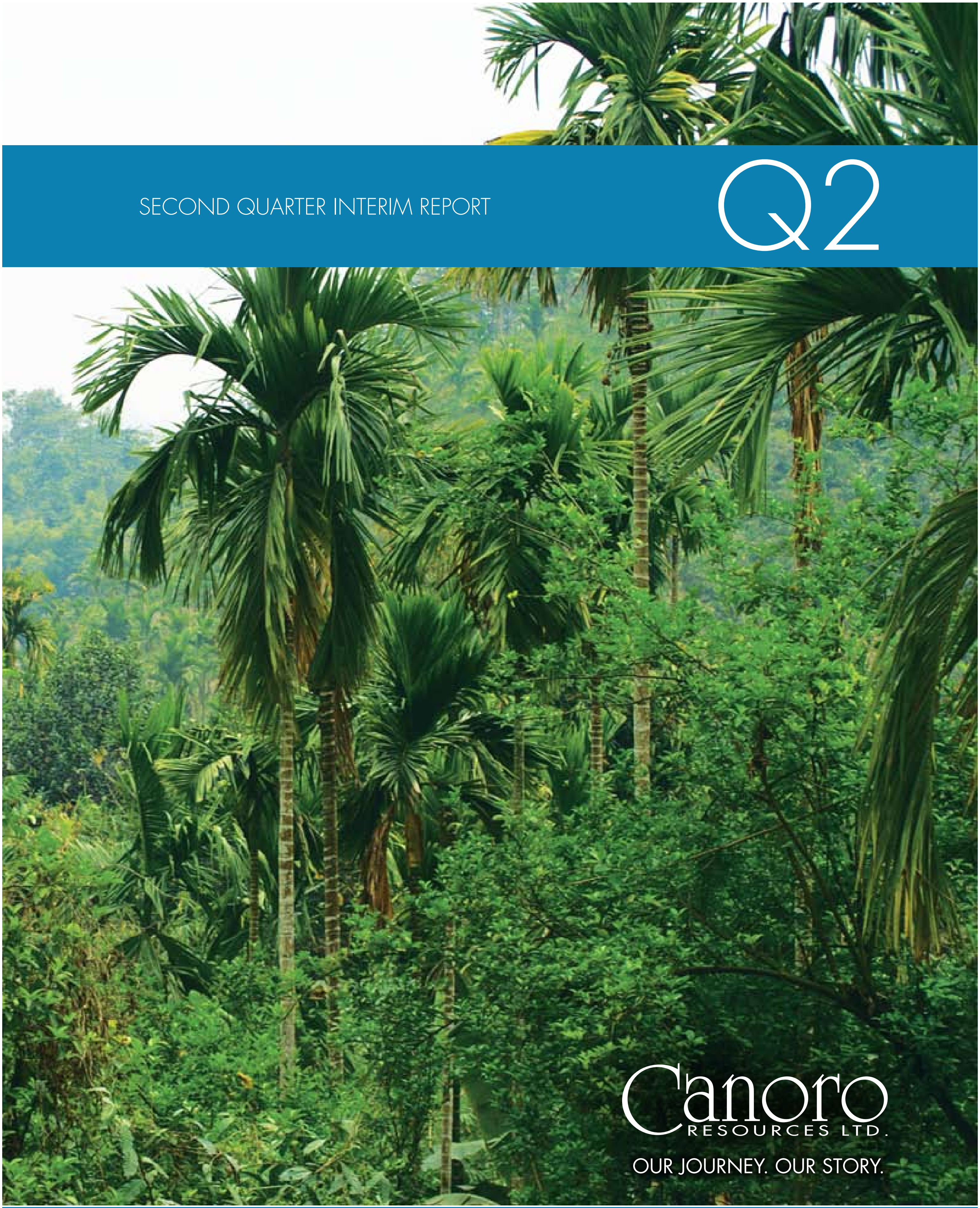
SECOND QUARTER INTERIM REPORT

Q2



Canoro RESOURCES LTD.

OUR JOURNEY. OUR STORY.

FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

Calgary, Alberta – November 27, 2008 Canoro Resources Ltd., is pleased to announce its financial and operational results for the three and six months ended September 30, 2008.

