

### Great Plains Exploration Inc. (TSX: GPX) – Q4 results in line with expectations; Temporary drop in production amidst soft commodity prices will affect 2009 cash flows

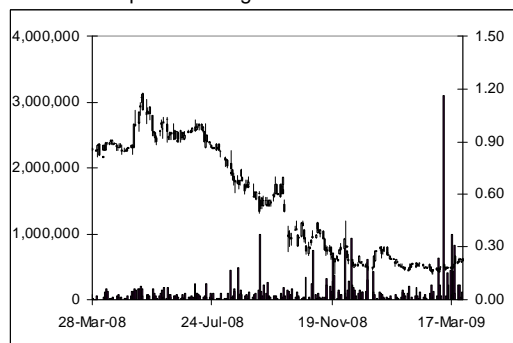
Sector/Industry: Junior Oil & Gas

[www.greatplainsexp.com](http://www.greatplainsexp.com)

#### Market Data (as of March 31, 2009)

Current Price	C\$0.22
<b>Fair Value</b>	<b>C\$1.02 (↓)</b>
<b>Rating*</b>	<b>BUY</b>
<b>Risk*</b>	<b>3 (Average)</b>
52 Week Range	C\$0.15 – C\$1.18
Shares O/S	91,503,952
Market Cap	C\$20.13 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	0.20
YoY Return	-74.1%
YoY TSX Comp	-35.0%

\*See back of report for rating and risk definitions



#### Q4-2008 Highlights

- Q4 results were pretty much in line with our forecasts. Funds from operations (FFO) were \$15.15 million (\$0.17 per share), up 66% YOY, versus our estimate of \$15.36 million (\$0.17 per share).
- GPX is currently producing 1,600 boepd (67% natural gas), which is much lower than November 2008 production of 2,200 boepd. The company temporarily shut-in 9-1 (400 boepd net) at Crossfire and Klua A-17 (100 boepd net). Both wells are expected to be back in production in the next few months.
- The company has about 1,300 boepd net (80% light oil) behind pipe.
- Since our initiating report in November 2008, GPX drilled their third exploratory well at Pembina/Nisku and three additional wells in NE BC. Three of these wells turned out to be discoveries.
- The Pembina/Crossfire discovery at 14-33, if successful, would allow GPX to tie-in the behind pipe volumes from 11-12 discovered in Q1-2008. 11-12 was tested at 1,400 boepd gross.
- The company estimates they can generate positive returns at gas prices of \$2.50 to \$3.60 / mcf (using a 10% discount rate).
- Temporary production disruptions and soft commodity prices have prompted us to lower our revenue and EPS forecasts for FY2009.

#### Key Financial Data

(in C\$)	2006	2007	2008	2009E	2010E
Production (boepd)	1,474	1,184	1,552	1,854	2,623
Production Revenues	27,473,423	24,592,917	36,750,617	27,976,706	47,621,389
Revenues / boe	51.06	56.91	64.71	41.33	49.74
Operating Netback	27.71	31.29	34.82	14.53	20.50
Net Income	(28,635,144)	(1,778,517)	(1,327,455)	(10,461,298)	(3,820,217)
EPS	(0.76)	(0.04)	(0.02)	(0.11)	(0.04)
Working Capital	(13,911,053)	(15,195,818)	(22,719,356)	(26,976,308)	(25,217,150)
Assets	105,269,639	116,969,801	162,213,756	147,998,714	147,791,065

\*One of FRC's analysts has visited GPX in the past 12 months.

Great Plains is a junior oil and natural gas company engaged in the production, exploration, development and acquisition of projects in Western Canada. GPX is currently focusing on high netback light oil plays in Alberta, and natural gas plays in NE BC.

**Overview –  
Temporary  
drop in  
production  
amidst soft  
commodity  
prices will  
affect 2009  
cash flows**

Q4 production was lower than expected as the company reported average production of 1,975 boepd versus our forecast of 2,200 boepd. Current production is about 1,600 boepd (67% natural gas), which is much lower than November 2008 production of 2,200 boepd. The drop in production was a result of the temporary shut-in of 9-1 (400 boepd net) at Crossfire and Klua A-17 (100 boepd net). The extremely cold weather also resulted in production disruptions as a result of mechanical breakdowns.

The Pembina/Crossfire 9-1 well was shut-in for a required pressure survey in early 2009 as the reservoir pressure had declined to the point where pressure maintenance through water injection was required. GPX expects to put the well back into production by June 2009, after meeting regulatory requirements. The 100 boepd net loss of production at Klua was due to line pressure problems for one well which is expected to be solved in April/May 2009.

