



North Peace Energy Releases Second Quarter 2007 Results

Calgary, Alberta, August 23, 2007 North Peace Energy Corp. (“North Peace” or the “Company”) releases operating and financial results for the three months and six months ended June 30, 2007.

Highlights of North Peace’s second quarter activities include:

- ◆ Obtained 100 percent interest in our landholding by buying out our joint venture partner’s 30 percent share
- ◆ Successfully completed a \$20 million equity financing
- ◆ Strengthened balance sheet with cash and cash equivalents of \$12.6 million as at June 30, 2007, and no debt.

Louis Dufresne, President of North Peace, commenting on second quarter activities noted “the acquisition of the remaining 30% of this asset was an important, strategic success in a busy quarter. We now have the ability to operate with autonomy and flexibility having taken over sole ownership of this asset. Our planning for the pilot project remains on schedule and we are advancing to construction planned to start late 2008.”

Purchase of JV Partner’s 30 percent working interest

- ◆ Now control 100 percent of the asset, and therefore sole ownership
- ◆ \$20 million total cost
 - \$15 million in cash
 - \$5 million in NPE shares (2,270,430 common shares at \$2.20 per share)
- ◆ Accretive to shareholders
 - 30 percent of 2.0 to 3.1 billion barrels of discovered resource over entire land base
 - Paid \$0.03 to \$0.02 per barrel of discovered resource
 - Includes 30 percent of 1.0 to 1.6 billion barrels in Block B South
 - At an assumed 30 percent recovery rate the Company paid \$0.22 to \$0.12 per barrel of recoverable resource
- ◆ Highlights management’s confidence in commercial potential of land base

CSS Project update:

- ◆ Increased the 2007 budget to \$10 million as result of obtaining 100% interest in the land holdings
- ◆ Finalized a drilling program for additional delineation wells to commence in fall 2007
- ◆ Initiated the process for environmental and EUB approvals and are beginning the design basis memorandum for the pilot project
- ◆ Advancing the process of locking up resources for construction
 - Identified multiple alternatives for the long-lead items such as boilers
 - Have begun dialogue with potential individuals to work on construction of the pilot

Equity Financing

- ◆ Total gross proceeds of \$20 million
- ◆ Issued 9,523,810 subscription receipts
- ◆ Price of \$2.10 per subscription receipts, exchanged for common shares effective June 28, 2007

- ◆ Use of Proceeds
 - Cash portion of property acquisition price (\$15 million)
 - Advance previously announced Cyclic Steam Stimulation (“CSS”) delineation program
 - General working capital purposes

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 and six month period ended June 30, 2007. The following information should be read in conjunction with the unaudited interim financial statements for the three and six months ended June 30, 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.

Date of Report August 23, 2007

Overall Performance

During the six months ended June 30, 2007 the Company completed a property acquisition of the remaining 30 percent ownership in its land holdings in the Red Earth area of northern Alberta, bringing our ownership to 100 percent. Consideration for the acquisition consisted of \$15,000,000 in cash and \$4,994,946 in common shares of North Peace (2,270,430 common shares at a deemed price of \$2.20 per share).

North Peace completed an equity financing and issued 9,523,810 subscription receipts for common shares of the Corporation at an issue price of \$2.10 per subscription receipt. The effective date for the exchange of subscription receipts for common shares was June 28, 2007.

Results of Operations

Interest Income

	2007		2006	Six months ended June 30,	
	Q2	Q1	Q2	2007	2006
Interest Income	67,297	30,306	-	97,603	-

Interest income was \$67,297 for the second quarter of 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 half of 2006. The increase in interest income from the first quarter of 2007 is due to more cash on deposit.

