SEAVIEW ENERGY INC.
MANAGEMENT'S REPORT

The management of Seaview Energy Inc. is responsible for the financial information and operating data presented in this financial report.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise as they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Financial information presented elsewhere in this financial report has been prepared on a consistent basis with that in the financial statements.

Seaview Energy Inc. has designed and maintains systems of internal accounting and administrative controls. These systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are properly accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors, composed of non-management Directors, meets regularly with management, as well as the external auditors, to discuss auditing (external and joint venture), internal controls, accounting policy and financial reporting matters. The Committee reviews the annual financial statements with both management and the independent auditors and reports its findings to the Board of Directors before such statements are approved by the Board.

The financial statements have been audited by KPMG LLP, the independent auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. KPMG LLP has full and free access to the Audit Committee.

Michael Wuetherick, P.Eng	Stephanie Bunch, CA
President, Chief Executive Officer and Director	Vice President, Finance & Chief Financial Officer

Calgary, Canada
April 7, 2009

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Seaview Energy Inc. as at December 31, 2008 and 2007 and the consolidated statements of net income (loss) and comprehensive income (loss) and retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada
April 7, 2009

SEAVIEW ENERGY INC.
CONSOLIDATED BALANCE SHEETS

As at December 31	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	$ -	$ 10,776,213
Accounts receivable	**7,836,609**	1,434,401
Prepaid expenses and deposits	**773,522**	233,868
Financial contracts *(Note 11)*	**3,074,973**	-
Total current assets	**11,685,104**	12,444,482
Property, plant and equipment *(Note 4)*	**120,704,253**	16,226,209
Goodwill *(Note 3)*	**7,469,777**	3,331,351
TOTAL ASSETS	**$ 139,859,134**	$ 32,002,042
LIABILITIES		
Accounts payable and accrued liabilities	**$ 12,002,494**	$ 4,201,597
Bank debt *(Note 7)*	**19,101,462**	-
Future income taxes *(Note 5)*	**798,861**	-
Total current liabilities	**31,902,817**	4,201,597
Future income taxes *(Note 5)*	**16,930,106**	2,570,406
Asset retirement obligation *(Note 6)*	**2,164,193**	196,963
Total liabilities	**50,997,116**	6,968,966
SHAREHOLDERS' EQUITY		
Share capital *(Note 8)*	**$ 85,470,252**	$ 25,334,705
Contributed surplus *(Note 8)*	**1,470,566**	73,446
Retained earnings (deficit)	**1,921,200**	(375,075)
Total shareholders' equity	**88,862,018**	25,033,076
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	**$ 139,859,134**	$ 32,002,042

Commitments *(Note 10)*

Subsequent events *(Notes 7, 8 and 11)*

See accompanying notes to the consolidated financial statements

Approved on behalf of the Board of Directors

Paul Colborne
Chairman of the Board

Michael Wuetherick
President, Chief Executive Officer and Director

SEAVIEW ENERGY INC.

CONSOLIDATED STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) AND RETAINED EARNINGS (DEFICIT)

Years ended December 31		2008		2007
Revenue				
Petroleum and natural gas sales	**$**	**22,998,137**	$	566,962
Royalties		**(4,965,354)**		(131,257)
Unrealized gain on financial contracts *(Note 11)*		**3,253,636**		-
		21,286,419		435,705
Expenses				
Operating expenses		**3,972,688**		154,699
Transportation expense		**463,630**		16,723
General and administrative		**1,804,807**		265,164
Interest expense		**937,765**		(94,261)
Stock option compensation *(Note 8)*		**695,087**		36,620
Depletion, depreciation & accretion		**10,332,164**		560,479
		18,206,141		939,424
Income (loss) before taxes	**$**	**3,080,278**	$	(503,719)
Future income tax expense (reduction) *(Note 5)*		**784,003**		(128,644)
Net income (loss) and comprehensive income (loss)	**$**	**2,296,275**	$	(375,075)
Deficit, beginning of year		**(375,075)**		-
Retained earnings (deficit), end of year	**$**	**1,921,200**	$	(375,075)
Net income (loss) per share – basic *(Note 8)*	**$**	**0.06**	$	(0.07)
Net income (loss) per share – diluted *(Note 8)*	**$**	**0.05**	$	(0.07)

See accompanying notes to the consolidated financial statements

SEAVIEW ENERGY INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31		2008		2007
Operating activities				
Net income (loss)	$	**2,296,275**	$	(375,075)
Depletion, depreciation and accretion		**10,332,164**		560,479
Unrealized gain on financial contract		**(3,253,636)**		-
Stock option compensation		**695,087**		36,620
Future Income tax expense (reduction)		**784,003**		(128,644)
		10,853,893		93,380
Changes in non-cash working capital		**(550,295)**		(404,780)
Cash provided by (used in) operating activities	$	**10,303,598**	$	(311,400)
Financing activities				
Repayment of bank debt		**(10,885,693)**		-
Proceeds from issuance of shares (net of costs)		**19,147,392**		11,777,594
Cash provided by financing activities	$	**8,261,699**	$	11,777,594
Investing activities				
Property, plant and equipment additions		**(20,930,833)**		(3,636,786)
Property acquisitions *(Note 4)*		**(4,972,275)**		-
Cash paid on business combination *(Note 3)*		**(6,811,138)**		(105,505)
Changes in non-cash working capital		**3,372,736**		3,052,285
Cash used in investing activities	$	**(29,341,510)**	$	(690,006)
Increase (decrease) in cash during the year	$	**(10,776,213)**	$	10,776,188
Cash – beginning of year		**10,776,213**		25
Cash – end of year	$	**-**	$	10,776,213