In light of the recent drop in commodity prices, and the financial crisis, the company, like most other juniors, has decided to cut spending. The company's primary focus in 2009 is to participate in the completion and tie-in of existing discoveries at Crossfire, Pembina and NE BC. Note that GPX has about 1,300 boepd behind pipe awaiting to be tied-in.

An updated reserve estimate showed a 43% increase over the previous estimate. As shown in the table below, the company had P+P reserves of 5.73 mm boe at the end of December 31, 2008, versus 4.01 mm boe at the end of December 31, 2007. The new estimate turned out to be lower than our estimate of 6.3 mm boe, and had a negative impact on our revised net asset value (NAV) estimate.

Efficiency Parameters	2004	2005	2006	2007	2008
P+P Reserves (mboe)	2,822	5,600	4,589	4,010	5,732
Exit Production	950	1,702	1,400	1,140	1,785
RLI (Proved & Probable) - years	8.5	9.4	9.4	10.1	9.2
Reserve Replacement		6.3	-2.0	-1.4	3.2
FD&A Costs (\$/boe)					16.7
Recycle Ratio					2.1

Based on 2008 exit production of 1,785 boepd, the new reserve estimate reflects a reserve life index of 9.2 years (down from 10.1 at the end of 2007), and a recycle ratio of over 2.

**Third  
success at  
Pembina /  
Crossfire**

Since our initiating report in November 2008, GPX drilled their third exploratory well at Pembina/Nisku and three in NE BC. Three of those wells turned out to be discoveries. A quick update on their status follows:

On March 23, 2009, GPX announced it has cased its third exploratory well at 14-33 (the first two wells at 11-12 (26.6-40% WI) and 9-1 (17.5% WI) were successful) on its Pembina/Crossfire project as a potential Nisku oil well. The 14-33 well (40% WI) encountered a dolomite Nisku reef with a hydrocarbon column of 11.5 m. This well is about 4.5 km northeast of 11-12 which tested at 1,400 boepd. 14-33 has yet to be tested, but flow rates of up to 1,400 boepd are expected. GPX's initial internal estimate for the 14-33 well is about 2.3 mm bbls of original oil in place. The success at 14-33 continues to validate the

efficiency of using 3D seismic interpretation as all three wells in the Crossfire have been successful.

A successful outcome at this location will allow construction of a pipeline to not only tie-in 14-33, but also the behind pipe volumes from 11-12 (which was discovered in Q1-2008). GPX expects pipeline construction to begin in the second half of 2009, subject to surface conditions and regulatory issues.

**Current Plans** - Commencing in late Q2, GPX plans to participate in three additional Nisku wells; two at Tomahawk (1-16 and 9-17) are already licensed. GPX holds a 25% W.I. in each well. Successful tests at these locations will allow for the tie-in of previous discoveries from 15-7 (35% W.I.), which tested at 650 boepd, and 8-35 (32% W.I.), which tested at 400 boepd. The 1-16 well has lower capital requirement as it was drilled to the base of the Wabamun formation two years ago, and will require a relatively inexpensive deepening operation to test for its Nisku oil potential. Operations are expected to commence in July 2009. The 9-17 well will be a step-out well based on the success of 1-16.

***NE BC –  
New  
discoveries  
at Helmet  
and Gunnel***

In addition, GPX and its partner are expecting a license to be granted for the drilling of a new pool test approximately 2.5 km southeast of the 9-1 well.

Since our initiating report, the company completed three exploratory test wells at Klua, Gunnel and Helmet. The wells at Gunnel and Helmut were part of a \$5 million exploration commitment (signed in September 2008) to drill up to three wells in the Greater Sierra area in NE BC.

**Klua** - The Klua well (targeting Keg River gas) was drilled and cased in December 2008. However, it did not encounter the expected dolomitic porosity. Completion and testing was planned in March 2009. However, GPX has postponed plans for this well and has decided to pursue a side-track drilling operation in the summer based on an indication (through seismic) that superior reservoir development may exist in the reef flank. According to GPX, analog wells in the Klua area have had initial production rates of 6 to 14 mmcf/d and reserves of 6 to 14 bcf recovered to date.

**Gunnel** – GPX completed a 100% exploratory test well at Gunnel (targeting Debolt gas) in late 2008. The well tested 710 mcf/d. Further stimulation resulted in increased flow rates of 1.8 mmcf/d. GPX has received a pipeline license for the well to be tied-in subsequent to final test results.

**Helmet** – An exploratory well (analogous to an existing GPX well producing from the Debolt formation at approx 2 mmcf/d) at Helmet tested 1 mmcf/d. Tie-in operations are expected to commence shortly. GPX has a 50% WI. GPX has identified three to five follow-up locations in this area for drilling next winter. Debolt wells (costing about \$0.4 - \$0.5 per well) in the area average 2 to 2.5 bcf of reserves with average production rates of 2.1 mmcf/d.

