ODYSSEY PETROLEUM CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2008

Q3

(Unaudited – Prepared by Management)

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

ODYSSEY PETROLEUM CORP.
Interim Consolidated Balance Sheets

	September 30, 2008 - $ -	December 31, 2007 - $ -
ASSETS		
Current assets		
Cash	125,759	77,389
Accounts receivable	1,802,615	1,202,677
Marketable securities (Note 2)	56,471	56,471
Inventory (Note 2)	307,808	294,090
Prepaid expenses	78,470	29,766
	2,371,123	1,660,393
Restricted cash	24,856	24,856
Oil and gas properties and equipment (Note 4)	42,298,779	39,507,632
	44,694,758	41,192,881
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	4,314,092	3,102,178
Current income taxes	535,000	85,000
Due to related parties (Note 8)	1,544,776	1,200,720
Current portion of long term debt (Note 5)	1,004,972	982,058
	7,398,840	5,369,956
Long term debt (Note 5)	1,035,179	1,712,566
Future income taxes	3,696,000	3,696,000
	4,731,179	5,408,566
	12,130,019	10,778,522
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	59,718,516	59,571,329
Contributed surplus (Note 7)	5,093,263	4,836,938
Accumulated other comprehensive loss	(42,678)	(42,678)
Deficit	(32,204,362)	(33,951,230)
	32,564,739	30,414,359
	44,694,758	41,192,881

Contingencies (Note 11)
Commitments (Notes 5 and 9)

Approved by the Directors:
" Jurgen Wolf"
"Joe DeVries"

- See Accompanying Notes -

ODYSSEY PETROLEUM CORP.
Interim Consolidated Statements of Operations and Deficit
(Unaudited – Prepared by Management)

	Nine months ended Sept 30		Three Months Ended Sept 30,	
	2008	**2007**	**2008**	**2007**
	- $ -	**- $ -**	**- $ -**	**- $ -**
REVENUES				
Petroleum and natural gas sales	10,048,813	5,040,924	3,652,478	1,629,284
Less royalties and taxes	3,130,128	1,437,947	1,406,551	453,237
	6,918,685	3,602,977	2,245,927	1,176,047
EXPENSES				
Consulting and management fees	231,561	181,224	37,500	64,713
Depletion and amortization	452,338	316,023	213,224	106,926
General and administrative	370,902	420,558	112,716	264,899
Interest and financing charges	416,297	159,438	151,434	25,437
Operating costs	2,878,022	2,179,338	1,189,869	721,823
Stock-based compensation (Note 7)	274,325	798,050	28,750	531,537
Foreign exchange	98,372	(433,155)	(26,264)	(415,523)
Gain on sale of marketable securities	-	(73,432)	-	(57,600)
	4,721,817	3,548,044	1,707,229	1,242,212
NET INCOME (LOSS) BEFORE INCOME TAXES	2,196,868	54,933	538,698	(66,165)
PROVISION FOR INCOME TAXES	450,000	-	110,000	-
NET INCOME (LOSS)	1,746,868	54,933	428,698	(66,165)
DEFICIT, BEGINNING	(33,951,230)	(28,599,006)	(32,633,060)	(28,477,908)
DEFICIT, ENDING	(32,204,362)	(28,544,073)	(32,204,362)	(28,544,073)
NET INCOME (LOSS) PER SHARE – BASIC AND DILUTED	0.01	0.00	0.002	(0.001)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	186,743,379	155,018,728	187,196,425	147,175,137

- See Accompanying Notes -

ODYSSEY PETROLEUM CORP.
Interim Consolidated Statements of Comprehensive Loss
(Unaudited – Prepared By Management)

	Nine Months Ended Sept 30		Year Ended December 31
	2008 - $ -	2007 - $ -	2007 - $ -
NET INCOME (LOSS)	1,746,868	54,933	(5,489,227)
Unrealized losses on marketable securities	-	-	(42,678)
COMPREHENSIVE INCOME (LOSS)	1,746,868	54,933	(5,531,905)

- See Accompanying Notes -

ODYSSEY PETROLEUM CORP.
Interim Consolidated Statements of Cash Flows
(Unaudited – Prepared by Management)

