FINANCIAL RESULTS

2007

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CORPORATE PROFILE

Crew Energy Inc. ("Crew") is a growth-oriented oil and natural gas producer. Crew's activities are concentrated in central Alberta and northeast British Columbia and focus on the development and expansion of its core natural gas and light oil producing areas and exploration of its undeveloped land base. Crew's experienced management team is committed to the pursuit of sustainable per share growth through a balanced mix of financially responsible exploration and development, complemented by strategic acquisitions.

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ANNUAL MEETING

The Annual Meeting of Shareholders of Crew Energy Inc. will be held at 3:00 p.m. (MDT) on Thursday, May 22, 2008 in the Angus/Northcote Room of Bow Valley Square, + 30 level, 255 – 5th Avenue S.W., Calgary, Alberta.

December 31, 2007

HIGHLIGHTS

FINANCIAL *($ thousands except per share amounts)*	2007	2006
Petroleum and natural gas sales	**140,466**	92,813
Funds from operations (1)	**81,433**	56,658
Per share - basic	**1.75**	1.62
- diluted	**1.74**	1.59
Net income	**9,110**	10,776
Per share - basic	**0.20**	0.31
- diluted	**0.19**	0.30
Exploration and development expenditures	**102,092**	123,859
Property acquisitions (net of dispositions)	**(315)**	16,196
Business Acquisition	**137,051**	71,151
Working capital deficiency (2)	**14,297**	17,714
Bank loan	**95,374**	41,157
Net debt	**109,671**	58,871
Weighted average shares (thousands)		
Basic	**46,483**	34,896
Diluted	**46,862**	35,586
OPERATIONS		
Daily production		
Light oil and ngl (bbl/d)	**1,497**	941
Natural gas (mcf/d)	**43,193**	28,526
Oil equivalent (boe/d @ 6:1)	**8,696**	5,695
Per million diluted shares	**186**	160
Average prices (3)		
Light oil and ngl ($/bbl)	**62.44**	63.47
Natural gas ($/mcf)	**6.81**	6.82
Oil equivalent ($/boe)	**44.57**	44.65
Operating expenses		
Light oil and ngl ($/bbl)	**6.26**	5.26
Natural gas ($/mcf)	**1.04**	0.90
Oil equivalent ($/boe @ 6:1)	**6.23**	5.40
Netback		
Operating netback ($/boe) (4)	**28.78**	28.88
G&A ($/boe)	**1.05**	0.81
Interest and other ($/boe)	**2.08**	0.81
Funds from operations ($/boe)	**25.65**	27.26
Drilling Activity		
Gross wells	**31**	54
Working interest wells	**25.3**	47.2
Success rate, net wells	**96%**	97%

Notes:

(1) Funds from operations is calculated as cash provided by operating activities, adding change in non-cash working capital, transportation liability charge and asset retirement expenditures. Funds from operations is used to analyze the Company's operating performance and leverage. Funds from operations does not have a standardized measure prescribed by Canadian Generally Accepted Accounting Principles and therefore may not be comparable with the calculations of similar measures for other companies.

(2) Working capital deficiency does not include the fair value of financial instruments or current portion of other long-term obligations.

(3) Average prices are before deduction of transportation costs and include realized gains and losses on financial instruments.

(4) Operating netback equals petroleum and natural gas sales including realized gains and losses on financial instruments less royalties, operating costs and transportation costs calculated on a boe basis. Operating netback and funds from operations do not have a standardized measure prescribed by Canadian Generally Accepted Accounting Principles and therefore may not be comparable with the calculations of similar measures for other companies.

ADVISORIES

Management's discussion and analysis ("MD&A") is the Company's explanation of its financial performance for the period covered by the financial statements along with an analysis of the Company's financial position. Comments relate to and should be read in conjunction with the audited and consolidated financial statements and the notes thereto for the years ended December 31, 2007 and 2006. The consolidated financial statements were prepared in accordance with generally accepted accounting principles ("GAAP") in Canada and all figures provided herein and in the December 31, 2007 consolidated financial statements are reported in Canadian dollars.

Forward Looking Statements

This MD&A contains forward-looking statements. Management's assessment of future plans and operations, capital expenditures, the timing of these expenditures and the method of funding thereof, available bank lines, production estimates, wells to be drilled, timing of drilling, tie-in and completion of wells and the production resulting therefrom, expected royalty rates, transportation costs and operating costs, and the taxability of the Company, may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploration, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, the timing and length of plant turnarounds and the impact of such turnarounds and the timing thereof, delays resulting from or inability to obtain required regulatory approvals and the ability to access sufficient capital from internal and external sources. As a consequence, the Company's actual results could differ materially from those expressed in, or implied by, the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), or at the Company's website (www.crewenergy.com). Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Conversions

The oil and gas industry commonly expresses production volumes and reserves on a "barrel of oil equivalent" basis ("boe") whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved analysis of results and comparisons with other industry participants.

Throughout this MD&A, Crew has used the 6:1 boe measure which is the approximate energy equivalency of the two commodities at the burner tip. Boe does not represent a value equivalency at the plant gate which is where Crew sells its production volumes and therefore may be a misleading measure if used in isolation.

Non-GAAP Measures

Crew evaluates performance based on net income and funds from operations. Funds from operations is a measure not based on GAAP that is commonly used in the oil and gas industry. It represents cash provided by operating activities before changes in non-cash working capital, asset retirement expenditures and the excess transportation liability charge. The Company considers it a key measure as it demonstrates the ability of the business to generate the cash flow necessary to fund future growth through capital investment and to repay debt. Funds from operations should not be considered as an alternative to, or more meaningful than cash flow provided by operating activities as determined in accordance with GAAP as an indicator of the Company's performance. Crew's determination of funds from operations may not be comparable to that reported by other companies. Crew also presents funds from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of income per share.

	Three months ended December 31,		Year ended December 31,	
($ thousands)	**2007**	2006	**2007**	2006
Cash provided by operating activities	**11,882**	16,522	**74,400**	57,455
Asset retirement expenditures	**205**	203	**237**	448
Excess transportation liability charge	**313**	–	**784**	–
Change in non-cash working capital	**9,990**	(20)	**6,012**	(1,245)
Funds from operations	**22,390**	16,705	**81,433**	56,658

Management also uses operating netback, a non-GAAP term, to analyze operating performance and leverage. Netback equals total petroleum and natural gas sales including realized gains and losses on financial instruments less royalties, operating costs and transportation costs calculated on a boe basis.

RESULTS OF OPERATIONS

Production

	Three months ended December 31, 2007			Three months ended December 31, 2006		
	Oil and ngl (bbl/d)	**Natural gas (mcf/d)**	**Total (boe/d)**	Oil and ngl (bbl/d)	Natural gas (mcf/d)	Total (boe/d)
Plains Core	**1,199**	**33,700**	**6,815**	1,182	27,409	5,750
North Core	**575**	**13,504**	**2,826**	134	2,055	477
Total	**1,774**	**47,204**	**9,641**	1,316	29,464	6,227

Fourth quarter production increased over the fourth quarter of 2006 as a result of a successful drilling program that added new natural gas liquids ("ngl") rich natural gas production at Edson and Ferrier and the closing of two private company acquisitions on November 21, 2006 and May 3, 2007 with production primarily in the Company's Ferrier area in the plains core and northeastern British Columbia in the north core. Fourth quarter production increases were partially offset by an unplanned Company owned facility outage at Sierra in the north core and outages at third party facilities affecting production at Carrot Creek and Ferrier in the plains core. These outages resulted in approximately 500 boe per day of lost production during the quarter.

	Year ended December 31, 2007			Year ended December 31, 2006		
	Oil and ngl (bbl/d)	**Natural gas (mcf/d)**	**Total (boe/d)**	Oil and ngl (bbl/d)	Natural gas (mcf/d)	Total (boe/d)
Plains Core	**1,181**	**32,352**	**6,573**	774	25,220	4,977
North Core	**316**	**10,841**	**2,123**	167	3,306	718
Total	**1,497**	**43,193**	**8,696**	941	28,526	5,695

Production increased throughout 2007 due to a successful drilling program and the previously mentioned corporate acquisitions. Natural gas production increased 51% over 2006 due to a successful drilling program in the Company's Edson and Ferrier, Alberta areas and the November 2006 corporate acquisition in the plains core and increased production from northeastern British Columbia due to the closing of the corporate acquisition in May, 2007. Crew's oil and ngl production increased 59% over 2006 due to increased ngl production from the Edson area and the northeast British Columbia acquisition.

