THIS IS EXHIBIT "I" REFERRED TO IN THE
AFFIDAVIT OF ARTHUR MILLHOLLAND
SWORN BEFORE ME THIS 4TH DAY OF FEBRUARY, 2009

Dallas Romeril

A Commissioner for Oaths
in and for the Province of Alberta

Dallas S. Romeril
Student-at-Law

OILEXCO INCORPORATED

INTERIM REPORT

As at and for the three and nine month periods ended September 30, 2008

OILEXCO INCORPORATED

MANAGEMENT DISCUSSION AND ANALYSIS

The following is management's discussion and analysis ("MD&A") of the operating and financial results of Oilexco Incorporated ("Oilexco" or the "Company") for the three and nine months ended September 30, 2008. The information is provided as of November 11, 2008. The three and nine month results have been compared to the same periods of 2007. This discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2007, together with the accompanying notes, and the December 31, 2007 MD&A and Annual Information Form. These documents and additional information about Oilexco are available on SEDAR at www.sedar.com.

This discussion and analysis contains forward-looking statements relating to future events or future performance. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "anticipates" and similar expressions. These statements represent management's expectations or beliefs concerning, among other things, future operating results and various components thereof or the economic performance of Oilexco. The projections, estimates and beliefs contained in such forward-looking statements necessarily involve known and unknown risks and uncertainties, including the business risks discussed in the MD&A and Annual Information Form as at and for the years ended December 31, 2007 and 2006, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Operating conditions and weather can have a significant effect on the timing of events. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. As well, Oilexco is affected by the current credit and liquidity shortage. The impact of this shortage on Oilexco, its suppliers, and partners may cause actual results or outcomes to differ from those predicted.

Barrel of oil equivalent (BOE) volumes are reported at 6:1 with 6 MCF = 1 BOE. All amounts are presented in thousands of United States of America ("US") dollars ("$") unless otherwise noted.

The Company has removed certain columns provided in previous MD&A containing percentage (%) of change figures comparing current to prior periods since 2008 operations, results and figures are significantly different than 2007. The Company has continued to present percentages only in those areas where it is considered to be meaningful. The Company has included EBITDA, a term which is not recognized by Canadian generally accepted accounting principles. The Company defines EBITDA as earnings before interest, taxes, depletion and other non cash charges. EBITDA has been included because the Company believes that this information may be used by certain investors to assess financial performance and that EBITDA is used as a supplemental measure as it provides an indication of results generated by the Company's principal activities prior to consideration of how these activities are financed, are adjusted by non-cash items, and how the results are taxed. Although the Company believes that the EBITDA measure may be used by certain investors (and has included it for this reason), this measure is unlikely to be comparable to similarly titled measures used by other companies.

BUSINESS OF THE COMPANY

Oilexco is an oil and gas exploration and production company headquartered in Calgary, Alberta, Canada active in the United Kingdom ("UK"). All of the Company's producing, development and exploration properties are located in the UK Central North Sea. The Company plans to remain focused on maintaining efficient production operations at operated fields and an active exploration/development program on both its 100% owned and joint venture properties.

The Company has three wholly owned subsidiaries: Oilexco North Sea Limited, Oilexco N.S. Exploration Limited, and Oilexco Technical Services Limited.

The Company's common shares are listed for trading on the London Stock Exchange ("LSE") and the Toronto Stock Exchange ("TSX") under the symbol OIL.

OVERVIEW

During the period the Company announced it had successfully flow tested gas-condensate from the Jurassic Fulmar Formation at its Moth discovery located in Block 23/21. The drill stem test of the Fulmar sands flowed gas at a maximum rate of 24.4 Mmcf/d and condensate at a rate of 2,460 Bbls/d of (6,526 boepd). Calculations of surface absolute flow ("AOF") suggest that the Moth well could be capable of 44 Mmcf/d and 4,400 Bbls/d of condensate (11,600 boepd) with a properly sized production string. The Company plans to drill additional appraisal wells at Moth in 2009.

In the third quarter the Company acquired a 100% interest in the Caledonia Field located in Block 16/26a, and drilled a cluster of five new appraisal wells in the Field area. As a result of this drilling, the Company will drill a new horizontal production well in the fourth quarter which will be tied-in to existing infrastructure in the first to second quarter of 2009.

The Shelley Field Development is currently progressing with facility construction and drilling operations entering their final stages. During the third quarter operations commenced on the first of two planned horizontal production wells. Construction of the floating production storage and offloading (FPSO) vessel the Sevan Voyageur was completed in July. Commissioning of the vessel commenced in Rotterdam harbor during the period. Final commissioning will take place after field installation. Tow out of the Voyageur from Rotterdam is scheduled for late November to early December, and is weather dependant. First oil is targeted for December 2008 to January 2009 and is weather dependant.

Subsequent to the end of the quarter, the Company announced that its latest Huntington appraisal well extended the Forties oil accumulation onto the adjoining Block 22/14a.

During the third quarter of 2008 the Balmoral Floating Production Vessel (Balmoral FPV) underwent its annual maintenance turnaround, during which time a number of significant enhancements were made to improve its operating reliability and production capabilities to more effectively produce the reservoirs to their optimal levels. The project work associated with Brenda Nicol first oil had created a maintenance build up and it was necessary to reduce some of the backlog. In addition to this routine maintenance work, certain key areas on the Balmoral FPV were improved:

- Pre development preparation for the Burghley field tie in. This development will come across Balmoral as third party production.
- Tie in work for the second gas compressor that will double the available gas lift volumes and enhance production from all reservoirs.
- Modifications to the gas re-hydration system to improve the quality of lift gas going to the Brenda Nicol wells.
- Refurbishment of the separator vessels to accommodate the increased volumes coming form the Brenda, Nicol and Burghley fields
- Modifications to the electrical supply to the Brenda Nicol manifold.
- De-bottlenecking of process pipework to accommodate increased volumes.
- Installation of new Vortoil internals to improve environmental performance.

As previously advised, the shut down of the Balmoral FPV resulted in lower production and therefore lower revenues for the quarter. The shutdown period in 2008 covered approximately six weeks.

FINANCIAL SUMMARY

Revenues for the third quarter 2008 were $95.3 million compared to $149.1 million for the same period one year earlier as a result of lower production because of an expanded maintenance program on the Balmoral platform compared to that of 2007. For the nine months ended September 30, 2008 revenues were $496.1 million compared to $191.8 million for the same period in 2007 as a result higher production and higher commodity prices compared to 2007. The Company showed net income for the quarter of $59.1 million compared to net income of $54.6 million for the same period in 2007. Net income for the nine months ending September 30, 2008 was $81.7 million compared to $75.1 million for the same period one year earlier. Cash from operating activities increased to $114.2 million for the third quarter 2008 compared to $96.0 million for the third quarter 2007, and for the nine months ending September 30, 2008 cash from operating activities totalled $394.8 million compared to $86.4 million for the same period one year earlier. EBITDA was $52.0 million, or $0.23 per share, for the third quarter 2008 compared to $118.7 million or $0.55 per share for the second quarter 2007. EBITDA for the first nine months of 2008 was $370.3 million, or $1.67 per share compared to $142.9 million, or $0.68 per share, for the same period one year earlier.

OVERALL PERFORMANCE

Oilexco's average daily production for the third quarter 2008 averaged 11,951 bbls/d, while average daily sales were 8,623 bbls/d reflecting a production underlift for the quarter. As expected, production for the third quarter was lower than the second quarter because of annual maintenance turnaround on the Balmoral FPV which required production to be halted. As the new operator of the Balmoral FPV, Oilexco performed particularly intensive maintenance and upgrade activities on the facility that lasted for approximately six weeks. The enhancements will allow the facility to more effectively and reliably produce reservoirs from the Balmoral Hub region, including the Brenda/Nicol fields, and will augment safety aboard the facility. A subsea pump at the Brenda manifold was replaced subsequent to the end of the third quarter which resulted in increased production.

At the Company's 100% owned Shelley development, the Sedco 712 semisubmersible drilling vessel completed one of the production wells, and a second production well is in its final stages of completion. Construction modifications of the Sevan Voyageur FPSO progressed in Rotterdam. The Voyageur FPSO is scheduled to be towed out to the Shelley field in the fourth quarter depending on weather conditions and final site preparations.

After the Ocean Guardian semisubmersible drilling vessel completed its successful drill stem test at Moth in Block 23/21 that flowed at a maximum rate of 24.4 Mmcf/d and 2,460 Bbls/d of condensate, it went into drydock for several weeks for its five year re-certification. Upon its return, it conducted drilling in Block 22/14a immediately east of the Huntington Block. Two wells were drilled which both encountered oil. The 22/14b-9 well encountered 58 feet true vertical thickness (TVT) of oil-bearing Forties sandstone. Wireline pressures confirmed that these oil-bearing Forties sandstones were connected with the Huntington Forties Pool, suggesting that the oil pool extends from Block 22/14b onto a portion of the adjacent Block 22/14a. Furthermore, the 22/14b-9z sidetrack well, which encountered 26.3 feet TVT of oil-bearing Forties sandstone on the flank of a seismic anomaly. The 22/14b-9z well was perforated from 10,644 to 10,664 feet M.D. and the drill-stem test yielded a maximum flow rate of 2,707 barrels of oil per day through a 56/64" choke, with no water or sand produced during the test. The API gravity of the oil was 44° and the average GOR during test was measured to be 368 scf/bbl. After consultation with joint owners, Oilexco will incorporate all the data gathered into a Field Development Plan to be submitted to the UK regulator. The Company earned a 25.04% working interest in the shallow zone of Block 22/14a to supplement its 40% working interest in Huntington, Block 22/14b.

The Sedco 704 drilling vessel was under short term contract to Oilexco until the end of August. In July the vessel drilled 5 appraisal wells in the recently acquired Caledonia field, all of which encountered oil thereby extending the productive boundaries of the reservoir. The Company will initially drill a production well in the northern lobe of the field and use the existing subsea pipeline and equipment to transport oil to the Britannia platform. Additional wells are planned for the future. The field produced approximately 6 million barrels of 33° API oil before being shut in by the field's former partners. After drilling on Caledonia concluded, the Sedco 704 drilled two wells in the Shelley North target located immediately north of the Shelley development. While hydrocarbons were encountered, both wells drilled into the Forties sand deeper than the seismically-derived prognoses. Gas-filled shallow sands affect the seismic reliability in the Shelley North area. These wells were plugged and abandoned.

In the Huntington area, meetings with the joint owners of the 22/14 b Block and the 22/14 a Block are being held to determine the best alternatives for development of the Forties accumulation after which a Field Development Plan will be submitted to the regulatory authorities. Initial planning for the Bugle and Black Horse fields occurred between the joint owners and additional appraisal drilling is planned for the Bugle block later in 2009. The joint owners at Moth, which was discovered in June, engaged in discussions about the next steps for future appraisal wells and preliminary discussions about development options.

OUTLOOK

Oilexco will continue to focus its activities on bringing new wells into production over the next several months. Hook up activities are expected to commence in the Shelley field in the fourth quarter when the Voyageur FPSO is towed out to the field. The two Shelley wells are scheduled to begin production late in December or possibly into the first quarter depending on weather conditions during final hook ups. A second well in the Nicol field will be drilled and brought into production in late December 2008 or January 2009. Contractors are working to repair three previously shut-in wells on the Balmoral field that are expected to be re-started before the end of the year.

Drilling will begin in the first quarter 2009 on one production well in the Caledonia field. Additional wells are planned on Caledonia for later in 2009.

The Company currently anticipates incurring substantial expenditures for its capital investment plans and to meet contractual and debt obligations as outlined in "Contractual Obligations". The Company's cash flow from operating activities will not be sufficient to satisfy both its current obligations and the requirements of capital investment programs. The Company has been affected by the current credit and liquidity shortage resulting in delays and the potential for higher costs to close financing arrangements. The ability of the Company to undertake its capital investment and business plans are dependent on its ability to obtain additional financing. The Company considers it prudent to review its financing alternatives with its banking and other financial advisors and is actively pursuing new capital resources from a variety of sources. The Company's ability to monetize its assets and discharge its liabilities as they come due is dependent on the successful closing of these financing initiatives.

RESULTS OF OPERATIONS

REVENUES

($ 000's)	Three Months ended September 30, 2008	2007	Nine Months ended September 30, 2008	2007
Oil and Gas UK - North Sea	**$94,288**	$147,374	**$492,104**	$187,553
Inter-field Tariff	**316**	860	**1,539**	1,541
Interest Income	**671**	858	**2,494**	2,732
	$95,275	$149,092	**$496,137**	$191,826

Sales of oil and gas in the UK North Sea amounted to approximately $94.3 million for the three months and $492.1 million for the nine months ended September 30, 2008, compared to approximately $147.4 million and $187.6 million for the same periods in 2007.

The decrease in third quarter revenues in 2008 relates mainly to the Balmoral platform maintenance shutdown for approximately six weeks that was extended to facilitate the completion of several equipment upgrades. In addition, the cumulative overlift position from previous quarters was substantially reduced from 348,300 bbls as at June 30, 2008 to approximately 32,500 bbls as at September 30, 2008. Accordingly, nominations for oil sales were significantly less than actual production levels in the quarter. The year to date increase relates to the sale of oil and natural gas from Brenda and Nicol fields which commenced in June 2007 and from additional interests in the Balmoral, Glamis and Stirling fields ("Balmoral Block") acquired in December 2007 and from Nelson and Janice fields acquired at the end of April 2008.

The Company also realized income from inter-field tariffs of approximately $0.3 million for the three months and $1.5 million for the nine months ended September 30, 2008, compared to approximately $0.9 million and $1.5 million for the same period of 2007. These represent the Company's interest in tariffs on third-party oil processed and relates mainly to the partners' 30% share in the Nicol field.

Interest income represents interest on bank accounts and short-term deposits and decreased for the three and nine month months ended September 30, 2008 compared to the same period of 2007 due to lower cash balances in 2008.

PRODUCTION AND PRICES

	Three Months ended September 30, 2008	2007	Nine Months ended September 30, 2008	2007
Oil and Gas – UK North Sea				
BOE/day – production	**11,951**	19,233	**16,562**	8,636
Average Oil and Gas Price $/BOE				
UK North Sea	**120.16**	74.14	**111.10**	72.81
Crude Oil as % of Production				
UK North Sea	**97%**	97%	**98%**	97%

Average daily production of oil and gas in the UK North Sea decreased to 11,951 BOE/day in the third quarter of 2008 compared to 19,233 BOE/day for the same period in 2007. The decrease in production relates mainly to the Balmoral platform maintenance shutdown for a six week period as outlined. Production increased for the first nine months of 2008 to 16,562 BOE/day compared to 8,636 BOE/day due to the commencement of oil production from the Brenda and Nicol fields in June 2007, the additional interests in the Balmoral Block acquired in December 2007 and from production from the Nelson and Janice fields acquired at end of April 2008.

Average oil and natural gas prices in respect of the UK North Sea operations increased by 62% and 53% for the three and nine months ended September 30, 2008, compared with the same periods of 2007. The increase in these periods is attributable to the increases in worldwide crude oil prices.

During the three months ended September 30, 2008 the Company produced 1,099,482 BOE and sold 784,711 BOE resulting in an underlift of 314,771 BOE in the third quarter of 2008.

OPERATING COSTS

($ 000's)	Three Months ended September 30, 2008	2007	Nine Months ended September 30, 2008	2007
Operating Costs ($ 000's)	**$22,839**	$22,319	**$65,574**	$29,571
Operating costs $/BOE	**24.67**	11.23	**14.35**	11.48

Operating costs increased significantly for the nine months ended September 30, 2008 compared to the same period of 2007 due to increased production. The increase in operating costs per BOE in the third quarter of 2008, compared to the third quarter of 2007 resulted mainly from significant maintenance and upgrading work on the Balmoral floating production facility during its six week shutdown and partly from a higher profile of operating costs per BOE from the Nelson and Janice fields that were acquired at the end of April 2008.

