ODYSSEY PETROLEUM CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2009

Q1

(Unaudited – Prepared by Management)

These financial statements have not been reviewed by the Company's auditor.

ODYSSEY PETROLEUM CORP.
Interim Consolidated Balance Sheets
(Prepared by Management)

	Unaudited March 31, 2009 - $ -	Audited December 31 2008 - $ -
ASSETS		
Current assets		
Cash	662	578
Accounts receivable	552,183	452,809
Marketable securities	14,057	14,057
Inventory of oil and parts	151,712	135,814
	718,614	603,258
Restricted cash	26,521	26,521
Property and equipment (Note 4)	43,638,666	43,338,641
	44,383,801	44,018,420
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	4,616,657	4,293,450
Current income taxes	107,000	107,000
Due to related parties (Note 8)	2,161,274	2,001,821
Current portion of long term debt (Note 5)	900,827	957,443
	7,785,758	7,359,714
Long term debt (Note 5)	1,083,351	1,094,415
Future income taxes	4,268,000	4,268,000
	5,351,351	5,362,415
	13,137,109	12,722,129
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	59,718,516	59,718,516
Contributed surplus (Note 7)	5,103,192	5,103,192
Accumulated other comprehensive loss	(85,092)	(85,092)
Deficit	(33,489,924)	(33,440,325)
	31,246,692	31,296,291
	44,383,801	44,018,420

Contingencies (Notes 1 and 11)
Commitments (Note 9)

Approved by the Directors:
" Whitney Pansano"
"Joe DeVries"

- See Accompanying Notes -

ODYSSEY PETROLEUM CORP.
Interim Consolidated Statements of Operations and Deficit
Three months ended March 31
(Unaudited – Prepared by Management)

	2009 - $ -	2008 - $ -
Revenues		
Petroleum and natural gas sales	1,407,544	2,972,801
Less royalties and taxes	402,774	766,423
	1,004,770	2,206,378
General, operating, and administrative expenses		
Consulting and management fees	37,500	37,500
Depletion and amortization	149,894	131,413
General and administrative	100,869	93,377
Interest and financing charges	108,935	130,579
Foreign exchange (gain) loss	(102,261)	114,665
Operating costs	759,432	910,148
Stock-based compensation	-	148,235
	1,054,369	1,565,917
Income taxes		
Current	-	(140,000)
	-	(140,000)
Net income (loss)	(49,599)	500,461
Deficit, beginning	(33,440,325)	(33,951,230)
Deficit, ending	(33,489,924)	(33,450,769)
Income (loss) per share from continuing operations – basic and diluted	(0.00)	0.003
Weighted average number of shares outstanding	187,088,733	162,680,060

- See Accompanying Notes -

ODYSSEY PETROLEUM CORP.
Interim Consolidated Statements of Accumulated Other Comprehensive Loss
Three months ended March 31
(Unaudited – Prepared by Management)

	2009 - $ -	2008 - $ -
Balance, beginning	(85,092)	(42,678)
Unrealized losses on marketable securities	-	-
Balance, ending	(85,092)	(42,678)

- See Accompanying Notes -

ODYSSEY PETROLEUM CORP.
Interim Consolidated Statements of Cash Flows
Three months ended March 31
(Unaudited – Prepared by Management)

	2009 - $ -	2008 - $ -
Cash from (used in):		
Operating Activities		
Net income (loss)	(49,599)	500,461
Items not involving cash		
Depletion and amortization	149,894	131,413
Current income tax	-	140,000
Stock-based compensation	-	148,235
	100,295	920,109
Net changes in non-cash working capital	207,934	430,014
Net cash provided by operating activities	308,229	1,350,123
Investing Activities		
Property and equipment	(399,919)	(978,862)
Cash used in investing activities	(399,919)	(978,862)
Financing Activities		
Due to related parties, net	159,453	(203,493
Repayment of long term debt	(67,680)	(22,945)
Cash provided by financing activities	91,773	(226,438)
Increase in cash	83	144,823
Cash, beginning	579	77,389
Cash, ending	662	222,212

Supplemental Cash Flow Information (Note 10)

- See Accompanying Notes -

1. NATURE OF BUSINESS AND GOING CONCERN

Odyssey Petroleum Corp. ("Company") is incorporated under the laws of British Columbia and engaged in the acquisition, exploration and development of oil and gas properties. The Company has acquired controlling interests certain oil and gas properties in Texas, Mississippi, and Louisiana providing the right to develop wells containing proven and probable reserves.

Going Concern

These financial statements are prepared on a going concern basis, which implies the Company will continue realizing its assets and discharge its liabilities in the normal course of business. To date, the Company has generated profitable results from its oil and gas operations but will need to invest additional funds in carrying out its planned exploration, development and operational activities and raise additional capital to settle outstanding debts. At March 31, 2009 the Company had an accumulated deficit of $33,489,924 and a working capital deficiency of $7,067,142. Accordingly, the ability of the Company to continue operations as a going concern is dependent on raising additional funds to repay debts, and to provide funding to carry out planned exploration and development of its oil and gas properties. Management is currently evaluating other sources of financing, including debt and equity financing, or a combination thereof but there is no assurance that additional financing will be available, if needed, on terms acceptable to the Company. Management is also aware that significant uncertainties exist, related to current economic conditions that could impact the Company's ability to continue to finance its ongoing business development activities. As a result, management plans on reducing spending in order to preserve cash and maintain liquidity until overall market conditions improve. Management is not able to assess the likelihood or timing of improvements in the equity markets for raising capital for future acquisitions or expenditures. This uncertainty represents a liquidity risk and may impact the Company's ability to continue as a going concern in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The financial statements have been prepared on a consolidated basis and include the accounts of the Company and its wholly owned subsidiaries. All inter-company transactions and balances have been eliminated upon consolidation.

Cash Equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with a maturity of 90 days or less at the date of acquisition.

Oil and Gas Properties

The Company follows the full cost method of accounting for its oil and gas operations whereby all cost related to the acquisition of petroleum and natural gas interests are capitalized. Such costs include land and lease acquisition costs, annual carrying charges of non-producing properties, geological and geophysical costs, costs of drilling and equipping productive and non-productive wells, and direct exploration salaries and related benefits. Proceeds from the disposal of oil and gas interests are recorded as a reduction of the related expenditures without recognition of a gain or loss unless the disposal would result in a change of 20% or more in the depletion rate.

Depletion of the capitalized costs is computed using the unit-of-production method based on the estimated proven reserves of oil and gas determined by independent consultants.

Estimated future removal and site restoration costs are provided over the life of proven reserves on a unit-of-production basis. Costs, which include the cost of production equipment removal and environmental clean up, are estimated each period by management based on current regulations, costs, technologies and industry standards. The charge is included in the provision for depletion and the actual restoration expenditures are charged to the accumulated provision accounts as incurred.