**Production forecasts for 2009 and 2010**

GPX has identified 10 locations with 18 other targets currently being identified.

GPX is currently producing at 1,600 boepd, with about 500 boepd temporarily shut-in from 9-1 (400 boepd) and Klua A-17 (100 boepd). Both wells are expected to be put back into production in the next few months. In addition, the company has about 822 boepd awaiting to be tied-in from three wells in Pembina/Crossfire. The tie-in of these wells depends on the success of the recently completed 14-33 and 1-16 (yet to be drilled). Based on their expected IP, the recently drilled wells at 14-33 (Pembina), Helmet, and Gunnel, have the potential to add up to 944 boepd of production. The following table shows the major potential sources of additional production in the near-term.

	Temporarily shut-in	Awaiting to be tied-in	Awaiting Final Tests
	<b>Production</b>		<b>IP Est.</b>
			<b>IP</b>
9-1 (Crossfire)	400	11-12 (WI - 26.6 - 40%)	466
Klua A-17	100	15 - 7 (WI - 35%)	228
		8-35 (WI - 32%)	128
		14-33 (40% WI)	560
		Helmet (50% WI)	83
		Gunnel (100% WI)	300
<b>Total (boepd)</b>	<b>500</b>		<b>822</b>
			<b>943</b>

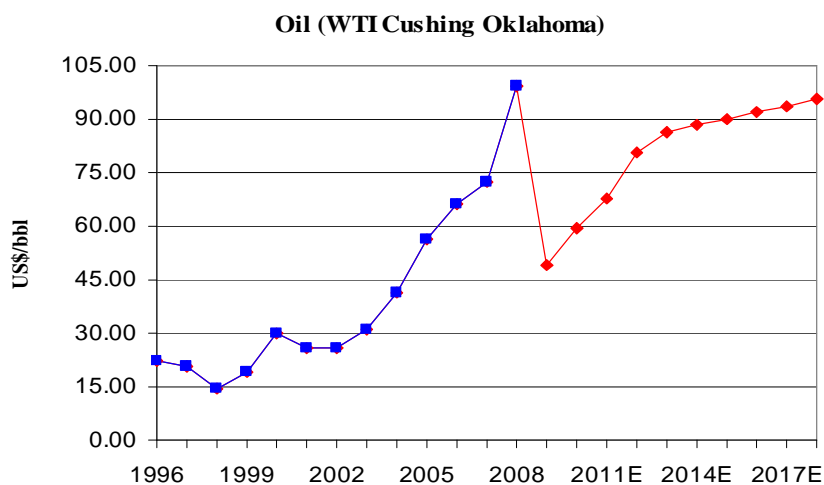
Even though the company has over 1,300 boepd net behind pipe, we have taken a very conservative approach in determining our forecasts for 2009 and 2010. Our production forecasts for 2009, and 2010, are 1,850 boepd and 2,625 boepd, respectively. Note that these forecasts do not account for production from the new wells drilled in 2009 and 2010.

**Review of Q4 results**

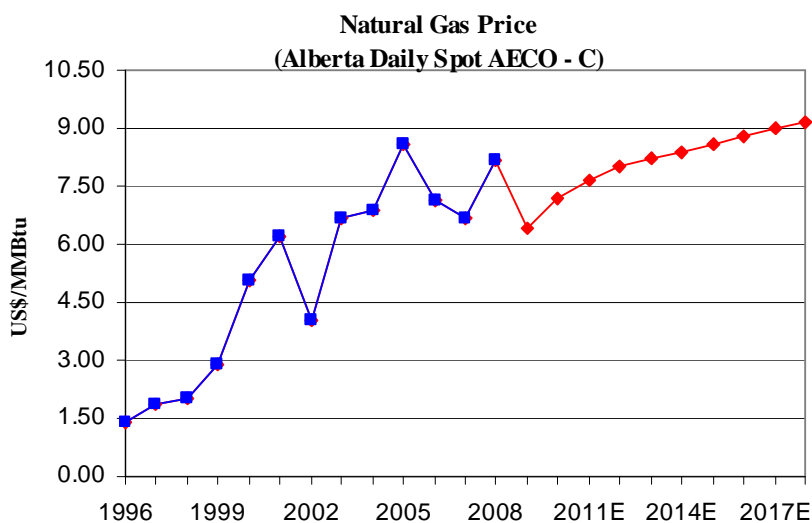
**Production and Revenues:** Q4 revenues fell below expectations as the company reported \$9.61 million versus our forecast of \$10.11 million. Revenues fell short because of lower than expected production (1,975 boepd versus our forecast of 2,200 boepd), offset by higher prices received for produced oil and gas (\$53/boe versus our forecast of \$51/boe).

