Management's Report to the Shareholders

The accompanying financial statements of Wedge Energy International Inc. are the responsibility of management. The financial statements have been prepared by management in accordance with generally accepted accounting principles.

Wedge Energy International Inc. maintains appropriate systems of internal control, which are designed to provide reasonable assurance that transactions are appropriately authorized, the Company's assets are safeguarded from loss or unauthorized use and financial records provide reliable and accurate information for the preparation of financial statements.

These statements have not been audited at this time. The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls. The Board of Directors is responsible for exercise this responsibility through the Audit Committee. This Committee, which has a majority of non-management Directors, meets with management to satisfy itself that management responsibilities are properly discharged and to review the financial statements before they are presented to the Directors for approval. The financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

(signed)

Robin Dow
Chief Executive Officer
April 29, 2008

(signed)

Brad Haack
Chief Financial Officer
April 29, 2008

WEDGE ENERGY INTERNATIONAL INC.

Contents

WEDGE ENERGY INTERNATIONAL INC.
Consolidated Balance Sheets
As at December 31

		2007		2006
ASSETS				
Current				
Cash and equivalents	**$**	**852,008**	$	682,675
Accounts receivable		**214,389**		50,099
Prepaid expenses		**105,465**		8,274
		1,171,862		741,048
Deferred costs (note 4)		**0**		119,343
Property and equipment (note 5)		**1,734,076**		1,124,066
	$	**2,905,938**	$	1,984,457
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**531,063**	$	405,792
		531,063		
Asset retirement obligations (note 10)		**50,273**		35,918
		581,336		441,710
SHAREHOLDERS' EQUITY				
Share capital (note 6)		**7,067,251**		3,133,013
Warrants (note 7)		**944,898**		258,609
Contributed surplus (note 8)		**65,652**		19,133
Deficit		**(5,753,199)**		(1,868,008)
		2,324,602		1,542,747
	$	**2,905,938**	$	1,984,457

On behalf of the Board:

signed *"Robin Dow"* Director   signed *"David J. Badyk"* Director

See accompanying notes to the financial statements

WEDGE ENERGY INTERNATIONAL INC.
Consolidated Statements Of Operations And Deficit
For the year ended December 31, 2007 and from February 10, 2006 to December 31, 2006

		2007		2006
Revenue				
Petroleum and natural gas sales	$	**60,415**	$	-
Royalties		**(20,648)**		-
Interest and other income		**45,106**		14,077
		84,873		14,077
Expenses				
Production		**18,926**		
General and administrative		**1,057,142**		825,363
Depletion, depreciation and accretion		**1,298,554**		1,073,311
Loss (gain) on foreign exchange		**124,437**		(16,589)
Deferred cost writedown		**1,471,005**		-
		3,970,064		1,882,085
Net (loss) and comprehensive loss for the period		**(3,885,191)**		(1,868,008)
Deficit, beginning of period		**(1,868,008)**		-
Deficit, end of period	**$**	**(5,753,199)**	$	(1,868,008)
Loss per share - basic and diluted	**$**	**(0.26)**	**$**	(0.21)

See accompanying notes to the financial statements

WEDGE ENERGY INTERNATIONAL INC.

Consolidated Statement of Cash Flows

For the year ended December 31, 2007 and from February 10, 2006 to December 31, 2006

	2007	2006
Operating activities		
Net loss for the period	$ (3,885,191)	$ (1,868,008
Add back (deduct) non-cash items:		
Transaction costs	79,523	-
Non-cash interest	(42,702)	-
Depletion, depreciation and accretion	1,298,554	1,073,311
Deferred cost writedown	1,471,005	
	(1,078,811)	(794,697
Change in non-cash working capital	(136,210)	142,460
	(1,215,021)	(652,237)
Financing activities		
Proceeds from share issuance, net of costs	4,706,866	3,410,755
Change in non-cash working capital	-	(10,000)
	4,706,866	3,400,755
Investing activities		
Expenditures on property and equipment	(1,894,208)	(2,161,459)
Deferred costs	(1,428,303)	(119,343)
Change in non-cash working capital	-	214,959
	(3,322,511)	(2,065,843)
Increase (decrease) in cash and equivalents	169,334	682,675
Cash and equivalents, beginning of year	682,675	-
Cash and equivalents, end of year	$ 852,009	$ 682,675

See accompanying notes to the financial statements

1. Nature of operations and basis of presentation

Wedge Energy International Inc. (the "Company" or "WEII") was incorporated on July 5, 1996 under the Ontario Business Corporations Act. The Company changed its name to Alyattes Enterprises Inc. in 1999, and took its current name on February 1, 2007. The Company is engaged in the business of acquisitions and production and exploration of energy resource assets. The Company is considered to be in the development stage as it has yet to earn significant commercial revenues and it is devoting substantially all its efforts and equity funds towards the development of these projects.

