



North Peace Energy Announces Operations Update and First Quarter Financial Results

Calgary, Alberta, May 29, 2008 North Peace Energy Corp. (“North Peace” or the “Company”) releases operating and financial results for the three months ended March 31, 2008.

First Quarter Operations and Financial update:

- The Company has now completed the previously announced winter 2007/2008 capital program on its Red Earth property
 - North Peace drilled eight delineation wells as part of this capital program and results support management’s initial expectation of recovery under Cyclic Steam Stimulation (“CSS”) with an average of 12 metres net pay
- Working capital of \$5.3 million as at quarter-end and no debt, as at May 28, 2008 the working capital is approximately \$4.4 million.
- Capital expenditures of \$3.9 million in the first quarter of 2008

CSS Pilot Project update:

- Energy Resources Conservation Board (“ERCB”) approval for the pilot project is expected soon and management is confident steam injection will occur in the fourth quarter 2008
- Bids for all major equipment have been reviewed and procurement of major equipment is expected to be completed in June with the funds coming from existing working capital
- Proceeding with front-end engineering and environmental baseline studies for the commercial project
- Advancing preliminary facility scoping for carbon capture and continuing to investigate various sequestration opportunities
- Overall the pilot project continues to be on budget and on schedule

Louis Dufresne, President of North Peace, commented “The Company continues to advance towards pilot production on schedule and on budget. The summer months will be busy for the Company. We plan to raise the remaining funds required for the pilot project and begin construction in July, leading to commissioning and first steam in the fall, followed by production towards year-end.”

For further information, please contact:

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Management's Discussion and Analysis of Financial Results

This Management's Discussion and Analysis of 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, 2008. The following information should be read in conjunction with the unaudited interim financial statements for the three months ended March 31, 2008, and the audited financial statements for the year ended December 31, 2007.

Additional information about North Peace filed with Canadian securities commissions is available on-line at www.sedar.com.

Date of Report May 29, 2008

Overview

North Peace Energy has an early stage in-situ oil sands play in northern Alberta with an estimated 2 to 3.1 billion barrels of Discovered Petroleum Initially-In-Place. The Company has a 100% working interest in 86,400 acres of Crown oil sands leases in the Peace River area. The lands have the benefit of over 300 legacy logs and are surrounded by accessible O&G production infrastructure. The target Bluesky zone is a regional sand, deposited in a near shore marine environment at approximately 400 metres in depth. The initial focus area has 24 contiguous land sections with 10 to 16 metres of oil bearing thickness, sufficient to advance a 30,000 bbl/d commercial project. North Peace is currently advancing the development of its resource using a robust and proven in-situ thermal recovery process, Cyclic Steam Stimulation ("CSS"). A pilot project consisting initially of two horizontal CSS wells has been engineered and regulatory approval is pending. Pilot construction is anticipated during summer 2008. The Company does not currently have oil and gas production.

Overall Performance

During the three months ended March 31, 2008 the Company has completed the following significant milestones:

- ◆ The Company has now completed its previously announced winter 2007/2008 capital program on its Red Earth property
 - Five additional delineation wells were drilled at a cost of \$3.5 million
 - Additional delineation locations have been identified for next year's winter drilling program

Financial Results

Quarterly Financial Information

	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007 Q1	2006 Q4	2006 Q3	2006 Q2
Revenues	87,905	117,197	128,821	67,297	30,306	30,247	12,563	-
Net Loss and Comprehensive loss	399,290	448,481	282,614	363,906	133,324	44,955	14,981	1,505,287
Basic and diluted Net Loss Per share	0.010	0.012	0.007	0.012	0.008	0.003	0.001	0.131

Results of Operations

Interest Income

	2008 Q1	2007 Q4	2007 Q1
Interest Income	87,905	117,197	30,306

Interest income was \$87,905 for the first quarter of 2008, with the majority derived from redeemable term deposits bearing interest at 2.75%. Interest income is down from the fourth quarter of 2007 due to reduced cash on hand as the company completed its capital program. The increase in interest income from the first quarter 2007 is due to more cash on deposit.

Stock-based Compensation

	2008 Q1	2007 Q4	2007 Q1
Stock-based Compensation	166,376	144,168	55,017

Stock-based compensation for the first quarter of 2008 was \$166,376. The expense relates to the recognition of the expense for existing stock options as there were no additional option grants in 2008. A recovery of \$15,710 was capitalized during the quarter relating to consultants working directly on the capital program and pilot project.