See accompanying notes to the consolidated financial statements

Interest paid	$	**779,779**	$	10

1. Significant accounting policies

Nature of business and basis of presentation

Seaview Energy Inc (the "Company" or "Seaview") is incorporated under the Business Corporations Act (Alberta). The Company's principal business activity is the exploration, development and operation of oil and gas properties. The consolidated financial statements are stated in Canadian dollars and have been prepared by management in accordance with Canadian generally accepted accounting principles. These consolidated financial statements include the financial position, results of operations and cash flows of the Company's two subsidiaries, Seaview Exploration Ltd. and 1288916 Alberta Ltd. as well as its wholly owned partnership, Seaview Energy Partnership.

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and revenues and expenses during the reporting period. Management reviews these estimates, including those related to accruals, litigation, environmental and asset retirement obligations, income taxes and the determination of proved reserves on an ongoing basis. Changes in facts and circumstances may result in revised estimates, and actual results may differ from these estimates. These consolidated financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Joint interest activities

Substantially all of the Company's petroleum and natural gas activities are conducted jointly with others and accordingly, these consolidated financial statements reflect only the Company's proportionate interest in such activities.

Measurement uncertainty

The amounts recorded for depletion and depreciation of property, plant and equipment and the provision for asset retirement obligations are based on estimates. The cost recovery ceiling test is based on estimates of proved reserves, production rates and petroleum and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material.

Cash and cash equivalents

Cash and cash equivalents consist of cash held in a commercial bank account, less outstanding cheques, and short term investments with maturity, at the time of purchase, of less than 90 days.

Property, plant and equipment

The Company follows the full cost method of accounting for petroleum and natural gas operations, whereby all costs associated with the exploration for and development of petroleum and natural gas reserves are capitalized and charged against earnings as described below. Capitalized costs include lease acquisition costs, the costs of geological and geophysical activities, the costs of drilling both productive and non-productive wells, the cost of petroleum and natural gas equipment, carrying charges of non-producing properties and overhead costs directly related to exploration and development activities.

Petroleum and natural gas assets are evaluated at least annually to determine that the costs are recoverable and do not exceed the fair value of the properties. The costs are assessed to be recoverable if the sum of the undiscounted cash flows expected from the production of proved reserves and the lower of cost and market of unproved properties exceed the carrying value of the petroleum and natural gas assets. If the carrying value of the petroleum and natural gas assets is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying value exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves and the lower of cost and market of unproved properties. The cash flows are estimated using the future product prices and costs and are discounted using the risk-free rate.

Proceeds from the disposition of petroleum and natural gas properties are applied as a reduction of the cost of the remaining assets, except when such a disposition would alter the rate of depletion by more than 20 percent, in which case a gain or loss on disposition would be recorded.

Depletion and depreciation

Capitalized costs, together with estimated future capital costs associated with proved reserves, are depleted and depreciated using the unit-of-production method based on estimated proven reserves of petroleum and natural gas on a company interest basis (working interest plus royalty interest) before the deduction of crown or other royalties as determined by independent engineers. For purposes of this calculation, reserves and production are converted to equivalent units of oil based on a relative energy content of six thousand cubic feet of gas to one barrel of oil. Costs of significant unproved properties, net of impairments, are excluded from the depletion and depreciation calculation.

Goodwill

The Company recognizes goodwill on corporate acquisitions when the total purchase price exceeds the fair value of net identifiable assets and liabilities of the acquired entity. Goodwill is tested annually at year-end for impairment or as events occur that could result in impairment. Impairment is recognized based on the fair value of the reporting entity compared to the book value. If the fair value is less than the book value, impairment is measured by allocating the fair value to the identifiable assets and liabilities as if the Company had been acquired in a business combination for its fair value. The excess of the fair value over the amounts assigned to the identifiable assets and liabilities is the fair value of the goodwill. Any excess of the book value over this implied fair value of goodwill is the impairment amount. Impairment is charged to earnings in the period in which it occurs. Goodwill is stated at costs less impairment and is not amortized.

Asset retirement obligation

The Company records a liability for the fair value of legal obligations associated with the retirement of long-lived assets in the period in which they are incurred, normally when the asset is purchased or developed. On recognition of the liability, there is a corresponding increase in the carrying amount of the related assets known as the asset retirement cost, which is depleted on a unit-of-production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings. Estimates used are evaluated on a periodic basis and any adjustments are applied prospectively. Actual costs incurred upon settlement of the obligations are charged against the liability. No gains or losses on retirement were realized due to settlements approximating the estimates.

Financial instruments

The Company’s financial instruments include accounts receivable, cash and cash equivalents, financial contracts, bank debt and accounts payable and accrued liabilities. Cash and cash equivalents are classified as held for trading and stated at fair value. Accounts receivable are classified as loans and are receivable and recorded at amortized cost which approximates its carrying amount. Bank debt and accounts payable and accrued liabilities are classified as other liabilities and recorded at amortized costs which approximate their carrying amounts.

The Company uses derivative financial instruments from time to time to hedge its exposure to commodity price and foreign exchange fluctuations. The Company may enter into natural gas and crude oil swap contracts, options or collars to hedge its exposure to petroleum and natural gas prices and may enter into foreign exchange forward contracts to hedge anticipated U.S. dollar denominated petroleum and natural gas sales. The Company may also enter into fixed interest rate swap contracts in order to mitigate the exposure to interest rate risk. The derivative financial instruments are initiated within the guidelines of the Company’s Hedging Policy Manual and the Company does not enter into derivative financial instruments for trading or speculative purposes.