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. To fund its past development activities, the Company has raised equity capital. Management is of the opinion that additional funding is available and may be sourced in time to allow the Company to continue its development of energy resource assets.

While it has been successful in the past, there can be no assurance that it will be able to raise sufficient funds in the future. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principals. Because a precise determination of many assets and liabilities is dependant upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. Accordingly, actual results could differ from those estimates. In management's opinion, the financial statements have been properly prepared using careful judgement within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Cash and cash equivalents

Cash and cash equivalents include cash balances with banks and term deposits with original maturities of three months or less.

b) Deferred costs

The Company defers costs associated with corporate transactions until such time as the transaction is completed, upon which the costs are included as part of the consideration paid. Should the company fail to complete a transaction for which costs have been deferred, the deferred costs would be expensed in the statement of loss and deficit at the time the related transaction is terminated.

c) Property and equipment

i) Capitalized costs

The Company follows the full cost method of accounting for its petroleum and natural gas operations. Under this method, all costs related to the exploration for and development of petroleum and natural gas reserves are capitalized. Costs include lease acquisition costs, geological and geophysical expenses and costs of drilling both productive and non-productive wells and equipment costs. Proceeds from the sale of properties are applied against capitalized costs and gains or losses are not recognized unless such sale would alter the depletion rate by more then 20%

ii) Depletion and depreciation

Depletion and depreciation of undeveloped land, seismic and producing assets, net of estimated salvage or residual value, is provided using the geographic data unit-of-production method based upon estimated gross proven petroleum and natural gas reserves as determined by independent engineers. In determining its depletion base, the Company includes the cost of undeveloped land at the rate of 20% per year. For depletion and depreciation purposes, relative volumes of petroleum and natural gas production and reserves are converted at the energy equivalent conversion rate if six thousand cubic feet of natural gas to one barrel of crude oil. Office equipment is depreciated on a declining balance basis over its estimated useful life at rates varying from 20% to 45%.

iii) Impairment test

In applying the full cost method, the Company calculates a ceiling test whereby the carrying value of property and equipment is compared to the sum of the undiscounted cash flows expected to result from the future production of proven reserves at the cost, less any impairment of unproved properties. Cash flows are based on third party quoted forward prices, adjusted for transportation and quality differentials. Should the ceiling test result in an excess of carrying value, the Company would then measure the amount of impairment by comparing the carrying amounts of property and equipment to an amount equal to the estimated net present value of future cash flows from proven plus probable reserves and the cost of unproved properties. A risk-free interest rate is used to arrive at the net present value of the future cash flows. Any excess carrying would be recorded as a permanent impairment. Undeveloped land is excluded from the ceiling test and a separate impairment test is performed.

d) Asset retirement obligation

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. The fair value is determined through a review of engineering studies, industry guidelines, and management's estimate on a site-by-site basis. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the statement of operations. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. The increase in the carrying value of the asset is amortized using the unit of production method based on estimated gross proved reserves as determined by independent engineers. Actual costs incurred upon settlement of the asset retirement obligations are charged against the asset retirement obligation to the extent of the liability recorded.

e) Joint operations

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

f) Future income taxes

The Company follows the liability method of accounting for income taxes. Under this method future tax assets and liabilities are determined based on differences between financial reporting and income tax bases of assets and liabilities, and are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in net income in the period in which the change is substantively enacted. A valuation allowance is recorded against a future income tax asset if it is more likely than not that the asset will not be realized.

g) Revenue recognition

Interest income is recognized in the Statement of Loss as it is earned.

h) Stock-based compensation

Options to purchase common shares are granted to third parties as compensation for financing fees in relation to private placements of the Company's securities, the terms of which are determined by management at the time of grant. The fair value of such options is estimated at the time of grant using the Black-Scholes pricing model and is recorded as share issue costs with a corresponding amount recorded as contributed surplus. Upon the exercise of stock options, the consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital. In the event that vested option expire, previously recognized share issue costs associated with such stock options are not reversed. Management is of the opinion that employees and consultants will likely exercise options as the associated terms come due.

i) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accounts receivables are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. The amount recorded for depletion and depreciated of property and equipment and the ceiling test are based on estimates of grossed proved reserves, production rates, petroleum and natural prices, future costs and other relevant assumptions. The amounts recorded for stock-based compensation are estimated using the Black-Scholes model based on estimates of assumptions for expected volatility and risk free interest rates. By their nature, estimates are subject to measurement uncertainty, and the impact in the financial statements of future periods could be material. Management estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

j) Flow-through shares

Share capital includes flow-through shares issued pursuant to certain provisions of the Income Tax Act (Canada) (the "Act"). The Act provides that, where the share issuance proceeds are used for exploration and development expenditures, the related income tax deduction may be renounced to subscribers. Accordingly, these expenditures provide no income tax deduction to the Company. Share capital is reduced and a future income tax liability is recorded for the estimated future tax cost of the renounced expenditures, on the date that the Company files the renouncement documents with Canada Revenue Agency.

k) Per share amounts

The treasury stock methods of calculating diluted per share amounts is used whereby any proceeds from the exercise of in-the-money stock options or warrants are assumed to be used to purchase, for cancellation, common shares of the Corporation at the average market price during the year. Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the year. Diluted per share amounts reflect the potential dilution that could occur if stock options or warrants to purchase common shares were exercised and converted to common shares.

3. Changes in Significant Accounting Policies

Effective January 1, 2007 the Company adopted the following new Canadian Institute of Chartered Accountants (CICA) sections:

- Section 1506, Accounting Changes
- Section 1530, Comprehensive Income;
- Section 3251, Equity;
- Section 3855, *Financial Instruments – Recognition and Measurement;*
- Section 3861, *Financial Instruments – Disclosure and Presentation*; and
- Section 3865, *Hedges*.

These standards have been adopted prospectively and there was no effect on the financial results of current or prior periods as a result of adoption of these standards.

CICA 1506 – Accounting Changes

Under the revised standards, voluntary changes in accounting policies are permitted only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impractical to determine the period or cumulative impact of the change. Corrections of prior period errors are applied retrospectively and changes in accounting estimates are applied prospectively by including these changes in earnings.

CICA 1506 – Comprehensive Income
CICA 1506 – Accounting Changes

Comprehensive income is described as the change in a company's net assets that result from transactions, events and circumstances from non-owner sources.

CICA 3855 - Financial Instruments – Recognition and Measurement

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. All financial instruments must be classified as one of the following five categories; held-for trading; held-to-maturity instruments; loans and receivables; available-for-sale financial assets; or other financial liabilities. All financial instruments, with the exception of loans and receivables, held-to-maturity investments and other financial liabilities measured at amortized cost, are reported on the balance sheet at fair value. Subsequent measurement and changes in fair value will depend on their initial classification. Available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in earnings.

CICA 3861 – Financial Instruments – Disclosure and Presentation

All derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value unless they qualify for the normal sale and purchase exception. All changes in fair value are included in earnings unless cash flow hedge or net investment accounting is used, in which case changes in fair value are recorded in other comprehensive income, to the extent the hedge is effective, and in earnings, to the extent it is ineffective.

CICA 3865 - Hedges

Section 3865 established standards for when and how hedge accounting may be applied. Hedge accounting continues to be optional. At inception of the hedge, the Company must formally document the designation of the hedge, the risk management objectives, the hedging relationships between the hedged items and the hedging items and the methods for testing the effectiveness of the hedge. The Company assesses, both at inception of the hedge and on an ongoing basis, whether the derivatives designated as hedges are highly effective in offsetting changes in fair values or cash flows of hedged items.

For cash flow hedges that have been terminated or cease to be effective, prospective gains or losses on the derivative are recognized in earnings. Any gain or loss that has been included in accumulated other comprehensive income at the time the hedge is discontinued continues to be deferred in accumulated other comprehensive income until the original hedged transaction is recognized in earnings. If the likelihood of the original hedged transaction occurring is no longer probable, the entire gain or loss in accumulated other comprehensive income related to this transaction is immediately reclassified to earnings.

3. Reverse takeover transaction

On January 31, 2007, Alyattes Enterprises Inc. ("AEI") completed a "three-cornered" amalgamation with 1272639 Alberta Ltd. (a wholly owned subsidiary of AEI) and Wedge Energy Inc. ("Wedge") pursuant to the Business Corporations Act (Alberta). Wedge and that AEI subsidiary were amalgamated, continuing under the name Wedge Energy Inc., and AEI issued common shares to the former shareholders of Wedge. On February 1, 2007, AEI changed its name to Wedge Energy International Inc.

