided by (used in) discontinued operations	2,000	(57,032)
Cash, beginning of year	<u>527,637</u>	<u>174,467</u>
Cash, end of year	<u>634,442</u>	<u>527,637</u>
Cash paid during the year for:		
Income taxes	-	-
Interest expense	-	7,135

Supplemental disclosure with respect to cash flows (Note 17)

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. ("Great Pacific") was incorporated on November 4, 1993 in Alberta, Canada. Great Pacific is a junior public resource company in the business of oil and gas exploration and development. Great Pacific's operations are primarily in Alberta, Canada, where it holds varying working interests and property option interests in certain petroleum leases. The common shares of Great Pacific trade on the TSX Venture Exchange ("TSX-V").

Prior to March 31, 2007, Great Pacific was previously engaged in development stage operations of a loyalty points program, known as "GPI-Rewards". Assets, liabilities, and expenses described in these financial statements as pertaining to "discontinued operations" related to the abandoned GPI-Rewards business. Great Pacific abandoned development of the GPI-Rewards business in the fiscal year ended March 31, 2007, concurrent with the commencement of development stage oil and gas operations. At March 31, 2007 Great Pacific held for sale the discontinued loyalty points program business, including the assets, liabilities and subsidiaries related to that business. The loyalty points program business, including the GPI-Rewards subsidiaries, were sold in the year ended March 31, 2008. Accordingly, Great Pacific has no interests related to the discontinued GPI-Rewards business at March 31, 2008.

Consolidation

These financial statements for the year ended March 31, 2008 include, on a consolidated basis, the assets and liabilities and revenues and expenses of Great Pacific International Inc. and its wholly-owned subsidiary, GPI Oil and Gas Inc., which was incorporated in British Columbia in the year ended March 31, 2008.

The balance sheet as at March 31, 2007 and the comparative figures for the year ended March 31, 2007 include, on a consolidated basis, the assets and liabilities and revenues and expenses of Great Pacific International Inc. and the Company's former 100% owned subsidiaries, GPI Rewards (Canada) Inc., ("GPI Canada"); and GPI Rewards (U.S.A.) Inc. ("GPI USA").

In the year ended March 31, 2008 the Company sold both GPI Canada and GPI USA and as such, the Company no longer has any interest in either of these subsidiaries. The financial statements for the year ended March 31, 2008 do not include the revenue and expenses or assets and liabilities of either GPI Canada or GPI USA.

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 "the Company".

1. NATURE AND CONTINUANCE OF OPERATIONS (Continued)

Going concern assumption

These financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") applicable to a going concern. The use of such principles presupposes 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-sustaining level of revenue from oil and gas production, it will remain dependent upon its ability to secure additional financing through the issuance of share capital. At March 31, 2008 the Company has working capital of \$489,252 (March 31, 2007: \$97,008) and accumulated losses of \$7,462,402 (March 31, 2007: \$6,594,618). Management is actively pursuing new financings, and while it has been successful in the past, there can be no assurance that 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.

2. SIGNIFICANT ACCOUNTING POLICIES

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the periods reported. Significant estimates are required, for example, in the determination of the fair value of future asset retirement obligations, depletion costs per unit of production, stock-based compensation expense and in measuring the recoverability of amounts shown for oil and gas properties. 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 include leasehold acquisition costs, geological and geophysical costs, lease rentals on non-producing properties, drilling, and plant and equipment costs. 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 unproven properties are initially excluded from the full cost pool and are assessed yearly to determine whether impairment has occurred. When proven reserves are subsequently assigned to a previously unproven property or the property is determined 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 carrying value is not greater than the sum of the undiscounted cash flows expected from the production of proven reserves using forecasted future prices plus the lower of the cost and the market value of unproven properties plus the cost of major development projects. 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 sum of the fair value of proven and probable reserves plus the cost, less any impairment, of unproven properties assigned no probable reserves. An impairment loss recognized on oil and gas properties is recorded in operations as additional depletion.

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 proven 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 material.

Discontinued operations

Results of operations and cash flows are classified as pertaining to "discontinued operations" if those operations and cash flows are attributable to a distinguishable component of the Company that was eliminated from the ongoing operations of the Company.

The results of discontinued operations are classified separately in both the current period and all comparative periods presented. 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 disposed of pursuant to the 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, and liabilities of discontinued operations, respectively.

Current and non-current assets and liabilities of discontinued operations 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.

Long-term investment

Long-term investment is 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 year.

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 recognizing and measuring 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.

Impairment of oil and gas properties is recognized and measured in accordance with the Company's accounting policies related to oil and gas properties.

Future asset retirement obligations

The amounts classified as future asset retirement obligations consist of 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 estimated future costs represent 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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from the sale of oil and gas products is recognized upon the passage of title and when ultimate collection is reasonably assured.

