



PEARL EXPLORATION AND PRODUCTION LTD.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED

DECEMBER 31, 2007

April 2, 2008

TABLE OF CONTENTS

Glossary Of Terms	3
Introductory Information	6
Forward Looking Statements	6
Corporate Structure.....	7
Intercorporate Relationships	7
General Development Of The Business	8
Three Year History.....	8
Significant Acquisitions - 2007.....	10
Description Of The Business And Operations	11
General	11
Description Of Properties.....	12
Core Area Properties – Canada.....	12
Non-Core Area Properties – Canada	13
Core Area Properties - U.S.A.	13
Non-Core Area Properties – Usa	14
Industry Overview	15
Summary Of Oil And Gas Reserves	22
Risk Factors	15
Dividends.....	35
Description Of Capital Structure	35
Market For Securities	35
Escrowed Securities.....	35
Directors And Officers.....	36
Cease Trade Orders, Bankruptcies, Penalties Or Sanctions	37
Conflicts Of Interest.....	38
Legal Proceedings	38
Interest Of Management And Others In Material Transactions	38
Auditors, Transfer Agent And Registrar	38
Material Contracts	39
Interests Of Experts	40
Additional Information	40
Abbreviations	41

GLOSSARY OF TERMS

In this Annual Information Form, the following words and phrases have the following meanings, unless the context otherwise requires.

“51-101” means National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities of the Canadian Securities Administrators and the forms thereunder.

“Amended Farmout Agreement” means the Amended and Restated Joint Venture, Farmout and Operating Agreement between OLE and Pan-Global.

“ARTC” means Alberta Royalty Tax Credit.

“Atlas” means Atlas Energy Ltd.

“Atlas Acquisition” means the plan of arrangement involving Pearl and Atlas resulting in the acquisition by Pearl of all of the issued and outstanding shares of Atlas.

“Board” means the board of directors of Pearl.

“Boe” means barrel of oil equivalent of natural gas and crude oil on the basis of 1 Bbl of crude oil for 6 Mcf of natural gas (this conversion factor is an industry accepted norm and is not based on either energy content or current prices).

“BOE/d” means barrel of oil equivalent per day.

“CBCA” means the Canada Business Corporations Act.

“CHOP” means cold heavy oil production.

“Cipher” means Cipher Exploration Ltd.

“Cipher Acquisition” means the acquisition by Pearl of all of the issued and outstanding shares of Cipher.

“DeGolyer and MacNaughton” means DeGolyer and MacNaughton Canada Limited

“EUB” means the Alberta Energy and Utilities Board.

“Gross” means:

- in relation to the issuer’s interest in production and reserves, its “gross reserves”, which are the issuer’s interest (operating and non-operating) share before deduction of royalties and without including any royalty interest of the issuer;
- in relation to wells, the total number of wells in which the issuer has an interest; and
- in relation to properties, the total area of properties in which the issuer has an interest.

“IOGC” means Indian Oil and Gas Canada.

“\$M” means thousands of dollars.

“Mboe” means thousands of barrels of oil equivalent.

“Net” means:

- in relation to the issuer's interest in production and reserves, the issuer's interest (operating and non-operating) share after deduction of royalties obligations, plus the issuer's royalty interest in production or reserves;
- in relation to wells, the number of wells obtained by aggregating the issuer's working interest in each of its gross wells; and

- in relation to the issuer's interest in a property, the total area in which the issuer has an interest multiplied by the working interest owned by the issuer.

"Nevarro" means Nevarro Energy Ltd.

"Nevarro Acquisition" means the plan of arrangement involving Pearl and Nevarro resulting in the acquisition by Pearl of all of the issued and outstanding shares of Nevarro.

"Newmex" means Newmex Minerals Inc.

"OLE" means Onion Lake Energy Ltd.

"OLFN" means the Onion Lake First Nation of Saskatchewan/Alberta.

"OCS" means the Offshore Continental Shelf in the Gulf of Mexico.

"Pan-Global" means Pan-Global Energy Ltd.

"Pan-Global Acquisition" means the plan of arrangement involving Pearl and Pan-Global resulting in the acquisition by Pearl of all of the issued and outstanding shares of Pan-Global.

"Participation Agreement" means the agreement between SMDL and the TSCO in connection with the SM Project.

"PD Agreements" means the operating agreement and the participation agreement, each made in connection with the PD Project.

"PD Project" means the Palo Duro project, an emerging unconventional shale gas project located in the Palo Duro natural gas basin in north Texas.

"Pearl" means Pearl Exploration and Production Ltd.

"Pearl E&P" means the company amalgamated under the Business Corporations Act (Alberta) through the amalgamation of Nevarro, Pan-Global and Atlas.

"Pearl Shares" means the common shares in the capital of Pearl.

"PetroGlobe" means PetroGlobe Energy USA Ltd.

"PetroHunter" means PetroHunter Energy Corporation

"Ravenwood" means Ravenwood Energy Corp.

"Rincon" means Rincon Energy Partners LLC.

"SAGD" means steam assisted gravity drainage.

"SMDL" means San Miguel Development Ltd., now called Newmex Energy (USA) Inc.

"SMDL Pilots" means the steam pilot projects conducted in the 1960's, 1970's and early 1980's in the SM Project.

"SM Project" means the San Miguel Heavy Oil project, a large shallow depth heavy oil deposit located in the Maverick Basin in south Texas.

"TLE" means Treaty Land Entitlement.

“TSX-V” means the TSX Venture Exchange.

“TXCO” means The Exploration Company.

“Valkyries” means Valkyries Petroleum Corp.

“Valkyries Acquisition” means the acquisition by Pearl of all of Valkyries United States oil and gas assets.

“Watch” means Watch Resources Ltd.

“Watch Acquisition” means the acquisition by Pearl of all of the outstanding shares of Watch.

Unless otherwise indicated all references to “\$” or dollars in this report refer to Canadian dollars. \$USD refers to U.S. dollars.

INTRODUCTORY INFORMATION

Except as otherwise indicated or unless the context otherwise require, the terms “Pearl”, “we,” “our” and “us” refer to Pearl Exploration and Production Ltd. Initially capitalized terms used herein and not otherwise defined have the meanings ascribed thereto in the Glossary located on page 3.

Unless otherwise indicated, all financial information included and incorporated by reference in this AIF is determined using Canadian generally accepted accounting principles (“Canadian GAAP”).

Unless otherwise specified, all dollar amounts are expressed in Canadian dollars, all reference to “dollars” or “\$” are to Canadian dollars and all references to “US\$” are to United States dollars.

FORWARD LOOKING STATEMENTS

Certain information regarding the Company contained herein may constitute forward-looking statements. Forward-looking statements may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. By their nature, forward-looking statements and information involve assumptions, inherent risks and uncertainties, many of which are difficult to predict, and are usually beyond the control of management, that could cause actual results to be materially different from those expressed by these forward-looking statements and information. The Company does not undertake to update or re-issue the forward-looking statements and information that may be contained herein, whether as a result of new information, future events or otherwise. The Company’s forward-looking statements are expressly qualified in their entirety by this cautionary statement.

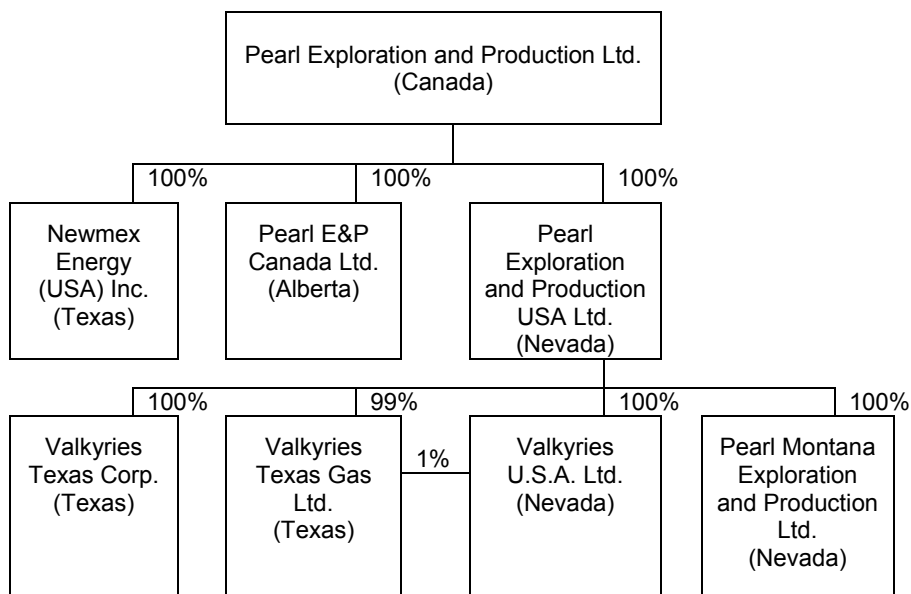
CORPORATE STRUCTURE

Pearl is a junior oil and natural gas company engaged in the exploration for, and the acquisition, development and production of oil and natural gas reserves located in Canada and the United States. Pearl's head office is located at 700, 444 – 7th Avenue S.W., Calgary, Alberta, T2P 0X8.

Pearl was incorporated under the Business Corporations Act (Alberta) as “Kilo Gold Mines Ltd.” on October 15, 1984. On April 22, 1998, Kilo Gold Mines Ltd. filed Articles of Amendment to change its name to Newmex Minerals Inc. On July 22, 2002, Newmex Minerals Inc. continued out of Alberta to Canada under the Canada Business Corporations Act (the “CBCA”). On February 28, 2006, Newmex Minerals Inc. changed its name to Pearl Exploration and Production Ltd.

INTERCORPORATE RELATIONSHIPS

The following diagram describes the intercorporate relationships among the Company and each of its subsidiaries as at December 31, 2007, where each principal subsidiary was incorporated or formed, and the percentage of votes attaching to all voting securities of each subsidiary beneficially owned by Pearl.



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The following describes the development of Pearl's business over the last three completed financial years.

Year Ended December 31, 2005

On March 23, 2005, Pearl completed a private placement of 15,000,000 common shares at \$0.055 per share, and following this private placement financing, Pearl refocused its strategic direction to the oil and gas industry.

On September 13, 2005 Pearl completed a private placement of 2,000,000 Units at a price of \$1.25 per Unit for gross proceeds of \$2,500,000. Each Unit consisted of one common share and one-half of a share purchase warrant.

In November 2005, Pearl acquired a 50% interest in the San Miguel Heavy Oil Development Project, a large, shallow depth, heavy oil deposit located in the Maverick Basin in south Texas. Total consideration for the acquisition was approximately \$4.2 million which was paid through a combination of common shares, common share purchase warrants and a nominal amount of cash.

In December 2005 Pearl acquired a 45% participation interest in the Palo Duro Basin Gas Exploration Project, an emerging unconventional shale gas project located in the Palo Duro natural gas resource basin in north Texas. Total consideration for the acquisition was approximately \$3 million which was paid through a combination of cash, common shares and common share purchase warrants. The vendor exercised a back-in right which reduced Pearl's participation to 30%.

On December 15, 2005 Pearl completed a private placement of 5,158,000 Units at a price of \$3.25 per Unit for gross proceeds of \$16,763,500. Each Unit consisted of one common share and one-half of a share purchase warrant.