GENERAL AND ADMINISTRATIVE

($ 000's)	Three Months ended September 30, 2008	2007	Nine Months ended September 30, 2008	2007
General and Administrative	**$5,404**	$7,229	**$20,718**	$16,553
Headcount as at September 30	**122**	70	**122**	70

The increase in general and administrative expenses for the nine months ended 2008 compared with 2007 is largely due to the addition of new employees and contractors at the Company's offices in Calgary, London and Oilexco North Sea Limited's office in Aberdeen. This is the result of continued development of the Company's UK North Sea operation and taking over operatorship of the Balmoral floating production vessel.

The decrease in administrative expense in the three months ended September 30, 2008 compared to 2007 is mainly due to a decrease of provision for national insurance costs in respect of stock options outstanding due to the decrease in the Company's share price. In addition, the Company incurred non-recurring costs in 2007 related to listing on the London Stock Exchange.

DEPLETION, DEPRECIATION AND ACCRETION

($ 000's)	Three Months ended September 30, 2008	2007	Nine Months ended September 30, 2008	2007
Depletion, Depreciation and Accretion (DD&A) ($000's)	**$33,288**	$44,169	**$157,826**	$56,952
DD&A $/BOE	**35.96**	22.22	**34.53**	22.11

The increase in DD&A for the nine months ended September 30, 2008 compared to the same periods in 2007, relates mainly to the commencement of production from the Brenda/Nicol field, production from additional interests in the Balmoral Block and to production from the Nelson and Janice fields.

The decrease in DD&A for the three months ended September 30, 2008 to $33.3 million is related to lower production in the quarter compared to 2007. Overall, the DD&A $/BOE in 2008 is higher compared to the prior year due mainly to increased capital expenditures and drilling activity in 2008 resulting in a higher depletable pool and production than in 2007.

DD&A includes an accretion expense with respect to Asset Retirement Obligations ("ARO"), which for the UK North Sea operation amounted to approximately $0.7 million and $0.2 million for the three months ended September 30, 2008 and 2007 and $1.8 million and $0.2 million for the nine months ended September 30, 2008 and 2007, respectively.

FOREIGN EXCHANGE

($ 000's)	Three Months ended September 30, 2008	2007	Nine Months ended September 30, 2008	2007
Foreign Exchange Gain	**$25,446**	$17,763	**$25,232**	$37,252

The Company's foreign exchange gains relate mainly to the fluctuation of the US dollar ("USD") compared to the British pound Sterling ("pound") and the Canadian dollar. Commencing October 1, 2007 the functional currency for the Company was changed from Canadian to US dollars. In 2008, the Company has experienced foreign exchange gains that are mostly related to the strengthening of the USD while the Company holds a portion of its long term debt and a major portion of its UK operating liabilities in pounds. In 2007, most of the gains were related to a strengthening of the Canadian dollar compared to other currencies, including on USD denominated debt.

STOCK-BASED COMPENSATION

($ 000's)	Three Months ended September 30, 2008	2007	Nine Months ended September 30, 2008	2007
Stock-Based Compensation Expense	**$14,675**	$237	**$46,175**	$4,047

A compensation expense of $14.7 million and $46.2 million was recognized for the three and nine months ended September 30, 2008, respectively. The cumulative expense relates to 7,195,000 stock options granted during the quarter, summarized as follows:

Grant Date	Number	Exercise Price CAD	Exercise Price USD	Expiry Date
March 26, 2008	1,445,000	$13.27	$13.04	March 25, 2013
May 16, 2008	3,460,000	$15.97	$15.99	May 16, 2013
July 10, 2008	1,300,000	$16.91	$16.76	July 10, 2013
August 19, 2008	890,000	$13.40	$12.64	August 19, 2013
September 15, 2008	100,000	$12.43	$11.63	September 15, 2013

Exercise prices for stock options granted are determined by the closing market price on the day before the date of the grant or, if the Company is in a black-out period at the time of the grant, then the closing market price at the end of the black out period.

All stock options vest immediately on the date of grant unless a probationary period is applicable. Fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model (assumptions used for the model are discussed in the notes accompanying the Company's unaudited consolidated interim financial statements as at and for the three and nine month periods ended September 30, 2008).

On March 19, 2008 the Board of Directors of the Company approved an Employee Share Purchase Plan ("ESPP") that is administered by an independent Administrator and with an appointed Trustee of the Plan. Employees may enroll at any time after completing three months of service with the Company and may contribute up to 5% of their base salary with the Company matching the employee contributions. The plan funds are used to acquire, on behalf of the employees, Company shares in the open market on a monthly basis. The Company's contribution to the ESPP for the period ended September 30, 2008 totaled $0.2 million and is included in general and administrative expense.

DERIVATIVES

($ 000's)	Three Months ended September 30, 2008	2007	Nine Months ended September 30, 2008	2007
Unrealized (Gain) Loss on Derivatives	**$(134,245)**	$(2,412)	**$29,605**	$5,543
Realized Loss on Derivatives	**14,382**	-	**37,084**	-
	$(119,863)	$(2,412)	**$66,689**	$5,543

The Company has a collar agreement with the Royal Bank of Scotland ("RBS") in order to secure its future cash flow by limiting the Company's exposure to downward fluctuations in the price of crude oil. As a result of an increase in oil prices as at September 30, 2008 and 2007 (as compared to January 25, 2007 when the collar was signed) a mark-to-market valuation of respective puts and call options included in this collar resulted in an unrealized loss on derivatives of approximately $29.6 million and $5.5 million for the nine months ended September 30, 2008 and 2007, respectively. The September valuation resulted in a substantial unrealized gain in the three months period as a result of decreases in world wide oil prices that reversed most of the unrealized losses that were recorded as at June 30, 2008. Unrealized gains and losses are non cash items.

During the three and nine months ended September 30, 2008, the Company incurred $14.4 million and $37.1 million respectively in realized losses as a result of the collar, representing the settlement of calls, due to the increased oil prices.

INTEREST AND BANK CHARGES

($ 000's)	Three Months ended September 30, 2008	2007	Nine Months ended September 30, 2008	2007
Interest and Bank Charges	**$5,706**	$5,650	**$19,064**	$16,661

Interest and bank charges amounted to $5.7 million for the three months ended September 30, 2008 and 2007 and $19.1 million and $16.7 million for the nine months ended September 30, 2008 and 2007, respectively and relate mainly to the Senior Facility utilized to finance Brenda and Nicol development costs.

TAXES (RECOVERY)

($ 000's)	Three Months ended September 30, 2008	2007	Nine Months ended September 30, 2008	2007
Current Income Taxes (Recovery)	**$ (59)**	$ 122	**$ 168**	$ 641
Current PRT Taxes	**2,009**	-	**3,278**	-
Deferred PRT Tax (Recovery)	**(4,073)**	-	**(4,536)**	-
Future Income Tax	**101,665**	34,911	**64,684**	24,024

Current income tax relates to the 28% UK income tax on non-ring fence activities (30% in 2007), which, for the Company, includes interest on cash and bank deposits as well as foreign exchange gains or losses on cash denominated in foreign currencies. The recovery of $59 thousand for the third quarter resulted from recognition of a non-ring fence tax adjustment of $532 thousand in respect of 2007 final tax.

PRT tax represents Petroleum Revenue Tax payable in the UK in respect of the Nelson field acquired at the end of April 2008. A current PRT charge of $2.0 million and $3.3 million and deferred PRT recovery of $4.1 million and $4.5 million was recognized for three and nine months ended September 30, 2008.

The future income tax of $101.7 million and $64.7 million for the three and nine months ended September 30, 2008, respectively and future income tax of $34.9 million and $24.0 million for the three and nine months ended September

30, 2007, respectively relates entirely to the UK operation. Included in the future income tax for the nine months ended September 30, 2008 is an increase in previously estimated tax pools of $13.0 million due to a change in estimate.

The future income tax liability of $117.7 million as at September 30, 2008 includes $53.2 million for future income tax liabilities realized on the translation of foreign denominated tax pools relating to the Company's previously denominated GBP tax pools being translated to $U.S. denominated tax pools as well as $8.8 million representing a future income tax liability acquired on purchase of Svenska (Note 9) as discussed in the notes accompanying the Company's unaudited consolidated interim financial statements as at and for the three and nine month periods ended September 30, 2008.

NET INCOME AND CASH FLOWS FROM OPERATING ACTIVITIES

($ 000's)	Three Months ended September 30,		Nine Months ended September 30,	
	2008	**2007**	**2008**	**2007**
Net Income	**$59,130**	$54,630	**$81,729**	$75,106
Cash from Operating Activities	**114,236**	96,003	**394,760**	86,390

In the third quarter of 2008 the Company recognized net income of $59.1 million compared to net income of $54.6 million in the third quarter of 2007.

Cash from operating activities for the three and nine month periods ended September 30, 2008 increased compared to the same period in 2007 mainly due to cash generated from Brenda/Nicol field and from additional interests in Balmoral Block fields and from Nelson and Janice fields.

EBITDA

EBITDA is one of the primary measures used by decision makers to measure the Company's operating results and to help measure profitability and performance. Management believes that the EBITDA is meaningful to investors because it provides an analysis of operating results using the same measures utilized by the Company's chief decision makers and external stakeholders, that EBITDA provides investors with a means to evaluate the financial results as compared to other companies within the same industry and that it is common practice for institutional investors and investment bankers to use various multiples of current or projected EBITDA for purposes of estimating current and/or prospective enterprise value.

The Company defines EBITDA to be net earnings (loss) adjusted for depletion, depreciation and accretion (DD&A), impairment of property, plant and equipment, interest and investment income, interest expense, stock based compensation expense, discontinued operations, foreign exchange gains and losses, unrealized gains and losses on derivatives, non-operating income or expense, income tax expense and any cumulative effect of accounting changes. The presentation of EBITDA may not be comparable to statistics with the same or similar name as reported by other companies. Not all companies and analysts calculate EBITDA in the same manner.

EBITDA is not a Canadian GAAP measure of profit and loss or cash flow from operations and should not be considered as an alternate to net income, cash flows or any other measure of performance or liquidity under generally accepted accounting principles, or as an indicator of a company's operating performance.

The Company's net income reconciles to consolidated EBITDA as follows:

(in $000's, except per share amounts)	Three Months ended September 30, 2008	2007	Nine Months ended September 30, 2008	2007
Net Income	**$59,130**	$54,630	**$81,729**	$75,106
Deduct Interest Income	**(671)**	(858)	**(2,494)**	(2,732)
Add Back Income Tax	**99,542**	35,033	**63,594**	24,665
Add Back DD&A Expense	**33,288**	44,169	**157,826**	56,952
Deduct Foreign Exchange Gain	**(25,446)**	(17,763)	**(25,232)**	(37,252)
Add Back Stock–Based Compensation	**14,675**	237	**46,175**	4,047
Add Back (Deduct) Unrealized Loss (Gain) on Derivatives	**(134,245)**	(2,412)	**29,605**	5,543
Add Back Interest Expense	**5,706**	5,650	**19,064**	16,661
EBITDA	**$51,979**	$118,686	**$370,267**	$142,990
EBITDA $ per share	**0.23**	0.55	**1.67**	0.68

The increase in EBITDA for the nine months ended September 30, 2008 is due to the revenues from the Brenda/Nicol field, from additional interests in Balmoral Block fields and from Nelson and Janice fields.

The decrease in EBITDA for the three months ended September 30, 2008 relates mainly to lower production and revenues in the period as a result of the extended shutdown period compared to 2007 and a reduction of the overlift position during the period from 348,300 bbls as at June 30, 2008 to approximately 33,500 bbls as at September 30, 2008.

LIQUIDITY AND CAPITAL RESOURCES

Total net proceeds from financing activities for the three months ended September 30, 2008 amounted to approximately $58.2 million including $55.0 million related to proceeds from bank loans and $3.2 million from stock options exercised during the quarter.

The Company has the following bank facilities in place:

($ 000's)	Total Facility	Outstanding as at September 30, 2008	Interest rate per annum	Maturity Date
Senior Facility	$ 500,000	$ 436,264	LIBOR + 1.5 %	Dec.31, 2012
Pre-Development Facility	178,000	124,613	LIBOR + 3.0 - 5.5 %	Jan. 31, 2009
Overdraft	2,670	-	LIBOR + 1.5 %	On demand

In addition, as at September 30, 2008, the Company has letters of credit in place under the Senior Facility borrowing base, subject to annual renewal, in the aggregate amount of $63.0 million related to the Decommissioning Security Agreement in respect to the Balmoral floating production vessel and associated fields.

Proceeds from the bank facilities, cash available at the beginning of the period, and cash generated from operations in the quarter were used to finance the Company's investing activities in the UK North Sea, which amounted to approximately $257.1 million for the third quarter of 2008.

At September 30, 2008, the Company had unused Predevelopment Facility financing available in the amount of £30.0 million (approximately $53.4 million) which was utilized in full in October 2008, the proceeds to be used to finance the Company's development activity during the fourth quarter.

As at September 30, 2008, the Company had 223,832,827 outstanding common shares, as well as 500,000 outstanding common share purchase warrants and 20,665,000 outstanding common share stock options. Assuming all warrants and stock options outstanding as at September 30, 2008 are exercised, the Company would realise gross proceeds of approximately $42.9 million.

As at September 30, 2008, the Company had cash of approximately $29.0 million, a net working deficit of approximately $224.9 million which includes the current portion of long term debt of $160.9 million and the current portion of derivative contracts in the amount of $30.6 million. Long-term debt amounted to $400.7 million as at September 30, 2008.

The Company currently anticipates incurring substantial expenditures for its capital investment plans and to meet contractual and debt obligations as outlined in "Contractual Obligations". The Company's cash flow from operating activities will not be sufficient to satisfy both its current obligations and the requirements of capital investment programs. The Company has been affected by the current credit and liquidity shortage resulting in delays and the potential for higher costs to close financing arrangements. The ability of the Company to undertake its capital investment and business plans are dependent on its ability to obtain additional financing. The Company considers it prudent to review its financing alternatives with its banking and other financial advisors and is actively pursuing new capital resources from a variety of sources. The Company's ability to monetize its assets and discharge its liabilities as they come due is dependent on the successful closing of these financing initiatives.

COMPARATIVE BALANCE SHEET ITEMS

(in $000's)	September 30, 2008	June 30, 2008	%	September 30, 2008	December 31, 2007	%
Cash	**$ 28,985**	$ 112,251	-74%	**$ 28,985**	$ 81,865	-65%
Current Assets	**96,366**	234,757	-59%	**96,366**	181,299	-47%
Property, Plant and Equipment	**1,483,511**	1,332,760	11%	**1,483,511**	1,016,106	46%
Current Liabilities	**321,201**	419,399	-23%	**321,201**	152,326	111%
Long-term Debt and Capital Lease	**402,860**	394,135	2%	**402,860**	424,057	-5%
Other long term liabilities	**202,913**	170,597	19%	**202,913**	56,856	257%
Share Capital	**439,226**	434,088	1%	**439,226**	420,950	4%
Shareholders' Equity	**$ 663,150**	$ 586,123	13%	**$ 663,150**	$ 576,393	15%

Cash has decreased for the three and nine months ended September 30, 2008 related to financing of development activity and UK operations.

The decrease in current assets is due to the timing of accounts receivable and a decrease in revenues during the three months ended September 30, 2008.

The growth in development activity is reflected as the increase in property plant and equipment balances as at September 30, 2008 compared to June 30, 2008 and December 31, 2007.

Current liabilities as at September 30, 2008 include current portions of long term debt and derivative obligations in the amounts of $160.9 million and $30.6 million respectively as compared to $13.1 million and $17.2 million as at December 31, 2007.

LONG-TERM FINANCIAL LIABILITIES

As at September 30, 2008, the outstanding balance of long term bank loans amounted to $400.7 million and related entirely to the Senior Facility agreement.

The Company has a capital lease agreement to purchase a pump and other manifold related sub-sea equipment for $4.7 million. The respective remaining lease obligation amounted to approximately $3.1 million as at September 30, 2008 (including approximately $0.9 million payable within one year).

