



**Gale Force Petroleum Inc.
(Formerly Rolland Energy Inc.)**

Financial statements

June 30th, 2008

SUMMARY

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Management's report

Management is responsible for the preparation of the financial statements. Management believes that these financial statements fairly reflect the form and substance of transactions, and that they reasonably present the Company's financial position and the results of its operations.

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. Management has included in the Company's financial statements amounts based on best estimates and careful judgements that it believes are reasonable under the circumstances, and designed to ensure that the financial statements are presented fairly, in all material respects

To fulfil its responsibility, management developed and continues to maintain systems of internal accounting controls and establishes policies and procedures to ensure the reliability of financial information and to safeguard assets. The internal control systems and financial records are subject to reviews by external auditors during the examination of the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performances of its financial reporting responsibilities.



Michael McLellan

President and CEO

Octobre 27, 2008

AUDITOR'S REPORT

To the shareholders of
Gale Force Petroleum Inc.

We have audited the balance sheets of Gale Force Petroleum Inc. (formerly Rolland Energy Inc.) as at June 30, 2008 and 2007, and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 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.



Bélanger Dalcourt, CA
General Partnership
Chartered Accountants

Montreal, October 27, 2008

GALE FORCE PETROLEUM INC.

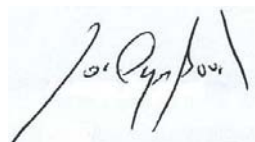
BALANCE SHEET

As of June 30th

<i>(audited)</i>	2008	2007
ASSETS		
<i>Current assets</i>		
Cash	\$ 1,865,607	\$ 582,687
Deposits for exploration and development	-	466,320
Receivables (note 3)	199,839	218,479
Inventory	71,115	166,413
Research and development tax credits receivable (note 2)	-	49,796
Prepaid expenses	91,990	83,577
	2,228,551	1,567,272
Deposits	92,074	141,141
Capital assets (note 4)	2,520,087	2,698,481
Research and development tax credits receivable (note 2)	460,190	460,190
Deferred corporate transaction costs (note 20)	281,278	-
	\$ 5,582,180	\$ 4,867,084
LIABILITIES		
<i>Current liabilities</i>		
Creditors (note 5)	\$ 2,583,945	\$ 1,668,534
Short term debt (note 6)	3,000,000	3,200,000
Current portion of long-term debt (note 7)	8,977	8,418
	5,592,922	4,876,952
Advances from shareholders	-	67,353
Long term debt (note 7)	18,037	27,014
Convertible debentures (note 8)	450,135	414,863
Asset retirement obligations (note 9)	704,385	592,636
	6,765,479	5,978,818
SHAREHOLDER'S EQUITY (DEFICIT)		
Share capital (note 10)	10,131,493	5,755,459
Equity component of convertible debentures (note 8)	151,305	151,305
Contributed surplus (note 11)	1,455,589	1,440,465
Deficit	(12,921,686)	(8,458,963)
	(1,183,299)	(1,111,734)
	\$ 5,582,180	\$ 4,867,084

The accompanying notes form an integral part of these financial statements.

Signed for the Board,



Director



Director

GALE FORCE PETROLEUM INC.

STATEMENT OF OPERATIONS AND DEFICIT

For the periods ended June 30th

(audited)	2008	2007
Income		
Oil and natural gas revenues	\$ 1,278,675	\$ 1,396,126
Royalties and production taxes	(197,137)	(175,816)
Software sales	-	427,156
Cost of sales - information technology division	-	(24,460)
	\$ 1,081,538	\$ 1,623,006
Operating expenses		
Transportation and selling expenses	\$ 19,594	\$ 35,452
Production expenses	875,293	484,574
Information technology division expenses	-	102,455
Administrative expenses	524,299	1,008,679
Professional and consulting fees	328,987	449,465
Depletion, depreciation and amortization	769,770	765,535
Stock-based compensation expense (note 11)	15,124	248,947
	\$ 2,533,067	\$ 3,095,107
Loss before financial expenses	(1,451,529)	(1,472,101)
Financial expenses (note 16)	1,091,132	1,067,183
Loss from operations	(2,542,661)	(2,539,284)
Write-down of exploration and development costs (note 22)	869,056	2,177,971
Other (income) and expenses (note 23)	1,051,006	(907,273)
Loss before income taxes	(4,462,723)	(3,809,982)
Income taxes (note 19)	-	(933,287)
Net loss (note 16)	\$ (4,462,723)	\$ (4,743,269)
Deficit, beginning of year	(8,458,963)	(3,715,694)
Deficit, end of year	\$ (12,921,686)	\$ (8,458,963)
Earnings per share (note 18)		
Basic	\$ (0.411)	\$ (0.775)
Diluted	\$ (0.411)	\$ (0.775)

The accompanying notes form an integral part of these financial statements.

