



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

September 30, 2008

Greentree Gas & Oil Ltd. ("Greentree" or the "Company") is a Canadian energy company engaged in the business of exploration, development and production of crude oil and natural gas in southwestern Ontario. Its common shares are traded on the TSX Venture Exchange (TSX-V) under the symbol "GGO".

The following Management's Discussion and Analysis ("M.D. & A") was prepared as of November 25, 2008 and should be read in conjunction with the unaudited consolidated financial statements for the nine-month period ended September 30, 2008 together with the notes thereto and, the M.D. & A and audited consolidated financial statements for the year ended December 31, 2007. The Company's interim financial statements were prepared by management and, were not reviewed by Greentree's external auditors.

All data is presented in Canadian dollars. Natural gas volumes have been converted to equivalent barrels of oil ("boe") using an industry accepted conversion ratio of six thousand cubic feet ("mcf ") to one barrel of oil equivalent (boe).

This M.D. & A contains forward-looking statements. Forward-looking statements are based on current expectations that involve a number of risks and uncertainties, which could cause actual events or results to differ from those anticipated. These risks include, but are not limited to, operational risk in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; and commodity price and exchange rate fluctuation and uncertainties.

### **NON-GAAP MEASURES**

Included in the M.D. & A are references to the term "cash flow". This term is not defined by Generally Accepted Accounting Principles ("GAAP") in Canada and consequently is referred to as a non-GAAP measure.

Cash flow refers to oil and gas sales revenue less royalties and less operating expenses. It does not include other income or any of the other company expenses that are used to calculate net income. Reported amounts may not be comparable to similarly titled measures reported by other companies. Cash flow should not be considered an alternative to, or more meaningful than, cash provided by operating activities as determined in accordance with Canadian GAAP.

### **CORPORATE PERFORMANCE**

- 49% reduction in the working capital deficit for the nine months ended September 30, 2008.
- 35% increase in revenues in Q3-2008 as compared to Q3-2007 and a 26% increase in revenues for the 9 months ended September 30, 2008 compared to the same period in 2007.
- 10% increase in cash flow from operating activities in Q3-2008 compared to the same period in 2007 and, and a 18% increase in cash flow from operating activities for the nine months in 2008 compared to the similar period in 2007.
- 38% increase in operating netbacks per boe in Q3-2008 as compared to Q3-2007 and a 40% increase in operating netbacks per boe for the nine months ended September 30, 2008 as compared to the same period in 2007.
- 33% decrease in general and administrative expenses during the three months ended September 30, 2008 compared to the same period in 2007

**PRODUCTION, REVENUES AND ROYALTIES**

Production/Revenue Summary	Three months ended September 30				Nine months ended September 30			
	2008		2007		2008		2007	
	Q3	Daily	Q3	Daily	YTD	Daily	YTD	Daily
<b>PRODUCTION:</b>								
Natural Gas (Mmcf) & (mcf/d)	43.0	467.03	45.70	496.77	128.6	469.23	140.42	514.36
Natural Gas (boe, 6:1)	7,161.16	77.84	7,617.14	82.80	21,428.04	78.20	23,403.22	85.73
Crude Oil (bbl) & (bbl/d)	1,076.34	11.70	1,761.61	19.15	3,422.77	12.49	3,399.80	12.45
TOTAL boe & boe/d	8,237.50	89.54	9,378.75	101.95	24,850.83	90.70	26,803.02	98.18
<b>REVENUE:</b>	<b>\$000's</b>	<b>\$/BOE</b>	<b>\$000's</b>	<b>\$/BOE</b>	<b>\$000's</b>	<b>\$/BOE</b>	<b>\$000's</b>	<b>\$/BOE</b>
Natural Gas	479.3	66.93	310.3	40.74	1,366.5	63.77	1,134.7	48.48
Oil	130.2	120.97	137.5	78.04	382.8	111.85	249.0	73.23
Gross Sales	609.5	73.99	447.8	47.75	1,749.3	70.39	1,383.7	51.62
Royalties	50.8	6.16	60.5	6.45	187.9	7.56	172.3	6.43
Net sales	558.7	67.83	387.3	41.30	1,561.4	62.83	1,211.4	45.19
Operating Costs	325.2	39.48	194.8	20.77	750.7	30.21	588.4	21.95
Field Level Income	233.5	28.35	192.5	20.53	810.7	32.62	623.0	23.24