	Nine Months Ended Sept 30,		Three Months Ended Sept 30,	
	2008	**2007**	**2008**	**2007**
	- $ -	**- $ -**	**- $ -**	**- $ -**
Cash provided by (used for):				
Operations:				
Net income (loss)	1,746,868	54,933	428,698	(66,165)
Items not affecting cash:				
Depletion and amortization	452,338	316,023	213,224	106,926
Current income tax	450,000	-	110,000	-
Stock-based compensation	274,325	798,050	28,750	531,537
Gain on sale of marketable securities	-	(73,432	-	(57,600)
	2,923,531	1,095,574	780,672	514,698
Changes in non-cash working capital	660,141	1,007,826	80,114	319,092
	3,583,672	2,103,400	860,786	833,790
Investments:				
Oil and gas properties, plant and equipment	(3,243,485)	(4,247,787)	(884,030)	(1,854,446)
	(3,243,485)	(4,247,787)	(884,030)	(1,854,446)
Financing:				
Due to related parties, net	344,056	930,218	528,884	807,099
Repayment of long term debt	(654,473)	(366,079)	(388,060)	(267,651)
Proceeds from debentures	-	271,948	-	-
Proceeds from share issuances	18,600	946,020	-	533,520
Proceeds from sale of marketable securities	-	105,431	-	89,600
Share subscriptions received	-	-	-	-
Proceeds from short term loan	-	400,000	-	-
	(291,817)	2,287,538	140,824	1,162,568
Increase (decrease) in cash	48,370	143,151	117,580	141,912
Cash, beginning	77,389	60,149	8,179	61,388
Cash, ending	125,759	203,300	125,759	203,300

Supplemental Cash Flow Information (Note 10)

- See Accompanying Notes -

NOTE 1 – NATURE OF BUSINESS AND GOING CONCERN

Odyssey Petroleum Corp. (the "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 in 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 discharging its liabilities in the normal course of business. Although the Company is currently generating profitable results from its oil and gas operations it will likely need to invest additional funds to carry out its planned exploration, development and operational activities and raise additional capital to settle outstanding debts. At September 30, 2008 the Company had an accumulated deficit of $32,204,362 and a working capital deficiency of $5,027,717. The ability of the Company to continue operations as a going concern is dependent upon continuing profitability and raising additional funds to repay debts and fund planned exploration and development. Management is of the opinion sufficient working capital will be obtainable from internal profits and external financing to meet the Company's liabilities and commitments as they become due, although there is risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

NOTE 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.

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. The Company's subsidiaries are integrated and therefore translated using the temporal method. Exchange gains or losses arising on foreign currency translation are included in the determination of operating results for the year.

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.

Income (loss) per Share
The Company uses the treasury stock method for the computation and disclosure of income (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 income (loss)-per-share figures have been calculated using the weighted monthly average number of shares outstanding during the respective periods. Diluted income (loss)-per-share figures are equal to those of basic income (loss)-per-share for each year since the anti-dilutive effects of options and warrants have been excluded.

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, and amounts due to related parties approximates their fair carrying value due to their immediate or short-term maturity. The fair value of long term approximates its carrying value as these debts bear interest at market rates. 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 December 31, 2007, $42,678 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.

Effective January 1, 2008 the Company adopted the following new accounting standards. 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:

The CICA has issued the following new accounting standards: 1535 Capital Disclosures, 3031 Inventories, 3064 Goodwill and Intangible Assets, and 3862 Financial Instruments – Disclosures and 3863 Financial Instruments - Presentation, which are applicable to the Company's 2008 and 2009 fiscal years.

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 Company does not expect the adoption of this amendment to have an impact on its consolidated financial statements.

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 new accounting standard covers disclosure only and will have no effect on the financial results of the Company.

CICA Handbook Section 3862 Financial Instruments – Disclosures and 3863 Financial Instruments – Presentation: This new standard replaces accounting standard 3861 Financial Instruments - Disclosure and Presentation and is 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 will have no effect on the financial results of the Company.

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 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 Company continues to monitor and assess the impact of the convergence of Canadian GAAP and International Financial Reporting Standards.

Comparative Figures

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

NOTE 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 nine month period ended September 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. Unless otherwise noted, these interim consolidated financial statements follow the same accounting policies as, and should be read in conjunction with, the Company's 2007 annual audited consolidated financial statements and notes thereto.

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

NOTE 4 – OIL AND GAS PROPERTIES AND EQUIPMENT

The Company's oil and gas properties and equipment is as follows:

	September 30, 2008 - $ -	December 31, 2007 - $ -
Proven oil and gas properties, subject to depletion	43,081,185	39,988,237
Unproven oil and gas properties, not subject to depletion	1	1
Accumulated depletion	(1,260,838)	(905,301)
	41,820,348	39,082,937
Equipment	730,073	581,680
Accumulated amortization	(251,642)	(156,985)
	478,431	424,695
	42,298,779	39,507,632

The Company's interests in its oil and gas properties is 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	95.0%	74.1%
Barber Creek Field, Scott County, Mississippi	100%	78.25%
Unproven and producing:		
Palo Pinto and Jack Counties, Texas	4% - 40%	3.2% - 32%

In the prior year, after a review of Company plans of its business activities, management determined that 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. Accordingly, an impairment charge of $7,821,048 was recorded to reduce the carrying values of its Louisiana and Texas oil and gas properties to $1 respectively.