Year Ended December 31, 2006

In January 2006, Pearl completed the Valkyries Acquisition. The total consideration paid for the acquisition was approximately \$6.7 million, paid for in cash

On February 28, 2006, Newmex Minerals Inc. changed its name to Pearl Exploration and Production Ltd.

In April 2006, Pearl completed the Pan-Global Acquisition. Through the Pan-global Acquisition, the Company secured a 95% interest in the Onion Lake lands located along the Saskatchewan/Alberta border near Lloydminster. On January 1, 2007 Pan-Global was amalgamated with Pearl E&P Canada Ltd.

On May 17, 2006, Pearl completed a private placement of 7,000,000 common shares at a price of \$6.00 per share for gross proceeds of \$42 million.

In September 2006, Pearl completed the Nevarro Acquisition. Nevarro was a junior oil and gas company focused on exploration in western Canada. The acquisition was completed under a Plan of Arrangement involving the Company, Nevarro, Serrano Energy Ltd. and the Nevarro shareholders. On January 1, 2007 Nevarro was amalgamated with Pearl E&P Canada Ltd.

The Company changed its financial year end from September 30 to December 31 effective October 1, 2006.

In November 2006, Pearl completed a private placement of common shares, subscription receipts and flow-through subscription receipts for gross proceeds of \$111 million. An aggregate of 8,000,000 common shares and 14,444,444 subscription receipts for common shares were issued at a price of \$4.50. In addition, 1,709,401 subscription receipts for flow-through common shares were issued at a price of \$5.85 each.

On December 22, 2006, Pearl completed the Atlas Acquisition. Pearl issued 0.82 of a Pearl Share for each Atlas share outstanding. In addition, holders of options to purchase Atlas shares who had not previously exercised or surrendered their options received \$0.05 cash per option held. A total of 55,670,226 Pearl Shares were issued to the Atlas shareholders and \$156,827.80 was paid to holders of options to purchase Atlas shares. On January 1, 2007 Atlas was amalgamated with Pearl E&P Canada Ltd.

Concurrently with the closing of the Atlas Acquisition, an aggregate of 16,153,845 Pearl Shares (of which 1,709,401 shares are "flow-through" shares) were issued pursuant to the terms of subscription receipts issued as part of a private placement by Pearl which closed on November 14, 2006. Upon issuance of such shares, an aggregate of \$72,811,983.18, including interest, was released to Pearl from escrow.

Year Ended December 31, 2007

On March 1, 2007, the Company completed the Cipher Acquisition for a gross purchase price of \$20,000,000 in common shares of the Company reduced by an amount equal to the aggregate of all outstanding long and short term debt of Cipher. At closing, the Company issued 2,047,502 common shares to the Cipher shareholders and assumed \$10,675,724 of debt. The deemed consideration, including transaction costs, for the Cipher acquisition totaled \$10,307,319.

On May 8, 2007, the Company announced that the sale of its Gulf of Mexico assets to Bayou Bend Petroleum Ltd. ("Bayou Bend") had closed. In consideration for 10 million common shares of Bayou Bend, Pearl sold its 100% working interest in five Gulf of Mexico offshore exploration blocks, farm-in rights to acquire a 25% working interest in a sixth offshore block and all physical data, work products and files and records associated with these blocks. The Bayou Bend common shares had a value of \$27.4 million at the time of closing. The Company sold one-half of its Bayou Bend shares in June 2007 and sold the second half in December 2007.

On June 20, 2007, the Company commenced trading Swedish depository receipts ("SDRs") on the First North list of the OMX Nordic Exchange. Each SDR represents one issued common share of the Company on deposit with a designated depository and is exchangeable into common shares on a one-for-one basis subject to the payment of an exchange fee.

On July 10, 2007 the Company sold on a non-brokered, private placement basis an aggregate of 12 million common shares at a price of \$5.05 per share for gross proceeds of \$60.6 million. A 4 percent finder's fee was paid on the gross proceeds of the private placement.

On August 2, 2007, the Company announced that it had closed the acquisition of a 24% working interest in the Mooney oil field from Ravenwood, a private oil and gas company for \$20.0 million net of standard industry adjustments. The acquisition increased Pearl's working interest in the Mooney field to over 98% and added approximately 625 boepd of production.

On August 23, 2007 the Company acquired a 35% working interest in 2,816 contiguous hectares of oil sands leases located south of Fort McMurray, in the Athabasca Oil Sands region of northern Alberta. The purchase price was \$5.0 million.

On October 17, 2007, the Company sold, on a bought-deal, private placement basis, an aggregate of 29.4 million common shares at a price of \$3.75 per share for gross proceeds of \$110.3 million. The net proceeds of the private placement were used to fund the acquisition of heavy oil assets from PetroHunter and the Company's ongoing development programs as well as for general working capital purposes.

On October 18, 2007, the Company completed the Watch Acquisition in an all-share transaction at an exchange ratio of 0.23 common shares of Pearl for each common share of Watch pursuant to a Plan of Arrangement (the "Watch Arrangement"). In connection with the Watch Arrangement, 10,542,927 common shares of Pearl were issued to former Watch shareholders. The deemed consideration, including transaction costs, for the acquisition is approximately \$52.0 million.

On November 6, 2007, the Company closed the agreement with PetroHunter to purchase its heavy oil assets in Montana and Utah. The purchase price will be a maximum of US \$30 million, payable as follows: (a) US \$7.5 million in cash at closing; (b) the issuance of the number of common shares of Pearl equivalent to US \$10 million; and (c) US \$12.5 million in cash at such time as either: (i) production from the assets reaches 5,000 bopd; or (ii) proven reserves from the assets is greater than 50 million barrels of oil.

Significant Acquisitions - 2007

The Cipher Acquisition

To augment Pearl's ownership in the Ear Lake area of Saskatchewan, Pearl completed the Cipher Acquisition in March 2007 and Cipher became a wholly-owned subsidiary of Pearl. Cipher was a privately-held oil and gas company with heavy oil assets in western Canada. Cipher's key assets consisted of heavy oil assets in the Ear Lake, Reward and Eagle Creek areas of Saskatchewan. These are areas where Pearl either operates or are directly adjacent to existing Pearl assets. At Ear Lake, Cipher operated 11 producing wells (100 percent ownership) on 2,760 net acres of land. Cipher also operated 19 wells (between 43 percent and 100 percent ownership) on 6,930 net acres of land in the Reward area. Cipher also had a 2.5 Percent Gross Overriding Royalty in the Eagle Creek area. Collectively these properties are estimated to have further development potential of approximately 100 potential gross drilling locations.

Mooney Acquisition

On August 2, 2007, the Company announced that it had closed the acquisition of a 24% working interest in the Mooney oil field from Ravenwood Energy Corp., a private oil and gas company for \$20.0 million net of standard industry adjustments. The acquisition increased Pearl's working interest in the Mooney field to over 98% and added approximately 625 BOE/d of production.

Blackrod Acquisition

On July 18, 2007 Pearl, along with its two Joint venture partners, acquired 2,816 contiguous hectares of oil sands leases located south of Fort McMurray, in the Athabasca Oil Sands region of northern Alberta. In addition, Pearl and its joint venture partners acquired an additional 1,036 hectares in this project in December of 2007. Pearl holds a 35% working interest in these lands directly for which possible reserves have been assigned.

The Watch Acquisition

On October 18, 2007 Pearl completed the Watch Acquisition pursuant to a share purchase agreement dated October 19, 2007 among Pearl and all of the shareholders of Watch. The deemed consideration, including transaction costs for the acquisition was approximately \$51.0 million. In payment of the purchase price, Pearl issued 10,542,927 Pearl Shares to Watch shareholders.

At the time of the acquisition the production from the properties associated with the Watch Acquisition was approximately 200 BOE/d.

Fiddler Creek, Promised Land, West Rozel and Gunnison Wedge

On November 6, 2007 Pearl acquired heavy oil assets located in Montana and Utah from PetroHunter. The assets acquired include a 100% working interest in several large resource heavy oil development

projects referred to as Fiddler Creek, Promised Land, West Rozel and Gunnison Wedge. Closing on an additional 5,836 net acres (the "Additional Acres", representing approximately 22% of the net acres comprising the Fiddler Creek properties) was deferred until certain third party owners have agreed to terms acceptable to Pearl for the acquisition of leases covering such portion of the Fiddler Creek properties.

The assets were acquired for a purchase price of a maximum of US \$30 million, payable as follows: (a) US \$7.5 million in cash at closing; (b) an aggregate of up to 2,500,000 common shares of Pearl (with a deemed value for purposes of this transaction of US\$4 per share), of which 960,025 will be issued if and when the follow-on closing is held on the Additional Acres, and (c) US \$12.5 million (reduced to US\$9,757,070.91 until the follow-on closing has occurred on the Additional Acres) in cash at such time as either: (i) production from the assets reaches 5,000 bopd; or (ii) proven reserves from the assets is greater than 50 million barrels of oil as certified by a third party reserve auditor acceptable to Pearl. In addition, Pearl reimbursed PetroHunter at closing for a total of approximately US \$458,000 in expenses incurred on the properties since October 1, 2007.

The properties associated with this acquisition did not have any material production at the time of the acquisition.

DESCRIPTION OF THE BUSINESS AND OPERATIONS

General

Pearl is engaged in the exploration, acquisition, development and production of oil and natural gas interests in North America and more specifically Heavy oil in North America. Pearl has oil and gas interests in both Canada and the U.S.A. Pearl's oil and gas activities began in November 2005 with the acquisition of the San Miguel project in Texas. Pearl currently has approximately 10,890 BOE/d of production from its Canadian assets and approximately 45 BOE/d from its U.S. assets. The Company increased its production by approximately 55% from year end 2006 to year end 2007 (7,800 BOE/d to 12,100 BOE/d). 8% or 9,063 BOE/d of the Company's production is heavy oil. Canadian production is conventional heavy oil, light oil and natural gas and the U.S. production is all natural gas and natural gas liquids from various wells in Texas and California.

The Company is committed to its principal strategy of building shareholder value through the acquisition of large scale heavy oil resources and converting them into reserves. The Company believes that heavy oil will occupy a much greater position in the world energy market in the future and plans to position itself to take advantage of this eventuality. As a result, in the near term Pearl intends to focus the majority of its efforts on its core properties in both Canada and the United States with less emphasis on continued production growth and a greater emphasis on advancing steam pilot projects designed to convert its captured large scale resources into proven and probable reserves.

The Company has set a 2008 capital budget of \$61 million. The Company's intention is to focus a significant portion of this budget on resource conversion activities, including the continued work on the steam pilots in San Miguel, Texas, Onion Lake, Saskatchewan and the Blackrod project in the Athabasca region of Alberta. The Company will also be initiating studies to examine options for upgrading and/or refining technologies on its core properties to increase per barrel netback economics. In addition, in order to dedicate more capital and intellectual resources to core properties, the Company has determined that it will market for sale certain non-core assets situated in Saskatchewan and Southern Alberta.

The Company also intends to pursue various options designed to increase per barrel profitability including various types of unconventional upgrading and low technology refining applications.

Description of Properties

Core Area Properties – Canada

Onion Lake Heavy Oil Project – Saskatchewan

Pearl currently holds a varied working interest between 87.5% to 100% in 41 sections of land located in the Onion Lake area in Saskatchewan. Pearl is the operator of the Onion Lake Heavy Oil Project which is located along the Saskatchewan/Alberta border near Lloydminster. Approximately 19,200 acres (30 sections) of land overlies a thick accumulation of heavy oil in the Cretaceous Dina sand formation which has been the primary formation for development by the Company.