Financial and Operational Results	Three months ended September 30			Six months ended September 30		
($ thousands, except per unit amounts)	2008	2007 [1]	% change	2008	2007 [1]	% change
Natural gas (mcf/d)	**3,810**	1,210	215	**3,771**	1,159	225
Crude oil (bbl/d)	**288**	93	208	**285**	89	219
Total (boe/d)	**923**	295	213	**914**	283	223
Realized gas price ($/mcf)	**2.32**	2.12	10	**2.36**	2.14	10
Realized oil price ($/bbl)	**120.60**	85.35	41	**126.09**	81.91	54
Nigerian Bonny Light ($/bbl)	**119.52**	71.47	67	**122.26**	71.33	71
Realized price ($/boe)	**47.23**	46.14	2	**49.12**	38.90	26
Royalties ($/boe)	**4.50**	1.44	213	**4.77**	1.40	241
Operating costs ($/boe)	**3.93**	5.19	(24)	**4.14**	6.32	(34)
Netback ($/boe)	**38.80**	39.51	(2)	**40.21**	31.18	29
Funds from operations	**1,848**	371	398	**3,413**	120	2,744
Capital expenditures	**7,898**	138	5,623	**14,486**	5,009	189

[1] *Restated in United States dollars from the previously reported Canadian dollar amounts.*

SECOND QUARTER HIGHLIGHTS

- Production more than tripled to a record 923 barrels of equivalent per day ("boe/d"), marking the sixth consecutive quarter of production growth;
- Generated funds from operations of US$1.8 million;
- Successfully drilled Amguri A-12 well;
- Exited the quarter with a strong balance sheet having zero debt and working capital of US$24.8 million; and
- Finalized negotiations with Essar Group to obtain 30% participating interest in two exploration production sharing contracts in the state of Assam in Northeast India.

SUBSEQUENT TO QUARTER HIGHLIGHTS

- Amguri A-14 well successfully flowed gas from the Tipam formation on a short duration production test;
- Successfully worked over Amguri A-5 well from the Barail zone to flow at a combined rate of 265 boe/d;
- Strengthened the Board of Directors with the addition of two new directors, James N. Smith as an independent UK-based director and Robert S. Wynne as Calgary-based director; and
- Initiated the procurement process to have compression installed in the Amguri field.

During the first half of fiscal 2009, Canoro Resources Ltd. ("Canoro" or the "Company") focused its efforts on two key areas, (i) the Amguri field development, to accelerate production from the field, and (ii) finalizing business development projects.

Significant progress was made in the first half of fiscal 2009 on the appraisal and development activities in the Amguri field. The Amguri infrastructure was designed and three appraisal wells were drilled in fiscal 2009 to evaluate four potential prospective zones. Two of those wells are currently awaiting completion and a successful work over was completed on an existing shut-in well.

Amguri A-12 was successfully drilled at the end of Q2, 2009 encountering 41 meters of net gas pay in two zones based upon log analysis. This appraisal well was drilled to a total depth of 3,972 meters targeting the Barail Main Sand, Mid-Barail Sand and Basal Sandstone formations. The well entered the target Barail Main Sand at a depth of 2,863 meters and encountered gas bearing sands with an anticipated pay column of 49 meters of which 31 meters is anticipated as net pay based upon log analysis. The zone will be tested after testing the Mid-Barail Sand. The well subsequently entered the target Mid-Barail reservoir at a depth of 3,027 meters and encountered gas bearing sands with an anticipated pay column of 21 meters and a net pay of 10 meters based on log analysis. Testing is ongoing. The well further entered the target Basal Sandstone reservoir at a depth of 3,805 meters. Three zones were perforated and flow tested. An estimated flow of 500 mscfd was encountered plus water, thereby proving good reservoir and an existence of a trap. Even though Canoro was unable to achieve commercial production, the Company considers this test a validation of the Basal Sandstone as a viable exploration target as this is the first indication of hydrocarbons being produced and tested from the Basal Sandstone Sand. Based on these encouraging results, the Company's future plan includes a well located west of A-12, to be drilled to basement and placed into higher priority in the upcoming drilling schedule.

The Amguri A-14 appraisal well was drilled to test the upper Tipam Formation and the well entered the target Tipam reservoir at a depth of 1,763 meters. It encountered gas bearing sands over an interval of 17.5 meters with an estimated net pay of 15 meters based on log analysis. Testing on this section yielded 1.2 mmscfd on a 12/64^{ths} choke with a tubing head pressure of 2,100 psi on a short duration production test. The rig is being moved to another location at which time extended flow testing will be conducted. The results of this well re-establish the Tipam Sand as a productive zone. This discovery allows the Company to investigate the potential of cycling Tipam gas for enhanced liquids production from the Barail Formation.

