

# **Softrock Minerals Ltd.**

Financial Statements

For the First Quarter

Ending

March 31, 2008

UNAUDITED

# **NOTICE TO READER**

## ***Responsibility for Financial Statements***

The accompanying financial statements for Softrock Minerals Ltd. ("Softrock" or the "Company") have been prepared by management in accordance with Canadian generally accepted accounting principals consistently applied. The most significant of these accounting principals have been set out in the Company's December 31, 2007 audited financial statements.

Only changes in accounting information have been disclosed in these financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent on future events. Therefore estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

## ***Auditor Involvement***

The Auditor of Softrock Minerals Ltd. has not performed a review of the comparative financial statements for the three months ended March 31, 2008 and 2007

## ***Notice***

***These interim period financial statements should be read in conjunction with the audited financial statements and the accompanying notes in the Company's latest filing. In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim period presented.***

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**Softrock Minerals Ltd.****Statements of Operations, Comprehensive Income and Deficit**

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<b>For the first quarter ended March 31,</b>	<b>2008</b>	<b>2007</b>
<b>Revenue</b>		
Petroleum and natural gas sales	\$ 0	\$ 1,821
Royalty income	10,938	8,026
	<hr/>	<hr/>
	10,938	9,847
<b>Expenses</b>		
Operating	80	8,293
Depreciation, depletion and accretion		
Professional fees	8,192	3,702
General and administrative	7,366	7,117
Realized loss on marketable securities	18,170	
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	33,808	19,112
<b>Loss before the following</b>	<b>22,870</b>	<b>9,265</b>
Gain on sale of property, plant and equipment		
<b>Income (loss) before income taxes</b>	<b>22,870</b>	<b>9,265</b>
<b>Future income tax recovery</b> (note 11a)	<b>-</b>	<b>103,500</b>
<b>Net income (loss) and comprehensive income</b>	<b>22,870</b>	<b>112,765</b>
<b>Deficit, beginning of year</b>	<b>2,157,400</b>	<b>1,957,219</b>
	<hr/>	<hr/>
<b>Deficit and accumulated other comprehensive income, end of year</b>	<b>\$ 2,180,270</b>	<b>2,069,984</b>
<b>Net income (loss) per share</b>		
Basic and diluted (note 8)	\$ (0.00)	\$ (0.00)

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**Softrock Minerals Ltd.****Balance Sheets**

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	Mar. 31, 2008	Dec. 31 2007
	Unaudited	Audited
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 65,357	\$ 14,653
Accounts receivable	7,549	8,807
	72,906	23,460
<b>Marketable securities (note 3)</b>	75,000	150,000
<b>Property, plant and equipment (note 4)</b>	223,987	170,887
<b>Advances to joint venture partners (note 5)</b>	24,280	24,280
	\$ 396,173	\$ 368,627
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 149,358	\$ 98,940
	149,358	98,940
<b>Asset retirement obligations (note 7)</b>	10,389	10,389
	159,747	109,329
<b>Shareholders' Equity</b>		
<b>Share capital (note 8b)</b>	2,329,558	2,329,558
<b>Contributed surplus (note 9)</b>	87,139	87,139
<b>Deficit and accumulated other comprehensive loss</b>	(2,180,271)	(2,157,399)
	236,426	259,298
	\$ 396,173	\$ 368,627

Approved by the Board:

(Signed) Nick Taylor, Director

(Signed) J.M.M. Bender, Director

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**Softrock Minerals Ltd.****Statements of Cash Flows**

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<b>For the first quarter ended March 31,</b>	2008	2007
<b>Cash provided by (used for)</b>		
<b>Operating activities</b>		
Net income (loss)	\$ (22,870)	(9,265)
Items not affecting cash		
Depreciation and depletion		110
	(22,870)	(9,155)
Changes in non-cash working capital items		
Accounts receivable	1,258	331
Accounts payable and accrued liabilities	50,416	(1,008)
	28,804	(9,832)
<b>Financing activities</b>		
Sale of marketable securities	75,000	
	75,000	
<b>Investing activities</b>		
Expenditures on property, plant and equipment	(50,100)	
	(50,100)	
<b>Increase/(decrease) in cash</b>	50,704	(9,832)
<b>Cash and cash equivalents, beginning of year</b>	14,653	19,188
<b>Cash and cash equivalents, end of year</b>	\$ 65,357	\$ 9,356

**Supplemental cash flow information**

The Company had the following non-cash transactions:

Marketable securities received on sale of property, plant and equipment	102,766
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**1. Nature of operations and going concern**

Softrock Minerals Ltd., (the “Company”) is a public company incorporated under the Alberta Business Corporations Act with its shares traded on the TSX Venture Exchange, it carries on the business of oil and gas exploration and development in Western Canada.