All of the Company's oil and gas interests are held in the United States and accordingly, the Company has a single cost centre, being the United States. Certain oil and gas activities are conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

The Company applies a ceiling test to capitalized costs to ensure that such costs do not exceed estimated future net revenues from production of proven reserves at year end market prices less future production, site restoration, and income tax costs plus the lower of cost or estimated net realizable value of unproved properties.

Under the full cost method of accounting, a "ceiling test" is performed to recognize and measure impairment, if any, of the carrying amount of petroleum and natural gas properties. Impairment is recognized if the carrying amount of the petroleum and natural gas properties, less the cost amount of undeveloped properties not subject to depletion, exceeds the estimated undiscounted future cash flows from the Company's proved reserves. The future cash flows are based on a forecast of prices and costs, as provided by an independent third party. If recognized, the magnitude of the impairment is then measured by comparing the adjusted carrying amount to the estimated discounted future cash flows from the Company's proved and probable reserves. The future cash flows are discounted at the Company's risk-free interest rate, using forecasted prices and costs, and are exclusive of indirect costs such as interest charges, general and administrative expenses and future income taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to determination of depletion and impairment of the carrying value of oil and gas properties, determination of fair value for financial instruments, the current portion of loans payable, the fair value of stock based compensation and future income tax rates. Financial results as determined by actual events could differ from those estimates.

Equipment

Equipment is recorded at cost with amortization being provided using the declining balance basis at the following rates:

Office furniture and equipment	20%
Computer equipment	30%

The carrying values of all categories of equipment are reviewed for impairment whenever events or changes in circumstances indicate the recoverable value may be less than the carrying amount. Recoverable value is based on estimates of undiscounted and discounted future net cash flows expected to be recovered from specific assets or groups through use or future disposition.

Inventory

Inventory consists solely of oil and the value is determined at the lower of average cost or net realizable value. Cost includes all direct and indirect costs incurred.

Revenue Recognition

Oil and natural gas revenues are recorded when title passes, the amount is determinable and collection is reasonably assured.

Foreign Currency Translation

The financial statements are presented in Canadian dollars. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates which prevailed at the balance sheet date. Non-monetary items are translated at historical exchange rates. Revenue and expenses are translated at average rates of exchange during the year. Exchange gains or losses arising on foreign currency translation are included in the determination of operating results for the year. The Company's subsidiaries are integrated and therefore translated using the temporal method.

Stock-based Compensation

The Company applies the fair value method of valuing all grants of stock options after January 1, 2002. The fair value of options granted is estimated at the date of grant using the Black-Scholes option pricing model incorporating assumptions regarding risk-free interest rates, dividend yield, volatility factor of the expected market price of the Company's stock, and a weighted average expected life of the options. The estimated fair value of the options is recorded over the options' vesting period. Any consideration paid on amounts attributable to stock options is credited to share capital.

Income Taxes
Future income taxes are recognized for the future income tax consequences attributable to differences between financial statement carrying values and their corresponding tax values. Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change occurs. The amount of future income tax assets recognized is limited to the amount that, in the opinion of management, is more likely than not to be realized.

Loss per Share
The Company uses the treasury stock method for the computation and disclosure of loss per share. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments which assume that proceeds received from in-the-money stock options are used to repurchase common shares at the prevailing market rate. Basic loss-per-share figures have been calculated using the weighted monthly average number of shares outstanding during the respective periods. Diluted loss-per-share figures are equal to those of basic loss per share for each year since the effects of options and warrants have been excluded as they are anti-dilutive.

Risk Management
The Company is engaged primarily in oil and gas exploration, development and production and manages related industry risk issues directly. The Company's functional currency is the Canadian dollar. All current resource operations occur within the United States and accordingly the Company is exposed to foreign exchange risk. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency or commodity risk.

Asset Retirement Obligations
The Company reviews and recognizes obligations associated with the retirement of tangible long-lived assets, including rights to explore or exploit natural resources. When such obligations are identified and measurable, the estimated fair values of the obligations are recognized on a systematic basis over the remaining period until the obligations are expected to be settled. Mineral property related retirement obligations are capitalized as part of deferred exploration and development costs and are accounted for in the same manner as all other capitalized costs.

Impairment of Long-Lived Assets
The carrying value of plant and equipment are reviewed for impairment whenever events or circumstances indicate that the recoverable amount may be less than the carrying value. The determination of when to recognize an impairment loss for a long-lived asset to be held and used is made when its carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposition. When impairment is indicated, the amount of the impairment loss is determined as the excess of the carrying value of the amount over its fair value based on estimated discounted cash flows from use or disposition.

Financial Instruments

Effective January 1, 2007 the Company adopted three new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA"). These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

Financial instruments - (CICA Handbook Section 3855) - In accordance with this standard the Company now classifies all financial assets as either held-to-maturity, available-for-sale, held for trading or loans and receivables, and classifies all financial liabilities as held for trading or other financial liabilities. Financial assets held to maturity, loans and receivables and other financial liabilities are measured at amortized cost. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of loss and deficit.

The Company's financial instruments consist of cash, marketable securities, amounts due from related parties, accounts payable, amounts due to related parties, debentures and long term debt. Management has determined the fair value of cash, accounts receivable, amounts due from related parties, accounts payable, amounts due to related parties and long term debt approximates their fair carrying value due to their immediate or short-term maturity. Marketable securities are recorded at their fair value and classified as available for sale with any increase or decrease in fair value being recorded as a component of Other Comprehensive loss until realized. At March 31, 2008, $85,092 was recorded as Other Comprehensive loss resulting from a decrease in the fair value of marketable securities. Unless otherwise noted, it is management's opinion the Company is not exposed to significant interest or credit risks arising from these financial instruments.

Comprehensive income (CICA Handbook Section 1530) – Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. This standard includes guidance for reporting a statement of comprehensive loss and accumulated other comprehensive income in the shareholders' equity section of the balance sheet. The components of this new category will include unrealized gains and losses on financial assets classified as available-for-sale, foreign exchange gains and losses on self-sustaining foreign operations and the effective portion of cash flow hedges, if any.

Hedges (CICA Handbook Section 3865) – The new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. The Company has not yet designated any hedging relationships.

Recently Adopted Accounting Policies

CICA Handbook Section 1400 - General Standards of Financial Statement Presentation: The CICA accounting standards board amended section 1400 to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of this new standard had no effect on the results disclosed in the financial statements as it affected disclosure only.

CICA Handbook Section 1535 - Capital Disclosures: The new standard is effective for annual and interim periods beginning on or after October 1, 2007 and requires disclosure of the Company's objectives, policies, and processes for managing capital; quantitative data about what the Company regards as capital; whether the Company has complied with any capital requirements; and, if the Company has not complied, the consequences of such non-compliance. The adoption of this new standard had no effect on the results disclosed in the financial statements as it affected disclosure only.

CICA Handbook Section 3031 – Inventories: Effective January 1, 2008, the Company adopted the new recommendations of the CICA under CICA Handbook Section 3031 Inventories. This Section provides expanded guidance on the measurement and disclosure requirements for inventories. Specifically, the new standard requires that inventories be measured at the lower of cost and net realizable value, and provides more guidance on the determination of cost and its subsequent recognition as expense, including any write-down to net realizable value. The adoption of this new standard had no effect on the amounts disclosed in the financial statements.