Administrative Expenses

	2008 Q1	2007 Q4	2007 Q1
Administrative Expenses	310,883	413,507	103,281

Administrative expenses for the first quarter amounted to \$310,883 compared to \$413,507 for the fourth quarter of 2007 and \$103,281 for the same period last year. The decrease from the fourth quarter of 2007 is due to employee compensation bonuses that were paid in the fourth quarter. The increase from the same period in 2007 is due to staff additions, more activity and the Company's growth in size and activities.

Depreciation and Accretion

	2008	2007	2007
	Q1	Q4	Q1
Depreciation and Accretion	9,936	8,043	5,332

The Company had depreciation expense during the first quarter of 2008 of \$5,656 related to office furniture and computer equipment. Accretion related to asset retirement obligations in the first quarter of 2008 was \$4,280. The increase is due to the passage of time and additional wells.

Liquidity and Capital Resources

As at March 31, 2008, the Company had working capital of \$5.3 million.

The Board of Directors has approved a 2008/2009 capital budget of \$20 million dollars to build the pilot project and complete a winter 2008/2009 delineation drilling program. The approval is subject to financing. The Company is currently exploring various alternatives for raising the required funds.

As at March 31, 2008, the payments due under the office lease commitment are as follows:

(Cdn \$)	
2008	61,685
2009	82,246
2010	82,246
2011	82,246
Thereafter	Nil

Capital expenditures were as follows:

	2008	2007	2007
	Q1	Q4	Q1
Land & Lease Rentals	120,735	116,260	33,630
Drilling	3,538,738	1,808,456	868,387
Geological Costs	40,393	17,685	30,000
Facilities	188,489	450,000	-
Preliminary Pilot Project Costs	27,314	17,586	5,354
Total	3,915,669	2,409,987	937,371

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

The following table shows the common shares, stock options and performance warrants issued and outstanding at March 31, 2008:

	March 31, 2008
Common shares outstanding	38,050,640
Weighted average number of shares outstanding during the period	38,050,640
Stock options outstanding	2,280,500
Performance warrants outstanding	6,300,000

As at May 29, 2008, there were 38,050,640 common shares outstanding, 2,280,500 stock options and 6,300,000 performance warrants outstanding.

Off Balance Sheet Arrangements

There were no off balance sheet arrangements.

Transactions with Related Parties

As at March 31, 2008, the Company accrued legal costs of \$30,000 payable to a firm in which a director is a partner.

Critical Accounting Estimates

The preparation of financial statements requires the Company to make judgements, assumptions and estimates in the application of generally accepted accounting principles that have a significant impact on the financial results of the Company. Actual results could differ from those estimates. A comprehensive discussion of the Company's significant accounting policies is contained in the financial statements for the year ended December 31, 2007.

Accounting Policies

For the impact of new accounting please refer to note 2 of the unaudited financial statements as at March 31, 2008.

Financial Instruments and Other Instruments

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.

Risks and Uncertainties

North Peace is exposed to operational and regulatory risks and uncertainties in the normal course of business that can influence its future financial performance. A summary of certain of these risks is set out below under "Forward-Looking Statements" and a more detailed description of these risks is presented in the Company's Information Circular dated April 18, 2008 which is available on SEDAR at www.sedar.com.

Outlook

The Company has drilled an additional five delineation wells in the first quarter of 2008, bringing the total wells drilled by the Company to 17. The majority of the capital spending during the balance of 2008 will be focused on the pilot. The two CSS horizontal wells will be drilled following spring breakup. Construction of pilot facilities will commence in the summer of 2008, with first steam injection commencing November. Initial production response will occur approximately 2 months following steam injection and is expected late in the fourth quarter 2008 or early 2009.

Additional delineation drilling work will commence in the winter of 2008/2009 to confirm an area sufficient to construct the first phase of a commercial project. Pilot production information combined with the data gathered from this drilling program will allow the Company to commence engineering the first 10,000 bbl/d phase of a commercial project.

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.

Discovered Petroleum Initially-In-Place

Discovered Petroleum Initially-In-Place (equivalent to Discovered Resources) is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum initially in place includes production, reserves, and contingent resources. There is no certainty that the discovered petroleum initially in-place will ever be produced.

NORTH PEACE ENERGY CORP.

