



## North Peace Energy Announces 2007 Capital Budget, Plans for Initial Pilot Project and First Quarter 2007 Results

**Calgary, Alberta, May 29, 2007** North Peace Energy Corp. ("North Peace" or the "Company") announces operating and financial results for the three months ended March 31, 2007 and provides details of its 2007 capital budget.

Highlights of North Peace's first quarter activities include:

- ◆ Drilled two additional wells on the Company's land holdings at a cost of \$868,000 as at March 31, 2007;
- ◆ Achieved cash and cash equivalents of \$4.9 million as at March 31, 2007 and no debt. Subsequent to March 31, 2007 purchase warrants were exercised for net proceeds of \$5.1 million, for current cash and cash equivalents of approximately \$9.3 million; and
- ◆ Initiated our public listing – North Peace began trading under the symbol "NPE" on the TSX – Venture Exchange on February 21, 2007.

North Peace has completed geological work on its land base and has identified Block B (South) as the focus area for initial capital development. The following summarizes the resource characteristics in Block B (South):

- ◆ 28,800 gross acres (20,160 net acres)
- ◆ Estimated discovered bitumen-in-place resource of 1.0 to 1.6 billion barrels
- ◆ 10 to 16 metres of oil bearing thickness
- ◆ Oil gravity averages 9.8° API
- ◆ Porosity averages 31%
- ◆ Oil saturation averages 60%

As a result of the geological work, North Peace has advanced modeling on the economics of a commercial thermal project in the Block and the effects of steam on the reservoir. Using this modeling and comparable data from existing, producing thermal projects, North Peace has determined that a Cyclic Steam Stimulation ("CSS") thermal recovery method would be best suited to the resource.

The Board of Directors has approved an \$8 million 2007 capital budget to advance the development of Block B (South). Anticipating positive results from this 2007 capital development, North Peace has started preliminary scoping work on construction of a two well CSS pilot project. Full construction on the pilot project is expected to commence in the fall of 2008, pending approval by the board of directors and other regulatory approvals. Estimated drilling and facility costs of a CSS pilot project are in the range of \$15 to \$20 million.

The highlights of the capital budget are as follows:

### 2007 Approved Development Plan

- ◆ Re-entry into existing wells and lab tests specifically related to a CSS project.
- ◆ Five to ten well delineation program to further characterize the resource and determine the ideal location for a pilot project.
- ◆ Additional exploration and delineation wells on other Blocks where current information is not available or limited.

#### 2008 Contingent Development Plan

- ◆ Drill two CSS capable horizontal wells placed at the locations determined from the 2007 delineation work.
- ◆ Begin construction on the facilities for the CSS pilot project, with the first steam cycle expected late 2008 or early 2009.
- ◆ Continue delineation over the Company's land holdings to further define the area of interest for a larger scale commercial CSS project.

The Company intends to fund their 70% share of the 2007 capital budget with existing working capital and will explore various alternatives to fund the 2008 capital requirements.

North Peace's President and CEO, Louis Dufresne, commented "North Peace has now completed its first quarter as a publicly traded company and is off to a positive start. The Company has a strong balance sheet with over nine million dollars of cash and no debt. This capital will permit continued progress to commercial exploitation of the significant resource in Block B (South). We are most pleased that we are able to advance the development of a CSS pilot project so rapidly, mainly due to the pre-existing well control and oil & gas production infrastructure already in-place in the Red Earth area. Proving up of the resource with a pilot project, and ultimately a commercial facility, are instrumental to unlocking shareholder value."

**Discovered Resources**, in accordance with Canadian Oil and Gas Evaluation Handbook ("COGEH"), are those quantities of oil and gas estimated on a given date to be remaining in, plus those quantities already produced from, known accumulations. Discovered resources are divided into economic and uneconomic categories, with the estimated future recoverable portion classified as reserves and contingent resources, respectively. No proved or probable reserves have been assigned to the lands at this time because the bitumen has not been shown to be economically recoverable. As North Peace is in the early stages of the project, the resources have not yet been shown to be recoverable or unrecoverable, thus, they have been classified as discovered resources and reported as in-place volumes. There is no certainty that it will be economically viable or technically feasible to produce any portion of the reported discovered resources.