Revenue

	Three months ended December 31,		Year ended December 31,	
	2007	2006	**2007**	2006
Revenue *($ thousands)*				
Light oil and ngl	**11,141**	7,122	**34,112**	21,796
Natural gas	**27,801**	19,468	**106,354**	71,017
Realized gain on financial instruments	**432**	–	**1,011**	–
Total	**39,374**	26,590	**141,477**	92,813
Crew average prices				
Light oil and ngl ($/bbl)	**$ 68.27**	$ 58.84	**$ 62.44**	$ 63.47
Natural gas ($/mcf)	**$ 6.40**	$ 7.18	**$ 6.75**	$ 6.82
Realized gain on financial instruments ($/mcf)	**$ 0.10**	–	**$ 0.06**	–
Total natural gas ($/mcf)	**$ 6.50**	$ 7.18	**$ 6.81**	$ 6.82
Oil equivalent ($/boe)	**$ 44.39**	$ 46.41	**$ 44.57**	$ 44.65
Benchmark pricing				
Natural Gas – AECO C daily index (Cdn $/mcf)	**$ 6.24**	$ 7.00	**$ 6.53**	$ 6.60
Oil and ngl – Light Sweet @ Edmonton (Cdn $/bbl)	**$ 84.73**	$ 64.52	**$ 75.67**	$ 72.81

Crew's 2007 fourth quarter revenue increased 48% over the fourth quarter 2006 due to the 55% increase in production. This was partially offset by a four percent decrease in the Company's average prices. Crew's 11% drop in natural gas prices was consistent with the 11% decrease in the benchmark price. The Company had a disproportionate increase in light oil and ngl prices as compared with the Company's benchmark primarily due to increased sales of lower valued ethane production from the Ferrier area that was acquired as part of the November, 2006 corporate acquisition.

The Company's 2007 revenue increased 52% as a result of its 55% increase in production. This was partially offset by a slight decline in Crew's natural gas price that was consistent with the Company's benchmark pricing for 2007. The sales price for Crew's light oil and ngl production declined slightly as compared with a four percent increase in the benchmark due to increased sales of lower valued ethane production from the Ferrier area that was acquired as part of the November, 2006 corporate acquisition.

Royalties

	Three months ended December 31,		Year ended December 31,	
($ thousands, except per boe)	**2007**	2006	**2007**	2006
Royalties	**6,929**	5,100	**23,749**	19,580
Per boe	**$ 7.81**	$ 8.90	**$ 7.48**	$ 9.42
Percentage of revenue	**17.6%**	19.2%	**16.8%**	21.1%

Royalties as a percentage of revenue decreased in the quarter compared to the same quarter of 2006 due to increased gas cost allowance credits booked in the fourth quarter of 2007 and lower royalty rates on the assets acquired in the May, 2007 corporate acquisition. This decrease was partially offset by higher natural gas and ngl royalties on new production in Edson and Ferrier which attracts a higher royalty rate.

Royalties as a percentage of revenue decreased in 2007 over 2006 due to increased deep gas royalty holidays received in 2007 primarily in the Company's plains core areas of Hanlan and Ferrier. The Company also received

benefits from government programs reducing royalties on production in northeastern British Columbia. In addition, Crew received higher than forecasted Alberta gas cost allowance credits related to capital spent on facilities constructed during 2006. Crew expects royalties as a percentage of revenue to average 20% to 21% in 2008.

Financial Instruments

On occasion, the Company will enter into commodity price risk management contracts in order to reduce volatility in financial results, to protect acquisition economics and to ensure a certain level of cash flow to fund planned capital projects. Crew's strategy will focus on the use of natural gas price "puts" and costless collars to limit exposure to downturns in commodity prices, while allowing for participation in commodity price increases. The Company's financial derivative trading activities are conducted pursuant to the Company's Risk Management Policy approved by the Board of Directors.

For the quarter and year ended December 31, 2007 the Company realized net gains of $0.4 million and $1.0 million, respectively on commodity price risk management contracts that were entered into during the second quarter of the year. As at December 31, 2007, the Company had entered into direct sales agreements to sell natural gas as follows:

	Volume (gj/day)	Term	Price (Cdn $/gj)	Fair Value (thousands)
AECO/Station 2 Differential Swap	10,000	November 1, 2007 – October 31, 2008	AECO 5A less $0.16	$ (436)

Subsequent to December 31, 2007, the Company entered into the following direct sales agreements to sell natural gas:

	Volume (gj/day)	Term	Price (Cdn $/gj)	Ceiling (Cdn $/gj)	Floor (Cdn $/gj)
AECO	10,000	April 1, 2008 – October 31, 2008	AECO C – Monthly Index	$ 8.00	$ 7.00
AECO	10,000	April 1, 2008 – October 31, 2008	AECO Daily wkd	$ 8.30	$ 7.00

Operating Costs

	Three months ended December 31,		Year ended December 31,	
($ thousands, except per boe)	**2007**	2006	**2007**	2006
Operating costs	**5,634**	3,393	**19,763**	11,221
Per boe	**$ 6.35**	$ 5.92	**$ 6.23**	$ 5.40

The Company's operating costs increased in the fourth quarter as compared to the same period in 2006 as a result of the Company's increased production. On a per unit basis, operating costs in the fourth quarter increased 7% over the fourth quarter of 2006. This increase was the result of the production outage in northeast British Columbia which impacted the Company's lower cost production volumes. In addition, the Company has added higher cost production in the Ferrier, Alberta area in 2007 compared to the prior year and has incurred increased third party processing fees in the Viking and Plain Lake, Alberta areas.

Crew's increase in operating costs in 2007 was a result of increased production, inflationary pressures experienced throughout all of its operations and increased production of higher cost natural gas at Ferrier. Increased third party processing costs at Viking and Plain Lake also contributed to the increase in total and per unit operating costs in 2007. Per unit operating costs were 4% higher than forecasted for 2007 as a result of higher than expected infla-

tionary pressures on third party processing fees. The Company expects operating costs to range between $6.30 and $6.60 per boe in 2008.

Transportation

	Three months ended December 31,		Year ended December 31,	
($ thousands, except per boe)	**2007**	2006	**2007**	2006
Transportation costs	**1,779**	481	**6,603**	1,979
Per boe	**$ 2.01**	$ 0.84	**$2.08**	$ 0.95

The Company's 2007 fourth quarter and annual increase in transportation costs and transportation costs per unit compared to 2006 is the result of the May, 2007 acquisition of a private company with natural gas production mainly in northeast British Columbia which has a higher transportation cost. In northeast British Columbia, natural gas is produced into a third party owned gathering and processing infrastructure that enables producers to avoid facility construction. The all-in regulated fees charged for gathering, processing and transmission of the Company's natural gas through this system is included in transportation expense.

Transportation costs were lower than forecasted in the fourth quarter of 2007 due to an insurance recovery from the Company's Sierra facility outage during the third and fourth quarter of 2007.

In 2007, Crew's higher than projected transportation costs are a result of the May, 2007 acquisition of the private company with the all-in gathering, processing and transmission charge as described above. The Company forecasts transportation costs in 2008 to range between $2.00 to $2.25 per boe.

Operating Netbacks

	Three months ended December 31, 2007			Three months ended December 31, 2006		
	Oil and ngl ($/bbl)	**Natural gas ($/mcf)**	**Total ($/boe)**	Oil and ngl ($/bbl)	Natural gas ($/mcf)	Total ($/boe)
Revenue	**$ 68.27**	**$ 6.50**	**$ 44.39**	$ 58.84	$ 7.18	$ 46.41
Royalties	**(17.67)**	**(0.93)**	**(7.81)**	(11.84)	(1.40)	(9.12)
Alberta royalty tax credit	–	–	–	–	–	0.22
Operating costs	**(6.44)**	**(1.06)**	**(6.35)**	(5.67)	(1.00)	(5.92)
Transportation costs	**(0.44)**	**(0.39)**	**(2.01)**	(1.16)	(0.13)	(0.84)
Operating netbacks	**$ 43.72**	**$ 4.12**	**$ 28.22**	$ 40.17	$ 4.65	$ 30.75

	Year ended December 31, 2007			Year ended December 31, 2006		
	Oil and ngl ($/bbl)	**Natural gas ($/mcf)**	**Total ($/boe)**	Oil and ngl ($/bbl)	Natural gas ($/mcf)	Total ($/boe)
Revenue	**$ 62.44**	**$ 6.81**	**$ 44.57**	$ 63.47	$ 6.82	$ 44.65
Royalties	**(13.77)**	**(1.03)**	**(7.48)**	(13.53)	(1.48)	(9.66)
Alberta royalty tax credit	–	–	–	–	–	0.24
Operating costs	**(6.26)**	**(1.04)**	**(6.23)**	(5.26)	(0.90)	(5.40)
Transportation costs	**(0.97)**	**(0.39)**	**(2.08)**	(1.32)	(0.15)	(0.95)
Operating netbacks	**$ 41.44**	**$ 4.35**	**$ 28.78**	$ 43.36	$ 4.29	$ 28.88

General and Administrative

	Three months ended December 31		Year ended December 31	
($ thousands, except per boe)	**2007**	2006	**2007**	2006
Gross costs	**2,355**	1,415	**8,328**	5,413
Operator's recoveries	**(415)**	(581)	**(1,666)**	(2,039)
Capitalized costs	**(970)**	(417)	**(3,331)**	(1,687)
General and administrative expenses	**970**	417	**3,331**	1,687
Per boe	**$ 1.09**	$ 0.73	**$ 1.05**	$ 0.81

Increased general and administrative costs before recoveries and capitalization was the result of increased staff levels and higher salary levels in the fourth quarter of 2007 compared to 2006. In the fourth quarter of 2007, the Company's net general and administrative costs increased due to a reduced overhead recovery as a result of decreased drilling and completion expenditures in the quarter.

General and administrative expenses increased in 2007 as compared to 2006 and were higher than projected as a result of the addition of new staff to handle the Company's increased activity and inflationary pressure on salaries in order for the Company to remain competitive in the industry's tight employment market. Crew expects general and administrative costs per boe to range between $1.00 and $1.05 per boe in 2008.