(A Development Stage Company)

Balance Sheets, as at

	March 31, 2008 (unaudited)	December 31, 2007
Assets		
Current assets		
Cash and cash equivalents (note 4)	\$ 6,873,778	\$ 9,964,393
Accounts receivable	429,134	363,600
Prepaid expenses	34,124	46,360
	7,337,036	10,374,353
Oil and gas properties (note 5)	36,765,625	32,711,756
Other assets	54,021	54,703
	\$ 44,156,682	\$ 43,140,812
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accruals	\$ 2,050,958	\$ 944,654
Asset retirement obligations (note 6)	374,010	215,820
Future income taxes	550,929	915,900
	2,975,897	2,076,374
Shareholders' equity		
Common shares (note 7)	42,402,932	42,037,961
Performance warrants (note 7)	1,466,550	1,466,550
Contributed surplus (note 8)	815,769	665,103
Deficit	(3,504,466)	(3,105,176)
	42,180,785	41,064,438
	\$ 44,156,682	\$ 43,140,812

Commitments (note 10)

Signed on behalf of the Board:

“Ian Robertson”, Director

“William S Maslechko”, Director

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Statements of Loss, Comprehensive Loss and Deficit
(unaudited)

	Three months ended March 31,	
	2008	2007
Revenue		
Interest Income	\$ 87,905	\$ 30,306
	87,905	30,306
Operating expenses		
General and administrative	310,883	103,281
Stock-based compensation	166,376	55,017
Depletion, depreciation and accretion	9,936	5,332
	487,195	163,630
Net Loss and Comprehensive Loss	\$ 399,290	\$ 133,324
Deficit at beginning of period	3,105,176	1,572,433
Costs relating to Juno transaction (note 3)	-	112,355
Deficit at end of period	\$ 3,504,466	\$ 1,818,112
Net Loss per share (note 12)		
Basic and Diluted	\$ 0.010	\$ 0.008

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(A Development Stage Company)

Statements of Cash Flows (unaudited)

	Three months ended March 31,	
	2008	2007
Cash provided by (used in):		
Operating Activities		
Net Loss	\$ (399,290)	\$ (133,324)
Non-cash charges to earnings		
Depletion, depreciation and accretion	9,936	5,332
Stock-based compensation	166,376	55,017
	(222,978)	(72,975)
Net change in non cash working capital		
Accounts receivable	5,914	(67,934)
Prepaid expenses	12,236	(1,404)
Accounts payable and accruals	(90,968)	(117,955)
	(295,795)	(260,268)
Investing Activities		
Additions to oil and gas properties	(3,915,669)	(937,371)
Other assets	(4,974)	(26,304)
Net change in non cash working capital		
Accounts receivable	(71,449)	(76,129)
Accounts payable and accruals	1,197,272	772,515
	(2,794,820)	(267,289)
Financing Activities		
Proceeds on issue of common shares	-	1,777,500
Cash acquired from Juno Capital Corp. (note 3)	-	261,845
Deferred financing charges	-	24,354
Net change in non cash working capital		
Accounts payable and accruals	-	42,975
	-	2,106,674
Increase in cash and cash equivalents	(3,090,615)	1,579,117
Cash and cash equivalents, beginning of period	9,964,393	3,282,421
Cash and cash equivalents, end of period	\$ 6,873,778	\$ 4,861,538
Supplemental disclosure:		
Interest received	\$ 62,138	\$ 2,217

NORTH PEACE ENERGY CORP.

(A Development Stage Company)

Notes to Financial Statements

As at March 31, 2008 (unaudited), as at December 31, 2007

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 3). The Company’s principal business activity is the exploration, exploitation and development and production of petroleum and natural gas resources in the Province of Alberta. To date the Company has not earned significant revenue and is therefore considered to be a development stage Company.

These financial statements are prepared on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. The recoverability of the amounts shown for oil and gas assets is dependent upon the discovery of economically recoverable oil and gas resources and the ability of the Company to obtain financing necessary to complete the exploration and development and the success of future operations.

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, 2007 except as noted. These financial statements should be read in conjunction with the audited year-end financial statements for North Peace Energy Corp.

2. Adoption of new accounting policies

Effective January 1, 2008 the Company adopted Section 1535, Capital Disclosures, Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation. Section 1535 specifies the disclosure of an entity’s objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements, and if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 specify standards of presentation and enhanced disclosures on financial instruments. These Sections will require the Company to increase disclosure on the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The CICA has amended Section 1400, “General Standards of Financial Statement Presentation”, which is effective for interim periods beginning on or after January 1, 2008, to include requirements to assess and disclose the Company’s ability to continue as a going concern (note 1).

The adoption of these new accounting standards did not impact the amounts reported in the Company’s financial statements; however, it did result in expanded note disclosure (see Note 11).