For FY2008, revenues were \$36.75 million (our forecast was \$37.26 million), up 50% YOY. Revenue growth came from higher commodity prices and a 31% YOY increase in production (from 1,184 to 1,552).

**Commodity price forecasts** - The global credit crunch, the recession in developed economies, and the slowdown in emerging countries have dramatically changed the near-term outlook on oil and natural gas prices. The following charts show that both oil and natural gas prices are expected to stay soft in 2009 and 2010.



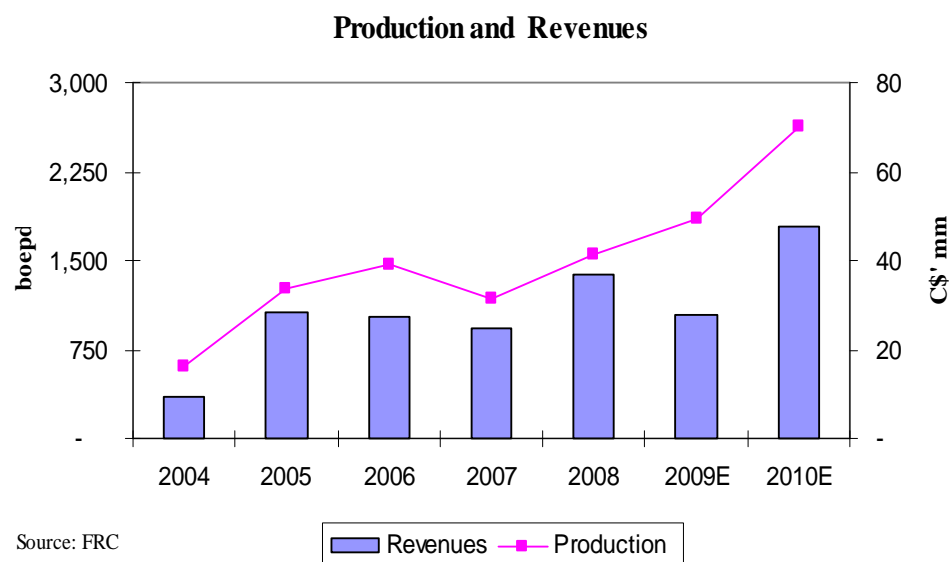
Source: Sproule, GLJ and EIA



Source: Sproule & GLJ

The consensus forecast for WTI is US\$49/bbl, and \$59/bbl, in 2009, and 2010, respectively. As for natural gas, the forecasts for AECO spot are \$5.5/mmbtu and \$6/mmbtu.

**Revenues forecasts** – We have introduced our forecasts for FY2010 in this report. Our revenue forecasts for FY2009, and FY2010, based on average production of 1,850 boepd (down from 2,480 boepd) and 2,625 boepd, are \$28 million (from \$52 million) and \$47.6 million, respectively.



### Netbacks

Though slightly lower, Q4 netbacks were pretty much in line with our forecasts as shown in the following table.

Q4 Netbacks		
(\$/boe)	Actual	Forecast
Production Revenue	\$52.9	\$51.1
Royalties	(\$11.9)	(\$11.6)
Operating Costs	(\$14.9)	(\$13.2)
Transportation Costs	(\$3.3)	(\$2.3)
<b>Operating Netback</b>	<b>\$22.7</b>	<b>\$23.9</b>
General & Admin Costs	(\$5.2)	(\$5.5)

Costs/bbl in Q4 were higher than our forecasts because of higher than expected costs associated with Klua and Pembina 9-1. Also, the company's properties in NE BC (from the RedStar acquisition in 2008) have higher pipeline costs than the Alberta properties due to higher tariffs and longer distances to tie-in.