The Company recognized the mark-to-market value of its remaining derivative contracts which resulted in a liability of $70.0 million, $30.9 million of which is long term, as at September 30, 2008 covering approximately 3.3 million barrels of oil summarized as follows:

Calendar Year	Quantity bbls/Month	Strike Price / Collar
2008 (Oct-Dec)	179,000	$40/bbl put - $88/bbl call
2009	129,000	$40/bbl put - $88/bbl call
2010	98,000	$40/bbl put - $88/bbl call

As at September 30, 2008, the Company has letters of credit in place, subject to annual renewal, in the aggregate amount of $63.0 million, under the Senior Facility borrowing base, related to the Decommissioning Security Agreement in respect to the Balmoral floating production vessel and associated fields.

CONTRACTUAL OBLIGATIONS

Payments due by period are summarized approximately as follows:

(in $ 000's)	*Total*	*Less than 1 Year*	*1-3 Years*	*4-5 Years*	*After 5 Years*
Bank Loans	$560,877	$160,140	$376,065	$24,671	$ -
Capital Lease	3,120	997	2,123	-	-
Derivative Contracts	69,950	30,623	39,327	-	-
Drilling Contracts	549,286	255,653	293,633	-	-
Floating Production Vessel	370,000	71,632	140,160	140,352	17,856
Contractors	71,903	70,318	1,084	500	-
UKCS Licences	59,278	2,742	8,872	12,825	34,839
Interest in Aircraft	5,202	1,091	2,305	1,806	-
Office Leases	8,928	1,468	2,877	2,466	2,117
Total Obligations	$1,698,543	$594,664	$866,466	$182,620	$54,812

Bank loans represent the balances outstanding as at September 30, 2008 of the Senior Facility and Pre-Development facility, which the Company has in place with RBS.

Pursuant to the Senior Facility agreement, loan repayment obligations are required to reduce the amount borrowed to an amount no greater than the borrowing base. The amount of the borrowing base may fluctuate over time due to changes in oil prices and reserves booked by the Company. Accordingly, for each balance sheet date, the repayment timing is estimated based on the most recent re-determination of the borrowing base, and thus may change in the future. The next re-determination is scheduled for December 31, 2008.

The capital lease obligation relates to an agreement to purchase a pump and other manifold related subsea equipment which the Company entered into in 2006.

The Company's derivative contract obligations relate to the mark-to-market valuation of the commodity collar agreements as at September 30, 2008.

Included in drilling contracts are the Company's obligations with respect to two drilling units:

- Oilexco North Sea Limited has in place contracts with Transocean Offshore (North Sea) Ltd. ("Transocean") for the provision of the Sedco 712 semi-submersible drilling unit until March 23, 2010. As at September 30, 2008, the Company's obligations for the next 18 months under these contracts with Transocean amount to approximately $183.3 million.
- Oilexco North Sea Limited has in place a contract with Diamond Offshore Drilling ("Diamond") for the provision of Ocean Guardian, a semi-submersible drilling unit until May 2009. As at September 30, 2008, the Company's obligations for the next 12 months under this contract with Diamond amount to approximately $131.5 million. In April 2008, the contract was extended until July 2011 which results in an increase in the Company's obligations by a further $234.5 million.

The commitments for the Floating Production Vessel relate to an agreement signed with Sevan Production UK (a wholly-owned subsidiary of Sevan Marine ASA) in April 2007 for charter of the floating production, storage and offloading vessel "FPSO Sevan 3 (Voyageur)" to be installed in the fourth quarter of 2008 on the Shelley field. The fixed term of the contract is five years with an option to extend for an additional five years. The commitments under the fixed term amount to approximately $370.0 million and are payable over the next five years to 2013.

The Company's commitments in respect of contractors relate mainly to Shelley, Huntington and Ptarmigan development work and equipment and amounted to approximately $71.9 million as at September 30, 2008.

Further to licenses granted to Oilexco North Sea, the Company is committed to pay UK license fees of approximately $59.2 million over the next fourteen years in respect of its share in certain North Sea Blocks.

In January 2008, the Company purchased a 31.25% undivided interest in a Challenger 605 aircraft and increased the ownership interest July 1, 2008 to 43.75%. The Company's ownership is a fractional share managed by FlexJet of the Bombardier Aerospace Corporation and includes management services related to its share of the aircraft's fixed costs for the next five years in the amount of $5.2 million.

The Company is committed under operating lease agreements for the rental of office space for approximately $8.9 million that is payable over the next eight years.

The Company is currently pursuing projects/contracts that will require additional financing. In the future, the Company will rely on internally generated cash flow, commercial bank debt financing, mezzanine financing, private or public equity investments, joint ventures, farm-outs, specialty project finance debt sources, exercise of options and warrants and other sources of capital as may be available to the Company. The current reduction of capital availability in the world has caused, and will likely continue to cause delays in financing and increased costs, and could also affect the Company's ability to finance its operations. The Company is developing alternatives to its past sources of capital and is working with a number of investors and intermediaries to address long term capital requirements.

SUMMARY OF QUARTERLY RESULTS

($ 000's except per share) (Unaudited)	Q3/08	Q2/08	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07	Q4/06
Gross Revenue – Operations	94,604	227,690	171,349	152,528	148,234	39,542	1,318	1,467
Gross Revenue – Discontinued Operations	-	-	-	-	-	-	-	80
Net Earnings (Loss)	59,130	(27,283)	49,882	1,153	54,630	25,727	(5,251)	25,126
Per Share ($)	0.26	(0.12)	0.23	0.02	0.25	0.12	(0.03)	0.13
Net Earnings (Loss) – Discontinued Operations	-	-	-	-	-	-	-	(729)
Per Share ($)	-	-	-	-	-	-	-	-

Gross revenue from operations, as summarized in the table, excludes interest income in the periods.

The decrease in revenues in the third quarter of 2008 related mainly to the maintenance shutdown of the Balmoral FPV which stopped production for approximately six weeks. The net earnings resulted mostly from an unrealized gain on derivatives in the amount of $134.3 million during the third quarter due to decreasing oil prices that substantially reversed the unrealized derivative loss experienced in the second quarter of 2008.

The increase in revenues for the first and second quarters of 2008, compared to the last quarter of 2007, resulted from additional interests in the Balmoral Field acquired in December 2007, as well as increases in oil prices. The continued 2008 oil price increases are reflected in the second quarter 2008 revenues, while the net loss in the second quarter of 2008 is due mainly to a loss on derivatives in the amount of $159.1 million experienced in the second quarter, $141.2 million of which is unrealized and related to mark to market valuation of derivative obligations based on increased oil prices.

For quarters prior to March 31, 2007, operating revenues related to production from the Balmoral and Glamis fields in the UK North Sea. In June 2007, production from the Brenda/Nicol fields commenced, resulting in an increases in quarterly revenues.

In 2007 the quarterly increases in revenues were followed by quarterly increases in net earnings except for last quarter of 2007. The decrease in net earnings in the fourth quarter of 2007 compared to the prior quarter was mainly due to recognition of $31.8 million in loss on derivatives contracts, increased DD&A expense in the third quarter, and stock-based compensation totalled $10.1 million in the fourth quarter.

In the first quarter of 2007 the Company experienced a net loss mainly due to stock-based compensation expenses and an unrealized loss on derivative contracts. In the third quarter of 2006, the valuation of derivatives resulted in a significant unrealized gain, which resulted in net earnings in this quarter. Net earnings in the last quarter of 2006 relate mainly to the recognition of future income tax assets for the UK operation, partially offset by foreign exchange losses and interest charges in the quarter.

Discontinued operations relate to Oilexco America, Inc. which was sold effective December 31, 2006.

CONTROLS ENVIRONMENT

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures. They are assisted in this responsibility by the Company's senior management team. Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure.

It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe the disclosure controls and procedures provide a reasonable level of assurance, they do not expect that the disclosure controls and procedures would prevent all errors and fraud. A controls system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Corporation are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Chief Executive Officer and Chief Financial Officer have concluded, as of the date of the Management's Discussion and Analysis that the Company's internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Management does not expect that the internal controls over financial reporting would prevent all errors and fraud. A controls system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Effective April 30, 2008 the Company acquired Svenska Petroleum Exploration UK Limited. ("Svenska") The acquired subsidiary company has been re-named Oilexco N.S. Exploration Limited and is wholly owned by Oilexco North Sea Limited (UK) with the acquired enterprise's results consolidated into financial statements and this report commencing May 1, 2008. Effective July 1, 2008 the Nelson property assets acquired, were transferred from Oilexco N.S. Exploration Limited to Oilexco North Sea Limited (UK). The process of integrating internal controls and business processes of the newly acquired entity was substantially completed during the third quarter of 2008.

Otherwise, there have been no material changes in the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting during the nine month ending September 30, 2008. Management has undertaken a third party review of internal controls for disclosure and financial reporting and the Company is addressing issues as they arise, however, no material changes to such internal control systems have been identified to date.

CHANGE IN ACCOUNTING POLICIES

a) Financial Instruments Disclosure and Presentation

In December 2006, the CICA approved Handbook Section 3862 "Financial Instruments - Disclosures", and Handbook Section 3863 "Financial Instruments Presentation". The objective of Section 3862 is to require entities to provide disclosures in their financial statements that enable users to evaluate both the significance of financial instruments for the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The purpose of Section 3863 is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. These sections apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company has adopted the new disclosure requirements effective January 1, 2008. The two sections result in the additional disclosures set out below. There have been no significant changes from the previous year to the Company on its exposure to risks and management's objectives, policies and process to manage the market risks outlined below.

The Company has identified that it is exposed principally to the following areas of market risk.

i) Commodity Risk

Commodity price risk related to crude oil prices is one of the Company's most significant market risk exposures. Crude oil prices and quality differentials are influenced by worldwide factors such as OPEC actions, political events and supply and demand fundamentals. To a lesser extent the Company is also exposed to natural gas price movements. Natural gas prices are generally influenced by oil prices, supply and demand and local market conditions. The Company's expenditures are subject to the effects of inflation and prices received for the product sold are not readily adjustable to cover any increase in expenses from inflation. The Company may periodically use different types of derivative instruments to manage its exposure to price volatility, thus mitigating fluctuations in commodity-related cash flows and as well as a result of a requirement of the Company's lenders as outlined in Note 5 in the notes accompanying the Company's unaudited consolidated interim financial statements as at and for the three and nine month periods ended September 30, 2008.

The Company has derivative obligations that are subject to independent market valuations as at each balance sheet date. The valuation results in unrealized gains and losses on contract derivatives that are segmented in the balance sheet between current and long term portions beyond one year. The valuation is prepared based on forward rates of expected prices of oil per barrel based on current market conditions and discounted for the time value of money. The forward rates are compared to a contractual settlement rate of $88 per barrel for all outstanding call options.

In addition, each month the Company may incur an actual realized loss that is payable on derivative contracts to the extent that the actual average price in the month exceeds $88/barrel for the contracted volumes. The average oil price used for derivative settlements for the quarter ended September 30, 2008 was $114.78/barrel that resulted in a $14.4 million realized loss. The commodity risk and overall impact to net income is partly mitigated since revenues are transacted at market rates and the derivatives cover only approximately 30% of current monthly production levels.

To help gauge sensitivity of commodity prices on the valuation of its derivative obligations, upon considering the recent trends in oil prices, the Company has assumed a possible fluctuation range of an increase or decrease of 10% in oil prices on its derivative obligations. The overall approximate impact to the reported income before taxes for the nine months ended September 30, 2008, is summarized as follows:

(in $ millions) Assumption on Prices	Derivatives Loss (Gain) Change	Net Income Before Tax (Decrease)Increase
Oil Prices Increase by 10%	$26.2	$(26.2)
Oil Prices Decrease by 10%	$(22.9)	$22.9

Since all outstanding derivatives are accounted as an obligation at market values, a decrease in oil prices of 10% would increase net income before tax and vice versa.

ii) Interest Risk

The Company uses floating rate debt to finance its operations. The Company is exposed to interest rate risk to the extent that LIBOR may fluctuate. The Company's debt is substantially denominated in U.S. dollars ("USD"). The Company evaluates its annual forward cash flow requirements on a rolling weekly and monthly basis. Accordingly, individual facility amounts utilized and related interest terms vary from one month to nine month intervals.

Interest rates may fluctuate in the future. For purposes of this sensitivity analysis the Company has assumed a possible interest rate fluctuation of an increase or decrease of 75 basis points compared to rates in the current quarter. The overall approximate impact to reported net income before taxes for the nine months ended September 30, 2008, is estimated as follows:

(in $ millions) **Assumption on Interest Rates**	**Interest Expense Increase (Decrease)**	**Capitalized Interest Increase (Decrease)**	**Income Before Taxes (Decrease)Increase**
Interest Rates Increase by .75%	**$2.2**	**$0.09**	**$(2.2)**
Interest Rates Decrease by .75%	**$(2.2)**	**$(0.9)**	**$2.2**

The Company is evaluating its long term debt and financing requirements based on capital expenditure plans, expected cash flows from operations and available credit markets. The table is based on facility arrangements that are in place as at September 30, 2008.

For the three month and nine month periods ended September 30, 2008, interest and bank charge expense was $5.7 million and $19.1 million respectively. The effective interest rate on the senior facility debt, included in interest expense, is approximately 4.2 % and 5.9% for these respective periods.

iii) Foreign Exchange Rate Risk

The Company is exposed to foreign exchange risks to the extent it transacts in various currencies, while measuring and reporting its results in USD. The exposure to foreign exchange risk is partly mitigated since debt financing and receivables are mostly in either Pounds Sterling or USD. Since time passes between the recording of a receivable or payable transaction and its collection or payment, the Company is exposed to gains or losses on non-USD amounts and on balance sheet translation of monetary accounts denominated in non-USD amounts upon spot rate fluctuations from quarter to quarter.

The Company believes that its foreign exchange risk is mitigated in that revenues and interest expense and a portion of its operating and exploration costs are largely transacted in USD. Based on recent trends in foreign exchange rates, the Company has assumed a possible fluctuation range of an increase or decrease of 5% in non-USD currency rates on financial instruments. Upon considering this rate of change, the impact on expenses and income before taxes as reported for the period ended September 30, 2008, is summarized as follows:

(in $ millions) **Assumption on Foreign Exchange (FX) Rates**	**FX Expense Increase (Decrease)**	**Income Before Taxes (Decrease) Increase**
Non USD FX Rates Strengthen by 5%	**$8.8**	**$(8.8)**
Non USD FX Rates Weaken by 5%	**$(8.8)**	**$8.8**

The foreign exchange expense is unrealized and relates mainly to a net monetary liability position in Pounds Sterling currency, and upon considering a varied spot rate assumption as at September 30, 2008.

iv) Credit Risk

The majority of the Company's accounts receivable, with its customers in the oil and gas industry, are subject to normal industry credit risks and are unsecured. A substantial portion of Company's revenues are derived from a large, reputable, multi-national company. The carrying value of accounts receivable reflects management's assessment of the credit risk associated with these customers. The Company assesses partners' credit worthiness before entering into farm-in or joint venture agreements. In the past, the Company has not experienced credit loss in the collection of accounts receivable. As the Company's exploration, drilling and development activities expand with existing and new joint venture partners, the Company will assess and update its management of associated credit risk.

The Company regularly monitors all customer receivable balances outstanding in excess of 90 days. As at September 30, 2008 substantially all accounts receivables are current, defined as less than 90 days. Accordingly, there is no allowance for doubtful accounts on accounts receivable.

The Company is potentially exposed to a risk with respect to cash amounts held in individual banking institutions for balances that are in excess of nominal guaranteed amounts. Cash balances are held in three different banking institutions with the majority of cash as at September 30, 2008 held by one financial institution in the United Kingdom, as required by the Company's borrowing facilities. The Company periodically monitors published and available credit information of all its banking institutions. The particular institution in which the majority of the Company's cash is held has recently received support from the UK government, including a direct investment by that government in the equity of the institution and a change to its senior management.

v) Liquidity Risk

Liquidity risk includes the risk that, as a result of its operational requirements, the Company will not have sufficient funds to settle a transaction on the due date. The Company manages liquidity risk by maintaining adequate cash reserves, banking facilities, and by considering medium and future requirements by continuously monitoring forecast and actual cash flows. The Company also considers the maturity profiles of its financial assets and liabilities.

