



North Peace Energy Releases Third Quarter 2007 Results

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

Highlights of North Peace’s third quarter activities include:

- ◆ Submitted application for pilot project to the Alberta Energy & Utilities Board (“EUB”)
- ◆ Formed the core technical team with the addition of Harley Rea as Vice President, Engineering
- ◆ Maintained a strong balance sheet with cash and cash equivalents of \$12.2 million as at September 30, 2007, and no debt

Operations update:

- ◆ Drilled and cased three additional wells under the future pilot location during October and November
 - Confirmed resource thickness of 10-16 metres
 - Detected no water or gas thief zones
 - Finalized the location for the pilot facility and the two Cyclic Steam Stimulation (“CSS”) pilot wells
 - Confirmed geological elevations to allow the drilling of the two horizontal pilot wells in 2008
 - Encountered over 45m of Wilrich capping shale which is more than adequate for steam chamber containment
- ◆ Surveyed locations for the five delineation wells in the vicinity of the pilot location
 - These wells will be drilled in 2008
 - Information will be gathered from these wells to begin work on future commercial development
- ◆ Identified potential locations for two additional wells on Block B South to continue to evaluate the resource on our landholdings

CSS Pilot Project update:

- ◆ Submitted application for pilot project to the EUB
- ◆ Retained engineering procurement and construction (“EPC”) company
 - Initiated the design basis memorandum for the pilot project
 - Developing process flow diagrams
 - Developed construction schedule
- ◆ Completed preliminary cost estimates; total pilot costs, including drilling the two horizontal wells, are approximately \$15 million
- ◆ Purchased a key long lead item in November, namely, a 50 mmBTU steam generator

Louis Dufresne, President of North Peace, commenting on third quarter activities noted “North Peace is progressing rapidly with its development plans. The three wells just completed have confirmed management’s expectations of the resource. The next step is to construct and operate the pilot and we are on schedule to have first steam in the ground before the end of 2008. The results from the pilot will demonstrate production, operating parameters, and thus the economic viability of CSS to our resource.”

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 nine month period ended September 30, 2007. The following information should be read in conjunction with the unaudited interim financial statements for the three and nine months ended September 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 November 22, 2007

Overall Performance

During the nine months ended September 30, 2007 the Company has completed the following significant milestones:

- ◆ Assembled the management and technical team to allow us to proceed to commercial development of the resource project
- ◆ Raised \$20 million to buy out our joint venture partner and obtain sole ownership of the asset
- ◆ Identified Primrose South as a commercial analogue and are using this to model and plan future development

Subsequent to the nine months ended September 30, 2007 the Company has completed these additional milestones:

- ◆ Filed our pilot project application with the EUB
- ◆ Completed 3 wells in the 2007/2008 capital program in addition to the 9 wells previously drilled
 - The results from these wells have confirmed management's expectations of the resource
- ◆ Purchased a 50 mmBTU steam generator, a key long-lead item for the pilot project

Results of Operations

Interest Income

	2007		2006	Nine months ended September 30,	
	Q3	Q2	Q3	2007	2006
Interest Income	128,821	67,297	-	226,424	12,563

Interest income was \$128,821 for the third quarter of 2007 from a redeemable term deposit which bears interest at 4% and matured on September 29, 2007. Interest income was \$12,563 over the first nine months of 2006. The increase in interest income from the second quarter of 2007 is due to more cash on deposit.

Stock-based Compensation

	2007		2006	Nine months ended September 30,	
	Q3	Q2	Q3	2007	2006
Stock-based Compensation	158,093	94,152	-	307,262	1,466,550

Stock-based compensation for the third quarter was \$158,093. The increase from the second quarter in 2007 is due to additional option grants in the quarter and recognition of the expense for existing stock options. \$37,315 of stock based compensation was capitalized during the quarter relating to consultants working directly on the capital program and pilot project.

Administrative Expenses

	2007		2006	Nine months ended September 30,	
	Q3	Q2	Q3	2007	2006
G&A expense	243,488	331,719	27,544	678,488	73,491

Administrative expenses for the third quarter amounted to \$243,488 compared to \$331,719 for the second quarter of 2007 and \$27,544 for the same period last year. The decrease from the second quarter of 2007 is due to reduced corporate activity during the summer months. The increase from 2006 is due to staff additions, more activity and the company's growth in size and operations.

Depreciation and Accretion

	2007		2006	Nine months ended September 30,	
	Q3	Q2	Q2	2007	2006
Depreciation and Accretion	9,854	5,332	-	20,518	-

The Company had depreciation expense during the third quarter of \$5,055 related to office furniture and computer equipment. Accretion related to asset retirement obligations during the third quarter was \$4,799. The increase is due to the passage of time. There was no depreciation or accretion expense recognized during 2006.