Interest

	Three months ended December 31		Year ended December 31	
($ thousands, except per boe)	**2007**	2006	**2007**	2006
Interest expense	**1,882**	494	**6,808**	1,688
Average debt level	**107,300**	32,200	**103,300**	27,800
Effective interest rate	**7.0%**	6.1%	**6.6%**	6.1%
Per boe	**$ 2.12**	$ 0.86	**$ 2.15**	$ 0.81

In 2007, higher interest rates combined with higher average debt levels due to debt financing of a portion of the Company's May, 2007 corporate acquisition and its 2007 exploration and development program have increased the Company's interest expense. Crew's effective interest rate increased in 2007 compared with 2006 due to the amortization of financing fees incurred in May, 2007 when a new credit facility was arranged.

Stock-Based Compensation

	Three months ended December 31		Year ended December 31	
($ thousands)	**2007**	2006	**2007**	2006
Gross costs	**1,516**	1,047	**5,324**	4,462
Capitalized costs	**(758)**	(523)	**(2,662)**	(2,231)
Total stock-based compensation	**758**	524	**2,662**	2,231

The Company's stock-based compensation expense has increased in 2007 as a result of increased staff levels and the issuance of stock options in late 2006 and in early 2007.

Depletion, Depreciation and Accretion

	Three months ended December 31		Year ended December 31	
($ thousands, except per boe)	**2007**	2006	**2007**	2006
Depletion, depreciation and accretion	**20,489**	13,840	**75,427**	41,458
Per boe	**23.10**	24.16	**23.76**	19.94

The Company experienced a decrease in per unit depletion in the fourth quarter of 2007 due to its successful drilling program in the quarter resulting in new reserve additions. Per unit depletion has increased in 2007 due to an increase in the average cost of adding proved reserves in 2007. This increase has resulted from inflationary pressures experienced throughout the industry, the addition of higher priced proven reserves acquired through the corporate acquisitions in November, 2006 and May, 2007 and the acquisition and construction of facilities in order to maintain low operating costs and to ensure processing capacity for the Company's natural gas production.

Taxes

The future income tax recovery for 2007 was $6.2 million compared to an expense of $2.2 million in 2006. The Company's current year provision was impacted by the recovery of $8.0 million relating to the federal income tax rate reduction enacted during the year. In 2006, Crew also had a $3.3 million recovery relating to federal and provincial income tax rate reductions enacted during the year.

A summary of the Company's estimated income tax pools at December 31, 2007 is outlined below:

($ thousands)	**Balance Dec. 31, 2007**	Balance Dec. 31, 2006
Cumulative Canadian Exploration Expense	**46,500**	41,000
Cumulative Canadian Development Expense	**70,000**	49,500
Cumulative Canadian Oil and Gas Property Expense	**54,500**	48,000
Undepreciated Capital Cost	**65,000**	50,500
Share issue costs	**5,000**	3,500
Non-capital loss	**500**	5,500
	241,500	198,000

The estimated income tax pools have been reduced by the estimated deferred partnership income for 2007 and the reduction in the CEE tax pools due to the renunciation of the 2006 flow through expenditures.

Cash and Funds from Operations and Net Income

	Three months ended December 31		Year ended December 31	
($ thousands, except per share amounts)	**2007**	2006	**2007**	2006
Cash provided by operations	**11,882**	16,522	**74,400**	57,455
Funds from operations	**22,390**	16,705	**81,433**	56,658
Per share - basic	**0.43**	0.43	**1.75**	1.62
- diluted	**0.43**	0.43	**1.74**	1.59
Net Income	**6,889**	1,796	**9,110**	10,776
Per share - basic	**0.13**	0.05	**0.20**	0.31
- diluted	**0.13**	0.05	**0.19**	0.30

The Company's increase in cash provided by operations and funds from operations was due to the Company's increased production and lower royalties in 2007. Increased production was partially offset by slightly increased operating costs and the transportation cost associated with the Company's corporate acquisition in northeast British Columbia. Net income was impacted by the reduction in Federal income tax rates in 2007.

Capital Expenditures and Acquisitions

During the fourth quarter, the Company drilled a total of 11 (7.4 net) wells resulting in 10 (6.4 net) natural gas wells and one (1.0 net) dry and abandoned well. During 2007, Crew drilled a total of 31 (25.3 net) wells resulting in 28 (22.3 net) gas wells, two (2.0 net) oil wells, and one (1.0 net) dry and abandoned well representing a success rate of 97% (96% net). The Company also continued to follow its strategy of, where possible, owning and controlling its processing and gathering facilities. As a result, in 2007 the Company spent 19% of its total capital expenditures on acquiring gas processing and compression equipment and gathering systems. The highlights of these expenditures included the first quarter completion of a pipeline and surface facilities for tie-in of the Company's natural gas discovery at Hanlan, Alberta and the fourth quarter construction of a pipeline and compression facility to tie-in the Company's natural gas discovery at Pine Creek, Alberta.

During 2007, Crew also used the reduction in natural gas activity in Alberta to further expand its land holdings through Crown land sales, freehold mineral leasing and farm-in arrangements. These additions were primarily in the Company's greater Edson, Alberta operating area including significant additions at Pine Creek, Hanlan and Carrot Creek.

In May, 2007 the Company closed the acquisition of a private company with the majority of its operations in the Company's north core in northeastern British Columbia. Details of the purchase price are included in the Business Acquisition, note 3 to the Company's December 31, 2007 consolidated financial statements. The Company further added to its holdings in northeast British Columbia by acquiring 11 sections of undeveloped land on a developing Triassic Montney natural gas resource play.

Total exploration and development expenditures for 2007 were $102.1 million compared to $123.9 million for the same period in 2006. The Company's exploration and development expenditures for 2007 were lower than the prior year and the originally forecasted $134 million due to the Company reducing its exploration and development spending after the successful private company acquisition in May. The expenditures are detailed below:

($ thousands)	**Three months ended December 31, 2007**	**Year ended December 31, 2007**	Year ended December 31, 2006
Land	**7,080**	**14,756**	8,024
Seismic	**1,750**	**4,492**	3,567
Drilling and completions	**14,836**	**58,271**	80,922
Facilities, equipment and pipelines	**5,829**	**19,791**	29,347
Other	**1,538**	**4,782**	1,999
Total exploration and development	**31,033**	**102,092**	123,859
Property acquisitions (dispositions)	**(266)**	**(315)**	16,196
Corporate acquisition	**(405)**	**137,051**	71,151
Total	**30,362**	**238,828**	211,206

The Company's Board of Directors has approved a $120 million exploration and development budget for 2008.

LIQUIDITY AND CAPITAL RESOURCES

Capital Funding

Funding for the Company's 2007 capital expenditure program has come from a combination of bank debt, equity financing and cash flow from ongoing operations.

On May 3, 2007, Crew acquired all of the issued and outstanding shares of a private oil and gas company with producing oil and natural gas properties in northeastern British Columbia and central Alberta. Crew's total consideration for the acquisition was approximately $137 million before closing adjustments and costs. In conjunction with the acquisition, Crew issued, on a bought deal basis, 5,750,000 Common Shares at $10.30 per share for aggregate gross proceeds of $59.2 million. The common shares were issued concurrently with the closing of the acquisition and the net proceeds of approximately $56 million were used to partially fund the acquisition price.

The remainder of the acquisition price was provided by a newly arranged credit facility with a syndicate of banks. The facility consists of a revolving line of credit of $165 million (the "Syndicated Facility") and an operating line of credit of $15 million (the "Operating Facility"). The facility revolves for a 364 day period and will be subject to its next 364 day extension by April 28, 2008. If not extended, the Syndicated Facility will cease to revolve and all outstanding advances under the facility will become repayable in one year. At December 31, 2007 Crew had drawings of $95.4 million on its bank facility which leaves the Company with significant unused credit capacity available to fund the Company's working capital deficit and future capital expenditures.

On October 25, 2007, the Company completed a bought deal share financing with a syndicate of underwriters resulting in an issuance of 4,181,860 common shares at $8.25 per common share and 1,860,500 common shares on a flow through basis at $10.75 per flow through share for aggregate proceeds of $54.5 million.

The Company will continue to fund its on-going operations from a combination of cash flow, debt, and equity financings as needed. As the majority of our ongoing capital expenditure program is directed to the further growth of reserves and production volumes, Crew is readily able to adjust its budgeted capital expenditures should the need arise. Currently, Crew has considerable financial strength through its cash flows and credit capacity to fund its budgeted capital expenditure program for 2008.

Working Capital

The capital intensive nature of Crew's activities generally results in the Company carrying a working capital deficit. However, the Company maintains sufficient unused bank credit lines to satisfy such working capital deficiencies. At December 31, 2007, the Company's working capital deficiency totaled $14.3 million which, when combined with the drawings on its bank line, represented only 61% of its currently available bank facility.

Share Capital

As at March 7, 2008, Crew had 53,674,319 Common Shares outstanding along with 4,450,550 options to acquire Common Shares of the Company.

Contractual Obligations

Throughout the course of its ongoing business, the Company enters into various contractual obligations such as credit agreements, purchase of services, royalty agreements, operating agreements, processing agreements, right of way agreements and lease obligations for office space and automotive equipment. All such contractual obligations reflect market conditions prevailing at the time of contract and none are with related parties. The Company believes it has adequate sources of capital to fund all contractual obligations as they come due. The following table lists the Company's obligations with a fixed term.