Amguri A-5 was successfully re-completed and will be returned to production by the end of the year following completion of a single well battery. A work over was successfully conducted on this well resulting in reduced water production. The well flowed at a final test rate of 265 barrels per day of oil and 50% water cut on a 16/64^{ths} inch choke.

The continued drilling success demonstrates the productive capabilities of the Amguri field and allows the Company to move towards a compression and field injection scheme to maximize cash flow and reserve recovery in the Barail formation. Discussions have been held with the Government of India ("GoI") development unit with a view to commencing full field development of the Amguri gas condensate field in which the Company has a 60% working interest and is the operator. Canoro plans to submit a Field Development Plan in Q3 with the aim of installing compression and gas re-injection, and to facilitate the design and construction of a gas plant that will process the liquids-rich gas from the field. With the prevailing high demand for energy in India, higher natural gas production, compression and field re-injection is expected to result in higher liquids production and add material additional revenue and production to the Company.

BUSINESS DEVELOPMENT

Canoro completed farm-in arrangements with the Essar Group (previously announced September 3, 2008) on two blocks in Northeast India. Blocks AA-ONN-2004/3 and AA-ONN-2004/5 have a combined area totaling 1,285 km^2 and are subject to GoI approvals. Canoro will have a 30% participating interest and will be the operator of both blocks. Initial exploration of these blocks is anticipated to commence in fiscal 2010.

APPOINTMENT OF ADDITIONAL DIRECTORS

Following the Company's Q2, 2009 board meeting, two new directors, Robert S. Wynne and James N. Smith, were appointed. The current Board of Directors of the Company is now comprised of:

- Douglas Martin, Chairman of the Board
- Harley Winger,
- John Boyd,
- Jeff Clark,
- Nolan Blades,
- James N. Smith,
- Robert S. Wynne, and
- Les Kondratoff, President and Chief Executive Officer

Mr. Robert S. Wynne, BSc. (Mech Engg) MBA, is a Calgary resident and a senior level international investment banker and corporate executive. He has 28 years experience in the oil and gas industry and investment banking. He was previously Chief Financial Officer of Pan-Ocean Energy Corporation Limited, formerly a TSX-listed international oil and gas company. Mr. Wynne made a significant contribution to Pan-Ocean's growth from a 400 boe/d and $50 million micro-cap company to a 20,000 boe/d full-cycle independent producer which was sold in September 2006 for CDN$ 1.6 billion.

Mr. James N. Smith, MSc. is a resident of Reading, UK and is a senior oil & gas executive with a strong earth science background. Mr. Smith has over 20 years experience in the oil and gas industry, predominantly in Africa and Middle East exploration. He is currently Vice President Exploration and Director of Orca Exploration Ltd., an international oil and gas company listed on the TSX venture exchange. He previously served as New Venture and Project Leader for Chevron Corporation in Africa and the Middle East and more recently was Vice President Exploration of Pan-Ocean Energy Corporation Limited. At PanOcean, he was instrumental in the rapid development of the company's portfolio of onshore and offshore oil assets in Gabon that was sold in 2006.

OUTLOOK

The Company is in a strong financial position with zero debt, working capital of US$24.8 and positive funds from operations. The Company is forecasting reducing capital expenditures to US$27 – 30 million over the next nine to 12 months considering the current adverse market conditions. The Company has the flexibility, with the limited availability of capital, to increase or decrease capital expenditures as dictated by the market conditions. The reference price of Bonny Light Crude oil averaged a high of US$137.97 in July to a low of US$91.67 in September. The Company continues to receive a premium of US$4-6 per barrel on the average Bonny Light price paid in India. The current commodity market is trading in the US$50 - 60 range in November, 2008. If the commodity markets stabilize the Company is in an excellent position with a large inventory of both development and exploration prospects in northeast India, a strong balance sheet and a transparent path to production growth in the upcoming year.

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") was prepared at, and is dated November 25, 2008. This MD&A is provided by the management of Canoro Resources Ltd. ("Canoro" or the "Company") to review the three and six months ended September 30, 2008, activities and results as compared to the previous year, and should be read in conjunction with the unaudited interim consolidated financial statements including selected notes for the three and six months ended September 30, 2008 and the audited consolidated financial statements and accompanying notes of Canoro Resources Ltd. ("Canoro" or the "Company ") as at and for the year ended March 31, 2008 and 2007.

Effective March 31, 2008, management changed the reporting currency of the Company from Canadian dollars (C$) to United States dollars ($), as the Company transacts substantially all of its business in US$.