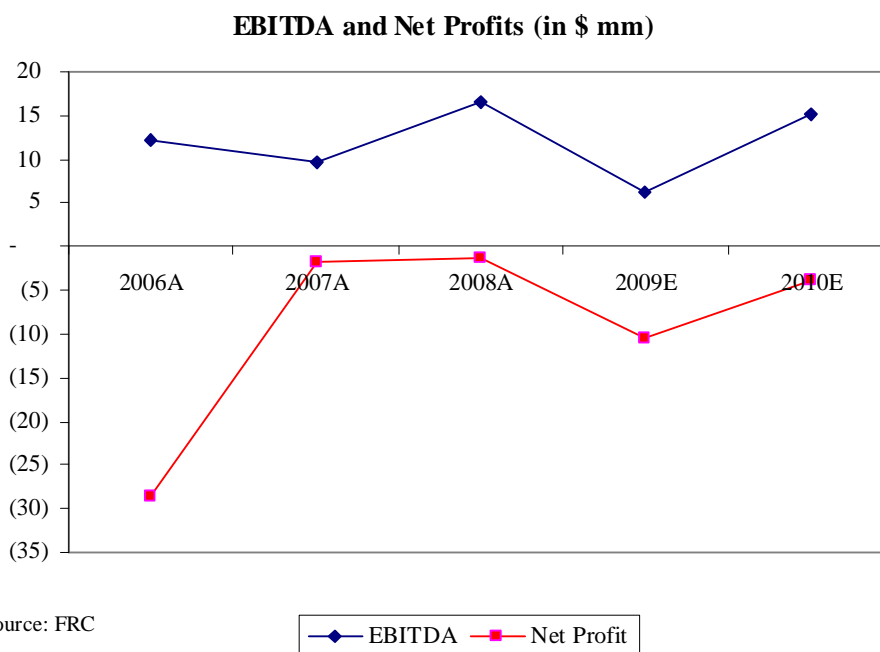
Netbacks in FY2008, compared to previous years, are shown in the following table. Our forecasts for operating netbacks in FY2009, and FY2010, are \$14.5/bbl and \$20.5/bbl, respectively.

Netbacks (C\$ / boe)							
	2004	2005	2006	2007	2008	2009E	2010E
<b>Production - boepd</b>	<b>605</b>	<b>1,260</b>	<b>1,474</b>	<b>1,184</b>	<b>1,552</b>	<b>1,854</b>	<b>2,623</b>
% NG	75%	70%	64%	53%	59%	61%	50%
<b>Production Revenue</b>	<b>42.32</b>	<b>61.30</b>	<b>51.06</b>	<b>56.91</b>	<b>64.71</b>	<b>41.33</b>	<b>49.74</b>
Royalties	7.16	12.23	9.93	9.40	13.62	11.99	14.42
Operating Costs	9.42	8.55	12.44	15.01	13.62	12.27	12.27
Transportation Costs	0.88	0.97	0.98	1.21	2.65	2.55	2.55
<b>Operating Netback</b>	<b>24.86</b>	<b>39.55</b>	<b>27.71</b>	<b>31.29</b>	<b>34.82</b>	<b>14.53</b>	<b>20.50</b>
General & Admin Costs	5.92	4.11	5.11	7.89	5.81	5.70	5.41
Capex - \$ mm	14.42	37.11	39.86	30.66	31.39	10.00	12.50

**Royalty Changes** - In March 2009, Alberta announced incentive programs, such as drilling credits, and fixed maximum royalty rates at 5% for one year (versus maximum royalty rates of up to 50% according to the New Royalty Framework effective January 1, 2009) on the first 50,000 bbl or 0.5 bcf produced. These incentives will improve the economics of all qualifying wells drilled after April 2009.

### EPS Forecasts

The company recorded EBITDA of \$3.03 million in Q4, and \$16.58 million in FY2008. Our forecasts were \$3.68 million and \$17.23 million, respectively. Our forecasts for FY2009, and FY2010, are \$6.35 million and \$15.16 million, respectively. The following chart shows our EBITDA and earnings forecasts versus performance in previous years.



Although EBITDA was positive, the company recorded a net loss of \$2.5 million in Q4 primarily because of a \$5.7 million depletion, depreciation and accretion expense, offset by

a \$0.55 million unrealized gain from financial contracts. For FY2008, the company recorded a net loss of \$1.33 mm (EPS: -\$0.02) versus a net loss of \$1.78 mm (EPS: -\$0.04) in FY2007. **Our revised EPS forecast for FY2009 is a net loss of \$10.46 million (EPS: -\$0.11), down from \$2.80 million. Our forecast for FY2010 is a net loss of \$3.82 million (EPS: -\$0.04).**

***FFO of \$0.17 per share were in line with our forecast***

Funds flow from operations (FFO) were \$15.15 million (or \$0.17 per share), up 66% YOY, versus our estimate of \$15.36 million (or \$0.17 per share). Capital expenditures for the year were \$31.39 million versus our estimate of \$29.7 million. The company closed a \$3.50 million brokered private placement in December 2008, by issuing 8.76 million flow-through common shares at \$0.40 per share. The following table shows a summary of cash flows from operations, investing and financings.