For accounting purposes, the Qualifying Transaction is considered a reverse takeover ("RTO") with AEI identified as the acquirer and Wedge the deemed acquired company.

There are a number of factors that indicate that Wedge Energy International Inc. is the continued entity for accounting purposes including: the continued use of the Wedge name and its principal business operations; dominance of the management of Wedge; dominance of the Board of Wedge by Wedge management and nominees and the lack of any individually significant shareholdings other than former Wedge shareholders.

Because of applying reverse takeover accounting, these financial statements have been prepared on the basis that Wedge is the continuing entity. The Qualifying Transaction has been accounted for as a capital transaction of Wedge.

A summary of the net assets acquired of AEI on January 31, 2007 is as follows:

Other receivables		1,074
Accounts payable and accrued liabilities		(40,894)
Net liability	$	(39,820)

The net liabilities of AEI were charged to retained earnings and the costs incurred to complete the RTO were expensed in the statement of operations.

4. Deferred costs - Kazakhstan

Since January 2007, the Company has obtained several promissory notes on loans advanced to an unrelated party (the "Borrower") to attempt to support legal proceedings to confirm ownership of charter capital by the Borrower in a company holding an oil and gas exploration and production license in Kazakhstan (the "Licensee" and the "License" respectively). The license covers approximately 22,000 sq. km (2.2 million ha.) in the SyrDarya Basin in Kazakhstan.

To December 31, 2007 the Company has advanced US $1,411,367 (CDN$1,529,359) to the Borrower. These advances are secured against the charter capital of the Borrower in the Licensee. The Company will hold the right to purchase a 70% interest in the opportunity at a purchase price equal to the loan advances, and to pay 70% of initial license exploration expenses; or to remain in a secured position, with the right in default of repayment to seize 70% of the Borrower's holding in the Licensee. The promissory notes bear annual interest of 5%. The Company has accrued US $42,195 (CD $43,684) in interest to December 31, 2007 and this has been included in advances.

To date, the Borrower has, through judicial decree in Kazakhstan, secured its ownership to 49% of the Licensee's charter capital: and has obtained an initial decree as to its ownership of the remaining 51% of such charter capital. An appeal court has sent the issue back to the originating court for review of both the 49% and the 51%. A final decision could wait until late 2008 or early 2009. Due to the length of time to resolve this issue and the uncertainty of the resolution the Company has decided to expense this item in the current period, and if the process is successful it will be a recovery of the costs.

5. Property and Equipment

Capital assets consist of petroleum and natural gas properties and office equipment.

	DECEMBER 31, 2007		
	Cost	Accumulated depletion, depreciation and accretion	Net Book Value
Petroleum and natural gas properties	$ 4,080,662	$ 2,363,464	$ 1,717,199
Administrative assets	22,471	5,594	16,877
	$ 4,103,133	$ 2,369,058	$ 1,734,076

	DECEMBER 31, 2006		
	Cost	Accumulated depletion, depreciation and accretion	Net Book Value
Petroleum and natural gas properties	$ 2,190,428	$ 1,072,111	$ 1,118,317
Administrative assets	6,949	1,200	5,749
	$ 2,197,377	$ 1,073,311	$ 1,124,066

As at December 31, 2007, the Company's petroleum and natural gas properties were comprised of undeveloped land and drilling costs. In the first quarter of 2007, the Company entered into a three well participation agreement with an unrelated Canadian company to pay 66.66% of costs to earn a 50% working interest in 3,108 hectares of oil and natural gas rights in the Rattlesnake Creek Basin of Montana. The first two wells were drilled in April 2007, and the results did not support any further activity.

The Company advanced US$767,213 to the operator to drill the three wells. Of the balance of $303,501 advanced for the third well, US$235,501 remains outstanding from the operator, pending a final assessment of the overage costs of the first two wells, if any, and recovery of costs relating to such things as casing, which can be sold for recovery to their joint account.