Stock-based Compensation

	2007		2006	Six months ended June 30,	
	Q2	Q1	Q2	2007	2006
Stock-based Compensation	94,152	55,017	1,466,550	149,169	1,466,550

Stock-based compensation for the second quarter was \$94,152. The increase from the first quarter in 2007 is due to additional options grants in the quarter and recognition of the expense for existing stock options. The stock-based compensation expense in the second quarter of 2006 is due to the recognition of the expense for performance warrants of \$1,466,550.

Administrative Expenses

	2007		2006		Six months ended June 30,	
	Q2	Q1	Q2	Q1	2007	2006
G&A expense	331,719	103,281	38,737	-	435,000	45,947

Administrative expenses for the second quarter amounted to \$331,719 compared to \$103,281 for the first quarter of 2007 and \$38,737 for the same period last year. The increase is due to staff additions, increased activity during the quarter and the company's increase in size and operations.

Depreciation and Accretion

	2007		2006		Six months ended June 30,	
	Q2	Q1	Q2	Q1	2007	2006
Depreciation and Accretion	5,332	5,332	-	-	10,664	-

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

Future Income Taxes

During the six months ended June 30, 2007 the Company recognized \$947,520 as a future income tax liability related to the renunciation of flow-through shares.

Summary of Quarterly Results

	2007 Q2	2007 Q1	2006 Q4	2006 Q3	2006 Q2	2006 Q1
Revenues	67,297	30,306	30,247	12,563	-	-
Net Loss and Comprehensive loss	363,906	133,324	44,955	14,981	1,505,287	7,210
Basic and diluted Net Loss Per share	0.012	0.008	0.003	0.001	0.131	18.03

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

Liquidity and Capital Resources

At June 30, 2007 the Company had working capital of \$12.7 million.

After completing the acquisition of the 30 percent working interest in are land holdings we now own the full 100 percent working interest. The Company's revised 2007 capital program now taking into account a 100 percent interest is \$10 million; however, this amount can be adjusted as circumstances change. The 2007 capital program will be financed from existing working capital.

As at June 30, 2007, the payments due under the office lease commitment are as follows:

(Cdn)	
2007	41,123
2008	82,246
2009	82,246
2010	82,246
2011	82,246
Thereafter	nil

Capital expenditures were as follows:

	2007		2006	Six months ended June 30,	
	Q2	Q1	Q2	2007	2006
Property Acquisition	20,160,921	-	-	20,160,921	-
Land & Lease Rentals	8,064	33,630	1,200,251	41,694	4,189,069
Drilling	131,700	868,387	-	1,000,087	-
Geological Costs	-	30,000	-	30,000	-
Other	26,780	5,354	-	32,134	-
Total	20,327,465	937,371	1,200,251	21,264,836	4,189,069

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 June 30, 2007:

	June 30, 2007
Common shares outstanding	38,050,640
Weighted average number of shares outstanding during the period	23,934,940
Stock options outstanding	2,375,500
Purchase warrants outstanding	-
Performance warrants outstanding	6,300,000

As at August 23, 2007 there were 38,050,640 common shares outstanding, 2,280,500 stock options and 6,300,000 performance warrants.

Off Balance Sheet Arrangements

There were no off balance sheet arrangements.

Transactions with Related Parties

During the three month period ended June 30, 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 June 30, 2007 the Company accrued legal costs of \$90,000 payable to a firm in which a director is a partner. During the first half of 2007 \$58,060 of legal costs were paid to the same law firm.

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 June 30, 2007.

Financial Instruments and Other Risks

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

Disclosure Controls and Procedures over Financial Reporting

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 second 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:

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NORTH PEACE ENERGY CORP.

