CAP-LINK VENTURES LTD.

FINANCIAL STATEMENTS

OCTOBER 31, 2008 AND 2007

MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of
Cap-Link Ventures Ltd.

We have audited the balance sheets of Cap-Link Ventures Ltd. as at October 31, 2008 and 2007 and the statements of operations, comprehensive loss and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

January 14, 2009

CAP-LINK VENTURES LTD.

BALANCE SHEETS
AS AT OCTOBER 31, 2008 AND 2007

(In Canadian dollars)		2008		2007
Assets				
Current Assets				
Cash	**$**	**112,331**	$	146,563
Short term investments		**2,380,096**		-
GST recoverable		**11,391**		8,090
Interest receivable		**32,907**		-
Prepaid expenses		**6,917**		7,120
		2,543,642		161,773
Investment and other asset (Note 5)		**18,002**		-
Oil and gas properties (Note 4)		**257,341**		-
	$	**2,818,985**	$	161,773
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**116,159**	$	24,272
Shareholders' Equity				
Share capital (Note 6)	**$**	**2,350,737**	$	232,364
Share purchase warrants (Note 6)		**693,181**		-
Contributed surplus (Note 6)		**67,053**		34,092
Deficit		**(408,145)**		(128,955)
		2,702,826		137,501
	$	**2,818,985**	$	161,773

Commitments (Note 4)

See accompanying notes to audited financial statements.

On behalf of the Board:

/s/ "Stephen Barley" — Director

/s/ "Kurt Bordian" — Director

CAP-LINK VENTURES LTD.

STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
FOR THE YEARS ENDED OCTOBER 31, 2008 AND 2007

(in Canadian dollars, except per share amounts)		**2008**		2007
Expenses:				
Bank charges	**$**	**479**	$	121
Consulting fees (Note 7)		**102,297**		5,000
Filing fees		**35,359**		9,565
General and administrative		**34,177**		498
Office and overhead		**32,029**		1,226
Professional fees		**43,708**		57,252
Stock-based compensation		**62,000**		-
Loss before the undernoted		**(310,049)**		(73,662)
Foreign exchange loss		**(17,189)**		-
Interest income		**48,048**		-
Net loss and comprehensive loss for the year		**(279,190)**		(73,662)
Deficit, beginning of the year		**(128,955)**		(55,293)
Deficit, end of the year		**(408,145)**		(128,955)
Weighted average number of common shares outstanding		**32,816,029**		4,100,000
Net loss per share - basic and diluted	**$**	**(0.01)**	$	(0.02)

See accompanying notes to audited financial statements.

CAP-LINK VENTURES LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2008 AND 2007

(in Canadian dollars)		**2008**		2007
Cash Flows from (used in):				
Operating activities				
Net loss	**$**	**(279,190)**	$	(73,662)
Adjustments for:				
Stock-based compensation		**62,000**		-
Unrealized foreign exchange loss		**17,189**		-
		(200,001)		(73,662)
Change in non-cash working capital (Note 8)		**(40,479)**		9,623
		(240,480)		(64,039)
Investing activities				
Acquisition of oil and gas properties		**(18,170)**		-
Investment and other asset		**(18,002)**		-
Short term investments		**(2,380,096)**		
		(2,416,268)		-
Financing activities				
Issuance of units, net of issue costs		**2,582,516**		-
Shares issued on options exercised		**40,000**		-
		2,622,516		-
Decrease in cash		**(34,232)**		(64,039)
Cash, beginning of year		**146,563**		210,602
Cash, end of year	**$**	**112,331**	$	146,563
Interest paid		-		-
Income taxes paid		-		-

See accompanying notes to audited financial statements.

1. NATURE OF OPERATIONS

Cap-Link Ventures Ltd. (the "Company") was incorporated under the Canada Business Corporations Act on May 25, 2005 and is registered as an extra-provincial company in British Columbia. Effective March 31, 2008, the Company completed its Qualifying Transaction and trades under the symbol CAV in the TSX Venture Exchange.

The Company is a petroleum and natural gas exploration company engaged in the acquisition, exploration and development of properties primarily in Fresno County, California, USA.

