Interim Financial Statements of

Canoel International Energy Ltd.

For the Three and Nine Months Ended December 31, 2008
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not preformed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements of Canoel International Energy Ltd. (the "Corporation") have been prepared by and are the responsibility of the management of the Corporation.

The Corporation's independent auditor has not preformed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for review of interim financial statements by an entity's auditor.

Canoel International Energy Ltd.

Balance Sheets
(Unaudited)

		December 31, 2008		**Period Ended March 31, 2008**
Assets				
Cash	**$**	**971,036**	**$**	**894,779**
Short term investments (note 4)		**398,948**		**-**
Accounts receivable (note 6)		**527,772**		**3,751**
Prepaid expense		**6,375**		**-**
Total current assets		**1,904,131**		**898,530**
Petroleum and natural gas properties (note 6)		**734,782**		**-**
		2,638,913		**898,530**
Liabilities				
Accounts payable and accrued liabilities		**23,408**		**82,961**
Shareholders' Equity				
Share capital (note 8)		**2,473,175**		**806,186**
Warrants (note 8)		**184,,432**		**-**
Contributed surplus (note 8)		**138,751**		**21,383**
Deficit		**(180,853)**		**(12,000)**
		2,615,505		**815,569**
	$	**2,638,913**	**$**	**898,530**

Commitments (note 11)
Subsequent events (note 12)
See accompanying notes to the financial statements.

Canoel International Energy Ltd.

Statement of Operations and Deficit
(Unaudited)

	Three months ended December 31, 2008	Nine months ended December 31, 2008
Revenue		
Interest Income	$ 469	$ 6,127
	469	6,127
Expenses		
General and administrative	63,417	125,780
Stock based compensation expense	-	49,200
	63,417	174,980
Net loss for the period	62,948	168,853
Deficit, beginning of period	117,905	12,000
Deficit, end of period	180,853	180,853
Loss per share basic and diluted (note 8)	$ (0.008)	$ (0.022)

See accompanying notes to the financial statements.

Canoel International Energy Ltd.

Statement of Cash Flow
(Unaudited)

		Three months ended December 31, 2008		Nine months ended December 31, 2008
Cash provided by (used in):				
Operating activities				
Net loss	$	**(62,948)**	$	**(168,853)**
Items not involving cash:				
Stock based compensation expense		**-**		**49,200**
		(62,948)		**(119,653)**
Change in non-cash operating working capital		**151,197**		**(99,950)**
		88,250		**(219,602)**
Financing activities				
Issuance of common shares		**2,120,968**		**2,120,968**
Issuance of warrants		**184,432**		**184,432**
Share issue costs		**(399,185)**		**(399,185)**
		1,906,215		**1,906,215**
Investing activities				
Additions to petroleum and natural gas properties		**(603,945)**		**(721,408)**
Change in non-cash investing working capital		**(490,000)**		**(490,000)**
		(1,093,945)		**(1,211,408)**
Increase (decrease) in cash		**900,520**		**475,205**
Cash balance, beginning of period		**469,464**		**894,779**
Cash balance, end of period	$	**1,369,984**	$	**1,369,984**

See accompanying notes to the financial statements.

1. Incorporation

Canoel International Energy Ltd. (the "Corporation") was incorporated under the *Business Corporations Act* (British Columbia) on September 20, 2007 and is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange Inc ("TSXV" or the Exchange"). The Corporation completed its qualifying transaction on November 21, 2008 and is a Tier 2 listed Issuer on the TSX Venture Exchange.

On November 21, 2008 the Corporation completed a Short Form Offering to the public and a non broker Private Placement allowing the Corporation to complete its Qualifying Transaction in accordance with the applicable Polices of the TSXV.

The Corporation was incorporated on September 20, 2007 and has a fiscal year end of March 31, 2008. The Corporation was not carrying on an active business and had no operations prior to January of 2008 and therefore has not provided any comparative quarterly information for the period and quarter ended December 31, 2008.

2. Going-Concern

The Corporation is in its formative stages and as such these financial statements have been prepared on the going-concern basis in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the ordinary course of business for the foreseeable future. The Company's continuing operations as intended are dependent upon its ability to continue to raise adequate equity financing and to commence profitable operations in the future. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and the classification of liabilities that might be necessary should the Corporation be unable to continue as a going–concern. At December 31, 2008 the Corporation had an operating loss for the nine months of $168,853 and has working capital of $1,880,723.

3. Significant accounting policies

The unaudited interim financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), using the same accounting policies as those set out in note 2 to the audited financial statements for the period ended March 31, 2008. The interim financial statements contain disclosures that are supplemental to the Corporation's March 31, 2008 audited financial statements. certain disclosures, which are normally required to be included in the notes to the annual audited financial statements, have been condensed or omitted. In the opinion of management, these interim financial statements contain all adjustments of a normal and recurring nature to present fairly the Corporation's financial position as at December 31, 2008 and the results of its operations for the nine months ended December 31, 2008. The interim financial statements should be read in conjunction with Corporation's audited financial statements and notes thereto for the period ended March 31, 2008

4. Short Term Investments

The short term investment is due on February 9, 2009 and was redeposited into the Corporations bank account .