Included in Note 5 of the Company's unaudited consolidated interim financial statements as at and for the three and nine month periods ended September 30, 2008 is a table of bank facilities that are at the Company's disposal. The Company currently anticipates incurring substantial expenditures to further its capital investment programs and to meet its contractual commitments as described in Note 7 and its debt obligations as outlined in Note 5. The Company's cash flow from operating activities will not be sufficient to meet these obligations and the Company is currently pursuing alternate sources of capital, credit and liquidity. Given the current state of credit markets, no assurances can be given that credit or capital will be available at reasonable prices, or at all. The Company considers it prudent to review its financing alternatives with its banking and other financial advisors and is actively pursuing new capital resources from a variety of sources. The Company's ability to monetize its assets and discharge its liabilities as they come due is dependent on the successful closing of these financing initiatives.

b) Inventory

Effective January 1, 2008 the Company retrospectively adopted Section 3031, "Inventories" which stipulates that major spare parts and standby equipment that are not in use should be included in property plant and equipment, and also provides more guidance on the measurement and disclosure requirements for inventory that is at the lower of cost and net realizable value. As a result of adopting this policy and additional disclosures, as at September 30, 2008 the Company reclassified $0.5 million related to spare parts and standby equipment not in use to property plant and equipment. Prior periods have not been re-stated.

c) Capital Disclosures

Effective January 1, 2008 the Company has adopted Handbook Section 1535, "Capital Disclosures" which requires entities to disclose their objectives, policies and processes for managing capital, and in addition, whether the entity has complied with any externally imposed capital requirements.

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern;
- to maintain balance sheet strength and optimal capital structure, while ensuring the Company's strategic objectives are met; and
- to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets

In the management of capital, the Company includes shareholders' equity and interest bearing debt defined as long term bank loans, current portion of long-term debt, overdraft debt and capital lease obligations. Shareholders' equity includes share capital, contributed surplus, retained earnings or deficit and other comprehensive income.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Board of Directors reviews with Management the Company's capital structure and monitors requirements. The Company may adjust its capital structure by issuing new equity and/or debt, selling and/or acquiring assets, and controlling the capital expenditure program.

The Company monitors its capital structure using the debt-to-equity ratio and other benchmark measures at the consolidated group level, however, there are no formally established guidelines.

(in $ millions)		**September 30, 2008**		**December 31, 2007**
Debt	$	**564.8**	$	438.2
Equity		**663.2**		576.4
Debt-to-Equity Ratio		**0.85 : 1**		0.76 : 1

As at September 30, 2008, there were no externally imposed debt covenants with respect to the Company's capital structure.

There have been no significant changes from the previous year to management's objectives, policies and processes to manage capital or to the components defined as capital.

d) Status of Transition to International Financial Reporting Standards (IFRS)

On February 13, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian Generally Accepted Accounting Principles (GAAP) for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. At this time, the impact on our future financial position and results of operations is not reasonably determinable or estimable. To date, the Company has supported initial staff training programs and has commenced communications with external advisors to plan the IFRS initiative including an assessment of transitional requirements and to identify expected impacts on the Company.

The Company plans to conduct an initial diagnostic phase commencing in the fourth quarter of 2008. A cross functional steering committee comprised of Management, an external Director, and advisor, has been engaged to monitor the IFRS project until its completion. Regular reporting will occur to Management and to the Audit Committee.

RESPONSIBILITY STATEMENTS

Arthur S. Millholland, a director and the chief executive officer of Oilexco and Brian L. Ward, a director and the chief financial officer of Oilexco, are responsible for preparing this Report and the related financial statements in accordance with applicable UK law (including the Disclosure and Transparency Rules of the UK Financial Services Authority ("DTR")) and Canadian generally accepted accounting principles.

Arthur S. Millholland and Brian L. Ward each confirm that, to the best of their respective knowledge,

(a) the set of financial statements accompanying this Report has been prepared in accordance with Canadian generally accepted accounting principles and gives a true and fair view of the assets, liabilities, financial position and profit or loss of Oilexco and the undertakings included in the consolidation as a whole, as required by DTR 4.2.4;

(b) the interim Management Discussion and Analysis appearing in this Report includes a fair review of the information required by DTR 4.2.7 and 4.2.8.

Signed "Arthur S. Millholland"
Director

Signed "Brian L. Ward"
Director

OILEXCO INCORPORATED
Consolidated Balance Sheets
(unaudited)

(in thousands of United States dollars)
As at

		September 30, 2008		December 31, 2007
Assets				
Current Assets				
Cash and Cash Equivalents	$	**28,985**	$	81,865
Accounts Receivable		**46,779**		87,130
Prepaids and Deposits (Note 3)		**18,215**		9,112
Inventory		**2,387**		3,192
		96,366		181,299
Deferred Financing Costs		**4,896**		7,938
Future Income Taxes (Note 8)		**-**		4,289
Deferred Petroleum Revenue Tax Asset		**900**		-
Property, Plant and Equipment (Note 4)		**1,483,511**		1,016,106
		1,489,307		1,028,333
	$	**1,585,673**	$	1,209,632
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts Payable and Accrued Liabilities	$	**128,655**	$	120,923
Capital Lease Obligation		**997**		1,023
Current Portion of Long Term Bank Loans (Note 5)		**160,926**		13,070
Current Portion of Derivative Contracts (Note 5)		**30,623**		17,310
		321,201		152,326
Long Term Bank Loans (Note 5)		**400,736**		420,937
Capital Lease Obligation		**2,124**		3,120
Derivative Contracts (Note 5)		**39,327**		23,035
Asset Retirement Obligations		**41,417**		33,821
Future Income Taxes (Note 8)		**117,718**		-
		922,523		633,239
Commitments (Note 7)				
Shareholders' Equity				
Share Capital (Note 6)		**439,226**		420,950
Contributed Surplus		**76,505**		36,531
Retained Earnings		**105,757**		24,028
Accumulated Other Comprehensive Income		**41,662**		94,884
		663,150		576,393
	$	**1,585,673**	$	1,209,632

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

OILEXCO INCORPORATED
Consolidated Statements of Income and Retained Earnings (Deficit)
For the Periods Ended
(unaudited)

(in thousands of United States dollars, except per share amounts)

	Three months Ended September 30, 2008	Three months Ended September 30, 2007	Nine months Ended September 30, 2008	Nine months Ended September 30, 2007
Revenues				
Oil and Gas Sales	$ 94,288	$ 147,374	$ 492,104	$ 187,553
Inter-Field Tariff	316	860	1,539	1,541
Interest Income	671	858	2,494	2,732
	95,275	149,092	496,137	191,826
Expenses				
General and Administrative	5,404	7,229	20,718	16,533
Operating	22,839	22,319	65,574	29,571
Depletion, Depreciation and Accretion	33,288	44,169	157,826	56,952
Foreign Exchange Gain	(25,446)	(17,763)	(25,232)	(37,252)
Stock-Based Compensation (Note 6 (b))	14,675	237	46,175	4,047
(Gain) Loss on Derivatives (Note 5)	(119,863)	(2,412)	66,689	5,543
Interest and Bank Charges	5,706	5,650	19,064	16,661
	(63,397)	59,429	350,814	92,055
Income Before Income Taxes	158,672	89,663	145,323	99,771
Current Taxes (Note 8)	(1,950)	(122)	(3,446)	(641)
Future Taxes (Note 8)	(97,592)	(34,911)	(60,148)	(24,024)
Net Income	59,130	54,630	81,729	75,106
Retained Earnings (Deficit), Beginning of Period	46,627	(31,755)	24,028	(52,231)
Retained Earnings (Deficit), End of Period	$ 105,757	$ 22,875	$ 105,757	$ 22,875
Basic Net Income per Share (Note 6(c))	$ 0.26	$ 0.25	$ 0.37	$ 0.35
Diluted Net Income per Share (Note 6(c))	$ 0.25	$ 0.24	$ 0.35	$ 0.33

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

OILEXCO INCORPORATED
Consolidated Statements of Comprehensive Income and Accumulated Other Comprehensive Income
For the Periods Ended
(unaudited)

(in thousands of United States dollars)

	Three months Ended September 30, 2008	Three months Ended September 30, 2007	Nine months Ended September 30, 2008	Nine months Ended September 30, 2007
Net Income	$ 59,130	$ 54,630	$ 81,729	$ 75,106
Other comprehensive (loss) income				
Future income tax realized on translation of foreign currency denominated tax pools	-	-	(53,222)	-
Unrealized gains on translation of consolidated financial statements into reporting currency	-	40,212	-	78,726
Comprehensive Income	$ 59,130	$ 94,842	$ 28,507	$ 153,832
Accumulated Other Comprehensive Income, Beginning of Period	$ 41,662	$ 54,672	$ 94,884	$ 16,158
Other Comprehensive Income	-	40,212	(53,222)	78,726
Accumulated Other Comprehensive Income, End of Period	$ 41,662	$ 94,884	$ 41,662	$ 94,884

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

OILEXCO INCORPORATED
Consolidated Statements of Cash Flows
For the Periods Ended
(unaudited)

(in thousands of United States dollars)

	Three months Ended September 30, 2008	Three months Ended September 30, 2007	Nine months Ended September 30, 2008	Nine months Ended September 30, 2007
Cash Flows from Operating Activities				
Net Income	$ 59,130	$ 54,630	$ 81,729	$ 75,106
Items Not Affecting Cash				
Depletion, Depreciation and Accretion	33,288	44,169	157,826	56,952
Unrealized Gain on Foreign Exchange	(26,056)	(18,308)	(25,490)	(41,860)
Non-cash Interest and Bank Charges	356	709	1,069	2,187
Future Income Tax Recovery	97,592	34,911	60,148	24,024
Stock-Based Compensation	14,675	237	46,175	4,047
Unrealized (Gain) Loss on Derivatives	(134,245)	(2,412)	29,605	5,543
	44,740	113,936	351,062	125,999
Changes in Non-Cash Working Capital	69,497	(17,933)	43,698	(39,609)
	114,237	96,003	394,760	86,390
Cash Flows from Financing Activities				
Proceeds from Issuance of Common Shares, net of Issue Costs	3,222	5,756	12,075	116,277
Net Proceeds of Bank Loans	54,946	30,710	144,933	114,227
	58,168	36,466	157,008	230,504
Cash Flows from Investing Activities				
Additions to Property, Plant and Equipment	(187,116)	(113,424)	(579,138)	(256,730)
Acquisition of Svenska (Note 9)	-	-	(22,525)	-
Changes in Non-Cash Working Capital	(70,002)	(21,870)	(3,614)	(81,155)
	(257,118)	(135,294)	(605,277)	(337,885)
Net Decrease in Cash	(84,713)	(2,825)	(53,509)	(20,991)
Net Effect of Foreign Exchange on Cash Held in Foreign Currencies	1,447	(2,931)	629	(1,243)
Cash and Cash Equivalents, Beginning of Period	112,251	65,473	81,865	81,951
Cash and Cash Equivalents, End of Period	$ 28,985	$ 59,717	$ 28,985	$ 59,717
Supplemental Information:				
Interest Paid during the Period	$ 8,956	$ 9,639	$ 26,430	$ 14,573
Income Taxes Paid during the Period	$ 2,259	$ -	$ 3,806	$ 440
Term Deposits as at September 30	$ 4,422	$ 11,983	$ 4,422	$ 11,983

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

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2008 (unaudited)

Tabular amounts are presented in thousands of United States dollars ("$") unless otherwise noted.

1. DESCRIPTION OF BUSINESS

Oilexco Incorporated and its wholly owned subsidiaries, Oilexco North Sea Limited and Oilexco Technical Services Inc (together "the Company") are involved in the exploration, development and production of oil and gas in the UK North Sea.

2. ACCOUNTING POLICIES

The unaudited interim consolidated financial statements follow the same accounting policies as the most recent annual audited financial statement, except as noted below. The notes to these unaudited interim consolidated financial statements do not conform in all respects to the note disclosure requirements of Canadian generally accepted accounting principles ("GAAP") for annual financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2007.

a) Financial Instruments Disclosure and Presentation

In December 2006, the CICA approved Handbook Section 3862 "Financial Instruments - Disclosures", and Handbook Section 3863 "Financial Instruments Presentation". The objective of Section 3862 is to require entities to provide disclosures in their financial statements that enable users to evaluate both the significance of financial instruments for the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The purpose of Section 3863 is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. These sections apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company has adopted the new disclosure requirements effective January 1, 2008. The two sections result in the additional disclosures set out below. There have been no significant changes from the previous year to the Company on its exposure to risks and management's objectives, policies and process to manage the market risks outlined below.

The Company has identified that it is exposed principally to the following areas of market risk.

i) Commodity Risk

Commodity price risk related to crude oil prices is one of the Company's most significant market risk exposures. Crude oil prices and quality differentials are influenced by worldwide factors such as OPEC actions, political events and supply and demand fundamentals. To a lesser extent the Company is also exposed to natural gas price movements. Natural gas prices are generally influenced by oil prices, North American supply and demand and local market conditions. The Company's expenditures are subject to the effects of inflation and prices received for the product sold are not readily adjustable to cover any increase in expenses from inflation. The Company may periodically use different types of derivative instruments to manage its exposure to price volatility, thus mitigating fluctuations in commodity-related cash flows and as well as a result of a requirement of the Company's lenders as outlined in Note 5.

The Company has derivative obligations that are subject to independent market valuations as at each balance sheet date. The valuation results in unrealized gains and losses on contract derivatives that are segmented in the balance sheet between current and long term portions beyond one year. The valuation is prepared based on forward rates of expected prices of oil per barrel based on current market conditions and discounted for the time value of money. The forward rates are compared to a contractual settlement rate of $88 per barrel for all outstanding call options.

In addition, each month the Company may incur an actual realized loss that is payable on derivative contracts to the extent that actual average price in the month exceeds $88/barrel for the contracted volumes. The average oil price used for derivative settlements for the quarter ended September 30, 2008 was $114.78/barrel that resulted in a $14.4 million realized loss. The commodity risk and overall impact to net income is partly mitigated since revenues are transacted at market rates and the derivatives cover only approximately 30% of current monthly production levels.

To help gauge sensitivity of commodity prices on the valuation of its derivative obligations, upon considering the recent trends in oil prices, the Company has assumed a possible fluctuation range of an increase or decrease of 10% in oil prices on its derivative obligations. The overall approximate impact to the reported income before taxes for the nine months ended September 30, 2008, is summarized as follows:

(in $ millions) Assumption on Prices	Derivatives Loss (Gain) Change	Net Income Before Tax (Decrease) Increase
Oil Prices Increase by 10%	$26.2	$(26.2)
Oil Prices Decrease by 10%	$(22.9)	$22.9

Since all outstanding derivatives are accounted as an obligation at market values, a decrease in oil prices of 10% would increase net income before tax and vice versa.

ii) Interest Risk

The Company uses floating rate debt to finance its operations.

The Company is exposed to interest rate risk to the extent that LIBOR may fluctuate. The Company's debt is substantially denominated in U.S. dollars ("USD"). The Company evaluates its annual forward cash flow requirements on a rolling weekly and monthly basis. Accordingly, individual facility amounts utilized and related interest terms vary from one month to nine month intervals.

Current interest rates may fluctuate in the future. For purposes of this sensitivity analysis the Company has assumed a possible interest rate fluctuation of an increase or decrease of 75 basis points. The overall approximate impact to reported net income before taxes for the nine months ended September 30, 2008, is summarized as follows:

(in $ millions) Assumption on Interest Rates	Interest Expense Increase (Decrease)	Capitalized Interest Increase (Decrease)	Income Before Taxes (Decrease) Increase
Interest Rates Increase by .75%	$2.2	$0.9	$(2.2)
Interest Rates Decrease by .75%	$(2.2)	$(0.9)	$2.2

The Company is evaluating its long term debt and financing requirements based on capital expenditure plans, expected cash flows from operations and available credit markets. The table is based on facility arrangements that are in place as at September 30, 2008.