The Company has not yet determined whether its oil and gas properties contain reserves that are economically recoverable. The recoverability of the carrying amounts of oil and gas properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interests in the properties, the ability to obtain the necessary financing to complete exploration and development, and achieving future profitable production or selling its oil and gas properties for proceeds in excess of carrying amounts.

2. GOING CONCERN

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada on a going concern basis, which presumes the Company will continue in operation for the foreseeable future and will realize its assets and discharge its liabilities in the normal course of operations. For the year, the Company had incurred a loss of $279,190 and has an accumulated deficit of $408,145. As at October 31, 2008, the Company has a working capital surplus of $2,427,483. Nevertheless, the Company's continued existence is dependent upon continuing to raise additional financing, achieving its development plans and obtaining and maintaining profitability. The Company has successfully raised financing in the past and is confident that it will be able to raise the necessary financing in the future.

Accordingly, no adjustments to the carrying values of the assets and liabilities have been made in these financial statements. Should the Company no longer be able to continue as a going concern, assets and liabilities would require restatement on a liquidation basis which may differ materially from the going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING MATTERS

a) Basis of Presentation

These financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars.

b) Use of Estimates and Assumptions

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions may affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the year. Actual results could differ from the estimates and assumptions used. Significant areas requiring the use of management estimates and assumptions relate to the expected tax rates for future income tax recoveries and determining the fair value of stock-based compensation. Where estimates have been used, financial results, as determined by actual events, could differ from those estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING MATTERS (Continued)

c) Cash and Cash Equivalents
Cash and cash equivalents, when applicable, consist of cash and highly liquid short-term investments with a maturity of 90 days or less from the date of acquisition that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

d) Short term Investments
Short-term investments consist of highly liquid short-term interest bearing securities with a term to maturity of greater than three months on the date of purchase. Short-term investments are recorded at carrying value which approximates fair value due to the short term nature of this instrument.

e) Loss Per Share
Basic loss per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

f) Financial Instruments
Cash and short term investments are classified as “held for trading” and are measured at carrying value which approximates fair values due to the short term nature of these instruments. Interest receivable and GST recoverable are classified as “loans and receivables” and accounts payable and accrued liabilities are classified as “other financial liabilities”. Transaction costs associated with the issuance of debt will be netted against the debt and amortized using the effective interest method.

g) Income Taxes
The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the carrying amount and tax bases of various assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax assets unless it is more likely than not that the Company will realize the benefits of its future income tax assets.

h) Stock-Based Compensation
The Company recognizes stock-based compensation expense in accordance with CICA Handbook Section 3870 "Stock-based Compensation and Other Stock-based Payments". When stock or stock options are issued, compensation expense is recognized based on the fair value of the stock or stock options issued as determined using the Black-Scholes option pricing model with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING MATTERS (Continued)

i) Comparative Figures
Certain figures presented for comparative purposes have been reclassified to confirm with the presentation adopted for the current year.

j) Property and equipment
The Company follows the full cost method of accounting whereby all costs related to the exploration for and development of oil and gas reserves are accumulated in one cost centre. Costs include lease acquisition, geological and geophysical expenditures, carrying costs of non-productive properties, the drilling of productive and non-productive wells and related plant and production equipment costs, asset retirement costs, and that portion of general and administrative expenses directly attributable to exploration and development activities. Proceeds received from the disposal of properties are normally deducted from the full cost pool without recognition of a gain or loss, unless such sale results in a change in the rate of depletion of 20% or more.

k) Depletion and depreciation
Depletion and depreciation of oil and gas properties and equipment is computed using the unit-of-production method where the ratio of production to proved reserves, before royalties, determines the proportion of depletable costs to be expensed in each period. Undeveloped properties are excluded from the depletion calculation until quantities of proved reserves are found or impairment occurs. Volumes are converted to equivalent units using the ratio of one barrel of oil to six mcf of natural gas.

l) Recovery of capitalized costs
The Company performs a cost recovery test which recognizes impairment when the carrying amount of the property and equipment, by cost centre, exceeds its undiscounted future cash flows from proved reserves based on estimated future commodity prices. If impairment is recognized, the amount of impairment is determined as the excess of the carrying amount over the fair value. Fair value is based on the present value of expected cash flows, reflecting discounting at the risk-free rate. Both proved and probable reserves and undeveloped land are used in estimating fair value. This cost centre impairment test is conducted at each annual balance sheet date or more frequently if conditions indicating potential impairment are present.