The Company has elected not to use hedge accounting. The fair value of financial contracts is recognized at each reporting period with the change in the fair value being classified as an unrealized gain or loss on the statement of earnings.

Revenue recognition

Revenue associated with sales of crude oil, natural gas and natural gas liquids (“NGLs”) is recognized when title passes to the purchaser, normally at the pipeline delivery point for natural gas and NGLs and at the wellhead for crude oil.

Future income taxes

The Company uses the liability method in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rate is recognized in income in the period in which the change occurs. Tax assets will be recognized only when it is more likely than not that they will be realized.

Flow-through shares

The Company may, from time to time, issue flow-through shares to finance a portion of its capital expenditure program. Pursuant to the terms of flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. Accordingly, share capital will be reduced and a future tax liability will be recorded equal to the estimated amount of the future income tax liability of the Company as a result of the renunciations, when the renunciation is made.

Stock based compensation

The Company has a stock option plan, which is described in Note 8.

Awards of stock options to employees and non-employees are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option-pricing model. Under the fair value method, the amount to be recognized as expense is determined at the time the options are issued and is deferred and recognized in earnings over the vesting period of the options with a corresponding increase in contributed surplus.

Consideration paid by directors, officers and key employees and consultants on the exercise of stock options is credited to share capital together with the amount previously recognized in contributed surplus.

Per share amounts

Basic earnings per share will be computed by dividing earnings by the weighted average number of Class A and Class B shares outstanding during the period. Diluted per share amounts reflect the potential dilution that could occur if in the money stock options to purchase Class A shares were exercised and converted to Class A shares. The treasury method of calculating diluted per share amounts will be used whereby any proceeds from the exercise of stock options are assumed to be used to purchase Class A shares of the Company at the average market price during the period.

2. Changes in Accounting Policies

Pending Accounting Pronouncements

International Financial Reporting Standards (“IFRS”)

In 2008, the CICA Accounting Standards Board (“AcSB”) confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The eventual changeover to IFRS represents changes due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking and the impacts on the Company’s consolidated financial statements are unknown at this time.

Seaview is currently in the process of developing an implementation strategy to establish timelines and identify significant differences between Canadian GAAP and IFRS.

Business Combinations

Canadian accounting standards related to business combinations have been amended to require changes to the way companies account for business combinations. The amended standards require additional use of fair value measurements, recognition of additional assets and liabilities, and increased disclosure. Adopting this standard is expected to have a material effect on the way the Company accounts for future business combinations including requiring transaction costs to be expensed as incurred as well as requiring valuing all assets and liabilities and measuring consideration paid at the closing date. The new Canadian standards are required for all business combinations occurring on or after January 1, 2011 although early adoption is allowed.

Intangible Assets

In February 2008, the CICA Handbook implemented revisions to standards dealing with goodwill and intangible assets effective for fiscal years beginning on or after October 1, 2008. The revisions are intended to establish standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company does not expect the new standard will have a material impact on the financial position, results of operations or cash flows of the Company.

3. Business combinations

On July 24, 2008, the Company acquired all of the outstanding common shares of C3 Resources Ltd ("C3") with the issuance of 5,891,925 Class A shares at a value of $3.24 per share, determined in conjunction with a bought-deal private placement announced on the same date, with applicable deductions, and $6.3 million of cash. The Company also assumed all of C3's outstanding obligations. The acquisition was accounted for using the purchase method of accounting where the Company is identified as the acquirer. The purchase price allocation is estimated as at December 31, 2008 as follows:

Property, plant and equipment	$	**37,792,180**
Working capital surplus		**817,819**
Bank debt		**(11,996,178)**
Goodwill		**4,138,426**
Future income taxes		**(4,607,158)**
Asset retirement obligations		**(393,996)**
	$	**25,751,093**
Consideration was comprised of:		
5,891,925 Class A shares		**19,089,837**
Cash		**6,337,423**
Transaction costs		**323,833**
	$	**25,751,093**

The results of operations include net revenue from this transaction effective July 24, 2008. The above amounts are estimates which were made by management at the time of the preparation of these financial statements based on information available. Amendments may be made to these amounts as values subject to estimate are finalized.

On April 1, 2008, the Company closed the acquisition of 1332915 Alberta Ltd ("133Co"). The Company issued 8.74 Seaview Class A shares for each common share of 133Co outstanding, for a value of $0.87 per Class A share, determined on the basis of the weighted average trading value prior to the announcement, with applicable deductions. The Company also assumed all of 133Co's outstanding obligations. The acquisition was accounted for using the purchase method of accounting where the Company is identified as the acquirer. The purchase price allocation has been estimated at December 31, 2008 as follows:

Property and equipment	$	**31,544,922**
Working capital surplus		**1,145,587**
Bank debt		**(17,990,977)**
Financial contract		**(178,663)**
Future income taxes		**(6,896,232)**
Asset retirement obligation		**(471,907)**
	$	**7,152,730**
Consideration was comprised of:		
8,049,250 Class A shares		**7,002,848**
Transaction costs		**149,882**
	$	**7,152,730**

The results of operations include net revenue from this transaction effective April 1, 2008. The above amounts are estimates which were made by management at the time of the preparation of these financial statements based on information available. Amendments may be made to these amounts as values subject to estimate are finalized.