($ thousands)	Total	2008	2009	2010	2011
Bank Loan (1)	95,374	–	95,374	–	–
Operating Leases	3,712	990	990	990	742
Capital commitments	2,200	2,200	–	–	–
Exploration and development	17,800	17,800	–	–	–
Firm transportation agreements	27,071	6,224	7,026	7,243	6,578
Total	146,157	27,214	103,390	8,233	7,320

(1) Based on the existing terms of the Company's bank facility, the first possible repayment date may come in 2009. However, it is expected that the revolving bank facility will be extended and no repayment will be required in the near term.

The exploration and development commitment relates to the Company's obligation under its October 25, 2007 flow through share issue.

The firm transportation commitments were acquired as part of the Company's May, 2007 private company acquisition and represent firm service commitments for transportation and processing of natural gas in British Columbia.

OUTLOOK

Natural gas prices have rallied in the past month but natural gas continues to be an inexpensive source of energy in North America when compared to oil. Our view remains that long term natural gas fundamentals will improve as we see a Canadian supply response from reduced activity levels, an increase in domestic industrial demand and the globalization of the community itself. With our low cost structure and healthy balance sheet Crew is well prepared to profit in a low price environment. We are uniquely positioned to prosper in a higher price environment. We will continue to use funds flow from conventional oil and gas operations to fund our expansion into resource based assets that provide large gas in place opportunities and repeatable multi year drilling programs.

At the end of 2007 Crew had $110 million of combined debt and working capital deficiency on a $180 million bank facility. The Company is currently engaged in a very active first quarter capital expenditure program which is expected to total approximately $55 to $65 million. Exploration and development spending in the second quarter is expected to be well under funds from operations. Our capital program for 2008 was approved by the Board of Directors in December, 2007 at $120 million which is forecasted to be primarily funded by the Company's 2008 funds flow from operations. This program is expected yield Crew average production of 11,400 to 12,200 boe per day in 2008 which at the midpoint is a 36% increase in average production over 2007.

ADDITIONAL DISCLOSURES

Quarterly Analysis

The following table summarizes the Crew's key quarterly financial results in 2007 and 2006:

($ thousands, except per share amounts)	**Dec. 31 2007**	Sept. 30 2007	June 30 2007	Mar. 31 2007	Dec. 31 2006	Sept. 30 2006	June 30 2006	Mar. 31 2006
Petroleum and natural gas sales	**38,942**	33,390	38,703	29,431	26,590	22,267	19,164	24,792
Funds from operations	**22,390**	21,171	20,885	16,987	16,705	14,245	10,645	15,063
Per share – basic	**0.43**	0.45	0.46	0.41	0.43	0.41	0.32	0.45
– diluted	**0.43**	0.44	0.46	0.41	0.43	0.40	0.31	0.44
Net income	**6,889**	(449)	1,351	1,319	1,796	1,633	3,753	3,594
Per share – basic	**0.13**	(0.01)	0.03	0.03	0.05	0.05	0.11	0.11
– diluted	**0.13**	(0.01)	0.03	0.03	0.05	0.05	0.11	0.11
Total daily production (boe/d)	**9,641**	9,268	8,967	6,869	6,227	5,768	5,049	5,731
Average wellhead price ($/boe)	**44.39**	39.92	47.34	47.61	46.41	41.96	41.71	48.07

Crew's petroleum and natural gas sales, funds from operations and net income are all impacted by production levels and commodity pricing. These performance measures have all fluctuated throughout 2006 and 2007 despite increasing production as a result of volatile natural gas prices combined with the increased cost of the Company's operations.

The following table summarizes Crew's key financial results over the past three years:

($ thousands, except per share amounts)	**Year ended Dec. 31, 2007**	Year ended Dec. 31, 2006	Year ended Dec. 31, 2005
Petroleum and natural gas sales	**140,466**	92,813	87,532
Funds from operations	**81,433**	56,658	59,491
Per share - basic	**1.75**	1.62	2.11
- diluted	**1.74**	1.59	1.86
Net income	**9,110**	10,776	24,641
Per share - basic	**0.20**	0.31	0.87
- diluted	**0.19**	0.30	0.77
Daily production (boe/d)	**8,696**	5,695	4,221
Crew average sales price ($/boe)	**44.57**	44.65	56.81
Total assets	**602,539**	375,281	197,604
Working capital deficiency	**14,297**	17,714	6,575
Bank loan	**95,374**	41,157	–
Total other long-term liabilities	**98,472**	50,037	26,359

Significant factors and trends that have impacted the Company's results during the above periods include:

- Revenue is directly impacted by the Company's ability to replace existing declining production and add incremental production through its on-going capital expenditure program.
- Production in the third and fourth quarter of 2007 was reduced by significant facility outages at Sierra in northeastern British Columbia and Edson and Ferrier, Alberta.
- Revenue and royalties are significantly impacted by underlying commodity prices. To date the Company has used a limited amount of derivative contracts and forward sales contracts to reduce the exposure to commodity price fluctuations.
- Throughout 2006 and 2007, the Company's operating costs, general and administrative costs and capital expenditures have been subject to inflationary pressures brought on by increasing demand for services and supplies within the Canadian oil and gas industry.
- During the quarter ended September 30, 2007 the Company's funds from operations and net income were positively impacted by the one time receipt of Alberta deep well royalty holiday credits and 2006 Alberta gas cost allowance adjustments totalling $4.0 million.
- In May, 2007, the Company acquired a private oil and gas company with approximately 3,100 boe per day of production at closing, consisting mainly of natural gas in the northeastern British Columbia area.
- In November, 2006, the Company acquired a private oil and gas company with production of approximately 1,000 boe per day at closing.
- In the second quarter of 2006 and the fourth quarter of 2007, Crew had a future tax recovery which positively affected net income due to Canadian provincial and federal government tax rate reductions.

Change in Accounting Policies

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, "Financial Instruments – Recognition and Measurement", Handbook Section 3865, "Hedges", and Handbook Section 1530, "Comprehensive Income". The adoption of these standards had no material impact on the Company's net earnings or cash flows.

New Accounting Pronouncements

Financial Instruments

In December 2006, the AcSB issued two new sections in relation to financial instruments: Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation, which will replace Section 3861 - Financial Instruments – Disclosure and Presentation. The new disclosure standard will increase Crew's disclosure regarding the risks associated with financial instruments and how those risks are managed and will require additional disclosure as of January 1, 2008.

Capital Disclosures

As of January 1, 2008, Crew will be required to adopt CICA Handbook Section 1535 "Capital Disclosures", which will require Crew to disclose its objectives, policies and processes for managing capital.

Goodwill

As of January 1, 2009, Crew will be required to adopt CICA Handbook Section 3064 "Goodwill and Intangible Assets", which defines the criteria for the recognition of intangible assets.

Convergence with International Reporting Standards

On February 13, 2008, Canada's Accounting Standards Board confirmed January 1, 2011 as the effective date for the convergence of Canadian GAAP to International Financial Reporting Standards. The Canadian Securities Administrators are in the process of examining changes to securities rules as a result of this initiative. We continue to monitor and assess the impact of these convergence efforts.

Application of Critical Accounting Estimates

Crew's significant accounting policies are disclosed in note one to the December 31, 2007 consolidated financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These accounting policies are discussed below and are included to aid the reader in assessing the critical accounting policies and practices of the Company and the likelihood of materially different results being reported. Crew's management reviews its estimates regularly. The emergence of new information and changed circumstances may result in actual results or changes to estimate amounts that differ materially from current estimates.

The following assessment of significant accounting policies and associated estimates is not meant to be exhaustive. The Company might realize different results from the application of new accounting standards promulgated, from time to time, by various rule-making bodies.

Proved Oil and Gas Reserves

Proved oil and gas reserves, as defined by the Canadian Securities Administrators in National Instrument 51-101 with reference to the Canadian Oil and Gas Evaluation Handbook, are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

An independent reserve evaluator using all available geological and reservoir data as well as historical production data has prepared Crew's oil and gas reserve estimate. Estimates are reviewed and revised as appropriate.

Revisions occur as a result of changes in prices, costs, fiscal regimes, reservoir performance or a change in the Company's development plans. The effect of changes in proved oil and gas reserves on the financial results and position of the Company is described below under the heading "Full-Cost Accounting and Full-Cost Accounting Ceiling Test".

Full-Cost Accounting

The Company follows the full cost method of accounting for petroleum and natural gas properties, whereby all costs of exploring for and developing petroleum and natural gas properties and related reserves are capitalized. The capitalized costs are depleted and depreciated using the unit-of-production method based on estimated proved reserves. Reserve estimates can have a significant impact on earnings, as they are a key component in the calculation of depletion and depreciation. A downward revision in a reserve estimate could result in a higher depletion and depreciation charge to earnings. In addition, if net capitalized costs are determined to be in excess of the calculated ceiling, which is based largely on reserve estimates (see Full-Cost Accounting Ceiling Test) the excess must be written off as an expense charged against earnings. In the event of property disposition, proceeds are normally deducted from the full cost pool without recognition of gain or loss unless there is a change in the depletion rate of 20 percent or greater.

Unproved Properties

Certain costs related to unproved properties are excluded from costs subject to depletion until proved reserves have been determined or their value is impaired. These properties are reviewed quarterly and any impairment is transferred to the costs being depleted.