These financial statements have been prepared on the basis of accounting principles applicable to a “going concern”, which assumes that the Company will continue operations in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. These financial statements do not give effect to any adjustments which could be necessary should the Company be unable to continue as a going concern and therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

The Company has incurred recurring operating losses and has a working capital deficiency of \$76,452 at March 31, 2008 (2007 - \$89,839).

**2. Significant accounting policies**

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles applied on a consistent basis within reasonable limits of materiality and within the framework of the accounting policies summarized below:

**a) Measurement uncertainty**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

**b) Cash and cash equivalents**

The Company considers cash and cash equivalents to be cash and short-term investments with original maturities of three months or less from the date of acquisition.

**c) Marketable securities**

Marketable securities are carried at fair value and unrecognized gains or losses are recognized in earnings in the period incurred.

**d) Property, plant and equipment**

The Company follows the full cost method of accounting for its petroleum and natural gas operations, whereby all costs of exploration for and development of petroleum and natural gas reserves are capitalized. Depreciation of capital assets not related to petroleum and natural gas properties is provided using declining balance basis at rates ranging from 10 to 30 percent.

The Company performs a ceiling test calculation under a two part process. Part I, the recognition of impairment, is determined by comparing the carrying value of property and equipment with the sum of the undiscounted cash flows expected to result from the production of the Company’s proved reserves. Cash flows are calculated based on management’s best estimate of future prices. If impairment exists, Part II calculates the

magnitude of the impairment by comparing the carrying value of the property and equipment to the fair value of proved and probable reserves. Fair value is estimated using accepted present value techniques, which incorporate risk and other uncertainties as well as the future value of reserves when determining expected cash flows. Any excess carrying value above the net present value of future cash flows would be recorded as impairment and charged as additional depletion expense in the statement of operations.

**e) Interest in joint operations**

The Company's exploration and production activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

**f) Asset retirement obligation**

The Company recognizes the estimated fair value of an asset retirement obligation ("ARO") in the period in which it is incurred when a reasonable estimate of the fair value can be made. The fair value of the estimated ARO is recorded as a liability with a corresponding increase in the carrying amount of the related asset

**g) Income taxes**

The Company uses the asset and liability method of accounting for income taxes.

**h) Revenue recognition**

Revenues associated with sales of petroleum and natural gas are recognized when the risks and rewards of ownership are transferred to the buyer. Revenues from royalty interests are recognized when earned and collection is reasonably assured.

**i) Loss per share**

Basic per share amounts are computed by dividing the net earnings by the weighted average number of common shares outstanding for the year. Diluted per share amounts reflect potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares

**j) Flow-through shares**

The resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through arrangements are renounced to investors in accordance with tax legislation. Future tax liabilities and share capital are adjusted by the estimated cost of the renounced tax deductions at the date of renouncement.

**k) Stock-based compensation**

The Company accounts for stock options granted to directors, officers, employees and non-employees using the fair value method of accounting. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and stock-based compensation is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting periods.

**l) Financial instruments**

Effective January 1, 2007, the company adopted the Canadian Institute of Chartered

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Accountants ("CICA") Section 3855, "Financial Instruments- Recognition and Measurement", Section 3865, "Hedges", Section 1530, Comprehensive Income". These standards have been adopted retroactively without restatement.

i) Financial instruments

Section 3855 establishes a framework for classifying and measuring financial instruments. Under this section, all financial instruments must be initially recognized at their fair value on the balance sheet. In accordance with Section 3855, the Company has classified each financial instrument into the five categories set out in the standard: financial assets and liabilities held for trading, financial assets held to maturity, loans and receivables, financial assets available for sale and other liabilities. Measurement of each of these items is contingent upon initial classification. Unrealized gains and losses on financial instruments classified as held for trading are recognized in earnings in the period incurred. Gains and losses on assets available for sale are recognized in other comprehensive income, and are charged to earnings when the asset is derecognized or impaired. The amortized cost using the effective interest rate method is applied to the remaining categories of financial instruments.

As a result of adopting this change in accounting policy, the financial statements at January 1, 2007 were changed as follows: marketable securities increased by \$200,000, and the deficit decreased by the same amount. The Company's marketable securities are classified as held for trading. Any changes in the fair value of the marketable securities at the end of the fiscal period are classified as unrealized gains or losses on the income statement.