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 are 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.

Adoption of new accounting policies

Effective April 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments - Recognition and Measurement; and Section 3865, Hedges. These new Handbook 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 that are excluded from net income calculated in accordance with generally accepted accounting principles. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated. The adoption of these Handbook Sections had no impact on opening deficit.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new accounting policies (Continued)

Under Section 3855, financial instruments must be classified into one of these five categories: held-for trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured on initial recognition 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: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

Upon adoption of these new standards, the Company has designated:

- Cash as held for trading
- Accounts receivable and drilling deposit as loans and receivables
- Long term investment as available for sale securities measured at fair value
- Accounts payable and accrued liabilities as other liabilities, measured at amortized cost.

In accordance to the above policy, the Company has charged to net income an impairment charge of \$29,516 with respect to its long term investment. The Company had no "other comprehensive income or loss" transactions during the year ended March 31, 2008 and no opening or closing balances for accumulated other comprehensive income or loss.

Concentration of credit risk:

The Company does not believe it is subject to any significant credit risk with respect to cash, even though it is held in excess of federally insured limits with a single major banking institute.

The Company grants credit to its customers in the normal course of business. Furthermore, accounts receivables arise from normal joint operating arrangements governing the Company's producing oil and gas properties. Credit valuations are performed on a regular basis and the financial statements take into account any requirement for an allowance for bad debts. At March 31, 2008, amounts owing from Mistahiya Resources Ltd., the operator of its Canadian producing oil and gas wells, represents 85% of total accounts receivable.

Interest rate risk:

The Company is not subject to material interest rate risk as it does not have any interest bearing debt.

Commodity and foreign exchange rate risk:

The price for oil and gas is based on world wide commodity prices quoted in United States dollars while the majority of the Company's operating costs are incurred in Canadian dollars. The Company is therefore subject to risk due to fluctuations in commodity prices and exchange rates. The Company does not use derivative instruments to manage its exposure to foreign exchange rate risk. The Company has does not enter into long term fixed prices for the sale of its production.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Canadian accounting developments

Effective April 1, 2008, the Company is required to adopt the following new Canadian accounting pronouncements:

Assessing going concern (Canadian Institute of Chartered Accountants Handbook ("CICA Handbook") Section 1400

The Accounting Standards Board (AcSB) amended section 1400 to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern.

Capital disclosures – CICA Handbook section 1535

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

Inventories – CICA Handbook section 3031

The AcSB issued section 3031 (superseding section 3030) establishing new standards for the measurement and disclosure of inventories. As per the new standard, the new rules applicable to the measurement of inventories do not apply to the oil and gas inventories of the company as such are measured at net realizable value in accordance with well-established practices in the industry.

Financial instruments – CICA Handbook section 3862 and 3863 – disclosures and presentation

These new sections, 3862 (on disclosures) and 3863 (on presentation), replace section 3861, revising and enhancing the disclosure requirements, and carrying forward unchanged its presentation requirements. Section 3862 complements the principles for recognizing, measuring and presenting financial assets and financial liabilities in Financial Instruments. Section 3863 deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and liabilities are offset.

The Company is evaluating the impact of these new accounting standards on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") has published a strategic plan that calls for the convergence of Canadian GAAP (Generally Accepted Accounting Principles) over an expected five year transitional period commencing 2006. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. For the Company this will require all interim and financial statements commencing April 1, 2011 to be based upon IFRS. The Company will monitor and assess the impact of these convergence initiatives on its financial reporting and disclosure.

3. COMPARATIVE FIGURES

Comparative figures have been reclassified, where applicable, to conform with the current year's presentation.

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008 AND 2007

4. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

Amounts presented as accounts receivable and prepaid expenses comprise the following:

	March 31,	
	2008	2007
	\$	\$
Net revenue receivable from oil and gas property operators	96,794	-
Oil and gas property expenditures incurred on behalf of joint interest-holders	4,951	-
Recovery of goods and services tax	12,677	9,029
Prepaid expenses	13,754	800
	<u>128,176</u>	<u>9,829</u>

5. DRILLING DEPOSIT

The amount of the drilling deposit at March 31, 2008 comprises funds held in trust pursuant to the Company's Haro East and RLE Red Earth farm-in agreements (Note 7).

Pursuant to those farm-in agreements, the Company will lose its option rights to the Haro East and RLE Red Earth properties if the Company does not drill the required earn-in wells on or before the following drilling deadlines:

- The RLE Red Earth 11-89 test well is to be drilled on or before December 1, 2008; and
- The two Haro East earn-in wells are to be drilled on or before March 1, 2008, subject to reasonable site access conditions, or as soon thereafter as is feasible based on site access conditions.