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.

NOTE 5 – LONG TERM DEBT

At September 30, 2008 the Company had long term debt as follows:

	September 30, 2008 - $ -	December 31, 2007 - $ -
Loans Payable		
Loan payable relating to the Barber Creek Field (Note 3)	383,725	387,361
Loan payable relating to the Verba Field (Note 3)	165,429	254,344
	549,154	641,705
Debentures - Series 1 and Series 2	467,190	471,167
Convertible Debenture	1,189,236	1,560,656
Equipment Loan	-	21,096
	2,040,151	2,694,624
Less current portion	1,004,972	982,058
	1,035,179	1,712,566

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 oil and gas properties. The current portion payable has been estimated based on production forecasts of the related fields for 2008. The debt is secured by leases in the Verba and Barber Creek fields and proceeds generated therefrom.

Series 1 Debentures

The Company entered into subscription agreements commencing in August 2006 with debenture holders to provide financing to re-enter and if warranted, to 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. In the event that 40% of the net operating income in any one year exceeds the guaranteed amount of interest and capital payable to the debenture holders, the excess shall be credited against any payments due to the debenture holders in the following fiscal year. The debenture shall be due and payable on December 31, 2016 if not previously repaid out of commercial production. The debentures are secured by a Deed of Trust granting the debenture holders all the oil, gas and mineral lease interests in respect of the specified wells financed.

Series 2 Debentures

In 2007, the Company entered into Series 2 debenture subscription agreements with debenture holders to provide financing to re-enter and, if warranted, to commence commercial production from certain specified wells previously drilled in its fields. The debenture bears 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. In the event that 40% of the net operating income in any one year exceeds the guaranteed amount of interest and capital payable to the debenture holders, the excess shall be credited against any payments due to the debenture holders in the following fiscal year. The debentures are due on December 31, 2016 if not previously repaid out of commercial production. Funds totaling US$300,000 were received from subscription proceeds of the Company's Series 2 Debentures. The debentures are secured by a Deed of Trust granting the debenture holders all the oil, gas and mineral lease interests in respect of the specified wells financed.

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. In February 2008, the Company settled a Series 2 debenture and accrued interest in the sum of $29,097 by the issuance of 387,960 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 convertible 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 convertible debenture holder. Interest of 10% per annum is payable monthly, plus a redemption rate surcharge of 12.5% on the principal amount being redeemed resulting in an effective interest rate of approximately 18%. As at June 30, 2008, the Company is obliged to pay, or convert the equivalent if the option is exercised by the holder, the convertible debenture holder the greater of $1,298,418 or 936,809 Euros at the maturity date or time of conversion.

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

NOTE 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, 2006	147,175,137	56,668,102
- shares issued for cash on private placement	12,749,664	956,225
- shares issued for settlement of debt	25,489,432	1,911,707
- re-allocated from contributed surplus	-	45,500
- cash received from subscriptions received	-	5,400
- share issue costs	-	(15,605)
Balance at December 31, 2007	185,414,233	59,571,329
- shares issued for cash	200,000	24,000
- shares issued for settlement of debt	1,474,500	110,587
- re-allocated from contributed surplus	-	18,000
- cash returned from subscriptions received	-	(5,400)
Balance at September 30, 2008	187,088,733	59,718,516

Nine months ended September 30, 2008:

In January 2008, the Company settled outstanding debts in the amount of $110,587 by the issuance of 1,474,500 common shares at a price of $0.075 per common share.

In May 2008, 200,000 stock options were exercised at $0.12 per share for proceeds of $24,000. In conjunction with this transaction, $18,000 was reclassified from contributed surplus to share capital.

In May 2008, $5,400 for subscriptions received was returned without the issuance of stock.

Year ended December 31, 2007:

The Company issued 12,749,664 units at a price of $0.075 per unit pursuant to a non-brokered private placement for total proceeds of $956,225. Each unit consists of one common share and one-half share purchase warrant with each whole warrant entitling the holder to purchase one common share at a price of $0.15 per share on or before August 22, 2008. The Company paid a finder’s fee of $15,605 in connection with this private placement. The grant date fair value of these warrants has been included in share capital on a net basis and accordingly has not been recorded as a separate component of shareholders’ equity.

The Company issued 25,489,432 common shares pursuant to a shares-for-debt settlement at a price of $0.075 per share to settle outstanding debts totaling $1,911,707.