For the three month and nine month periods ended September 30, 2008, interest and bank charge expense was $5.7 million and $19.1 million respectively. The effective interest rate on the senior facility debt, included in interest expense, is approximately 4.2 % and 5.9% for these respective periods.

iii) Foreign Exchange Rate Risk

The Company is exposed to foreign exchange risks to the extent it transacts in various currencies, while measuring and reporting its results in USD. The exposure to foreign exchange risk is partly mitigated since debt financing and receivables are mostly in either Pounds Sterling or USD. Since time passes between the recording of a receivable or payable transaction and its collection or payment, the Company is exposed to gains or losses on non-USD amounts and on balance sheet translation of monetary accounts denominated in non-USD amounts upon spot rate fluctuations from quarter to quarter.

The Company believes that its foreign exchange risk is mitigated in that revenues and interest expense and a portion of its operating and exploration costs are largely transacted in USD. Based on recent trends in foreign exchange rates, the Company has assumed a possible fluctuation range of an increase or decrease of 5% in non-USD currency rates on financial instruments. Upon considering this rate of change, the impact on expenses and income before taxes as reported for the period ended September 30, 2008, is summarized as follows:

(in $ millions) **Assumption on Foreign Exchange (FX) Rates**	**FX Expense Increase (Decrease)**	**Income Before Taxes (Decrease) Increase**
Non USD FX Rates Strengthen by 5%	**$8.8**	**$(8.8)**
Non USD FX Rates Weaken by 5%	**$(8.8)**	**$8.8**

The foreign exchange expense is unrealized and relates mainly to a net monetary liability position in Pounds Sterling currency, and upon considering a varied spot rate assumption as at September 30, 2008.

iv) Credit Risk

The majority of the Company's accounts receivable, with its customers in the oil and gas industry, are subject to normal industry credit risks and are unsecured. A substantial portion of Company's revenues are derived from a large, reputable, multi-national company. The carrying value of accounts receivable reflects management's assessment of the credit risk associated with its customers. The Company assesses partners' credit worthiness before entering into farm-in or joint venture agreements. In the past, the Company has not experienced credit loss in the collection of accounts receivable. As the Company's exploration, drilling and development activities expand with existing and new joint venture partners, the Company will assess and update its management of associated credit risk.

The Company regularly monitors all customer receivable balances outstanding in excess of 90 days. As at September 30, 2008 substantially all accounts receivables are current, defined as less than 90 days. Accordingly, there is no allowance for doubtful accounts on accounts receivable.

The Company is potentially exposed to a risk with respect to cash amounts held in individual banking institutions for balances that are in excess of nominal guaranteed amounts. Cash balances are held in three different banking institutions with the majority of cash as at September 30, 2008 held by one financial institution in the United Kingdom, as required by the Company's borrowing facilities. The Company periodically monitors published and available credit information of all its banking institutions. The particular institution in which the majority of the Company's cash is held has recently received support from the UK government, including a direct investment by that government in the equity of the institution and a change to its senior management.

v) Liquidity Risk

Liquidity risk includes the risk that, as a result of its operational requirements, the Company will not have sufficient funds to settle a transaction on the due date. The Company manages liquidity risk by maintaining adequate cash reserves, banking facilities, and by considering medium and future requirements by continuously monitoring forecast and actual cash flows. The Company also considers the maturity profiles of its financial assets and liabilities.

Included in Note 5 of the Company's unaudited consolidated interim financial statements as at and for the three and nine month periods ended September 30, 2008 is a table of bank facilities that are at the Company's disposal. The Company currently anticipates incurring substantial expenditures to further its capital investment programs and to meet its contractual commitments as described in Note 7 and its debt obligations as outlined in Note 5. The Company's cash flow from operating activities will not be sufficient to meet these obligations and the Company is currently pursuing alternate sources of capital, credit and liquidity. Given the current state of credit markets, no assurances can be given that credit or capital will be available at reasonable prices, or at all. The Company considers it prudent to review its financing alternatives with its banking and other financial advisors and is actively pursuing new capital resources from a variety of sources. The Company's ability to monetize its assets and discharge its liabilities as they come due is dependent on the successful closing of these financing initiatives.

b) Inventory

Effective January 1, 2008 the Company retrospectively adopted Section 3031, "Inventories" which stipulates that major spare parts and standby equipment that are not in use should be included in property plant and equipment, and also provides more guidance on the measurement and disclosure requirements for inventory that is at the lower of cost and net realizable value. As a result of adopting this policy and additional disclosures, as at September 30, 2008 the Company reclassified $0.5 million related to spare parts and standby equipment not in use to property plant and equipment. Prior periods have not been re-stated.

c) Capital Disclosures

Effective January 1, 2008 the Company has adopted Handbook Section 1535, "Capital Disclosures" which requires entities to disclose their objectives, policies and processes for managing capital, and in addition, whether the entity has complied with any externally imposed capital requirements.

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern;
- to maintain balance sheet strength and optimal capital structure, while ensuring the Company's strategic objectives are met; and
- to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets

In the management of capital, the Company includes shareholders' equity and interest bearing debt defined as long term bank loans, current portion of long-term bank loans, overdraft debt and capital lease obligations. Shareholders' equity includes share capital, contributed surplus, retained earnings or deficit and other comprehensive income.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Board of Directors reviews with Management the Company's capital structure and monitors requirements. The Company may adjust its capital structure by issuing new equity and/or debt, selling and/or acquiring assets, and controlling the capital expenditure program.

The Company monitors its capital structure using the debt-to-equity ratio and other benchmark measures at the consolidated group level, however, there are no formally established guidelines.

(in $ millions)		September 30, 2008		December 31, 2007
Debt	$	**564.8**	$	438.2
Equity		**663.2**		576.4
Debt-to-Equity Ratio		**0.85 : 1**		0.76: 1

As at September 30, 2008, there were no externally imposed debt covenants with respect to the Company's capital structure.

There have been no significant changes from the previous year to management's objectives, policies and processes to manage capital or to the components defined as capital.

d) Status of Transition to International Financial Reporting Standards (IFRS)

On February 13, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian Generally Accepted Accounting Principles (GAAP) for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. At this time, the impact on our future financial position and results of operations is not reasonably determinable.

3. PREPAIDS AND DEPOSITS

Prepaids and deposits include mainly prepaid capital expenditures, insurance and operating expenses summarized as follows:

($ 000's)		September 30, 2008		December 31, 2007
Prepaid insurance	$	1,617	$	3,962
Prepaid drilling equipment		7,030		2,140
Prepaid development equipment		8,487		839
Prepaid operations		630		1,136
Other prepaid services		350		210
Deposits		101		825
	$	18,215	$	9,112

Prepaid development equipment as at September 30, 2008 relates to prepayments made for equipment purchases in respect of the Shelley, Huntington and Ptarmigan development projects.

4. PROPERTY, PLANT AND EQUIPMENT

($ 000's)		September 30, 2008		December 31, 2007
Oil and Natural Gas Properties and Equipment	$	1,759,280	$	1,148,832
Accumulated Depletion and Impairment		(294,842)		(139,682)
		1,464,438		1,009,150
Other Fixed Assets		20,871		7,852
Accumulated Depreciation		(1,798)		(896)
		19,073		6,956
	$	1,483,511	$	1,016,106

To assess the impairment of oil and gas properties and equipment, the Company performs a ceiling test on a quarterly basis. As at September 30, 2008, no impairment was required.

Undeveloped and unproved oil and natural gas properties excluded from the calculation of depletion and depreciation amounted to $625.4 million as at September 30, 2008 ($205.6 million as at December 31, 2007).

5. BANK INDEBTEDNESS AND DERIVATIVE CONTRACTS

Debt Facilities

The Company has the following bank facilities in place:

($ 000's)	Total Facility	Outstanding as at September 30, 2008	Interest rate per annum	Maturity Date
Senior Facility	$ 500,000	$ 436,264	LIBOR + 1.5 %	Dec.31, 2012
Pre-Development Facility	178,000	124,613	LIBOR + 3.0 – 5.5 %	Jan. 31, 2009
Overdraft	2,670	-	LIBOR + 1.5 %	On demand

In addition, as at September 30, 2008, the Company has letters of credit in place under the Senior Facility borrowing base, subject to annual renewal, in the aggregate amount of $63.0 million related to the Decommissioning Security Agreement in respect to the Balmoral floating production vessel and associated fields.

Repayment Schedule

As at September 30, 2008, aggregate maturities on total long term bank loans of $560.9 million and accrued interest payable of $0.7 million were approximately as follows:

- within one year – $160.9 million
- 1-2 years - $222.3 million
- 2-3 years - $153.8 million
- 3-4 years - $24.6 million
- 5-6 years = $nil

Pursuant to the amended Senior Facility agreement, loan repayment obligations are required to reduce the amount borrowed to an amount no greater than the borrowing base. The amount of the borrowing base may fluctuate over time, particularly due to changes in oil prices and reserves booked by the Company. Accordingly, for each balance sheet date, the timing of repayment is estimated based on the most recent re-determination of the borrowing base and may change in future. The Senior Facility is secured by a first floating charge over the assets of Oilexco North Sea Limited, a guarantee from Oilexco Incorporated, supported by charges against Oilexco Incorporated's investment in Oilexco North Sea Limited, an assignment of insurance proceeds from the Brenda, Nicol and Balmoral fields, and a first charge over Oilexco North Sea Limited's bank accounts.

At September 30, 2008, the Company had unused Pre-development Facility financing available in the amount of £30.0 million (approximately $53.4 million) which was utilized in full in October 2008, the proceeds to be used to finance the Company's development activity during the fourth quarter.

Commodity Contracts.

During 2006, as a requirement of the Senior Facility agreement, the Company entered into a collar agreement with RBS in order to secure its future cash flow and to enhance the repayment of the loan facility with RBS by limiting the Company's exposure to downward fluctuations in the price of oil.

As a result of a significant decrease in oil prices, a mark-to-market valuation resulted in an unrealized gain on the collar of approximately $134.3 million and an unrealized loss of $29.6 million recognized in the Company's income statement for the three and nine months ended September 30, 2008 respectively. Additionally, the Company incurred $14.4 million in realized losses during the third quarter on the contracts and $37.1 million for the nine months ended September 30, 2008.

As at September 30, 2008, based on the mark-to-market valuation, $30.6 million of the derivative contract obligations related to one year are included in current liabilities and $39.3 million that are related to the remaining period to December 31, 2010 are reflected as long term liabilities.

6. **SHARE CAPITAL**

(a) **Issued**

Issued	Number		Amount
Balance December 31, 2007	219,606,827	$	420,950
Issued pursuant to exercise of stock options	4,226,000		12,075
Contributed surplus on stock options exercised	-		6,201
Balance September 30, 2008	223,832,827	$	439,226

(b) **Stock Options**

During 2008, the Company has granted 7,195,000 stock options to its employees and directors to acquire common shares. The stock options vest immediately and expire in 5 years and are summarized as follows:

Grant Date	Number	Exercise Price CAD	Exercise Price USD	Expiry Date
March 26, 2008	1,445,000	$13.27	$13.04	March 25, 2013
May 16, 2008	3,460,000	$15.97	$15.99	May 16, 2013
July 10, 2008	1,300,000	$16.91	$16.76	July 10, 2013
August 19, 2008	890,000	$13.40	$12.64	August 19, 2013
September 15, 2008	100,000	$12.43	$11.63	September 15, 2013

Stock-based compensation expense of approximately $14.7 million and $46.2 million for the stock options granted has been recognized for the three and nine months ended September 30, 2008 respectively. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2008
Risk free interest rate	3.75%
Weighted average years	4.0
Expected volatility	49%-50%
Expected dividend yield	0%

Exercise prices for stock options granted are determined by the closing market price on the day before the date of grant or, if the Company is in a black-out period at the time of the grant, then the closing market price 48 hours after the dissemination of information which ends the black out period.

(c) **Income Per Share Data**

(in $ 000's, except per share amounts)	**Three Months ended September 30, 2008**			Three Months ended September 30, 2007		
	Net Earnings	**Weighted Average Shares Outstanding**	**Per Share**	Net Earnings	Weighted Average Shares Outstanding	Per Share
Basic	**$59,130**	**223,705,456**	**$0.26**	$54,630	217,728,284	$0.25
Effect of dilutive stock Options	-	**8,902,991**	-	-	12,970,875	-
Effect of dilutive warrants	-	**202,750**	-	-	177,055	-
Diluted	**$59,130**	**232,811,197**	**$0.25**	$54,630	230,876,214	$0.24

(in $ 000's, except per share amounts)	**Nine Months ended September 30, 2008**			Nine Months ended September 30, 2007		
	Net Earnings	**Weighted Average Shares Outstanding**	**Per Share**	Net Earnings	Weighted Average Shares Outstanding	Per Share
Basic	**$81,729**	**221,702,257**	**$0.37**	$75,106	211,814,702	$0.35
Effect of dilutive stock Options	-	**10,612,530**	-	-	12,550,801	-
Effect of dilutive warrants	-	**209,733**	-	-	72,575	-
Diluted	**$81,729**	**232,524,520**	**$0.35**	$75,106	224,438,078	$0.33

Certain stock options have been excluded (4,710,000 and 4,760,000) for the three and nine months ended September 30, 2008 respectively, since they were granted at prices that were anti-dilutive.

(d) Employee Share Purchase Plan

On March 19, 2008 the Board of Directors of the Company approved an Employee Share Purchase Plan ("ESPP") that is administered by an independent Administrator and with an appointed Trustee of the Plan. Employees may enroll at any time after completing three months of service with the Company and may contribute up to 5% of their base salary with the Company matching the employee contributions. The plan funds are used to acquire, on behalf of the employees, Company shares in the open market on a monthly basis. The Company's contribution to the ESPP for the period ended September 30, 2008 totaled $0.2 million and is included in general and administrative expense.

7. COMMITMENTS

(in $ 000's)	**Total**	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Drilling Contracts	**$549,286**	$255,653	$293,633	$ -	$ -
Floating Production Vessel	**370,000**	71,632	140,160	140,352	17,856
Contractors	**71,903**	70,318	1,084	500	-
UKCS Licences	**59,278**	2,742	8,872	12,825	34,839
Interest in Aircraft	**5,202**	1,091	2,305	1,806	-
Office Leases	**8,928**	1,468	2,877	2,466	2,117
Total Obligations	$1,064,597	$402,904	$448,931	$157,949	$54,812

Drilling Contracts

The Company has contracts with Transocean Offshore (North Sea) Ltd. ("Transocean") for the provision of the Sedco 712 semi-submersible drilling unit until March 23, 2010. As at September 30, 2008, the Company's obligations for the next 18 months under these contracts with Transocean amount to approximately $183.3 million.

The Company has a contract with Diamond Offshore Drilling ("Diamond") for the provision of Ocean Guardian, a semi-submersible drilling unit May 2009. As at September 30, 2008, the Company's obligations for the next 12 months under this contract with Diamond amount to approximately $131.5 million. In April 2008, the contract was extended by two years until May 2011 which results in increase in the Company's obligations by a further $234.5 million.

Floating Production,Storage and Offloading Vessel(FPSO)

On April 27, 2007, the Company signed an agreement with Sevan Production UK (a wholly-owned subsidiary of Sevan Marine ASA) for charter of the floating production, storage and offloading vessel "Sevan 3/Voyageur" to be installed in mid 2008 on the Shelley field. The fixed term of the contract is five years with option to extend for an additional five years. The commitments under the fixed term amount total approximately $370.0 million and are payable over the next five years to 2013.

Contractors Commitments

Contractual commitments, related mainly to Shelley, Huntington and Ptarmigan development work and equipment, amounted to approximately $71.9 million as at September 30, 2008.

UKCS Licences

The Company is committed to pay UK license fees of approximately $59.3 million over the next fourteen years in respect of its share in certain North Sea Blocks.