5. Financial instruments

The Corporation's financial instruments include cash, short term investments, accounts receivable, and accounts payable and accrued liabilities which approximates its fair value due to its short-term nature.

6. Petroleum and Natural Gas Properties

The Corporation has entered into a Farmout and Participation Agreement under which it has the right to earn an interest in three large blocks of prospective lands in Tunisia. The Corporation has adopted the full cost method of accounting for oil and natural gas operations, whereby all costs of acquiring, exploring for and developing oil and gas reserves are capitalized and accumulated in one cost centre being Tunisia. Included in the acquisition are the costs associated with negotiating the Farmout and Participation Agreement and the Company's share of the operator's past costs including seismic on two of the three blocks. As at December 31, 2008 the Corporation had advanced $490,000 to the operator against the costs of drilling the first well at Bazma and other related costs scheduled for the third quarter of 2009.

7. Income Taxes

The provision for income taxes is different from the amount computed by applying the combined Federal and Provincial tax rates to loss before income taxes. The reason for the difference follows:

	Three months ended December 31, 2008	Nine months ended December 31, 2008
Corporate income tax rate	29.31%	29.31%
	$	$
Loss for the period before income taxes	(62,948)	(168,853)
Expected income tax reduction	18,450	49,491
Rate change effect	(148)	(857)
Add (deduct) stock based compensation		(14455)
Valuation allowance	(18,302)	(34179)
	-	-

7. Income Taxes (continued)

The future income tax asset is composed of temporary differences which result in future deductible amounts. The following table shows the tax affected amounts of those items:

	Nine months ended December 31, 2008	Year ended March 31, 2008
	$	$
Petroleum and natural gas properties	201,994	-
Share issue costs	151,278	49,938
Non-capital losses	36,863	9,305
	390,135	59,242
Valuation allowance	(390,135)	(59,242)
Future income tax asset	-	-

The Corporation has an income tax loss of $131,700 which expires in 2022 and 2023 and available unused share issue costs of $540,000 and foreign exploration and development expenses of $721,408.

8. Share capital

a) Authorized:

(i) Unlimited number of voting common shares without par value.

(ii) Unlimited number of preferred shares issuable in series and without par value.

b) Issued and outstanding:

	Number of shares	**Amount $**
Common Shares		
Balance outstanding - March 31,2008	6,580,000	1,008,000
Common shares issued for cash		
Short form offering [SFOD]	4,373,600	1,005,928
Non broker Private Placement	4,848,000	1,115,040
Share issue expenses	-	(655,793)
Balance outstanding – December 31, 2008	15,801,600	2,473,175

8. Share capital (continued)

c) Short Form Offering and Non Broker Private Placement:

On completion of the Short Form Offering and the non broker Private Placement on November 21, 2008 the Corporation issued a total 9,221,600 units. Each whole unit consists of one common share and one common share purchase warrant [“Unit”]. Each warrant will be exercisable into one common share for a period of 24 months at $0.40 per common share with a forced exercise provision following the expiry of four months plus one day from the date of Closing (“Special Hold Period”). If at any time after the Special Hold Period the Closing Price of the listed shares of the Corporation exceeds $0.60 for 15 consecutive trading days the exercise period for the Warrants will be shortened to a period of 30 days following notice. The price of a Unit was $0.25. The common shares have been given a deemed value of $0.23 per common share and the warrants have been given a deemed value of $0.02.

d) Warrants:

On completion of the Short Form Offering and the non broker Private Placement on November 21,2008 the Corporation issued 9,221,600 warrants as part of the Unit offering. Each warrant was given a deemed value of $0.02 per warrant for a total consideration of $184,432

e) Shares held in escrow:

As of December 31, 2008 there are, 2,772,000 common shares held in Escrow pursuant to the requirements of the Exchange having completed the Corporation’s Qualifying Transaction. The balance of the escrowed common shares will be released on each of the 6^{th}, 12^{th}, 18^{th}, 24^{th}, 30^{th} and 36^{th} month following the completion of the Qualifying Transaction.

f) Agent’s Options:

Pursuant to the Agency Agreement and the Closing of the IPO Offering on March 28, 2008, the Agent was granted a non-transferable option to purchase up to 350,000 common shares at $0.20 per share. The option is exercisable at any time from issuance to 24 months from the date of listing of the Company's shares on the TSX Venture Exchange. Not more than 50% of the Common Shares received on the exercise of the Agent's option may be sold by the Agent prior to the completion of the Qualifying Transaction. The remaining 50% may be sold after the completion of the Qualifying Transaction.