Stock Options

Nine months ended September 30, 2008:

In February 2008, the Company granted 6,000,000 stock options exercisable at $0.075 due to expire on February 12, 2010. The options are subject to vesting provisions of 25% on the date of the grant, and 12.5% each quarter thereafter. In the period, the Company recorded a stock-based compensation expense of $274,325 as calculated using the Black-Scholes option pricing model to determine fair value.

Year ended December 31, 2007:

The Company did not grant any stock options. However, during 2007 the Company recorded stock-based compensation of $1,087,506 in connection with the vesting of certain stock options granted during the year ended December 31, 2006.

NOTE 7 – CONTRIBUTED SURPLUS

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

	- $ -
Balance, December 31, 2006	3,794,932
Stock-based compensation (Note 6)	1,087,506
Allocated to share capital on exercise of options	(45,500)
Balance, December 31, 2007	4,836,938
Stock-based compensation (Note 6)	274,325
Allocated to share capital on exercise of options (Note 6)	(18,000)
Balance, September 30, 2008	5,093,263

NOTE 8 – RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions:

During the nine months ended September 30, 2008 and 2007, the Company had the following transactions with related parties:

	2008 - $ -	2007 - $ -
Consulting, management and administration fees paid to directors, officers, and companies controlled by directors charged to administrative costs and operating costs	195,906	435,315
Operating costs and occupancy costs paid to a company controlled by a director	466,497	241,422
Loan interest paid to a director or a company controlled by a director	30,872	20,305
	693,275	697,042

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 September 30, 2008 amounts due to related parties totaled $1,544,776 (December 31, 2007 - $1,200,720) 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.

NOTE 9 – COMMITMENTS

Effective October 1, 2005, a subsidiary of the Company entered into a lease on 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.

NOTE 10 – SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash investing and financing activities for the six months ended June 30, 2008 and 2007 were as follows:

	2008 - $ -	2007 - $ -
Common shares issued for debt settlements	110,587	-

Cash payments included in the statement of cash flows:		
Interest paid	416,297	134,001
Income tax paid	-	-

NOTE 11 - CONTINGENCIES

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. Management does not believe the disposition of any current matters should have a material adverse impact on the Company's financial position, results of operations or the ability to carry on its business activities. If any such matter is expected to have an adverse material impact on the Company, and the amount of the impact can be reasonably estimated, the Company will record a contingent liability in the period in which the amount can be determined.

NOTE 12 – SUBSEQUENT EVENTS

As reported in the quarter ended June 30, 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 financial statements at September 30, 2008 in this regard. If such adjustments are required, they will be recorded at the time they are determined.

Date prepared: November 27, 2008

This management discussion and analysis covers the operations of Odyssey Petroleum Corp. (the "Company") for the nine months ended September 30, 2008. 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 unaudited interim consolidated financial statements for the nine months ended September 30, 2008 and the audited consolidated financial statements for the year ended December 31, 2007.

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 nine months ended September 30, 2008, total revenue increased 99.3% to $10,048,813 from $5,040,924 in 2007. This increase was the result of a 83.4% increase in average realized prices and a 13.6% increase in production over 2007.

	Nine months ended September 30		Three months ended September 30	
	2008	2007	2008	2007
Oil and Gas revenue	$10,048,813	$5,040,924	$3,652,478	$1,629,284
Production barrels of oil equivalent (BOE)	95,134	83,986	30,708	27,030
Average BOE per day	348	309	334	294
Average realized prices per BOE	$105.63	$60.02	$118.94	$60.28

For the nine month period, production grew from an average of 309 boe/pd in 2007 to an average of 348 boe/pd in 2008. The increase in production between the two periods can be attributed to the coming on stream of three new wells and successful drilling efforts. Currently, three new wells have been drilled and completed, with daily production expected to increase once the new wells have stabilized.

In the third quarter, petroleum and natural gas sales were up 124.2% from the comparable quarter of 2007. The increase was attributable to a 97.3% increase in average price received and a 13.6% increase in production. Production increases in the third quarter of 2008 were the result of new wells starting to come on stream in the Pelahatchie field.

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, the Company received substantial increases in prices for its production of oil and gas compared to the prior year.

In October 2008, barrels sold increased approximately 19% to 11,681 bbls compared to 9,827 bbls in October 2007. This represents gross revenues for October 2008 of approximately US$846,000.

Royalties and taxes – Royalties and taxes for the nine months increased to $3,130,128 compared to $1,437,947 for the same period in 2007 which is commensurate with the increase in petroleum and natural gas sales. However, the overall royalty and tax rate as a percentage of sales increased from 29% to 31%. The increase is attributable to adjustments relating to actual versus estimated accruals for royalties on new wells coming on stream in the current period.