**Natural Gas:**

Natural gas production declined to 42,967 mcf in Q3-2008 as compared to 45,703 mcf in Q3-2007. For the nine months ended September 30, 2008, natural gas production declined to 128,568 mcf as compared to 140,419 mcf. The decline in production for the three and nine month periods represents the natural and anticipated decline curve as well as the temporary impact from the re-working of 15 Norfolk wells. Subsequent to the wells recovering from each work-over, natural gas production increased by approximately 14% during the month of October 2008. In addition, a field compressor was recently upgraded that is expected to yield a further production increase of an additional 5-10%.

Natural gas sales in Q3-2008 were up 54.6% to \$479,309 as compared to Q3-2007 sales of \$310,029 as the Company received an average price of \$11.16/mcf for its natural gas in Q3-2008, compared to \$6.79/mcf in Q3-2007.

For the nine months ended September 30, 2008, natural gas sales increased 21% to \$1,366,501 from \$1,133,794 for the same period in 2007. The Company received \$10.63/mcf compared to \$8.08/mcf in 2007.

**Crude Oil:**

Crude oil production decreased 39% to 1,076 bbls in Q3-2008 as compared to 1,762 bbls in Q3-2007. This decrease is attributed to Wavefront Energy and Environmental Services earning a 70% Net Overriding Royalty of the Rodney South production commencing January 1, 2008.

For the nine months ended September 30, 2008, crude oil production increased to 3,423 bbls in 2008 compared to 3,400 bbls in 2007. Two new infill wells have been recently added in the Rodney Unit 3 field. Production in this field has increased by approximately 100% during September and October 2008 compared to prior levels. For the nine months ended September 30, 2008, crude oil production, prior to making working interest adjustments, increased from 3,400 bbls in 2007 to 5,255 bbls in 2008 representing a 55% increase.

Crude oil sales decreased to \$130,203 in Q3-2008 from \$141,136 in Q3-2007 due to the reduced working interest production volumes. The average price/bbl in Q3-2008 increased to \$117.87 compared to \$78.04 during Q3-2007.

For the nine months ended September 30, 2008, crude oil sales increased to \$382,830 from \$248,983 for the same period in 2007. The average price/bbl in 2008 was \$111.85 compared to \$73.23/bbl in 2007.

### Royalties:

Royalties include both freehold and gross overriding payments. Royalties for Q3-2008 declined approximately 16% as compared to Q3-2007 due to reduced oil production revenue. For the nine months ended September 30, 2008, royalties increased approximately 9% due to the overall impact of increased gas production revenue while oil production revenue remained similar to the prior year

	Three months ended September 30						Nine months ended September 30					
	2008		2007		% Change		2008		2007		% Change	
	\$000's	\$/BOE	\$000's	\$/BOE	Costs	\$/BOE	\$000's	\$/BOE	\$000's	\$/BOE	Costs	\$/BOE
Gas	45.9	6.41	41.5	5.45	11%	18%	149.9	7.00	131.7	5.63	14%	24%
Oil	4.9	4.51	19.1	10.76	(74%)	(58%)	38.0	11.10	40.6	11.93	(6%)	(7%)
Total	50.8	6.16	60.5	6.45	(16%)	(4%)	187.9	7.56	172.3	6.43	9%	18%

### PRODUCTION EXPENSES:

Operating expenses in Q3-2008 increased to \$325,221 compared to \$194,759 for the same period in 2007 and increased to \$750,703 for the nine months ended September 30, 2008 compared to \$588,383 for the same period in 2007. These increases are a direct result of an ongoing maintenance program designed to improve production efficiencies and to maintain regulatory standards. The increased level of expenditures represents items that are "one-time" in nature. The Company will continue with the maintenance program throughout Q4-2008 but the amounts are not anticipated to be indicative of a trend for future years.