GALE FORCE PETROLEUM INC.

CASH FLOW STATEMENT

For the year ended June 30th

(audited)	2008	2007
OPERATING ACTIVITIES		
Net loss	\$ (4,462,723)	\$ (4,743,269)
Items not affecting cash flows		
Depreciation, amortization and depletion	769,770	777,657
Write-down exploration and development costs	869,056	2,177,971
Theoretical interests on convertible debentures	35,272	30,839
Stock-based compensation	15,124	248,947
Loss on disposal of capital assets	-	83,531
Revision of capitalized assets retirement obligation	21,080	219,466
Future income taxes	-	933,287
	(2,752,421)	(271,571)
Net change in non-cash working capital items (note 12)	1,537,052	(187,897)
Cash used in operating activities	(1,215,369)	(271,571)
FINANCING ACTIVITIES		
Issuance of common shares and warrants	4,376,034	1,477,665
Issuance of convertibles debentures	-	560,000
Interest on convertibles debentures	-	(24,671)
Advances to shareholders	(67,353)	(159,778)
Short-term loan	(200,000)	(800,000)
Long-term borrowing	(8,419)	(37,000)
Cash generated by financing activities	4,100,262	1,016,216
INVESTING ACTIVITIES		
Acquisition of capital assets	(1,481,511)	(1,016,457)
Disposition of capital assets	-	97,500
Capitalized Asset Retirement Obligations	111,749	(73,528)
Deferred corporate transactions costs	(281,278)	173,499
Deposits	49,067	181,769
Cash used in investing activities	(1,601,973)	(637,217)
Increase (decrease) in cash and cash equivalents	1,282,920	(80,469)
Opening cash and cash equivalents	582,687	663,156
Ending cash and cash equivalents	\$ 1,865,607	\$ 582,687

The accompanying notes form an integral part of these financial statements.

GALE FORCE PETROLEUM INC.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the years ended June 30th, 2008 and June 30th, 2007

(audited)

NOTE 1 INCORPORATION AND NATURE OF BUSINESS

The Corporation was incorporated under the Canada Business Corporations Act. As at May 27th, 2008, the Corporation changed its name from Rolland Energy Inc to Gale Force Petroleum Inc. The Corporation exploits oil and gas properties in North America.

NOTE 2 ACCOUNTING POLICIES

Future change in accounting policies

In the upcoming year, the company will apply the new recommendation of the Canadian Institute of Chartered Accountants regarding the recognition, measurement and presentation of financial instruments following the release of Sections 1530, 'Comprehensive income', 1535, 'Capital disclosures', 3031, 'Inventories', 3855, 'Financial instruments - recognition and measurement', 3862, 'Financial Instruments - disclosure', 3863, 'Financial Instruments - presentation' and 3865, 'Hedges'. Management is unable to assess the impact these new standards will have on its financial statements.

Going Concern

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business. The Corporation has sustained substantial losses in the past. Its ability to continue as a going concern is dependent on the Corporation's ability to generate future profitable operations, to generate sufficient cash flows to meet its obligations on a timely basis and obtain additional financing. The outcome of these matters cannot be predicted at this time.

We believe that the results of the search for funding and investment in new revenue generating assets will be sufficient to enable us to continue as a going concern. These financial statements do not give effect to any adjustments that would be necessary should the Corporation be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

Examples of significant estimates include the key economic assumptions used in determining the allowance for doubtful accounts; the recovery of research and development tax credits, the recovery of future income tax assets, the useful lives of capital assets, the assumptions used for capital assets and impairment tests, asset retirement obligations, the assumptions used for the calculation of stock-based compensation costs and the fair value of financial instruments.

Revenue recognition

The sale of oil is recorded when the title passes from the Corporation to external parties.