(in C\$)	2006A	2007A	2008A	2009E	2010E
CFO	11,415,470	7,198,058	16,724,477	5,247,374	14,043,895
CFI	(13,945,254)	(30,735,670)	(21,745,785)	(10,000,000)	(12,500,000)
CFF	2,529,784	23,537,612	5,021,308	5,000,000	-
<b>Change in Cash</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>247,374</b>	<b>1,543,895</b>

***Lowers Debt to Capital and Debt to CF***

At the end of FY2008, the company had a working capital deficit of \$22.72 million and current ratio of 0.34x. Debt to capital was 16% versus our forecast of 20%. Debt to capital was lower than expected because we were expecting the company to draw on their credit facility instead of pursuing an equity financing in December 2008. Debt/CF dropped from 2x to 1.3x YOY, which is a good sign. The following table shows the company's cash and liquidity position at the end of FY2008.

	2006A	2007A	2008A	2009E	2010E
Current Ratio	0.30	0.36	0.34	0.25	0.38
Working Capital	(13,911,053)	(15,195,818)	(22,719,356)	(26,976,308)	(25,217,150)
LT Debt / Capital	-	-	-	-	-
Debt/Capital	9%	20%	16%	21%	22%
Debt/CF	0.58	2.02	1.33	4.38	1.77
Interest Coverage (EBIT)	(2.94)	(5.88)	(1.61)	(10.83)	(2.89)

GPX has a revolving demand credit facility of \$38 million, and an additional \$12 million non-revolving acquisition/development credit facility. At the end of FY2008, \$20 million was drawn against the credit facility. As a result of the decline in commodity prices, GPX expects a potential reduction in the available credit amount when the credit facility is up for review in April 2009. Therefore, GPX expects to keep their drawings below \$26 million; which was why, we believe, they decided to pursue an equity financing instead of drawing additional amounts from the credit facility. **Our models indicate that the company will be able to keep the amount withdrawn from their credit facility below \$26 million (without pursuing any additional equity financings).**

**Our models indicate that the Debt to CF ratio might increase to 4.4x in FY2009, which could negatively impact their credit facility. However, we estimate Debt to CF will fall to 1.8x in FY2010, which reflects improved strength going forward.**

**Stock  
Options and  
Warrants**

We estimate the company currently has 10.04 million stock options outstanding, with exercise prices ranging between \$0.18 and \$1.07, and 3.24 million warrants outstanding, with an exercise price of \$2.50. About 5.53 million options with an exercise price of \$0.18 per share (maturity period between three and five years) are currently in the money.

**Valuation**

Our revised net asset value dropped from \$104 million (\$1.26 per share), to \$93 million (\$1.02 per share), due to the lower revised P+P reserve estimate and lower commodity price forecasts.

Net Asset Value					
	0%	5%	10%	15%	20%
NPV (after tax) of P+P Rese	\$116,064,917	\$96,656,057	\$81,574,328	\$69,675,770	\$60,158,685
PV @ 10%	\$81,574,328				
Value of Undeveloped Lands (330,000 acres at \$85/acre) and Seismic (\$6 mm book value)	\$34,050,000				
Working Capital - LT Debt	(\$22,719,356)				
<b>Net Asset Value</b>	<b>\$92,904,972</b>				
No of outstanding shares	\$91,503,952				
<b>NAV / Share</b>	<b>\$1.02</b>				

The following oil and gas price forecasts were used in our models.

Oil and Gas Price Forecasts							
	2009E	2010E	2011E	2012E	2013E	2014E	2015E
WTI Cushing OK (US\$/bbl)	\$49	\$59	\$68	\$81	\$87	\$88	\$90
AECO - C (C\$/MMbtu)	\$5.5	\$6.0	\$7.7	\$8.0	\$8.2	\$8.4	\$8.6

Source: EIA, Sproule, GLJ and FRC

The following tables show that GPX continues to trade below the average EV/boe and EV/boepd ratio of comparables.

		EV / boe			EV / boepd
1	MSY	\$5.34	1	RE	\$14,188
2	RE	\$5.59	2	TFL	\$19,311
3	TFL	\$5.93	3	HPX	\$19,355
4	ONR	\$5.97	4	WTL	\$19,872
5	AXL	\$6.04	<b>5</b>	<b>GPX</b>	<b>\$20,764</b>
6	TBE	\$7.01	6	BEN	\$23,206
7	MOX	\$7.05	7	AXL	\$23,368
8	ITX	\$7.55	8	ZCO	\$23,508
<b>9</b>	<b>GPX</b>	<b>\$7.61</b>	9	ITX	\$24,103
10	DEE	\$7.66	10	ONR	\$24,425
11	OEX	\$7.93	11	TBE	\$24,464
12	ZCO	\$8.12	12	DEE	\$25,125
13	HPX	\$8.43	13	CNH	\$26,575
14	CNH	\$9.08	14	MOX	\$28,748
15	BEN	\$9.73	15	MSY	\$30,045
16	WTL	\$13.45	16	OEX	\$30,196
17	TSK	\$15.75	17	TSK	\$42,039
	<b>Average</b>	<b>\$8.13</b>		<b>Average</b>	<b>\$24,664</b>

**Rating** Therefore, based on our revised valuation model and review of Q4 results, we reiterate our BUY rating, with a lower fair value of \$1.02 per share (from \$1.25 per share).