Effective April 1, 2008, the Company's functional currency changed from Canadian dollars to US$ as a result of increased significance of the US$ to the Company's cash flows. Amongst other things, this increased significance of the US$ is a result of increased capital expenditures in US$ and an increased proportion of revenues earned in US$. As both the functional and the reporting currencies of the Company are in US$, there are no translation gains and losses that will impact accumulated other comprehensive income.

Monetary assets and liabilities of the Company that are denominated in currencies other than US$ are translated into its functional currency at the rates of exchange in effect at the period end date. Any gains and losses are recorded in earnings.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this MD&A constitute forward-looking statements or forward-looking information under applicable securities legislation. Such forward-looking statements or information are for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project" or similar words suggesting future outcomes or statements regarding an outlook. **Forward-looking statements or information in this MD&A include, but are not limited to, statements or information with respect to**: business strategy and objectives; development plans; exploration plans; acquisition and disposition plans and the timing thereof; reserve quantities and the discounted present value of future net cash flows from such reserves; future production levels; capital expenditures; net revenue; operating and other costs; royalty rates and taxes.

Forward-looking statements or information are based on a number of factors and assumptions that have been used to develop such statements and information but may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct. **In addition to other factors and assumptions may be identified in this MD&A, assumptions have been made regarding, among other things**: the impact of increasing competition; the general stability of the economic and political environment in which the Company operates; the timely receipt of any required regulatory approvals; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost-efficient manner; the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manner; the ability of the Company to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development or exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Company to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the countries in which the Company operates; and the ability of the Company to successfully market its oil and natural gas products. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions that may have been used.

Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties that could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking statements or information. **These risks and uncertainties that may cause actual results to differ materially from the forward-looking statements or information include, among other things**: the ability of management to execute its business plan; general economic and business conditions; the risk of war or instability affecting countries or states in which the Company operates; the risks of the oil and natural gas industry, such as operational risks in exploring for, developing and producing crude oil and natural gas; market demand; the possibility that government policies or laws may change or governmental approvals may be delayed or withheld; risks and uncertainties involving geology of oil and natural gas deposits; the uncertainty of reserves estimates and reserves life; the ability of the Company to add production and reserves through acquisition, development and exploration activities; the Company's ability to enter into or renew production sharing contracts; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to production (including decline rates), costs and expenses; fluctuations in oil and natural gas prices, foreign currency, exchange, and interest rates; risks inherent in the Company's marketing operations, including credit risk; uncertainty in amounts and timing of royalty or cess payments; health, safety and environmental risks; risks associated with existing and potential future law suits and regulatory actions against the Company; uncertainties as to the availability and cost of financing; and financial risks affecting the value of the Company's investments. See page 16 of the MD&A for a further discussion of specific risks and uncertainties. Readers are cautioned that the foregoing list is not exhaustive of all possible risks and uncertainties. Additional risk factors affecting the Company and its business are contained in the Company's Annual Information Form filed on SEDAR at www.sedar.com.

NON-GAAP TERMS

The MD&A contains the terms "funds from operations", and "netbacks" which are not recognized measures under Canadian generally accepted accounting principles. The Company uses these measures to help evaluate its performance. Management considers netbacks an important measure as it demonstrates its profitability relative to current commodity prices. Management uses funds from operations to analyze performance and considers it a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. Funds from operations has been defined by the Company as net earnings adjusted for non-cash items (depletion, depreciation and accretion, stock-based compensation, unrealized (gain)/loss on foreign exchange, and unrealized investment (gain)/loss) and excludes the change in non-cash working capital related to operating activities and expenditures on asset retirement obligations and reclamation. Canoro's determination of funds from operations may not be comparable to that reported by other companies nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with Canadian GAAP. .

BARREL OF OIL EQUIVALENT

Where amounts are expressed on a barrel of oil equivalent (boe) basis, natural gas volumes have been converted to barrels of oil equivalent at six thousand cubic feet to one barrel of oil equivalent (6 mcf = 1 boe). This conversion ratio is the convention used in the oil and natural gas industry and is based on an energy equivalent conversion method primarily applicable at the burner tip and does not represent a value equivalent at the wellhead. The use of boe's may be misleading, particularly if used in isolation.