In accordance with the Haro East and RLE Red Earth farm-in agreements dated December 31, 2007, the Company placed the drilling deposit of \$100,000 in trust with the farmor, with such funds to be returned to the Company upon the Company meeting the above drilling deadlines. However, the drilling deposit will be forfeited to the farmor should the Company not meet those drilling deadlines.

The Company did not commence drilling the Haro East earn-in wells prior to the March 1, 2008 deadline, as it was agreed by the Company and the farmor that site access conditions were prohibitively adverse. The Company considers it highly unlikely that the site access conditions will allow for drilling prior to December 2008.

At March 31, 2008 the Company is in good standing in accordance with the drilling deadlines.

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008 AND 2007

6. ADVANCES RECEIVABLE

Amounts classified as advances receivable are as follows:

	2008	2007
	\$	\$
Due from a former director	88,283	88,283
Other advances	35,804	35,804
	<u>124,087</u>	<u>124,087</u>
Less: provision for advances doubtful as to recovery	<u>(124,087)</u>	<u>(124,086)</u>
Advances receivable	<u>-</u>	<u>1</u>

The Company has made a full provision for recovery of the advances made to a former Director, and advances made to a contractor 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.

7. OIL AND GAS PROPERTIES

Amounts presented as oil and gas properties at March 31, 2008 relate to capitalized acquisition costs and exploration and development expenditures, less depletion, attributable to the following lease-held and option-held interests in petroleum and natural gas leases.

Canadian oil and gas properties:

Mistahiya-group properties

In the fiscal year ended March 31, 2007 the Company obtained its initial oil and gas assets (the "Mistahiya-group properties") by way of a block acquisition from Mistahiya Resources Ltd. ("Mistahiya"), a private corporation. Net revenue interests acquired ranged from 3.8% to 36%, subject to Crown royalties.

The Mistahiya-group properties were acquired for cash consideration of \$362,000, and the issuance of 500,000 common shares for a fair value of \$0.50 per share. The Company also assumed asset retirement obligations having an estimated fair value at March 31, 2008 of \$422,000.

The Mistahiya-group properties, including all the producing oil wells, are located in Alberta, Canada.

The Company started participating on a non-operated basis in oil and gas production from the Mistahiya properties on April 1, 2007. In the year ended March 31, 2008, all production attributed to the Canadian oil and gas cost centre was earned from the Mistahiya-group properties.

During the year-ended March 31, 2008, the Company paid \$92,392 of re-work costs on two producing Mistahiya-group properties which were attributable to the working interest of Mistahiya. At the time of the re-work expenditures, Mistahiya was a related party to the Company, by way of a common officer. As compensation for financing these costs, the Company's working interests in the two re-worked wells was temporarily increased to 100% until that time the Company had earned approximately \$180,000 in net production revenue (revenue less operating expenses) from the re-worked wells (the "payout penalty"). In March, 2008, the Company had earned the pay-out penalty, and thus its interest in those wells reverted to 36%.

7. OIL AND GAS PROPERTIES (Continued)

Canadian oil and gas properties (continued)

Mistahiya-group properties (continued)

In the year-ended March 31, 2008, the Company incurred oil and gas exploration and development expenditures of \$27,393 on certain unproven Mistahiya-group properties.

In the year ended March 31, 2008 the Company identified and acquired a number of new Canadian oil and gas properties, as follows:

Undeveloped Alberta lease interests

The Company acquired, by Crown lease, the following undeveloped Alberta property interests:

- 100% working interest in certain petroleum and natural gas leases ("P & NG leases") in Alberta, Canada
- 25% interest in certain P & NG leases near Drumheller, Alberta. At the time of acquisition, a joint working interest holder on this property was related to the Company by way of a common officer.

These undeveloped Alberta lease interests were acquired for lease bonus payments totalling \$44,661.

RLE Red Earth farm-in

In the year ended March 31, 2008, the Company entered into a farm-in agreement to acquire working interests in P & NG leases located in Alberta. Significant terms of the agreement are as follows.

- By drilling a test well prior to December 1, 2008, the Company will earn a 100% working interest in the test well (subject to a convertible royalty) and a 50% working interest in certain other P & NG leases;
- The Company has deposited \$100,000 into trust (Note 5), such funds to be released upon the completion of the drilling of the test well, and the performance of certain drilling obligations on the Haro East project, as outlined below; and
- The Company's rights to the RLE Red Earth farm-in lands will be forfeited should the Company not remain in good standing in respect of the Haro East project.

Haro East project

In the year ended March 31, 2008, the Company acquired option rights to certain P & NG leases, referred to as the "Haro East project", located in Alberta.