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. The new Section will be effective on January 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

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3. 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 \$304,418 at the date of the transaction and they were recognized in the deficit.

4. Cash and cash equivalents

Included in cash and cash equivalents is a redeemable term variable rate deposit totaling \$7,000,000 which currently bears interest at 2.75 % and matures on June 28, 2008.

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Notes to Financial Statements

As at March 31, 2008 (unaudited), as at December 31, 2007

5. Oil and gas properties

(Cdn \$)		March 31, 2008		December 31, 2007
Oil and gas interests	\$	36,765,625	\$	32,711,756
Accumulated depletion and depreciation		-		-
	\$	36,765,625	\$	32,711,756

The Company is advancing a Cyclic Steam Stimulation (CSS) project on its current land holdings. The initial focus area has 24 contiguous land sections with 10 to 16 metres of oil bearing thickness, sufficient to advance a 30,000 bbl/d commercial project. A pilot project consisting initially of two horizontal CSS wells has been engineered and construction of the pilot facility is anticipated during summer 2008.

At March 31, 2008, the Company has no reserves or production. Accordingly, no provision for depletion expense has been made.

In 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 \$4,994,947 in common shares of North Peace (2,270,430 common shares at a deemed price of \$2.20 per share).

Stock-based compensation of \$(15,710) was capitalized during the three months ended March 31, 2008.

No impairment has been recognized on oil and gas interests for the three months ended March 31, 2008.

6. 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 gas interests.

(Cdn \$)		March 31, 2008		December 31, 2007
Asset retirement obligations, beginning of period	\$	215,820	\$	167,971
Increase in liabilities		156,842		206,509
Accretion		4,280		12,621
Change in estimates		(2,932)		(171,281)
Asset retirement obligations, end of period	\$	374,010	\$	215,820

NORTH PEACE ENERGY CORP.

(A Development Stage Company)

Notes to Financial Statements

As at March 31, 2008 (unaudited), as at December 31, 2007

6. Asset retirement obligations (continued)

The total undiscounted amount of cash flows required to settle the obligations as measured at March 31, 2008 is estimated to be \$711,214 (2007 – 220,860). These obligations will be settled based on the useful lives of the underlying assets, which ranges from one to ten years. The credit-adjusted risk free rate at which the estimated cash flows were discounted was 8% (2007 - 8%) and the estimated inflation rate used to project future costs was 2% (2007 - 2%).

7. 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	16,555,400	\$ 12,292,052
Juno shares (note 3)	505,000	147,030
Tax effect of flow-through share renouncement	-	(915,900)
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 December 31, 2007	38,050,640	42,037,961
Tax effect of previously incurred share issue costs	-	364,971
Balance March 31, 2008	38,050,640	\$ 42,402,932

- i. In 2007, 9,196,000 warrants were exercised for common shares at \$0.75 per warrant for gross proceeds of \$6,897,000.
- ii. The Company 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 5).
- iv. Share issue costs 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.

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Notes to Financial Statements

As at March 31, 2008 (unaudited), as at December 31, 2007

7. Share Capital (continued)

(c) Stock options

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

	Number of options	Range of Exercise Prices	Weighted Average Exercise Price
Balance, December 31, 2006	840,000	\$ 1.00	\$ 1.00
Juno options (note 3)	50,500	1.00	1.00
Options granted	1,390,000	1.00 – 2.62	1.71
Options exercised	-	-	-
Balance, December 31, 2007 and March 31, 2008	2,280,500	\$ 1.00 – 2.62	\$ 1.43

The average fair value of the options granted during 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 \$150,666 during the three months ended March 31, 2008, of which a recovery of \$15,710 was capitalized to oil and gas properties.

In 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 1,140,000 options were issued by the Company to management, employees, consultants and directors during 2007.

No additional options were granted in the three months ended March 31, 2008

The following table sets forth information about stock options outstanding as at March 31, 2008.

Range of Exercise Price	Options Outstanding			Options Exercisable	
	Number of Options	Weighted Average Price Per Share	Remaining Contractual Life (yrs)	Options Exercisable	Weighted Average Price Per Share
\$1.00	1,465,500	\$1.00	2.85	575,500	\$1.00
\$1.55 – \$2.62	815,000	2.21	4.20	-	-
	2,280,500	\$1.43	3.37	575,500	\$1.00

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Notes to Financial Statements

As at March 31, 2008 (unaudited), as at December 31, 2007

7. Share Capital (continued)

(d) Performance Warrants

	Number of Warrants		Exercise Price
Balance, December 31, 2006	6,300,000	\$	0.50
Warrants exercised	-		-
Balance, December 31, 2007 and March 31, 2008	6,300,000	\$	0.50
Exercisable, March 31, 2008	-	\$	-

The performance warrants must be exercised the earlier of: (a) immediately following a liquidity event whereby the Board of the Company determines to liquidate all or substantially all of the assets of the Company, (b) immediately following an offer to purchase at least 66 2/3% of the outstanding Class A common shares for cash or similar consideration (other than pursuant to a reverse take-over) that is received and taken up and paid for by the offeror, or (c) December 31, 2010, otherwise they expire.