m) Joint interest activities
The Company's exploration, development and production activities are conducted jointly with other entities and accordingly the audited financial statements reflect only the Company's proportionate interest in such activities.

n) Asset retirement obligation
The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period the asset is put into use, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. At October 31, 2008, the Company had no asset retirement obligation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING MATTERS (Continued)

o) Adoption of new accounting standards

Effective November 1, 2007, the Company has adopted the new accounting standards related to capital disclosures that were issued by the Canadian Institute of Chartered Accountants ("CICA") in 2007. This accounting policy change is adopted on a prospective basis with no restatement of prior period financial statements. There was no impact on opening retained earnings. The new standard and accounting policy changes are as follows:

Capital Disclosures (CICA Handbook Section 1535)

The CICA issued a new accounting standard, Section 1535, Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and processes for managing capital.

Financial Instruments – Disclosures (CICA Handbook Section 3862)

The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity's financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks.

Financial Instruments – Presentation (CICA Handbook Section 3863)

The provisions of Section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

4. OIL AND GAS PROPERTIES

On March 31, 2008, the Company acquired an 80% working interest in approximately 902 gross acres (722 acres net to the 80% working interest) of oil and gas leases in exploration lands located in Fresno County, California, USA in the San Joaquin Basin.

Pursuant to the terms of the Participation Agreement, the Company issued 2,000,000 common shares at $0.08 per share ($160,000) as reimbursement for 80% of the costs of project generation, lease acquisition, geophysical and geological costs.

In addition, the Company plans to participate for an 80% working interest in the acquisition of additional lands, costs of a 3D seismic survey and the costs to drill three wells (the "Initial Wells"). The total cost to the Company is estimated to be approximately USD$80,000 and USD$800,000 for the acquisition of the lands and the 3D seismic survey respectively. The Company's share of the Initial Wells is estimated to be US$996,000.

As at October 31, 2008, total oil and gas interest is valued at $257,341.

(in Canadian dollars)

5. INVESTMENT AND OTHER ASSET

The Company has entered into a service relationship with Sterling West Management Ltd ("Sterling") for the provision of administrative, office support and management services. The Company subscribed for one share at $2 per share and made an advance of $18,000 to Sterling. Sterling is financed and owned by several participating companies and is managed by a board elected by the shareholders. The Company holds less than a 10% interest in the entity and does not exert significant influence or have directors in common with the Company. Accordingly, this investment is recorded on a cost basis.

6. SHARE CAPITAL

a) Share capital
Authorized:
Unlimited common shares

b) Issued
Common shares

	Number of Common Shares		Amount
Balance, October 31, 2006 and 2007	4,100,000	$	232,364
Issued for cash pursuant to a private placement	45,833,333		2,012,030
Shares issued for acquisition	2,000,000		160,000
Exercise of directors and officers options	400,000		40,000
Transfer from contributed surplus upon exercise of options	-		29,039
Issuance costs	-		(122,696)
Balance, October 31, 2008	52,333,333	$	2,350,737

On March 28, 2008, the Company completed a non-brokered private placement (the "Private Placement") of 45,833,333 units at a price of $0.06 per unit for gross proceeds of $2,750,000. Each unit consists of one common share and one transferable common share purchase warrant, with each whole warrant entitling the holder to purchase one common share of the Company at a price of $0.12 per share for a period of 24 months from the date of issuance. The Company paid a finder's fee in the amount of $165,000 representing 6% of the gross proceeds raised and incurred additional cash issuance costs of $2,484. The securities issued in connection with the private placement were subject to a 4-month hold period until July 29, 2008, except as permitted by Canadian securities legislation and Exchange policies.