Pearl began a multi-well development drilling program at Onion Lake in January 2007 which continued throughout the balance of the year resulting in a total of 67 wells being drilled. Prior to commencement of this drilling program, production from Pearl's Onion Lake lands was approximately 350 BOE/d. The average production for 2007 was 1,290 BOE/d net to Pearl. Centralized facilities for sand and oil handling are slated for construction in 2008.

During 2007, planning and procurement for a thermal recovery pilot were completed and regulatory approvals received. The necessary wells were drilled in December and construction began on pilot facilities in late 2007. Commissioning of facilities began in the first quarter of 2008 and it is expected that the pilot will be fully operational in the first half of 2008.

Mooney Heavy Oil Project – Alberta

Pearl currently has an average working interest of approximately 98% in 79 sections in the Mooney field which is located in north-central Alberta. Pearl (current project operator) originally had a 74% working interest in the area as a result of the Atlas Acquisition, and subsequently acquired an additional 24% working interest through the July 2007 acquisition of Ravenwood Energy's interest in the project and lands. Mooney is a conventional heavy oil field which produces from the Bluesky sand formation. Higher recovery factors are expected as a result of the relatively low oil viscosity (16 degree API gravity) and the favourable reservoir characteristics which facilitates efficient oil flow. Pearl maps the potential area of the Mooney Bluesky heavy oil pool at approximately 31 sections. Stratigraphic test wells have been drilled on the west side of the field to evaluate the areal extent of the Bluesky accumulation. Additional stratigraphic test wells will be required in the future to further delineate the field. During 2007, a total of 25 new horizontal oil wells were drilled and placed on production. The average production for 2007 was 1,800 BOE/d net to Pearl and has current production of approximately 3,000 BOE/d, net.

The reservoir properties and the high quality oil also make the pool conducive to water flooding which is expected to further enhance recovery. A preliminary water flood simulation study showing higher secondary recoveries in the range of 13% – 19% has been prepared by independent reservoir engineering consultants. Water flooding this pool started in July 2006 after converting the original horizontal oil well in the pool to a water injector with current injection rates of approximately 1,200 barrels per day. Initial pressure response has been seen in the two offsetting oil producers. Pearl plans on expanding its water flood project area in 2008. In addition, Pearl believes that the Mooney field may be conducive to a polymer flood and as such the Company is undertaking a study to determine the feasibility of that approach.

Blackrod Heavy Oil Project – Alberta

On July 18, 2007 Pearl, along with two joint venture partners, acquired 2,816 contiguous hectares of oil sands leases located south of Fort McMurray, in the Athabasca Oil Sands region of northern Alberta. In addition, Pearl and its joint venture partners acquired an additional 1,036 hectares in this project in December of 2007. Pearl holds a 35% working interest in these lands directly for which possible reserves have been assigned.

Pearl also holds an approximate 37% ownership of Serrano Energy Ltd, (“Serrano”); one of the two joint venture partners in this project.

The Company has plans to drill one appraisal well this year and is in the process of preparing an application for required governmental approvals of a thermal pilot project utilizing Steam-Assisted Gravity Drainage (SAGD) technology. Upon confirmation of positive results from this appraisal well, and receipt of the required regulatory approvals, a SAGD pilot comprised of single well pair and related facilities will be initiated.

Fishing Lake Heavy Oil Project – Alberta

Pearl completed the Watch Acquisition on October 19, 2007 pursuant to a plan of arrangement. Watch was amalgamated into Pearl effective January 1, 2008.

The key producing asset acquired was the Fishing Lake conventional heavy oil field in north-east-central Alberta. This field is located near Pearl’s Onion Lake field and the acquisition of this field is anticipated to provide synergies with Pearl’s Onion Lake operations. The Fishing Lake field is early in its development with current net production in December of approximately 200 BOE/d. The field comprises compact geology with stacked reservoir sands over a contiguous 7.5 section land base. Pearl is in the process of preparing an application to have the Fishing Lake field classified as a “Oil Sands” project under the Alberta Royalty regime. Pearl completed a drilling program of eight wells in the 4th quarter of 2007 and plans to assess the results of that program and wait for the outcome of the royalty application prior to investing further capital into Fishing Lake.

Non-Core Area Properties – Canada

The Company holds interests and has on-going operations and production in several other areas of Saskatchewan and Alberta. These areas were all acquired either through the Nevarro Acquisition, the Atlas Acquisition or the Cipher Acquisition. These properties have been designated by the Company as non-core, principally due to their limited heavy oil resource potential; as such they are currently being marketed for sale. A summary break-down of these areas is provided below:

Name	Gross Acres	Net Acres	WI%	Production (boe/d)
Druid	12,291	12,287	100%	69
Celtic / Pikes Peak	7,258	7,088	98%	1,569
Salt Lake	72,783	72,074	99%	543
Thunderchild	25,189	24,070	96%	268
Other Saskatchewan	111,221	93,239	84%	1,734
Southern Alberta	77,279	45,765	59%	931
Other Alberta	103,955	62,912	61%	239

Core Area Properties - U.S.A.

San Miguel Heavy Oil Project – Maverick Basin, South Texas

Pearl, through its wholly owned subsidiary, Newmex Energy (USA) Inc. (“Newmex”), is a 50 percent participant in the development of a large, shallow depth, heavy oil deposit located in the Maverick Basin in southern Texas. Under the terms of the Participation Agreement between Newmex and The Exploration Company of Delaware Inc. (“TXCO”), a San Antonio based oil and gas company, Newmex and TXCO each own a 50 percent working interest in certain leases and have agreed to jointly develop the leases, together with any additional leases acquired within the area of mutual interest described in the Participation Agreement, for the production of heavy oil and other hydrocarbons.

The San Miguel heavy oil project focuses on the San Miguel sandstone which is a large, well defined heavy oil deposit that contains an estimated two to three billion barrels of oil.¹

Previous steam pilot projects conducted in the 1960's, 1970's and early 1980's (the "SMDL Pilots") demonstrated the technical viability of the SM Project by establishing production rates of up to 600 BOE/d per well and estimated recovery efficiencies that ranged from 40% to 55%. It is the Company's view that continuation of pilot programs and ultimately commercialization of this resource did not occur in the mid 1980's, principally due to low oil prices.

Recent improvements in both oil pricing and recovery technology have improved the development potential of this resource. Although further study is on-going, it is believed that the San Miguel heavy crude type may now command a premium price due to both a strong regional asphalt market and the low acid content of the crude. Since the SMDL Pilots, there have also been several large heavy oil and tar sands projects developed around the world which have led to advances in recovery efficiency and cost reductions that may benefit the San Miguel heavy oil project.

Newmex and TXCO operated a cyclic steam pilot in 2006 – 2007 and determined that cyclic steam was not economically viable. However, the data gathered combined with data acquired in SMDL Pilots provides a strong indication that SAGD will be economic. Newmex and TXCO are currently converting the cyclic steam pilot to a SAGD pilot. In addition, along with the conversion of the cyclic steam pilot to a SAGD pilot, a second, larger production pilot to the north of the existing pilot facility is being developed. The second pilot is expected to be operational in the second half of 2008.

Fiddler Creek Project - Montana

In November 2007 Pearl acquired heavy oil assets located in Montana and Utah from PetroHunter. The assets acquired include a 100% working interest in several large heavy oil resource development projects referred to as Fiddler Creek, Promised Land, West Rozel and Gunnison Wedge.

The Fiddler Creek Project is comprised of three large anticlinal structures. The associated Pryor, and Upper and Lower Greybull Formations are estimated to contain as much as 750 million barrels of oil-in-place (a current in-house estimate associated with the Company's acreage). In the past, all of these zones have produced heavy oil from these structures to varying degrees.

Drilling was commenced immediately on the Fiddler Creek Project with the Beartooth Federal 43-33 well, located on the Fiddler Creek Field in Stillwater County, Montana. This well successfully tested reservoir continuity in the southwestern portion of the mapped field and has been placed on production for further evaluation. In 2008, the Company intends to drill one additional well and recomplete two existing well bores with horizontal laterals.

Non-Core Area Properties – USA

Palo Duro Unconventional Gas Project – North Texas

Pearl holds a non-operated 30 percent participation interest in the Palo Duro Unconventional Gas Project (the "PD Project"), a jointly held land position comprised of 100,000 gross acres in an emerging shale gas resource project located in the Palo Duro basin in north Texas, approximately 260 miles northwest of the Fort Worth Basin. The Fort Worth Basin contains gas production from the Barnett shales which are considered the largest gas play in Texas and the USA, with current gas production in excess of 1.2 Bcfpd. The Palo Duro unconventional gas play is targeting shales at depths of 8,000 to 10,000 feet that are twice as thick as the Barnett shales. With slightly lower organic content (2.5 percent versus 4.0 percent) these shales may contain gas that is comparable to that of the Barnett shale analog.

¹ Estimated by the Bureau of Economic Geology, The University of Texas at Austin in a report entitled "Report of Investigations No. 107, Wave-Dominated Delta Systems of the Upper Cretaceous San Miguel Formation, Maverick Basin, South Texas" and by the Society of Petroleum Engineers in a paper entitled "The Street Ranch Pilot Test of Fracture-Assisted Steamflood Technology".

Other Non-Core Properties – USA

Name	Landholdings	WI%	Current Production
Topanga	n/a	41%	-
Texas City	1,309	24.8	45 boe/d
Utah	173,422	100%	-
Montana	47,567	100%	-

Risk Factors

Exploration, Development and Production Risks

Oil and gas operations involve many risks which even a combination of experience and knowledge and careful evaluation may not be able to overcome. The long-term commercial success of Pearl depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves Pearl may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Pearl's reserves will depend not only on Pearl's ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects.

Management will continue to evaluate prospects on an ongoing basis in a manner consistent with industry standards and their past practices. The long term commercial success of Pearl depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that Pearl will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Pearl may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that expenditures made on future exploration by Pearl will result in new discoveries of oil or natural gas in commercial quantities or that further commercial quantities of oil and natural gas will be discovered or acquired by Pearl. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow outs, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a material adverse effect on future results of operations, liquidity and financial condition.

Operational Risks

Oil and natural gas exploration operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering and oil spills, each of which could result in substantial damage to oil and natural gas wells, producing facilities, other property and the environment or in personal injury. In accordance with industry practice, Pearl will not be fully insured against all of these risks, nor are all such risks insurable. Although Pearl will maintain liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event Pearl could incur significant costs that could have a materially adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and the invasion of water into producing formations.

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Pearl and may delay exploration and development activities. To the extent Pearl will not be the operator of its oil and gas properties, the company will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators. In addition, the success of Pearl will be largely dependent upon the performance of its management and key employees. Pearl does not have any key man insurance policies and, therefore, there is a risk that the death or departure of any member of management or any key employee could have a material adverse affect on the company.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of reserves and cash flows to be derived therefrom, including many factors beyond the control of Pearl. The reserve and cash flow information set forth herein represent estimates only. These evaluations include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of oil and natural gas, operating costs and royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts in use at the date the relevant evaluations were prepared and many of these assumptions are subject to change and are beyond the control of Pearl. Actual production and cash flows derived therefrom will vary from these evaluations, and such variations could be material. These evaluations are based in part on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluations.