## Management's Discussion and Analysis of Financial Results

*This Management Discussion and Analysis for North Peace Energy Corp. ("North Peace" or the "Company") provides analysis of the Company's financial results for the three-month period ended March 31, 2007. The following information should be read in conjunction with the unaudited interim financial statements for the three months ended March 31, 2007, and the audited financial statements for the year ended December 31, 2006.*

*Additional information about North Peace filed with Canadian securities commissions is available on-line at [www.sedar.com](http://www.sedar.com).*

Date of Report                      May 29, 2007

### Company Information

On February 6, 2007, Juno Capital Corp. ("Juno") completed its qualifying transaction (the "Transaction") with North Peace Energy Inc. to acquire all of the issued and outstanding common shares of North Peace Energy Inc. in exchange for ten common shares of Juno for each issued and outstanding common share of North Peace Energy Inc. All outstanding and unexercised stock options and warrants of North Peace Energy Inc. were exchanged for equivalent stock options and warrants of Juno having regard for the foregoing ten for one ratio.

Upon completion of the Transaction, Juno consolidated its common shares on the basis of one consolidated common share for each five issued and outstanding common shares, and amalgamated with North Peace Energy Inc. to form the Company under the name "North Peace Energy Corp."

The Transaction has been accounted for as a reverse take-over of Juno by North Peace Energy Inc. For accounting purposes, North Peace Energy Inc. is the acquirer and the combined entity is considered to be the continuation of North Peace Energy Inc., except for the authorized and issued share capital which is that of Juno.

### Overall Performance

The Company drilled two additional wells on its landholdings during the first quarter of 2007. This increases the total wells drilled to nine since the acquisition of its lands.

### Results of Operations

#### *Interest Income*

Interest income was \$30,306 for the first quarter 2007 due to the redeemable term deposit which bears interest at 4% and matures on September 29, 2007. There was no interest income the first quarter of 2006 and \$30,274 in the fourth quarter of 2006.

#### Stock-based Compensation

Stock-based compensation for the quarter was \$91,017, of which \$36,000 was capitalized to oil and gas properties. The majority of this consists of stock options granted to new employees and consultants. There was no stock-based compensation expense in the first quarter of 2006 and \$33,500 in the fourth quarter of 2006.

## Administrative Expenses

Administrative expenses for the three months amounted to \$103,281 compared to \$7,210 for the first quarter of 2006 and \$41,702 for the fourth quarter on 2006. The Company incurred rent expense of \$26,314 and salary expense of \$32,976 for the first time in the first quarter of 2007. The other administrative expenses relate to professional fees, investor relations and office related costs.

## Depreciation and Accretion

The Company had depreciation expense of \$1,973 related to office furniture and computer equipment. Accretion related to asset retirement obligations was \$3,359. There was no depreciation or accretion expense recognized during 2006.

## Future Income Taxes

The Company recognized \$947,520 as a future income tax liability related to the renunciation of flow-through shares.

## Summary of Quarterly Results

(Cdn \$)	<b>2007</b>	2006	2006	2006	2006	2005
	<b>Q1</b>	Q4	Q3	Q2	Q1	Q4
Revenues	<b>\$ 30,306</b>	\$ 30,247	\$ 12,563	-	-	-
Net Loss and Comprehensive Loss	<b>\$ 133,324</b>	\$ 44,955	\$ 14,981	\$ 1,505,287	\$ 7,210	\$ 14,981
Basic and diluted Net Loss Per share	<b>\$ 0.008</b>	\$ 0.031	\$ 0.002	\$ 0.071	\$ 18.03	\$ 37.45

This financial data has been prepared in accordance with Canadian generally accepted accounting principles.

## Liquidity and Capital Resources

At March 31, 2007 the Company had working capital of \$4.5 million. As at May 29, 2007 cash and cash equivalents are approximately \$9.3 million.

The Company's planned 2007 capital program is \$8 million; however, this amount can be adjusted as circumstances change. The program will be financed from existing working capital.