6. Share Capital

a) Issued and outstanding:

	Shares		Amount
Authorized			
Unlimited number of common voting shared			
Unlimited number of preferred non-voting shares			
Issued			
Class A common shares			
Founders shares (i)	5,275,000	$	39,250
Private placement (ii)	3,908,800		1,954,400
Private placement (iii)	700,000		415,954
Private placement (iv)	218,700		218,700
Private placement (v)	1,000,000		600,437
Private placement (vi)	4,200		4,200
Flow through shares (vii)	128,000		128,000
Share issue costs (viii)	-		(227,927)
Balance December 31, 2006	**11,234,700**		**3,133,013**
Private placement (ix)	1,001,000		887,733
Flow through shares (x)	98,000		122,500
Alyattes share exchange (xi)	675,000		-
Private placement (xii)	1,146,500		1,016,767
Private placement (xiii)	1,700,000		809,200
Flow through shares (xiv)	1,170,000		556,920
Private placement (xv)	1,440,000		684,000
Flow through shares (xvi)	50,000		23,750
Flow through shares (xvii)	825,000		391,875
Private placement (xviii)	1,709,030		-
Tax effect of flow through renouncement	-		(30,000)
Excess consideration on reverse	-		(39,821)
Share issue costs (xvix)	-		(222,456)
Balance December 31, 2007	**21,049,230**	**$**	**7,067,251**

i) In January and February 2006, the Company completed the founders' equity of 1,500,000 common shares at $0.001 per share for gross proceeds of $1,500 and 3,775,000 common shares at $0.01 per share for gross proceeds of $37,750. Officers and directors subscribed for 3,675,000 common shares.

ii) During March to June 2006, the Company completed the private placement of 3,908,800 common shares at $0.50 per share for gross proceeds of $1,954,400.

iii) In August and September 2006, the Company completed the private placement of 700,000 units at $0.75 per unit for gross proceeds of $525,000. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share of the Company at an exercise price of $1.00 per share on or before August 1, 2008. $109,046 has been ascribed to the value of the warrants and the remaining amount of $415,954 has been ascribed to the value of the common shares. The value of the warrants was estimated using the Black-Scholes pricing model assuming a risk-free interest rate of 4.11%; weighted average life of 2 years; dividend yield of nil; and expected volatility of 50%.

iv) In October and November 2006, the Company completed the private placement of 218,700 common shares at a price of $1.00 per common share for gross proceeds of $205,200 Canadian and $12,150 US. A director and officer of the Company received $3,235 in management fees in relation to these placements. In addition, the Company paid cash compensation of $3,375 and issued 6,750 compensation share options to two unrelated parties in conjunction with the private placement. Each compensation share option entitled the holder to acquire one common share at an exercise price of $1.00 on or before November 1, 2007. None of these options were exercised.

v) In October 2006, the Company completed the private placement of 1,000,000 units at $0.75 per unit for gross proceeds of $750,000. Each unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $1.00 per share on or before October 1, 2008. $149,563 has been ascribed to the value of the warrants and the remaining amount of $600,437 has been ascribed to the value of the common shares. The ascribed value of the warrants was estimated using the Black-Scholes pricing model assuming a risk-free interest rate of 4.11%; weighted average life of 2 years; dividend yield of nil; and expected volatility of 50%.

In connection with the closing of this private placement, a director and officer of the Company received $7,500 in management fees. In addition, the Company paid cash compensation of $37,500 and issued 100,000 compensation unit options to an unrelated party. Each compensation unit option entitled the holder to acquire one unit, as described above, at an exercise price of $0.75 per unit on or before October 1, 2007. None of these options were exercised.

The private placement obligates the Company to complete an “Exit Event”, which is defined to include the listing on the TSX-V of the Company’s common shares that is to be formed as a result of business combination of Wedge Energy inc. and Alyattes Enterprises Inc. or the listing of the Company’s common shares on the Toronto Stock Exchange or the TSX-V on or before December 31, 2006, failing which the Company will be required to issue a number of common shares that is equal to 2% of the units subscribed for under the aforementioned closing and a further 2% every 30days thereafter until such time that an Exit Event is completed.

vi) In December 2006, the Company completed the private placement of 4,200 common shares at $1.00 per share for gross proceeds of $4,200.

vii) In December 2006, the Company completed the private placement of 128,000 flow-through shares at a price of $1.00 per share for gross proceeds of $128,000. The Company had until December 31, 2007 to incur $128,000 of qualifying flow-through expenditures. This requirement was achieved.

viii) Costs associated with the placement of shares have been netted back against the share proceeds to reflect the true proceeds of share issuances.

ix) In January 2007, The Company completed the private placement of 1,001,000 units at a price of $1.00 per unit for gross proceeds of $1,001,000. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share at an exercise price of $1.25 per share on or before March 1, 2009. $113,267 has been ascribed to the value of the warrants and the remaining amount of $887,733 has been ascribed to the value of the common shares. The value of the warrants was estimated using the Black-Scholes pricing model assuming a risk-free interest rate of 4.11%; weighted average life of 2 years; dividend yield of nil; and expected volatility of 50%.