Reserve Replacement

Pearl's future oil and natural gas reserves, production, and cash flows to be derived therefrom are highly dependent on successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves Pearl may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in reserves will depend not only on Pearl's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that Pearl's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Volatility of Oil and Gas Prices and Markets

Both oil and natural gas prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of Pearl's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of Pearl's reserves. Pearl might also elect not to produce from certain wells at lower prices. All of these factors

could result in a material decrease in Pearl's net production revenue causing a reduction in its oil and gas acquisition and development activities.

From time to time Pearl may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, Pearl will not benefit from such increases.

Prices, Markets and Marketing of Crude Oil and Natural Gas

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of Pearl. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the volume of Pearl's oil and gas reserves. Pearl might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in Pearl's future net production revenue, causing a reduction in its oil and gas acquisition and development activities. In addition to establishing markets for its oil and natural gas, Pearl must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by Pearl will be affected by numerous factors beyond its control. Pearl will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil produced by Pearl. The ability of Pearl to market its natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. Pearl will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. Pearl has limited direct experience in the marketing of oil and natural gas.

Access to Diluent Supplies at Favourable Prices

Heavy oil is characterized by high specific gravity or weight and low viscosity or resistance to flow. Among its other uses, diluent is required to facilitate the transportation of heavy oil. A shortfall in the supply of diluent may cause its price to increase thereby increasing the cost to transport heavy oil to market and correspondingly increasing Pearl's operating cost, decreasing its net revenues and negatively impacting the overall profitability of our heavy oil projects.

Transportation

Pearl trucks a significant portion of its production of heavy oil to market. Besides the normal hazards of vehicular transportation collisions between vehicles and wildlife remain a significant hazard in our operating areas.

Title to Properties

Although title reviews will be done according to industry standards prior to the purchase of most oil and natural gas producing properties or the commencement of drilling wells as determined appropriate by management, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat a claim of Pearl which could result in a reduction of the revenue received by Pearl. Any uncertainty with respect to one or more of Pearl's interests could have a material adverse effect on Pearl's business, prospectus and results of operations.

Industry Competition and Environmental Matters

The petroleum industry is competitive in all its phases. Pearl will compete with numerous other participants in the search for the acquisition of oil and natural gas properties and in the marketing of oil and natural gas. Its competitors will include oil companies which have greater financial resources, staff and facilities than those of Pearl. Pearl's ability to increase reserves in the future will depend not only on

its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling.

The marketability of oil and natural gas acquired or discovered will be affected by numerous factors beyond the control of Pearl. These factors include reservoir characteristics, market fluctuations, the proximity and capacity of oil and natural gas pipelines and processing equipment and government regulation. Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government which may be amended from time to time. Pearl's oil and natural gas operations may also be subject to compliance with federal, provincial, state and local laws and regulations controlling the discharge of materials into the environment or otherwise relating to the protection of the environment.

Competition

Pearl actively competes for reserve acquisitions, exploration leases, licenses and concessions and skilled industry personnel with a substantial number of other oil and gas companies, many of which have significantly greater financial resources than Pearl. Pearl's competitors include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators.

The oil and gas industry is highly competitive. Pearl's competitors for the acquisition, exploration, production and development of oil and natural gas properties, and for capital to finance such activities, include companies that have greater financial and personnel resources available to them than Pearl. Pearl's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Environmental Risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require Pearl to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Pearl's financial condition, results of operations or prospects.

Kyoto Protocol

In 1994, the United Nations' Framework Convention on Climate Change came into force and three years later led to the Kyoto Protocol which will require nations to reduce their emissions of carbon dioxide and other greenhouse gases. In December 2002, the Government of Canada ratified and signed the Kyoto Protocol. The Kyoto Protocol has now come into effect. As a result of the ratification of the Kyoto Protocol and the adoption of legislation or other regulatory initiatives designed to implement its objectives by the federal or provincial governments, reductions in greenhouse gases from crude oil and natural gas producers may be required which could result in, among other things, increased operating and capital expenditures for those producers, including Pearl, which may make certain production of crude oil and natural gas by those producers uneconomic resulting in reductions in such production. Until such

legislation or other regulatory initiatives are finalized, the impact of the Kyoto Protocol and any such legislation adopted as a result of its ratification remains uncertain.

Pearl's exploration and production facilities and other operations and activities will emit a small amount of greenhouse gases which may subject Pearl to legislation regulating emissions of greenhouse gases. The Government of Canada has put forward a Climate Change Plan for Canada which suggests further legislation will set greenhouse gases emission reduction requirements for the various industrial activities, including oil and gas exploration and production. Future federal legislation, together with provincial emission reduction requirements, such as those proposed in Alberta's Bill 32: Climate Change and Emissions Management, may require the reduction of emissions or emissions intensity with Pearl's operations and facilities. The direct or indirect costs of the above referenced legislation or regulatory initiatives may adversely affect the business of Pearl.

Abandonment and Reclamation Costs

Pearl will be responsible for compliance with terms and conditions of environmental and regulatory approvals and all laws and regulations regarding abandonment and reclamation in respect of its properties, which abandonment and reclamation costs may be substantial. A breach of such legislation or regulations may result in the imposition of fines and penalties, including an order for cessation of operations at the site until satisfactory remedies are made.

Insurance

Pearl's involvement in the exploration for and development of oil and gas properties may result in Pearl becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Although Pearl has obtained insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, Pearl may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to Pearl. The occurrence of a significant event that Pearl is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Pearl's financial position, results of operations or prospects.

Reliance on Operators and Key Employees

Pearl may not be the operator of certain oil and gas properties in which it acquires an interest. To the extent Pearl is not the operator of its oil and gas properties, Pearl will be dependent on such operators for the timing of activities related to such properties and will largely be unable to direct or control the activities of the operators. In addition, the success of Pearl will be largely dependent upon the performance of its management and key employees. Pearl does not have any key man insurance policies, and therefore there is a risk that the death or departure of any member of management or any key employee could have a material adverse effect on Pearl.

Corporate Matters

Certain of the directors and officers of Pearl are also directors and officers of other oil and gas companies involved in natural resource exploration and development, and conflicts of interest may arise between their duties as officers and directors of Pearl, as the case may be, and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under the CBCA.

Permits and Licenses

The operations of Pearl require licenses and permits from various governmental authorities. There can be no assurance that Pearl will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at its projects.

Possible Failure to Realize Anticipated Benefits of Acquisitions

Pearl may complete acquisitions to strengthen its position in the oil and natural gas industry and to create the opportunity to realize certain benefits including, among other things, potential cost savings. Achieving the benefits of any future acquisitions depends, in part, on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as Pearl's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with its own. The integration of acquired businesses requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect Pearl's ability to achieve the anticipated benefits of these and future acquisitions.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to resources and various properties in western Canada. Such claims, in relation to any of Pearl's lands, if successful, could have an adverse effect on its operations.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in Canada and the United States have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It is likely that the market price for the Pearl Shares will be subject to market trends generally.

Additional Funding Requirements: Dilution

Pearl's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, Pearl may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause Pearl to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If Pearl's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect Pearl's ability to expend the necessary capital to replace its reserves or to maintain its production. If Pearl's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on favourable terms. The terms of any such equity financing may be dilutive to the holders of Pearl Shares.

Substantial Capital Requirements; Liquidity

Pearl may have to make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If revenues or reserves decline, Pearl may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing or cash generated by operations will be sufficient or available or continue to be available to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Pearl. Moreover, future activities may require Pearl to alter its capitalization significantly. The inability of Pearl to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects.

Foreign Currency Exposure

A portion of Pearl's assets, revenues and operating expenses are denominated in U.S. dollars and oil and gas prices are principally based on the value of the US dollar. Fluctuations in the exchange rate between the U.S. and the Canadian dollar could therefore have an adverse effect on Pearl's financial performance and condition and may result in realized and unrealized losses.

IOGC

Pearl's interests in the Onion Lake property will be subject to processes controlled, in part, by OLE, which is solely owned by OLFN of Saskatchewan/Alberta and will be situated on TLE Reserves and are subject to the federal rules and regulations of the IOGC. There are risks associated with Pearl's relationship with OLE and the management of Pearl's interests on TLE Reserves.

Availability of Drilling Equipment and Access Restrictions

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such equipment or access restrictions may affect the availability of such equipment to Pearl and may delay exploration and development activities.

RESERVES DATA AND OTHER OIL AND GAS INFORMATION

DeGolyer and MacNaughton Canada Limited ("DeGolyer and MacNaughton"), independent qualified evaluators of Calgary, Alberta estimated the Company's Canadian and United States reserves effective December 31, 2007. The reserves information was prepared on February 6, 2008 and was prepared in accordance with the requirements of National Instrument 51-101.

The following tables, taken from the DeGolyer and MacNaughton report, provide reserves data and a breakdown of future net revenue by commodity and reserve category using forecast prices and costs and/or constant prices and costs, based on Pearl's working interest. The complete Statement of Reserves Data and Other Oil and Gas Information can be found on SEDAR at www.sedar.com and on the Company's website at www.pearleandp.com.

The reserves on the properties described herein are estimates only. Actual reserves on the properties may be greater or less than those calculated.

The estimated future net revenue contained in the following tables does not necessarily represent the fair market value of our reserves. There is no assurance that forecast prices and costs assumed in the DeGolyer and MacNaughton evaluations will be attained, and variances could be material. Assumptions and qualifications relating to costs and other matters are summarized in the notes to the following tables.

In certain instances, numbers may not total due to computer-generated roundings. In such cases, differences are not material and amounts presented are as shown in the DeGolyer and MacNaughton report.