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

	Nine months ended September 30		Three months ended September 30	
	2008	2007	2008	2007
Operating costs	$2,878,022	$2,179,338	$1,189,869	$721,823
Per cent of revenue	29%	43%	33%	44%

As a per cent of revenue for the 2008 nine month period, the decrease in the Company's operating costs as a per cent of revenue can be attributed to a combination of an increase in the average price obtained per BOE and to certain anomalies that arise when reworking old and/or wells abandoned in prior years by previous owners. Although the Company strives for maximum efficiency in its operations, with wells that have been drilled to depths exceeding 15,000ft in the past, the costs of reworking zones at various depths are not consistent from well-to-well. Accordingly, variations as a per cent 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:

	Nine months ended September 30		Three months ended September 30	
	2008	2007	2008	2007
G&A costs	$1,264,335	$1,485,838	$301,650	$828,986
Per cent of revenue	13%	29%	8%	51%

As a per cent of revenue for the 2008 nine month period, general and administrative expenses decreased to 13% from 29% for the same period in 2007. The decrease can be attributed to a number of factors including the increase in the average price obtained per BOE during the period and the larger fair value of stock options expensed in 2007 compared to 2008. 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 2008 nine month period totaled $416,297 compared to $159,438 for 2007. The increase is due to the Company carrying a higher debt level for the entire period compared to the average debt outstanding during the same period in 2007. The higher debt load relates to an increase in debt financing for the drilling of one new well in the Pelahatchie field as operating cash flow is not currently sufficient to finance the drilling of new wells.

Cash Flows from Operations and Net Income – cash flows from operations totaled $2,923,531 for the nine months ended September 30, 2008 compared to $1,596,647 for the year ended December 31, 2007. The increase in cash flows from operations is a direct result of a growing production base combined with a significant increase in operating netbacks compared to 2007 results. The various factors contributing to the changes in cash flows from operations and net income are outlined in the following table:

	Cash flows - $ -	Net Income - $ -
Year ended December 31, 2007	1,596,647	(5,489,224)
Increase in revenue, net of royalties and taxes	1,344,813	1,344,813
	2,941,460	(4,144,411)
Less expenses (recovery)		
Bad debts	-	(226,646)
Consulting and management fees	4,837	4,837
Depletion and amortization	-	(79,651)
Foreign exchange	557,920	557,920
General and administrative	(164,625)	(164,625)
Interest and financing charges	(152,579)	(152,579)
Operating costs	(227,624)	(227,624)
Stock-based compensation	-	(813,181)
Impairment charges	-	(7,821,048)
Gain on sale of marketable securities	-	79,318
Income taxes and future taxes	-	2,952,000
	17,929	(5,891,279)
Nine months ended September 30, 2008	2,923,531	1,746,868

Operating Netbacks - In the period, the Company's operating netbacks increased 151% to $42.47 over the comparable period in the previous year (2007 – $16.95) and increased 94% compared to the year ended December 31, 2007 ($21.94). This growth in netbacks has helped the Company to continue its growth strategies, and have allowed the self-financing of the completion costs for three new wells.

The Company's operating netbacks were as follows:

	Nine months ended September 30		Three months ended September 30	
	2008 - $ -	2007 - $ -	2008 - $ -	2007 - $ -
Oil and Gas sales	10,048,813	5,040,924	3,652,478	1,629,284
Royalties & taxes	(3,130,128)	(1,437,947)	(1,406,551)	(453,237)
Operating expenses	(2,878,022)	(2,179,338)	(1,189,869)	(721,823)
Net totals	4,040,663	1,423,639	1,056,058	454,224
BOEs	*95,134*	*83,986*	*30,708*	*27,030*
Operating netback dollars/BOE	42.47	16.95	34.39	16.80

COMPARISON OF RESULTS OF OPERATIONS

Nine months ended September 30:

	2008 - $ -	2007 - $ -	Favorable (Unfavorable) - $ -
Revenues	10,048,813	5,040,924	5,007,889
During the period the Company's petroleum and natural gas sales increased 99% over the 2007 comparative period as a result of a 13.3% increase in total reported production for the period, combined with an increase in the overall sales price received of 76.0%.			
Royalties and taxes	3,130,128	1,437,947	(1,692,181)
These costs are directly proportional to revenue and the increase is commensurate with the higher revenue realized			
Consulting and management fees	231,561	181,224	(50,337)
The increase is related to additional consultant costs to evaluate the viability of properties and regulatory reserve disclosure reports			
Depletion and amortization	452,338	316,023	(136,315)
The increase is based on estimates using the unit-of-production method based on estimated proven reserves determined by independent consultants			
Foreign exchange fluctuations	98,372	(433,155)	(531,527)
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 debt obligations at the end of each reporting period			
General and administrative	370,902	347,126	(23,776)
In general, administrative expenses reflect the normal corporate business cycle and are commensurate with the Company's significant growth in the current period. 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 financing charges	416,297	159,438	(256,859)
The increase is related to the increased debenture debt utilized to drill a new well late in 2007, in addition to previous debts			
Operating expenses	2,878,022	2,179,338	(698,684)
The increase in operating costs is approximately commensurate with the increase in BOEs produced for the same period plus additional work required to re-enter existing wells to attempt to increase production.			
Stock-based compensation	274,325	798,050	523,725
Stock-base compensation is dependent on the number of stock options granted, and certain vesting provisions which may cause unusual variances between comparative periods			
Provision for income taxes	450,000	-	(450,000)
The income tax provision is an estimate for income taxes payable based on the net income for the period			
Net income	1,746,868	54,933	1,691,935

Three months ended September 30:

	2008 - $ -	2007 - $ -	Favorable (Unfavorable) - $ -
Revenues	3,652,478	1,629,284	2,023,194
During the period the Company's petroleum and natural gas sales increased 124% over the 2007 comparative period as a result of a 13.6% increase in total reported production for the period, combined with an increase in the overall sales price received of 97.3%.			
Royalties and taxes	1,406,551	453,237	(953,314)
These costs are directly proportional to revenue and the increase is commensurate with the higher revenue realized			
Consulting and management fees	37,500	64,713	27,213
The decrease in the quarter is related to decreased use of outside consultants.			
Depletion and amortization	213,224	106,926	(106,298)
The increase is based on estimates using the unit-of-production method based on estimated proven reserves determined by independent professional engineers			
Foreign exchange fluctuations	(26,264)	(415,523)	(389,259)
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 debt obligations into Euros at the end of each reporting period			
General and administrative	112,716	207,299	94,583
In general, administrative expenses reflect the normal corporate business cycle which in the current quarter reflected a reduction in costs compared to 2007. 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 financing charges	151,434	25,437	(125,997)
The increase is related to the increased debenture debt utilized to drill a new well late in 2007, in addition to previous debts			
Operating expenses	1,189,869	721,823	(468,046)
The increase in operating costs is approximately commensurate with the increase in BOEs produced plus the additional costs incurred to re-enter existing wells to attempt to increase production.			
Stock-based compensation	28,750	531,537	502,787
Stock-base compensation is dependent on the number of stock options granted, and certain vesting provisions which may cause unusual variances between comparative periods			
Provision for income taxes	110,000	-	(110,000)
The income tax provision is an estimate for income taxes payable based on the net income for the period			
Net income (loss)	428,698	(66,165)	494,863

SELECTED ANNUAL INFORMATION

The following table provides a summary of the Company's financial operations for the three years ended December 31, 2007. For more detailed information, refer to the Company's financial statements.

	Year Ended December 31, 2007 - $ -	Year Ended December 31, 2006 - $ -	Year Ended December 31, 2005 - $ -
Total assets	41,192,881	38,365,947	33,669,083
Oil and Gas properties, plant and equipment	39,507,632	37,001,106	32,645,785
Working capital deficiency	(4,175,031)	(3,372,508)	(2,102,729)
Long term debt	1,712,556	1,764,570	869,117
Shareholders' equity	30,414,359	31,864,028	29,673,939
Revenues	7,749,882	7,252,741	2,644,973
Net Income (loss)	(5,489,224)	(696,402)	(3,174,886)
Loss per share – basic and diluted	(0.03)	(0.00)	(0.04)

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.

In order to resolve the Company's working capital deficiency of $849,261, 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, 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.

In order to resolve the Company's working capital deficiency of $297,010, 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.

SUMMARY OF QUARTERLY RESULTS

Three months ended	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007
	- $ -	- $ -	- $ -	- $ -
Total assets	44,694,758	43,693,875	42,382,760	41,192,881
Oil and gas properties, plant and equipment	42,298,779	41,627,973	40,355,081	39,507,632
Working capital (deficiency)	(5,027,717)	(4,921,029)	(4,248,442)	(4,176,031)
Shareholders' equity	32,564,739	32,107,291	31,173,642	30,414,359
Revenues	3,652,478	3,423,534	2,972,801	2,708,958
Net Income (Loss)	428,698	817,709	500,461	(5,544,156)
Earnings (loss) per share – basic and diluted	0.002	0.007	0.003	(0.03)