CICA Handbook Section 3862 Financial Instruments – Disclosures and 3863 Financial Instruments – Presentation: The new standards replace accounting standard 3861 Financial Instruments - Disclosure and Presentation and are effective for annual and interim periods beginning on or after October 1, 2007. Presentation requirements have not changed. Enhanced disclosure is required to assist users of financial statements in evaluating the significance of financial instruments on the Company's financial position and performance, including qualitative and quantitative information about the Company's exposure to risks arising from financial instruments. The new accounting standards cover disclosure only and had no effect on the financial position or results of the Company.

Future Accounting Pronouncements

In 2006, Canada's Accounting Standards Board (AcSB) ratified a strategic plan that will result in the convergence of Canadian GAAP, as used by public companies, with International Financial Reporting Standards ("IFRS") over a transitional period. The AcSB has developed and published a detailed implementation plan, with a changeover date for fiscal years beginning on or after January 1, 2011. As at the audit report date, Management has not established a formal changeover plan, nor has a detailed assessment been made of the impacts of transition on specific financial statement elements. The transition to IFRS may impact the company's financial statements and disclosures significantly. Upon initial adoption of IFRS, the company will have certain one-time options available. The CICA is currently addressing areas of significant differences between Canadian and International Standards. Convergence initiatives are in process that may reduce the impact of differences prior to mandatory adoption. Management is aware of the general transition requirements and plans to initiate a more formal transition plan and impacts assessment late in 2009.

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its 2009 fiscal year. The Company is currently evaluating the impact of the adoption of this new section on its consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

Emerging Issues Committee (‘EIC”) 173 In January 2009, the CICA approved EIC 173, Credit Risk and the Fair Value of Financial Assets and Liabilities. This guidance clarified that an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. Management does not expect that this will have significant impact on the Company’s financial statements.

Comparative Figures

Certain of the comparative figures have been restated to conform to the current year’s presentation. Such re-classification is for presentation purposes only and has no effect on previously reported results.

3. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal recurring adjustments, which are necessary for a fair presentation of results for the interim periods. Operating results for the three month period ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. Unless otherwise noted, these unaudited interim consolidated financial statements follow the same accounting policies as, and should be read in conjunction with, the Company’s 2008 annual audited consolidated financial statements and notes thereto.

All amounts in these interim consolidated financial statements are stated in Canadian dollars unless otherwise indicated.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	March 31, 2009 - $ -	**December 31, 2008 - $ -**
Proven oil and gas properties, subject to depletion	44,717,911	44,357,766
Unproven oil and gas properties, not subject to depletion	1	1
Accumulated depletion	(1,606,980)	(1,482,300)
	43,110,932	42,875,467
Equipment	813,751	773,977
Accumulated amortization	(286,017)	(260,803)
	527,734	513,174
	43,638,666	43,388,641

Oil and natural gas properties

At March 31, 2009 the Company’s working interests and net revenue interests in its oil and natural gas properties were as follows:

Proven and producing:	Working interest	Net revenue interest
Pelahatchie Field, Rankin County, Mississippi	50-100%	36.25-72.5%
Puckett Field, Rankin and Smith Counties, Mississippi	82.5%	62%
Verba Field, Jasper County, Mississippi (Note 5)	95.0%	74.1%
Barber Creek Field, Scott County, Mississippi (Note 5)	100%	78.25%
Unproven and producing:		
Palopinto and Jack Counties, Texas	4% - 40%	3.2% - 32%

Drilling Obligations

As the Company has effective controlling interests in all its oil and gas properties, it has no obligations to third parties or contractual agreements whereby it is committed to drilling programs other than those undertaken at the discretion of management.

5. LONG TERM DEBT

The Company's long term debt is as follows:

	March 31, 2009 - $ -	December 31, 2008 - $ -
Loans Payable		
Loan payable relating to the Barber Creek Field (Note 4)	386,235	373,653
Loan payable relating to the Verba Field (Note 4)	8,117	33,852
	394,352	407,505
Debentures - Series 1 and Series 2	488,760	488,760
Convertible Debenture	1,101,066	1,155,592
	1,984,178	2,051,857
Less current portion	900,827	957,443
	1,083,351	1,094,415

Loans Payable

The loans bear interest at the rate of 8% per annum, compounded annually and are denominated in US Dollars. Repayment of principal and interest is by way of Production Payments equal to 20% of the net revenue received from the sale of oil and gas from related fields. The current portion payable has been estimated based on production forecasts of the related fields for 2009. The debt is secured by leases in the Verba and Barber Creek fields and proceeds generated there from.

Series 1 Debentures

In 2006, the Company entered into subscription agreements with debenture holders to provide financing to re-enter and if warranted, commence commercial production from certain specified wells previously drilled in its fields. The debentures bear interest, payable quarterly, at 10% per annum on the capital amount outstanding plus a guaranteed return of capital of 10% per annum on the remaining balance. On obtaining commercial production, 40% of the net operating revenue from the financed wells shall be distributed to the debenture holders by way of interest and repayment of capital subject to the minimum guarantees described above. The debenture shall be due and payable on December 31, 2016 if not previously repaid out of commercial production. Subsequent to the year end, the Company negotiated changes in the repayment terms with certain of the holders (Note 13).

The debentures are secured by a Deed of Trust granting the debenture holders the right to access the oil, gas and mineral lease interests in respect of the specified wells financed in the event of default.

Series 2 Debentures

In 2007, the Company entered into Series 2 debenture subscription agreements with debenture holders on terms identical to the Series 1 debentures.

On July 27, 2007, the Company settled certain Series 1 and Series 2 debentures in the sum of $1,332,690 by the issuance of 17,692,200 common shares at a price of $0.075 per share.

Convertible Debenture

On October 31, 2007 the Company issued a 30 month $1,500,000 convertible debenture. The Company is required to repay principal and interest at 10%, per annum, amortized over 30 months, plus a redemption rate surcharge of 12.5% of the principal amount paid each month. The resulting effective interest rate on the loan is approximately 18%.

The debenture is convertible into common shares of the Company at the rate of $0.15 of principal outstanding in the first two years and at $0.165 for the final 6 months at the option of the debenture holder. Throughout the amortization period, the Company is obliged to convert the unpaid balance of the loan to shares if the option is exercised by the holder.

The Company is required to compensate the Lender for any unfavorable movements in the Euro/Canadian dollar exchange rate with respect to the repayments of the convertible debenture, interest and redemption rate surcharge. If, on the date of a conversion notice or repayment, the Euro/Canadian dollar exchange rate is greater than the exchange rate at the date the convertible debenture was entered into, then the number of shares or cash required to settle the loan will be increased by the same percentage change.

The convertible debenture is secured by a pledge of the shares of all of the Company's subsidiaries (Note 13).