Future Income Taxes

During the nine months ended September 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 Q3	2007 Q2	2007 Q1	2006 Q4	2006 Q3	2006 Q2
Revenues	128,821	67,297	30,306	30,247	12,563	-
Net Loss and Comprehensive loss Basic and diluted	282,614	363,906	133,324	44,955	14,981	1,505,287
Net Loss Per share	0.007	0.012	0.008	0.003	0.001	0.131

Liquidity and Capital Resources

At September 30, 2007 the Company had working capital of \$12.1 million.

The Company's revised 2007 capital program now takes into account a 100 percent working interest, and 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 September 30, 2007, the payments due under the office lease commitment are as follows:

(Cdn \$)	
2007	20,562
2008	82,246
2009	82,246
2010	82,246
2011	82,246
Thereafter	Nil

Capital expenditures were as follows:

(Cdn \$)	2007		2006	Nine months ended September 30	
	Q3	Q2	Q3	2007	2006
Property Acquisition	26,535	20,160,921	-	20,187,456	-
Land & Lease Rentals	2,160	8,064	1,615,186	43,854	5,804,255
Drilling	96,632	131,700	-	1,096,719	-
Geological Costs	4,143	-	-	34,143	-
Preliminary Pilot Project Costs	33,820	26,780	-	65,954	-
Total	163,290	20,327,465	1,615,186	21,428,126	5,804,255

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 September 30, 2007:

	September 30, 2007
Common shares outstanding	38,050,640
Weighted average number of shares outstanding during the period	28,640,173
Stock options outstanding	2,280,500
Purchase warrants outstanding	-
Performance warrants outstanding	6,300,000

As at November 22, 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 September 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 September 30, 2007, the Company accrued legal costs of \$374,065 payable to a firm in which a director is a partner. Included in this accrual are \$203,564 of costs related to the Juno qualifying transaction, \$74,974 related to the June 28, 2007 equity financing and \$70,527 related to the June 28, 2007 property transaction. During the first nine months 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 September 30, 2007.

Financial Instruments and Other Risks

The Company's carrying value of cash and cash equivalents, accounts 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 third 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 and MD&A including statements relating to future development plans including the application of CSS, anticipated costs and expenditures, anticipated production capacity and business strategies, 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 should not be unduly relied upon. Actual results will differ and could differ materially as a result of changes in North Peace's plans, changes in commodity prices, regulatory changes, including but not limited to changes in royalty regimes, tax laws and environmental regulations, general economic, market and business conditions, ability to access sufficient capital in the future, failure to obtain required regulatory approvals, 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; estimates of the geologic and other attributes and characteristics of the Company's property; the effectiveness and economic feasibility of utilizing CSS; lack of diversification; and overall technical and economic feasibility of the Company's project. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect North Peace's operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or at North Peace's website (www.northpec.com). 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
www.northpec.com

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

NORTH PEACE ENERGY CORP.

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

Balance Sheets, as at

(Cdn \$)	September 30, 2007 (unaudited)	December 31, 2006 (audited)
Assets		
Current assets		
Cash and cash equivalents (note 5)	\$ 12,216,885	\$ 3,282,421
Accounts receivable	315,047	46,119
Prepaid expenses	29,887	36,000
	12,561,819	3,364,540
Oil and gas properties (note 6)	30,270,204	8,658,242
Advance on oil and gas properties	-	323,232
Deferred transaction charges (note 2)	-	136,709
Other assets	58,404	-
	\$ 42,890,427	\$ 12,482,723
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accruals	\$ 422,625	\$ 95,083
Asset retirement obligations (note 7)	290,009	167,971
Future income taxes (note 8)	947,520	-
	1,660,154	263,054
Shareholders' equity		
Common shares (note 9)	42,006,341	12,292,052
Performance warrants	1,466,550	1,466,550
Contributed surplus (note 10)	414,077	33,500
Deficit	(2,656,695)	(1,572,433)
	41,230,273	12,219,669
	\$ 42,890,427	\$ 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 September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Revenue				
Interest Income	\$ 128,821	\$ 12,563	\$ 226,424	\$ 12,563
	128,821	12,563	226,424	12,563
Operating expenses				
General and administrative	243,488	27,544	678,488	73,491
Stock-based compensation	158,093	-	307,262	1,466,550
Depletion, depreciation and accretion	9,854	-	20,518	-
	411,435	27,544	1,006,268	1,540,041
Net Loss and Comprehensive Loss	\$ 282,614	\$ 14,981	\$ 779,844	\$ 1,527,478
Deficit at beginning of period	2,182,018	1,512,497	1,572,433	-
Costs relating to Juno transaction (note 2)	192,063	-	304,418	-
Deficit at end of period	\$ 2,656,695	\$ 1,527,478	\$ 2,656,695	\$ 1,527,478
Net Loss per share (note 14)				
Basic	\$ 0.007	\$ 0.001	\$ 0.027	\$ 0.173
Diluted	\$ 0.007	\$ 0.001	\$ 0.027	\$ 0.173

NORTH PEACE ENERGY CORP.