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

Balance Sheets, as at

(Cdn \$)	June 30, 2007 (unaudited)	December 31, 2006 (audited)
Assets		
Current assets		
Cash and cash equivalents (note 5)	\$ 12,605,342	\$ 3,282,421
Accounts receivable	289,801	46,119
Prepaid expenses	20,632	36,000
	12,915,775	3,364,540
Oil and gas properties (note 6)	30,069,599	8,658,242
Advance on oil and gas properties	-	323,232
Deferred transaction charges (note 2)	-	136,709
Other assets	54,583	-
	\$ 43,039,957	\$ 12,482,723
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accruals	\$ 261,293	\$ 95,083
Asset retirement obligations (note 7)	285,210	167,971
Future income taxes (note 8)	947,520	-
	1,494,023	263,054
Shareholders' equity		
Common shares (note 9)	42,042,733	12,292,052
Performance warrants	1,466,550	1,466,550
Contributed surplus (note 10)	218,669	33,500
Deficit	(2,182,018)	(1,572,433)
	41,545,934	12,219,669
	\$ 43,039,957	\$ 12,482,723

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 (unaudited)

(Cdn \$)	Three months ended		Six months ended	
	June 30, 2007	2006	June 30, 2007	2006
Revenue				
Interest Income	\$ 67,297	\$ -	\$ 97,603	\$ -
	67,297	-	97,603	-
Operating expenses				
General and administrative	331,719	38,737	435,000	45,947
Stock-based compensation	94,152	1,466,550	149,169	1,466,550
Depletion, depreciation and accretion	5,332	-	10,664	-
	431,203	1,505,287	594,833	1,512,497
Net Loss and Comprehensive Loss	\$ 363,906	\$ 1,505,287	\$ 497,230	\$ 1,512,497
Deficit at beginning of period	1,818,112	7,210	1,572,433	-
Costs relating to Juno transaction (note 2)	-	-	112,355	-
Deficit at end of period	\$ 2,182,018	\$ 1,512,497	\$ 2,182,018	\$ 1,512,497
Net Loss per share (note 14)				
Basic	\$ 0.012	\$ 0.131	\$ 0.021	\$ 0.264
Diluted	\$ 0.012	\$ 0.131	\$ 0.021	\$ 0.264

NORTH PEACE ENERGY CORP.

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

Statements of Cash Flows (unaudited)

(Cdn \$)	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Cash provided by (used in):				
Operating Activities				
Net Loss and Comprehensive loss for the period	\$ (363,906)	\$ (1,505,287)	\$ (497,230)	\$ (1,512,497)
Non-cash charges to earnings				
Depletion, depreciation and accretion	5,332	-	10,664	-
Stock-based compensation	94,152	1,466,550	149,169	1,466,550
	(264,422)	(38,737)	(337,397)	(45,947)
Net change in non cash working capital				
Accounts receivable	(158,377)	(8,637)	(226,311)	(8,637)
Prepaid expenses	16,772	(11,500)	15,368	(11,500)
Accounts payable and accruals	(21,105)	157,654	(139,060)	80,166
	(427,132)	98,780	(687,400)	14,082
Investing Activities				
Additions to oil and gas properties	(20,327,465)	(1,200,251)	(21,264,836)	(4,189,069)
Advance on oil and gas properties	-	(401,280)	-	(401,280)
Other assets	(32,224)	-	(58,528)	-
Net change in non cash working capital				
Accounts receivable	399,361	-	323,232	-
Accounts payable and accruals	(647,434)	-	125,081	-
	(20,607,762)	(1,601,531)	(20,875,051)	(4,590,349)
Financing Activities				
Net proceeds on issue of common shares	28,773,671	5,197,852	30,551,171	10,467,852
Cash acquired from Juno Capital Corp. (note 2)	-	-	261,845	-
Deferred financing charges	-	(72,483)	24,354	(72,483)
Net change in non cash working capital				
Accounts payable and accruals	5,027	(9,000)	48,002	(9,000)
	28,778,698	5,116,369	30,885,372	10,386,369
Increase in cash and cash equivalents	7,743,804	3,613,618	9,322,921	5,810,102
Cash and cash equivalents, beginning of period	4,861,538	2,650,871	3,282,421	454,387
Cash and cash equivalents, end of period	\$ 12,605,342	\$ 6,264,489	\$ 12,605,342	\$ 6,264,489
Supplemental disclosure:				
Cash interest received	\$ 4,120	\$ -	\$ 4,120	\$ -
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 June 30, 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, as follows:

(Cdn \$)	Number of Shares		Amount
Assets acquired		\$	271,016
Liabilities assumed			123,986
Net assets acquired		\$	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 June 30, 2007 (unaudited), as at December 31, 2006 (audited)

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 are 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 that period 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 operations.