	Three months ended September 30						Nine months ended September 30					
	2008		2007		% Change		2008		2007		% Change	
	\$000's	\$/BOE	\$000's	\$/BOE	Costs	\$/BOE	\$000's	\$/BOE	\$000's	\$/BOE	Costs	\$/BOE
Operating	322.3	39.13	191.6	20.43	68%	92%	741.7	29.85	581.5	21.70	28%	38%
Transportation	2.9	.35	3.2	.34	(9%)	3%	9.0	.36	6.9	.26	30%	38%
Total	325.2	39.48	194.8	20.77	67%	90%	750.7	30.21	588.4	21.95	28%	38%

**GENERAL & ADMINISTRATIVE EXPENSES:**

Normalized general and administrative expenses decreased to \$75,228 for the three months ended September 30, 2008 compared to \$95,964 for the same period in 2007. The decrease is attributed to a reduction in personnel costs together with lower legal and other professional fees. For the nine months ended September 30, 2008, normalized general and administrative expenses decreased to \$309,020 compared to \$353,267 for the same period in 2007. The overall decrease is also attributed to reduced personnel costs.

	Three months ended September 30				Nine months ended September 30			
	2008		2007		2008		2007	
	Costs	\$/BOE	Costs	\$/BOE	Costs	\$/BOE	Costs	\$/BOE
G & A Expenses	102,361	12.42	111,624	11.90	502,675	20.23	468,427	17.48
Adjusted for:								
S.B.C. <sup>1</sup>			(15,660)	(1.67)	(166,522)	(6.70)	(115,160)	(4.30)
Loss on disposal of F.A.	(27,133)	(3.29)			(27,133)	(1.09)		
Normalized G & A	75,228	9.13	95,964	10.23	309,020	12.44	353,267	13.18

<sup>1</sup> S.C.B. – Stock Based Compensation

**DEPLETION, DEPRECIATION & ACCRETION EXPENSES:**

Depletion and depreciation expenses in Q3-2008 decreased to \$218,829 as compared to \$310,492 for Q3-2007. For the nine months ended September 30, 2008, depletion and depreciation expenses decreased to \$730,073 compared to \$883,361 for the same period in 2007. The decrease in both the three and nine month periods compared to 2007 resulted from lower depletion rates due to adjustments in the value of reserves reported at December 31, 2007. Accretion expenses increased due to the Company's adjustment to estimated future abandonment costs that were recognized in December 2007.

	Three months ended September 30						Nine months ended September 30					
	2008		2007		% Change		2008		2007		% Change	
	\$000's	\$/BOE	\$000's	\$/BOE	Costs	\$/BOE	\$000's	\$/BOE	\$000's	\$/BOE	Costs	\$/BOE
Depletion & Depreciation	218.8	26.56	310.5	33.11	(30%)	(20%)	730.1	29.38	883.4	32.96	(17%)	(11%)
Accretion - ARO	21.9	2.66	12.6	1.35	74%	97%	65.7	2.64	28.7	1.07	129%	146%
Total	240.7	29.22	323.1	34.46	(26%)	(15%)	795.8	32.02	912.1	34.03	(13%)	(6%)

**ASSET RETIREMENT OBLIGATIONS:**

The undiscounted amount of expected cash flows required to settle the asset retirement obligations is estimated at \$1,816,720 (2007 - \$1,400,182) which has been discounted using a credit-adjusted risk-free rate of 8.5% and includes a 2.0% inflation factor. The following table summarizes the Company's liability for the period ended September 30, 2008:

	<b>2008</b>
Asset retirement obligations, beginning of the period	955,220
<b>Liabilities incurred</b>	-
<b>Accretion expense</b>	65,664
Asset retirement obligations, end of the period	<b>1,020,884</b>

Costs attributable to these commitments and contingencies are expected to occur over an extended period of time and are to be funded from the Company's cash provided by operating activities and resources at the time of retirement and removal.