x) In January 2007, the Company completed a private placement of 98,000 flow-through shares at a price of $1.25 per share for gross proceeds of $122,500.Wedge has until December 31, 2008 to incur $122,500 of qualifying flow-through expenditures.

xi) On January 31, 2007, the Company consolidated its capital under an Amalgamation Agreement that was completed entirely on February 1, 2007 together with the change of name to Wedge Energy International Inc. Upon closing of the amalgamation, the Company exchanged 675,000 shares of Wedge Energy International Inc. for 675,000 shares of Alyattes Enterprises Inc.

xii) In March 2007, the Company completed the private placement of 1,146,500 units at a price of $1.00 per unit for gross proceeds of $1,146,500. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share at an exercise price of $1.25 per share on or before March 12, 2009. $129,733 has been ascribed to the value of the warrants and the remaining amount of $1,016,767 has been ascribed to the value of the common shares. The value of the warrants was estimated using the Black-Scholes pricing model assuming a risk-free interest rate of 4.11%; weighted average life of 2 years; dividend yield of nil; and expected volatility of 50%.

xiii) In September 2007, the Company completed a private placement of 1,700,000 units at a price of $0.50 per unit for gross proceeds of $850,000. Each unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.75 per share on or before September 1, 2009. $40,800 has been ascribed to the value of the warrants and the remaining amount of $809,200 has been ascribed to the value of the common shares. The value of the warrants was estimated using the Black-Scholes pricing model assuming a risk-free interest rate of 4.11%; weighted average life of 2 years; dividend yield of nil; and expected volatility of 50%.

xiv) In September 2007, the Company completed a private placement of 1,170,000 units at a price of $0.50 per unit for gross proceeds of $585,000. Each unit is comprised of one flow-through common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.75 per share on or before September 1, 2009. $28,800 has been ascribed to the value of the warrants and the remaining amount of $556,920 has been ascribed to the value of the flow-through common shares. The value of the warrants was estimated using the Black-Scholes pricing model assuming a risk-free interest rate of 4.11%; weighted average life of 2 years; dividend yield of nil; expected volatility of 50%. The Company has until December 31, 2008 to incur $585,000 of qualifying flow-through expenditures.

xv) In October 2007, the Company completed a private placement of 1,440,000 units at a price of $0.50 per unit for gross proceeds of $720,000. Each unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.75 per share on or before September 1, 2009. $36,000 has been ascribed to the value of the warrants and the remaining amount of $684,000 has been ascribed to the value of the common shares. The value of the warrants was estimated using the Black-Scholes pricing model assuming a risk-free interest rate of 4.11%; weighted average life of 2 years; dividend yield of nil; expected volatility of 50%.

xvi) In October 2007, the Company completed a private placement of 50,000 units at a price of $0.50 per unit for gross proceeds of $25,000. Each unit is comprised of one flow-through common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share on or before September 1, 2009. $1,250 has been ascribed to the value of the warrants and the remaining amount of $23,750 has been ascribed to the value of the flow-through common shares. The value of the warrants was estimated using the Black-Scholes pricing model assuming a risk-free interest rate of 4.11%; weighted average life of 2 years; dividend yield of nil; expected volatility of 50%. The Company has until December 31, 2008 to incur $25,000 of qualifying flow-through expenditures.

xvii) In November 2007, the Company completed a private placement of 825,000 units at a price of $0.50 per unit for gross proceeds of $412,500. Each unit is comprised of one flow-through common share and common share purchase warrant. Each common share purchase warrant entitles the holder to acquire, at the option of the holder, either one common share at a price of $0.75 per share or one flow-through common share at a price of $0.75 per flow-through share on or before November 15, 2009. $20,625 has been ascribed to the value of the warrants and the remaining amount of $391,875 has been ascribed the value of the flow-through common shares. The value of the warrants was estimated using the Black-Scholes pricing model assuming a risk free interest rate of 4.11%; weighted average life of 2 years; dividend yield of nil; expected volatility of 50%. The Company has until December 31, 2008 to incur $412,500 of qualifying flow-through expenditures.

xviii) During the year, the Company has issued 1,709,030 common shares in connection with the penalty for non-completion of the Exit Event referred to in note (v) above. These common shares were issued as penalty shares for no consideration.

b) Compensation options

The Company has granted compensation options for shares and units in connection with the closing of private placements. As at December 31, the following compensation options were outstanding:

	2007			2006		
	Options		**Weighted Average Exercise Price**	Options		Weighted Average Exercise Price
Share Options						
Outstanding, beginning of year	**30,450**	**$**	**0.61**	-	$	-
Granted				30,450		0.61
Cancelled	**(30,450)**		**0.61**	-		-
Outstanding, end of year	**0**	**$**	**0.00**	30,450	$	0.61
Exercisable, end of year	**0**		**0.00**	30,450	$	0.61
Unit Options						
Outstanding, beginning of year	**100,000**	**$**	**0.75**	-	$	-
Granted	**270,000**		**0.68**	30,450		0.61
Cancelled	**(100,000)**		**0.75**	-		-
Outstanding, end of year	**270,000**	**$**	**0.68**	30,450	$	0.61
Exercisable, end of year	**270,000**		**0.68**	30,450	$	0.61

i) In March 2007, the Company granted 100,000 compensation unit options. Each compensation unit option vests immediately and entitles the holder to acquire one unit at an exercise price of $1.00 per unit on or before March 1, 2008. Each compensation unit is comprised of one common share and one-half of one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $1.25 per share on or before March 1, 2008. The fair value of the compensation unit options was estimated to be $20,994 using the Black-Scholes pricing model assuming a risk-free interest rate of 3.89%; weighted average life of one year; dividend yield of nil; expected volatility of 50%. The fair value of the compensation unit warrants was estimated to be $6,354 using the Black-Scholes pricing model assuming a risk-free interest rate of 3.89%; weighted average life of one year; dividend yield of nil; expected volatility of 50%.

ii) In November 2007, the Company granted 100,000 compensation unit options. Each compensation unit option vests immediately and entitles the holder to acquire one unit at an exercise price of $0.50 per unit on or before October 19, 2009. Each compensation unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.75 per share on or before October 19, 2009. The fair value of the compensation unit options was estimated to be $15,065 using the Black-Scholes pricing model assuming a risk-free interest rate of 3.95%; weighted average life of 2 years; dividend yield of nil; expected volatility of 50%.. The fair value of the compensation unit warrants was estimated to be $8,256 using the Black-Scholes pricing model assuming a risk-free interest rate of 3.95%; weighted average life of 2 years; dividend yield of nil; expected volatility of 50%.

iii) In December 2007 the Company granted 10,000 compensation unit options. Each compensation unit option vests immediately and entitles the holder to acquire one unit at an exercise price of $0.50 per unit on or before November 15, 2009. Each compensation unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.75 per share on or before November 15, 2009. The fair value of the compensation units were estimated to be $1,479 using the Black-Scholes pricing model assuming a risk-free interest rate of 3.85%; weighted average life of 2 years; dividend yield of nil; expected volatility of 50%.. The fair value of the compensation unit warrants was estimated to be $798 using the Black-Scholes pricing model assuming a risk-free interest rate of 3.85%; weighted average life of 2 years; dividend yield of nil; expected volatility of 50%.

iv) In December 2007 the Company granted 60,000 compensation unit options. Each compensation unit option vests immediately and entitles the holder to acquire one unit at an exercise price of $0.50 per unit on or before November 15, 2009. Each compensation unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.75 per share on or before November 15, 2009. The fair value of the compensation units was estimated to be $8,981 using the Black-Scholes pricing model assuming a risk-free interest rate of 3.92%; weighted average life of 2 years; dividend yield of nil; expected volatility of 50%. The fair value of the compensation unit warrants was estimated to be $4,895 using the Black-Scholes pricing model assuming a risk-free interest rate of 3.92%; weighted average life of 2 years; dividend yield of nil; expected volatility of 50%.

v)

The fair values of compensation unit options have been recorded as share issue costs.

c) Per share amounts

Per share calculations are based on the weighted average number of common shares outstanding during the period of 14,946,529. In computing diluted per share amounts, all the Company's outstanding options and warrants have been excluded, as they are anti-dilative.

7. Warrants

Common share purchase warrants outstanding and exercisable at December 31, 2007 are summarized as follows:

Issue date	Number of warrants	Exercise price		Ascribed value		Expiry date
August 2006	700,000	$	1.00	$	109,046	August 31, 2008
October 2006	1,000,000		1.00		149,563	October 1, 2008
January 2007	500,500		1.25		113,267	March 1, 2009
March 2007	573,250		1.25		129,733	March 1, 2009
September 2007	1,700,000		0.75		40,800	September 1, 2009
September 2007	1,170,000		0.75		28,080	September 1, 2009
October 2007	1,440,000		0.75		36,000	September 1, 2009
October 2007	50,000		0.75		1,250	September 1, 2009
December 2007	825,000		0.75		20,625	November 15, 2009
	7,958,750	$	0.87	$	628,364	