Inventories

Inventories are valued at the lower of cost and replacement cost, the cost being determined using the first in, first out method.

Capital assets

Depreciation of non oil & gas capital assets is calculated using the diminishing balance method at a rate of 30% for vehicles and 20% rate for office equipment and tools.

GALE FORCE PETROLEUM INC.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the years ended June 30th, 2008 and June 30th, 2007

(audited)

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

Oil and gas assets

i) Capitalized costs

The Corporation follows the full cost method of accounting for its petroleum and natural gas operations as determined by the Canadian Institute of Chartered Accounts ("CICA"), Accounting Guideline 16 ("AcG-16"). Under this method all costs related to the exploration for and development of petroleum and natural gas reserves are capitalized. Costs include lease acquisition costs, geological and geophysical expenses, costs of drilling both producing and non-producing wells, production facilities, asset retirement costs and certain general and administrative expenses directly related to exploration and development activities.

Proceeds from the sale of properties are applied against capitalized costs, without any gain or loss being realized, unless such sale would significantly alter the rate of depletion and depreciation.

Expenditures related to renewals or betterments that improve the productive capacity or extend the life of an asset are capitalized. Maintenance and repairs are expensed as incurred.

ii) Depletion and depreciation

Depletion and depreciation of property and equipment is provided using the unit-of-production method based upon estimated proved petroleum and natural gas reserves. The costs of undeveloped properties are excluded from costs subject to depletion until it is determined whether or not proved reserves are attributable to the properties or impairment has occurred. Estimated future costs to be incurred in developing proved reserves are included in costs subject to depletion. For depletion and depreciation purposes, relative volumes of natural gas production and reserves are converted at the energy equivalent conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil.

iii) Impairment test

Each year end the Corporation performs an impairment test to determine the recoverability of capitalized costs associated with reserves. An impairment loss is recognized when the carrying amount of a cost centre exceeds its fair value. The carrying amount of the cost centre is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows from proved reserves plus the costs of unproved properties. If the sum of the cash flows is less than the carrying amount, the impairment loss is limited to the amount by which the carrying amount exceeds the sum of the fair value of proved and probable reserves and the costs of unproved properties that have been subject to a separate impairment test and contain no probable reserves.

GALE FORCE PETROLEUM INC.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the years ended June 30th, 2008 and June 30th, 2007

(audited)

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

iv) Asset retirement obligations

The Corporation recognizes the fair value of estimated asset retirement obligations on the balance sheet when a reasonable estimate of fair value can be made. Asset retirement obligations include those legal obligations where the Corporation will be required to retire tangible long lived assets such as well sites, pipelines and facilities. The asset retirement cost, equal to the initially estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long lived asset. Changes in the estimated obligation resulting from revisions to estimated timing or amount of undiscounted cash flows are recognized as a change in the asset retirement obligation and the related asset retirement cost.

Asset retirement costs are amortized using the unit-of-production method and are included in depletion and depreciation in the statement of operations. Increases in the asset retirement obligations resulting from the passage of time are recorded as accretion of asset retirement obligations in the consolidated statement of operations.

Convertible debentures

Convertible Debentures are accounted for based on their estimated components. The debt component, representing the obligation to make interest payments, is accounted for as long-term debt, and the equity component, representing the option of conversion of the holder, are accounted for as shareholders equity under the heading "Equity component of convertible debentures".

The value of the debt component of the convertible debentures is determined by updating the future payments of interest and principal at a discount rate representing the rate of borrowing of the Corporation for similar debentures without the right of conversion. Management estimated that this rate corresponds to 15 %. The accounting value of the equity component is determined by reducing the accounting value of the debt component from the value of the amounts received for the convertible debentures.

The interest expense for the equity component is accounted for and results in the difference between this expense and the disbursement, representing the increase of the value of the debt component due to the passage of time.

Capital stock

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting of income taxes, the future income taxes related to temporary differences arising at the renunciation are recorded at that time together with a corresponding charge to results from operation.

Research and development tax credits

Research and development tax credits are recognized when the qualifying expenditures are incurred. The amounts recognized are applied to reduce research and development expenses. Research and development tax credits are subject to the acceptance of the tax authorities.