### **CAPITAL EXPENDITURES & PROJECTS:**

The Company invested \$237,978 in property, plant and equipment during Q3-2008, as compared to \$152,666 during Q3-2007. Capital expenditures incurred during the quarter consisted primarily of geological expenditures (\$33,000), lease and other land costs (\$3,000), facilities, operations equipment and drilling costs (\$202,000). During the nine months ended September 30, 2008, the Company invested \$391,958 compared to \$407,076 during the same period in 2007. These expenditures were attributed to geological (\$99,000), lease and land (\$18,000) and facilities, operations equipment and drilling (\$275,000)

#### **RODNEY SOUTH PROJECT**

The Company is in the process of phasing-in an increase in the injection pressures of the pool under the approval of the Ontario Ministry of Natural Resources. During Q3-2008, the pool demonstrated steady incremental increases in production. Additional modifications and field injection balancing will be required to optimize production in the "pilot phase" of the pool development.

#### **RODNEY UNIT 3 INFILL DRILL PROGRAM**

The Company recently completed the drilling of four infill oil well producers, of which two have been tied-in, and placed on production. The remaining two wells are awaiting hydro installation for the pump-jacks. Production in the pool has increased approximately 100% from levels in June 2008 with the addition of the first two wells. A rig is currently drilling two additional locations and a second rig is being contracted to drill five locations in a undeveloped section of the pool where the Company is anticipating higher production volumes per well.

#### **NORFOLK COUNTY PROPERTIES**

The Company completed a field workover program on 15 existing wells at the end of July 2008. Production initially declined as a result of each work-over and shut-in; however, following a short recovery period, the wells subsequently contributed a 14% increase in production during October 2008 from prior levels. Greentree also recently upgraded a compressor station within the Norfolk system, which is expected to boost field production by an additional 5 to 10%.

#### **HALDIMAND COUNTY "DEEP GAS" PROSPECT**

Greentree recently completed additional evaluation and testing on GGOL #67, which is located on the property of US Steel Canada. As part of the evaluation, sidewall core samples were obtained from a 200-meter interval of the Ordovician Blue Mountain-Collingwood shales (Utica Shale equivalent) and were sent to a geochemical testing facility in Texas for detailed analysis. In addition, a dolomitized section of the Ordovician Trenton-Black River was perforated and fracture stimulated. The Company is currently monitoring the pressure buildup on the well.

#### **MOONCOR OIL & GAS LTD. AGREEMENT**

Greentree and Mooncor are currently in the leasing phase of the project, which was initiated July 28, 2008. In excess of 3,000 acres of land has been leased targeting shale gas potential in the Devonian Kettle Point formation (Antrim Shale equivalent in the Michigan Basin). In addition, natural gas and storage potential in the Silurian Guelph pinnacle reefs are being explored. The Antrim Shale of northern Michigan has produced over 2.5 trillion cubic feet of natural gas while the Silurian Guelph reefs of Ontario have produced over 800 billion cubic feet of natural gas and, are providing approximately 250 billion cubic feet of storage capacity. The project is moving forward with an evaluation of a number of opportunities with the acquisition of micro-gravity surveys and seismic data.

**LIQUIDITY AND CAPITAL RESOURCES:**

On October 31, 2008, the Company amended its loan facility. The amended facility provides Greentree with a \$1,925,000 revolving demand loan bearing interest payable monthly at the bank's prime lending rate plus 3.00%. Presently, the bank's prime lending rate is 4.00%. The Company's operating facility agreement requires that the Company meet certain covenants including one relating to a bank-calculated working capital ratio. As at September 30, 2008, the Company is compliant with the working capital ratio covenant.