**Risk** The following risks, though not exhaustive, will cause our estimates to differ from actual results:

- **Volatility of Commodity Prices** – Revenues and profitability of the company depend heavily on future natural gas and oil prices.
- **Exploration, Development and Production Risk** – The ability to grow depends heavily on the ability to explore, develop properties and acquire suitable producing properties.
- **Licensing** – Obtaining well licenses and pipeline approvals in the Pembina Nisku trend can often be a time consuming process.

## Appendix

### Consolidated Statements of Income (Loss) YE - December 31 (all figures in C\$)

	2006A	2007A	2008A	2009E	2010E
<b>Revenues</b>					
Production Revenue	27,473,423	24,592,917	36,750,617	27,976,706	47,621,389
Royalties, Net of Alberta Royalty Tax Credit	(5,342,168)	(4,060,577)	(7,731,920)	(8,113,245)	(13,810,203)
Processing and Other Income	607,389	421,680	730,124	559,534	714,321
<b>Total Revenue</b>	<b>22,738,644</b>	<b>20,954,020</b>	<b>29,748,821</b>	<b>20,422,995</b>	<b>34,525,507</b>
<b>Expenses</b>					
Operating	6,409,673	6,487,060	7,733,354	8,302,257	11,743,471
Transportation	524,691	521,529	1,505,400	1,723,333	2,437,640
G & A	2,751,374	3,408,394	3,301,538	3,566,756	4,363,370
Stock Based Compensation	911,485	837,620	632,264	481,316	819,287
<b>Total Expenses</b>	<b>10,597,223</b>	<b>11,254,603</b>	<b>13,172,556</b>	<b>14,073,663</b>	<b>19,363,768</b>
<b>EBITDA</b>	<b>12,141,421</b>	<b>9,699,417</b>	<b>16,576,265</b>	<b>6,349,332</b>	<b>15,161,739</b>
Depletion, Depreciation and Accretion	15,694,224	14,566,962	18,365,916	21,083,030	19,528,389
<b>EBIT</b>	<b>(3,552,803)</b>	<b>(4,867,545)</b>	<b>(1,789,651)</b>	<b>(14,733,698)</b>	<b>(4,366,650)</b>
Interest Expense	1,207,174	828,385	1,114,617	1,360,607	1,510,607
<b>Income before Taxes and Gains</b>	<b>(4,759,977)</b>	<b>(5,695,930)</b>	<b>(2,904,268)</b>	<b>(16,094,305)</b>	<b>(5,877,257)</b>
Gain on Sale of Assets or Financial Instruments	(26,906,343)	(213,805)	2,580,657		
Future Income Tax (Recovery)	(3,005,668)	(4,150,132)	986,702	(4,828,291)	(1,763,177)
Current Taxes	(25,508)	18,914	17,142	(804,715)	(293,863)
<b>Net Income (Loss)</b>	<b>(28,635,144)</b>	<b>(1,778,517)</b>	<b>(1,327,455)</b>	<b>(10,461,298)</b>	<b>(3,820,217)</b>
<b>EPS</b>	<b>(0.76)</b>	<b>(0.04)</b>	<b>(0.02)</b>	<b>(0.11)</b>	<b>(0.04)</b>