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.

NORTH PEACE ENERGY CORP.

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

Notes to Financial Statements

As at June 30, 2007 (unaudited), as at December 31, 2006 (audited)

4. Adoption of new accounting policies (continued)

In addition, the Company does not have any items related to comprehensive income for the six months ended June 30, 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.

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 of \$8,500,000 and \$3,000,000 which bear interest at 4.00% and mature on September 26, 2007 & June 28, 2008 respectively.

6. Oil and gas properties

(Cdn \$)	June 30, 2007	December 31, 2006
Oil and gas interests	\$ 30,069,599	\$ 8,658,242
Accumulated depletion and depreciation	-	-
	<u>\$ 30,069,599</u>	<u>\$ 8,658,242</u>

At June 30, 2007, the Company has no reserves or production. Accordingly, no provision for depletion expense has been made.

On June 28, 2007 the Company completed a property acquisition of the remaining 30 percent ownership in its land holdings in the Red Earth area of northern Alberta. Consideration for the acquisition consisted of \$15,000,000 in cash and \$4,994,946 in common shares of North Peace (2,270,430 common shares at a deemed price of \$2.20 per share).

Stock-based compensation of \$36,000 was capitalized during the six months ended June 30, 2007.

NORTH PEACE ENERGY CORP.

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

Notes to Financial Statements

As at June 30, 2007 (unaudited), as at December 31, 2006 (audited)

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 \$)	June 30, 2007	December 31, 2006
Asset retirement obligations, beginning of period	\$ 167,971	\$ -
Increase in liabilities	110,521	167,971
Accretion	6,718	-
Change in estimates	-	-
Asset retirement obligations, end of period	\$ 285,210	\$ 167,791

The total undiscounted amount of cash flows required to settle the obligations as measured at June 30, 2007 is estimated to be \$337,106 (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.

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

NORTH PEACE ENERGY CORP.

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

Notes to Financial Statements

As at June 30, 2007 (unaudited), as at December 31, 2006 (audited)

9. Share Capital (continued)

(b) Issued

	Number of Shares	Amount
Balance, December 31, 2006 (restated, note 3)	16,555,400	\$ 12,292,052
Juno Capital Corp shares (note 2)	505,000	147,030
Tax effect of Flow-through share renoucement (note 8)	-	(947,520)
Warrants exercised (i)	9,196,000	6,897,000
Equity financing (ii)	9,523,810	20,000,001
Property acquisition (iii)	2,270,430	4,994,947
Share issue costs (iv)	-	(1,340,777)
Balance, June 30, 2007	38,050,640	\$ 42,042,733

- i. During the six months ended June 30, 2007, 9,196,000 warrants were exercised for common shares at \$0.75 per warrant for gross proceeds of \$6,897,000.
- ii. North Peace issued 9,523,810 subscription receipts for common shares of the Corporation at an issue price of \$2.10 per subscription receipt for gross proceeds of \$20,000,001. The effective date for the exchange of subscription receipts for common shares was June 28, 2007.
- iii. On June 28, 2007 2,270,430 common shares at a deemed price of \$2.20 per share were issued as partial consideration for a property acquisition (see note 6).
- iv. Share issue cost relate to the costs incurred for the equity issuance of 9,523,810 subscription receipts and the issuance of 2,270,430 common shares as partial payment for the property acquisition.