Interest in Aircraft

In January 2008, the Company purchased a 31.25% undivided interest in a Challenger 605 aircraft and increased the ownership interest July 1, 2008 to 43.75%. The Company's ownership is a fractional share managed by FlexJet of the Bombardier Aerospace Corporation and includes management services related to its share of the aircraft's fixed costs for the next five years in the amount of $5.2 million.

Office Leases

The Company is committed under operating lease agreements for the rental of office space for approximately $8.9 million that is payable over the next eight years.

8. TAXATION

(in $ 000's)	Three Months ended September 30, 2008	2007	Nine Months ended September 30, 2008	2007
Current Income Taxes (Recovery)	$ (59)	$ 122	$ 168	$ 641
Current PRT Taxes	2,009	-	3,278	-
Total Current Taxes	$ 1,950	$ 122	$ 3,446	$ 641
Deferred PRT Tax Recovery	$ (4,073)	-	$ (4,536)	$ -
Future Income Taxes	101,665	34,911	64,684	24,024
Total Future Taxes	$ 97,592	$ 34,911	$ 60,148	$ 24,024

Current income tax relates to the 28% UK income tax on non-ring fence activities (30% in 2007), which, for the Company, includes interest on cash and bank deposits as well as foreign exchange gains or losses on cash denominated in foreign currencies. The recovery of $59 thousand for the third quarter resulted from recognition of a non-ring fence tax adjustment of $532 thousand in respect of 2007 final tax.

PRT tax represents Petroleum Revenue Tax payable in the UK in respect of the Nelson field acquired at the end of April 2008. A current PRT charge of $2.0 million and $3.3 million and deferred PRT recovery of $4.1 million and $4.5 million was recognized for three and nine months ended September 30, 2008.

The future income tax of $101.7 million and $64.7 million for the three and nine months ended September 30, 2008, respectively and future income tax of $34.9 million and $24.0 million for the three and nine months ended September 30, 2007, respectively relates entirely to the UK operation. Included in the future income tax for the nine months ended September 30, 2008 is an increase in previously estimated tax pools of $13.0 million due to a change in estimate.

The future income tax liability of $117.7 million as at September 30, 2008 includes $53.2 million for future income tax liabilities realized on the translation of foreign denominated tax pools relating to the Company's previously denominated GBP tax pools being translated to $U.S. denominated tax pools as well as $8.8 million representing a future income tax liability acquired on the purchase of Svenska (Note 9).

9. ACQUISITION

On April 30, 2008, the Company acquired 100% of the voting shares of Svenska Petroleum Exploration UK Limited for cash consideration of $30.6 million including working capital adjustments.

The acquisition provides the following interests:

- a 1.66% unitized equity interest in the Nelson Field and platform;
- a 6.45% working interest in the Janice and James fields and floating production vessel and
- a 40% working interest in Block 30/23b, south east of Janice

The purchase price is assigned to the estimated fair values of the acquired assets and liabilities as follows:

Current assets	$10,921,000
Current liabilities	(6,102,000)
Property, Plant and Equipment	47,599,000
Asset Retirement Obligations	(9,384,000)
Future Income Taxes	(12,444,000)
Total	$30,590,000

The operations of the acquired enterprise are included in the Company's consolidated results commencing April 30, 2008. Current assets acquired included $8.1 million in cash resulting in a net cash consideration price in the amount of $22.5 million.

CORPORATE INFORMATION

Directors
John F. Cowan (1) (2) (3) (5)
London, Canada
W. Fraser Grant (1) (2) (3) (4) (5)
West Vancouver, Canada
William H. Smith QC
Calgary, Canada
Kevin A. F Burke, FCA (1) (2) (3) (4)
London, United Kingdom
Arthur S. Millholland, Chairman of the Board
Calgary, Canada
Brian L. Ward
Calgary, Canada
Anne Marie Cannon (1) (2)
London, United Kingdom

Auditors
Deloitte & Touche LLP
Calgary, Canada
Aberdeen, Scotland

Bankers
Royal Bank of Scotland
Aberdeen, Scotland
London, England
Canadian Western Bank
Calgary, Canada

(1) Audit Committee Member; W. Fraser Grant, Chair
(2) Health, Safety and Environment Committee Member; Anne Marie Cannon, Chair
(3) Reserves Committee Member; John Cowan, Chair
(4) Compensation Committee Member; Kevin Burke, Chair
(5) Governance Committee Member; John Cowan, Chair

Management
Arthur Millholland, PGEOL
Chairman, President and Chief Executive Officer

Brian Ward, CFA
Chief Financial Officer

William H. Smith, QC
Executive Vice President and General Counsel

Aleksandra Owad
Chief Accounting Officer

Rod Christensen
Senior Vice President Exploration & Development

David Marshall
Senior Vice President Operations

Bob Chenery
Vice President Corporate Development

Kim Galavan
Vice President, Corporate Communications

Adrian Jones
Vice President, Well Technology

Michael Coulthard
Vice President, Projects

Richard Mays
Vice President, Commercial Operations

Ken Halward
Vice President, Reservoir Engineering

Legal Counsel
McCarthy Tetrault LLP
Calgary, Canada
London, United Kingdom
Field Law LLP
Calgary, Canada

Transfer Agent and Registrar
Computershare Trust Company of Canada

Head Office
Oilexco Incorporated
Suite 3200, 715 – 5th Avenue S.W.
T2P 2X6
Calgary, Alberta, Canada
Telephone: (403) 262-5441
Facsimile: (403) 263-3251
Internet: www.oilexco.com

London Office
70 Jermyn Street
St. James, London
SW1Y 6NY

Aberdeen Office
Oilexco North Sea Limited
Balmoral House
74 Carden Place
Aberdeen, Scotland
AB10 1UL

Share Listings
The TSX Symbol: '**OIL**'
The London Stock Exchange: '**OIL**'

THIS IS EXHIBIT "J" REFERRED TO IN THE
AFFIDAVIT OF ARTHUR MILLHOLLAND
SWORN BEFORE ME THIS 4TH DAY OF FEBRUARY, 2009

Dallas Romeril

A Commissioner for Oaths
in and for the Province of Alberta

Dallas S. Romeril
Student-at-Law

Action No. 0901-

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, C. C 36, AS AMENDED;

AND IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, R.S.A 2000, C. B 9, AS AMENDED;

AND IN THE MATTER OF OILEXCO INCORPORATED and OILEXCO TECHNICAL SERVICES INCORPORATED

CONSENT TO APPOINTMENT

Ernst & Young Inc. hereby consents to being appointed Monitor pursuant to the *Companies' Creditors Arrangement Act* (Canada) of Oilexco Incorporated and Oilexco Technical Services Incorporated in the within action.

DATED this 4 day of February, 2009.

ERNST & YOUNG INC.

Per:______________________
Kevin B. Brennan

THIS IS EXHIBIT "K" REFERRED TO IN THE

AFFIDAVIT OF ARTHUR MILLHOLLAND

SWORN BEFORE ME THIS 4TH DAY OF FEBRUARY, 2009

Dallas Romeril

A Commissioner for Oaths
in and for the Province of Alberta

Dallas S. Romeril
Student-at-Law

Herbert Smith

Execution Version

15 January 2009

(1) OILEXCO INCORPORATED

and

(2) OILEXCO TECHNICAL SERVICES LIMITED

and

(3) OILEXCO NORTH SEA LIMITED (IN ADMINISTRATION)

and

(4) ROY BAILEY, ALAN ROBERT BLOOM, COLIN PETER DEMPSTER and THOMAS MERCHANT BURTON

SERVICES AGREEMENT

Herbert Smith LLP

TABLE OF CONTENTS

THIS AGREEMENT (the "**Agreement**") is made on 15 JANUARY 2009

BETWEEN:

(1) **OILEXCO INCORPORATED,** a company incorporated in Alberta, Canada, with corporate access number 20623488 ("**Oilexco Inc.**");

(2) **OILEXCO TECHNICAL SERVICES LIMITED,** a company incorporated in Alberta, Canada, with corporate access number 2013715574 ("**Oilexco Technical Services**");

(3) **OILEXCO NORTH SEA LIMITED (IN ADMINISTRATION)**, a company registered in England and Wales, company number 04453364, with its registered address at Ernst & Young LLP, One More London Place, London SE1 2AF (the "**Company**" acting by its joint administrators); and

(4) **ROY BAILEY, THOMAS MERCHANT BURTON, COLIN PETER DEMPSTER** and **ALAN ROBERT BLOOM** in their respective capacities as joint administrators of the Company (the "**Administrators**" as agent of the Company and without personal liability),

(together the "**Parties**" and each a "**Party**").

RECITALS:

A. The Administrators were appointed joint administrators of the Company on 7 January 2009 and intend to continue the process of seeking a buyer for the Company and/or its business and assets as was commenced by Oilexco Inc. prior to the administration, and concluding a sale thereof in the administration.

B. Oilexco Inc. may determine in the future that it is necessary or advisable to seek protection under the CCAA.

C. The Providers have agreed to provide the Services to the Company, subject to and on the terms of this Agreement in order to assist the Administrators in the conduct of the administration and achievement of a sale.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. INTERPRETATION

1.1 In this Agreement, the following expressions have the respective meanings set out below:

"**Accounting Services**" means the accounting services set out in the Schedule;

"**Agreement**" means this agreement, including the Schedule;

"**Bonus Payment**" means the sum of US$2 million (two million US dollars) payable by the Company under clause 7;

"**Business Day**" means a day (not being a Saturday) on which banks are open for general banking business in London, United Kingdom;

"CCAA" means the Companies' Creditors Arrangement Act, R.S.C. 1985, c.C-36 (as amended) a Canadian federal statute;

"CCAA Monitor" means a monitor to be appointed to Oilexco Inc. by the Canadian court pursuant to the CCAA;

"Companies Acts" means the Companies Act 1985 and the Companies Act 2006 to the extent in force from time to time;

"Data Room" means the data room hosted by Intralinks and all information and documents therein;

"Data Room Contract" means the contract between Oilexco Inc. and Intralinks for the provision of the Data Room and related services;

"DECC" means the UK Government Department for Energy and Climate Change;

"Employment Costs" means the cost of the salaries and employer national insurance contributions of the Service Employees located in the United Kingdom that are paid by the Company;

"Insolvent" means in relation to a Provider:

(a) the appointment of, or the application to a court for, or any other step taken under the Insolvency Act 1986 by any Person in relation to the appointment of, a liquidator, provisional liquidator, administrator, administrative receiver, or receiver; or

(b) the entering into of a scheme of arrangement or composition with or for the benefit of creditors generally; or

(c) any reorganisation, moratorium or other administration involving any creditor or any class of creditors; or

(d) the proposal or passing of a resolution to wind it up (other than in the circumstances of a solvent voluntary winding-up by or involving such party as part of a reorganisation or restructuring); or

(e) it is unable to pay its debts as and when they fall due; or

(f) the value of the Provider's assets is less than the amount of its liabilities taking into account its contingent and prospective liabilities; or

(g) it is deemed insolvent within the meaning of section 123 of the Insolvency Act 1986; or

(h) a Provider commences any steps with a view towards filing for CCAA protection or enters into any form of administration, receivership, bankruptcy or liquidation or any analogous proceedings in Canada or in any other jurisdiction.

"Intralinks" means Intralinks Incorporated having their head office at 150 East 42nd Street, New York;

"**Person**" means an individual, a corporation, a partnership, a limited liability company, a trust, an unincorporated association, a governmental entity or any agency, instrumentality or political sub division of a governmental entity, or any other entity or body;

"**Prospective Buyers**" means one or more prospective buyers of the Company and/ or its business and assets;

"**Providers**" means Oilexco Inc. and Oilexco Technical Services and "**Provider**" means any one of them;

"**Purpose**" means the completion by the Administrators of the sale of the Company and/ or the significant majority of its business and assets:

"**Regulatory Requirements**" means all obligations of the Parties to DECC and/ or any other regulator or supervisory body to which they are subject;

"**Sales Taxes**" means all VAT. Canadian goods and services tax and any other applicable taxes in whatever jurisdiction;

"**Service Charge**" means the aggregate sum of US$1.9 million (one million nine hundred thousand US dollars) per calendar month exclusive of Sales Taxes (together with any fees for professional services incurred by Oilexco Inc. and/or Oilexco Technical Services for the purposes of the provision of the Services and that have the prior written approval of the Administrators);

"**Service Employees**" means the employees of the Providers who are employed by or under contract to Oilexco Inc. or Oilexco Technical Services as at the date of this Agreement and any additional persons required to fulfil the obligations of Oilexco Inc. or Oilexco Technical Services hereunder;

"**Success Date**" means the date that the Purpose is fulfilled;

"**Service Term**" means the period from the date of this Agreement until the Success Date;

"**Services**" means the Accounting Services, sales support, daily operations and such other services and assistance as may be required to fulfil the Purpose, including, but not limited to, the assistance specified in Part 2 of Schedule; and

"**VAT**" means value added tax payable under the Value Added Tax Act 1994.

1.2 In this Agreement, unless the context requires otherwise:

1.2.1 the Clause and Schedule headings are inserted for convenience only and do not affect its interpretation;

1.2.2 the Schedule form part of this Agreement and have the same force and effect as if expressly set out in the body of this Agreement (except where there is any inconsistency between the body of this Agreement and the Schedule, in which case the body of this Agreement shall prevail) and any reference to this Agreement shall include the Schedule;

1.2.3 a reference to a Clause or Schedule is a reference to a Clause of, or Schedule to, this Agreement;

1.2.4 a reference to this Agreement or another instrument includes any variation or replacement of either of them;

1.2.5 words and expressions defined in the Companies Acts have the same meaning as in those Acts;

1.2.6 a reference to a statute or statutory provision means a United Kingdom statute or statutory provision unless otherwise specified;

1.2.7 a reference to a statute or statutory provision includes a reference:

(A) to that statute or provision as from time to time consolidated, modified, re-enacted or replaced by any statute or statutory provision;

(B) to any repealed statute or statutory provision which it re-enacts (with or without modification); and

(C) to any subordinate legislation made under it;

1.2.8 words in the singular include the plural, and vice versa;

1.2.9 a reference to a Person includes a reference to his executors, administrators, successors (including, but not limited to, persons taking by novation) and assigns;

1.2.10 if a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;

1.2.11 references to any English legal term for any action, remedy, method or judicial proceeding, legal document, legal status, court, official or any legal concept or thing in respect of any jurisdiction other than England is deemed to include what most nearly approximates in that jurisdiction to the English legal term; and

1.2.12 references to writing includes any method of reproducing words in a legible and non-transitory form.

2. PROVISION OF SERVICES

2.1 In consideration of the payment by the Company of the Service Charge, the Providers shall provide the Services exclusively to the Company during the Service Term in accordance with the terms and conditions of this Agreement (except that some Accounting Services will not be provided exclusively as they will also be useful for Oilexco Inc. in its own financial reporting).

2.2 The Parties agree that the services contract between Oilexco Technical Services and the Company shall terminate on the date of this Agreement.

2.3 Oilexco Inc. shall ensure that Oilexco Technical Services is at all times adequately funded to perform its obligations under this Agreement.

2.4 The covenants, agreements, obligations and liabilities of each of the Providers contained in this Agreement or implied on their part are joint and several as between the Providers and shall be construed accordingly.

3. PROVIDERS' OBLIGATIONS

3.1 The Providers will use reasonable commercial efforts to ensure that it will at all times continue to employ or otherwise retain the services of the Service Employees.

3.2 The Providers will provide the Services in good faith and with reasonable skill and care and to the best of their abilities at no less than the same level, scope and standard as that to which the Providers provided services to the Company prior to its administration.

3.3 The Providers will pay all amounts as may be required to ensure compliance with all contracts and arrangements relevant to or as may be required in connection with their obligations hereunder and shall not terminate the Data Room Contract without the prior written agreement of the Company.

3.4 The Providers shall comply with all applicable laws and Regulatory Requirements in performing and delivering the Services pursuant to this Agreement.