Three months ended	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006
	- $ -	- $ -	- $ -	- $ -
Total assets	42,742,337	40,668,857	39,704,643	44,785,947
Oil and gas properties	40,932,870	39,185,351	38,270,660	43,421,106
Working capital (deficiency)	(4,581,853)	(4,497,768)	(4,294,314)	(3,893,297)
Shareholders' equity	35,601,838	32,691,239	31,932,628	32,001,028
Revenues	1,629,284	1,614,261	1,797,379	1,770,576
Net Income (loss)	(66,165)	319,010	(197,913)	(456,051)
Earnings (loss) per share – basic and diluted	(0.00)	0.01	(0.00)	(0.01)

LIQUIDITY AND CAPITAL RESOURCES

During the current period significant cash flows were as follows:

Operating activities provided cash inflows of $3,583,672. This inflow was used primarily for investing in the completion costs of three new wells and general working capital.

Investing activities included $3,243,485 in additions to the Company's oil and gas properties, plant and equipment. This was used for the completion costs of three new wells in the Pelahatchie field, plus 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 $654,473, advances from related parties of $344,056, and proceeds from share issuances of $18,600.

At September 30, 2008 the Company had a working capital deficiency of $5,027,717 and accumulated losses of $32,204,362. The Company's continuing profitability and cashflow from operations will be utilized to pay down existing debts and payables, as well as to continue drilling new wells or re-working existing wells.

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.

CURRENT AND FUTURE DEVELOPMENTS

Current oil prices and new technology for locating bypassed oil/gas accumulations makes the re-entry of wells already drilled and cased profitable. With approximately 30 wells currently producing and another 20 or more previously drilled wells scheduled for reentry and work-over, the Company expects to continue to increase its revenue base while holding valuable leases by production on which it plans to drill new wells. Additionally the Company has, in the past three years, developed its own production capabilities. With a staff of approximately 20 employees in the field, the Company staffs one leased work-over rig, employs another contract rig, and does its own roustabout work, hauling, heavy equipment work and gauging of wells.

During the period, the Company entered into new agreements with various working interest partners to drill three new wells in the Pelahatchie field: the Max and Martha Gill #1, the Harold Karges 18-7 #1, and the J. Cox 18-10 #1.

In the prior year, 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, at December 31, 2007 an impairment charge was recorded to reduce the carrying values of its Louisiana and Texas oil and gas properties to $1. In the current period, management has 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 nine months ended September 30, 2008 and 2007, the Company had the following transactions with related parties:

	2008 - $ -	2007 - $ -
Consulting, management and administration fees paid to directors, officers, and companies controlled by directors charged to administrative costs and operating costs	195,906	435,315
Operating costs and occupancy costs paid to a company controlled by a director	466,497	241,422
Loan interest paid to a director or a company controlled by a director	30,872	20,305
	693,275	697,042

Related party balances:

At September 30, 2008 amounts due to related parties totaled $1,544,776 (December 31, 2007 - $1,200,720) 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 related parties are 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 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

Material contracts

The Company did not enter into any material contracts in the current quarter.

Investor Relations

In May 2008, the Company entered into an agreement for investor relations services, subject to TSX Venture approval, with Euro Invest News, Inc. of Geneva, Switzerland. The agreement calls for monthly payments of $7,500, and the granting of 2,000,000 options at $0.12 per share, vesting quarterly over 12 months, and exercisable for five years. This agreement was approved by the TSX Venture exchange in July 2008.

Regulatory Matters

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

Options Granted

In February 2008, the Company granted 6,000,000 stock options exercisable at $0.075 due to expire on February 12, 2010. The options are subject to vesting provisions of 25% on the date of the grant, and 12.5% each quarter thereafter. In the period, the Company recorded a stock-based compensation expense of $274,325 as calculated using the Black-Scholes option pricing model to determine fair value.

Subsequent Event

As reported in the quarter ended June 30, 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 financial statements at September 30, 2008 in this regard. If such adjustments are required, they will be recorded at the time they are determined.

CRITICAL ACCOUNTING ESTIMATES

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 petroleum engineers.

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, and the fair value of stock based compensation. Financial results as determined by actual events could differ from those estimates.

Revenue Recognition

Oil and natural gas revenues are recorded using the sales method, whereby the Company recognizes oil and natural gas revenues based on the amount of oil and gas sold to purchasers, when title passes, the amount is determinable and collection is reasonably assured. The costs associated with the delivery, including operating, transportation and production based royalties are recognized in the same period in which revenue is earned.

Risk Management

The Company is engaged primarily in oil and gas exploration, development and production and manages related industry risk issues directly. The Company is at risk for environmental issues and fluctuations in commodity pricing. The Company is not exposed to significant credit concentration risk. During the year ended December 31, 2007 three customers accounted for all of the Company's sales. The Company is not exposed to significant interest rate risk, hedging or other activities to manage this risk. The Company's functional currency is the Canadian dollar. All current resource operations occur within the USA and a debenture is payable in Euros, 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 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.