PRODUCTION AND REALIZED SALES PRICES

Operational and Financial Highlights	Three months ended September 30		Six months ended September 30	
($ thousands, except per unit amounts)	2008	2007	2008	2007
Natural gas (mcf/d)	3,810	1,210	3,771	1,159
Crude oil (bbl/d)	288	93	285	89
Total (boe/d)	923	295	914	283
Realized gas price ($/mcf)	2.32	2.12	2.36	2.14
Realized oil price ($/bbl)	120.60	85.35	126.09	81.91
Nigerian Bonny Light ($/bbl)	119.52	71.47	122.26	71.33
Realized price ($/boe)	47.23	46.14	49.12	38.90
Royalties ($/boe)	4.50	1.44	4.77	1.40
Operating costs ($/boe)	3.93	5.19	4.14	6.32
Netback ($/boe)	38.80	39.51	40.21	31.18

PRODUCTION

Production for the six months ended September 30, 2008 averaged 914 boe/d, representing an increase of 223 percent over the comparative period in the prior year, primarily due to a successful drilling program and optimization of the Company's core asset, the Amguri field. Production for the three months ended September 30, 2008 ("the Quarter") is consistent with the three months ended June 30, 2008. Production continues to be constrained due to limited gas infrastructure in the area and reservoir management. In order to alleviate the infrastructure constraints and to increase condensate production the Company is currently tendering the equipment required for a gas re-injection scheme, which is anticipated to start up in mid 2009. The gas re-injection scheme ("interim compression") has a budgeted cost of approximately $7.0 million gross ($4.2 million net) and will allow the Company to maximize the recovery of reserves from the retrograde condensate field, increase production, and switch the production mix of the Company from approximately 70 percent natural gas and 30 percent condensate to greater than 70 percent condensate. The impact on cash flow from operations will be significant as the Company received approximately $13.92 per boe for natural gas production and $120.60 per bbl for oil in the Quarter. Subsequent to Quarter end, to optimize the recovery of reserves from the condensate reservoir, the Company reduced production to approximately 750 boe per day until the gas re-injection scheme is operational. The decreased production rates will impact funds from operations in the short-term but will ultimately increase reserves and recovery rates once the interim compression is commissioned.

REALIZED SALES PRICE

NATURAL GAS

For the three and six months ended September 30, 2008 the Company received $2.32 and $2.36 per mcf, compared to $2.12 and $2.14 per mcf in the comparative periods in the prior year. The increase is attributed to the strengthening of the rupees (Rs) against the US dollar. For the majority of natural gas production, the Company receives a fixed price of Rs 3,840 per 1000 m^3 , however, the Company also has a contract for the life of production sharing contract to sell 12,000 m^3/d (approximately 340 mcf/d) at Rs 2,304 per 1000 m^3, (approximately $1.64 per mcf). The Company is paid in rupees and is subject to foreign exchange fluctuations on the average price received on changes between the rupee and US$. Although the Company is not directly impacted by fluctuations in natural gas prices due to the nature of their contracts, as prices around the world increase for natural gas, there is continued market pressures to increase the price received for natural gas in India, which would benefit the Company. The Company continues to be in negotiations with the purchaser of the Company's natural gas to increase the price received to Rs 6,355 per 1000 m^3, (approximately $4.50 per mcf) based on current market conditions.

CRUDE OIL

Crude oil prices began the Quarter with Nigerian Bonny Light reaching an all-time high of $149.61 on July 3rd, 2008. Oil prices began to fall as global demand destruction concerns became more apparent and the fear of a global recession surfaced. Nigerian Bonny Light averaged $137.97 per barrel in July, $116.76 per barrel in August, and $102.88 per barrel in September with a low of $91.67 on September 16th representing a 39 percent decrease from the peak on July 3rd. Subsequent to Quarter end, as the credit crisis deepened and the magnitude and breadth of the crisis were factored into the market, oil prices continued their precipitous fall and averaged $76.38 in October with a low of $54.21 on November 14th. Global demand forecasts are been revised downward which is also having a negative impact on prices.

The Company continues to receive a premium of $4-6 per bbl on the average Bonny Light price for the six months ended September 30, 2008.

The Company's realized sales price for the three and six months ended September 30, 2008 was $47.23 and $49.12 per boe compared to $46.14 and $38.90 per boe for the same period in 2007. The increase in the Company's realized price per boe is consistent with the increase in Nigerian Bonny Light.

PETROLEUM AND NATURAL GAS SALES

Petroleum and natural gas sales increased to $4.0 million and $8.2 million for the three and six months ended September 30, 2008 from $1.3 million and $2.0 million in the comparative periods in the prior year. The increase in revenue for the six months ended is attributable to a 223 percent increase in sales volumes and a 26 percent increase in the realized price received. The increase in revenue for the three months ended September 30, 2008 is due to a 213 percent increase in volumes and a three percent increase in the realized sales price. Petroleum and natural gas sales decreased $0.2 million from the first quarter of fiscal 2009 due to a two percent decrease in sales volumes and eight percent decrease in the realized price received.