The loan is collateralized by a \$10 million debenture with a floating charge over all assets of the Company with a negative pledge and undertaking to provide fixed charges on the Company's major producing petroleum and natural gas reserves at the request of the lender, a general assignment of book debts, insurance assignment showing the lender as first loss payee, an assignment of revenues and monies under material contracts, and a guarantee from Southwest Petroleum Explorations Inc., supported by debenture security.

As at September 30, 2008, \$1,229,730 of funds had been drawn against the aggregate credit facility of \$1,925,000. The available credit was approximately \$695,000. The bank has not waived its right to demand repayment of the outstanding principal balance and consequently the entire balance has been shown as a current liability.

On April 10, 2008, the Company closed the first tranche of a Private Placement Offering initially announced on February 26, 2008. The closing consisted of 1,524,999 units at a price of \$0.12 per unit for aggregate proceeds of \$183,000. Each unit consists of one (1) flow-through common share and one-half (1/2) of one common share purchase warrant ("Warrant"). Each whole Warrant issued entitles the holder to purchase one common share of the Company at a price of \$0.15 at any time until October 9, 2009. Finder's fees of \$12,810 (7% of the gross proceeds of the Offering) were payable in cash to Howco Ventures Inc. and 45,750 common shares were issued to Howco Ventures Inc. (representing 3% of the number of Units sold).

On May 22, 2008, the Company closed the second tranche of a Private Placement Offering initially announced on February 26, 2008. The second closing consisted of 720,000 units at a price of \$0.12 per unit for aggregate gross proceeds of \$86,000. The first and second closing aggregated \$269,000. Each Unit consists of one (1) flow-through common share and one-half (1/2) of one common share purchase warrant ("Warrant"). Each whole Warrant issued in the second tranche entitles the holder to purchase one common share of Greentree at a price of \$0.15 at any time until November 20, 2009. Greentree agreed to pay finder fees of \$8,640 in cash (representing 10% of the gross proceeds of the Offering) and, subject to regulatory approval, 67,000 broker compensation warrants (representing 10% of the number of Units sold). Each broker's warrant entitles the holder to purchase one common share of the Company at a price of \$0.12 at any time on or before November 20, 2009.

On June 27, 2008, the Company closed the first tranche of a Private Placement Offering. The closing consisted of 4,848,485 flow-through shares at a price of \$0.165 per flow-through share for gross proceeds of \$800,000. Greentree agreed to pay finders fees of \$80,000 in cash (representing 10% of the gross proceeds of the Offering) and, subject to regulatory approval, 484,849 broker compensation warrants (representing 10% of the number of Units sold). Each broker warrant entitles the holder to purchase one common share of the Company at a price of \$0.16 at any time on or before June 26, 2010.

On July 9, 2008, the Company closed the second tranche of a Private Placement Offering. The closing consisted of 1,562,500 units at a price of \$0.16 for gross proceeds of \$250,000. Each unit consisted of one (1) common share of the Company and one-half of one common share purchase warrant. Each whole warrant issued entitles the holder to purchase one common share of the Company at a price of \$0.20 at any time on or before July 8, 2010. Greentree agreed to pay finders fees of \$25,000 in cash (representing 10% of the gross proceeds of the Offering) and, subject to regulatory approval, 156,250 broker compensation warrants (representing 10% of the number of Units sold). Each broker warrant entitles the holder to purchase on common share of the Company at a price of \$0.20 at any time on or before July 8, 2010.

On April 17, 2008, the Federal Department of Finance issued a Letter of Demand for the payment of arrears in the amount of \$520,273. The demand is related to arrears of amounts owing in respect of income and other taxes payable. On June 27, 2008, the Company and the Federal Department of Finance agreed to an instalment repayment of not less than \$15,000 per month towards arrears commencing in July 2008. This arrangement is subject to a periodic review scheduled for December 2008.