On October 17, 2007, the Company closed the acquisition of 1276921 Alberta Ltd ("PrivateCo"). The Company issued 0.9076 Class A shares for each common share of PrivateCo outstanding, for a value of $1.38 per Class A share, determined on the basis of the assets received. The acquisition was accounted for using the purchase method of accounting where the Company is identified as the acquirer. The purchase price allocation is as follows:

Property and equipment	$	**13,052,000**
Working capital surplus		**114,177**
Goodwill		**3,331,351**
Future income taxes		**(2,989,063)**
Asset retirement obligation		**(151,512)**
	$	**13,356,953**
Consideration was comprised of:		
9,602,507 Class A shares		**13,251,448**
Transaction costs		**105,505**
	$	**13,356,953**

The results of operations include net revenue from this transaction effective October 17, 2007.

4. Property, plant and equipment

		2008		2007
Petroleum and natural gas assets	$	**131,505,317**	$	16,783,763
Accumulated depletion and depreciation		**(10,801,064)**		(557,554)
Property, plant and equipment, net	$	**120,704,253**	$	16,226,209

On June 26, 2008, the Company closed the property acquisition of certain southeast Saskatchewan light oil assets from Progress Energy Trust ("Progress"). The Company issued 8.3 million Class A shares to Progress, for a value of $2.12 per share, determined on the basis of the weighted average trading value prior to the announcement, with applicable deductions, as well as $5.0 million in cash, for total consideration of $22.5 million. Additionally, the Company assumed the asset retirement obligation in the amount of $658,833 associated with these assets.

The results of operations include net revenue from this transaction effective June 26, 2008. The above amounts are estimates, which were made by management at the time of the preparation of these financial statements based on information available. Amendments may be made to these amounts as values subject to estimate are finalized.

For the year ended December 31, 2008, the Company capitalized general and administrative expenses directly relating to exploration and development activities in the amount of $1,561,837 ($184,133 – December 31, 2007) and stock option compensation of $914,169 (including tax effect of $212,137) ($52,451 (including tax effect of $15,625) – December 31, 2007).

Unproved property costs amounting to $929,479 have been excluded from costs subject to depletion at December 31, 2008 ($498,861 – December 31, 2007) and future development costs of $5,219,000 ($833,000 – December 31, 2007) have been included in costs subject to depletion.

The Company performed a ceiling test calculation at December 31, 2008 and determined that no impairment exists in petroleum and natural gas properties as at December 31, 2008. The prices used in the ceiling test evaluation of the Company's oil and gas assets are summarized in the following table:

Year	WTI Cushing(1) Oklahoma ($US/bbl)	Edmonton Par Price 40° API ($Cdn/bbl)	Alberta AECO-C Spot ($Cdn/MMBTU)	Henry Hub ($US/MMBTU)
2009	53.73	65.35	6.82	6.30
2010	63.41	72.78	7.56	7.32
2011	69.53	79.95	7.84	7.56
2012	79.59	86.57	8.38	8.49
2013	92.01	94.97	9.20	9.74
2014 – 2019(2)	98.67	101.92	9.95	10.45
Thereafter(3)	2%	2%	2%	2%

(1) 40 degrees API, 0.4% sulphu.r

(2) Prices shown are the average over the period.

(3) Percentage change of 2.0% represents the change in future prices each year after 2017 to the end of the reserve life.

5. Future income taxes

a. Income tax provision

	2008	2007
Net earnings (loss) for the period before taxes	$ **3,080,278**	$ (503,719)
Combined tax rate	**29.50%**	32.12%
Expected income tax expense (reduction)	**908,682**	(161,795)
Stock option compensation	**205,051**	11,762
Current rate (reduction) increase	**(329,730)**	21,389
Future income tax expense (reduction)	**$ 784,003**	$ (128,644)

b. Future income tax liability

The components of the net future income tax liability are as follows:

	2008	2007
Temporary differences related to:		
Property and equipment	**$ (18,356,926)**	$ (3,253,647)
Non-capital losses	**320,302**	354,417
Share issue costs	**544,272**	275,073
Financial contracts	**(798,861)**	-
Asset retirement obligations	**562,246**	53,751
Net future income tax liability	**$ (17,728,967)**	$ (2,570,406)

The non-capital losses of $0.5 million expire in the years from 2015 to 2017.

6. Asset retirement obligation

The total future asset retirement obligations were estimated by management based on the Company's net working interest in all wells and facilities, estimated costs to reclaim and abandon wells and facilities and the estimated timing of the costs to be incurred in future periods. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements could be significant. The Company estimates the undiscounted cash flows related to the asset retirement obligations, adjusted for inflation, to be incurred over the next 20 years will total approximately $7.0 million, with the majority of the expenditures to be incurred between 2018 and 2028. The fair value at December 31, 2008 is $2,164,193 using a discount rate of 8 percent per annum and an inflation rate of 2 percent per annum. As at December 31, 2008, no funds have been set aside to settle this obligation.

	2008	2007
Asset retirement obligation, beginning of year	$ 196,963	$ -
Liabilities assumed on acquisitions *(Note 2)*	1,524,736	151,512
Liabilities incurred	353,840	42,526
Accretion expense	88,654	2,925
Asset retirement obligation, end of year	**$ 2,164,193**	**$ 196,963**

7. Bank debt

As at December 31, 2008, the Company had a revolving demand credit facility with an authorized borrowing amount of $34 million, with interest charged at the bank's prime rate plus 0.25 per annum. Standby fees associated with the facilities are 0.125% per annum on the undrawn portion of the facility. Collateral for the facility consists of a general security agreement, providing a security interest over all present and after acquired personal property and a floating charge on all present and after acquired land interests of the Company.