Full Cost Accounting Ceiling Test

Petroleum and natural gas assets are evaluated in each reporting period to determine that the carrying amount in a cost centre is recoverable and does not exceed the fair value of the properties in the cost centre.

The carrying amounts are assessed to be recoverable if the sum of the undiscounted cash flows expected from the production of proved reserves, the lower of cost and market of unproved properties and the cost of major development projects exceeds the carrying amount of the cost centre. When the carrying amount is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying amount of the cost centre exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves, the lower of cost and market of unproved properties and the cost of major development projects of the cost centre. The cash flows are estimated using forecast product prices and costs and are discounted using a risk-free interest rate. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material. Any impairment loss would be charged as additional depletion and depreciation expense.

Goodwill

In accordance with Section 1581 of the CICA handbook, goodwill must be recorded on a business combination when the total purchase consideration exceeds the fair value of the net identifiable assets and liabilities of the acquired entity. The goodwill balance is not amortized, however, must be assessed for impairment at least annually. Impairment is determined based on the fair value of the reporting entity compared to its book value. Any impairment must be charged to net income or loss in the period the impairment occurs. In order to estimate fair values of the net identifiable assets and liabilities of the acquired entity, management makes various assumptions, including commodity prices and discount rates. Differences from these estimates may impact the future financial statements of the Company.

Asset Retirement Obligations

The fair value of an asset's retirement obligation must be recognized in the period in which it is incurred if a reasonable estimate of the fair value can be made. The present value of the estimated asset retirement cost is

capitalized as part of the carrying amount of the long-lived asset. The depletion and depreciation of the capitalized asset retirement cost is determined on a basis consistent with depletion and depreciation. With the passage of time, accretion will increase the carrying amount of the asset retirement obligation. The actual cost and timing of the Company's asset retirement expenditures may vary significantly from management's current estimates.

Income Taxes

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ from that estimated and recorded by management.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the annual filings that disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Company is made known to them by others within the Company. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures would prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Controls Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. We have assessed the design of our internal control over financial reporting and during this process we identified certain weaknesses in internal controls over financial reporting. Due to the limited number of staff at the Company, it is not feasible to achieve complete segregation of incompatible duties. The CEO and the CFO have been with the Company since its inception and have extensive industry experience. They are very aware of and actively involved in Crew's on-going operating activities. While there is an inherent weakness in internal controls over financial reporting due to the limited number of staff and the resultant lack of segregation of incompatible duties, the capabilities and involvement of the CEO and CFO serve to mitigate this structural weakness. Their efforts are directed to minimize the risk of a material misstatement in financial reporting. However, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement. The CEO and CFO have evaluated the internal controls over financial reporting as at December 31, 2007 and have concluded that they are effectively designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP.

New Royalty Framework

On October 25, 2007, the Government of Alberta released its proposed New Royalty Framework ("NRF") for Alberta. The NRF was the government's response to a report issued September 18, 2007 by the Alberta Royalty Review Panel. The panel was commissioned by the Government of Alberta to perform a review of the province's royalty system to determine if the people of Alberta were receiving their "fair share" of the resources being extracted by the oil and gas industry.

Crew has reviewed the modifications proposed in the NRF that, if implemented as proposed, will take effect on January 1, 2009. Crew is continuing to assess the potential impact of the NRF on its Alberta operations and while more detailed analysis is ongoing, we wish to make the following preliminary observations:

- We have conducted a review of the Company's assets at December 31, 2007 using the details of the NRF currently available and have determined the potential impact of the changes on the net present value of Crew's December 31, 2007 reserve base to be immaterial based on future prices forecasted by the Company's reserve engineers. However this review only evaluated a "blowdown" of the Company's existing production and development of the existing non-producing reserves at December 31, 2007 and does not evaluate the impact the NRF will have on future exploration success the Company will have in Alberta;

- The overall impact of the NRF on Crew is mitigated by the fact that 30% of Crew's current production is from properties located in British Columbia which is not affected by the NRF;

- The NRF is a framework of proposed changes to Alberta's existing laws which encompass the existing Alberta oil and gas royalty regime. Before these proposed changes are definitive, the Government must draft a series of changes to Alberta legislation which will then have to pass through the legislative process. At this time it is not certain that the process will be completed prior to the proposed implementation date of January 1, 2009 or that the changes will be as they have been proposed;

- The actual effect of the proposed Alberta royalty rate changes on Crew will be determined based on, among other things, the actual legislation enacted, the Company's Alberta production rates, commodity prices at the time, foreign exchange rates, Crew's Alberta commodity product mix and service costs.

Additional information relating to Crew, including the Company's Annual Information Form, can be found on SEDAR at www.sedar.com.

Dated as of March 7, 2008

MANAGEMENT'S REPORT

Management, in accordance with Canadian generally accepted accounting principles, has prepared the accompanying consolidated financial statements of Crew Energy Inc. Financial and operating information presented throughout this report is consistent with that shown in the consolidated financial statements.

Management is responsible for the integrity of the financial information. Internal control systems are designed and maintained to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

KPMG LLP were appointed by the Company's Board of Directors to conduct an audit of the consolidated financial statements. Their examination included a review and evaluation of Crew's internal control systems and included such test and procedures, as they considered necessary, to provide a reasonable assurance that the consolidated financial statements are presented fairly in accordance with Canadian generally accepted accounting principles.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Audit Committee, with assistance from the Reserve Committee regarding the annual evaluation of our petroleum and natural gas reserves. The Audit Committee meets regularly with management and the independent auditors to ensure that management's responsibilities are properly discharged, to review the consolidated financial statements and recommend that the consolidated financial statements be presented to the Board of Directors for approval. The Audit Committee also considers the independence of the external auditors and reviews their fees. The external auditors have access to the Audit Committee without the presence of management.

"signed"
Dale O. Shwed
President and CEO

"signed"
John G. Leach
Vice-President, Finance and CFO

March 7, 2008

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Crew Energy Inc. as at December 31, 2007 and 2006 and the consolidated statements of operations, comprehensive income and retained earnings 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, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"signed"
KPMG LLP
Chartered Accountants

Calgary, Canada
March 7, 2008

CONSOLIDATED BALANCE SHEETS

(thousands)

As at December 31,	2007	2006
ASSETS		
Current Assets:		
Accounts receivable	**$ 28,438**	$ 22,063
Income taxes receivable (note 3)	**496**	–
	28,934	22,063
Property, plant and equipment (note 4)	**552,805**	338,660
Goodwill (note 3)	**20,800**	14,558
	$ 602,539	$ 375,281
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	**$ 43,231**	$ 39,777
Fair value of financial instruments (note 9)	**423**	–
Current portion of other long-term obligations (note 6)	**1,313**	–
	44,967	39,777
Bank loan (note 5)	**95,374**	41,157
Other long-term obligations (note 6)	**2,759**	–
Asset retirement obligations (note 7)	**18,668**	10,485
Future income taxes (note 10)	**77,045**	39,552
SHAREHOLDERS' EQUITY		
Share capital (note 8)	**298,129**	192,814
Contributed surplus (note 8)	**10,557**	5,566
Retained earnings	**55,040**	45,930
	363,726	244,310
Commitments (note 12)		
	$ 602,539	$ 375,281

See accompanying notes to the consolidated financial statements.

On Behalf of the Board of Directors:

"signed"
John Thomson, CA
Director

"signed"
Dennis Nerland
Director

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME AND RETAINED EARNINGS

(thousands, except per share amounts)	**Year ended Dec. 31, 2007**	Year ended Dec. 31, 2006
Revenue		
Petroleum and natural gas sales	**$ 140,466**	$ 92,813
Royalties	**(23,749)**	(19,580)
	116,717	73,233
Other income	**210**	–
Realized gain on financial instruments (note 9)	**1,011**	–
Unrealized loss on financial instruments (note 9)	**(423)**	–
	117,515	73,233
Expenses		
Operating	**19,763**	11,221
Transportation	**6,603**	1,979
General and administrative	**3,331**	1,687
Interest	**6,808**	1,688
Stock-based compensation	**2,662**	2,231
Depletion, depreciation and accretion	**75,427**	41,458
	114,594	60,264
Income before income taxes	**2,921**	12,969
Income taxes (reduction) (note 10)		
Future	**(6,189)**	2,193
Net income and comprehensive income	**9,110**	10,776
Retained earnings, beginning of year	**45,930**	35,154
Retained earnings, end of year	**$ 55,040**	$ 45,930
Net income per share (note 8(e))		
Basic	**$ 0.20**	$ 0.31
Diluted	**$ 0.19**	$ 0.30

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands)	**Year ended Dec. 31, 2007**	Year ended Dec. 31, 2006
Cash provided by (used in):		
Operating activities:		
Net income	**$ 9,110**	$ 10,776
Items not involving cash:		
Depletion, depreciation & accretion	**75,427**	41,458
Stock-based compensation	**2,662**	2,231
Future income taxes (reduction)	**(6,189)**	2,193
Unrealized loss on financial instruments	**423**	–
Transportation liability charge (note 6)	**(784)**	–
Asset retirement expenditures	**(237)**	(448)
Change in non-cash working capital	**(6,012)**	1,245
	74,400	57,455
Financing activities:		
Increase (decrease) in bank loan	**54,217**	36,686
Issue of common shares	**113,880**	40,841
Share issue costs	**(6,315)**	(2,202)
	161,782	75,325
Investing activities:		
Exploration and development	**(102,092)**	(123,859)
Property acquisitions	**315**	(16,196)
Business acquisition (note 3)	**(136,920)**	(346)
Change in non-cash working capital	**2,515**	(8,681)
	(236,182)	(149,082)
Change in cash and cash equivalents	**–**	(16,302)
Cash and cash equivalents, beginning of year	**–**	16,302
Cash and cash equivalents, end of year	**$ –**	$ –

See accompanying notes to the consolidated financial statements.