By drilling two earn-in wells to the depth of a given formation, the Company will earn a 100% working interest in each well drilled, subject to a 15% lessor over-riding royalty convertible at payout to a 50% working interest, plus a 50% working interest in two additional adjacent sections of P & NG leases to certain geological formations.

7. OIL AND GAS PROPERTIES (Continued)

Canadian oil and gas properties (continued)

Haro East farm-in (continued)

Under the terms of the farm-in agreement, the Company must drill these wells by the later of March 1, 2008 and that time when well accessibility factors and industry conditions amenable to the drilling of these leases first prevail. At March 31, 2008, it was agreed by the Company and the farmor that site access conditions were prohibitively adverse. These prohibitive conditions are expected to persist until December 2008.

Should the Company not drill the Haro option wells as soon as it is feasible to do so, the Company will forfeit the drilling deposit (Note 5), and will forfeit the right to drill the RLE Red Earth farm-in test well.

3-20 project and Devon/Paramount seismic option lands

In the year ended March 31, 2008, the Company acquired certain interests and option-rights in an oil and gas project referred to as the "3-20 project" and the "Devon/Paramount seismic option lands" for cash consideration totaling approximately \$309,000, from a private company having a common director. Rights acquired were as follows:

A 37.5% working interest (subject to a 5-15% convertible gross-overriding royalty) in the re-entered "3-20" well;

A 37.5% working interest (subject to a 5-15% convertible gross-overriding royalty) in certain P & NG leases adjacent the 3-20 well-site; and

A 75% interest in the "Devon/Paramount seismic option lands". These option rights were abandoned after completing a seismic survey having a cost of approximately \$103,000.

The Company participated in a re-entry program on the 3-20 project lands, incurring expenditures totaling approximately \$155,000. This program proved to be non-economic.

Manitoba shale gas prospect

At March 31, 2008 the Company holds 50 – 100% working interests in certain non-producing mineral leases in Manitoba, Canada.

The Company acquired its interest in the Manitoba shale gas prospect by nominal cash payment and the assumption of asset retirement obligations with an estimated acquisition-date fair value of \$26,596.

Substantially all of the Company's Manitoba shale gas leases expire in the fiscal year ended March 31, 2009.

United States oil and gas properties:

Logan County, Arkansas

In the fiscal year ended March 31, 2008, the Company acquired, for cash consideration of \$32,166, a non-operated working interest equivalent to a 2.8% net revenue interest in a producing natural gas lease in Arkansas, U.S.A.

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008 AND 2007

7. OIL AND GAS PROPERTIES (Continued)

Capitalized oil and gas expenditures:

The components of the carrying value of oil and gas properties are as follows:

	Canada \$	United States \$	Total \$
Balance, March 31, 2006	-	-	-
Acquisition of oil and gas properties	612,000	-	612,000
Capitalized future asset retirement obligations	165,055	-	165,055
Balance, March 31, 2007	777,055	-	777,055
Acquisition of oil and gas property interests	353,440	32,166	385,606
Capitalized future asset retirement Obligations (Note 11)	293,731	507	294,238
Exploration and development of oil and gas properties	591,584	-	591,584
Depletion	(355,458)	(15,551)	(371,009)
Balance, March 31, 2008	<u>1,660,352</u>	<u>17,122</u>	<u>1,677,474</u>

Capitalized expenditures for oil and gas property acquisition, exploration and development are subject to depletion and depreciation as follows

	2008 \$	2007 \$
<u>Canada</u>		
Oil and gas expenditures subject to depletion and depreciation	790,192	298,402
Oil and gas expenditures not subject to depletion and depreciation	870,160	478,653
<u>United States</u>		
Oil and gas expenditures subject to depletion and depreciation	17,122	-
Oil and gas expenditures not subject to depletion and depreciation	-	-
Oil and gas properties	<u>1,677,474</u>	<u>777,055</u>

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. OIL AND GAS PROPERTIES (Continued)

Ceiling test

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. Impairment tests are conducted separately for each oil and gas cost centre, and for each individual unproven property having a carrying value representing 10% or more of the total cost centre carrying amount.

For a cost centre, an impairment loss is recognized when the carrying amount of a cost centre is not recoverable and exceeds its fair value. This is presumed to occur when the carrying value of the cost centre exceeds the sum of the undiscounted cash flows expected to be earned from the assets within the cost centre, and the cost of unproven properties subject to a separate test for impairment.

In the year ended March 31, 2008, the Company recognized an impairment charge on the Canadian oil and gas cost centre of \$66,610 (2007: \$ nil), included in depletion.