At December 31, 2008, the revolving demand credit facility was reduced by drawings of $19.1 million and by an outstanding letter of credit in the amount of approximately $0.1 million.

Subsequent to year end, the Company increased the revolving demand credit facility to $44 million with interest and other fees charged at the bank's prime plus a rate as determined by a pricing grid. The next interim review is scheduled for July 2009.

8. Share capital

Authorized

Unlimited number of voting Class A shares with no par value
Unlimited number of voting Class B shares with no par value
Unlimited number of voting preferred shares with no par value

Class A shares	Number		Amount
Balance, December 31, 2006	100	$	25
Issued for cash	9,470,400		2,367,600
Issued for corporate acquisition	9,602,507		13,251,448
Share issue costs (net of tax of $305,638)	-		(819,768)
Balance, December 31, 2007	19,073,007	$	14,799,305
Issued for cash	8,691,000		20,804,350
Issued for corporate acquisition	22,241,175		43,647,185
Share issue costs (net of tax of $472,168)	-		(1,184,789)
Tax effect on flow through shares	-		(313,120)
Balance, December 31, 2008	50,005,182	$	77,752,931
Class B shares			
Balance, December 31, 2006	-	$	-
Issued for cash	1,053,540		10,535,400
Balance, December 31, 2007	1,053,540		10,535,400
Tax effect on flow through shares			(2,818,079)
Balance, December 31, 2008	1,053,540	$	7,717,321
Total share capital balance, December 31, 2008		**$**	**85,470,252**

The Company's Class B shares are convertible (at the option of the Company) at any time after June 1, 2010 and before May 31, 2012, into Class A Shares. The number of Class A shares obtained upon the conversion of each Class B share will be equal to $10.00 divided by the greater of $1.00 and the weighted average trading price of the Class A shares during the thirty days prior to the conversion date. If conversion has not occurred by the close of business on May 31, 2012, the Class B shares become convertible (at the option of the holder) into Class A shares on the same basis. Effective June 30, 2012, all remaining Class B shares will automatically convert to Class A shares.

Issuance of shares

On December 18, 2008, the Company issued 3,000,000 Class A shares on a flow through basis at a price of $1.60 per share. One director and two members of management received 53,125 Class A shares as a result of the issue. Gross proceeds of $4.8 million ($4.4 million net of commissions and expenses) were received by the Company. The Company must spend $4.8 million on qualifying expenditures by December 31, 2009.

On July 24, 2008, the Company issued 5,891,925 Class A shares, at a per share value of $3.24, to acquire C3 (as described in Note 2). Subsequent to closing, the President and CEO of C3 joined the Company's board of directors.

On July 10, 2008, the Company closed a bought-deal financing for gross proceeds of $10.0 million through the issuance of 2,899,000 Class A shares at a price of $3.45 per share.

On June 26, 2008, the Company issued 8,300,000 Class A shares, at a price of $2.12 per share, to Progress as part of the consideration for the southeast Saskatchewan light oil assets (as described in Note 3). At the time of closing, Progress' President and CEO joined the Company's board of directors.

On May 29, 2008, the Company issued 2,792,000 Class A shares on a flow through basis at a price of $2.15 per share. Gross proceeds of $6.0 million ($5.5 million net of commissions and expenses) were received by the Company. The Company must spend $6.0 million on qualifying expenditures by December 31, 2009.

On April 1, 2008, the Company issued 8,049,250 Class A shares at a per share value of $0.87 to acquire 133Co (as described in Note 2). At the time of closing, one director and one member of management received 958,260 Class A shares as a result of the acquisition. Subsequent to closing, the major shareholder of 133Co joined the Company's board of directors.

On October 17, 2007, the Company closed its Initial Public Offering ("IPO"), issuing 4,682,400 Class A shares and 1,053,540 Class B shares on a flow through basis for gross proceeds of $1,170,600 and $10,535,400, respectively (total net proceeds of $10,669,570). Five members of the management team and four directors participated in the IPO, purchasing 538,000 class A and 121,050 Class B for a total value of $1,345,000.

On October 17, 2007, the Company closed the acquisition of PrivateCo whereby the Company issued 0.9076 Seaview Class A shares for each common share of PrivateCo, at a value of $1.38 per Seaview Class A share. The Company issued 9,602,507 Class A shares with a value of $13,251,460. Five members of the management team and one director were issued 6,262,439 Class A shares with a value of $7,828,049.

In July 2007, the Company closed a private placement for the issuance of 2,080,000 Class A shares at $0.25 per share for gross proceeds of $520,000. Four members of management and one director of the Company participated in the offering, purchasing 1,560,000 Class A shares for $390,000.

In June 2007, the Company closed a private placement of 2,708,000 Class A shares at a price of $0.25 per share for gross proceeds of $677,000. Four directors and two members of management of the Company participated in the offering, purchasing 1,766,666 Class A shares for $441,667.

Management of capital structure

In the management of capital, the Company includes share capital and net debt (defined as the sum of cash and cash equivalents, current assets, current liabilities and bank debt, if any) in the definition of capital. The Company's objective when managing capital is to maintain a flexible capital structure which will allow it to execute on its capital investment program, which includes investing in oil and gas activities which may or may not be successful. Therefore, the Company strives to balance the proportion of debt and equity in its capital structure to take into account the level of risk being incurred in its capital expenditures.