As at March 31, 2007, the payments due under the office lease commitment are as follows:

(Cdn \$)		
2007	\$	61,684
2008		82,246
2009		82,246
2010		82,246
2011		82,246
Thereafter	\$	nil

Capital expenditures for the first quarter of 2007 were as follows:

(Cdn \$)	<b>2007</b>	2006	2006
	<b>Q1</b>	Q4	Q1
Land & Lease Rentals	<b>33,630</b>	-	2,988,818
Drilling	<b>868,387</b>	2,302,676	-
Geological Costs	<b>30,000</b>	-	-
Other	<b>5,354</b>	-	-
<b>Total</b>	<b>937,371</b>	2,302,676	2,988,818

Capitalized stock-based compensation and asset retirement obligation additions are not included in the above table.

The following table indicates the common shares and stock options issued and outstanding at March 31, 2007:

	<b>March 31, 2007</b>
Common shares outstanding	19,430,400
Weighted average number of shares outstanding during the period	17,682,067
Stock options outstanding	1,715,500
Purchase warrants outstanding	6,826,000
Performance warrants outstanding	6,300,000

As at May 29, 2007 there were 26,256,400 common shares outstanding, 1,725,500 stock options and 6,300,000 performance warrants. All purchase warrants were exercised as at April 10, 2007.

#### Off Balance Sheet Arrangements

There were no off balance sheet arrangements.

#### Transactions with Related Parties

During the three month period ended March 31, 2007, the Company paid general and administrative expenses of \$nil (12 months ended December 31 2006 - \$6,955) to a company controlled by a director, officer and shareholder of the Company. As at March 31, 2007 the Company reversed accrued legal fees of \$105,000 and booked actual costs of \$58,060 to a firm in which a director is a partner.

#### Critical Accounting Estimates

The significant estimates made by management include stock-based compensation expense and asset retirement obligations.

#### Accounting Policies

For the impact of new accounting standards related to financial instruments, comprehensive income and other assets please refer to note 4 of the unaudited interim financial statements as at March 31, 2007.

#### Financial Instruments and Other Risks

The Company's carrying value of cash and accounts payable and accrued liabilities approximate their fair value due to the immediate or short-term maturity of these instruments.

### Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by North Peace is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure. A control 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 North Peace 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 Company has identified the following weaknesses in internal controls over financial reporting :

- a) Due to the limited number of staff at North Peace, it is not feasible to achieve complete segregation of incompatible duties.
- b) Due to the limited number of staff, North Peace does not have a sufficient number of finance personnel with all the technical accounting knowledge to address all complex and non-routine accounting transactions that may arise.

These weaknesses in North Peace's internal controls over financial reporting result in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of a material misstatement in financial reporting; however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

Other than the matters discussed above, there were no changes in the first quarter of 2007 in 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.

## Forward-Looking Statements

Certain statements contained in this release constitute forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this release should not be unduly relied upon. Actual results could differ materially as a result of changes in North Peace's plans, changes in commodity prices, regulatory changes, general economic, market and business conditions as well as production, development and operating performance and other risks associated with oil and gas operations including anticipated success of resource prospects and the expected characteristics of resource prospects; anticipated capital requirements, project rates of return and estimated project life; estimates of original discovered resource; estimates of recovery factors; lack of diversification; and overall technical and economic feasibility of the Company's project. These statements speak only as of the date of this release or as of the date specified in the documents accompanying this release, as the case may be.

The Company undertakes no obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities laws.

For further information, please contact:

Louis Dufresne, President & CEO  
James Glessing, Vice President, Finance & CFO  
North Peace Energy Corp.  
470, 505 – 3rd Street SW  
Calgary, Alberta T2P 3E6  
Telephone (403) 262-6024  
Facsimile: (403) 262-6072  
E-mail: [info@northpec.com](mailto:info@northpec.com)  
[www.northpec.com](http://www.northpec.com)

Or  
Stephanie K Mesher  
Bryan Mills Iradesso  
(403) 503-0144 ext. 216  
[smesher@bmir.com](mailto:smesher@bmir.com)

# NORTH PEACE ENERGY CORP.

Formerly North Peace Energy Inc. and Juno Capital Corp. (see note 2)