For the years ended December 31, 2007 and 2006

(Tabular amounts in thousands)

1. SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements of Crew Energy Inc. ("Company") have been prepared by management in accordance with Canadian generally accepted accounting principles. Since the determination of certain assets, liabilities, revenues and expenses is dependent upon future events, the preparation of these financial statements requires the use of estimates and assumptions, which have been made with careful judgement. Specifically, the amounts recorded for depletion and depreciation of property, plant and equipment and the provision for asset retirement obligations and abandonment costs are based on estimates. The ceiling test is based on estimates of reserves, future production rates, future 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 such changes in such estimates in future periods could be significant. In the opinion of management, these financial statements have been properly prepared in accordance with Canadian generally accepted accounting principles within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Crew Resources Inc., Gladius Energy Inc. ("Gladius"), Enco Gas Ltd. ("Enco") and a partnership, Crew Energy Partnership. On January 17, 2007, Gladius was amalgamated into Crew Energy Inc. and on January 1, 2008, Enco was amalgamated into Crew Energy Inc.

(b) Cash and cash equivalents:

Cash and cash equivalents include monies on deposit and highly liquid short-term investments accounted for at cost and having a maturity date of not more than 90 days.

(c) Petroleum and natural gas properties:

The Company follows the full cost method of accounting for petroleum and natural gas properties, whereby all costs of exploring for and developing petroleum and natural gas properties and related reserves are capitalized. Capitalized costs include land acquisition costs, geological and geophysical expenses, cost of drilling both productive and non-productive wells, production facilities, the fair value of asset retirement obligations and related overhead expenses.

Capitalized costs, excluding costs relating to unproved properties, are depleted using the unit-of-production method based on estimated proved reserves of petroleum and natural gas before royalties determined using forecast product prices and as determined by independent petroleum engineers. For purposes of the depletion calculation, natural gas reserves and production are converted to equivalent volumes of crude oil based on relative energy content of six thousand cubic feet of gas to one barrel of oil. Proceeds from the sale of petroleum and natural gas properties are applied against capitalized costs, with no gain or loss recognized unless such a sale would alter depletion by more than 20%.

The cost of acquiring unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically for impairment. When proved reserves are assigned or the property is considered impaired the costs of the property or the amount of impairment is added to the costs subject to depletion.

Petroleum and natural gas assets are evaluated in each reporting period (the "ceiling test") to determine that the carrying amount in a cost centre is recoverable and does not exceed the fair value of the properties in the cost centre. The carrying amounts are assessed to be recoverable if the sum of the undiscounted cash flows expected from the production of proved reserves, the lower of cost and market of unproved properties and the cost of major development projects exceeds the carrying amount of the cost centre. When the carrying amount is not assessed to be recoverable, an

impairment loss is recognized to the extent that the carrying amount of the cost centre exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves, the lower of cost and market of unproved properties and the cost of major development projects of the cost centre. The cash flows are estimated using forecast product prices and costs and are discounted using a risk-free interest rate.

(d) Goodwill

Goodwill is the residual amount that results when the purchase price of a business exceeds the fair value of the net identifiable assets and liabilities acquired. Goodwill is stated at cost and is not amortized. The goodwill balance is assessed for impairment each year end or more frequently if events or changes in circumstances indicate that the asset may be impaired. The test for impairment is conducted by comparing the book value to the fair value of the reporting entity. Impairment is charged to income in the period it occurs.

(e) Interest in joint operations:

A portion of the Company's petroleum and natural gas exploration and development activity is conducted jointly with others and, accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

(f) Asset retirement obligations:

The fair value of the liability for the Company's asset retirement obligation is recorded in the period in which it is incurred, discounted to its present value using Crew's credit adjusted risk-free interest rate and the corresponding amount is recognized by increasing the carrying amount of the related long-lived asset. The liability is accreted each period, and the capitalized cost is depreciated over the useful life of the related asset. Revisions to the estimated timing of cash flows or to the original estimated undiscounted cost would result in an increase or decrease to the asset retirement obligation. Actual costs incurred upon settlement of the asset retirement obligation are charged against the asset retirement obligation.

(g) Revenue recognition:

Revenue from the sale of petroleum and natural gas are recorded when title passes to a third party.

(h) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Upon initial recognition all financial instruments, including all derivatives, are recognized on the balance sheet at fair value. Subsequent measurement is then based on the financial instruments being classified into one of five categories: held for trading, held to maturity, loans and receivables, available for sale and other liabilities. The Company has designated its cash and cash equivalents as held for trading which are measured at fair value.

Accounts receivable are classified as loans and receivables which are measured at amortized cost. Accounts payable and accrued liabilities and bank debt are classified as other liabilities which are measured at amortized cost, which is determined using the effective interest method.

The Company is exposed to market risks resulting from fluctuations in commodity prices, foreign exchange rates and interest rates in the normal course of operations. A variety of derivative instruments may be used by the Company to reduce its exposure to fluctuations in commodity prices,

foreign exchange rates, and interest rates. The Company does not use these derivative instruments for trading or speculative purposes. The Company considers all of these transactions to be economic hedges, however, the majority of the Company's contracts do not qualify or have not been designated as hedges for accounting purposes.

As a result, all derivative contracts are classified as held for trading and are recorded on the balance sheet at fair value, with changes in the fair value recognized in net income, unless specific hedge criteria are met. The fair values of these derivative instruments are based on an estimate of the amounts that would have been received or paid to settle these instruments prior to maturity given future market prices and other relevant factors. Proceeds and costs realized from holding the derivative contracts are recognized in net income at the time each transaction under a contract is settled.

The Company has elected to account for its physical delivery sales contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements as executory contracts on an accrual basis rather than as non-financial derivatives.

The Company measures and recognizes embedded derivatives separately from the host contracts when the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, when it meets the definition of a derivative and when the entire contract is not measured at fair value. Embedded derivatives are recorded at fair value.

The Company immediately expenses all transaction costs incurred in relation to the acquisition of a financial asset or liability.

The Company applies trade-date accounting for the recognition of a purchase or sale of cash equivalents and derivative contracts.

(i) Comprehensive income:

The new standard introduced the statements of comprehensive income and accumulated other comprehensive income to temporarily provide for gains, losses and other amounts arising from changes in fair value until they are realized and recorded in net earnings. The Company has determined that it had no items that would affect comprehensive income nor accumulated other comprehensive income for the period ended December 31, 2007 and therefore comprehensive income equals net income.

(j) Flow through shares:

Flow through shares are issued at a fixed price and the proceeds are used to fund qualifying exploration expenditures within a defined period. The expenditures funded by flow through arrangements are renounced to investors in accordance with income tax legislation. Share capital is reduced and future income tax liability is increased by the total estimated future income tax costs of the renounced income tax deductions in the period of renouncement.

(k) Per share amounts:

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated based on the treasury-stock method, which assumes that any proceeds obtained on exercise of options, warrants and performance shares would be used to purchase common shares at the average market price. The weighted average number of shares outstanding is then adjusted by the net change.

(l) Stock-based compensation plans:

The Company accounts for its stock-based compensation programs including stock options, warrants and performance shares, using the fair value method. Under this method, compensation expense related to these programs is recorded in the consolidated statement of operations over the

vesting period with a corresponding increase in contributed surplus. Consideration paid on exercise of stock options is credited to share capital.

(m) Income taxes:
The Company uses the asset and liability method of accounting for future income taxes. The future income tax asset or liability is calculated assuming the financial assets and liabilities will be settled at their carrying amount. This amount is compared to the income tax assets and the difference is multiplied by the substantively enacted income tax rate when the temporary differences are expected to reverse.

(n) Comparative amounts:
Certain comparative amounts have been reclassified to conform with presentation adopted in the current year.

2. CHANGES IN ACCOUNTING POLICY:

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, "Financial Instruments – Recognition and Measurement", Handbook Section 3865, "Hedges", and Handbook Section 1530, "Comprehensive Income".

The adoption of these standards had no material impact on the Company's net earnings or cash flows.

New Accounting Pronouncements
Financial Instruments
In December 2006, the AcSB issued two new sections in relation to financial instruments: Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation, which will replace Section 3861 - Financial Instruments – Disclosure and Presentation. The new disclosure standard will increase Crew's disclosure regarding the risks associated with financial instruments and how those risks are managed and will require additional disclosure as of January 1, 2008.

Capital Disclosures
As of January 1, 2008, Crew will be required to adopt CICA Handbook Section 1535 "Capital Disclosures", which will require Crew to disclose its objectives, policies and processes for managing capital.

Goodwill
As of January 1, 2009, Crew will be required to adopt CICA Handbook Section 3064 "Goodwill and Intangible Assets", which defines the criteria for the recognition of intangible assets.

Convergence with International Reporting Standards
On February 13, 2008, Canada's Accounting Standards Board confirmed January 1, 2011 as the effective date for the convergence of Canadian GAAP to International Financial Reporting Standards. The Canadian Securities Administrators are in the process of examining changes to securities rules as a result of this initiative. We continue to monitor and assess the impact of these convergence efforts.