		December 31, 2008		December 31, 2007
Capitalization				
Bank debt	**$**	**19,101,462**	$	-
Working capital deficiency (surplus) [1]		**317,390**		(8,242,885)
Net debt (working capital surplus)		**19,418,852**		(8,242,885)
Class A shares outstanding		**50,005,182**		19,073,007
Class A share price [2]	**$**	**1.00**	$	1.52
Class A market capitalization	**$**	**50,005,182**	$	28,990,971
Class B shares outstanding		**1,053,540**		1,053,540
Class B share price [2]	**$**	**2.55**	$	2.51
Class B market capitalization	**$**	**2,686,527**	$	2,644,385
Total market capitalization	**$**	**52,691,709**	$	31,635,356
Total capitalization		**72,110,561**		23,392,471
Net debt as a percent of total capitalization		**27%**		(35%)
Funds flow from operations [3]		**10,853,893**		93,380
Net debt to funds flow from operations ratio		**1.79**		(88.27)

(1) Working Capital excludes the current portion of future income taxes

(2) Represents the closing price on the TSX Venture at year end.

(3) Funds flow from operations is calculated as cash flow from operations before the change in non-cash operating working capital.

The key measures that the Company utilizes in evaluating its capital structure are net debt to cash flows from operating activities (before changes in non-cash working capital) and the current credit available from its creditors in relation to the Company's budgeted capital program.

The Company manages its capital structure and makes adjustments by continually monitoring its business conditions, including: the current economic conditions; the risk characteristics of the underlying assets; the depth of its investment opportunities; forecasted investment levels; the past efficiencies of its investments; the efficiencies of the forecasted investments and the desired pace of investment; current and forecasted net debt levels; current and forecasted natural gas and light oil prices and other factors that influence natural gas prices and cash flow from operating activities (before changes in non-cash working capital), such as foreign exchange and basis differential.

In order to maintain or adjust the capital structure, the Company will consider: its forecasted net debt to forecasted cash flows from operating activities (before changes in non-cash working capital) ratio while attempting to finance an acceptable investment program including incremental investment and acquisition opportunities; the current level of bank debt available; the level of bank credit that may be obtainable as a result of reserve growth; the availability of other sources of debt with different characteristics than the existing available bank debt; the sale of assets; limiting the size of the investment program and new equity issues, if available on favourable terms.

Stock option plan

The Company has a stock option plan (the "Plan") pursuant to which options to purchase Class A shares may be granted by the board of directors to directors, officers, employees of, and consultants to, the Company. The Plan has reserved for issuance a number of Class A shares equal to 10% of the Class A shares issued and outstanding from time to time and no optionee is permitted to hold options entitling such optionee to purchase more than 5% of the issued and outstanding Class A shares. Options granted under the Plan will have an exercise price which is not less than the price allowed by regulatory authorities, will be non-transferable and will be exercisable for a period not to exceed five years.

Options granted under the Plan will terminate upon the date which is 30 days from the termination of an optionee's employment or, from the date such optionee ceased to be a director of the Company, unless the directors of the Company determine otherwise, or, provided the optionee has died and was an employee or director for at least one year following the grant of the options, shall terminate six months following the death of the optionee.

The options will vest as to one-third on each of the first, second and third anniversaries of the date of the grant. At December 31, 2008, the Company has 3,992,500 options outstanding under the Plan with a weighted average exercise price of $2.39 with 304,108 options vested and exercisable at an exercise price of $0.40. The issued options have a weighted average contractual life of 4.3 years.

Subsequent to yearend, the Company granted 722,500 options with an exercise price of $0.62 per Class A share which vest over a three year period, 1/3 on each of the first, second and third anniversaries, and have a five year term expiring on March 2, 2014.

Outstanding stock options	Number of Options	Weighted Average Exercise Price
Outstanding December 31, 2006	-	-
Granted	958,810	$0.40
Outstanding December 31, 2007	958,810	$0.40
Granted	3,082,190	$2.98
Forfeited	(48,500)	($0.42)
Outstanding as at December 31, 2008	**3,992,500**	**$2.39**
Exercisable as at December 31, 2008	**304,108**	**$0.40**

All granted options have an estimated weighted average fair value determined using the Black-Scholes model using the following assumptions:

Grant date	Grant Price	Risk free interest	Volatility %	Dividend Yield	Fair Value per option
October, 2007	$0.40	4.35 %	56.65 %	-	$1.10
March, 2008	$1.00	2.91 %	72.62 %	-	$0.61
June, 2008	$3.20	3.18 %	88.44 %	-	$2.25
August, 2008	$3.80	3.21 %	94.53 %	-	$2.78
October, 2008	$2.25	2.77 %	96.48 %	-	$1.66

	Options Outstanding				Options Exercisable		
Range of exercise prices	Number Outstanding	Weighted average remaining contractual life (years)		Weighted average exercise price	Number exercisable		Weighted average exercise price
$0.00 to $1.00	1,635,000	4.0	$	0.67	304,108	$	0.40
$1.01 to $3.00	50,000	4.8	$	2.25	-	$	-
$3.01 to $4.00	2,307,500	4.6	$	3.62	-	$	-
$0.00 to $4.00	3,992,500	4.3	$	2.39	304,108	$	0.40

Total compensation expense is amortized over the vesting period of the option. Compensation expense of $ 695,087 has been recognized during 2008, ($36,620 - 2007) based on the estimated fair value of the options on the grant date in accordance with the fair value method of accounting for stock-based compensation. An additional $914,169 in stock based compensation (including tax effect of $212,136) has been capitalized in 2008 (2007 - $52,451 (including tax effect of $15,625)).