GALE FORCE PETROLEUM INC.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the years ended June 30th, 2008 and June 30th, 2007

(audited)

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

Income taxes

The Corporation follows the liability method of accounting for income taxes. According to this method, future income taxes are determined using the difference between the accounting and tax basis of assets and liabilities using the substantively enacted tax rates and fiscal laws expected to apply in the periods in which those differences are expected to be recovered. Future income tax assets are recognized when it is more likely than not that the assets will be realized. The Corporation has adopted a policy whereby this determination is made when the Corporation demonstrates profitability.

Earnings per share

Earnings per share are reported on the basis of the treasury stock method. This method recognizes the use of proceeds that could be obtained upon exercise of options and warrants in computing diluted earnings per share. It assumes that any proceeds would be used to purchase common shares at the average market price during the period. The exercise of options and warrants that would result an increase in earnings per share amounts or a decrease in loss per share amounts are excluded from the calculations as they become anti-dilutive.

Stock-based compensation

The Corporation has established a stock-based compensation plan which includes stock options. The Corporation records compensation expense in the statement of operations for stock options granted to Directors, Officers, employees and consultants using the fair-value method. Compensation costs are recognized over the vesting period. Fair value is determined using the Black-Scholes option pricing model.

Foreign exchange translation

The monetary assets and liabilities of the Corporation that are denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Non-monetary assets and liabilities denominated in foreign currencies are translated at their historical exchange rates. Revenue and expenses are translated at rates of exchange prevailing on the transaction dates. All of the exchange gains or losses resulting from these transactions are included in the statement of operations.

NOTE 3 RECEIVABLES

	2008	2007
Accounts receivable - Canadian dollars	\$ 95,543	\$ 125,927
Accounts receivable - Euros	-	7,476
Other accruals	97,051	-
Advances to employees	7,245	-
Term loan to a particular, 5 % interest rate, secured by personal collateral	300,350	85,076
Interest receivable	195	-
	500,384	218,479
Allowance for doubtful accounts	(300,545)	-
	\$ 199,839	\$ 218,479

GALE FORCE PETROLEUM INC.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the years ended June 30th, 2008 and June 30th, 2007

(audited)

NOTE 4 CAPITAL ASSETS

	2008		
	Cost	Accumulated depreciation	Net book value
<i>Oil and gas</i>			
Exploration and development costs	\$ 4,661,559	\$ 2,177,502	\$ 2,484,057
Equipment and tools	18,000	3,600	14,400
Vehicle	50,441	28,811	21,630
	\$ 4,730,000	\$ 2,209,913	\$ 2,520,087

	2007		
	Cost	Accumulated depreciation	Net book value
<i>Oil and gas</i>			
Exploration and development costs	\$ 4,070,183	\$ 1,420,602	\$ 2,649,581
Equipment and tools	18,000	-	18,000
Vehicle	50,441	19,540	30,901
	\$ 4,138,624	\$ 1,440,142	\$ 2,698,481

NOTE 5 CREDITORS

	2008		2007	
Accounts payable - Canadian dollars	\$	1,497,642	\$	1,455,695
Accrued liabilities		457,503		188,168
Interest payable - Flow-Through Shares		39,317		-
Contingent Income Tax Liability		561,682		-
Accrued interest - Debentures		27,801		24,671
	\$	2,583,945	\$	1,668,534

The Contingent Income Tax Liability is contingent upon the Corporation not meeting its Canadian Exploration Expense and Canadian Development expense obligations for the calendar year 2008, which would result in the Corporation being required to withdraw its renunciation of the deduction made toward investors in flow-through shares of the Corporation and assume the equivalent tax liability of these investors.

GALE FORCE PETROLEUM INC.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the years ended June 30th, 2008 and June 30th, 2007

(audited)

NOTE 6 SHORT-TERM DEBT

	2008	2007
Term loan at 12%	\$ 2,200,000	\$ 2,200,000
Term loan at 15%	800,000	1,000,000
	\$ 3,000,000	\$ 3,200,000

Both loans are guaranteed by a lien on the general assets of the Corporation. The loan at 12 % expiring on October 31, 2008 and the loan at 15 % expiring on February 29th, 2009 are renewable with the mutual consent of parties. Due to the short term nature of the bridge loans, renewal and management fees associated with the loans have increased the cost of the loans by approximately 6.5% per year. As at September 11, 2008, the Corporation reimbursed \$1,000,000 on their loans.