RISK FACTORS

There are a number of risks facing participants in the Canadian oil and gas industry. Some of the risks are common to all businesses while others are specific to the sector. The following reviews the general and specific risks and includes the Company's approach to managing these risks.

Exploration, Development and Production Risks

Oil and natural gas exploration involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that expenditures made on future exploration by the Company will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. The long term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, completion, and operating costs. Completion of a well does not ensure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees. Oil and gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

Prices, Markets and Marketing

Demand for crude oil and natural gas produced by the Company exists within North America, however, crude oil prices are affected by worldwide supply and demand fundamentals, while natural gas prices are affected by North American supply and demand fundamentals, all of which are beyond the control of the Company. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the volume of the Company's oil and gas reserves. The Company might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Company's future net production revenue, causing a reduction in its oil and gas acquisition and development activities. In addition to establishing markets for its oil and natural gas, the Company must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by the Company will be affected by numerous factors beyond its control. The Company will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil actually produced. The ability of the Company to market its natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. The Company will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. The Company has limited direct experience in the marketing of oil and natural gas and utilizes the expertise of a marketing consultant.

Inflation Risks

Inflation risks subject the Company to potential erosion of product netbacks. For example, domestic prices for oil and natural gas production equipment and services can inflate the costs of operations.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of the Company which could result in a reduction of the revenue received.

Substantial Capital Requirements

The Company anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If the Company's revenues or reserves decline, it may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. Future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects.

Additional Funding Requirements

The Company's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, the Company may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Company's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Company's ability to expend the necessary capital to replace its reserves or to maintain its production. Should the Company's cash flow from operations be insufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or that it will be available on acceptable terms. The Company may enter into transactions to acquire assets or shares of other businesses. These transactions may be financed partially or wholly with debt, which may increase the Company's debt levels above industry standards. Neither the Company's articles nor its by-laws limit the amount of indebtedness that it may incur.

Competition

The Company actively competes for reserve acquisitions, exploration leases, licenses and concessions and skilled industry personnel with a substantial number of other oil and gas companies, many of which have significantly greater financial resources. The Company's competitors include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators. The oil and gas industry is highly competitive. The Company's competitors for the acquisition, exploration, production and development of oil and natural gas properties, and for capital to finance such activities, include companies that have greater financial and personnel resources available to them. Certain of the Company's customers and potential customers are themselves exploring for oil and natural gas, and the results of such exploration efforts could affect the Company's ability to sell or supply oil or gas to these customers in the future. The Company's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment. The supply of service and production equipment at competitive prices is critical to the ability to add reserves at a competitive cost and produce these reserves in an economic and timely fashion. In periods of increased activity these services and supplies can become difficult to obtain. The Company attempts to mitigate this risk by developing strong long term relationships with suppliers and contractors and maintaining close working relationships with industry partners.

Environmental Risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of

oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require the Company to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

Insurance

The Company's involvement in the exploration for and development of oil and gas properties may result in liabilities for pollution, blow-outs, property damage, personal injury or other hazards. Although the Company has obtained insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, results of operations or prospects.

Reliance on Key Personnel

The success of the Company depends in large measure on certain key personnel. The Company does not have any key man insurance policies, and therefore there is a risk that the death or departure of any member of management or any key employee could have a material adverse effect. In addition, the competition for qualified personnel in the oil and gas industry is intense and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure. As at June 30, 2008, the CEO and the CFO have evaluated the effectiveness of the Company's disclosure controls and procedures as defined in *Multilateral Instrument* 52-109 of the Canadian Securities Administrators and have concluded that such disclosure controls and procedures are effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. We have designed controls for this process and have conducted an evaluation which has identified several potential weaknesses in our controls. Due to the limited number of staff at the Company, there is an inherent weakness in the system of internal controls due to our inability to achieve appropriate segregation of duties. The limited number of staff has also led us to identify a weakness with respect to accounting for complex and non-routine accounting transactions as the Company does not have a sufficient number of finance personnel with technical accounting knowledge to address all complex and non-routine accounting matters that may arise. Neither of these weaknesses has resulted in a misstatement in our interim or annual financial statements. However, as there is a more than remote likelihood that a material misstatement would not be prevented or detected, these items have been classified as material weaknesses. Currently, Management and Board review are being utilized to mitigate the risk of material misstatement in financial reporting, and also to ensure that existing internal controls remain effective. We intend to remediate these weaknesses in the future by expanding the number of individuals in our financial reporting area as we grow the Company.

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.