**SUMMARY OF OIL AND GAS RESERVES
AS OF DECEMBER 31, 2007
FORECAST PRICES AND COSTS**

Reserves Category	Light and Medium Crude Oil		Heavy Oil		Natural Gas		Natural Gas Liquids	
	Gross (Mbbbls)	Net (Mbbbls)	Gross (Mbbbls)	Net (Mbbbls)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbls)	Net (Mbbbls)
Proved Developed Producing								
Canada	152	124	7,331	5,852	11,833	9,440	18	11
United States	18	15	-	-	99	77	-	-
Total Proved Developed Producing	170	139	7,331	5,852	11,932	9,517	18	11
Proved Developed Non-Producing								
Canada	49	44	2,089	1,813	2,642	2,033	1	-
United States	13	11	-	-	215	161	-	-
Total Proved Developed Non-Producing	62	55	2,089	1,813	2,857	2,194	1	-
Proved Undeveloped								
Canada	16	15	9,017	7,235	1,747	1,257	-	-
United States	-	-	1,115	910	-	-	-	-
Total Proved Undeveloped	16	15	10,132	8,145	1,747	1,257	-	-
Total Proved								
Canada	216	183	18,437	14,900	16,222	12,729	19	11
United States	32	26	1,115	910	314	238	-	-
Total Proved	248	209	19,552	15,810	16,536	12,967	19	11
Total Probable								
Canada	154	138	20,594	16,826	10,089	8,377	14	9
United States	38	32	6,241	5,125	191	150	-	-
Total Probable	192	170	26,835	21,951	10,280	8,527	14	9
Total Proved plus Probable								
Canada	371	321	39,031	31,726	26,312	21,107	33	20
United States	70	58	7,355	6,035	505	389	-	-
Total	441	379	46,386	37,761	26,817	21,496	33	20
Total Possible								
Canada	46	39	117,903	101,240	4,196	3,492	-	-
United States	3	2	24,880	20,451	332	252	-	-
Total Possible	49	41	142,783	121,691	4,528	3,744	-	-
Total Proved plus Probable plus Possible								
Canada	417	360	156,934	132,966	30,508	24,599	33	20
United States	73	60	32,235	26,486	837	641	-	-
Total Proved plus Probable plus Possible	490	420	189,169	159,452	31,345	25,240	33	20

**SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE
AS AT DECEMBER 31, 2007
FORECAST PRICES AND COSTS**

Reserves Category	Before Deducting Income Taxes Discounted at (%/year)					After Deducting Income Taxes Discounted at ((%/year)					Unit Value Before Income Tax Discounted at 10%/year
	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)	\$/boe
Proved Developed Producing											
Canada	166,137	151,299	139,074	128,787	119,979	166,137	151,299	139,074	128,787	119,979	\$14.68
United States	1,355	1,277	1,208	1,147	1,092	1,355	1,277	1,208	1,147	1,092	\$35.01
Total Proved Developed Pro	167,492	152,576	140,282	129,934	121,071	167,492	152,576	140,282	129,934	121,071	\$14.75
Proved Developed Non-Producing											
Canada	40,515	29,555	22,018	16,641	12,675	40,515	29,555	22,018	16,641	12,675	\$8.54
United States	1,742	1,517	1,331	1,177	1,047	1,742	1,517	1,331	1,177	1,047	\$27.26
Total Proved Developed No	42,257	31,072	23,349	17,818	13,722	42,257	31,072	23,349	17,818	13,722	\$8.88
Proved Undeveloped											
Canada	71,270	45,686	28,192	15,891	7,032	71,270	45,686	28,192	15,891	7,032	\$3.02
United States	16,731	13,686	11,350	9,519	8,061	16,731	13,686	11,350	9,519	8,061	\$10.18
Total Proved Undeveloped	88,001	59,372	39,542	25,410	15,093	88,001	59,372	39,542	25,410	15,093	\$3.79
Total Proved											
Canada	277,922	226,540	189,284	161,319	139,686	277,922	226,540	189,284	161,319	139,686	\$8.86
United States	19,828	16,480	13,889	11,843	10,200	19,828	16,480	13,889	11,843	10,200	\$11.58
Total Proved	297,750	243,020	203,173	173,162	149,886	297,750	243,020	203,173	173,162	149,886	\$9.00
Total Probable											
Canada	338,242	213,369	143,928	101,948	74,877	268,781	167,458	110,994	76,773	54,705	\$6.41
United States	114,470	91,169	74,145	61,286	51,306	84,597	67,503	54,890	45,304	37,838	\$11.75
Total Probable	452,712	304,538	218,073	163,234	126,183	353,378	234,961	165,884	122,077	92,543	\$7.58
Total Proved plus Probable											
Canada	616,164	439,909	333,212	263,267	214,563	546,703	393,998	300,278	238,092	194,391	\$7.60
United States	134,298	107,649	88,034	73,129	61,506	104,425	83,983	68,779	57,147	48,038	\$11.72
Total Proved plus Probable	750,462	547,558	421,246	336,396	276,069	651,128	477,981	369,057	295,239	242,429	\$8.21
Total Possible											
Canada	3,047,994	913,639	341,282	153,013	76,571	2,238,574	662,001	239,867	101,294	45,188	\$2.88
United States	507,963	366,853	272,630	207,073	159,994	352,421	255,894	190,627	144,846	111,802	\$10.93
Total Possible	3,555,957	1,280,492	613,912	360,086	236,565	2,590,995	917,895	430,494	246,140	156,990	\$4.28
Total Proved plus Probable plus Possible											
Canada	3,664,158	1,353,548	674,494	416,280	291,134	2,785,277	1,055,999	540,145	339,386	239,579	\$4.15
United States	642,261	474,502	360,664	280,202	221,500	456,846	339,877	259,406	201,993	159,840	\$11.12
Total Proved plus Probable	4,306,419	1,828,050	1,035,158	696,482	512,634	3,242,123	1,395,876	799,551	541,379	399,419	\$5.31

**SUMMARY OF FUTURE NET REVENUE
(UNDISCOUNTED)
AS OF DECEMBER 31, 2007
FORECAST PRICES AND COSTS**

Reserves Category	Revenue	Royalties	Operating Costs	Development	Abandonment and Reclamation	Income Taxes	Future Net Revenue After Income Taxes
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Proved Developed Producing							
Canada	458,278	93,381	180,089	95	18,576	-	166,137
United States	2,336	471	359	-	151	-	1,355
Total Proved Developed Producing	460,614	93,852	180,448	95	18,727	-	167,492
Proved Developed Non-Producing							
Canada	121,014	18,120	38,958	21,095	2,327	-	40,515
United States	2,733	544	232	183	31	-	1,742
Total Proved Developed Non-Producing	123,747	18,664	39,190	21,278	2,358	-	42,257
Proved Undeveloped							
Canada	454,183	87,951	174,855	115,769	4,337	-	71,270
United States	59,936	10,897	24,171	7,889	247	-	16,731
Total Proved Undeveloped	514,119	98,848	199,026	123,658	4,584	-	88,001
Total Proved							
Canada	1,033,475	199,452	393,902	136,959	25,240	-	277,922
United States	65,005	11,913	24,762	8,073	429	-	19,828
Total Proved	1,098,480	211,365	418,664	145,032	25,669	-	297,750
Total Probable							
Canada	1,158,336	202,731	458,805	149,447	9,112	69,461	268,781
United States	344,106	61,098	140,677	27,019	841	29,873	84,597
Total Probable	1,502,442	263,829	599,482	176,466	9,953	99,334	353,378
Total Proved plus Probable							
Canada	2,191,811	402,183	852,707	286,406	34,352	69,461	546,703
United States	409,111	73,011	165,439	35,092	1,271	29,873	104,425
Total Proved plus Probable	2,600,922	475,194	1,018,146	321,498	35,623	99,334	651,128
Total Possible							
Canada	7,309,752	1,054,226	2,718,791	484,143	4,598	809,420	2,238,574
United States	1,330,785	235,981	522,214	62,490	2,137	155,542	352,421
Total Possible	8,640,537	1,290,207	3,241,005	546,633	6,735	964,962	2,590,995
Total Proved plus Probable plus Possible							
Canada	9,501,563	1,456,409	3,571,498	770,549	38,950	878,881	2,785,277
United States	1,739,895	308,992	687,653	97,581	3,408	185,415	456,846
Total Proved plus Probable plus Possible	11,241,458	1,765,401	4,259,151	868,130	42,358	1,064,296	3,242,123

**SUMMARY OF OIL AND GAS RESERVES
AS OF DECEMBER 31, 2007
CONSTANT PRICES AND COSTS**

Reserves Category	Light and Medium Crude Oil		Heavy Oil		Natural Gas		Natural Gas Liquids	
	Gross (Mbbbls)	Net (Mbbbls)	Gross (Mbbbls)	Net (Mbbbls)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbls)	Net (Mbbbls)
Proved Developed Producing								
Canada	151	123	7,580	6,082	11,804	9,384	18	11
United States	18	15	-	-	99	77	-	-
Total Proved Developed Producing	169	138	7,580	6,082	11,903	9,461	18	11
Proved Developed Non-Producing								
Canada	51	46	1,956	1,687	2,650	2,034	1	-
United States	13	11	-	-	215	161	-	-
Total Proved Developed Non-Producing	64	57	1,956	1,687	2,865	2,195	1	-
Proved Undeveloped								
Canada	16	15	9,070	7,283	1,759	1,260	-	-
United States	-	-	1,125	919	-	-	-	-
Total Proved Undeveloped	16	15	10,195	8,202	1,759	1,260	-	-
Total Proved								
Canada	218	185	18,606	15,052	16,212	12,677	19	11
United States	32	26	1,125	919	314	238	-	-
Total Proved	250	211	19,731	15,971	16,526	12,915	19	11
Total Probable								
Canada	161	144	20,758	16,977	10,053	8,327	14	9
United States	38	32	6,284	5,159	194	153	-	-
Total Probable	199	176	27,042	22,136	10,247	8,480	14	9
Total Proved plus Probable								
Canada	379	329	39,364	32,029	26,265	21,005	33	20
United States	70	58	7,409	6,078	508	391	-	-
Total	449	387	46,773	38,107	26,773	21,396	33	20
Total Possible								
Canada	47	39	117,896	101,237	4,192	3,475	-	-
United States	3	2	24,952	20,510	332	252	-	-
Total Possible	50	41	142,848	121,747	4,524	3,727	-	-
Total Proved plus Probable plus Possible								
Canada	426	368	157,260	133,266	30,457	24,479	33	20
United States	73	60	32,362	26,588	840	643	-	-
Total Proved plus Probable plus Possible	499	428	189,622	159,854	31,297	25,122	33	20

**SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE
AS OF DECEMBER 31, 2007
CONSTANT PRICES AND COSTS**

Reserves Category	Before Deducting Income Taxes Discounted at (%/year)					After Deducting Income Taxes Discounted at (%/year)					Unit Value Before Income Tax Discounted at 10%/year
	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)	\$/boe
Proved Developed Producing											
Canada	179,187	161,988	147,966	136,249	126,280	179,187	161,988	147,966	136,249	126,280	\$15.23
United States	1,343	1,260	1,188	1,124	1,068	1,343	1,260	1,188	1,124	1,068	\$34.43
Total Proved Developed Pro	180,530	163,248	149,154	137,373	127,348	180,530	163,248	149,154	137,373	127,348	\$15.30
Proved Developed Non-Producing											
Canada	47,255	34,209	25,294	18,983	14,370	47,255	34,209	25,294	18,983	14,370	\$10.33
United States	1,633	1,420	1,244	1,099	977	1,633	1,420	1,244	1,099	977	\$25.47
Total Proved Developed No	48,888	35,629	26,538	20,082	15,347	48,888	35,629	26,538	20,082	15,347	\$10.62
Proved Undeveloped											
Canada	101,408	67,139	44,306	28,490	17,183	101,408	67,139	44,306	28,490	17,183	\$4.72
United States	21,329	17,264	14,221	11,881	10,041	21,329	17,264	14,221	11,881	10,041	\$12.64
Total Proved Undeveloped	122,737	84,403	58,527	40,371	27,224	122,737	84,403	58,527	40,371	27,224	\$5.57
Total Proved											
Canada	327,850	263,336	217,566	183,722	157,833	327,850	263,336	217,566	183,722	157,833	\$10.10
United States	24,305	19,944	16,653	14,104	12,086	24,305	19,944	16,653	14,104	12,086	\$13.77
Total Proved	352,155	283,280	234,219	197,826	169,919	352,155	283,280	234,219	197,826	169,919	\$10.29
Total Probable											
Canada	402,058	258,006	177,107	127,560	95,143	302,534	190,518	127,924	89,743	64,900	\$7.83
United States	144,293	114,254	92,600	76,268	63,826	104,832	83,216	67,499	55,646	46,452	\$14.57
Total Probable	546,351	372,260	269,707	203,828	158,969	407,366	273,734	195,423	145,389	111,352	\$9.31
Total Proved plus Probable											
Canada	729,908	521,342	394,673	311,282	252,976	630,384	453,854	345,490	273,465	222,733	\$8.94
United States	168,598	134,198	109,253	90,372	75,912	129,137	103,160	84,152	69,750	58,538	\$14.44
Total Proved plus Probable	898,506	655,540	503,926	401,654	328,888	759,521	557,014	429,642	343,215	281,271	\$9.74
Total Possible											
Canada	2,624,195	888,595	374,991	187,358	103,777	1,926,480	644,342	265,247	126,911	65,401	\$3.16
United States	640,197	464,010	346,081	263,679	204,246	448,982	326,852	244,329	186,301	144,272	\$13.84
Total Possible	3,264,392	1,352,605	721,072	451,037	308,023	2,375,462	971,194	509,576	313,212	209,673	\$5.02
Total Proved plus Probable plus Possible											
Canada	3,354,103	1,409,937	769,664	498,640	356,753	2,556,864	1,098,196	610,737	400,376	288,134	\$4.73
United States	808,795	598,208	455,334	354,051	280,158	578,119	430,012	328,481	256,051	202,810	\$13.98
Total Proved plus Probable	4,162,898	2,008,145	1,224,998	852,691	636,911	3,134,983	1,528,208	939,218	656,427	490,944	\$6.27