The classification of financial instruments occurred upon adoption of the standard, and is irrevocable.

ii) Derivative instruments and hedging

The Company currently does not use derivative instruments to manage its exposure to the volatility in commodity prices.

iii) Embedded derivatives

An embedded derivative is a component of a financial instrument or other contract that has a feature similar to a derivative. New accounting Section 3855 requires certain embedded derivatives be identified and recorded separately from the host contract if the economic characteristics and risks of the embedded derivative are not closely related to that of the host contract. The terms of the embedded derivatives are the same as the terms of a freestanding derivative, and the hybrid instrument is not re-measured at fair value.

iv) Comprehensive income

Comprehensive income is the change in equity of the Company from net earnings and other comprehensive income ("OCI"). OCI consists of the change in the fair value of any financial instruments classified as available for sale. Amounts recognized in OCI must eventually be reclassified to income when the related gains or losses are realized.

**m) Accounting changes**

Effective January 1, 2007 the Company adopted the revised CICA Section 1506, "Accounting Changes". Under the revised section, voluntary changes in accounting policy are permitted only if they result in financial statements that provide more reliable and relevant information to

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the reader. Changes in accounting policy must be applied retroactively, while changes in accounting estimates are to be applied prospectively. The revised section also outlines additional disclosure required when accounting changes are applied, including the justification for the change, a complete description of the policy, the primary source of GAAP and the detailed effect on financial statement line items.

**n) Recent accounting pronouncements issued and not yet adopted**

The following accounting standards will apply to fiscal periods commencing on or after October 1, 2007:

**i) Section 3031, "Inventories"**

This section provides revised guidance on measurement and disclosures for inventories. The Company does not expect this standard to have any impact upon adoption, as its current inventory policies continue to be permitted under the revised standard. The Company will adopt this new standard effective January 1, 2008.

**(n) Recent accounting pronouncements issued and not yet adopted (continued)****ii) Section 1535, "Capital Disclosures"**

This section established standards for disclosing information about an entity's objectives, policies and processes for how it manages its capital. A company must also disclose qualitative data about what the entity regards as capital; and whether the company has complied with any capital requirements and if not, the consequences of such non-compliance. The Company will adopt this new standard effective January 1, 2008.

**iii) Section 3862, "Financial Instruments - Disclosures"**

This section described the required disclosures to evaluate the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of risks arising from both recognized and unrecognized financial instruments to which the entity is exposed and how the entity manages those risks. The Company will adopt this new standard effective January 1, 2008.

**iv) Section 3863, "Financial Instruments - Presentation"**

This section establishes standards for presentation of financial instruments and non-financial derivatives. It details the presentation of the standards described in Section 3861, "Financial Instruments - Disclosure and Presentation". The Company will adopt this new standard effective January 1, 2008.

**v) The CICA plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period ending in 2011. The impact of the transition to IFRS on the Company's financial statements is not yet determinable.****3. Marketable securities**

As at March 31, 2008, the Company held marketable securities with a market value of \$ 75,000 (2007 - \$150,000). For the quarter ended March 31, 2008, the Company realized a loss of \$18,170 on the disposition of marketable securities.

**4. Property, plant and equipment**

			2008
	Cost	Accumulated depreciation	Net book value
Petroleum and natural gas properties	\$ 1,072,924	\$ 859,828	\$ 213,096
Production equipment	78,474	51,368	27,106
Asset retirement costs	9,267	5,296	3,971
Furniture, fixtures and office equipment	51,225	47,131	4,094
	<b>\$ 1,211,890</b>	<b>\$ 963,623</b>	<b>\$ 248,267</b>

  

			2007
	Cost	Accumulated depreciation	Net book value
Petroleum and natural gas properties	\$ 995,544	\$ 859,828	\$ 135,716
Production equipment	78,474	51,368	27,106
Asset retirement cost	9,267	5,296	3,971
Furniture, fixtures and office equipment	51,225	47,131	4,094
	<b>\$ 1,005,208</b>	<b>\$ 963,623</b>	<b>\$ 170,887</b>

**Advances to joint venture partners**

This amount represent funds advanced on cash calls on approved AFEs to the operators of the joint ventures in which the Company has an interest, in excess of funds expensed on exploration activities.

**5. Debentures**

On August 31, 2005, the Company issued \$77,000 in convertible debentures. The debentures matured on August 31, 2007, and were paid off with interest at 5% per year.,

**6. Asset retirement obligations**

The Company's ARO results from working interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. As at March 31, 2008, the Company estimates the total undiscounted amount of cash flows required to settle its asset retirement to be approximately \$11,673. The amount has been discounted using a credit-adjusted risk-free interest rate of 7% and an inflation rate of 3% over the varying lives of the assets to calculate the present value of the asset retirement obligation.