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

Notes to Financial Statements

As at September 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. Additional transaction costs of \$192,063 were recorded in the three months ended September 30, 2007 for legal expenses which were in excess of the original estimate made by management.

NORTH PEACE ENERGY CORP.

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

Notes to Financial Statements

As at September 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 September 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 nine months ended September 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 variable rate deposits of \$8,500,000 and \$2,500,000 which currently bear interest at 4.25% and mature on June 28, 2008 & September 28, 2008 respectively.

6. Oil and gas properties

(Cdn \$)	September 30, 2007	December 31, 2006
Oil and gas interests	\$ 30,270,204	\$ 8,658,242
Accumulated depletion and depreciation	-	-
	<u>\$ 30,270,204</u>	<u>\$ 8,658,242</u>

At September 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 \$73,315 was capitalized during the nine months ended September 30, 2007.

NORTH PEACE ENERGY CORP.

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Notes to Financial Statements

As at September 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 \$)	September 30, 2007	December 31, 2006
Asset retirement obligations, beginning of period	\$ 167,971	\$ -
Increase in liabilities	110,521	167,971
Accretion	11,517	-
Change in estimates	-	-
Asset retirement obligations, end of period	\$ 290,009	\$ 167,971

The total undiscounted amount of cash flows required to settle the obligations as measured at September 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 September 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 renouncement (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)	-	(1,377,169)
Balance, September 30, 2007	38,050,640	\$ 42,006,341

- i. During the nine months ended September 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	1,390,000	1.00 – 2.62	1.71
Options exercised	-	-	-
Balance, September 30, 2007	2,280,500	\$ 1.00 – 2.62	\$ 1.43

NORTH PEACE ENERGY CORP.

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

Notes to Financial Statements

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

9. Share Capital (continued)

(c) Stock options (continued)

The average fair value of the options granted during the first nine months of 2007 is \$1.03 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 \$380,577 in the first nine months of 2007, of which \$73,315 was capitalized to oil and gas properties.

During the three months ended September 30, 2007, 500,000 options issued to consultants contingent on them joining as employees were canceled and 250,000 of these contingent options were retained by 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. An additional 5,000 stock options were granted to current employees. 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 September 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	1,465,500	\$1.00	3.30	163,833	\$1.00
\$1.55 – \$2.62	815,000	2.21	4.70	-	-
	2,280,500	\$1.43	3.88	163,833	\$1.00

NORTH PEACE ENERGY CORP.

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

Notes to Financial Statements

As at September 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, September 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, September 30, 2007	6,300,000	\$ 0.50
Exercisable, September 30, 2007	-	\$ -

The remaining contractual life of the outstanding and exercisable performance warrants is 3.25 years.

10. Contributed surplus

(Cdn \$)	September 30, 2007	December 31, 2006
Balance, beginning of period	\$ 33,500	\$ -
Stock-based compensation		
Expensed	307,262	33,500
Capitalized	73,315	-
Balance, end of period	\$ 414,077	\$ 33,500

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

Notes to Financial Statements

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

11. Related party transactions

As at September 30, 2007, there is a balance of \$374,065 (December 31, 2006 - \$105,000) in accounts payable due to a law firm in which a director is a partner. Included in this accrual are \$203,564 of costs related to the Juno qualifying transaction, \$74,974 related to the June 28, 2007 equity financing and \$70,527 related to the June 28, 2007 property transaction. The Juno qualifying transaction costs are recorded in retained earnings, the equity financing costs are recorded in share capital and the property acquisition costs are recorded in oil and gas properties. During the first nine months of 2007 \$58,060 of legal costs were paid to the same law firm.

12. Commitments

As at September 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, accounts 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 September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Net loss (Cdn \$)	\$ (282,614)	\$ (14,981)	\$ (779,844)	\$ (1,527,478)
Weighted average number of shares outstanding	38,050,640	15,556,400	28,640,173	9,002,089
Basic loss per share	\$ 0.007	\$ 0.001	\$ 0.027	\$ 0.173
Diluted loss per share	\$ 0.007	\$ 0.001	\$ 0.027	\$ 0.173

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