(c) Stock options

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

	Number of options	Range of Exercise Prices	Average Exercise Price
Balance, December 31, 2006 (restated, note 3)	840,000	\$ 1.00	\$ 1.00
Juno Capital Corp options (note 2)	50,500	1.00	1.00
Options granted (i)	735,000	1.00 – 2.62	1.89
Contingent options granted (ii)	750,000	1.00 – 2.62	1.54
Options exercised	-	-	-
Balance, June 30, 2007	2,375,500	\$ 1.00 – 2.62	\$ 1.45

NORTH PEACE ENERGY CORP.

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

Notes to Financial Statements

As at June 30, 2007 (unaudited), as at December 31, 2006 (audited)

9. Share Capital (continued)

(c) Stock options (continued)

- i. The average fair value of the options granted during the first half of 2007 is \$1.11 per option assuming an average volatility of 90% on the underlying shares, an exercise price between \$1.00 and \$2.62, a risk-free interest rate of 3.89% - 4.58%, 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 \$185,169 in the first half of 2007, of which \$36,000 was capitalized to oil and gas properties.
- ii. In addition, 750,000 stock options have been granted to consultants with an exercise price between \$1.00 and \$2.62; these options are contingent on the consultants joining the Company as employees. These options vest 1/3 per year on the first, second and third anniversary of the date of the grant. The contingency on the options was effective until June 30, 2007 and at that point if the consultants had not joined as employees of the Company, the options expire. However it was mutually agreed to extend the contingency until July 31, 2007.

Subsequent to June 30, 2007, 500,000 of the contingent options were canceled and 250,000 of the contingent options were formally issued to the consultants as part of an engagement to support the Company. In addition 400,000 options were issued by the Company for the position of Vice President, Engineering. All these options vest 1/3 per year on the first, second and third anniversary of the date of the grant.

The following table sets forth information about stock options outstanding as at June 30, 2007.

Range of Exercise Price	Number of Options	Options Outstanding		Options Exercisable	
		Weighted Average Price Per Share	Remaining Contractual Life (yrs)	Options Exercisable	Weighted Average Price Per Share
\$1.00	1,715,500	\$1.00	3.62	100,500	\$1.00
\$1.55 – \$2.62	660,000	2.60	4.91	-	-
	2,375,500	\$1.45	4.12	100,500	\$1.00

NORTH PEACE ENERGY CORP.

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

Notes to Financial Statements

As at June 30, 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	(9,196,000)	0.75
Balance, June 30, 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, June 30, 2007	6,300,000	\$ 0.50
Exercisable, June 30, 2007	-	\$ -

The remaining contractual life of the outstanding and exercisable performance warrants is 3.5 years.

10. Contributed surplus

(Cdn \$)	June 30, 2007	December 31, 2006
Balance, beginning of period	\$ 33,500	\$ -
Stock-based compensation		
Expensed	149,169	33,500
Capitalized	36,000	-
Balance, end of period	\$ 218,669	\$ 33,500

11. Related party transactions

As at June 30, 2007, there is a balance of \$90,000 (December 31, 2006 - \$105,000) due to a law firm in which a director is a partner. During the first half of 2007 \$58,060 of legal costs were paid to the same law firm.

NORTH PEACE ENERGY CORP.

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Notes to Financial Statements

As at June 30, 2007 (unaudited), as at December 31, 2006 (audited)

12. Commitments

As at June 30, 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 accruals approximates its fair value due to the immediate or short-term maturity of these instruments.

14. Loss per Share

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

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Net loss (Cdn \$)	\$ (363,906)	\$ (1,505,287)	\$ (497,230)	\$ (1,512,497)
Weighted average number of shares outstanding	30,187,813	11,449,467	23,934,940	5,724,833
Basic loss per share	\$ 0.012	\$ 0.131	\$ 0.021	\$ 0.264
Diluted loss per share	\$ 0.012	\$ 0.131	\$ 0.021	\$ 0.264

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