The performance warrants vest immediately if (a) or (b) above occurs, or after the shares are listed on a recognized stock exchange and all of the following performance criteria are satisfied; (i) the Company has a market capitalization of at least \$30,000,000; (ii) at least 32,000,000 equity shares are outstanding; and (iii) the Company meets or exceeds the minimum listing requirements of a Tier 1 Issuer as defined in the policies of the TSX Venture Exchange (collectively the "Performance Criteria"). If the Performance Criteria are met, the warrants vest as follows: 2,700,000 performance warrants upon achieving a share price of \$1.00 per share, 1,800,000 performance warrants upon achieving a share price of \$1.50 per share and 1,800,000 performance warrants upon achieving a share price of \$2.00 per share. Share prices are calculated based on the ten day weighted average trading price per share of the Company.

As at March 31, 2008 all performance criteria related to the Company have been satisfied except the minimum listing requirements for a Tier 1 Issuer on the TSX Venture Exchange.

The fair value of the performance warrants was estimated using the Black-Scholes option pricing model assuming expected volatility of 90% and an expected life of between one and three years with corresponding risk-free rates of 4.07% to 4.16%.

The remaining contractual life of the outstanding and exercisable performance warrants is 2.75 years.

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Notes to Financial Statements

As at March 31, 2008 (unaudited), as at December 31, 2007

8. Contributed surplus

(Cdn \$)		March 31, 2008		December 31, 2007
Balance, beginning of period	\$	665,103	\$	33,500
Stock-based compensation				
Expensed		166,376		451,430
Capitalized		20,712		120,394
Decrease/Increase in fair value of non-employee options (capitalized)		(36,422)		59,779
Balance, end of period	\$	815,769	\$	665,103

9. Related party transactions

As at March 31, 2008, the Company accrued legal costs of \$30,000 (2007 - nil) payable to a firm in which a director is a partner. All related party transactions are in the normal course of operations, related party transactions entered into by the Company have been measured at the exchange amount established and agreed to by the related parties.

10. Commitments

As at March 31, 2008, the Company was committed under a lease for office premises, requiring future minimum rental payments of \$82,246 per annum plus operating costs, expiring December 31, 2011.

11. Financial instruments

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. At March 31, 2008, the Company's accounts receivable relates to interest income.

Cash and cash equivalents consist of cash bank balances and short-term deposits maturing in less than 90 days. When applicable, the Company manages the credit exposure related to short-term investments by selecting counter parties based on credit ratings and monitors all investments to ensure a stable return.

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure.

NORTH PEACE ENERGY CORP.

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As at March 31, 2008 (unaudited), as at December 31, 2007

11. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company prepares periodic capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. The Company does not yet have a revolving reserve based credit facility.

Market risk

Market risk is the risk that changes in foreign exchange rates, commodity prices, and interest rates will affect the Company's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company had no forward exchange rate contracts in place as at or during the quarter ended March 31, 2008.

Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. From time to time, the Company may use both financial derivatives and physical delivery sales contracts to manage market risks. Any such transactions would be approved by the Board of Directors. The Company has not entered into any financial or physical delivery sales contract on future production at March 31, 2008.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's exposure is limited to interest rate fluctuations on its cash in its bank account which bears a floating rate of interest, historically between 2.75% and 4.50%. The Company had no interest rate swap or financial contracts in place as at or during the quarter ended March 31, 2008.

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11. Financial instruments (continued)

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

Capital Management

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

As the Company does not have any externally imposed capital requirements, for the purposes of this disclosure, the Company has defined its capital to mean its long-term debt and shareholders' equity and working capital, as determined each reporting date.

There have been no changes to capital management in the three months ended March 31, 2008.

12. Loss per Share

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

	Three months ended March 31,	
	2008	2007
Net loss (Cdn \$)	\$ 399,290	133,324
Weighted average number of shares outstanding	38,050,640	17,682,067
Basic and diluted loss per share	\$ 0.010	0.008

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