NOTE 7 LONG-TERM DEBT

	2008	2007
Loan, repayable in monthly instalments of \$ 871, including interest calculated at a rate of 6.45%, maturing January 14th, 2011, secured by a movable hypothec on a vehicle with a net book value of \$ 21,631.	\$ 27,014	\$ 35,432
Current portion	8,977	8,418
	\$ 18,037	\$ 27,014

The portion of long term debt payable in each of the next three (3) years is as follows:

	2009	\$ 8,977
	2010	\$ 9,574
	2011	\$ 8,463

NOTE 8 CONVERTIBLE DEBENTURES

On February 16th, 2007, the Corporation issued convertible debentures with a total face value of \$560 000. The convertible debentures have a 12% coupon and are convertible at the election of the holder or the corporation, in full or in part, into common shares of the corporation according to the terms of conversion as follows:

Conversion terms for the debenture holder: at a conversion price of \$1.7536 for a conversion taking place on or before February 16, 2008, and an additional 10% premium to the amount set out in each subsequent year after February 16, 2008.

Conversion terms for the Corporation: provided that the volume-weighted-average-trading-price of the common shares is at or above \$4.80 per common share for not less than 20 consecutive trading days on the TSX Venture Exchange until February 16, 2008; \$6.40 per common share for the period between February 17, 2008 to February 16, 2009 and \$8.00 per common share for the period between February 17, 2008 to February 16, 2012.

GALE FORCE PETROLEUM INC.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the years ended June 30th, 2008 and June 30th, 2007

(audited)

NOTE 9 ASSET RETIREMENT OBLIGATION



The following table provides a reconciliation of the carrying amount of the obligation associated with the retirement of oil and gas properties:

	2008	2007
Asset retirement obligations, beginning of year	\$ 592,636	\$ 666,164
Liabilities incurred, net of liabilities disposed, year to date	64,335	52,892
Revisions to estimated liabilities	-	(147,499)
Accretion expense	47,415	21,079
Asset retirement obligations, end of year	\$ 704,386	\$ 592,636

The key assumptions on which the carrying amount of the asset retirement obligations are based include an 8.0 % discount rate and an annual inflation rate of 2.5%. The total undiscounted amount of the estimated cash flows required to settle the obligations was \$1,346,830 (\$936,830 June 30, 2007). The expected timing of payment of the cash flows required to settle the obligations ranges from 1 year to 12 years. As for the revision of estimated liabilities, new information led us to re-evaluate our estimations and assumptions.

NOTE 10 CAPITAL STOCK



The Corporation is authorized to issue an unlimited number of common shares without par value.

Common Shares Issued and Outstanding	2008	2007
17,798,355 common shares (6,718,536 common shares after consolidation as at June 30,	\$ 10,131,493	\$ 5,755,459

During the year, the Company issued 11,086,902 shares and 9,657,974 warrants in exchange for gross proceeds of \$ 4,929,746. These issuances were as follows: three private placements of shares with warrants, an private placement of convertible debentures of \$600,000 was converted into shares and payment of shares to settle debts of \$155,940. An amount of \$533,712 was recorded as issuance costs during the period. In addition, the Corporation cancelled 7,083 shares. As at May 27th, 2008, the corporation consolidated the shares for 8:1 ratio.

GALE FORCE PETROLEUM INC.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the years ended June 30th, 2008 and June 30th, 2007

(audited)

NOTE 10 CAPITAL STOCK (CONTINUED)

The following tables show the variation of outstanding convertible instruments, after consolidation the shares have 8:1 ratio, as at June 30th, 2008:

Warrants

Issue Date	Expiry Date	Exercise Price	Balance at beginning of the year	Issued	Exercised	Cancelled	Expired	Balance at end of period
December 22, 2006	December 22, 2007	\$ 2.240	297,500	-	-	-	297,500	-
December 29, 2006	December 29, 2007	\$ 2.240	227,500	-	-	-	227,500	-
January 11, 2006	January 11, 2008	\$ 3.600	41,476	-	-	-	41,476	-
February 29, 2007	February 29, 2008	\$ 1.440	611,111	-	-	-	611,111	-
March 15, 2006	March 15, 2008	\$ 2.560	10,625	-	-	-	10,625	-
December 29, 2007	June 29, 2008	\$ 1.400	15,000	-	-	-	15,000	-
December 29, 2007	June 29, 2008	\$ 1.800	75,000	-	-	-	75,000	-
February 16, 2007	February 16, 2009	\$ 1.754	319,343	-	-	-	-	319,343
June 6, 2007	June 6, 2009	\$ 2.000	235,000	-	-	-	-	235,000
October 26, 2007	October 26, 2009	\$ 0.800	-	375,000	-	-	-	375,000
October 18, 2007	October 18, 2009	\$ 0.800	-	4,600,588	-	-	-	4,600,588
December 29, 2007	December 29, 2009	\$ 0.800	-	357,143	-	-	-	357,143
December 31, 2007	January 1, 2010	\$ 0.800	-	921,886	-	-	-	921,886
June 30, 2008	May 27, 2008	\$ 0.582	-	1,417,437	-	-	-	1,417,437
June 27, 2008	27-Jun-10	\$ 0.700	-	1,700,000	-	-	-	1,700,000
June 27, 2008	27-Jun-10	\$ 0.500	-	285,920	-	-	-	285,920
			1,832,555	9,657,974	-	-	1,278,212	10,212,317

Each purchase warrant gives the right to purchase one common share of the Company at its exercise price on or before its expiry date.

Stock options

Issue Date	Expiry Date	Exercise Price	Balance at beginning of the year	Issued	Exercised	Cancelled	Expired	Balance at end of period
December 14, 2004	December 14, 2009	\$ 4.400	260,813	-	-	254,563	-	6,250
July 14, 2005	July 14, 2010	\$ 4.720	3,125	-	-	3,125	-	-
August 25, 2005	August 25, 2010	\$ 3.840	21,875	-	-	21,875	-	-
May 5, 2006	May 5, 2011	\$ 4.080	37,500	-	-	37,500	-	-
July 17, 2006	June 28, 2011	\$ 2.560	50,001	-	-	50,001	-	-
January 12, 2007	January 12, 2012	\$ 1.360	126,876	-	-	126,876	-	-
May 31, 2007	May 31, 2012	\$ 1.200	112,500	-	-	-	-	112,500
October 30, 2007	October 30, 2012	\$ 0.800	-	667,223	-	112,500	-	554,723
January 28, 2008	January 28, 2013	\$ 0.800	-	192,087	-	-	-	192,087
			612,690	859,310	-	606,440	-	865,560

Each stock option gives the right to purchase one common share of the Company's capital stock at its exercise price on or before its expiry date.

Convertible Debentures

Issue Date	Expiry Date	Conversion Price (During period)	Balance at beginning of the year	Issued	Converted	Redeemed	Reached Maturity	Balance at end of period
February 16, 2007	February 16, 2012	\$ 1.9290	319,343	-	-	-	-	319,343

The convertible debenture has a conversion price of \$1.9290 until February 16, 2009 and then increases by 10% for each subsequent year.

GALE FORCE PETROLEUM INC.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the years ended June 30th, 2008 and June 30th, 2007

(audited)

NOTE 11 STOCK-BASED COMPENSATION

Under the amended 2004 stock option plan, the Corporation may grant options in respect of a maximum of 8 187 750 common shares after the consolidation to directors, officers and employees of, and consultants to the Corporation.

The Corporation uses the fair-value method to record stock-based compensation expense with respect to stock options granted. The fair value of each option granted is estimated on the date of grant using the Black-Sholes options pricing model, using the following average assumptions for 2005-2006:

Risk free interest rate (average):	3.43%
Expected life:	1 year
Expected volatility (average):	58.0%
Expected dividend yield:	Nil

The Table in Note 10 lists each options issuance that occurred during the year. In total, options shares were issued during the period for a total expense of \$15,124,

NOTE 12 SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital:	2008	2007
Deposits for exploration and development	\$ 466,320	\$ (466,320)
Accounts Receivable	18,640	44,233
Inventory	95,298	(166,413)
Research and development tax credits receivable	49,796	50,034
Prepaid expenses	(8,413)	90,769
Creditors	915,411	259,800
Changes in non-cash working capital items	\$ 1,537,052	\$ (187,897)

During the year, the Corporation made the following cash outlays for interest expenses:

Interest expense	\$ 394,937	\$ 552,870
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NOTE 13 RELATED PARTY TRANSACTION

In the course of the period \$719,654 (\$914,591 in 2007) was paid in interest expense and fees associated to the loans from Primatlantis Capital, where a former director of the Corporation is a principal. These transactions were concluded in the normal course of business, measured at the exchange value.