Per share amounts

Per share amounts have been calculated using the weighted average number of shares outstanding during the period. The effect of the conversion of the Class B shares has been included in the diluted share calculation for the year ended December 31, 2008 while the effect of options has been excluded as it would have been anti-dilutive.

Weighted average number of shares	**2008**	2007
Weighted average – Class A shares	**35,115,905**	5,334,303
Weighted average – Class B shares	**1,053,540**	216,481
Weighted average – basic	**36,169,445**	5,550,784
Weighted average – diluted	**46,600,534**	5,747,799

9. Contributed Surplus

The following table reconciles the Company's contributed surplus		**2008**		2007
Balance, beginning of year	**$**	**73,446**	$	-
Stock based compensation expense		**695,087**		36,620
Stock based compensation capitalized		**702,033**		36,826
Balance, end of year	**$**	**1,470,566**	$	73,446

10. Commitments

The Company issued $11,706,000 of flow through shares on October 17, 2007 under its Initial Public Offering. These funds were to be spent on qualifying expenditures prior to December 31, 2008 and as at year end, the Company had no remaining unspent balance on this commitment. The Company issued $6.0 million of flow through shares on May 29, 2008 and a further $4.8 million of flow through shares on December 18, 2008. These funds must be spent on qualifying expenditures by December 31, 2009. As at December 31, 2008, the Company had spent $2.9 million toward these commitments. The Company will fund these commitments through available credit facilities and future cash flows.

The Company must pay Crown royalties, surface rentals, mineral taxes and abandonment and reclamation costs with respect to its ongoing ownership of hydrocarbon production rights. The amounts paid with respect to these burdens will depend on the future ownership, production, commodity prices and regulatory environment at the time.

The Company enters into natural gas and crude oil financial contracts from time to time, some of which may have premiums attached to them (see Note 11). The future premiums Seaview is committed to pay are included in the table below.

The Company's future contractual commitments are highlighted below:

		Total	2009	2010	2011	2012
Operating leases	$	1,125,321	287,316	287,316	287,316	263,373
Qualifying Flow through share expenditures	$	7,917,304	7,917,304	-	-	-
Financial instrument premiums	$	730,800	730,800	-	-	-
Total contractual obligations	$	9,773,425	8,935,420	287,316	287,316	263,373

11. Financial instruments

Fair value of financial assets

The Company's financial instruments recognized on the balance sheet as at December 31, 2008 consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying amounts due to the short terms to maturity of these instruments. From time to time, the Company enters into derivative natural gas contracts ("financial contracts"). The fair value of those outstanding at December 31, 2008 is discussed in the financial derivatives contracts section below.

Interest rate risk

Seaview has mitigated some exposure to interest rate risk by entering into fixed rate swap transactions. The Company is exposed to interest rate risk on the revolving demand credit facility as the interest charged on the amount borrowed is based on a floating interest rate.

Subsequent to year end, the Company entered into fixed interest rate swap agreements on $5 million for a term of one year terminating on February 28, 2010 at a fixed rate of 1.15% plus stamping fees and on $10 million for a term of one year terminating on April 30, 2010 at a fixed rate of 0.97% plus stamping fees.

Credit risk

Substantially all of the Company's petroleum and natural gas production is marketed under standard industry terms by a reputable petroleum and natural gas marketing agent. The Company monitors the financial condition of this marketer as well as the ultimate purchaser of its product. At year end, $2.8 million was owed to the Company in regards to its petroleum and natural gas sales, all of which was received subsequent to year end. All other accounts receivable are with customers and joint venture partners in the petroleum and natural gas business under normal industry sale and payment terms and are subject to normal credit risk. The Company routinely assesses the financial strength of its customers and partners.

As is common in the petroleum and natural gas industry in western Canada, receivables relating to the sale of petroleum and natural gas are received on or about the 25th day of the following month. Production is sold to customers with investment grade credit ratings, if available in the area of production, which accounts for the majority of sales, otherwise parental guarantees or letters of credit are sought. Of the $7.8 million accounts receivable outstanding, $2.8 million related to the sale of petroleum and natural gas and was received January 25, 2009. Of the remaining balance, $1.1 million was due from the federal government relating to GST refunds, $1.3 million was receivable relating to cash calls from partners for ongoing and future capital projects and $2.6 million was due from trade and joint venture partners, relating to the recovery of the partners' interests in operating costs and capital spent. The largest amount owing from one partner was $2.0 million, the majority of which is a cash call paid to the partner in December for a drilling project. Where Seaview is the operator of properties, Seaview has the ability to not allocate production to joint venture partners who are in default of amounts owing. At December 31, 2008 there was no allowance for the impairment of accounts receivable.

Currency risk

The Company does not sell or transact in any foreign currency, however, the United States ("U.S.") dollar influences the price of petroleum and natural gas sold in Canada. Price fluctuations, as a result, can affect the fair value and future cash flows of derivative natural gas contracts, however, given it is an indirect influence, the impact of the changing exchange rates cannot be accurately quantified. The Company's other financial assets and liabilities are not affected by a change in currency rates.