**SUMMARY OF FUTURE NET REVENUE
(UNDISCOUNTED)
AS OF DECEMBER 31, 2007
CONSTANT PRICES AND COSTS**

Reserves Category	Revenue	Royalties	Operating Costs	Development	Abandonment and Reclamation	Income Taxes	Future Net Revenue After Income Taxes
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Proved Developed Producing							
Canada	473,370	95,245	181,582	95	17,261	-	179,187
United States	2,279	457	341	-	138	-	1,343
Total Proved Developed Producing	475,649	95,702	181,923	95	17,399	-	180,530
Proved Developed Non-Producing							
Canada	115,659	17,859	27,688	20,946	1,911	-	47,255
United States	2,535	492	205	180	25	-	1,633
Total Proved Developed Non-Producing	118,194	18,351	27,893	21,126	1,936	-	48,888
Proved Undeveloped							
Canada	462,060	90,469	153,533	113,318	3,332	-	101,408
United States	62,722	11,428	22,175	7,602	188	-	21,328
Total Proved Undeveloped	524,782	101,897	175,708	120,920	3,520	-	122,736
Total Proved							
Canada	1,051,089	203,572	362,803	134,360	22,505	-	327,850
United States	67,536	12,377	22,720	7,782	351	-	24,304
Total Proved	1,118,625	215,949	385,523	142,142	22,856	-	352,154
Total Probable							
Canada	1,123,630	204,030	370,538	141,260	5,744	99,524	302,534
United States	360,422	63,995	126,114	25,421	600	39,461	104,833
Total Probable	1,484,052	268,025	496,652	166,681	6,344	138,985	407,367
Total Proved plus Probable							
Canada	2,174,719	407,602	733,340	275,620	28,248	99,524	630,384
United States	427,958	76,372	148,834	33,203	951	39,461	129,137
Total Proved plus Probable	2,602,677	483,974	882,174	308,823	29,199	138,985	759,521
Total Possible							
Canada	5,520,391	792,054	1,738,296	363,101	2,747	697,715	1,926,480
United States	1,392,487	246,461	447,131	57,284	1,414	191,215	448,982
Total Possible	6,912,878	1,038,515	2,185,427	420,385	4,161	888,930	2,375,462
Total Proved plus Probable plus Possible							
Canada	7,695,110	1,199,656	2,471,636	638,721	30,995	797,239	2,556,864
United States	1,820,445	322,833	595,965	90,487	2,364	230,676	578,119
Total Proved plus Probable plus Possible	9,515,555	1,522,489	3,067,601	729,208	33,359	1,027,915	3,134,983

**FUTURE NET REVENUE BEFORE TAX AND DISCOUNTED AT 10%
BY PRODUCTION GROUP
AS OF DECEMBER 31, 2007
FORECAST PRICES AND COSTS**

Reserves Category	Production Group	Future Net Revenue Before Income Taxes (discounted at 10%/yr) (M\$)		
		Canada	United States	Total
Proved Reserves	Light and Medium Crude Oil	20,766	1,730	22,496
	Heavy Oil	142,305	11,349	153,654
	Natural Gas and Natural Gas Liquids	26,213	809	27,022
	Total	189,284	13,888	203,172
Total Proved Plus Probable Reserves	Light and Medium Crude Oil	28,208	3,542	31,750
	Heavy Oil	260,159	83,190	343,349
	Natural Gas and Natural Gas Liquids	44,845	1,302	46,147
	Total	333,212	88,034	421,246
Total Proved Plus Probable Plus Possible Reserves	Light and Medium Crude Oil	32,040	3,625	35,665
	Heavy Oil	593,119	355,014	948,133
	Natural Gas and Natural Gas Liquids	49,336	2,026	51,362
	Total	674,495	360,665	1,035,160

Notes:

- "Gross Reserves" are Pearl working interest (operating or non-operating) share before deducting royalties. "Net Reserves" are Pearl working interest (operating or non-operating) share after deduction of royalty obligations.
- "Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- "Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
- "Possible" reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.
- "Developed" reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g. when compared to the cost of drilling a well) to put the reserves on production.
- "Developed Producing" reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
- "Developed Non-Producing" reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.
- "Undeveloped" reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

**SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS
FORECAST PRICES AND COSTS**

	WTI Cushing Oklahoma (\$US/bbl)	Edm. Oil Price D2S2 (\$Cdn/Bbl)	Heavy Crude Oil at Hardisty (12 ^o API) (\$Cdn/Bbl)	Sulphur (\$Cdn/lt)	Natural Gas Alberta Plantgate (\$Cdn/Mcf)	Natural Gas AECO Spot (\$Cdn/MMBtu)	Natural Gas Liquids Propane (\$Cdn/bbl)	Natural Gas Liquids Butane (\$Cdn/bbl)	Natural Gas Liquids Pentanes (\$Cdn/bbl)	Inflation Rates (%/Year)	Exchange Rate (\$US/\$Cdn)
Forecast											
2008	90.00	89.50	54.30	20.00	6.46	6.69	55.49	71.60	91.29	0	1
2009	86.52	86.01	52.31	21.00	7.10	7.29	53.32	64.50	87.75	3	1
2010	84.87	84.34	52.13	22.00	7.04	7.18	52.29	63.26	86.03	3	1
2011	83.32	82.78	51.28	23.00	7.03	7.13	51.32	62.09	84.44	2	1
2012	82.78	82.23	50.88	24.00	7.14	7.19	50.98	61.67	83.87	2	1

**SUMMARY OF PRICING ASSUMPTIONS
CONSTANT PRICES AND COSTS**

	Edmonton Light Oil (\$Cdn/Bbl)	Heavy Oil (\$Cdn/Bbl)	Butane (\$Cdn/Bbl)	Pentane (\$Cdn/bbl)	Propane (\$Cdn/bbl)	AECO Spot Gas (\$Cdn/MMBTU)
12/31/2007	93.55	49.84	74.84	95.42	58	6.28

The heavy oil price used was based on the posted Edmonton light oil price on December 31, 2007 with an adjustment factor of 0.5328 applied. This factor was calculated based on the actual averaged corporate 2007 heavy oil price over the average posted 2007 Edmonton light oil price.

**RECONCILIATION OF COMPANY GROSS RESERVES
BY PRINCIPAL PRODUCT TYPE
BASED ON FORECAST PRICES AND COSTS**

	Light and Medium Oil			Heavy Oil			Associated and Non-Associated Gas			Natural Gas Liquids		
	Gross Proved	Gross Probable	Gross Proved Plus	Gross Proved	Gross Probable	Gross Proved Plus Probable	Gross Proved	Gross Probable	Gross Proved Plus Probable	Gross Proved	Gross Probable	Gross Proved Plus
	(bbl)	(bbl)	(bbl)	(bbl)	(bbl)	(bbl)	(mmcf)	(mmcf)	(mmcf)	(bbl)	(bbl)	(bbl)
Canada												
At December 31, 2006	593,880	501,340	1,095,220	6,958,530	9,353,477	16,312,007	23,715	16,119	39,834	32,047	22,120	54,167
Extensions	-	-	-	3,575,152	1,920,280	5,495,432	599	603	1,202	464	142	606
Improved Recovery	-	-	-	2,023,406	5,014,048	7,037,454	603	1,167	1,770	-	-	-
Technical Revisions	(45,573)	(70,487)	(116,060)	5,963,944	247,027	6,210,971	(4,040)	(7,242)	(11,282)	7,605	496	8,101
Discoveries	-	-	-	292,524	364,778	657,302	-	-	-	-	-	-
Acquisitions	-	-	-	1,535,716	3,418,024	4,953,740	1,169	1,103	2,272	304	-	304
Dispositions	(172,739)	(130,352)	(303,091)	-	-	-	(1,254)	(1,628)	(2,882)	(16,400)	(8,019)	(24,419)
Economic Factors	(101,859)	(146,299)	(248,158)	234,956	276,682	511,638	(157)	(33)	(190)	5	(352)	(347)
Production	(57,320)	-	(57,320)	(2,147,557)	-	(2,147,557)	(4,412)	-	(4,412)	(4,990)	-	(4,990)
At December 31, 2007	216,389	154,203	370,592	18,436,671	20,594,315	39,030,986	16,223	10,089	26,312	19,035	14,387	33,422
United States												
At December 31, 2006	89,207	28,902	118,109	220,000	2,596,000	2,816,000	374	169	543	-	-	-
Extensions	-	-	-	-	-	-	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-	-	-	-	-	-	-
Technical Revisions	(51,238)	9,245	(41,993)	268,972	830,450	1,099,422	(8)	20	12	-	-	-
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	625,101	2,814,036	3,439,137	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	527	47	574	-	2	2	-	-	-
Production	(6,319)	-	(6,319)	-	-	-	(52)	-	(52)	-	-	-
At December 31, 2007	31,650	38,147	69,797	1,114,600	6,240,533	7,355,133	314	191	505	-	-	-

Undeveloped Reserves

Proved undeveloped reserves have been assigned in core operated areas for additional potential to be recovered through additional development immediately offsetting existing wells. Further development would include additional drilling and/or additional development of enhanced recovery schemes.

Significant Factors or Uncertainties

Oil and gas operations involve many risks which even a combination of experience and knowledge and careful evaluation may not be able to overcome. The long-term commercial success of Pearl depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. A future increase in Pearl's reserves will depend not only on Pearl's ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There is no assurance that expenditures made on future exploration by Pearl will result in new discoveries of oil or natural gas in commercial quantities or that further commercial quantities of oil and natural gas will be discovered or acquired by Pearl. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

**Future Development Costs (Net)
Estimated Using Forecast Prices and Costs (M\$)**

	Total Proved	Total Proved Plus Probable
Canada		
2008	77,623	106,731
2009	40,047	73,286
2010	13,967	41,088
2011	17	36,597
2012	3,462	21,291
Remainder	1,843	7,413
Total for all years undiscounted	136,959	286,406
Total for all years discounted at 10% per year	122,252	238,754
United States		
2008	2,433	3,142
2009	5,639	19,287
2010	-	9,386
2011	-	3,277
2012	-	-
Remainder	-	-
Total for all years undiscounted	8,073	35,092
Total for all years discounted at 10% per year	7,172	29,230

Pearl expects to fund the development costs of the reserves through a combination of cash flow, debt, the sale of existing assets and the issuance of shares.