8. Contributed surplus

The following table reconciles the Company's contributed surplus:

		2007		2006
Balance, beginning of period	**$**	**19,133**	$	-
Compensation share options				3,937
Compensation unit options		**46,519**		15,196
Balance, end of period	**$**	**65,652**	$	19,133

9. Change in non-cash working capital

The change in non-cash working capital for the period January 1, 2007 to December 31, 2007 is as follows:

		2007		2006
Accounts receivable	**$**	**(164,290)**	$	
Prepaid expenses and deposits		**(97,191)**		
Accounts payable and accrued liabilities		**125,271**		
Taxes payable		**-**		-
Corporate acquisition of working capital		**-**		-
Net change in non-cash working capital		**(47,023)**		142,460

10. Asset Retirement Obligations

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the asset retirement obligations associated with the retirement of oil and natural gas properties:

		2007		2006
Balance, beginning of year	**$**	**35,918**	$	0
Liabilities incurred		**11,548**		35,918
Accretion expense		**2,807**		
Balance, end of year		**50,273**		35,918

The Company estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations at December 31, 2007 is $78,088 (December 31, 2006 - $45,101), which will be incurred between 2008 and 2009. An inflation rate of 2% (December 31, 2006 – 2%) was used to inflate the costs, and a credit-adjusted risk-free rate of 8% (December 31, 2007 – 8%) was used to calculate the fair value of the asset retirement obligations. The obligations will be funded from general Company resources at the time of abandonment.

11. Income Taxes

The Company's has no current tax obligations in 2007. The Company has no future tax obligations for 2007 ($0.00 – 2006). At December 31, 2007 the Company has $3,100,000 of tax pools and $760,000 of non-capital losses available for deduction against future taxable income. Non-capital losses expire in 2026.

12. Related party transactions

A director of the Company, who resigned December 29, is the sole proprietor of a consulting firm that provided services to the Company during 2007. During 2007, the Company incurred a total of $140,000 (2006 - $182,000) from this firm that was charged to general and administrative expense.

A director of the Company, who resigned December 29, is the sole proprietor of a consulting firm that provided services to the Company during 2007. During 2007, the Company incurred a total of $27,000 (2006 - $113,000) from this firm that was charged to general and administrative expense.

A director of the Company, who resigned December 29, is the sole proprietor of a consulting firm that provided services to the Company during 2007. During 2007, the Company incurred a total of $2,700 (2006 - $11,300) from this firm that was charged to general and administrative expense.

A director of the Company, who resigned December 29, is the sole proprietor of a consulting firm that provided services to the Company during 2007. During 2007, the Company incurred a total of $20,700 (2006 - $90,800) from this firm that was charged to general and administrative expense.

A director of the Company, is the sole proprietor of a consulting firm that provided services to the Company during 2007. During 2007, the Company incurred a total of $146,500 (2006 - $121,000) from this firm that was charged to general and administrative expense.

These transactions have been recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

13. Financial Instruments

a. Fair values of financial assets and liabilities

Financial instruments consist of cash and cash equivalents, accounts receivable and accounts payables and accrued liabilities. At December 31, 2007, there are no significant differences between the carrying amounts reported on the balance sheet and their estimated fair values. The Company has not entered into any hedging contracts.

b. Interest rate risk

The Company is not exposed to any interest rate risk.

c. Credit risk

Accounts receivable are in respect of Goods and Services Tax. The Company views the credit risk on this amount as minimal.

14. Contingencies and Subsequent Events

One director of the Company and the Company's wholly owned subsidiary, Wedge Energy Inc., has been named in a lawsuit in regard to the start up of that subsidiary. The action has been brought to a conclusion in the favour of the Company, and the Company has been awarded damages in the amount of $10,000.

The Company has not approved and has cancelled all invoices (totalling over $350, 000) from its Directors and ex-Directors issued after March 1, 2007.

On January 31, 2008 the Company bought out its lease commitment for its office premises ($616,000) for the cost of $84,000.

15. Segmented information

Wedge’s reportable segments are organized by geographical areas and consist of Canada, USA and Kazakhstan.

	Year ended December 31, 2007		
	Canada	USA	Kazakhstan
Revenue	$ 84,00	-	-
Expenses	3,970,000	-	-
Net loss	(3,885,000)	-	-
2007 Capital expenditures	1,304,024	590,184	1,428,000
Property plant and equipment at December 31, 2007	1,734,076	-	-
Total assets at December 31, 2007	2,905,938	-	-