Liquidity risk

Liquidity risk relates to the risk the Company will encounter difficulty in meeting obligations associated with financial liabilities. The financial liabilities on its balance sheet consist of accounts payable and bank debt. The Company has a revolving demand credit facility in the amount of $34.0 million (revised to $44.0 million subsequent to yearend), which had $19.1 million drawn at December 31, 2008, in order to meet the obligations associated with financial liabilities. The Company anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future cash flows and available credit facility (for other information, refer to "Management of Capital Structure" in Note 8). The Company had no defaults or breaches on its bank debt or any of its financial liabilities.

Market risk

Market risk is comprised of currency risk, interest rate risk and other price risks which consist primarily of fluctuations in petroleum and natural gas prices. Currency risk has no impact on the value of the financial assets and liabilities on the balance sheet at December 31, 2008. Changes to the U.S. to Canadian exchange rate, however, could influence future petroleum and natural gas prices which could impact the future cash flows from the sale of petroleum and natural gas products, however this indirect influence cannot be accurately quantified. The Company is exposed to interest rate risk on the Canadian revolving credit facility as the interest charged on the amount borrowed is based on a floating interest rate. In regards to interest rates, a 1% change in interest rate would have impacted net income by $110,000. In regards to commodity prices, a $0.25 change to the price per thousand cubic feet of natural gas would have impacted net income by $190,000 and a $1.00 change in the price per barrel of crude would have impacted net income by $40,000.

Financial derivatives contracts

The Company enters into derivative natural gas and crude oil financial instruments for the purpose of protecting its cash flow from operations (before changes in non-cash working capital) from the volatility of natural gas prices.

As at December 31, 2008, the Company had the following natural gas financial contracts:

Natural gas	Volume	Pricing Point	Strike Price	Premium	Fair Value	Term
Put	1,000 gj/d	AECO Monthly	$ 7.57/gj	$ 0.82/gj	$ 62,173	April '08 – March '09
Put	1,000 gj/d	AECO Monthly	$ 10.50/gj	$ 1.80/gj	$ 902,992	August '08 – December '09
Put	1,500 gj/d	AECO Monthly	$ 8.50/gj	$ -	$ 1,325,127	November '08 – December '09
Put	1,000 gj/d	AECO Monthly	$ 9.00/gj	$ -	$ 784,681	April '09 – December '09
Total fair value					$ 3,074,973	

Subsequent to the year end, the Company purchased financial contracts as follows:

	Volume	Pricing Point	Fixed Price	Strike Price	Term
Natural gas swap	1,000 gj/d	AECO Monthly	$ 6.02/gj	$ -	March '09 – December '09
Natural gas call	1,500 gj/d	AECO Monthly	$ -	$ $7.00/gj	January '10 – December '10
Crude oil swap	100 bbl/d	WTI-Nymex CAD	$ 55.90/bbl	$ -	March '09 – December '09
Crude oil call	100 bbl/d	WTI-Nymex CAD	$ -	$ $80.00/bbl	January '10 – December '10

As a result, the financial contracts outstanding at publication date are as follows:

Natural Gas	Q1 '09	Q2 '09	Q3 '09	Q4 '09	2010
Puts					
Volumes – gj/d	3,500	3,500	3,500	3,500	-
Net floor ($/gj)	$8.06	$8.70	$8.70	$8.70	-
Fixed price swap					
Volumes – gj/d	344	1,000	1,000	1,000	-
Fixed price ($/gj)	$6.02	$6.02	$6.02	$6.02	-
Call					
Volumes – gj/d	-	-	-	-	1,500
Ceiling ($/gj)	-	-	-	-	$7.00
Crude Oil	**Q1 '09**	**Q2 '09**	**Q3 '09**	**Q4 '09**	**2010**
Fixed price swap					
Volumes – bbl/d	34	100	100	100	-
Fixed price (CAD$/bbl)	$55.90	$55.90	$55.90	$55.90	-
Call					
Volumes – bbl/d	-	-	-	-	100
Ceiling (CAD$/bbl)	-	-	-	-	$80.00

12. Related party transactions

The Company received legal services from a firm in which a director of the Company is a partner. The Company was charged $593,782 for the year ended December 31, 2008 (2007 – $305,345) which has been included in general and administrative expense, share issuance costs and property, plant and equipment as part of the transaction costs on acquisitions. At December 31, 2008, accounts payable included $77,000 (2007 – $294,093) relating to these services.

These transactions are in the normal course of operations and acquisitions and are measured at the exchange amount which is the consideration established and agreed to by the related parties.

CORPORATE INFORMATION

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Reserves Committee Chair and Health, Safety & Environment Committee Chair

James Howe, [4] *CA, Calgary, Alberta*
Audit Committee Chair

Gregory Turnbull, [3] *LLB, Calgary, Alberta*
Corporate Governance Committee Chair

Steven VanSickle, [1],[2],[5] *Calgary, Alberta*
Compensation Committee Chair

Robert Peters, [3],[4] *Calgary, Alberta*
Director

Michael Culbert, [1] *Calgary, Alberta*
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Bruce Francis,[2],[5] *P.Eng, Calgary, Alberta*
Director

Michael J.J. Wuetherick, *P.Eng, Calgary, Alberta*
President, Chief Executive Officer and Director

H. Scott Oldale, *Calgary, Alberta*
Vice President, Exploration, Chief Operating Officer and Director

Sanjib Gill, *LLB, Calgary, Alberta*
Corporate Secretary

(1) *Member of the Audit Committee*
(2) *Member of the Reserves Committee*
(3) *Member of the Compensation Committee*
(4) *Member of the Corporate Governance Committee*
(5) *Member of the Health, Safety and Environment Committee*

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