GALE FORCE PETROLEUM INC.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the years ended June 30th, 2008 and June 30th, 2007

(audited)

NOTE 14 COMMITMENTS

Due to the flow-through financing that closed during the financial year that ended June 30th, 2008, the Corporation has the obligation to spend \$650,404 on Canadian Exploration and Development Expenses (CEE and CDE) before December 31st, 2008. An amount of \$ 363,833 was already spent on CEE and CDE during 2008 as at October 27, 2008.

NOTE 15 SUBSEQUENT EVENTS

On July 23, 2008, the Corporation purchased 50% of the Kentucky Shale Gas Property, including 22,000 acres, 9 wells and gathering lines, at a cost of \$1,250,000 million for its shares of the property. The Corporation also became the Operator of the property.

As at September 4, 2008, the Corporation concluded shares for debt agreements to settle \$685,000, for which it issued 1,424,500 common shares of the Corporation to various trade creditors.

On September 10, 2008, the Corporation sold its Woodnorth and Maples oil properties in Manitoba, for total proceeds of \$1,450,000. The Corporation had previously collected \$300,000 for the option to purchase the properties, including the surrender of \$290,000 face value of debentures. The exchange in cash has permitted the reduction of the short term debt of \$1,000,000 and the balance has been used to sustain the cash flow.

Since the end of the year, the corporation accepted \$290,000 face value of convertible debenture as consideration for an option agreement that resulted in the sale of corporation Woodnorth properties. There remains \$270,000 face value of convertible debentures outstanding.

NOTE 16 STATEMENT OF OPERATIONS

The statement of operations includes the following charges :

2008

2007

Depletion, depreciation and amortization

Tangible assets	\$	12,870	\$	41,430
Oil and gas		756,900		724,105
	\$	769,770	\$	765,535

Financial expenses

Interest on long term debt	\$	111,270	\$	34,412
Interest on short term debt		394,937		552,870
Other interest, financing expenses and bank charges		584,925		479,901
	\$	1,091,132	\$	1,067,183

GALE FORCE PETROLEUM INC.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the years ended June 30th, 2008 and June 30th, 2007

(audited)

NOTE 17 FINANCIAL INSTRUMENTS

Interest Rate Risk

The Corporation manages its cash according to its operational needs and to optimise revenues from interest.

The Corporation's long term debts have fixed interest rates. Also, the Corporation will repay its long term debts at maturity. As a result, the risks associated with long term debt is minimal.

Fair value

Fair value is estimated on a specific date through the use of the information available about the financial instrument in question. Estimates of fair value are of a subjective nature and cannot, in many cases, be established with any degree of precision.

The Corporation has determined that the book value of its short-term assets and liabilities is close to their fair value because of their immediate and short-term expiry.

The fair value of long-term debt is close to its book value because of its short-term maturity.

NOTE 18 EARNINGS PER SHARE

The following table reconciles the numerators and denominators of the basic and diluted earnings per share:

	2008	2007
Net loss	\$ (4,462,723)	\$ (4,743,269)
Weighted average number of shares outstanding - basic	10,853,320	6,117,109
Weighted average number of shares outstanding - diluted (anti-dilutive)	10,853,320	6,117,109

GALE FORCE PETROLEUM INC.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the years ended June 30th, 2008 and June 30th, 2007

(audited)

NOTE 19 INCOME TAXES AND DEFERRED LOSSES

	2008	2007
Net loss before tax	\$ (4,462,723)	\$ (3,809,982)
Income taxes at Canadian rates	(1,463,948)	(1,269,958)
Non-deductible expenses	796,114	999,311
	(667,834)	(270,647)
Reclassification of future income taxes to research and development tax credits	-	-
Future tax rate variation	15,358	-
Utilization of losses	(305,280)	(1,098,391)
	(957,756)	(1,369,038)
Less provision for loss of value (100%)	957,756	2,302,325
	\$ -	\$ 933,287

The following table summarizes the significant components included in future income taxes as at :

