

Notice for National Instrument 51-102

The Company's independent auditor has not performed a review of the March 31, 2007 comparative interim financial statements in accordance with the standards of the Canadian Institute of Chartered Accountants.

Cruiser Oil & Gas Ltd.
Interim Balance Sheets
(unaudited)

	March 31, 2007	December 31, 2006
Assets		
Current		
Cash and cash equivalents	\$ —	\$ 2,715,303
Short-term investments (<i>note 3</i>)	2,754,957	781,957
Funds in escrow	1,537	1,537
Accounts receivable	652,591	937,740
Prepaid expenses and deposits	48,809	77,544
	<u>3,457,894</u>	<u>4,514,081</u>
Reclamation deposit	115,595	114,427
Property and equipment (<i>note 4</i>)	15,809,281	14,072,260
	<u>\$ 19,382,770</u>	<u>\$ 18,700,768</u>
Liabilities		
Current		
Bank overdraft	\$ 82,459	\$ —
Accounts payable and accrued liabilities	1,318,747	550,650
	<u>1,401,206</u>	<u>550,650</u>
Asset retirement obligation (<i>note 5</i>)	275,680	230,072
Future income taxes (<i>note 8</i>)	1,803,622	1,605,062
	<u>3,480,508</u>	<u>2,385,784</u>
Shareholders' equity		
Share capital (<i>note 6</i>)	17,575,120	17,865,120
Contributed surplus (<i>note 7</i>)	639,813	629,656
Deficit	(2,312,671)	(2,179,792)
	<u>15,902,262</u>	<u>16,314,984</u>
	<u>\$ 19,382,770</u>	<u>\$ 18,700,768</u>

Cruiser Oil & Gas Ltd.
Interim Statements of Operations and Deficit
Three months ended March 31
(unaudited)

	2007	2006
Revenue		
Petroleum and natural gas sales	\$ 321,522	\$ 201,005
Royalties, net of Alberta Royalty Tax Credit	(32,672)	(24,872)
	<u>288,850</u>	<u>176,133</u>
Interest income	26,949	31,329
	<u>315,799</u>	<u>207,462</u>
Expenses		
Production	82,760	28,812
Transportation	5,954	4,487
General and administrative (note 10)	176,662	120,722
Interest	1,363	15,282
Stock-based compensation (note 6)	10,157	62,247
Accretion	4,470	3,334
Depletion and depreciation	258,752	118,354
	<u>540,118</u>	<u>353,238</u>
Loss for the period before income taxes	(224,319)	(145,776)
Income taxes (note 8)		
Future income tax reduction	(91,440)	(27,687)
	<u>(91,440)</u>	<u>(27,687)</u>
Net loss for the period	(132,879)	(118,089)
Deficit, beginning of period	(2,179,792)	(1,780,929)
Deficit, end of period	<u>\$ (2,312,671)</u>	<u>\$ (1,899,018)</u>
Net loss per share – basic and diluted (note 6)	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>

Cruiser Oil & Gas Ltd.
Interim Statements of Cash Flows
Three months ended March 31
(unaudited)

	2007	2006
	<hr/>	<hr/>
Operating		
Net loss for the period	\$ (132,879)	\$ (118,089)
Add back (deduct) non-cash items:		
Depletion and depreciation	258,752	118,354
Stock-based compensation	10,157	62,247
Interest	–	6,250
Accretion	4,470	3,334
Future income tax reduction	(91,440)	(27,687)
	<hr/>	<hr/>
	49,060	44,409
Change in non-cash working capital (<i>note 9</i>)	<hr/>	<hr/>
	(154,964)	(147,128)
	<hr/>	<hr/>
	(105,904)	(102,719)
Financing		
Proceeds on share issue, net of costs	–	37,500
Change in non-cash working capital (<i>note 9</i>)	<hr/>	<hr/>
	(37,721)	–
	<hr/>	<hr/>
	(37,721)	37,500
Investing		
Expenditures on property and equipment	(1,954,635)	(2,465,073)
Addition to reclamation deposit	(1,168)	(760)
Funds in escrow	–	260,027
(Purchase) redemption of short-term investment	(1,973,000)	1,300,000
Change in non-cash working capital (<i>note 9</i>)	<hr/>	<hr/>
	1,274,666	1,219,042
	<hr/>	<hr/>
	(2,654,137)	313,236
(Decrease) increase in cash and cash equivalents	<hr/>	<hr/>
	(2,797,762)	248,017
Cash and cash equivalents, beginning of period	<hr/>	<hr/>
	2,715,303	2,528,684
(Bank overdraft) cash and cash equivalents, end of period	<hr/>	<hr/>
	\$ (82,459)	\$ 2,776,701
Supplemental cash flow information		
Interest paid	<hr/>	<hr/>
	\$ 39,084	\$ 9,906
	<hr/>	<hr/>

Cruiser Oil & Gas Ltd.