3. BUSINESS ACQUISITION:

In May 2007, Crew acquired all of the issued and outstanding shares of a private oil and gas company with producing oil and natural gas properties in northeast British Columbia and central Alberta. Total consideration paid for the acquisition was approximately $137.1 million which was financed

through a financing and a credit facility. The operating results of the acquired company were included in the accounts of Crew from May 3, 2007.

The acquisition has been accounted for using the purchase method of accounting as follows:

	Amount
Consideration	
Cash	$ 136,775
Transaction costs	276
	$ 137,051
Net assets received at fair value	
Cash	$ 131
Accounts receivable	5,345
Income tax receivable	6,159
Property and equipment	182,397
Goodwill	6,242
Accounts payable	(11,584)
Excess transportation obligation (note 6)	(4,856)
Asset retirement obligations	(6,646)
Future income taxes	(40,137)
	$ 137,051

The income tax receivable relates to non-capital loss carrybacks from the acquired company's May 3, 2007 and December 31, 2006 tax returns. These amounts have been pledged to the vendor upon receipt by the Company. As at December 31, 2007, the Company had paid to the vendor approximately $5.7 million relating to the May 3, 2007 and December 31, 2006 tax returns. The income tax receivable is offset by an equivalent amount included in accounts payable.

On November 21, 2006, the Company acquired all of the issued and outstanding common shares of a private oil and gas company. Under the terms of the agreement, the purchase price paid by Crew was 0.47875 of a Crew share for each private company share which resulted in the issuance of 5,318,998 shares of Crew to the former private company shareholders. The operating results were included in the accounts of the Company from November 21, 2006.

The acquisition has been accounted for using the purchase method of accounting as follows:

	Amount
Consideration	
Common shares issued	$ 63,618
Transaction costs	346
	$ 63,964
Net assets received at fair value	
Accounts receivable	$ 1,817
Property and equipment	71,151
Goodwill	14,558
Accounts payable	(4,090)
Bank loan	(4,471)
Asset retirement obligations	(443)
Future income taxes	(14,558)
	$ 63,964

4. PROPERTY, PLANT AND EQUIPMENT:

December 31, 2007	**Cost**	**Accumulated depletion & depreciation**	**Net book value**
Petroleum and natural gas properties and equipment	**$ 698,251**	**$ 145,446**	**$ 552,805**

December 31, 2006	Cost	Accumulated depletion & depreciation	Net book value
Petroleum and natural gas properties and equipment	$ 409,608	$ 70,948	$ 338,660

The cost of unproved properties at December 31, 2007 of $40,359,000 (2006 - $26,665,000) was excluded from the depletion calculation. Estimated future development costs associated with the development of the Company's proved reserves of $31,057,000 (2006 - $25,266,000) have been included in the depletion calculation and estimated salvage values of $21,231,000 (2006 - $15,840,000) have been excluded from the depletion calculation.

The following corporate expenses related to exploration and development activities were capitalized:

	Year ended December 31, 2007	Year ended December 31, 2006
General and administrative expense	**$ 3,331**	$ 1,688
Stock-based compensation expense, including future income taxes	**3,624**	3,176
	$ 6,955	$ 4,864

Crew performed a ceiling test as at December 31, 2007. Based on the calculation, the carrying values of the Company's property, plant and equipment are less than the sum of the undiscounted cash flows of the Company's proved reserves based on the following benchmark and company prices.

Years	WTI Oil ($US/Bbl)	F/X Rate ($Cdn/$US)	Edmonton Oil ($/bbl)	Company Liquids ($/bbl)	AECO Gas ($/mmbtu)	Company Gas ($/mcf)
2008	$92.00	1.00	$91.10	$73.78	$6.75	$6.49
2009	$88.00	1.00	$87.10	$70.30	$7.55	$7.35
2010	$84.00	1.00	$83.10	$66.55	$7.60	$7.42
2011	$82.00	1.00	$81.10	$64.54	$7.60	$7.43
2012	$82.00	1.00	$81.10	$64.29	$7.60	$7.45
2013	$82.00	1.00	$81.10	$64.13	$7.60	$7.47
2014	$82.00	1.00	$81.10	$63.81	$7.80	$7.74
2015	$82.00	1.00	$81.10	$63.54	$7.97	$7.92
2016	$82.02	1.00	$81.12	$63.56	$8.14	$8.10
2017	$83.66	1.00	$82.76	$64.97	$8.31	$8.27
Annual escalation thereafter +2.0%/yr.						

5. BANK LOAN:

The Company's bank facility consists of a revolving line of credit of $165 million and an operating line of credit of $15 million (the "Facility"). The Facility revolves for a 364 day period and will be subject to its next 364 day extension by April 28, 2008. If not extended, the Facility will cease to revolve, the margins there under will increase by 0.25 per cent and all outstanding advances there under will become repayable in one year.

Advances under the Facility are available by way of prime rate loans with interest rates of up to 0.75 per cent over the bank's prime lending rate and bankers' acceptances and LIBOR loans which are subject to stamping fees and margins ranging from 0.95 per cent to 1.75 per cent depending upon the debt to EBITDA ratio of the Company calculated at the Company's previous quarter end. As at December 31, 2007, the Company's applicable pricing included a 0.20 percent margin on prime lending and a 1.2 percent stamping fee and margin on Bankers' Acceptances and LIBOR loans. The facility is secured by a first floating charge debenture over the Company's consolidated assets.

6. OTHER LONG-TERM OBLIGATIONS:

As part of the May, 2007 private company acquisition, the Company acquired several firm transportation agreements. These agreements had an estimated fair value at the time of the acquisition of a $4.9 million liability. This amount was accounted for as part of the acquisition cost and will be charged as a reduction to transportation expenses over the life of the contracts as they are incurred. This charge for the year ended December 31, 2007 was $0.8 million.

7. ASSET RETIREMENT OBLIGATIONS:

Total future asset retirement obligations were determined by management and were based on Crew's net ownership interest, the estimated future costs to reclaim and abandon the wells and facilities and the estimated timing of when the costs will be incurred. Crew estimated the net present value of its total asset retirement obligations as at December 31, 2007 to be $18,668,000 (2006 - $10,485,000) based on a total future liability of $35,166,000 (2006 - $23,503,000). These payments are expected to be made over the next 49 years. An 8% (2006 – 8%) credit adjusted risk free discount rate and 2% (2006 – 2%) inflation rate were used to calculate the present value of the asset retirement obligation.

The following table reconciles Crew's asset retirement obligations:

	Year ended December 31, 2007	Year ended December 31, 2006
Carrying amount, beginning of year	**$ 10,485**	$ 7,182
Liabilities incurred	**845**	1,690
Liabilities acquired	**6,646**	679
Accretion expense	**929**	655
Liabilities settled	**(237)**	(448)
Change in estimate	**–**	727
Carrying amount, end of year	**$ 18,668**	$ 10,485

8. SHARE CAPITAL:

(a) Authorized:

Unlimited number of Common Shares

1,881,000 Class C non-voting performance shares ("performance shares")

(b) Common Shares issued:

	Number of shares	Amount
Common Shares, December 31, 2005	33,282	$ 92,645
Public offering issued for cash	1,667	25,002
Public offering of flow through shares issued for cash	759	15,000
Issued for corporate acquisition	5,319	63,618
Exercise of Class C performance shares	316	4
Exercise of stock options	97	839
Stock-based compensation	–	583
Share issue costs, net of income taxes of $686	–	(1,516)
Flow through shares income tax adjustment	–	(3,365)
Common Shares, December 31, 2006	41,440	$ 192,810
Public offering issued for cash	9,932	93,725
Public offering of flow through shares issued for cash	1,860	20,000
Exercise of Class C performance shares	315	4
Exercise of stock options	30	155
Stock-based compensation	–	333
Share issue costs, net of income taxes of $1,818	–	(4,497)
Flow through shares income tax adjustment	–	(4,401)
Common Shares, December 31, 2007	**53,577**	**$ 298,129**

In conjunction with the Company's private company acquisition on May 3, 2007 (note 3), Crew issued 5,750,000 Common Shares at $10.30 per share for aggregate gross proceeds of $59.2 million ($56 million net of issue costs).

On October 25, 2007, the Company closed a public offering resulting in the issuance of 6,042,360 shares for aggregate proceeds of $54.5 million ($51.5 million net of issue costs). Of the shares issued, 1,860,500 shares were issued on a flow through basis in which the Company has committed to renounce to the purchasers certain Canadian income tax deductions totalling $20,000,375. At December 31, 2007, the Company had incurred $2,200,000 of qualifying expenditures under this flow through offering.

On August 17, 2006, the Company closed a public offering in which 2,426,300 shares were issued for gross proceeds of $40,002,125. Of the shares issued, 759,500 shares were issued on a flow through basis in which the Company has renounced to the purchasers certain Canadian income tax deductions totalling $15,000,125. At December 31, 2007, the Company had incurred and renounced all expenditures required under this flow through offering.