The forecasted future price used in the ceiling test evaluations of the Company's oil and gas interests at March 31, 2008 are as follows:

	2008	2009	2010	2011	2012	2013	Increase thereafter to 2018
Oil (Edmonton light sweet 40° API C\$/Bbl)	\$97	\$91	\$87	\$83	\$82	\$82	2.5% per year
Natural gas (Alberta average field C\$/MMBtu)	\$8.05	\$7.85	\$7.65	\$7.55	\$7.55	\$7.65	2.3% per year
US\$ (expressed in CDN \$)	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	0% per year

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

8. LONG-TERM INVESTMENT

	2008	2007
	\$	\$
Investment in common shares of OG International Inc.	29,517	29,517
Less provision for impairment	(29,516)	-
Long-term investment	1	29,517

The Company's investment in OG International Inc. ("OG International") consists of 2,500,000 (2007: 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, the Company and OG International had a common officer and director.

In the year ended March 31, 2008, upon the Company's determination that the value of the long-term investment was impaired, the carrying value of the long-term investment was reduced to a nominal \$1 by a charge to earnings of \$29,516.

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

	2008			2007		
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Cost \$	Accumulated Amortization \$	Net Book Value
Computers and office equipment	58,416	(43,103)	15,313	36,584	(36,008)	576

10. DISCONTINUED OPERATIONS

Items classified as pertaining to discontinued operations related to the Company's former development stage loyalty points program business. The discontinued loyalty points program business was abandoned in the fiscal year ended March 31, 2007, and the subsidiaries, assets and liabilities relating to the discontinued loyalty points business were sold in the year ended March 31, 2008.

As a plan for the sale of the discontinued operations was in place at March 31, 2007 the net assets of the discontinued operations were recorded at their estimated fair value less costs to sell at March 31, 2007.

Amounts classified as net assets of discontinued operations comprised the following:

	March 31,	
	2008 \$	2007 \$
Internet Website		
Deferred Expenditures	-	48,985
Accumulated Amortization	-	(46,418)
Write-down to net realizable value, less costs to sell	-	(567)
Deferred business development costs		
Deferred development costs	-	173,357
Write-down to fair value, less costs to sell	-	(154,788)
Book value of current liabilities held for sale	-	(18,569)
Net assets of discontinued operations	-	2,000

These assets were reclassified as current in the year ended March 31, 2007 upon the Company entering into a plan of sale for the divestiture of its discontinued business. In accordance with the plan of sale, the assets, liabilities and operating subsidiaries pertaining to the discontinued operations were sold in the year ended March 31, 2008 for \$2,000.

Loss from discontinued operations consisted of the following expenses:

	March 31,	
	2008 \$	2007 \$
Amortization of website	-	9,509
Office and website operation costs	-	1,168
Write-down of net assets to fair value	-	155,355
Loss from discontinued operations	-	166,032

11. FUTURE ASSET RETIREMENT OBLIGATIONS

Future asset retirement obligations represent the present value of the expected future cost of reclaiming the Company's oil and gas assets, including well-sites and lease roads, storage tanks, and well-bores, in accordance with regulations and statute, licencing requirements, and contractual obligations.

Estimated undiscounted cash flows required to fulfill and settle future asset retirement obligations net of any expected salvage are as follows:

Year	Undiscounted asset retirement cash flow
	\$
2009	149,000
2010	124,000
2012	52,000
2015	113,000
2020	94,000
2022	48,000
2027	50,000
	<u>630,000</u>

In determining the fair value of the future asset retirement obligation at March 31, 2008, these estimated undiscounted cash flows were discounted using a discount rate of 8% and an inflation rate of 2.5%. The expected future proceeds for salvage of production equipment were discounted using a discount rate of 10%.

The long-term provision for future asset retirement obligations arises as follows:

	<u>\$</u>
Balance, March 31, 2006	-
Future asset retirement obligations capitalized in the year	<u>165,055</u>
Balance, March 31, 2007	165,055
Accretion	17,382
Future asset retirement obligations capitalized	<u>294,238</u>
Balance, March 31, 2008	<u><u>476,675</u></u>

12. RELATED PARTY TRANSACTIONS

Related party transactions and balances entered into during the year ended March 31, 2008 and not disclosed elsewhere in these financial statements are as follows:

- a) In the year ended March 31, 2008 the Company paid or accrued management fees to senior officers of \$139,250 (2007: \$60,000).
- b) The Company paid or accrued professional and consulting fees to related parties (or to private companies controlled by related parties, or parties affiliated with related parties) in the years ended March 31, 2008 and 2007 as follows

Related party	2008 \$	2007 \$
Private companies controlled by directors, officers or persons related to them	12,255	-
Directors, officers, or persons related to them	<u>28,750</u>	<u>80,000</u>
	<u>41,005</u>	<u>80,000</u>

Of these professional and consulting fees, \$12,255 were recorded as capitalized oil and gas property expenditures in the fiscal year ended March 31, 2008 (2007 - \$ nil), and \$ nil were recorded as deferred business development expenditures (2007 - \$15,750).