Balance Sheets, as at

(Cdn \$)	<b>March 31, 2007 (unaudited)</b>	December 31, 2006 (audited)
<b>Assets</b>		
Current assets		
Cash and cash equivalents (note 5)	\$ 4,861,538	\$ 3,282,421
Accounts receivable	530,785	46,119
Prepaid expenses	37,404	36,000
	<b>5,429,727</b>	3,364,540
Oil and gas properties (note 6)		
	<b>9,658,587</b>	8,658,242
Advance on oil and gas properties	-	323,232
Deferred transaction charges (note 2)	-	136,709
Other assets	24,331	-
	<b>\$ 15,112,645</b>	<b>\$ 12,482,723</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accruals	\$ 924,805	\$ 95,083
Asset retirement obligations (note 7)		
	<b>198,303</b>	167,971
Future income taxes (note 8)	<b>947,520</b>	-
	<b>2,070,628</b>	263,054
Shareholders' equity		
Common shares (note 9)	<b>13,269,062</b>	12,292,052
Performance warrants	<b>1,466,550</b>	1,466,550
Contributed surplus (note 10)	<b>124,517</b>	33,500
Deficit	<b>(1,818,112)</b>	(1,572,433)
	<b>13,042,017</b>	12,219,669
	<b>\$ 15,112,645</b>	<b>\$ 12,482,723</b>

Commitments (note 12)

Financial Instruments (note 13)

Signed on behalf of the Board:

"Ian Robertson", Director

"William S Maslechko", Director

## NORTH PEACE ENERGY CORP.

Formerly North Peace Energy Inc. and Juno Capital Corp. (see note 2)

Statements of Net Loss, Comprehensive Loss and Deficit  
Three months ended March 31,  
(unaudited)

(Cdn \$)	2007	2006
<b>Revenue</b>		
Interest Income	\$ 30,306	\$ -
	<b>30,306</b>	-
<b>Operating expenses</b>		
General and administrative	103,281	7,210
Stock-based compensation	55,017	-
Depletion, depreciation and accretion	5,332	-
	<b>163,630</b>	7,210
<b>Net Loss and Comprehensive Loss</b>	<b>133,324</b>	7,210
Deficit at beginning of period	1,572,433	-
Costs relating to Juno transaction (note 2)	112,355	-
Deficit at end of period	\$ 1,818,112	\$ 7,210
<b>Net Loss per share (note 15)</b>		
Basic	\$ 0.008	\$ 18.03
Diluted	\$ 0.008	\$ 18.03

# NORTH PEACE ENERGY CORP.

Formerly North Peace Energy Inc. and Juno Capital Corp. (see note 2)

Statements of Cash Flows  
Three months ended March 31,  
(unaudited)

(Cdn \$)	2007	2006
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
Net Loss and Comprehensive Loss for the period	\$ (133,324)	\$ (7,210)
Non-cash charges to earnings		
Depletion, depreciation and accretion	5,332	-
Stock-based compensation	55,017	-
	(72,975)	(7,210)
Net change in non cash working capital		
Accounts receivable	(67,934)	-
Prepaid expenses	(1,404)	-
Accounts payable and accruals	(117,955)	(77,488)
	(260,268)	(84,698)
<b>Investing Activities</b>		
Additions to oil and gas properties	(937,371)	(2,988,818)
Other assets	(26,304)	-
Net change in non cash working capital		
Accounts receivable	(76,129)	-
Accounts payable and accruals	772,515	-
	(267,289)	(2,988,818)
<b>Financing Activities</b>		
Net proceeds on issue of common shares	1,777,500	5,270,000
Cash acquired from Juno Capital Corp. (note 2)	261,845	-
Deferred financing charges	24,354	-
Net change in non cash working capital		
Accounts payable and accruals	42,975	-
	2,106,674	5,270,000
<b>Increase in cash and cash equivalents</b>	<b>1,579,117</b>	<b>2,196,484</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>3,282,421</b>	<b>454,387</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 4,861,538</b>	<b>\$ 2,650,871</b>
Supplemental disclosure:		
Cash interest received	\$ 2,217	\$ -
Cash taxes paid	\$ -	\$ -

# NORTH PEACE ENERGY CORP.

Formerly North Peace Energy Inc. and Juno Capital Corp. (see note 2)

Notes to Financial Statements

As at March 31, 2007 (unaudited), as at December 31, 2006 (audited)

## 1. Nature of Operations

North Peace Energy Corp. (the "Company") was amalgamated pursuant to the provisions of the *Business Corporations Act* (Alberta) on February 6, 2007, the result of a reverse takeover (note 2). The Company is in the development stage and its principal business activity is the exploration, exploitation and development and production of petroleum and natural gas resources in the Province of Alberta.