The interest or other costs associated with external funding are not included in the reserves and future net revenue estimates. These additional costs might have some impact on reserves and future net revenue depending upon the funding sources utilized. Pearl does not anticipate that interest or other funding costs would make development of any property uneconomic.

OTHER OIL AND GAS INFORMATION

OIL AND GAS PROPERTIES AND WELLS

	Light & Medium Oil		Heavy Oil		Natural Gas	
	Gross Wells	Net Wells	Gross Wells	Net Wells	Gross Wells	Net Wells
Canada						
Producing	31	5.2	283	221.8	236	195.4
Non-Producing	27	12.7	348	315.6	295	144.7
United States						
Producing	1	0.3	4	3.0	7	2.1
Non-Producing	-	-	-	-	5	1.5

PROPERTIES WITH NO ATTRIBUTED RESERVES

Area	Undeveloped Land	
	Gross Acres	Net Acres
Canada	319,224	277,296
United States	253,751	166,452
Total	572,975	443,748

ABANDONMENT AND RECLAMATION COSTS

Year	Total Proved (at Forecast Prices) (M\$)	
	Canada	United States
2008	1,284	0
2009	1,781	38
2010	10,134	55
2011	1,336	83
2012	1,521	0
Remaining	9,185	254
Total (Undisc)	25,240	429
Total (Disc at 10%)	15,997	201

TAX HORIZON

On a total proved reserves basis, estimates of net income indicate that the Company will not be taxable. Estimates of net income on a proved and probable basis indicate the Company will be taxable in 2009.

COSTS INCURRED

The following table summarizes capital expenditures made by Pearl on oil and natural gas properties for the period ended December 31, 2007.

	Property Acquisition Costs		Exploration Costs	Development Costs
	Proved Properties (\$000s)	Unproved Properties (\$000s)	(\$000s)	(\$000s)
Acquisition of Reserves	18,484	87,673		
Exploration and development			10,823	175,067

EXPLORATION AND DEVELOPMENT ACTIVITIES

	Development Wells		Exploratory Wells	
	Gross	Net	Gross	Net
Canada				
Oil Wells	118	107	2	2
Gas Wells	19	17	0	0
Standing	14	13	1	1
Dry Holes	1	1	11	11
Total Completed Wells	152	138	14	14
United States				
Oil Wells	-	-	1	1
Gas Wells	-	-	1	0.3
Standing	-	-	-	-
Dry Holes	-	-	-	-
Total Completed Wells	-	-	2	1.3

PRODUCTION ESTIMATES

The following table summarizes the estimated 2008 production reflected in the estimates of future net revenue disclosed under Part 2.

	Gross Daily Production	Gross Daily Production	Gross Daily Production
	Canada	United States	Total
Total Proved			
Light & Medium Oil (bbl/d)	123	33	156
Heavy Oil (bbl/d)	11,145	201	11,346
Assoc. and Non-Assoc. Gas (Mcf/d)	12,747	210	12,957
Natural Gas Liquids (bbl/d)	14	0	14
Total (boe/d)	13,407	268	13,675
Total Probable			
Light & Medium Oil (bbl/d)	39	14	53
Heavy Oil (bbl/d)	2,132	70	2,202
Assoc. and Non-Assoc. Gas (Mcf/d)	1,154	28	1,182
Natural Gas Liquids (bbl/d)	1	0	1
Total (boe/d)	2,364	89	2,453
Total Possible			
Light & Medium Oil (bbl/d)	2	0	2
Heavy Oil (bbl/d)	652	88	740
Assoc. and Non-Assoc. Gas (Mcf/d)	1,173	0	1,173
Natural Gas Liquids (bbl/d)	0	0	0
Total (boe/d)	850	88	938
Total Proved + Probable + Possible			
Light & Medium Oil (bbl/d)	164	47	211
Heavy Oil (bbl/d)	13,929	359	14,288
Assoc. and Non-Assoc. Gas (Mcf/d)	15,074	238	15,312
Natural Gas Liquids (bbl/d)	15	0	15
Total (boe/d)	16,620	446	17,066

PRODUCTION HISTORY

	Three Months Ended March 31, 2007	Three Months Ended June 30, 2007	Three Months Ended September 30, 2007	Three Months Ended December 31, 2007
Canada				
Average Daily Production				
Light and Medium Crude Oil (bbl/d) *	511.34	391.53	170.54	226.37
Heavy Oil (bbl/d) *	4,161.13	5,512.82	6,784.87	7,378.68
Natural Gas (mcf/d) *	13,757.05	11,629.19	12,471.63	10,491.16
Natural Gas Liquids (bbl/d) *	21.83	27.00	19.40	23.06
Average Net Prices Received				
Light and Medium Crude Oil (\$/bbl)	51.67	49.08	60.78	49.23
Heavy Oil (\$/bbl)	38.26	39.68	41.78	45.20
Natural Gas (\$/mcf)	7.22	7.19	5.43	5.47
Natural Gas Liquids (\$/bbl)	56.46	52.48	61.42	58.72
Royalties				
Light and Medium Crude Oil (\$/bbl)	3.51	9.67	13.05	9.99
Heavy Oil (\$/bbl)	8.32	12.29	11.02	10.39
Natural Gas (\$/mcf)	1.58	0.19	0.66	0.53
Natural Gas Liquids (\$/bbl)	19.41	21.57	26.91	19.78
Production Costs				
Light and Medium Crude Oil (\$/bbl)				
Heavy Oil (\$/bbl)				
Natural Gas (\$/mcf)				
Natural Gas Liquids (\$/bbl)				
Products Combined (\$/BOE) **	17.29	18.54	14.87	18.78
Netback Received				
Light and Medium Crude Oil (\$/bbl)				
Heavy Oil (\$/bbl)				
Natural Gas (\$/mcf)				
Natural Gas Liquids (\$/bbl)				
Netback Received Combined (\$/BOE) **	13.35	13.58	15.89	12.75
United States				
Average Daily Production				
Light and Medium Crude Oil (bbl/d) *	25.8	19.5	17.3	17.3
Heavy Oil (bbl/d) *				
Natural Gas (mcf/d) *	222.1	128.0	136.2	182.2
Natural Gas Liquids (bbl/d) *				
Average Net Prices Received*				
Light and Medium Crude Oil (\$/bbl)	60.14	33.07	72.13	53.41
Heavy Oil (\$/bbl)				
Natural Gas (\$/mcf)	6.90	5.04	7.98	22.11
Natural Gas Liquids (\$/bbl)				
Royalties				
Light and Medium Crude Oil (\$/bbl)	2.98	1.84	3.51	7.30
Heavy Oil (\$/bbl)				
Natural Gas (\$/mcf)	0.50	0.31	0.58	1.22
Natural Gas Liquids (\$/bbl)				
Production Costs				
Light and Medium Crude Oil (\$/bbl)				
Heavy Oil (\$/bbl)				
Natural Gas (\$/mcf)				
Natural Gas Liquids (\$/bbl)				
Products Combined (\$/BOE) **	10.94	0.18	0.41	21.59
Netback Received				
Light and Medium Crude Oil (\$/bbl)				
Heavy Oil (\$/bbl)				
Natural Gas (\$/mcf)				
Natural Gas Liquids (\$/bbl)				
Netback Received Combined (\$/BOE) **	35.20	29.57	54.46	75.08

Footnotes:

* Production volumes unavailable in 2007. Used sales volumes in all calculations.

** Unable to breakout Production Costs and Netback Received by product so calculated these statistics on a combined basis

The following table indicates the Company's average daily production from its important fields in 2007:

	Heavy Oil	Light and Medium Crude Oil	Natural Gas and and NGLs
Mooney	1,539 bopd		261 boepd
Onion Lake	1,123 bopd		159 boepd

DIVIDENDS

There are no restrictions which prevent Pearl from paying dividends. To date, Pearl has not paid any dividends on its common shares. The future payment of dividends will depend on the earnings and financial condition of Pearl and such other factors as the Board consider appropriate. Pearl does not intend to pay dividends on its common shares in the foreseeable future.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of Pearl consists of an unlimited number of common shares.

MARKET FOR SECURITIES

The common shares are listed and posted for trading on the TSX Venture Exchange and trade under the symbol "PXX". The Company's Swedish Depository Receipts trade on First North, OMX Nordic Exchange under the symbol "PXXS". The following sets forth the price range and trading volume of the Common Shares on the TSX Venture for the periods indicated.

	High (\$/Share)	Low (\$/Share)	Volume
2007			
January	5.20	4.20	4,979,400
February	4.85	4.36	4,401,608
March	4.60	3.90	4,525,972
April	5.39	4.00	16,825,238
May	5.93	5.05	16,044,528
June	5.44	5.01	5,235,200
July	5.30	4.70	3,878,701
August	4.95	3.35	8,573,175
September	3.95	3.30	13,559,599
October	4.04	3.37	10,587,058
November	3.60	2.29	7,968,324
December	2.78	2.15	7,524,299

ESCROWED SECURITIES

Currently there are no shares held in escrow.

DIRECTORS AND OFFICERS

Name and Province/Country of Residence	Principal Occupation for Past Five Years	Position or Office within Pearl	Appointed as a Director or Officer	Security Holding
Gary S. Guidry ⁽⁴⁾ Calgary, Alberta, Canada	Mr. Guidry has been the Chairman of Pearl since February 2007 and was the President and Chief Executive Officer of Pearl from October 2005 to February 2007. Currently, Mr. Guidry is the President, CEO and a Director with Tanganyika Oil Company Ltd. since May 2005. From 2003 to 2005, Mr. Guidry was the President and CEO with Calpine Natural Gas Trust.	Chairman and Director	Oct. 2005	Nil
Keith C. Hill West Vancouver, British Columbia, Canada	Mr. Hill has been the President and Chief Executive Officer of Pearl since February 2007. Mr. Hill was President, CEO and a director of Valkyries Petroleum Corp., a publicly traded oil and gas company, from August 2002 to July 2006.	President and CEO, Director	Jan. 2006	941,500
Brian D. Edgar ^{(2) (3)} Vancouver, British Columbia, Canada	Mr. Edgar is a director of Rand Edgar Investment Corp. and is the President of Dome Ventures Corporation, a junior mineral exploration company.	Director	Feb. 2006	10,000
Gordon D. Harris ^{(3) (4)} Calgary, Alberta Canada	Mr. Harris has been Sr. Vice President, Chief Operating Officer and a Director of Buffalo Resources Corp. since August 2007. From February 2004 to August 2007, Mr. Harris was the President and CEO of Choice Resources Corp. Prior to Choice Resources Corp., Mr. Harris was President and CEO of Roseland Resources Ltd. from September 1999 to July 2003.	Director	Feb. 2006	3,332
John W. Ladd ^{(4) (5)} Houston, Texas, USA	Mr. Ladd is a self-employed businessman. From September 2002 until November 2007, Mr. Ladd was the President, CEO and a director of ITS Engineered Systems, Inc. From February 1997 to August 2002 Mr. Ladd was Vice-President of Weatherford International.	Director	Feb. 2006	Nil
Lukas Lundin ⁽⁴⁾ Vancouver, British Columbia, Canada	Chairman of Lundin Mining Corporation, Denison Mines Corp., Canadian Gold Hunter Corp., Red Back Mining Inc., Vostok Gas Ltd., and Vostok Nafta Investments Ltd.; Director of Lundin Petroleum AB, Pearl Exploration and Production Ltd., Lucara Diamond Corp., Suramina Resources Inc., and Atacama Minerals Corp.	Director	Dec. 2006	11,529,900
A. Murray Sinclair ^{(2) (3)} Vancouver, British Columbia, Canada	Mr. Sinclair has been the Co-Chairman of Quest Capital Corp. (a mortgage investment corporation) since January 2008 and has been a director of Quest since 2002. Previously, the Managing Director of Quest from 2002 – 2007.	Director	Mar. 2005	Nil
Lloyd Arnason ^{(2) (5)} Calgary, Alberta, Canada	Mr. Arnason is a self-employed businessman. From December 2002 to November 2006, Mr. Arnason was the Chief Operating Officer of B&G Energy Ltd. From March 1998 to November 2002, Mr. Arnason was the President and Chief Executive Officer of Atlas.	Director	Dec. 2006	150,000