	2008	2007
Assets		
Tax benefit of research and development expenses	\$ 401,253	\$ 421,603
Capital assets	542,883	398,208
Intangible assets	-	-
Deferred Financing Expense	350,928	190,323
Resource exploration and development	408,083	402,856
Tax benefit of loss carry forwards	1,943,779	1,276,180
	3,646,926	2,689,170
Less provision for loss in value (29.30 %)	3,646,926	2,689,170
	\$ -	\$ -

For income tax purposes, the Corporation can carry forward losses totalling \$5,856,584 at the Federal level and Manitoba and \$5,907,945 at the Provincial level. The expiration dates for using these losses to reduce income taxes are as follows:

	Federal	Manitoba	Quebec
2009	\$ -	\$ -	\$ 150,260
2014	220,621	220,621	214,964
2015	1,876,873	1,876,873	1,780,874
2026	911,289	911,289	974,942
2027	811,966	811,966	751,070
2028	2,035,835	2,035,835	2,035,835
	\$ 5,856,584	\$ 5,856,584	\$ 5,907,945

GALE FORCE PETROLEUM INC.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the years ended June 30th, 2008 and June 30th, 2007

(audited)

NOTE 20 DEFERRED CORPORATE TRANSACTIONS COSTS

Since the end of the exercise, the Corporation purchased 50% of the Kentucky Shale Gas Property consisting of 22,000 acres with 9 wells at a cost of \$1,250,000 for the Corporation's shares of the property. Of this amount \$281,278 had been paid as of June 30, 2008.

NOTE 21 COMPARATIVE FIGURES FOR THE PRIOR YEAR

Certain figures for 2007 have been reclassified to make their presentation identical to that adopted in 2008.

NOTE 22 WRITE-DOWN OF EXPLORATION AND DEVELOPMENT COST

	2008	2007
Write-down of exploration and development cost	\$ 774,136	\$ 2,177,971
Write-down of exploration and development cost - Alberta	94,920	-
	\$ 869,056	\$ 2,177,971

Each year the Corporation performs an impairment test to determine the recoverability of capitalized cost associated with reserves. In 2007 the write down of the assets were \$2,177,971 and in 2008 are \$774,136. One of the wells in Alberta was abandoned and written off.

NOTE 23 OTHER (INCOME) AND EXPENSES

	2008	2007
Gain on settlement of debt	\$ (31,871)	\$ (106,673)
Interest	(10,305)	(6,523)
Others	1,195	-
Recovery of property cost	97,497	-
Cost of litigation	58,194	-
Contingent Income Tax Liability	561,682	-
Allowance for doubtful accounts	300,811	44,973
Exchange rate variation	2,403	9,482
Gain (Loss) on disposal of assets	71,400	(848,532)
	\$ 1,051,006	\$ (907,273)

Gale Force Petroleum Inc.

BOARD OF DIRECTORS

Jocelyn Boucher^{1,2,3}

Directeur des ressources financières et des partenariats économiques, CHUM

Ron Bourgeois^{2,3}

COO and Vice-President of Operations, Gale Force Petroleum

Robert Jones

Consultant, Information Technology

Michael McLellan

CEO and President, Gale Force Petroleum

Mazen Haddad

Fund Manager, Township Capital Inc.

OFFICERS

Michael McLellan

CEO and President

Antoinette Lizzi

Vice-President of finance

Ron Bourgeois

COO and Vice-President of Operations

Traian Cabba

Executive Vice-President, International Division

1. Chairman

2. Member of Audit Committee

3. Member of the Reserves Committee

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STOCK EXCHANGE LISTINGS

TSX Venture Exchange
Ticker Symbol "GFP"
(Formerly "ROE")

ABBREVIATIONS

bbls	<i>barrels</i>
mbbls	<i>thousand barrels</i>
bbls/d	<i>barrels per day</i>
CICA	<i>Canadian Institute of Chartered Accountants</i>

CONVERSION OF UNITS

<i>Imperial</i>	<i>Metric</i>
1 acre	<i>0.4 hectares</i>
2.5 acres	<i>1 hectare</i>
1 bbl	<i>0.159 cubic metre</i>
6.29 bbls	<i>1 cubic metre</i>
1 foot	<i>0.3048 metres</i>
3.281 feet	<i>1 metre</i>
1 mcf	<i>28.2 cubic metres</i>
1 mile	<i>1.61 kilometres</i>
0.62 miles	<i>1 kilometre</i>

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