## 2. Reverse Takeover

On February 6, 2007, Juno Capital Corp. ("Juno") completed its qualifying transaction (the "Transaction") with North Peace Energy Inc. to acquire all of the issued and outstanding common shares of North Peace Energy Inc. in exchange for ten common shares of Juno for each issued and outstanding common share of North Peace Energy Inc. All outstanding and unexercised stock options and warrants of North Peace Energy Inc. were exchanged for equivalent stock options and warrants of Juno having regard for the foregoing ten for one ratio.

Upon completion of the Transaction, Juno consolidated its common shares on the basis of one consolidated common share for each five issued and outstanding common shares, and amalgamated with North Peace Energy Inc. to form the Company under the name "North Peace Energy Corp."

The Transaction has been accounted for as a reverse take-over of Juno by North Peace Energy Inc. For accounting purposes, North Peace Energy Inc. is the acquirer and the combined entity is considered to be the continuation of North Peace Energy Inc., except for the authorized and issued share capital which is that of Juno.

The net assets of Juno were recorded on the balance sheet at the carrying amounts, as follows:

(Cdn \$)	Number of Shares		Amount
Assets acquired		\$	271,016
Liabilities assumed			123,986
Net assets acquired at market value		\$	147,030
Consideration			
Common shares (2,525,000 Juno common shares)	505,000	\$	134,422
Stock options at fair value (252,500 Juno stock options)	50,500		12,608
Total share capital		\$	147,030

The fair value of the net assets of the Company deemed to have been acquired by North Peace Energy Inc. was \$147,030, consisting of cash of \$261,845, accounts receivable and prepaid expenses of \$9,171 and accounts payable of \$123,986.

Transaction costs were \$112,355 for North Peace Energy Inc. These costs were recorded as deferred transaction costs and at the date of the transaction they were recognized in the deficit.

# NORTH PEACE ENERGY CORP.

Formerly North Peace Energy Inc. and Juno Capital Corp. (see note 2)

Notes to Financial Statements

As at March 31, 2007 (unaudited), as at December 31, 2006 (audited)

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### 3. Basis of presentation

The accompanying financial statements have been prepared without audit. These interim financial statements have been prepared following the same accounting policies and methods used in the financial statements for the year ended December 31, 2006. These financial statements should be read in conjunction with the audited year-end financial statements for North Peace Energy Inc.

Prior year figures are for North Peace Energy Inc. and certain figures have been reclassified to conform to the presentation adopted in 2007.

All common shares, stock options and warrants have been adjusted for the effects of the 10:1 share exchange and the 1:5 consolidation (note 2).

### 4. Adoption of new accounting policies

#### Financial Instruments

On January 1, 2007 the Company adopted three new standards issued by the CICA relating to the accounting for and disclosure of financial instruments.

- ◆ Section 3855 - "Financial Instruments – Recognition and Measurement" prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet as well as its measurement amount depending on its classification. This Section also specifies how gains and losses on financial instruments are to be presented.
- ◆ Section 3865 – "Hedges" expands on and replaces Accounting Guideline 13 – "Hedging Relationships" by specifying how hedge accounting is to be applied and what disclosures as necessary when it is applied.
- ◆ Section 1530 – "Comprehensive Income" introduces new standards for reporting and disclosure of comprehensive income. Comprehensive income is the change in equity of the Company during this year from transactions and other events and circumstances from non-owner sources including changes in the fair value of financial instruments designated as cash flow hedges as well as foreign currency translation amounts related to self-sustaining foreign operation.

At January 1, 2007 the Company's financial instruments include accounts receivable, and accounts payable and accrued liabilities. Accounts receivable is measured at amortized cost consistent with the "loan and receivable" classification. The financial liabilities are all measured at amortized cost consistent with the "other" classification. The fair value of these financial instruments approximate carrying value due to their short term to maturity.

The Company does not hold any derivative financial instruments or any embedded derivatives and does not apply hedge accounting under Section 3865.

In addition, the Company does not have any items related to comprehensive loss for the three months ended March 31, 2007; and accordingly, comprehensive loss is equivalent to net loss.