(in Canadian dollars)

6. SHARE CAPITAL (Continued)

The Private Placement was accounted for using the relative fair value approach, under which the net proceeds were allocated to the common shares and share purchase warrants based on their relative fair values. Under the allocation, $1,889,334 and $693,182 were attributed to shares and warrants, respectively, comprising the units, net of issue costs of $122,696 and $44,788, respectively. The fair value of the share purchase warrants used to allocate the proceeds was determined using the Black Scholes option pricing model. The weighted average assumptions used in estimating the fair value are summarized as follows:

	2008	2007
Risk-free interest rate	2.62%	-
Expected dividend yield	0%	-
Expected stock price volatility	100.00%	-
Expected warrant lives	2 years	-
Weighted average fair value of share purchase warrant granted ($)	0.02	-

Under the terms of the original subscription agreements, 2,000,000 of the issued and outstanding shares of the Company are subject to an Escrow Agreement pursuant to policies of the TSX Venture Exchange. Under terms of the Escrow Agreement, 10% of the escrowed shares are released from escrow upon the issuance of the Final Exchange Bulletin (the “Initial Release”) and an additional 15% will be released on each of the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

As at October 31, 2007, 2,000,000 issued and outstanding shares were held in escrow. Subsequent to the closing of the Qualifying Transaction, the Initial Release was completed. As at October 31, 2008, 1,500,000 issued and outstanding shares were held in escrow.

c) Share Purchase Warrants

A summary of the changes in share purchase warrants is presented below: (see also Note 6 (b))

	Number of Warrants		Carrying Value
Balance, October 31, 2006 and 2007	-	$	-
Private Placement	45,833,333		737,970
Share issue costs			(44,789)
Balance, October 31, 2008	45,833,333	$	693,181

(in Canadian dollars)

6. SHARE CAPITAL (Continued)

d) Stock Options

A summary of the changes in stock options is presented below:

	Number of Options
Balance, October 31, 2006 and 2007	400,000
Granted	1,460,000
Exercised	(400,000)
Balance, October 31, 2008	1,460,000

On March 24, 2006, the Company granted to directors and officers 400,000 incentive stock options, which vested at the time of grant, exercisable at $0.10 per share for five years commencing on the date the shares of the Company are listed for trading on the TSX Venture Exchange (March 28, 2006). These 400,000 options were exercised on April 9, 2008.

On March 28, 2008, the Company granted 1,460,000 stock options to its directors, officers, key employees and consultants. The options vested at the time of grant and are exercisable at $0.10 per share for a term of five years.

e) Agent Options

A summary of the changes in agent options is presented below:

	Number of Options
Balance, October 31, 2006 and 2007	100,000
Expired	(100,000)
Balance, October 31, 2008	-

On March 24, 2006, the Company granted 200,000 Agent options, vesting upon grant, exercisable at $0.10 per share for two years commencing on the date the shares of the Company are listed for trading on the TSX Venture Exchange (March 28, 2006). The remaining options expired on March 28, 2008.

(in Canadian dollars)

6. SHARE CAPITAL (Continued)

f) CONTRIBUTED SURPLUS

		2008		2007
Balance, beginning of year	$	34,092	$	34,092
Directors and officers options exercised		(29,039)		-
Directors and officers options granted		62,000		-
Balance, end of year	$	67,053	$	34,092

On March 24, 2006, the Company granted to directors and officers 400,000 incentive stock options, which vested at the time of grant, exercisable at $0.10 per share for five years commencing on the date the shares of the Company are listed for trading on the TSX Venture Exchange (March 28, 2006). These 400,000 options were exercised on April 9, 2008.

During the year ended October 31, 2008, the Company recorded expense of $62,000 (2007 - $Nil) for stock-based compensation awarded to directors and consultants. The Company used the Black-Scholes Option Pricing Model to estimate the fair value of the options, using the following weighted average assumptions:

	2008	2007
Risk-free interest rate	2.99%	-
Expected dividend yield	0%	-
Expected stock price volatility	100.00%	-
Expected option lives	5 years	-
Weighted average fair value of stock option granted ($)	0.04	-

7. RELATED PARTY TRANSACTIONS

During the year, consulting fees paid to directors and to companies controlled by directors' and officers' were $49,000 (2007 - $Nil).

The amounts were measured at the exchange amounts which represents the fair value of the transactions.