- c) The Company accrued finders' fees of \$25,320 (2007: \$ nil) to a person related to a director of the Company in connection with share subscriptions received in advance.
- d) Accounts payable and accrued liabilities include \$89,158 (2007: \$24,425) owing to officers, directors (or to persons related to them or companies controlled by them) for services as noted in a), b) and c), and for expense reimbursements.
- e) In the year ended March 31, 2008 the Company granted 795,000 employee stock options to directors and officers of the Company having exercise prices escalating from \$1.25 per share to \$1.83 per share, expiring February 18, 2013 (2007: granted 200,000 employee stock options to a director having an exercise price of \$0.45 per share, expiring September 8, 2011).

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.

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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: 20,243,433 common shares (2007: 16,291,933 common shares)
Nil preferred shares (2007: Nil preferred shares)

A summary of common shares issued in the years ended March 31, 2008 and 2007 is as follows:

	2008		2007	
	Number of Shares	Amount	Number of Shares	Amount
	#	\$	#	\$
Balance, beginning of year	16,291,933	6,953,219	13,168,433	5,633,079
Issued in the year for cash				
Private placement	500,000	250,000	1,500,000	750,000
Exercise of warrants	3,162,500	760,440	996,500	239,160
Exercise of options	289,000	101,150	127,000	44,450
Issued for the acquisition of interests in oil and gas properties	-	-	500,000	250,000
	<u>20,243,433</u>	<u>8,064,809</u>	<u>16,291,933</u>	<u>6,916,689</u>
Reclassified from contributed surplus on exercise of employee stock options	-	81,044	-	36,530
Balance, end of year	<u><u>20,243,433</u></u>	<u><u>8,145,853</u></u>	<u><u>16,291,933</u></u>	<u><u>6,953,219</u></u>

Private placement

In the year ended March 31, 2008 the Company issued 500,000 private placement units at \$0.50 per unit, pursuant to a private placement subscription agreement entered into in fiscal 2007 in respect of a private placement share offering in that year. Each private placement 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.

In the year ended March 31, 2007 the Company issued 1,500,000 such private placement units at \$0.50 per unit, for total proceeds of \$750,000, pursuant to the same private placement. 1,220,000 units were issued to directors and officers of the Company.

Common shares issued for the acquisition of oil and gas properties

In the year ended March 31, 2007, 500,000 common shares having a fair value of \$0.50 per share were issued as partial consideration for the acquisition of the Mistahiya-group properties.

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

Escrow agreement

At March 31, 2008 1,671,825 (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, 2008	334,365
October, 2008	334,365
April 2008	334,365
October, 2009	334,365
April, 2010	334,365
	<u>1,671,825</u>

Subsequent to March 31, 2008, 334,365 shares were released from escrow.

Contributed surplus

The amounts classified as contributed surplus are as follows:

	2008	2007
	\$	\$
Balance, beginning of year	380,501	330,031
Stock-based compensation on stock options granted	7,859	87,000
Less: reclassified on exercise of employee stock options previously granted	<u>(81,044)</u>	<u>(36,530)</u>
Contributed surplus	<u>307,316</u>	<u>380,501</u>

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

Warrants

A summary of share purchase warrants issued and exercised in the years ended March 31, 2008 and 2007 is as follows:

	2008		2007	
	Number of warrants	Weighted Average Exercise Price per warrant \$	Number of warrants	Weighted Average Exercise Price per warrant \$
Balance, beginning of year	4,658,500	0.36	4,155,000	0.24
Granted	500,000	0.60	1,500,000	0.60
Exercised	(3,162,500)	(0.24)	(996,500)	(0.24)
Warrants outstanding, end of year	<u>1,996,000</u>	<u>0.60</u>	<u>4,658,500</u>	<u>0.36</u>
Warrants exercisable, end of year	<u>1,996,000</u>	<u>0.60</u>	<u>4,658,500</u>	<u>0.36</u>

A summary of warrants outstanding is as follows:

Exercise Price	Expiry Date	2008	2007
\$0.60	March 9, 2009	1,996,000	1,500,000
\$0.24	September 16, 2007	-	3,158,500
		<u>1,996,000</u>	<u>4,658,500</u>

GREAT PACIFIC INTERNATIONAL INC.
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13. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

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.