The Company also adopted Section 1506 – Accounting Changes, the only impact of which is to provide disclosure of when an entity has not applied a new source of GAAP that has been issued but is not yet effective. This is the case with Section 3862 – Financial Instruments Disclosures and Section 3863 Financial Instruments Presentations which are required to be adopted for fiscal years beginning on or after October 1, 2007. The Company will adopt these standards on January 1, 2008 and it is expected the only effect on the Company will be incremental disclosures regarding the significance of financial instruments for the entity's financial position and performance; and the nature, extent and management of risks arising from financial instruments to which the entity is exposed.

# NORTH PEACE ENERGY CORP.

Formerly North Peace Energy Inc. and Juno Capital Corp. (see note 2)

Notes to Financial Statements

As at March 31, 2007 (unaudited), as at December 31, 2006 (audited)

## 4. Adoption of new accounting policies (continued)

Other Assets

Office equipment is recorded at cost. Amortization is provided on a declining balance basis at 30%.

## 5. Cash and cash equivalents

Included in cash and cash equivalents are redeemable term deposits which bear interest at 4.00% and mature on September 29, 2007.

## 6. Oil and gas properties

(Cdn \$)		March 31, 2007		December 31, 2006
Petroleum and natural gas interests	\$	9,658,587	\$	8,658,242
Accumulated depletion and depreciation		-		-
	\$	9,658,587	\$	8,658,242

At March 31, 2007, the Company has no reserves or production. Accordingly, no provision for depletion expense has been made.

Stock-based compensation of \$36,000 was capitalized during the 3 months ended March 31, 2007.

The Company advanced \$324,361 as a cash call related to completed drilling, which was refundable from the partner as at March 31, 2007. This amount is included in accounts receivable and was collected subsequent to March 31, 2007.

## 7. Asset retirement obligations

The following table represents the reconciliation of the carrying amount of the obligation associated with the retirement of the Company's petroleum and natural gas interests.

(Cdn \$)		March 31, 2007		December 31, 2006
Asset retirement obligations, beginning of period	\$	167,971	\$	-
Increase in liabilities		26,973		167,971
Accretion		3,359		-
Change in estimates		-		-
Asset retirement obligations, end of period	\$	198,303	\$	167,791

The total undiscounted amount of cash flows required to settle the obligations as measured at March 31, 2007 is estimated to be \$235,974 (2006 - 178,283). These obligations will be settled based on the useful lives of the underlying assets, which ranges from one to three years. The credit-adjusted risk free rate at which the estimated cash flows were discounted was 8% and the estimated inflation rate used to project future costs was 2%.

## 8. Future Income Taxes

The Company renounced \$3,158,400 of flow-through shares in the first quarter and recognized \$947,520 as a future income tax liability at a 30.00% effective tax rate.

# NORTH PEACE ENERGY CORP.

Formerly North Peace Energy Inc. and Juno Capital Corp. (see note 2)

Notes to Financial Statements

As at March 31, 2007 (unaudited), as at December 31, 2006 (audited)

## 9. Share Capital

### (a) Authorized

Unlimited number of common shares  
Unlimited number of first preferred shares issuable in series  
Unlimited number of second preferred shares issuable in series

### (b) Issued

	Number of Shares	Amount
Balance, December 31, 2006 (restated, note 3)	16,555,400	\$ 12,292,052
Tax effect of flow-through share renouncement (note 8)	-	(947,520)
Juno Capital Corp Shares (note 2)	505,000	147,030
Warrants exercised	2,370,000	1,777,500
Balance, March 31, 2007	19,430,400	\$ 13,269,062

During the three months ended March 31, 2007, 2,370,000 warrants were exercised for common shares at \$0.75 per warrant for gross proceeds of \$1,777,500.

### (c) Stock options

Changes in the number of shares issuable under outstanding options were as follows:

	Number of options	Exercise Price
Balance, December 31, 2006 (restated, note 3)	840,000	\$ 1.00
Juno Capital Corp options (note 2)	50,500	1.00
Options granted (i)	325,000	1.00
Contingent options granted (ii)	500,000	1.00
Options exercised	-	-
Balance, March 31, 2007	1,715,500	\$ 1.00
Options exercisable	100,500	\$ 1.00

The remaining contractual life of the outstanding and exercisable options is 3.87 years.