(in Canadian dollars)

8. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital are as follows:

	2008	2007
GST recoverable	$ (3,301)	$ (4,029)
Interest receivable	(32,907)	-
Prepaid expenses	203	(7,120)
Accounts payable and accrued liabilities	(4,474)	20,772
Change in non-cash working capital	$ (40,479)	$ 9,623

9. INCOME TAXES

Reconciliation of statutory rates - The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2008	2007
Canadian statutory income tax rate	31%	31%
Income tax recovery at statutory rate	$ 86,549	$ 22,467
Increase (decrease) resulting from:		
Stock-based compensation	(19,220)	-
Valuation allowance	(67,329)	(22,467)
Income tax recoverable	$ -	$ -

Non-capital losses – The Company has non-capital losses of $367,025 available to offset future taxable income, expiring from 2015 to 2028. The losses expire as follows:

2015	$ 3,589
2026	22,665
2027	73,662
2028	267,109
	$367,025

(in Canadian dollars)

9. INCOME TAXES (Continued)

Future tax assets – The tax effects of temporary differences that give rise to significant portions of the future tax assets at October 31, 2008 and 2007 are presented below:

		2008		2007
Future income tax asset				
Deferred financing costs	$	51,646	$	2,190
Non-capital loss carry forwards		113,778		30,474
Valuation allowance		(165,424)		(32,664)
Net future income tax asset	$	-	$	-

In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion of all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

10. FINANCIAL INSTRUMENTS

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors approves and monitors the risk management processes.

Credit risk

The Company's exposure to credit risk is on its cash, short term investments and GST recoverable.

Cash and short term investments consist of cash bank balances and short-term deposits. The Company manages the credit exposure related to short-term investments by selecting counter parties based on stability of the counter party and avoids complex investment vehicles with higher risk.

The carrying amount of cash, short term investments and GST recoverable represents the maximum credit exposure.

10. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk
The Company maintains sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts and is available on demand. The Company's short-term investment is available on demand after 30 days without penalty. All financial liabilities are due to be settled within 90 days of the balance sheet date.

Market risk
The Company is subject to normal market risks including fluctuations in foreign exchange rates and interest rate. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

The Company is exposed to interest rate fluctuations on its short term investments, as these have a fluctuating rate of interest. As at October 31, 2008, the Company has $380,000 invested in a Guaranteed Investment Certificate at prime minus 2.25%.

Fair value of financial assets and liabilities
The carrying amount for cash, short term investments, GST recoverable, interest receivable, accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments.

11. CAPITAL MANAGEMENT

As the Company is in the exploration stage, its principal source of capital is from the issuance of equity securities. The Company's capital management objective is to obtain sufficient capital to maintain its exploration programs for the benefit of its stakeholders. To meet this objective, management monitors the Company's ongoing capital requirements against unrestricted net working capital and assesses additional capital requirements on specific exploration properties on a case by case basis. The Company is not subject to any externally imposed capital requirements.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, share purchase warrants, contributed surplus, and deficit.

12. FUTURE ACCOUNTING PRONOUNCEMENTS

Inventories
In June 2007, the CICA issued Section 3031, "Inventories", which replaces Section 3030 and harmonizes the Canadian standard related to inventories with IFRS. This Section provides more extensive guidance in these areas: the determination of cost, including allocation of overhead; narrowing of permitted cost formulas; requirements for impairment testing; and expansion of disclosure requirements to increase transparency. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, and is not expected to have a material impact on the Company's financial statements.

12. FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies are to convert to IFRS effective for fiscal periods beginning on or after January 1, 2011. The Company continues to monitor, and assess, the impact of the conversion of Canadian GAAP to IFRS.

CAP-LINK VENTURES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(For the year ended October 31, 2008)

The following discussion of the financial condition and results of operations of Cap-Link Ventures Ltd. ("Cap-Link" or the "Company") should be read in conjunction with the Company's Financial Statements and notes thereto for the year ended October 31, 2008. The Company's financial statements have been prepared in Canadian dollars in accordance with Canadian generally accepted accounting principles.