(c) Contributed Surplus:

	Amount
Contributed surplus, December 31, 2005	$ 1,687
Stock-based compensation	4,462
Conversion of Class C performance shares and stock options	(583)
Contributed surplus, December 31, 2006	$ 5,566
Stock-based compensation	5,324
Conversion of Class C performance shares and stock options	(333)
Contributed surplus, December 31, 2007	**$ 10,557**

(d) Stock-based compensation:

The Company measures compensation costs associated with stock-based compensation using the fair market value method and the cost is recognized over the vesting period of the underlying security. The fair value of each stock option is determined at each grant date using the Black-Scholes model with the following weighted average assumptions: risk free interest rate 4.20% (2006 – 4.27%), expected life 4 years (2006 – 4 years), volatility 45% (2006 – 45%), and an expected dividend of nil (2006 – nil). The Company has not incorporated an estimated forfeiture rate for stock options that will not vest, rather the Company accounts for actual forfeitures as they occur.

During 2007 the Company recorded $5,324,000, (2006 - $4,462,000) of stock-based compensation expense related to the stock options, of which $2,662,000 (2006 - $2,231,000) was capitalized in accordance with the Company's full cost accounting policy. As stock-based compensation is non-deductible for income tax purposes, a future income tax liability of $962,000 (2006 - $945,000) associated with the current year's capitalized stock-based compensation has been recorded.

(i) Performance shares

On September 1, 2003 the Company issued 1,881,000 performance shares to employees, officers and directors at a price of $0.01 per share. Each performance share was convertible into a fraction of a Common Share over a three-year period with the conversion rights expiring on September 1, 2007. On conversion, each performance share converted at the rate determined by subtracting $1.65 from the current market price of the Company's Common Shares and dividing the result by the current market price of the Company's Common Shares. The fair value of the performance shares at the date of issue, as calculated by the Black-Scholes method, was $0.67 per share. All performance shares have been converted and cannot be re-issued.

	Number of shares	Amount
Class C, performance shares, December 31, 2005	787	$ 8
Converted to Common Shares	(360)	(4)
Reacquired and cancelled	(25)	–
Class C, performance shares, December 31, 2006	402	4
Converted to Common Shares	(402)	(4)
Class C, performance shares, December 31, 2007	**–**	**$ –**

(ii) Stock options

The Company has a floating stock option plan in which the Company may grant options to its employees, directors and consultants for up to 10% of its outstanding Common Shares. Under this plan, the exercise price of each option equals the market price of the Company's Common Shares on the date of grant. All granted options vest over a three-year period and have a four-year term. Stock options are granted periodically throughout the year. The fair value of the stock options granted during the year as calculated by the Black-Scholes method was $3.99 per option (2006 - $5.01).

	Number of options	Weighted average exercise price
Balance December 31, 2005	1,848	$ 15.65
Granted	568	$ 12.40
Exercised	(97)	$ 8.70
Forfeited	(300)	$ 16.33
Balance December 31, 2006	2,019	$ 14.97
Granted	2,402	$ 10.02
Exercised	(30)	$ 5.18
Forfeited	(477)	$ 13.41
Cancelled	(643)	$ 16.22
Balance December 31, 2007	**3,271**	**$ 11.41**

The following table summarizes information about the stock options outstanding at December 31, 2007:

Range of exercise prices	Outstanding at December 31, 2007	Weighted average remaining life (years)	Weighted average exercise price	Exercisable at December 31, 2007	Weighted average exercise price
$3.50 to $6.50	45	0.58	$ 5.59	45	$ 5.59
$6.51 to $9.50	367	3.11	$ 8.02	69	$ 7.63
$9.51 to $12.50	2,295	3.19	$ 10.51	91	$ 12.06
$12.51 to $18.75	564	1.69	$ 17.76	376	$ 17.76
	3,271	2.89	$ 11.41	581	$ 14.72

(e) Per share amounts:

Per share amounts have been calculated on the weighted average number of shares outstanding. The weighted average shares outstanding for the year ended December 31, 2007 was 46,483,000 (December 31, 2006 – 34,896,000).

In computing diluted earnings per share for the year ended December 31, 2007, 379,000 (December 31, 2006 – 690,000) shares were added to the weighted average Common Shares outstanding to account for the dilution of the performance shares and stock options. There were 2,892,000 (December 31, 2006 – 1,140,500) stock options that were not included in the diluted earnings per share calculation because they were anti-dilutive.

9. FINANCIAL INSTRUMENTS:

(a) Commodity price risk management

The Company uses derivative natural gas financial instruments to manage its exposure to the volatility in natural gas prices. As at December 31, 2007, the Company had entered into a direct sales agreement to sell natural gas as follows:

	Volume (gj/day)	Term	Price (Cdn $/gj)	Fair Value (thousands)
AECO/Station 2 Differential Swap	10,000	November 1, 2007 – October 31, 2008	AECO 5A less $0.16	$ (423)

Derivatives are recorded on the balance sheet at fair value at each reporting period with the change in fair value being recognized as an unrealized gain or loss on the consolidated statement of operations, comprehensive income and retained earnings. The effect of this contract was an unrealized

loss of $0.4 million for the year ended December 31, 2007. The Company realized a net gain of $1.0 million on contracts that existed throughout 2007.

Subsequent to December 31, 2007, the Company entered into the following direct sales agreements to sell natural gas:

	Volume (gj/day)	Term	Price (Cdn $/gj)	Ceiling (Cdn $/gj)	Floor (Cdn $/gj)
AECO	10,000	April 1, 2008 – October 31, 2008	AECO C – Monthly Index	$ 8.00	$ 7.00
AECO	10,000	April 1, 2008 – October 31, 2008	AECO Daily wkd	$ 8.30	$ 7.00

(b) Credit Risk

Crew's accounts receivable are with customers and joint venture partners in the petroleum and natural gas business and are subject to normal credit risks. Concentration of credit risk is mitigated by marketing production to several purchasers under normal industry sale and payment terms. Crew routinely assesses the financial strength of its customers.

(c) Fair value of other financial instruments

Financial instruments comprise accounts receivable, accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying amounts due to their short-term maturities. The Company's long-term debt bears interest at a floating market rate and accordingly the fair market value approximates the carrying value.

(d) Foreign currency

While all of the Company's sales are denominated in Canadian dollars, the market prices in Canada for oil and natural gas are impacted by changes in the exchange rate between the Canadian and United States dollar.

(e) Interest rate risk

The Company is exposed to interest rate risk to the extent that changes in market interest rates will impact the Company's bank facility floating interest rates. The Company had no interest rate swaps or hedges at December 31, 2007.

10. INCOME TAXES:

(a) Future income tax expense

The provision for income tax expense in the financial statements differs from the result, which would have been obtained by applying the combined federal and provincial income tax rate to the Company's earnings before income taxes. This difference results from the following items:

	2007	2006
Earnings before income taxes	**$ 2,921**	$ 12,969
Combined federal and provincial income tax rate	**32.33%**	34.60%
Computed "expected" income tax expense	**$ 944**	$ 4,487
Increase (decrease) in income taxes resulting from:		
Non-deductible stock-based compensation	**861**	772
Benefits relating to change in income tax rates	**(8,019)**	(3,345)
Other	**25**	30
Non-deductible crown charges	**–**	165
Resource allowance	**–**	84
Future income tax expense (recovery)	**$ (6,189)**	$ 2,193

(b) Future income tax liability

The components of the Company's future income tax liability are as follows:

	2007	2006
Future income tax:		
Property, plant and equipment	**$ 84,877**	$ 45,600
Asset retirement obligations	**(4,935)**	(3,095)
Share issue costs	**(1,458)**	(1,077)
Non-capital loss	**(154)**	(1,773)
Other	**(1,285)**	(103)
Future income tax liability	**$ 77,045**	$ 39,552

11. SUPPLEMENTAL CASH FLOW INFORMATION:

	2007	2006
Changes in non-cash working capital:		
Accounts receivable	**$ 4,633**	$ (1,372)
Accounts payable and accrued liabilities	**(8,130)**	(6,064)
	$ (3,497)	$ (7,436)
Operating activities	**$ (6,012)**	$ 1,245
Investing activities	**2,515**	(8,681)
	$ (3,497)	$ (7,436)

The Company made the following cash outlays in respect of interest expense and current income taxes:

	2007	2006
Interest	**$ 7,509**	$ 1,629
Income taxes	**$ –**	$ 151

12. COMMITMENTS:

The Company has the following fixed term commitments related to its on-going business:

	Total	2008	2009	2010	2011
Operating Leases	$ 3,712	$ 990	$ 990	$ 990	$ 742
Capital commitments	2,200	2,200	–	–	–
Exploration and development	17,800	17,800	–	–	–
Firm transportation agreements	27,071	6,224	7,026	7,243	6,578
Total	$ 50,783	$ 27,214	$ 8,016	$ 8,233	$ 7,320

The exploration and development commitment relates to the Company's obligation under its October 25, 2007 flow through share issue as described in note 8(b).

The firm transportation commitments were acquired as part of the Company's May 2007 private company acquisition and represent firm service commitments for transportation and processing of natural gas in British Columbia.

Corporate Information

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ABBREVIATIONS

bbl	barrels
bbl/d	barrels per day
bcf	billion cubic feet
boe	barrels of oil equivalent (6 mcf: 1 bbl)
bopd	barrels of oil per day
mmbtu	million British thermal units
mboe	thousand barrels of oil equivalent (6 mcf: 1 bbl)
mmboe	million barrels of oil equivalent (6 mcf: 1 bbl)
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmcf	million cubic feet
mmcf/d	million cubic feet per day
ngl	natural gas liquids

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