Notes to the Interim Financial Statements

March 31, 2007
(unaudited)

1. Basis of presentation

These unaudited interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and on a basis consistent with the audited December 31, 2006 financial statements except certain disclosures have been condensed or omitted. Accordingly, these unaudited interim financial statements should be read in conjunction with the notes contained in the Company's audited December 31, 2006 financial statements. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. Accordingly, actual results could differ from those estimates.

Cruiser Oil & Gas Ltd. (the "Company") is engaged in the exploration for and production of petroleum and natural gas in Western Canada. The operating results for the three months ended March 31, 2007 may not be indicative of the results for the year ended December 31, 2007.

2. Changes in accounting policies

On January 1, 2007, the Company adopted the new or revised Canadian accounting standards for accounting changes, financial instruments – recognition and measurement, financial instruments – presentation and disclosures and comprehensive income. The adoption of these standards had no impact on these financial statements.

a) Accounting changes

Voluntary changes in accounting policies are permitted only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impracticable to determine the period or cumulative impact of the change.

Corrections of prior period errors are applied retrospectively and change in accounting estimates are applied prospectively by including the effect of the changes in earnings.

b) Financial instruments—recognition and measurement

This new standard requires all financial instruments within its scope, including all derivatives, to be recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities except those held-for-trading and available for sale are measured at amortized cost determined using the effective interest rate method. Held-for-trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income and reclassified to earnings when derecognized or impaired.

c) Derivative instruments

Derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value. Changes in the fair values of derivative instruments are recognized in net loss with the exception of derivatives designated as cash flow hedges. The Company did not identify any derivatives which require separate recognition and measurement.

Cruiser Oil & Gas Ltd.

Notes to the Interim Financial Statements

March 31, 2007
(unaudited)

2. Changes in accounting policies (continued)

d) Comprehensive income

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources and includes unrealized gains and losses on financial assets classified as held available-for-sale.

3. Short-term investments

As at March 31, 2007, short-term investments of \$2,754,957 (December 31, 2006 – \$781,957) earn interest at 3.75% (December 31, 2006 – 3.75%) and mature in July and September 2007.

4. Property and equipment

	March 31, 2007		
	Cost	Accumulated depletion and depreciation	Net
Petroleum and natural gas properties	\$ 18,298,904	\$ 2,509,300	\$ 15,789,604
Office equipment	45,566	25,889	19,677
	<u>\$ 18,344,470</u>	<u>\$ 2,535,189</u>	<u>\$ 15,809,281</u>

The Company did not capitalize any general and administrative costs during 2007 and 2006. As at March 31, 2007, property and equipment includes the cost of undeveloped land in the amount of \$223,855 (December 31, 2006 – \$152,200), which has been excluded from the depletion calculation. Future capital costs of \$2,805,020 (December 31, 2006 – \$2,931,020) have been included, and salvage values of \$86,054 (December 31, 2006 – \$82,300) have been excluded from the depletion calculation.

5. Asset retirement obligation

The following table presents the reconciliation of the carrying amount of the obligations associated with the retirement of the Company's property and equipment:

Balance – December 31, 2006	\$ 230,072
Liabilities incurred	41,138
Accretion	4,470
Balance – March 31, 2007	<u>\$ 275,680</u>

The following significant assumptions were used to estimate the asset retirement obligations:

Undiscounted cash flows	\$ 732,320
Risk-free discount rate, adjusted for inflation of 2%	8%
Expected timing of cash flows	13.7 years

Cruiser Oil & Gas Ltd.

Notes to the Interim Financial Statements

March 31, 2007
(unaudited)

6. Share capital

a) Common shares issued

	Number of Shares	Amount
Balance – December 31, 2006	121,891,052	\$ 17,865,120
Tax effect of flow-through shares (i)	–	(290,000)
Balance – March 31, 2007	<u>121,891,052</u>	<u>\$ 17,575,120</u>

i) The \$290,000 tax effect of the \$4,964,000 flow-through share proceeds raised in 2006 was recorded in February 2007 when the tax benefits were filed with the tax authorities and renounced to investors with an effective date of December 31, 2006. The \$1,000,000 of qualifying expenditures had been incurred as at March 31, 2007.

b) Options

The following is a continuity of options for which shares have been reserved at March 31, 2007:

	Number of Options	Weighted–Average Exercise Price
Balance, December 31, 2006	4,495,000	\$ 0.15
Expired	(250,000)	0.10
Balance, March 31, 2007	<u>4,245,000</u>	<u>\$ 0.15</u>

The following table summarizes information about options outstanding as at March 31, 2007:

Exercise Price	Number Outstanding	Weighted–Average Contractual Life Remaining (years)	Number Exercisable	Weighted–Average Exercise Price
\$ 0.10	3,343,986	3.3	2,172,657	\$ 0.10
0.30	301,014	3.4	134,009	0.30
0.35	600,000	3.6	400,000	0.35
	<u>4,245,000</u>	<u>3.3</u>	<u>2,706,666</u>	<u>\$ 0.15</u>

The Company uses the Black-Scholes option pricing model to estimate the fair value of options. Stock-based compensation expense in 2007 was recognized for the following options using a dividend yield of nil, and an expected life of five years.