Certain statements contained in the following Management's Discussion and Analysis ("MD&A") constitute forward-looking statements within the meaning of applicable laws and regulations. These forward-looking statements are not guarantees of future performance and involve risks and uncertainties, which could cause actual results to differ materially from those anticipated. The Company expressly disclaims any obligation to update forward-looking statements, unless so required by applicable laws.

DATE

This MD&A is prepared as at January 12, 2009.

OVERVIEW

Cap-Link Ventures Ltd. (the "Company") was incorporated under the Canada Business Corporations Act on May 25, 2005 and is registered as an extra-provincial company in British Columbia. The Company was listed as a "Capital Pool Corporation" ("CPC"), as this term is defined under the policies of the TSX Venture Exchange (the "Exchange"). The Company filed a prospectus for an initial public offering to issue 2,000,000 common shares at $0.10 per share. Final receipts for the prospectus were issued by the securities regulators for each of British Columbia, Alberta and Ontario on January 31, 2006. The Company completed the issuance of the 2,000,000 common shares under the prospectus on March 24, 2006 and the Company's stock was listed on the Exchange on March 28, 2006 under the symbol CAV.P.

Effective March 31, 2008, the Company completed its Qualifying Transaction and commenced trading under the symbol CAV in the TSX Venture Exchange. The Company's principle activity is petroleum and natural gas exploration.

OVERALL PERFORMANCE

Qualifying Transaction

Effective May 10, 2007, the Company entered into a farm-in agreement with CalTerra Energy, LLC ('CalTerra"), and R&R Resources, LLC ("R&R"), (the "Participation Agreement"). Pursuant to the Participation Agreement, the Company will participate with R&R and CalTerra in the shooting of a 3D seismic survey (the "3D Seismic Program") and the drilling of three initial wells (the "Initial Wells") into the Cheney Sands formation in the Cheney Ranch Project, Fresno County, California (the "Project"). R&R and CalTerra currently own leasehold interests in certain oil and gas leases in Fresno County California.

The TSX Venture Exchange (the "Exchange") has accepted for filing the Company's Qualifying Transaction described in its Filing Statement dated March 28, 2008. The Company is no longer a CPC and now trades under the symbol CAV. Pursuant to the completion of the Qualifying Transaction and the acquisition of the 80% working interest (62% net revenue interest) in the Project, the Company issued an aggregate of 2,000,000 common shares as to 1,475,000 shares to R&R, and 525,000 shares to CalTerra, both being private California oil and gas exploration and development companies.

Operational update

Prior to the commencement of drilling in the Cheney Ranch Project, the Company must shoot a 3-D seismic survey to accurately define the drilling locations. To date there has not been a seismic crew available to acquire the 3-D seismic. The Company continues to seek an appropriate seismic crew and intends to shoot the 3-D seismic survey as soon as a crew becomes available. In light of the current economic conditions, the Company will closely monitor the market price for gas to ensure the project remains economically viable prior to commencement of work activity on the Cheney Ranch Project.

Private Placement

In connection with the Qualifying Transaction, the Company completed a non-brokered private placement (the "Private Placement") of 45,833,333 units at a price of $0.06 per unit for gross proceeds of $2,750,000. Each unit consists of one common share and one transferable common share purchase warrant, with each whole warrant entitling the holder to purchase one common share of the Company at a price of $0.12 per share for a period of 24 months from the date of issuance. The Company paid a finder's fee of $165,000. The net proceeds of the Private Placement will be added to the Company's general working capital.

Financial performance

For the year ended October 31, 2008, the Company had a net loss of $279,190 compared to a net loss of $73,662 for the same period in 2007. The increase in net loss is mainly attributable to stock based compensation of $62,000 due to stock options issued, higher consulting fees of $97,279, as well as higher filing fees of $25,794 related to the Qualifying Transaction.

The Company had no revenue from operations during the year ended October 31, 2008, and 2007. The Company earned $48,048 (2007 - $NIL) of interest income.

SELECTED ANNUAL INFORMATION

For years ended October 31

		2008		2007		2006
Total revenue	$	Nil	$	Nil	$	Nil
Net loss	$	(279,190)	$	(73,662)	$	(51,704)
Basic and diluted loss per share ($/share)	$	(0.01)	$	(0.02)	$	(0.02)
Total assets	$	2,818,985	$	161,773	$	214,663
Total long-term liabilities	$	Nil	$	Nil	$	Nil
Cash dividends declared	$	Nil	$	Nil	$	Nil

[1] 2005 Net loss and loss per share information reflect the period from incorporation May 25, 2005 to October 31, 2005.