A summary of share purchase options cancelled, issued and exercised in the years ended March 31, 2008 and 2007 is as follows:

	2008 Number of options	Weighted average exercise price per option \$	2007 Number of options	Weighted average exercise price per option \$
Balance, beginning of year	1,205,000	0.37	1,232,000	0.35
Cancelled	-	-	(100,000)	0.35
Granted	900,000	1.67	200,000	0.45
Exercised	(289,000)	0.35	(127,000)	0.35
Balance, end of year	<u>1,816,000</u>	1.02	1,205,000	0.35
Options exercisable, end of year	<u>916,000</u>	0.37	1,205,000	0.37
Weighted average fair value, per option granted during 2008 and 2007		<u>0.30</u>		<u>0.35</u>

A summary of stock options outstanding is as follows:

Exercise price	Expiry Date	Options outstanding at March 31,	
		2008	2007
\$1.25 - \$1.83	February 18, 2013	900,000	-
0.35	May 21, 2009	235,000	280,000
0.35	October 3, 2010	481,000	725,000
0.45	September 8, 2011	200,000	200,000
Options outstanding, end of year		1,816,000	1,205,000
Unvested stock options not subject to exercise at year end		(900,000)	-
Options exercisable, end of year		<u>916,000</u>	<u>1,205,000</u>

The total stock-based compensation recognized for stock options granted, under the fair value method using the Black-Scholes option pricing model, was \$277,223 (2007: \$70,512). The Company expensed \$7,859 (2007: \$87,000) having an unamortized balance of \$269,364 to be recognized over the following five years (2007: \$ nil).

Stock options granted in the year ended March 31, 2008 vest as to 10% every six months, commencing August 18, 2008. The exercise price is \$1.25 per share escalating to \$1.83 per share through 2013.

13. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

Stock options (continued)

The stock-based compensation recognized for stock options granted to employees in the year ended March 31, 2008 was \$273,930 (2007: \$70,512), with an option value of \$0.39 per option (2007: \$0.35). The value of stock-based compensation granted to employees is recognized on a straight-line basis over the estimated term/vesting period of the options, being 5 years.

The stock-based compensation recognized for stock options granted to non-employees in the year-ended March 31, 2008 was \$3,293 (2007: \$ nil). The measurement date of non-employee stock options granted in the year-ended March 31, 2008 is the performance completion date, being the vesting date of the options.

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

	2008	2007
Risk-free interest rate	3.15%	3.99%
Expected life of options	5.00 years	5.00 years
Annualized volatility	69.00%	65.49%
Dividend rate	0.00%	0.00%

14. SHARE SUBSCRIPTIONS RECEIVED IN ADVANCE

In the year ended March 31, 2008 the Company received subscriptions for the purchase of 1,127,600 equity units of the Company pursuant to a private placement completed subsequent to March 31, 2008. Each such equity unit consists of one common share and one share purchase warrant, with each one share purchase warrant entitling the warrant-holder to purchase an additional common share of the Company for the price of \$1.00 on or before April 14, 2010.

The equity units were offered pursuant to a \$1,500,000 private placement offering of 2,000,000 units. Subsequent to March 31, 2008, the offering was fully subscribed and the equity units were issued to the subscribers (Note 19).

The amounts classified as share subscriptions receivable are presented net of cash finders' fees totaling \$31,102 (2007: \$ nil).

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008 AND 2007

15. INCOME TAXES

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

	2008	2007
Loss for the year	\$ (867,784)	\$ (735,513)
Expected income tax recovery at statutory rates	(255,996)	\$ (250,957)
Amortization	2,093	931
Depletion and accretion	114,575	-
Non-deductible expenses	2,469	5,091
Loss on discontinued operation	-	56,650
Stock-based compensation	2,318	29,685
Loss on impairment, long term investment	8,707	-
Unrecognized benefits of non-capital losses	125,834	158,600
Total income tax recovery	-	\$ -

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

	2008	2007
	\$	\$
Future income tax assets attributable to:		
Property and equipment	28,854	\$ 31,600
Oil and gas properties	(23,837)	-
Non-capital losses available for future periods	1,440,277	1,464,400
	1,445,294	1,496,000
Less: valuation allowance	(1,445,294)	(1,496,000)
	\$ -	\$ -

The Company has non-capital losses for Canadian income tax purposes of approximately \$5,334,000 (2007: \$4,723,000), which can be carried forward to reduce taxable income in future years. Unless utilized, these losses will expire through 2028. 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.

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008 AND 2007

16. COMMITMENTS

Significant commitments at March 31, 2008 are as follows:

Haro East and RLE Red Earth farm-ins (Note 7)

The Company must commence the drilling of two test wells on the Haro East project as soon as weather, ground and industry conditions permit reasonable drill-site access to the Haro East option-lands. This is expected to occur in December, 2008. Further, the Company must commence drilling the RLE Red Earth 11-89 test well by December 1, 2008. Should the Company not meet those drilling commitments, it will forfeit a \$100,000 drilling deposit held in trust at March 31, 2008 (Note 5).

Management services agreement

The Company has entered into a management services agreement for a term of five year expiring on September 9, 2009, paying \$5,000 per month for the services of our President, terminable on 12 months notice.