6. SHARE CAPITAL

Authorized: Unlimited number of common shares without par value
10,000,000 preference shares without par value

	# Shares	**- $ -**
Common shares issued:		
Balance at December 31, 2008 and March 31, 2009	187,088,733	59,718,516

Three months ended March 31, 2009:

The Company did not issue any shares during the period.

Stock Options and Warrants

Three months ended March 31, 2009

The Company did not grant any stock options.

The following table summarizes information about the Company's stock option transactions:

	Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance, December 31, 2008	30,468,448	$ 0.15	2.46 years
Options cancelled and expired	-		
Balance, March 31, 2009	30,468,448	$ 0.15	2.22 years

The following table summarizes information about options outstanding and exercisable as at March 31, 2009:

Expiry date	Number of options	Exercise price	Weighted Average Exercise Price	Weighted Average Remaining Life
August 11, 2011	9,455,000	$ 0.12	-	-
October 29, 2011	6,415,000	0.125	-	-
July 25, 2009 to February 28, 2011	1,938,448	0.145	-	-
October 2, 2010 to November 16, 2010	4,485,000	0.36	-	-
February 12, 2010	3,903,770	0.075		
March 9, 2010	425,000	0.40	-	-
	26,622,218		$ 0.16	2.22 years

At March 31, 2009 there were no share purchase warrants outstanding.

7. CONTRIBUTED SURPLUS

Details of changes in the Company's contributed surplus balance are as follows:

	- $ -
Balance, December 31, 2008	5,103,192
Stock-based compensation	-
Allocated to share capital on exercise of options	-
Balance, March 31, 2009	5,103,192

8. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions:

During the three months ended March 31, 2009 and 2008, the Company had the following transactions with related parties:

	2009 - $ -	2008 - $ -
Consulting and management and administration fees incurred to directors, officers, and companies controlled by directors charged to administrative costs and operating costs	64,522	97,992
Operating and occupancy costs incurred to companies controlled by directors	81,599	144,715
Loan interest incurred to a director or a company controlled by a director	3,614	13,673
	149,735	256,380

Transactions with related parties are in the normal course of operations and have been recorded at the exchange amount which is the consideration agreed to between the related parties.

Related party balances:

At March 31, 2009 amounts due to related parties totaled $2,161,274 (December 31, 2008 - $2,001,821) for loans, accrued administration, consulting and management fees, and exploration and development expenditures. Related parties include directors, officers, and companies with directors in common.

Amounts due to or from related parties are unsecured, non-interest bearing and have no fixed terms of repayment. The fair value of the amounts due to related parties is not determinable as they have no specified repayment terms.

9. COMMITMENTS

Effective October 1, 2005, a subsidiary of the Company entered into a lease for its field offices located in Puckett, Mississippi, for a period of 3 years with an option to renew for a further 5 years, at US$6,000 per month. On October 1, 2008 the lease was renewed on a month-to-month basis at US$6,000 per month.

10. SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash investing and financing activities for the three months ended March 31, 2009 and 2008 were as follows:

	2009 - $ -	2008 - $ -
Cash payments included in the statement of cash flows:		
Interest paid	108,935	130,579
Income tax paid	-	-

11. CONTINGENCIES

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. Management is of the opinion that disposition of any current matter will not have a material adverse impact on the Company's financial position, results of operations or the ability to carry on any of its business activities.

In 2008 a dispute arose with drilling contractor who claimed the Company was in breach of an agreement to drill 12 wells over a two year period and a written demand for performance of the agreement was made. The Company disputes this claim and believes it to be without merit. Currently it is indeterminable what the outcome of this dispute will be. An arbitration meeting is scheduled for August 2009. Future costs and liability arising from this matter, if any, will be recorded in the period in which such amounts can be reliably determined.

12. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT STRATEGY

The Company is engaged primarily in oil and gas exploration and production and manages related industry risk issues directly. The Company may be at risk for environmental issues. Management is not aware of and does not anticipate significant environmental remediation costs or related liabilities in respect of its current operations.

The Company also has varying degrees of exposure to risks from its financial instruments including: credit risk, liquidity risk, foreign currency risk, interest rate risk and commodity price risk. Information about the Company's exposure to identified risks and the Company's objectives, policies and processes for measuring and managing risk and capital are provided below.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks 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.

(a) Credit Risk
Credit risk relates to the Company's receivables from oil and natural gas marketers and working interest partners and the risk of financial loss if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations. A substantial portion of the Company's accounts receivable are with customers in the energy industry and are subject to normal industry credit risk. The Company generally grants unsecured credit but routinely assesses the financial strength of its partners and marketers.

Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. The Company sells the majority of its production to one oil and natural gas marketer and therefore is subject to concentration risk. To date the Company has not experienced significant collection issues with its oil and natural gas marketer. Working interest receivables are typically collected within one to three months of the joint interest bill being issued to the partner. The Company attempts to mitigate the risk from working interest receivables by obtaining prior approval of significant capital expenditures. However, the recovery of receivables from participants in the oil and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with working interest partners as disagreements occasionally arise that increases the potential for non-collection. The Company does not typically obtain collateral from oil and natural gas marketers or working interest partners; however in certain circumstances, it may elect to cash call a working interest partner in advance of the work. Where considered necessary the Company has the ability to withhold production revenues and entitlements from working interest partners in the event of non-payment.

(b) Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet liabilities when due, under both normal and difficult market conditions without incurring significant losses or unacceptable risk..

(c) Foreign Currency
Foreign exchange risk arises because of fluctuations in exchange rates. The Company's financial results are reported in Canadian dollars while it conducts a significant portion of its business activities in foreign currencies, primarily United States dollars. The assets, liabilities, revenue and expenses that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and these foreign currencies. The Company does not currently use derivative financial instruments to mitigate this risk.

(d) 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 debt bears interest at fixed rates and consequently the Company is not exposed to interest rate risk other than upon renewal of maturing debt..

(e) Commodity Price Risk
Commodity price risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in commodity prices. The Company is exposed to changes in commodity prices as the market price for oil fluctuates with international supply and demand.

(f) Capital Management Strategy
The Company's policy on capital management is to maintain a capital structure to maintain financial flexibility, preserve access to capital markets, maintain investor, creditor and market confidence, and to allow the Company to fund future development. The Company considers its capital structure to include shareholders' equity represented by net assets over liabilities. Capital is supplemented with long term debt and is assessed based on working capital, expenditure and debt servicing commitments. In order to maintain or adjust capital structure, the Company may from time to time issue shares or raise debt financing and adjust its capital spending to manage current and projected operating cash flows and debt levels.

The Company is not subject to any external capital restrictions. The Company has not paid or declared any dividends, nor are any contemplated in the foreseeable future. There have been no changes other than adjustments related to general market and economic conditions, to the Company's capital management strategy during the three months ended March 31, 2009. Matters discussed in Note 13 may impact the Company's capital management requirements

NOTE 13 – SUBSEQUENT EVENTS

On April 16, 2009 the Company received notice from the holder of the convertible debenture advising the Company it had defaulted on its obligations pursuant to the debenture dated October 29, 2007 (Note 5). The notice included a demand for payment for outstanding indebtedness within ten days of the notice. The Company is currently in negotiations with the debenture holder who has extended this deadline while negotiations continue. Should any adjustments be required as a result of these negotiations, they will be recorded when the negotiations are resolved.