SUMMARY OF QUARTERLY RESULTS

The summary for each of the eight most recently completed quarters is as follows:
($Canadian)

	Q4 October 31 2008	Q3 July 31 2008	Q2 April 30 2008	Q1 January 31 2008	Q4 October 31 2007	Q3 July 31 2007	Q2 April 30 2007	Q1 January 31 2007
Revenue:	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss	(60,658)	(49,863)	(145,099)	(23,570)	(32,698)	(20,270)	(20,573)	(121)
Loss per share:	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.00)
Total Assets:	2,818,985	2,918,996	2,989,395	133,518	161,773	186,095	193,744	214,627
Total long-term liabilities:	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

RESULTS OF OPERATIONS FOR THE YEAR ENDED OCTOBER 31, 2008 AND 2007

The review of the Results of Operations should be read in conjunction with the Company's audited financial statements and related notes for the year ended October 31, 2008 and 2007.

Loss for the year

For the year ended October 31, 2008 the Company incurred a loss of $279,190 ($0.01 per share) compared to a loss of $73,662 ($0.01 per share) for the year ended October 31, 2007. The increase in net loss is mainly attributable to stock based compensation of $62,000 due to stock options issued, higher consulting fees of $97,297 as well as higher filing fees of $25,794 related to the Qualifying Transaction.

Revenue

The Company had no revenue from operations during the year periods ended October 31, 2008 and 2007. The Company's sole source of income is interest income earned on cash. The Company earned interest income of $48,048 for the year ended October 31, 2008. The Company did not earn any interest income for the year ended October 31, 2007.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash and short term investments of $2,492,427 and working capital of $2,427,483 as at October 31, 2008 (October 31, 2007, cash on hand of $146,563 and working capital of $137,501). This increase was mainly due to net proceeds received from the Private Placement, less cash used in funding operating expenses. Short term investments include Government Investment Certificates. The Company does not invest in any asset-backed securities.

In March 2008 the Company completed a Private Placement which raised net proceeds of $2,582,514 after payment of commissions and share issuance costs. Concurrent with the closing of the Private Placement, the Company acquired an 80% working interest in approximately 902 gross acres (722 net acres) of oil and gas leases in exploration lands located in Fresno County, California, USA in the San Joaquin Basin. The Company issued 2,000,000 common shares as reimbursement of 80% of the costs of the Project cost to date. Net proceeds from the Private Placement will be used to fund the Company's share of a 3D seismic program and an initial three well drilling program on the Project, currently estimated to cost USD$800,000 and USD$996,000 respectively. In addition, the Company will pay its 80% share of additional land acquisition cost estimated to be approximately USD $80,000.

As at October 31, 2008, the Company has sufficient working capital to meet its capital plan and operating expenses for the next twelve months. If the Company's capital plan is successful, the Company will require additional financing to put its assets into commercial production. Due to current market environment, it makes the raising of additional cash difficult.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements to which the Company is committed.

RELATED PARTY TRANSACTIONS

For the year ended October 31, 2008, consulting fees paid to directors and to companies controlled by directors and officers of the Company were $49,000. From April 1, 2008, consulting fees were paid to a director for strategic business development, and to the Chief Financial Officer for financial consulting and managerial services. There were no related party transactions prior to the date of the Qualifying Transaction.

FOURTH QUARTER

For the three months ended October 31, 2008 the Company incurred a loss of $60,658 ($0.00 per share) compared to a loss of $30,698 ($0.00 per share) for the three months ended October 31, 2007. The increase in net loss is mainly attributable to foreign exchange of $17,189.

CRITICAL ACCOUNTING ESTIMATES

The Company is a TSX Venture level issuer; therefore, this section is not applicable.