Pursuant to the Agency Agreement and the Closing of the Short Form Offering and the non broker Private Placement on November 21, 2008 the Agent and its Syndication Members were granted 661,391 Agent Unit Options Each Unit Option consists of one common share and one common share purchase warrant. Each Unit Option will be exercisable into one common share and one common share purchase warrant for a period of 24 months at $0.25.The Warrant upon exercise allows the holder to purchase one common share at $0.40 per common share until November 21, 2010 with a forced exercise provision following the expiry of four months plus one day from the date of Closing (“Special Hold Period”). If at any time after the Special Hold Period the Closing Price of the listed shares of the Corporation exceeds $0.60 for 15 consecutive trading days the exercise period for the Warrants will be shortened to a period of 30 days following notice.

8. Share capital (continued)

g) Finder's Option:

Pursuant to a Finders Option related to the non broker Private Placement a Consultant to the Corporation was granted 127,235 Consultant Warrants to purchase one common share for each Warrant at a price of $0.25 per common share. The Warrant expires on November 21, 2010.

h) Stock Option Plan:

The Corporation has a Stock Option Plan for the benefit of directors, officers, employees and consultants. The Option exercise price was set at the market price for the common shares when granted. Options granted under the plan vest immediately at the date of grant and expire five years from the date of grant.

The table below sets forth a reconciliation of Corporation's Stock Option Plan for directors, officers and consultants for the nine months ended December 31, 2008.

	Number of Options	Weighted Average Exercise Price
		($/share)
Outstanding, beginning of year	-	-
Granted	**525,000**	**0.20**
Forfeited	**(225,000)**	**0.20**
Outstanding, end of period	**300,000**	**0.20**
Exercisable, end of period	**300,000**	**0.20**

The table below summarizes information regarding stock options outstanding at December 31, 2008.

Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Number of Options Exercisable
($/share)		*(years)*	
0.20	**300,000**	**4.25**	**300,000**
	300,000	**4.25**	**300,000**

8. Share capital (continued)

i) Contributed Surplus:

Stock based compensation expense relating to the Corporation's stock options were calculated using the Black-Scholes option pricing model, using a risk free interest rate of 3.1%, expected life of two years , expected average volatility factor of 50% and no dividends.

Stock based compensation expenses relating to the Corporation's Agents' Options and Finder's Option were calculated using the Black-Scholes option pricing model using a risk free interest rate of 3.36% , expected life of two years , expected average volatility factor of 50% and no dividends.

	December 31, 2008
	$
Balance, beginning of year	**21,383**
Stock based compensation expense	**49,200**
Agents, options - financings	**54,794**
Finder's option	**13,374**
Balance December 31, 2008	**138,751**

Per Share Information:

The weighted average number of common shares outstanding as at December 31, 2008 for basic and fully diluted was 7,590,587 common shares.

9. Capital Disclosure

The Corporation manages its common shares, options and warrants as capital. As the Corporation is in the development stage its principal source of funds is from the issuance of common shares. It is the objective to safe- guard its ability to continue as a going concern, so that it can continue to explore and develop projects for the benefit of its stakeholders.

10. Financial Risk Management

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

10. Financial Risk Management (continued)

Credit Risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. As part of our cash management policy the Corporation has and will continue to buy short term treasury bills from time to time that are callable at any time. The yield on the most recent treasury bill was 1.55%. All short term deposits are with investment grade institutions where the risk of counterparty default is low.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation. The Corporation only invests in short term treasury bills which are callable at any time. Accounts receivable, accounts payable and accrued liabilities are due on standard industry terms.

Market Risk

Our short term investments in treasury bills are fixed at the date of purchase and the term have been 30 days with a callable feature. A change of one percent on the interest rate for the quarter would increase or decrease the interest return on an after tax basis by approximately $169.

Currency Risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Corporation has to date focused on the international market for petroleum and natural gas opportunities where many of the anticipated future expenses will be denominated in United States dollars.

11. Commitments:

The Corporation has entered into a Farm-out and Participation Agreement under which it has the right to earn an interest in three large oil & gas blocks of prospective land in Tunisia.

Under the terms of the Farm-out and Participation Agreement the Corporation has future commitments to drill two wells of which the Corporation share is estimated to be approximately $ 1,811,700 *CDN*. The first well is scheduled to be drilled during the third quarter of 2009 and the second well in 2010.

12. Subsequent events:

On February 17, 2009 the Corporation entered into an Memorandum of Understanding with the Operator of its existing Farm out and Participation Agreement whereby the Corporation by paying a non –refundable contribution of CDN $190,000 (payable in two incremental amounts with the first payment of $95,000 paid on February 20, 2009) has acquired the right to increase its specific working interest in two of the three exploration concessions under the first agreement in Tunisia from 11% to 45% under certain conditions. In addition the Corporation can farmout this interest to third parties prior to June 30, 2009.

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