Subsequent to March 31, 2009 the Company entered into negotiations with certain of the Series 1 debenture holders to change the repayment terms of the debentures. Effective April 15, 2009, one debenture holder has agreed that their US$150,000 debenture will be repaid at the rate of US$7,000 per month with a balloon payment July 15, 2010 of US$45,000 and simple interest of 6%.

Date prepared: June 5, 2009

This management discussion and analysis covers the operations of Odyssey Petroleum Corp. (the "Company") for the quarter ended March 31, 2009. All monetary amounts referred to herein are in Canadian dollars unless otherwise stated. The following discussion and analysis should be read in conjunction with the Company's interim consolidated financial statements for the three months ended March 31, 2009 and 2008.

Additional information related to the Company is available on SEDAR at www.sedar.com, on the Company's website at www.odysseypetroleum.com, or by requesting information further information from the Company's head office in Vancouver.

Production information is commonly reported in units of barrels of oil equivalent ("boe"). A boe conversion ratio of six thousand cubic feet per barrel (6mcf/bbl) of natural gas to barrels of oil equivalence is based upon a deemed energy equivalence conversion method primarily applicable at the burner tip and is not intended to represent a value equivalence for the individual products at the wellhead. Such disclosure of boe may be misleading, particularly if used in isolation. This conversion conforms to the Canadian Securities Regulators National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

FORWARD LOOKING STATEMENTS

Information contained in this MDA that is not historical fact may be considered "forward looking statements". These forward looking statements some times include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Company's objectives, goals or plans are forward looking statements. Since forward looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors, including such variables as new information regarding recoverable reserves, changes in demand for and commodity prices of crude oil and natural gas, legislative, environmental and other regulatory or political changes, competition in areas where the Company operates, and other factors discussed herein. Readers are cautioned not to place undue reliance on this forward looking information.

OVERVIEW

Corporate Development

The Company is in the business of exploration, development and production of oil and gas. Pursuant to a series of agreements and transactions undertaken in 2005 and 2006, the Company acquired effective controlling interests in various oil and gas properties in Mississippi providing the right to develop wells containing proven and probable reserves.

Non-GAAP measurements

Management may use the term "funds from operations" to analyze operating performance and leverage, determined as cash flow from operating activities adjusted for changes in non-cash working capital balances. While widely used in the oil and gas industry, funds from operations do not have any standardized meaning prescribed by GAAP and therefore it may not be comparable to the calculation of similar measures for other entities. The Company considers funds from operations to be a key measure since it demonstrates the Company's ability to generate the cash necessary to fund future growth and repay debt. Funds from operations as presented is not intended to represent operating cash flow or operating profits for the period, nor should it be viewed as an alternative to cash flow from operating activities, net income (loss), or other measures of financial performance calculated in accordance with GAAP.

Management also uses certain key performance indicators and industry benchmarks such as "operating netbacks" and "funds from operations"/bbl to analyze financial and operating performance. Operating netbacks are determined by deducting royalties, production expenses and transportation and selling expenses from oil and gas revenue and then dividing this result by production volumes. These indicators and benchmarks as presented do not have any standard meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures for other entities.

RESULTS OF OPERATIONS

Petroleum and Natural Gas Sales - In the three months ended March 31, 2009, total revenue decreased 53% to $1,407,544 from $2,972,801 in the three months ended March 31, 2008. This decrease was the result of a 50% decrease in average realized prices and a 6% decrease in production from 2008.

	Three months ended March 31	
	2009	2008
Oil and Gas revenue	$1,407,544	$2,972,801
Production barrels of oil equivalent (BOE)	29,984	31,772
Average BOE per day	333	349
Average realized prices per BOE	46.94	$88.59

For the three month period, production changed from an average of 349 boe/pd in 2008 to an average of 333 boe/pd in 2009. The slight decrease in production between the two periods can be attributed to interrupted production from certain wells requiring maintenance during the current period.

The Company sells its production to a major crude oil marketer at competitive prices for the grade of oil and gas produced. During the current period, due to the major economic downturn, the Company experienced substantial decreases in prices for its production of oil and gas compared to the prior period.

Royalties and taxes – Royalties and taxes for the three months decreased to $402,774 compared to $766,423 in 2008 which is commensurate with the decrease in petroleum and natural gas sales. However, the overall royalty and tax rate as a percentage of sales increased from 26% to 29%. The increase is attributable to adjustments relating to actual versus estimated accruals for royalties on new wells coming on stream in the current period and the specific mix of wells production.

Operating costs – the following table provides a period-to-period comparison of the Company's operating costs:

	Three months ended March 31	
	2009	2008
Operating costs	759,432	910,148
Per cent of revenue	54%	31%

As a percent of revenue for the three months ended March 31, 2009, the increase in the Company's operating costs can be attributed to the major decrease in the average price obtained for the oil and gas sales. A large percentage of the operating costs are fixed and cannot be quickly decreased, although the Company has put in place measures to reduce costs. Accordingly, variations as a percent of sales may often not be a true measure of operating efficiencies from period to period.

General and Administrative – the following table provides a period-to-period comparison of the Company's general and administrative expenses excluding operating costs, depletion and amortization, and foreign exchange fluctuations and stock-based compensation:

	Three months ended March 31	
	2009	2008
G&A costs	247,304	$409,691
Per cent of revenue	18%	14%

As a percent of revenue for the month ended March 31, 2009 general and administrative expenses increased to 18% from 14% for the same period in 2008. The increase can be attributed to the significant decrease in revenues during the period, as a large portion of the costs are fixed and cannot be quickly changed. In general, management strives continually to provide better and more efficient administrative support for the Company's ongoing efforts to seek new properties, monitor exploration expenditures, and increase shareholder value.

Interest and Finance Charges – Interest and finance expense for the 2009 period totaled $108,935 compared to $130,579 for 2008. The similarity in costs between the two years is due to the commensurate levels of debt financing between both years, less the amount of debt repaid over the year.

Cash Flows from Operations – Cash flows from operations totaled $308,229 for the 2009 period compared to $1,350,123 for in the comparative period in 2008. The decrease in cash flows from operations is a direct result of the reduced revenue caused primarily from the decline in oil and gas prices.

Operating Netbacks – During the quarter, the Company's operating netbacks decreased to $8.18 over the comparable period in the previous year (2008 – $40.80). This decrease in netbacks is caused as a result of the economic downturn, with the resulting reduction in the oil and gas prices. Subsequent to the period end, oil and gas prices have trended upward.