17. 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:

	2008	2007
	\$	\$
(Increase) Decrease in accounts receivable and prepaid expenses	(118,347)	12,675
Increase in accounts payable and accrued liabilities	96,036	8,550
Changes in non-cash working capital items	(22,311)	21,225

The significant non-cash transactions for the years ended March 31, 2008 and 2007 not disclosed elsewhere are as follows:

- a) Included in accounts payable and accrued liabilities at March 31, 2008 is \$40,770 (March 31, 2007: \$337,000) in oil and gas property expenditures and \$31,102 in accrued finders' fees (March 31, 2007: \$ nil) in connection with share subscriptions received in advance.
- b) The carrying value of the oil and gas properties includes \$459,293 in estimated future reclamation and asset retirement costs (March 31, 2007: \$165,055).
- c) The acquisition cost of the oil and gas properties acquired in the year ended March 31, 2007 included \$250,000 attributable to the issuance of 500,000 common shares of the Company as partial consideration for the Mistahiya-group properties. The common shares were exchanged with a deemed value of \$0.50 per share.
- d) In the year ended March 31, 2007 the Company recorded the write-off of its \$5,813 investment in SA Minerals Exploration Inc., which was offset by a reduction in accounts payable and accrued liabilities.

GREAT PACIFIC INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008 AND 2007

18. SEGMENTED INFORMATION

In the year ended March 31, 2008 and at March 31, 2007, the Company operated in one reportable business segment, being oil and gas exploration and development.

The Company's assets and operations were primarily located in Canada, aside from a single petroleum working interest in the United States.

Oil and gas revenues and costs are presented for each cost centre as follows:

	Canada \$	U.S.A. \$	Total \$
Oil and gas revenue	507,228	10,185	517,413
Oil and gas operating costs	(175,311)	(606)	(175,917)
Depletion and accretion	(372,840)	(15,551)	(388,391)
	<u>(40,923)</u>	<u>(5,972)</u>	<u>(46,895)</u>

At March 31, 2007, the Company held for sale certain discontinued operations. These related to the Company's former loyalty points program business, which it abandoned in the year ended March 31, 2007. Discontinued operations related to a business component that was in a single reportable segment distinguishable from the Company's oil and gas operations. Upon discontinuation of the loyalty points program business in the year ended March 31, 2007, the Company has only operated in the oil and gas business segment.

19. SUBSEQUENT EVENTS

Significant subsequent events are as follows:

Stock option grant

The Company granted 390,000 stock options, having an escalated stock price of \$1.50 to \$2.19 per share, vesting as to 10% every six months over a five year term expiring April 14, 2013. Included in this stock option grant was the issuance of 50,000 stock options to an officer of the Company and 290,000 stock options to a director of the Company.

Oil and gas properties acquired

Subsequent to March 31, 2008, a wholly-owned subsidiary of Great Pacific, GPI Petroleum Inc., ("GPI Petroleum") acquired non-operated participation rights to participate to a 13% working interest (9.75% net revenue interest) in the exploration and development of a petroleum prospect in Texas, U.S.A.

GPI Petroleum was incorporated subsequent to March 31, 2008. It is incorporated in Texas, U.S.A.

GPI Petroleum acquired these participation rights by financing 13% of seismic and related costs of approximately \$104,000. Subsequent to March 31, 2008, GPI Petroleum elected to participate, to its proportionate interest, in the drilling of a test well on that property. Pursuant to the terms of the participation agreement, the Company will fund 17.3% of the costs of the well to casing point, and 13% of the costs thereafter.

19. SUBSEQUENT EVENTS (Continued)

Private placement (Note 13)

Subsequent to March 31, 2008 the Company completed a private placement offering of 2,000,000 equity units, with each such equity unit consisting of a common share and one share purchase warrant entitling the warrant-holder to purchase an additional common share of the Company at \$1.00 per share until April 14, 2010. This warrant is subject to an acceleration provision, whereby the Company may elect to accelerate the expiry date of the warrant should the common shares of the Company trade for over \$2.00 per share for 20 consecutive days. Each unit was granted at a price of \$0.75 per unit, for gross proceeds of \$1,500,000. Finders' fees of \$80,783 were paid in respect of this offering, of which \$75,000 was paid to a person related to a Director of the Company.

Pursuant to this equity issuance, 1,127,600 such equity units were granted in satisfaction of share subscription received prior to March 31, 2008.

Petroleum and natural gas leases acquired

The Company acquired a 100% interest in certain petroleum and natural gas leases in Alberta, Canada, for cash payment of approximately \$28,500

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, 2008 and 2007 and the consolidated statements of operations, comprehensive loss 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, 2008 and 2007 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

July 7, 2008