4. SERVICE CHARGE

4.1 Subject to the terms and conditions of this Agreement, the Company shall pay to Oilexco Inc. the Service Charge (less Employment Costs) monthly in arrears on the first Business Day of each calendar month.

4.2 Notwithstanding Clause 4.1 the first payment of **$1,532,258** exclusive of Sales Taxes shall be paid on 1 February 2009

4.3 Oilexco Inc. shall invoice the Company five Business Days prior of the end of each month for Services provided in that calendar month. Notwithstanding anything in this Agreement the Company shall not be obliged to pay any Service Charge until five Business Days after the Company has received an invoice for that payment.

4.4 If there is a dispute as to whether a Provider (the "**Dispute Provider**") has provided the Services under this Agreement the following provisions shall apply:

4.4.1 the Dispute Provider or the Company may, on giving not less than one Business Day's notice (the "**Dispute Notice**") to the other, refer the determination of such dispute to a chartered accountant nominated jointly by the Dispute Provider and the Company or, in default of any agreed nomination within that one Business Day period, by the President, for the time being, of the Institute of Chartered Accountants of England and Wales (the "**Accountant**")

4.4.2 the Company shall be entitled to withhold payment of the Service Charge from the date of the Dispute Notice until the date of the Accountant's determination;

4.4.3 the Accountant shall act as expert and not arbitrator, notwithstanding that, the Parties agree that when determining the amount of Service Charge and Bonus to be paid the Accountant may not award an amount greater than the amount of Service Charge for the dispute period or the Bonus.

4.4.4 the Accountant shall, in his sole discretion, consider such matters as he thinks fit (including the oral and written representations of the Parties, which representations shall be made within 3 Business Days of the appointment of the Accountant and which shall be copied to the other Party) in making his determination and, in particular, may rely on evidence supplied by one Party in the absence of evidence to the contrary from another Party;

4.4.5 if the Accountant determines that the Services have not been provided or that not all the Services have been provided and that consequently this Agreement should terminate the Accountant shall also determine (i) the amount of Service Charge that should be paid by the Company for the period in dispute and (ii) what proportion (if any) of the Bonus should be paid by the Company;

4.4.6 the Accountant shall produce his decision no later than five Business Days after the date of his appointment and the decision of the Accountant shall be final and binding on the Parties. If the Accountant does not produce his decision within five Business Days the Parties may terminate the appointment and appoint a new expert in accordance with the provisions of Clause 4.1; and

4.4.7 the costs of the Accountant shall be borne equally by the Dispute Provider and the Company, unless the Accountant determines, in the light of the conduct of the Parties, that either the Dispute Provider or the Company should bear a greater proportion of such costs.

5. SERVICE CHARGE PAYMENT

Payments of the Service Charge shall be made to Oilexco Inc. on behalf of the Providers in US dollars by direct bank transfer or other form of transfer agreed between the Parties from time to time.

6. INFORMATION AND COOPERATION

The Company undertakes to provide all information that may be reasonably required by Oilexco Inc. and Oilexco Technical Services timeously and to cooperate with the Service Employees to enable the Providers to provide the Services.

7. **BONUS PAYMENT**

7.1 Subject to the terms and conditions of this Agreement, the Company shall pay the Bonus Payment to Oilexco Inc. at the earliest possible date after the Success Date, which date shall be no later than the date five Business Days after the Success Date. On the date that the Company pays the Bonus to Oilexco Inc. it shall also pay to Oilexco Inc. a proportion of the Service Charge less the Employment Costs (which proportion shall be calculated by multiplying the number of days from and including the first day of the calendar month to but not including the Success Date by the Service Charge and dividing that amount by the number of days in that calendar month).

7.2 No Bonus Payment shall be payable if this Agreement is terminated prior to the Success Date (except as determined by the Accountant in accordance with Clause 4.4).

8. **EMPLOYEES**

8.1 The Company undertakes to pay the Employment Costs of the Service Employees located in the United Kingdom during the Service Term provided always that the Company continues to employ staff to carry out this function.

8.2 The Parties agree that any employee of the Providers (including for the avoidance of doubt the Service Employees) used by or appointed or seconded to the Company to fulfil the obligations of the Providers under this Agreement is, and shall for all purposes remain, the employee of the relevant Provider and that it is not intended that the contracts of employment of any such Persons shall transfer to the Company or any other Person including but not limited to the CCAA Monitor, on termination or expiry of this Agreement or otherwise. In furtherance of this provision, it is specifically acknowledged that such employees shall and remain at all times the employees of the Providers, and that neither the CCAA Monitor nor the Administrators, shall exercise or be deemed to exercise any management control or supervision of the employees, the Providers or otherwise, by fulfilling their obligations hereunder, or by inadvertence in relation to the due exercise of powers or performance of duties set out herein. For greater certainty, neither the CCAA Monitor nor the Administrators shall have any liability whatsoever to the employees under the Employment Standards Code (Alberta), the Labour Relations Code (Alberta) or any other similar federal or provincial legislation of Canada.

9. **EXCLUSION OF LIABILITY AND ACKNOWLEDGEMENTS**

9.1 Notwithstanding that this Agreement shall have been signed by the Administrators both in their capacities as joint administrators of the Company for and on behalf of the Company and in their personal capacities, it is hereby expressly agreed and declared that no personal liability under or in connection with this Agreement shall fall on the Administrators or their firm, partners, employees, agents, advisers or representatives whether such liability would arise under paragraph 99(4) of Schedule B1 to the Insolvency Act 1986 or otherwise howsoever.

9.2 The Administrators are party to this Agreement in their personal capacities only for the purpose of receiving the benefit of this Clause 9 and the exclusions and limitations in their favour contained in this Agreement. The Providers acknowledge and agree that in the negotiation and completion of this Agreement the Administrators are acting only as agents for and on behalf of the Company and without any personal liability whatsoever.

10. DURATION AND TERMINATION

10.1 This Agreement shall commence on the date of this Agreement, subject to earlier termination under Clause 4, shall expire at 23.59 London time on the Success Date.

10.2 This Agreement, unless terminated earlier, shall terminate on 23.59 London time on 30 April 2009, unless prior to that date the Parties have agreed in writing that this Agreement shall continue.

10.3 Notwithstanding Clauses 10.1 and 10.2 the Parties agree that Clauses 4 and 7 shall remain in full force and effect until the payments due under those Clauses are paid and any reference to the Accountant has been determined.

10.4 For the avoidance of doubt, this Agreement shall not terminate solely by reason of the Providers (or either of them) becoming Insolvent.

11. CONFIDENTIAL INFORMATION

The terms of this Agreement shall not be disclosed by either Party to any third party, except to each Party's professional advisers, officers, agents or representatives (including the officers and representatives of the Administrators) (except to the Company's funders) or to the extent required by law or regulation. For the avoidance of doubt, the Administrators. Oilexco Inc. and Oilexco Technical Services shall be at liberty to disclose the terms of this Agreement to any court, CCAA Monitor or to any liquidator and show appropriate figures in their administration records, accounts and returns.

12. COMPLIANCE WITH LAWS

12.1 Each Party shall:

12.1.1 comply in all material respects with all applicable laws in connection with the performance of its obligations under this Agreement;

12.1.2 obtain and maintain in force all licenses, consents, permits and approvals of any governmental authorities that are necessary in connection with the performance of its obligations under this Agreement; and

12.1.3 consult with each other and cooperate as appropriate and provide assistance and documentation to ensure that all Regulatory Requirements are fulfilled in a timely manner.

13. ASSIGNMENT

None of the Parties may, nor may they purport to, assign, transfer, charge or otherwise dispose of all or any of their rights and/or all of their obligations under this Agreement.

14. NOTICES

14.1 A notice (including any approval, consent or other communication) in connection with this Agreement and the documents referred to in it:

14.1.1 must be in writing;

14.1.2 must be sent by facsimile to the facsimile number of the addressee, in each case which is specified in this clause in relation to the Party to whom the notice is addressed, and marked for the attention of the person so specified, or to such other facsimile number and/or marked for the attention of such other person, as the relevant Party may from time to time specify by notice given in accordance with this Clause.

The relevant details of each Party at the date of this Agreement are:

Oilexco Inc.
Facsimile: + 14032633251
Attention: W. H. Smith Q.C.

Oilexco Technical Services
Facsimile: + 14032633251
Attention: W. H. Smith Q.C.

Company
Facsimile: +44 20 7951 1345
Attention: Roy Bailey/ Kevin Haywood

Administrators
Facsimile: +44 20 7951 1345
Attention: Roy Bailey/ Kevin Haywood

14.1.3 for the avoidance of doubt, must not be sent by electronic mail.

14.2 In the absence of evidence of earlier receipt, any notice shall take effect from the time that it is deemed to be received in accordance with Clause 14.3 below.

14.3 Subject to Clause 14.4 below, a notice is deemed to be received on production of a transmission report from the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the facsimile number of the Party or Parties.

14.4 A notice received or deemed to be received in accordance with Clause 14.3 above on a day which is not a Business Day or after 5p.m. on any Business Day, according to local time in the place of receipt, shall be deemed to be received on the following Business Day.

15. LEGAL RELATIONSHIP

Nothing in this Agreement is deemed to constitute a partnership between the Parties nor constitute any Party as the agent, trustee or fiduciary of any other Party for any purpose.

16. COSTS

Unless otherwise expressly provided in this Agreement, each Party shall pay its own costs incurred in connection with the negotiation and preparation of this Agreement.

17. ENTIRE AGREEMENT

17.1 Each of the Parties to this Agreement confirms that this Agreement represents the entire understanding, and constitutes the whole agreement, in relation to its subject matter and supersedes any previous agreement between the Parties with respect thereto and, without prejudice to the generality of the foregoing, excludes any warranty, condition or other undertaking implied at law or by custom, usage or course of dealing.

17.2 Each Party confirms that:

17.2.1 in entering into this Agreement it has not relied on any representation, warranty, assurance, covenant, indemnity, undertaking or commitment which is not expressly set out or referred to in this Agreement; and

17.2.2 in any event, without prejudice to any liability for fraudulent misrepresentation or fraudulent misstatement, the only rights or remedies in relation to any representation, warranty, assurance, covenant, indemnity, undertaking or commitment given or action taken in connection with this Agreement are those pursuant to this Agreement, and for the avoidance of doubt and without limitation, no Party has any other right or remedy (whether by way of a claim for contribution or otherwise) in tort (including negligence) or for misrepresentation (whether negligent or otherwise, and whether made prior to, and/or in this Agreement).

18. VARIATIONS

18.1 No amendment to this Agreement shall be valid unless it is in writing and signed by or on behalf of each Party.

18.2 Unless expressly agreed, no amendment shall constitute a general waiver of any provisions of this Agreement, nor shall it affect any rights, obligations or liabilities under this Agreement that have already accrued up to the date of amendment, and the rights and obligations of the parties under or pursuant to this Agreement shall remain in full force and effect, except and only to the extent that they are so amended.

19. SEVERANCE

In the event that any provision of this Agreement shall be void or unenforceable by reason of any provision of applicable law, it shall be deleted and the remaining provisions hereof shall continue in full force and effect and if necessary, be so amended as shall be necessary to give effect to the Parties' original commercial intention so far as possible.

20. WAIVERS

Waivers of any rights or remedies under this Agreement may only be given in writing. No failure or delay by either Party in exercising any right or remedy provided by law or under this Agreement shall impair the right or remedy or operate or be construed as a waiver of or variation to it or preclude its exercise at any subsequent time and no single or partial exercise of any right or remedy shall preclude any further exercise of it or the exercise of any other right or remedy.

21. REMEDIES CUMULATIVE

The rights and remedies of each Party under this Agreement are cumulative, may be exercised as often as a Party considers appropriate and are in addition to its rights and remedies under general law.

22. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A Person who is not a Party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms other than the firm, partners, employees, agents, advisers and/or representatives of the Administrators.

23. FURTHER ASSURANCE

23.1 Each Party shall do or procure to be done all further acts and things, and execute or procure the execution of all other documents, as the other Parties reasonably request, that:

23.1.1 may from time to time be reasonably required for the purpose of providing, or procuring the provision of, the Services; or

23.1.2 otherwise are necessary to implement and give effect to this Agreement.

23.2 Unless otherwise agreed, each Party shall bear its own costs in complying with Clause 23.1.

24. COUNTERPARTS

This Agreement may be executed in any number of separate counterparts, each of which is an original but all of which taken together shall constitute one and the same instrument.

25. GOVERNING LAW AND JURISDICTION

25.1 This Agreement and any dispute arising under or in connection with its subject matter shall be construed in accordance with, and governed by, English law.

25.2 Each Party irrevocably agrees that the Courts of England shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning this Agreement and any matter arising therefrom.

IN WITNESS whereof this Agreement has been entered into the day and year first above written.

SIGNED for and on behalf of **OILEXCO INCORPORATED**	)))	Signature: Name: William H. Smith QC Executive Vice President Oilexco Incorporated
SIGNED for and on behalf of **OILEXCO TECHNICAL SERVICES LIMITED**	))))	Signature: Name: Director
SIGNED for and on behalf of **OILEXCO NORTH SEA LIMITED (IN ADMINISTRATION)** by one of its joint administrators (acting as agent for Oilexco North Sea Limited (in administration) without personal liability)	))))))))	Signature: ______________ Name: ______________
SIGNED for and on behalf of the **JOINT ADMINISTRATORS** of Oilexco North Sea Limited (in administration) without personal liability	))))))	Signature: ______________ Name: ______________

SIGNED for and on behalf of **OILEXCO INCORPORATED**	)))	Signature:________ Name:________
SIGNED for and on behalf of **OILEXCO TECHNICAL SERVICES LIMITED**	))))	Signature:________ Name:________
SIGNED for and on behalf of **OILEXCO NORTH SEA LIMITED (IN ADMINISTRATION)** by one of its joint administrators (acting as agent for Oilexco North Sea Limited (in administration) without personal liability)	))))))))	Signature:________ Name: Roy Bailey
SIGNED for and on behalf of the **JOINT ADMINISTRATORS** of Oilexco North Sea Limited (in administration) without personal liability	))))))	Signature:________ Name: Roy Bailey

SCHEDULE

Part 1 – Accounting Services for both Oilexco North Sea Limited and Oilexco N. S. Exploration Limited

1 Continuity with book keeping in respect to Oilexco N. S. Exploration Limited

Completion of the accounting and booking functions with respect to the Company up to and inclusive of 6 January 2009

2 Joint venture accounting services (including preparing information pertaining to all requests from the JV Partners)

3 Reconciliation of bank accounts

Accounts payable administration services

Accounts receivable administration services

Administration and booking as related to the bank loan balances

Preparation of all filings and requirements of the insurance providers

Payroll services for Oilexco Inc. and Oilexco Technical Services, excluding in respect of the Oilexco Inc. London office (which services are provided by the Company)

Preparation of all applicable governmental filings, including but not limited to VAT returns, GST returns, WSIB filings, income tax returns and petroleum revenue tax (prepared by Deloitte & Touche on the information provided by Oilexco Inc.)

Preparation of monthly financial statements (balance sheet and income statement) within 10 business days following the end of each calendar month (assumes the existing 25 day of the month cutoff and timely receipt of information from the Company acknowledged by the Parties that these financial statements will be compliant with Generally Accepted Accounting Principles for the United Kingdom, excepting that depletion, the ceiling test, accruals, foreign exchange gains and losses and certain other accounting estimates will only be made following each applicable calendar quarter end)

Preparation of quarterly financial statements (balance sheet and income statement,) in accordance with Generally Accepted Accounting Principles for the United Kingdom.

Part 2 - Assistance

1 General cooperation and assistance in fulfilling the Purpose including:-

Providing to all Prospective Buyers reasonable access during normal working hours to the employees of the Providers with the requisite skill and expertise;

Management meeting and presentations where requested by Prospective Buyers;

Technical presentations; and

Coordination of third party contractors and consultants.

2 Data Room:

Adding to the Data Room any additional documents that may be relevant to Prospective Buyers;

Ensuring that all Prospective Buyers have access to the Data Room and providing assistance where necessary in their use of the Data Room; and

Complying with any requests from Intralinks in relation to the Data Room.