**RELATED PARTY TRANSACTIONS:**

During the nine months ended September 30, 2008, the following transactions occurred in the normal course of business between the Company and a law firm of which a partner is a director and shareholder of the Company.

	<b>September 30, 2008</b>
<i>Transactions during the period:</i>	<b>(\$)</b>
Balance due to related party, beginning of period	104,924
Administrative expenses incurred	94,742
Directors' fees incurred	6,300
Payments made during the period	(85,000)
<b>Due to related party, end of period</b>	<b>120,966</b>

During the nine months ended September 30, 2008, the following transactions occurred in the normal course of business between the Company and non-management directors of the Company.

	<b>September 30, 2008</b>
<i>Transactions during the period:</i>	<b>(\$)</b>
Directors' fees due to non-management directors, beginning of period	-
Directors' fees recorded:	13,750
<b>Due to non-management directors, end of period</b>	<b>13,750</b>

These transactions were recorded at the exchange amount, which is the amount agreed to by the transacting parties. The balances are included in accounts payable and accrued liabilities in the consolidated balance sheets.

**CRITICAL ACCOUNTING ESTIMATES:**

Critical accounting estimates require Management to make assumptions regarding matters that are highly uncertain at the time the estimate is made and have a material impact on the financial condition of the Company.

**RESERVES:**

The Company's natural gas and oil reserves were evaluated and reported on by the independent petroleum engineering and geological consulting firm of Paddock Lindstrom & Associates Ltd., which evaluated the Company's reserves as at December 31, 2007. The estimation of reserves is a subjective process. Forecasts are based on engineering data, projected future rates of production and the timing of future expenditures, all of which are subject to numerous uncertainties and various interpretations. The Company expects that its estimates of reserves will change with updated information from the results of future drilling, testing or production levels. Such revisions could be upwards or downwards. Reserve estimates have a material impact on depletion and depreciation expense, asset retirement costs and impairment expense, which could possibly have a material impact on consolidated net income.

**DEPLETION:**

Capitalized costs and estimated future expenditures to develop proved reserves, including abandonment costs, are depleted based on the proportion of estimated proved oil and natural gas reserves produced during the year compared to total proved reserves. Investments in unproved properties and major development projects are not depleted until proved reserves associated with the projects can be determined or until impairment occurs. If it is determined that properties are impaired, the amount of the impairment is added to the capitalized costs to be depleted.

**IMPAIRMENT:**

In applying the full cost method of accounting, the Company periodically calculates a ceiling, or limitation on the amount that petroleum and natural gas properties may be carried for on the balance sheet. Impairment exists if the undiscounted future net cash flows from proved reserves at future commodity prices plus the cost of undeveloped properties is less than the carrying value of the capitalized costs. If impairment is found to exist, the impaired properties are written down to their fair value. The fair value of the assets is calculated based on future net cash flows from proved plus probable reserves, discounted at a 10% rate using future commodity prices, plus the cost of undeveloped properties. Impairment may result in a material loss for a particular period; however, future depletion and depreciation expense would be reduced. Assumptions about reserves and future prices are required to calculate future net cash flows. The assumptions made to estimate reserves have been previously discussed. There is significant uncertainty regarding forecasting future commodity prices due to economic and political uncertainty. Future prices are derived from a consensus of price forecasts among recognized reserve evaluators. Estimates of future cash flows assume a long-term price forecast and current operating costs per boe plus an inflation factor. It is difficult to determine and assess the impact of a decrease in proved reserves on impairment. The relationship between reserve estimates and the estimated undiscounted cash flows, and the nature of the impairment test, is complex.

**ASSET RETIREMENT OBLIGATIONS:**

The Company is required to remove production equipment, batteries, pipelines, gas plants and restore land at the end of natural gas and oil operations. The Company estimates these costs in accordance with existing laws, contracts and other policies. These obligations are initially measured at fair value, which is the discounted future value of the liability. These costs are also capitalized as part of the cost of the related assets and amortized over the useful life of the assets.