CHANGES IN ACCOUNTING POLICIES

As the result of the Company completing its Qualifying Transaction, the following represent the significant accounting policies adopted by the Company.

a) **Property and equipment**
The Company follows the full cost method of accounting whereby all costs related to the exploration for and development of oil and gas reserves are accumulated in one cost centre. Costs include lease acquisition, geological and geophysical expenditures, carrying costs of non-productive properties, the drilling of productive and non-productive wells and related plant and production equipment costs, asset retirement costs, and that portion of general and

administrative expenses directly attributable to exploration and development activities. Proceeds received from the disposal of properties are normally deducted from the full cost pool without recognition of a gain or loss, unless such sale results in a change in the rate of depletion of 20% or more.

b) **Depletion and depreciation**
Depletion and depreciation of oil and gas properties and equipment is computed using the unit-of-production method where the ratio of production to proved reserves, before royalties, determines the proportion of depletable costs to be expensed in each period. Undeveloped properties are excluded from the depletion calculation until quantities of proved reserves are found or impairment occurs. Volumes are converted to equivalent units using the ratio of one barrel of oil to six mcf of natural gas.

c) **Recovery of capitalized costs**
The Company performs a cost recovery test which recognizes impairment when the carrying amount of the property and equipment, by cost centre, exceeds its undiscounted future cash flows from proved reserves based on estimated future commodity prices. If impairment is recognized, the amount of impairment is determined as the excess of the carrying amount over the fair value. Fair value is based on the present value of expected cash flows, reflecting discounting at the risk-free rate. Both proved and probable reserves and undeveloped land are used in estimating fair value. This cost centre impairment test is conducted at each annual balance sheet date or more frequently if conditions indicating potential impairment are present.

d) **Joint interest activities**
The Company's exploration, development and production activities are conducted jointly with other entities and accordingly the unaudited consolidated interim financial statements reflect only the Company's proportionate interest in such activities.

e) **Asset retirement obligation**
The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period the asset is put into use, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. At October 31, 2008, the Company had no asset retirement obligation.

f) **Adoption of new accounting standards**
Effective November 1, 2007, the Company has adopted the new accounting standards related to capital disclosures that were issued by the Canadian Institute of Chartered Accountants ("CICA") in 2007. This accounting policy change is adopted on a prospective basis with no restatement of prior period financial statements. There was no impact on opening retained earnings. The new standard and accounting policy changes are as follows:

Capital Disclosures (CICA Handbook Section 1535)
The CICA issued a new accounting standard, Section 1535, Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and processes for managing capital.

Financial Instruments – Disclosures (CICA Handbook Section 3862)
The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity's financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks.

Financial Instruments – Presentation (CICA Handbook Section 3863)
The provisions of Section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

g) Recent Accounting Pronouncements

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The AcSB issued the "omnibus" exposure draft of IFRS with comments due by October 31, 2008, wherein early adoption by Canadian entities is also permitted. The Canadian Securities Administrators ("CSA") has also issued Concept Paper 52-402, which requested feedback on the early adoption of IFRS as well as the (continued) use of US GAAP by domestic issuers. The eventual changeover to IFRS represents changes due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

The Company is assessing the potential impacts of this changeover and is developing its IFRS changeover plan, which will include project structure and governance, resourcing and training, analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential IFRS 1 exemptions.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The carrying value of the Company's financial instruments, consisting of cash, short term investments, GST recoverable, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of such instruments. Unless otherwise noted, it is management's opinion the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

ADDITIONAL INFORMATION

Disclosure of Outstanding Share Data

a) Authorized:

Unlimited common shares with no par value

Common shares issued	Number
Balance, October 31, 2008	52,333,333
Balance, January 12, 2009	52,333,333

b)

Share purchase options	Number	Weighted Average Exercise Price
Balance, October 31, 2008	1,460,000	$0.10

As at October 31, 2008, 1,460,000 options were exercisable and the weighted average remaining contractual life of these options is 4.4 years.

c)

Share purchase warrants	Number	Weighted Average Exercise Price
Balance, October 31, 2008	45,833,333	$0.12

As at October 31, 2008, 45,833,333 of the share purchase warrants were exercisable, and the weighted average remaining contractual life of these share purchase warrants is 1.5 years.

Investor Relations

The Company had no investor relations arrangements with any third party during the year ended October 31, 2008.