**Consolidated Balance Sheets****YE - December 31 (all figures in C\$)**

	<b>2006A</b>	<b>2007A</b>	<b>2008A</b>	<b>2009E</b>	<b>2010E</b>
<b>Assets</b>					
Current					
Cash and Cash Equiv.	-	-	-	247,374	1,791,269
Accounts Receivable	4,462,351	7,111,944	9,479,756	6,375,705	10,852,597
Prepaid Expenses & Deposits	1,562,916	1,406,568	1,414,576	1,139,241	1,939,193
Financial Instruments			1,018,565	1,018,565	1,018,565
Future Income Taxes			-	-	-
<b>Total Current Assets</b>	<b>6,025,267</b>	<b>8,518,512</b>	<b>11,912,897</b>	<b>8,780,885</b>	<b>15,601,625</b>
Goodwill					
Property and Equipment	99,244,372	108,451,289	150,300,859	139,217,829	132,189,440
<b>Total Assets</b>	<b>105,269,639</b>	<b>116,969,801</b>	<b>162,213,756</b>	<b>147,998,714</b>	<b>147,791,065</b>
<b>Liabilities</b>					
Current					
Bank Debt	6,695,392	18,421,368	20,176,782	25,176,782	25,176,782
Accounts Payable and Accrued Liabilities	13,240,928	5,079,157	14,191,866	10,316,806	15,378,388
Future Income Taxes			263,605	263,605	263,605
Financial Instruments	-	213,805	-	-	-
<b>Total Current Liabilities</b>	<b>19,936,320</b>	<b>23,714,330</b>	<b>34,632,253</b>	<b>35,757,193</b>	<b>40,818,775</b>
Asset Retirement Obligations	3,838,758	4,102,985	10,634,170	10,102,462	9,597,338
Future Income Taxes	17,044,252	15,362,370	13,805,841	8,977,550	7,214,373
<b>Shareholders' Equity</b>					
Share capital	86,760,222	96,342,298	125,468,352	125,468,352	125,468,352
Contributed surplus	3,177,263	4,713,511	6,266,288	6,747,604	7,566,891
Retained Earnings	(25,487,176)	(27,265,693)	(28,593,148)	(39,054,446)	(42,874,663)
<b>Total Shareholders' Equity</b>	<b>64,450,309</b>	<b>73,790,116</b>	<b>103,141,492</b>	<b>93,161,510</b>	<b>90,160,580</b>
<b>Total Liabilities and Shareholders Equity</b>	<b>105,269,639</b>	<b>116,969,801</b>	<b>162,213,756</b>	<b>147,998,714</b>	<b>147,791,065</b>

**Consolidated Statements of Cash Flows**  
**YE - December 31 (all figures in C\$)**

	2006A	2007A	2008A	2009E	2010E
<b>Operating Activities</b>					
Net Income Loss)	(28,635,144)	(1,778,517)	(1,327,455)	(10,461,298)	(3,820,217)
Depletion, Depreciation and Accretion	15,694,224	14,566,962	18,365,916	21,083,030	19,528,389
Stock Based Compensation	911,485	837,620	632,264	481,316	819,287
Gain on Sale of Assets or Financial Instruments	26,906,343	213,805	(2,580,657)	-	-
Recovery of Future Income Taxes	(3,005,668)	(4,150,132)	986,702	(4,828,291)	(1,763,177)
ARO	(317,475)	(568,845)	(923,998)	(531,709)	(505,123)
<b>Fund Flow from Operations</b>	<b>11,553,765</b>	<b>9,120,893</b>	<b>15,152,772</b>	<b>5,743,048</b>	<b>14,259,159</b>
Changes in Non-Cash WC	(138,295)	(1,922,835)	1,571,705	(495,674)	(215,263)
	<b>11,415,470</b>	<b>7,198,058</b>	<b>16,724,477</b>	<b>5,247,374</b>	<b>14,043,895</b>
<b>Financing Activities</b>					
Bank Debt	(5,338,340)	11,725,976	1,755,414	5,000,000	
Share Capital	7,882,328	11,836,507	3,226,647		
Acquisition of Financial Contract					
Changes in Non-Cash WC	(14,204)	(24,871)	39,247		
	<b>2,529,784</b>	<b>23,537,612</b>	<b>5,021,308</b>	<b>5,000,000</b>	<b>-</b>
<b>Investing Activities</b>					
Acquisition			(561,893)		
Cash Assumed on Acquisitions			3,221,420		
Property and Equipment	(39,855,480)	(30,663,870)	(31,391,747)	(10,000,000)	(12,500,000)
Proceeds from Asset Dispositions	21,298,142	8,635,510	2,781,111		
Changes in Non-Cash WC	4,612,084	(8,707,310)	4,205,324		
	<b>(13,945,254)</b>	<b>(30,735,670)</b>	<b>(21,745,785)</b>	<b>(10,000,000)</b>	<b>(12,500,000)</b>
<b>Decrease in cash</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>247,374</b>	<b>1,543,895</b>
Cash, beginning of the year				-	247,374
<b>Cash, end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>247,374</b>	<b>1,791,269</b>

**Fundamental Research Corp. Equity Rating Scale:**

**Buy** – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

**Hold** – Annual expected rate of return is between 5% and 12%

**Sell** – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

**Suspended or Rating N/A**— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

**Fundamental Research Corp. Risk Rating Scale:**

**1 (Low Risk)** - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

**2 (Below Average Risk)** - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

**3 (Average Risk)** - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

**4 (Speculative)** - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

**5 (Highly Speculative)** - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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