The Company's operating netbacks were as follows:

	Three months ended March 31	
	2009 - $ -	2008 - $ -
Oil and Gas sales	1,407,544	2,972,801
Royalties & taxes	(402,774)	(766,423)
Operating expenses	(759,432)	(910,148)
Net totals	245,338	1,296,230
BOEs	*29,984*	*31,772*
Operating netback dollars/BOE	$8.18	$40.80

COMPARISON OF RESULTS OF OPERATIONS

Three months ended March 31:

	2009 - $ -	2008 - $ -
Revenues	1,407,544	2,972,801
During the period the Company's petroleum and natural gas sales decreased by 53% compared to the 2008 comparative period as a result of a 6% decrease in total reported production for the period, and by a decrease in the overall sales price received of 50%.		
Royalties and taxes	402,774	766,423
These costs are directly proportional to revenue and the decrease is commensurate with the lower revenue realized.		
Consulting and management fees	37,500	37,500
In the current quarter the costs remained at the same level as 2008.		
Depletion and amortization	149,894	131,413
The increase is based on estimates using the unit-of-production method using estimated proven reserves determined by independent professional engineers.		
Foreign exchange fluctuations	(102,261)	114,665
Foreign exchange fluctuations arise from exchange differences in the value of the Euro and US dollars against the Canadian dollar as the Company is obliged to re-value its Euro and US dollar debt obligations at the end of each reporting period.		
General and administrative	100,869	93,377
General and administrative expenses includes occupancy charges, telephone, printing and stationery, office supplies, bank charges, shareholder communications, transfer agent fees, administrative services provided by third parties, and any immaterial transactions not classifiable elsewhere. In general, head office administrative expenses reflect the normal daily business activities of the Company. Any significant increase/decrease in costs relate to the Company's efforts to provide adequate administrative support to management's ongoing efforts to achieve its corporate goals		

Interest and financing charges	108,935	130,579
The decrease in costs between the two years is due to the respective levels of debt financing between the years, less the amount of debt repaid over the year.		
Operating expenses	759,432	910,148
Operating expenses are determined by circumstances relating to current well conditions and are not necessarily comparable from period to period. A large amount of these costs are "fixed", and are not able to be quickly reduced.		
Stock-based compensation	-	148,235
Stock-base compensation is dependent on the number of stock options granted, and certain vesting provisions that may cause unusual variances between comparative periods. In the current quarter, no stock options were granted.		
Provision for income taxes	-	140,000
The income tax provision is an estimate for income taxes payable based on the net income for the period.		
Net income (loss)	(49,599)	500,461

SELECTED ANNUAL INFORMATION

The following table provides a summary of the Company's financial operations for the three years ended December 31, 2008. For more detailed information, refer to the Company's financial statements.

	Year Ended December 31, 2008 - $ -	Year Ended December 31, 2007 - $ -	Year Ended December 31, 2006 - $ -
Total assets	44,018,420	41,192,881	38,365,947
Oil and Gas properties, plant and equipment	43,388,641	39,507,632	37,001,106
Working capital deficiency	(6,756,454)	(4,175,031)	(3,372,508)
Long term debt	1,094,415	1,712,556	1,764,570
Shareholders' equity	31,296,291	30,414,359	31,864,028
Revenues	11,768,018	7,668,017	7,252,741
Net Income (loss)	510,905	(5,489,224)	(696,402)
Income (loss) per share – basic and diluted	0.01	(0.03)	(0.00)

Year ended December 31, 2008: In 2008, the Company incurred expenditures of approximately $8,000,000 in capitalized drilling and development costs for its oil and gas interests in Mississippi and Louisiana. This cost was off-set by proceeds of approximately $3,400,000 from participation agreements with several working interest partners whereby the participants agreed to pay 100% of the costs of drilling three new wells in the Pelahatchie Field to acquire a combined 50% working interest in the three wells.

Revenue increased to approximately $11,800,000 from $7,700,000 in 2007 reflecting an increase of 53%. General, operating, and administrative expenses for 2008 totaled approximately $6,800,000 compared to $5,600,000 for 2007. During the year, the Company adopted a formal plan to discontinue its operations in Louisiana and to focus on its resources in Mississippi as its Louisiana operations had become increasingly uncompetitive and were not likely to be profitable for the foreseeable future. Accordingly, its subsidiary company incorporated to carry out its operations in Louisiana was placed into bankruptcy on August 31, 2008. This resulted in a net cost from discontinued operations of $9,416. For 2008, the Company posted a net income of approximately $511,000 compared to a net loss of $5,500,000 in 2007 reflecting an improvement of approximately $6,011,000.

In order to resolve the Company's working capital deficiency of $6,756,454 continue operations, fund its oil and expenditure commitments, and provide adequate working capital for ongoing activities, the Company will continue to depend on equity financing through existing and new shareholders, third party financing, continued support from its trade creditors, and cost sharing arrangements to fund its oil and gas work programs and operations.

Year ended December 31, 2007: In 2007, the Company incurred net expenditures of approximately $1,400,000 in capitalized drilling and development costs for its oil and gas interests in Mississippi and Louisiana. This resulted in an

increase in revenues of approximately $300,000 over that earned in 2006, due to an increase in oil production to approximately 3,800 bbls. averaging US$60.06 per bbl and gas to 28,000 MCF averaging US$6.25 per MCF. Significant variations in operational costs included depletion $165,300 (2006 - $17,588), bad debts $88,666 (2006 - $nil), interest expense $104,903 (2006 - $26,272), and stock-based compensation $54,464 (2006 - $843,120). The depletion costs increased in 2007 because the properties acquired in 2006 were mostly brought into production in 2007. The interest expense increased as a result of increased financing utilized to develop properties. Stock-based compensation decreased as no options were granted in 2007, and consulting fees decreased in 2007 as a result of one-time costs incurred in 2006 related to the acquisition of properties. The resulting net loss for 2007 was $611,131 compared to $1,156,658 for 2006.

Year ended December 31, 2006: In 2006, the Company increased its interests in oil and gas properties by approximately $3,200,000. It did this by incurring approximately $2,000,000 in acquisition costs for certain oil and gas interests in Louisiana, Mississippi, Oklahoma, Texas and Alberta. The acquisition costs included the issuance of 20,000,000 common shares of the Company at a price of $0.07 per share for total consideration of $1,400,000. In addition, the Company incurred approximately a further $1,350,000 in capitalized well drilling and development costs which was offset by the sale of certain leases in Texas for approximately $200,000. These additions to the Company's oil and gas interests resulted in revenues of approximately $195,000 compared to $1,000 in 2005. Significant variations in operational and general and administrative costs included production costs of $87,349 (2005 - $616), depletion $17,588 (2005 - $nil), consulting $94,000 (2005 - $nil), management fees $54,000 (2005 - $6,000), professional fees $80,982 (2005 - $21,380), stock-based compensation $843,120 (2005 - $nil), and travel and promotion $45,085 (2005 - $4,810). The resulting net loss for 2006 was $1,156,658 compared to $113,404 for 2005.