A reconciliation of the ARO is provided below:

	2008		2007	
Balance, beginning of year	\$	10,389	\$	9,812
Liabilities incurred		-		
Accretion expense				577

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Balance, end of year	\$	10,389	\$	10,389
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**7. Share capital****(a) Authorized**

Unlimited number of:

Common shares without nominal or par value

First and second preferred shares issuable in series

**(b) Common shares**

	2008		2007	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of year	16,429,446	\$ 2,329,558	16,429,446	\$ 2,433,058
Issued:				
Tax effect of 2006 flow-through				(103,500)
Balance, end of year	16,429,446	\$2,329,558	16,429,446	\$ 2,329,558

**(c) Per share amounts**

The following table summarizes the weighted average common shares used in calculating net income (loss) per common shares:

	2008	2007
Basic and diluted	16,429,446	16,429,446

Diluted weighted average common shares outstanding are equal to basic as dilutive instruments are not in the money.

**(d) Stock options**

Under the Company's stock option plan, the Company may grant options to employees, officers and directors up to 10% of its issued and outstanding common stock. In addition, the aggregate number of shares so reserved for issuance to any one person shall not exceed 5% of the issued and outstanding shares. Under the plan, options are exercisable upon issuance and an option's maximum term is five years.

	2008		2007	
	Stock options	Weighted average exercise price (\$)	Stock options	Weighted average exercise price (\$)
Outstanding, beginning of year	1,100,000	0.15	550,000	0.10
	-	-	550,000	0.20
Outstanding, end of year	1,100,000	0.15	1,100,000	0.15

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The following table summarizes information about stock options outstanding and exercisable at March 31, 2008:

Number outstanding at March 31, 2008	Options outstanding		Options exercisable	
	Weighted average remaining contractual life (years)		Number exercisable at March 31, 2007	Exercise price (\$)
550,000	0.50		550,000	0.10
550,000	0.25		550,000	0.20
1,100,000			1,100,000	

**(f) Warrants**

A summary of the status of the common share purchase warrants as of March 31, 2008, and changes during the year is presented as follows:

	2008		2007	
	Number of warrants	Weighted average exercise price (\$)	Number of warrants	Weighted average exercise price (\$)
Outstanding, beginning of year	1,275,000	0.17	1,275,000	0.17
Expired	1,000,000	-		
Outstanding, end of quarter	275,000	0.17	1,275,000	0.17

The following table summarizes information about warrants outstanding and exercisable at December 31, 2007:

Date	Number of warrants	Exercise price (\$)	Expiry date
May 10, 2006	75,000	0.14	May 10, 2008
August 30, 2006	200,000	0.35	August 30, 2008
Exercisable, end of year	275,000		

**8 Contributed surplus**

A summary of the status of contributed surplus as of March 31, 2008 and the changes during the quarter are presented below:

	2008		2007	
Balance, beginning of year	\$	87,139	\$	88,139.1
Equity portion of convertible debentures				(1,000)
Balance, end of year	\$	87,139	\$	87,139

**9. Commitments and contingencies****(i) Environmental regulations**

The Company's activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing in Canada and generally are becoming more restrictive. The Company believes its operations comply in all material respects with all applicable laws and regulations.

**10. Financial instruments****Credit risk**

A substantial portion of the Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risk. The Company's customers are subject to an internal credit review to minimize risk of non-payment. The carrying value of accounts receivable reflects management's assessment of the credit risk associated with these customers.

**Fair value of financial assets and liabilities**

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. The Company's financial instruments consist of cash, accounts receivable and accounts payable. The fair value of financial instruments is not estimated by management to be materially different from the carrying value.

**11. Related party transactions**

During the year, the Company entered into the following transactions with related parties not otherwise disclosed in these financial statements:

- (a) The Company paid to its directors and officers, either directly, or indirectly, the following amounts:

	2008	2007
Directors expenses	\$ 2,177	0

The above transactions were in the normal course of operations and were recorded at the exchange value which was the amount of consideration established and agreed to by the related parties.

- (b) At the end of the year, the amounts due to related parties included in accounts payable and accrued liabilities were as follows:

	2008	2007
Due to a company controlled by a director	2,100	1,250
	\$ 2,100	\$ 1,250

The amounts due to directors of the Company are unsecured and without interest. The amounts will be paid in the normal course of operations.