An annual increase to the liability will be recorded to recognize the passage of time and the impending settlement of the obligation. The liability will be impacted by any changes in the assumptions used in the asset retirement obligation calculation. Adjustments to the estimate will be recorded as an expense on the consolidated statements of earnings.

The asset retirement obligation calculations were derived from typical industry experience and practices. The deemed asset retirement obligation liability for wells and facilities is the sum of the calculated abandonment and reclamation liabilities adjusted for designated status as active, inactive, abandoned, or problem site.

Estimating future asset removal costs is difficult and requires Management to make estimates and judgments because most of the removal obligations are many years in the future and contracts and regulations often have vague descriptions of what constitutes removal. Asset removal technologies and costs are constantly changing, as well as regulatory, political, environmental, safety and public relations considerations. As a result, it is not possible to provide a reasonable analysis of the impact that changes in removal costs would have on the asset retirement obligation.

**OPERATIONAL AND FINANCIAL CONDITIONS AND RISKS:**

Greentree's operations are subject to risks normally associated with the natural gas and oil industry. Oil and natural gas exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Greentree cannot provide any assurances that commercial quantities of natural gas and crude oil will be discovered by the Company. The marketability of natural gas and crude oil acquired or discovered will be affected by numerous factors beyond the control of the Company. These factors include reservoir characteristics, the proximity and capacity of oil and natural gas pipelines, processing equipment and government regulation.

The Company is exposed to financial risks including interest rate risk on its operating facility, and commodity prices and expenditure costs shifting due to changes in market conditions. Commodity prices are driven by supply, demand and market forces outside the Company's influence. Greentree's ability to raise additional capital will depend upon a number of factors, such as general economic and market conditions that are beyond its control.

**QUARTERLY INFORMATION:**

Quarterly Data (unaudited)	2008			
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
Gas and oil revenues	498,454	641,366	609,511	
Normalized earnings before interest, taxes, depreciation and amortization (EBITDA) <sup>1</sup>	120,099	231,391	135,374	
Basic & diluted earnings (loss) per share	-	-	-	
Cash flow	47,662	173,281	112,834	
Operating netback per boe <sup>2</sup>	26.93	42.72	28.35	
Operating and G&A netback per boe <sup>3</sup>	14.03	27.45	19.22	
Production (boe/d)	93	90	90	

Quarterly Data (unaudited)	2007			
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
Gas and oil revenues	437,185	494,427	451,165	385,730
Normalized earnings before interest, taxes, depreciation & amortization (EBITDA) <sup>1</sup>	(49,726)	131,904	88,420	69,704
Basic & diluted earnings (loss) per share	(0.01)	-	(0.01)	-
Cash flow	(38,321)	52,972	1,804	(32,987)
Operating netback per boe <sup>2</sup>	21.51	27.24	20.89	17.30
Operating and G&A netback per boe <sup>3</sup>	5.61	13.54	10.33	6.66
Production (boe/d)	94	98	102	89

1. Normalized EBITDA eliminates the effect of unusual, irregular or non-recurring items.
2. Operating netback is calculated as oil and gas revenues less royalties and normalized operating expenses.
3. Operating and G&A netback is calculated as oil and gas revenues less royalties, less normalized operating expenses, and normalized general and administrative expenses.

**FUTURE OUTLOOK:**

The Company is continuing to execute the strategy of adding low risk oil and natural gas production in the Norfolk and Rodney properties. In addition, Greentree has three projects with high-upside potential that require minimal capital exposure. These include the Haldimand project with US Steel, Tilbury West and the Mooncor agreement.

**RESPONSIBILITY FOR FINANCIAL STATEMENTS:**

The accompanying consolidated financial statements for Greentree Gas & Oil Ltd. have been prepared by Management in accordance with Canadian GAAP consistently applied. The most significant of these accounting principles have been set out in the statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the consolidated financial statements, Management is satisfied that these consolidated financial statements have been fairly presented.