Randy Neely Calgary, Alberta, Canada	Mr. Neely has been the Chief Financial Officer of Pearl since September 2007. From December 2004 to August 2007, Mr. Neely was Chief Financial Officer of Trident Exploration Corp., and from January 2004 to December 2004, he was Vice President and Treasurer of Trident Exploration Corp. From October 2002 to January 2004, Mr. Neely was VP, Investment Banking at TD Securities	Officer	Sept. 2007	37,900
Dean Tucker Calgary, Alberta, Canada	Mr. Tucker has been the Vice President, Operations since March 11, 2008. From August 2007 to March 11, 2008 he was Vice President, Canadian Business Unit of Pearl. From July 2003 to August 2007 he was Vice President, Operations of Real Resources Inc.	Officer	March 2008	Nil
Diane Phillips Calgary, Alberta, Canada	Ms. Phillips has been the Corporate Secretary of Pearl since August 2006. Ms. Phillips is also the Corporate Secretary of Tanganyika Oil Company Ltd. since February 2006. From 2002 to 2006, she was Assistant Corporate Secretary of Viking Energy Royalty Trust.	Officer	August 2006	3,000

Notes:

- (1) The information as to shares beneficially owned, not being within the knowledge of the Corporation, has been provided by the respective officers and directors.
- (2) Member of the Audit Committee.
- (3) Member of the Corporate Governance Committee.
- (4) Member of the Compensation Committee.
- (5) Member of the Reserves Committee.

The directors and officers, as a group, beneficially own, directly or indirectly, or exercise control or direction over 12,675,632 of Pearl's common shares or approximately 7 percent of Pearl's issued and outstanding common shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

In the 10 years preceding the date of this Annual Information Form, none of the directors, officers, or insiders of the Company are or have been a director or officer of any other issuer that, while acting in such capacity, was subject to any corporate cease trade order, penalties or bankruptcies except as disclosed below.

Mr. Brian Edgar is currently and was a director of New West Energy Services Inc. (TSX-V) when, on September 5, 2006, a cease trade order was issued against that company by the British Columbia Securities Commission for failure to file its financial statements within the prescribed time. The default was rectified and the order was rescinded on November 9, 2006.

On February 25, 2002, Katanga Mining Limited (formerly Balloch Resources Ltd. and New Inca Gold Ltd.) ("Katanga"), a company in which A. Murray Sinclair has been a director since 1997, was issued a cease trade order from the British Columbia Securities Commission (the "BCSC") for failure to file financial statements within the prescribed time and pay the filing fees. Katanga has since filed the financial statements and paid the filing fees as required by those securities commissions. Effective October 21, 2003, trading of the securities of Katanga resumed. The Alberta Order was rescinded on October 23, 2003 and the Ontario Order was rescinded on March 6, 2003 and the British Columbia Order was rescinded on October 21, 2003.

On February 27, 2002 the British Columbia Securities Commission ("BCSC") issued an order regarding a private placement of PetroFalcon Corporation to Quest Ventures Ltd., a private company in which A. Murray Sinclair was a director. The BCSC considered it to be in the public interest to remove the applicability of certain exemptions from the prospectus and registration requirements of the Securities Act

(British Columbia) for PetroFalcon Corporation until a shareholders meeting of PetroFalcon Corporation was held. In addition, the BCSC removed the applicability of the same exemptions for Quest Ventures Ltd. in respect of the common shares received pursuant to the private placement. Approval of shareholders was received on May 23, 2002 and the BCSC reinstated the applicability of the exemptions from the prospectus and registration requirements for both companies shortly thereafter.

CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such a participation or the terms of such participation. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties, thereby allowing for their participation in larger programs, the involvement in a greater number of programs or a reduction in financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of Canada, the directors or the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and the financial position at that time.

Namdo Management Services Ltd. ("Namdo") provides executive and support services to the Company. For the fifteen months ended December 31, 2007, the Company paid Namdo \$117,000 (2006 - \$nil). Namdo is a private corporation owned by Lukas H. Lundin, a director of the Company.

The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosure by the directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers in accordance with the *Canada Business Corporations Act* and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. Other than as disclosed above, the directors and officers of the Company are not aware of any such conflicts of interest in any existing or contemplated contracts with or transactions involving the Company.

LEGAL PROCEEDINGS

To the knowledge of the Company, there are no legal proceedings material to the Company to which the Company or its subsidiaries is a party or of which any of their respective properties is the subject matter nor are there any such proceedings known to the Company to be contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, there were no material interests, direct or indirect, of directors or executive officers of the Company, any shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding Common Shares of the Company, or any known associate or affiliate of such persons in any transactions during the current financial year which has materially affected, or would materially affect, the Company or its subsidiaries.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are PricewaterhouseCoopers LLP, Chartered Accountants, Suite 3100, 111 – 5th Avenue S.W., Calgary, Alberta T2P 5L3.

Computershare Trust Company of Canada, at its principal offices in Calgary, Alberta and Toronto, Ontario is the transfer agent and registrar of the Common Shares.

MATERIAL CONTRACTS

Pearl is a party to the following material contracts:

Participation Agreement dated February 1, 2005 as amended March 1, 2007 between The Exploration Company and San Miguel Development, Ltd.

Memorandum of Understanding dated September 15, 2005 as amended November 16, 2005 and November 29, 2005 between Newmex Minerals Inc. (now Pearl Exploration and Production Ltd.) and 0733259 BC Ltd.

Participation Agreement and Operating Agreement dated August 12, 2005 among 0733259 BC Ltd. and PetroGlobe Energy USA Ltd. and assigned to Newmex Minerals Inc. (now Pearl Exploration and Production Ltd.) pursuant to an assignment agreement dated December 12, 2005.

Operating Agreement of Rincon Energy Partners, LLC dated February 1, 2003 among Rincon Energy, LLC, Valkyries U.S.A. Limited, Rule Investments Inc. and Whittier Energy Co. and assigned by Valkyries U.S.A. Limited to Newmex Minerals Inc. (now Pearl Exploration and Production Ltd.) pursuant to an assignment of membership interest dated January 20, 2006.

Pooling and Farmout Agreement dated June 8, 2006 between Atlas Energy Ltd. (now Pearl E&P Canada Ltd.) and Baytex Energy Ltd.

Farmin and Option Agreement dated September 1, 2006 between Atlas Energy Ltd. (now Pearl E&P Canada Ltd.).

Amended and Restated Joint Venture Farmout and Operating Agreement dated October 20, 2006 between Onion Lake Energy Ltd. and Pearl E&P Canada Ltd. (formerly Pan-Global Energy Ltd.).

Credit Agreement dated February 2, 2007 between Pearl Exploration and Production Ltd. and Alberta Treasury Branch.

General Security Agreement dated February 2, 2007 between Pearl Exploration and Production Ltd. and Alberta Treasury Branch.

Share Purchase Agreement dated February 28, 2007 between Pearl Exploration and Production Ltd. and Cipher Exploration Inc.

Purchase and Sale Agreement dated May 15, 2007 between Pearl Exploration and Production Ltd. and Bayou Bend Petroleum Ltd.

Purchase and Sale Agreement dated July 27, 2007 among Ravenwood Energy Corp., Pearl E&P Canada Ltd. and Pearl Exploration and Production Ltd.

Arrangement Agreement dated August 2, 2007 between Pearl Exploration Production Ltd. and Watch Resources Ltd.

Purchase and Sale Agreement effective October 1, 2007 between PetroHunter Heavy Oil Ltd. and Pearl Exploration and Production Ltd.

Underwriting Agreement effective October 3, 2007 among Pearl Exploration and Production Ltd., GMP Securities L.P. and Canaccord Capital Corporation.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing made under National Instrument NI 51-102 by Pearl during the current financial year other than DeGolyer and MacNaughton, Pearl's independent engineering evaluators and PricewaterhouseCoopers LLP, Pearl's auditors. None of the principals of DeGolyer and MacNaughton had any registered or beneficial interests, direct or indirect, in any securities or other property of Pearl or of Pearl's associates or affiliates either at the time they prepared the statement, report or valuation prepared by it, at any time thereafter or to be received by them. PricewaterhouseCoopers LLP, Pearl's auditors, are independent in accordance with the auditor's rules of professional conduct in Canada

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of Pearl or any associate or affiliate of Pearl.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's information circular and proxy statement for the Company's annual meeting of shareholders to be held on May 15, 2008. Additional financial information is contained in the Company's consolidated financial statements and the related management's discussion and analysis for the period ended December 31, 2007.

Additional copies of this Annual Information Form and the materials listed in the preceding paragraph and any other document incorporated herein by reference are available on the foregoing basis and upon request by contacting the Corporate Secretary at 700, 444 – 7 Avenue S.W., Calgary, Alberta, T2P 0X8, Canada, by phone at (403) 213-8768 or by fax at (403) 265-8324.

ABBREVIATIONS

Oil and Natural Gas Liquids

Bbl	Barrel
Bbls	Barrels
Mbbls	thousand barrels
Bbls/d	barrels of oil per day
NGLs	natural gas liquids
API	American Petroleum Institute
Stb	stock tank barrel

Natural Gas

Mcf	thousand cubic feet
Mmcf	million cubic feet
Mcf/d	Thousand cubic feet per day
Mmcf/d	million cubic feet per day
Bcf	billion cubic feet
GJ	Gigajoule
GJ/d	gigajoule per day

Other

AECO	Intra-Alberta Nova Inventory Transfer Price (NIT net price)
API	American Petroleum Institute
°API	An indication of the specific gravity of crude oil measured on the API gravity scale
ARTC	Alberta Royalty Tax Credit
BOE	Barrel of oil equivalent of natural gas and crude oil on the basis of 1 BOE for 6 Mcf of natural gas (this conversion factor is an industry accepted norm and is not based on either energy content or current prices)
BOE/d	Barrel of oil equivalent per day
m3	Cubic meters
MBOE	1,000 barrels of oil equivalent
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade

Conversions

To Convert From	To	Multiply By
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
BBls	Cubic metres	0.159
Cubic metres	BBls oil	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471