Year of Option Grant	Risk-free Interest Rate	Expected Volatility	Weighted–Average Value Per Share	2007 Stock-based Compensation Expense
2005	2.97%	100%	\$0.074	\$ 361
2006	3.10%	100%	\$0.076	7,785
2005	3.50%	154%	\$0.154	2,011
				<u>\$ 10,157</u>

Cruiser Oil & Gas Ltd.

Notes to the Interim Financial Statements

March 31, 2007
(unaudited)

6. Share capital (continued)

c) Escrowed shares

As at March 31, 2007, a total of 40,176,190 (December 31, 2006 – 46,063,690) shares were held in escrow all of which were released in April 2007.

d) Per share amounts

Basic per share calculations are based on the weighted average number of common shares outstanding during the three months ended March 31, 2007 of 121,891,052 (March 31, 2006 – 80,827,362). For 2007 and 2006, diluted loss per share has not been disclosed as the effects of share conversions and the exercise of options and warrants are anti-dilutive.

7. Contributed surplus

Balance – December 31, 2006	\$	629,656
Stock-based compensation		<u>10,157</u>
Balance – March 31, 2007	\$	<u><u>639,813</u></u>

8. Income taxes

The future income tax reduction differs from the amount computed by applying the combined federal and provincial tax rates to the loss for the period. The difference results from the following:

	Three months ended March 31	
	2007	2006
Loss for the period before income taxes	\$ (224,319)	\$ (145,776)
Statutory tax rate	32.12%	35.62 %
Expected income tax recovery	(72,051)	(51,926)
Non-deductible crown charges	–	1,050
Resource allowance	–	(666)
Stock-based compensation	3,262	22,208
Rate adjustment and other	(22,651)	1,647
	<u>\$ (91,440)</u>	<u>\$ (27,687)</u>

The components of the net future income tax asset (liability) as at March 31, 2007 are as follows:

Property and equipment	\$ (2,300,691)
Non-capital losses	234,625
Asset retirement obligations	79,947
Share issue costs	153,702
Provincial tax benefits	<u>28,795</u>
Future income tax asset (liability)	<u>\$ (1,803,622)</u>

As at March 31, 2007, the Company has approximately \$8.4 million of tax pools available for deduction against future taxable income. In addition, the Company has \$800,000 of non-capital losses that expire between 2007 and 2026.

Cruiser Oil & Gas Ltd.

Notes to the Interim Financial Statements

March 31, 2007
(unaudited)

9. Change in non-cash working capital

	Three months ended March 31	
	2007	2006
Accounts receivable	\$ 285,149	\$ 238,067
Accounts payable and accrued liabilities	768,097	(8,899)
Prepaid expenses and deposits	28,735	842,746
	<u>\$ 1,081,981</u>	<u>\$ 1,071,914</u>

The change in non-cash working capital has been allocated to the following activities:

	2007	2006
Operating	\$ (154,964)	\$ (147,128)
Financing	(37,721)	–
Investing	1,274,666	1,219,042
	<u>\$ 1,081,981</u>	<u>\$ 1,071,914</u>

10. Related party transactions

Except as disclosed elsewhere in the financial statements, the Company had the following related party transactions:

- During the three months ended March 31, 2007, the Company was charged \$30,000 (three months ended March 31, 2006 – \$60,000) in management fees by officers and directors of the Company.
- During the three months ended March 31, 2007, a law firm, in which a director of the Company is a principal, charged the Company \$3,350 (three months ended March 31, 2006 – \$nil) for legal services. Accounts payable as at March 31, 2007 includes \$3,350 (December 31, 2006 – \$42,683) due to the law firm.
- During the three months ended March 31, 2007, the Company was charged \$22,019 (three months ended March 31, 2006 – \$5,900) for accounting and administrative fees by a corporation controlled by an officer of the Company. At March 31, 2007, accounts payable includes an amount of \$22,660 (December 31, 2006 – \$2,166).

All related party transactions are in the normal course of operations and have been measured at the exchange amount that is the amount of consideration established and agreed to by the related parties under terms similar to those negotiated with third parties.

11. Subsequent event

In April 2007, 166,666 options were exercised for an equivalent number of shares resulting in gross proceeds of \$16,667.