3 Operational Assistance

Operational assistance in relation to Joint Operating Agreements (such assistance being whatever the Administrators require (acting reasonably) in particular in relation to the Huntington Field).

All assistance required to carry out the safe and efficient operation of the Brenda/Nicol/Balmoral Hub, the Shelly Hub, the Huntington Hub and the Scott Hub, in furtherance of this provision, the Providers shall maintain the employ of individuals technically qualified to carry out, inter alia, the following services:

Geological services
Geophysicist services
Petrophysicist services
Geotechnical modelling services including without limitation using the eclipse models to measure reserves
Petro physical technological services
Reservoir development engineering services
Business development (contract) services.

4 Such other services as may reasonably be required by the Company and / or the Administrators.

THIS IS EXHIBIT "L" REFERRED TO IN THE
AFFIDAVIT OF ARTHUR MILLHOLLAND
SWORN BEFORE ME THIS 4TH DAY OF FEBRUARY, 2009

Dallas Romeril

A Commissioner for Oaths
in and for the Province of Alberta

Dallas S. Romeril
Student-at-Law

Oilexco Incorporated and Oilexco Technical Services
(Including London)

Cash Flow Forecast
As at February 4, 2009

	Feb. 09 CAD	March 09 CAD	April 09 CAD	Feb - April 2009 CAD
Opening Cash in Bank - February 4th/beginning of the month	**9,789,849**	**7,619,555**	**7,497,361**	**9,789,849**
Expected Cash Inflows:				
Fixed Service Fee from ONSL in Administration (as per agreement dated January 15, 2009; Jan payment already received)	-	2,280,000	2,280,000	4,560,000
Bonus payment (as per agreement dated January 15, 2009)	-	-	2,400,000	2,400,000
Other inflow (mainly estimated GST recovery)	82,000	30,000	20,000	132,000
Total Cash Inflow	**82,000**	**2,310,000**	**4,700,000**	**7,092,000**
Expected Cash Outflows:				
Salaries and related costs	938,459	827,581	1,298,831	3,064,871
Consulting Services	251,502	101,180	85,180	437,862
Office Rent, Supplies and related	38,705	294,024	150,817	483,546
Professional Services	203,400	124,800	240,500	568,700
Sales Related Professional Services	525,000	609,300	450,000	1,584,300
Travel	61,000	227,200	227,200	515,400
Other Head Office costs	29,474	27,000	30,874	87,349
10% Contingency	204,754	221,109	248,340	674,203
Total Cash Outflow	**2,252,295**	**2,432,194**	**2,731,743**	**7,416,231**
Closing Cash in Bank - end of the month	**7,619,555**	**7,497,361**	**9,465,618**	**9,465,618**

Notes:

FX rates used: 1.20 CAD/USD
2.00 CAD/GBP

THIS IS EXHIBIT "M" REFERRED TO IN THE
AFFIDAVIT OF ARTHUR MILLHOLLAND
SWORN BEFORE ME THIS 4TH DAY OF FEBRUARY, 2009

Dallas Romeril

A Commissioner for Oaths
in and for the Province of Alberta

Dallas S. Romeril
Student-at-Law

Alberta

Personal Property Registry
Search Results Report

Search ID#: Z00891633

Transmitting Party
MCCARTHY TETRAULT LLP

3300 421 7 AVE SW
CALGARY, AB T2P 4K9

Party Code: 50087121
Phone #: 403 260 3500
Reference #: 137410-157194

Search ID #: Z00891633 **Date of Search:** 2009-Feb-03 **Time of Search:** 16:05:00

Business Debtor Search For:

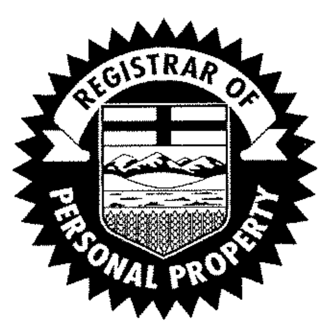
OILEXCO TECHNICAL SERVICES INC.

No Result(s) Found

NOTE:

A complete Search may result in a Report of Exact and Inexact Matches.
Be sure to read the reports carefully.

Result Complete



Alberta

Personal Property Registry
Search Results Report

Search ID#: Z00891629

Transmitting Party
MCCARTHY TETRAULT LLP

3300 421 7 AVE SW
CALGARY, AB T2P 4K9

Party Code: 50087121
Phone #: 403 260 3500
Reference #: 137410-157194

Search ID #: Z00891629 **Date of Search:** 2009-Feb-03 **Time of Search:** 16:04:05

Business Debtor Search For:

OILEXCO INCORPORATED

Exact Result(s) Only Found

NOTE:

A complete Search may result in a Report of Exact and Inexact Matches.
Be sure to read the reports carefully.

Business Debtor Search For:

OILEXCO INCORPORATED

Search ID #: Z00891629 **Date of Search:** 2009-Feb-03 **Time of Search:** 16:04:05

Registration Number: 06011301600 Registration Type: SECURITY AGREEMENT
Registration Date: 2006-Jan-13 Registration Status: Current
Expiry Date: 2012-Jan-13 23:59:59

Exact Match on: Debtor No: 1

Amendments to Registration

06012310964	Renewal	2006-Jan-23
08121323798	Amendment	2008-Dec-13

Debtor(s)

Block		Status
1	OILEXCO INCORPORATED SUITE 3200, 715 - 5TH AVENUE S.W. CALGARY, AB T2P 2X6	Current

Secured Party / Parties

Block		Status
1	THE ROYAL BANK OF SCOTLAND PLC, PROJECT FINANCE 135 BISHOPSGATE LONDON, XX EC2M 3UR	Current

Collateral: General

Block	Description	Status
1	ALL THE PRESENT AND FUTURE SHARES IN THE SHARE CAPITAL	Current
2	OF OILEXCO NORTH SEA LIMITED (REGISTERED IN ENGLAND	Current
3	AND WALES NUMBER 4453364), AND ALL PRESENT	Current
4	AND FUTURE DIVIDENDS AND DISTRIBUTIONS OF ANY	Current
5	KIND AND ANY OTHER SUM RECEIVED OR RECEIVABLE IN	Current

6	RESPECT OF SUCH SHARES; RIGHTS, SHARES, MONEY	Current
7	OR OTHER ASSETS ACCRUING OR OFFERED AT ANY TIME	Current
8	BY WAY OF REDEMPTION, SUBSTITUTION, EXCHANGE, BONUS	Current
9	OR PREFERENCE UNDER OPTION RIGHTS OR OTHERWISE IN RESPECT	Current
10	OF SUCH SHARES; ALLOTMENTS, OFFERS AND RIGHTS	Current
11	ACCRUING OR OFFERED AT ANY TIME IN RESPECT OF	Current
12	SUCH SHARES; AND ALL OTHER RIGHTS AND ASSETS	Current
13	AT ANY TIME ATTACHING TO, DERIVING FROM OR	Current
14	EXERCISABLE BY VIRTUE OF THE OWNERSHIP OF SUCH	Current
15	SHARES.	Current
16	PROCEEDS: ACCOUNTS, CHATTEL PAPER, MONEY, INTANGIBLES, GOODS, DOCUMENTS OF TITLE, INSTRUMENTS AND INVESTMENT PROPERTY (ALL AS DEFINED IN THE ALBERTA PERSONAL PROPERTY SECURITY ACT), AND INSURANCE PROCEEDS.	Current By 08121323798

Particulars

Block	Additional Information	Status
1	THE FULL COMPLETE ADDRESS OF SECURED PARTY 0001 IS: THE ROYAL BANK OF SCOTLAND PLC, PROJECT FINANCE 135 BISHOPSGATE, LONDON, ENGLAND EC2M 3UR	Current

Alberta

Personal Property Registry
Search Results Report

Search ID#: Z00891629

Business Debtor Search For:

OILEXCO INCORPORATED

Search ID #: Z00891629 **Date of Search:** 2009-Feb-03 **Time of Search:** 16:04:05

Registration Number: 07021615435 Registration Type: SECURITY AGREEMENT

Registration Date: 2007-Feb-16 Registration Status: Current

Expiry Date: 2013-Feb-16 23:59:59

Exact Match on: Debtor No: 1

Amendments to Registration

08121323786	Amendment	2008-Dec-13

Debtor(s)

Block		Status
1	OILEXCO INCORPORATED SUITE 3200, 715-5TH AVENUE S.W. CALGARY, AB T2P 2X6	Current

Secured Party / Parties

Block		Status
1	THE ROYAL BANK OF SCOTLAND PLC, PROJECT FINANCE 135 BISHOPSGATE LONDON, XX EC2M 3UR	Current

Collateral: General

Block	Description	Status
1	ALL THE PRESENT AND FUTURE SHARES IN THE SHARE CAPITAL OF	Current
2	OILEXCO NORTH SEA LIMITED (REGISTERED IN ENGLAND AND WALES	Current
3	NUMBER 4453364), AND ALL PRESENT AND FUTURE DIVIDENDS	Current
4	AND DISTRIBUTIONS OF ANY KIND AND ANY OTHER SUM RECEIVED	Current
5	OR RECEIVABLE IN RESPECT OF SUCH SHARES; RIGHTS, SHARES,	Current
6	MONEY OR OTHER ASSETS ACCRUING OR OFFERED AT ANY TIME BY	Current

7	WAY OF REDEMPTION, SUBSTITUTION, EXCHANGE, BONUS OR	Current
8	PREFERENCE UNDER OPTION RIGHTS OR OTHERWISE IN RESPECT OF	Current
9	SUCH SHARES; ALLOTMENTS, OFFERS AND RIGHTS ACCRUING OR	Current
10	OFFERED AT ANY TIME IN RESPECT OF SUCH SHARES; AND ALL	Current
11	OTHER RIGHTS AND ASSETS AT ANY TIME ATTACHING TO, DERIVING	Current
12	FROM OR EXERCISABLE BY VIRTURE OF THE OWERSHIP OF SUCH	Current
13	SHARES.	Current
14	PROCEEDS: ACCOUNTS, CHATTEL PAPER, MONEY, INTANGIBLES, GOODS, DOCUMENTS OF TITLE, INSTRUMENTS AND INVESTMENT PROPERTY (ALL AS DEFINED IN THE ALBERTA PERSONAL PROPERTY SECURITY ACT), AND INSURANCE PROCEEDS.	Current By 08121323786

Particulars

Block	Additional Information	Status
1	THE SECURED PARTY IS ACTING AS SECURITY TRUSTEE FOR THE FINANCE PARTIES UNDER (AND AS DEFINED IN) A CHARGE OVER SHARES, AS AMENDED, SUPPLEMENTED, RESTATED OR VARIED FROM TIME TO TIME.	Current

Business Debtor Search For:

OILEXCO INCORPORATED

Search ID #: Z00891629 **Date of Search:** 2009-Feb-03 **Time of Search:** 16:04:05

Registration Number: 07102913261 Registration Type: SECURITY AGREEMENT

Registration Date: 2007-Oct-29 Registration Status: Current

Expiry Date: 2012-Oct-29 23:59:59

Exact Match on: Debtor No: 1

Amendments to Registration

08092608553	Amendment	2008-Sep-26

Debtor(s)

Block		Status
1	OILEXCO INCORPORATED 3200, 715 - 5 AVENUE SW CALGARY, AB T2P 2X6	Current

Secured Party / Parties

Block		Status
1	CANADIAN WESTERN BANK 606 4 STREET S.W. CALGARY, AB T2P 1T1	Current

Collateral: General

Block	Description	Status
1	THE ENTIRE RIGHT, TITLE, CLAIM AND INTEREST OF THE DEBTOR IN	Deleted By 08092608553
2	AND TO ALL MONIES OWING AND PAYABLE OR HEREAFTER OWING AND	Deleted By 08092608553
3	PAYABLE TO THE DEBTOR PURSUANT TO THE TERMS OF THE INSTRUMENT,	Deleted By 08092608553
4	OR INSTRUMENTS, INCLUDING ALL RENEWALS, REPLACEMENTS AND	Deleted By 08092608553

5	SUBSTITUTIONS DESCRIBED AS ASSIGNMENT OF BANK INSTRUMENT DATED	Deleted By 08092608553
6	OCTOBER 26, 2007, IN THE AMUNT OF $90,000 COVERING GIC #	Deleted By 08092608553
7	4573884, T-123, AND ALL PROCEEDS THEREOF.	Deleted By 08092608553
8	The entire right, title, claim and interest of the Debtor in and to all monies owing and payable or hereafter owing and payable to the Debtor pursuant to the terms of the instrument, or instruments, including all renewals, replacements and substitutions described as Assignment of Bank Instrument dated September 10, 2008, in the amount of C$630,000 covering GICs 4573804, T-94, and T-123, and T-148, and all proceeds thereof.	Current By 08092608553

Business Debtor Search For:

OILEXCO INCORPORATED

Search ID #: Z00891629 **Date of Search:** 2009-Feb-03 **Time of Search:** 16:04:05

Registration Number: 08121323777 Registration Type: SECURITY AGREEMENT

Registration Date: 2008-Dec-13 Registration Status: Current

Expiry Date: 2015-Dec-13 23:59:59

Exact Match on: Debtor No: 1

Amendments to Registration

08121527716	Amendment	2008-Dec-15

Debtor(s)

Block		Status
1	OILEXCO INCORPORATED SUITE 3200, 715 - 5TH AVENUE SW CALGARY, AB T2P 2X6	Current

Secured Party / Parties

Block		Status
1	THE ROYAL BANK OF SCOTLAND PLC, PROJECT FINANCE 135 BISHOPSGATE LONDON, XX EC2M 3UR	Deleted by 08121527716

Block		Status
2	THE ROYAL BANK OF SCOTLAND PLC 135 BISHOPSGATE LONDON, XX EC2M 3UR	Current by 08121527716

Collateral: General

Block	Description	Status

1	ALL THE PRESENT AND FUTURE SHARES IN THE SHARE CAPITAL OF OILEXCO NORTH SEA LIMITED (REGISTERED IN ENGLAND AND WALES WITH COMPANY NUMBER 4453364), AND ALL PRESENT AND FUTURE DIVIDENDS AND DISTRIBUTIONS OF ANY KIND AND ANY OTHER SUM RECEIVED OR RECEIVABLE IN RESPECT OF SUCH SHARES; RIGHTS, SHARES, MONEY OR OTHER ASSETS ACCRUING OR OFFERED AT ANY TIME BY WAY OF REDEMPTION, SUBSTITUTION, EXCHANGE, BONUS OR PREFERENCE UNDER OPTION RIGHTS OR OTHERWISE IN RESPECT OF SUCH SHARES; ALLOTMENTS, OFFERS AND RIGHTS ACCRUING OR OFFERED AT ANY TIME IN RESPECT OF SUCH SHARES; AND ALL OTHER RIGHTS AND ASSETS AT ANY TIME ATTACHING TO, DERIVING FROM OR EXERCISABLE BY VIRTUE OF THE OWNERSHIP OF SUCH SHARES. PROCEEDS: ACCOUNTS, CHATTEL PAPER, MONEY, INTANGIBLES, GOODS, DOCUMENTS OF TITLE, INSTRUMENTS AND INVESTMENT PROPERTY (ALL AS DEFINED IN THE ALBERTA PERSONAL PROPERTY SECURITY ACT), AND INSURANCE PROCEEDS.	Current

Particulars

Block	Additional Information	Status
1	THE FULL COMPLETE ADDRESS OF SECURED PARTY 0001 IS: THE ROYAL BANK OF SCOTLAND PLC PROJECT FINANCE 135 BISHOPSGATE LONDON, ENGLAND EC2M 3UR	Deleted By 08121527716

Block	Additional Information	Status
2	THE FULL COMPLETE ADDRESS OF SECURED PARTY 0002 IS: THE ROYAL BANK OF SCOTLAND PLC PROJECT FINANCE 135 BISHOPSGATE LONDON, ENGLAND EC2M 3UR	Current By 08121527716

Result Complete