SUMMARY OF QUARTERLY RESULTS

Three months ended	March 31, 2009 - $ -	December 31, 2008 - $ -	September 30, 2008 - $ -	June 30, 2008 - $ -
Total assets	44,383,801	44,018,420	44,694,758	43,693,875
Oil and gas properties, plant and equipment	43,638,666	43,388,641	42,298,779	41,627,973
Working capital (deficiency)	(7,067,144)	(6,756,454)	(5,027,717)	(4,921,029)
Shareholders' equity	31,246,692	31,296,291	32,564,739	32,107,291
Revenues	1,407,544	1,719,205	3,652,478	3,423,534
Net Income (Loss)	(49,599)	(1,235,963)	428,698	817,709
Earnings (loss) per share – basic and diluted	(0.00)	(0.01)	0.002	0.007

Three months ended	March 31, 2008 - $ -	December 31, 2007 - $ -	September 30, 2007 - $ -	June 30, 2007 - $ -
Total assets	42,382,760	41,192,881	42,742,337	40,668,857
Oil and gas properties	40,355,081	39,507,632	40,932,870	39,185,351
Working capital (deficiency)	(4,248,442)	(4,176,031)	(4,581,853)	(4,497,768)
Shareholders' equity	31,173,642	30,414,359	35,601,838	32,691,239
Revenues	2,972,801	2,708,958	1,629,284	1,614,261
Net Income (loss)	500,461	(5,544,156)	(66,165)	319,010
Earnings (loss) per share – basic and diluted	0.003	(0.03)	(0.00)	0.01

LIQUIDITY AND CAPITAL RESOURCES

In the three months ended March 31, 2009 significant cash flows were as follows:

Operating activities provided cash inflows of $308,229. This inflow was used primarily for investing in additions to, and capital expenditures on, property and equipment.

Investing activities included $399,919 in additions to the Company's oil and gas properties, plant and equipment. These additions included the costs of re-entering and re-working several older wells within the various oil fields.

Financing activities included the repayment of long term debt of $67,680 and advances from related parties of $159,453.

At March 31, 2009 the Company had a working capital deficiency of $7,067,144 and accumulated losses of $33,489,924.

In order to resolve the Company's working capital deficiency, continue operations, fund its oil and expenditure commitments, and provide adequate working capital for ongoing activities, the Company will continue to depend on equity financing through existing and new shareholders, third party financing, continued support from its trade creditors, and cost sharing arrangements to fund its oil and gas work programs and operations. The Company has financed its operations to date primarily through the issuance of common shares, on the exercise of stock options and warrants, continued support from related parties, and debentures. The Company continues to seek capital through various means including the issuance of equity, debt, or through working interest agreements.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing and continue profitable operations in the future.

The Company's future capital requirements will depend on many factors, including costs of exploration and development of the properties, cash flow from operations, costs to complete well production if warranted, competition and global market conditions. The Company's growing working capital needs may require it to obtain additional capital to operate its business.

The Company will depend partly on outside capital to complete the exploration and development of its resource properties. Such outside capital will include the sale of additional common shares and debt financing. There can be no assurance that capital will be available as necessary to meet these continuing exploration and development costs or, if the capital is available, that it will be on terms acceptable to the Company. The issuances of additional equity securities by the Company may result in a significant dilution in the equity interests of its current shareholders. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the business and future success may be adversely affected.

In 2008, after a review of the Company's plans for its oil and gas properties, management determined its future activities should be concentrated on its oil and gas properties in Mississippi and not to continue with any further developmental work on its other properties in Louisiana and Texas. Accordingly, the Company terminated all its operations in Louisiana and is of the opinion its ongoing operations in Mississippi will not be affected materially in this regard. The Company's activities in Texas are minimal and it is not planning any current or future developmental work on its interests therein.

The Company plans to continue developing wells in Mississippi; particularly infield proven locations at Puckett Field, Pelahatchie Field, Verba Field, and Barber Creek Field, all situated near the Company's production operations headquarters in Puckett, Mississippi. The Company anticipates funding the future new wells from privately sourced financings and working interest partners, although other financing alternatives may be utilized. If the drilling and subsequent production from new wells proves successful, the Company anticipates future wells may be financed from internal cash flow.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

RELATED PART TRANSACTIONS/BALANCES

Related party transactions:

During the three months ended March 31, 2009 and 2008, the Company had the following transactions with related parties:

	2009 **- $ -**	**2008** **- $ -**
Consulting, management and administration fees paid to directors, officers, and companies controlled by directors charged to administrative costs and operating costs	64,522	97,992
Operating costs and occupancy costs paid to a company controlled by a director	81,599	144,715
Loan interest paid to a director or a company controlled by a director	3,614	13,673
	149,735	256,380

Related party balances:

At March 31, 2009 amounts due to related parties totaled $2,161,274 (December 31, 2008 - $2,001,821) for loans, accrued administration, consulting and management fees, and exploration and development expenditures. Related parties include directors, officers, and companies with directors in common.

Amounts due to or from related parties are non-interest bearing and have no fixed terms of repayment. The fair value of the amounts due to or from related parties is not determinable, as they have no repayment terms. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

OTHER MATTERS

Three months ended March 31, 2009 and up to June 5, 2009:

Material contracts

The Company did not enter into any material contracts.

Investor relations

NIL

Regulatory matters

There were no regulatory matters to report in the current quarter.

Stock options granted

NIL

Discontinued operations

As reported in 2008, the Company terminated operations being carried out by its subsidiary Greystone Operating Inc ("Greystone") in Louisiana, US. Greystone was incorporated initially to maintain the Company's oil and gas interests in Louisiana and additionally, to provide the services of an operator to drill and maintain oil and gas wells for third parties. Subsequent to the termination of Greystone's operations, management determined it to be in the best interests of the Company to place Greystone into voluntary Chapter 7 bankruptcy. This petition was filed on November 14, 2008 with the United States Bankruptcy Court, Western District of Louisiana. Management is of the opinion this action will have little or no effect on the future operations of the Company and accordingly has not made any adjustments in its interim consolidated financial statements at March 31, 2009 in this regard. If such adjustments are required, they will be recorded at the time they are determined.

SUBSEQUENT EVENTS

On April 16, 2009 the Company received notice from the holder of the convertible debenture advising the Company it had defaulted on its obligations pursuant to the debenture dated October 29, 2007 (Note 5). The notice included a demand for payment for outstanding indebtedness within ten days of the notice. The Company is currently in negotiations with the debenture holder who has extended this deadline while negotiations continue. Should any adjustments be required as a result of these negotiations, they will be recorded when the negotiations are resolved.

The Company has entered into negotiations with certain of the Series 1 debenture holders to change the repayment terms of the debentures. Effective April 15, 2009, one debenture holder has agreed that their US$150,000 debenture will be repaid at the rate of US$7,000 per month with a balloon payment July 15, 2010 of US$45,000 and simple interest of 6%.

ACCOUNTING POLICIES AND ESTIMATES

In the opinion of management, the financial information contained in its unaudited interim financial statements for the three months ended March 31, 2009 reflects all adjustments, consisting primarily of normal recurring adjustments, which are necessary for a fair presentation of results for the interim period. Operating results for the three month period ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. Unless otherwise noted, these unaudited interim consolidated financial statements follow the same accounting policies as, and should be read in conjunction with, the Company's 2008 annual audited consolidated financial statements and notes thereto.