(i) The fair value of the options granted during the first quarter of 2007 is \$0.72 per option assuming an average volatility of 90% on the underlying shares, an exercise price of \$1.00, a risk-free interest rate of 3.89% - 4.18%, an expected life of 5 years, and an expected dividend rate of 0%. The majority of the options vest 1/3 per year on the first, second and third anniversary of the date of the grant. Options issued to consultants vest upon completion of consulting work or at equal amounts at 6 months, 18 months and 30 months after the date of grant. The Company has recognized stock-based compensation of \$91,017 in the first quarter of 2007, of which \$36,000 was capitalized to oil and gas properties.

(ii) In addition, 500,000 stock options have been granted to consultants with an exercise price of \$1.00; these options are contingent on the consultants joining the Company as employees. At that point the options vest 1/3 per year on the first, second and third anniversary of the date of the grant. Unless mutually agreed, the contingency on the options is effective until June 30, 2007 at that point if the consultants have not joined as employees of the Company, the options expire.

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Formerly North Peace Energy Inc. and Juno Capital Corp. (see note 2)

Notes to Financial Statements

As at March 31, 2007 (unaudited), as at December 31, 2006 (audited)

## 9. Share Capital (continued)

### (d) Purchase Warrants

	Number of Warrants		Exercise Price
Balance, December 31, 2006 (restated, note 3)	9,196,000	\$	0.75
Warrants issued	-		-
Warrants exercised	(2,370,000)		0.75
Balance, March 31, 2007	6,826,000	\$	0.75
Exercisable, March 31, 2007	6,826,000	\$	0.75

All purchase warrants expire April 10, 2007.

### (e) Performance Warrants

	Number of Warrants		Exercise Price
Balance, December 31, 2006 (restated, note 3)	6,300,000	\$	0.50
Warrants issued	-		-
Warrants exercised	-		-
Balance, March 31, 2007	6,300,000	\$	0.50
Exercisable, March 31, 2007	-	\$	-

The remaining contractual life of the outstanding and exercisable performance warrants is 3.75 years.

## 10. Contributed surplus

(Cdn \$)	March 31, 2007	December 31, 2006
Balance, beginning of period	\$ 33,500	\$ -
Stock-based compensation Expensed	55,017	33,500
Capitalized	36,000	-
Balance, end of period	\$ 124,517	\$ 33,500

## 11. Related party transactions

As at March 31, 2007, there is a balance of \$58,060 (December 31, 2006 - \$105,000) due to a law firm in which a director is a partner.

# NORTH PEACE ENERGY CORP.

Formerly North Peace Energy Inc. and Juno Capital Corp. (see note 2)

Notes to Financial Statements

As at March 31, 2007 (unaudited), as at December 31, 2006 (audited)

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## 12. Commitments

- (a) Pursuant to a property acquisition and participation agreement with a third party dated December 12, 2005, the Company is committed to spend up to \$10 million for the acquisition, exploration and development of certain petroleum and natural gas leases. This contract expires at the earliest of the Company reaching \$10 million in expenditures or at March 31, 2007. As at March 31, 2007, the Company had incurred \$9.6 million toward the total commitment however since the expiry date has been reached the agreement is no longer in effect. With the expiry of the participation agreement the Company is now the operator of the property with a 70 percent working interest.
- (b) As at March 31, 2007, the Company was committed under a lease for office premises, requiring future minimum rental payments of \$82,246 (2005 - nil) per annum plus operating costs, expiring December 31, 2011.

## 13. Financial instruments

Fair value

The Company's carrying value of cash and cash equivalents, interest receivable and accounts payable and accrued liabilities approximates its fair value due to the immediate or short-term maturity of these instruments.

## 14. Subsequent events

As at April 10, 2007, all of the outstanding warrants described in Note 9(d) were exercised for aggregate proceeds to the Company of \$5,119,500.

## 15. Loss per Share

The following is a reconciliation of basic and diluted loss per share.

		<b>March 31, 2007</b>		March 31, 2006
Net Loss (Cdn \$)	\$	<b>133,324</b>	\$	7,210
Weighted average number of shares outstanding		<b>17,682,067</b>		400
Basic loss per share	\$	<b>0.008</b>	\$	18.03
Diluted loss per share	\$	<b>0.008</b>	\$	18.03

The Company is in a loss position for the period, therefore all dilutive instruments are anti-dilutive in nature.