Recently Adopted Accounting Policies

CICA Handbook Section 1400 - General Standards of Financial Statement Presentation: The CICA accounting standards board amended section 1400 to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of this new standard had no effect on the results disclosed in the financial statements as it affected disclosure only.

CICA Handbook Section 1535 - Capital Disclosures: The new standard is effective for annual and interim periods beginning on or after October 1, 2007 and requires disclosure of the Company's objectives, policies, and processes for managing capital; quantitative data about what the Company regards as capital; whether the Company has complied with any capital requirements; and, if the Company has not complied, the consequences of such non-compliance. The adoption of this new standard had no effect on the results disclosed in the financial statements as it affected disclosure only.

CICA Handbook Section 3031 – Inventories: Effective January 1, 2008, the Company adopted the new recommendations of the CICA under CICA Handbook Section 3031 Inventories. This Section provides expanded guidance on the measurement and disclosure requirements for inventories. Specifically, the new standard requires that inventories be measured at the lower of cost and net realizable value, and provides more guidance on the determination of cost and its subsequent recognition as expense, including any write-down to net realizable value. The adoption of this new standard had no effect on the amounts disclosed in the financial statements**.**

CICA Handbook Section 3862 Financial Instruments – Disclosures and 3863 Financial Instruments – Presentation: The new standards replace accounting standard 3861 Financial Instruments - Disclosure and Presentation and are effective for annual and interim periods beginning on or after October 1, 2007. Presentation requirements have not changed. Enhanced disclosure is required to assist users of financial statements in evaluating the significance of financial instruments on the Company's financial position and performance, including qualitative and quantitative information about the Company's exposure to risks arising from financial instruments. The new accounting standards cover disclosure only and had no effect on the financial position or results of the Company.

Future Accounting Pronouncements

In 2006, Canada's Accounting Standards Board (AcSB) ratified a strategic plan that will result in the convergence of Canadian GAAP, as used by public companies, with International Financial Reporting Standards ("IFRS") over a transitional period. The AcSB has developed and published a detailed implementation plan, with a changeover date for fiscal years beginning on or after January 1, 2011. The transition to IFRS may impact the company's financial statements and disclosures significantly. Upon initial adoption of IFRS, the company will have certain one-time options available. The CICA is currently addressing areas of significant differences between Canadian and International Standards. Convergence initiatives are in process that may reduce the impact of differences prior to mandatory adoption.

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its 2009 fiscal year and is currently evaluating the impact of the adoption of this new section on its consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

Emerging Issues Committee ('EIC") 173 In January 2009, the CICA approved EIC 173, Credit Risk and the Fair Value of Financial Assets and Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. Management does not expect that this will have significant impact on the Company's financial statements.

FINANCIAL INSTRUMENTS, RISK MANAGEMENT, AND CAPITAL MANAGEMENT STRATEGY

The Company is engaged primarily in oil and gas exploration and production and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

The Company also has exposure to a number of risks from its use of financial instruments including: credit risk, liquidity risk, and market risk. This note presents information about the Company's exposure to each of these risks and the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks 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.

(a) Credit Risk

Credit risk relates to the Company's receivables from oil and natural gas marketers and working interest partners and the risk of financial loss if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations. A substantial portion of the Company's accounts receivable are with customers in the energy industry and are subject to normal industry credit risk. The Company generally grants unsecured credit but routinely assesses the financial strength of its partners and marketers.

Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. The Company sells the majority of its production to one oil and natural gas marketer and therefore is subject to concentration risk. To date the Company has not experienced any collection issues with its oil and natural gas marketer. Working interest receivables are typically collected within one to three months of the joint interest bill being issued to the partner. The Company attempts to mitigate the risk from working interest receivables by obtaining approval of significant capital expenditures prior to expenditure. However, the receivables are from participants in the oil and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with working interest partners as disagreements occasionally arise that increases the potential for non-collection. The Company does not typically obtain collateral from oil and natural gas marketers or working interest partners; however in certain circumstances, it may elect to cash call a working interest partner in advance of the work, and it also has the ability to withhold production from working interest partners in the event of non-payment.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become 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.

As the industry in which the Company operates is very capital intensive, the majority of the Company's spending is related to its capital programs. The Company prepares annual 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 also attempts to match its payment cycle with collection of oil and natural gas revenues on the 25th of each month. Accounts payable are considered due to suppliers in one year or less.

(c) Market Risk

Market risk is the risk that changes in market prices, such as 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. All such transactions are conducted in accordance with the risk management policy that has been approved by the Board of Directors.

(d) Foreign Currency Exchange Risk
Foreign exchange risk arises because of fluctuations in exchange rates. The Company's financial results are reported in Canadian dollars while it conducts a significant portion of its business activities in foreign currencies, primarily United States dollars. The assets, liabilities, revenue and expenses that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and these foreign currencies. The Company does not currently use derivative financial instruments to mitigate this risk.

(e) 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 had no interest rate swaps or financial contracts in place at or during the period.

(f) Commodity Price Risk
Commodity price risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by world economic events that dictate the levels of supply and demand.

(g) Capital Management Strategy
The Company's policy on capital management is to maintain a prudent capital structure so as to maintain financial flexibility, preserve access to capital markets, maintain investor, creditor and market confidence, and to allow the Company to fund future development. The Company considers its capital structure to include shareholders' equity, long term debt, and working capital deficiency. In order to maintain or adjust capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current and projected operating cash flows and debt levels.

The Company's share capital is not subject to any external restrictions. The Company has not paid or declared any dividends, nor are any contemplated in the foreseeable future. There have been no changes to the Company's capital management strategy during the period.

(h) International financial reporting standards
Company management is aware of the approaching deadlines associated with the replacement of Canadian generally accepted accounting principles with International Financial Reporting Standards ("IFRS").

The Company has begun its initial planning for its adoption of IFRS. The Company is in the process of developing a conversion plan and will continue to assess resources and training requirements as the project progresses. The Company has identified the following three phases of its conversion plan: planning, implementation, and post conversion review. The planning phase involves establishing a project management team, identifying major areas affected, and preparing an implementation plan. This phase will result in determining accounting policies and transitional exemptions decisions, quantification of financial statement impact, preparation of shell financial statements and identification of business processes and resources impacted. The implementation phase includes the design of business, reporting and system processes to support the compilation of IFRS compliant financial data for the opening balance sheet at January 1, 2010, fiscal 2010 and thereafter. This phase also includes ongoing training, testing of the internal control environment and updated processes for disclosure and procedures. During the post conversion review the Company will continue to monitor changes in IFRS and assess their impacts on the Company and its reporting.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The financial statements were prepared by management in accordance with generally accepted Canadian accounting principles and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

DIRECTORS

Certain directors of the Company are also directors, officers and/or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploring oil and gas properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any directors in a conflict will disclose their interests and abstain from voting in such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.