ROYALTIES AND CESS

	Three months ended September 30		Six months ended September 30	
Royalties and Cess	**2008**	2007	**2008**	2007
Total	**382**	39	**797**	72
Per boe	**4.50**	1.44	**4.77**	1.40

The Company pays royalties imposed by the Petroleum and Natural Gas Rules to the respective State granting the lease in which crude oil is produced. The Company is responsible for paying royalties at a rate of Rs 528 per metric tonne of crude oil produced (approximately $1.72 per bbl). In addition, the Company is responsible for paying cess at the rate of Rs 927 per metric tonne of crude oil sold (approximately $3.02 per bbl). Cess is a levy imposed by the Oil Industry Development Act on crude oil sales and is payable to the Central Government.

On September 20, 2007, the Company entered into an agreement with a private fund based in Jersey, Channel Islands, whereby the fund provided limited-recourse funding ("Entitlement Fund") of $10,000,000 for appraisal and development drilling in the Company's Amguri Field in Assam, India. The fund does not have a participating interest in the field, nor is it responsible for future capital costs. The fund only receives payments based on the Company's 60% share of gross revenue from the Amguri Field ranging from 7% before recovery of the original $10,000,000 and 3.5% thereafter.

For the three months and six months ended September 30, 2008, total royalties and cess on crude oil amounted to $0.4 and $0.8 million compared to $0.04 and $0.07 million in the comparative periods in the prior year. During the Quarter, the Company continued payments of the Entitlement Fund as per the agreement. Payments for the three and six months ended September 30, 2008, were $0.3 million and $0.6 million and are included in royalties. The increase in royalties on a per boe basis and absolute basis is due to increased oil production and revenue entitlement payments as per the Entitlement Fund agreement.

Royalties on natural gas are assessed at 10% of well head value of gas and are paid by the purchaser of the natural gas; therefore, the Company does not pay royalties on natural gas production.

OPERATING EXPENSES

	Three months ended September 30		Six months ended September 30	
	2008	2007	2008	2007
Total	334	141	693	325
Per boe	3.93	5.19	4.14	6.32

Operating expenses for the three and six months ended September 30, 2008 were $0.3 million ($3.93 per boe) and $0.7 million ($4.14 per boe) compared to $0.1 million ($5.19 per boe) and $0.3 million ($6.32 per boe) in the comparative periods in the prior year. The decrease in operating expenses is due to higher production volumes to spread fixed costs over and operational improvements. Management anticipates operating expenses for the remainder of fiscal 2009 to be between $4.00 to $4.75 per boe. Canoro continues to be committed to being a low cost producer in North East India.

DEPLETION, DEPRECIATION AND ACCRETION EXPENSE

	Three months ended September 30		Six months ended September 30	
	2008	2007	2008	2007
Total	1,405	395	3,133	2,232
Per boe	16.54	14.55	18.74	43.39

For the three months and six months ended September 30, 2008 depletion, depreciation and accretion ("DD&A") was $1.4 million and $3.1 million compared to $0.4 million and $2.2 million in the comparative periods in the prior year. The decrease in the DD&A rate per boe for the six months ended September 30, 2008 is due to the substantial increase in proven reserves from the successful drilling campaign at Amguri. On a boe basis, the DD&A rate decreased 21 percent from the first quarter of fiscal 2009 due to the estimated addition of proven reserves. The increase in depletion on an absolute basis is due to the increase in production.

CAPITAL EXPENDITURES

The Company's total capital expenditures during the three months and six months ended September 30, 2008 amounted to $7.9 million and $14.5 million. The Company's exploration and development expenditures were financed through a combination of cash on hand and funds generated from operations. Year to date the Company has drilled three wells (1.85 net) with a 66 percent success rate. For the remainder of the year the Company anticipates drilling 4 wells (2.5 net), upgrade facilities and install the interim compression.

FUNDS FROM OPERATIONS

	Three months ended September 30		Six months ended September 30	
	2008	2007	**2008**	2007
Net loss	**(582)**	(1,438)	**(963)**	(4,359)
Non cash items:				
Depletion, depreciation and accretion	**1,405**	395	**3,133**	2,232
Unrealized foreign exchange loss	**455**	1,225	**320**	1,552
Unrealized investment (gain)/loss	**144**	(72)	**53**	191
Inventory write-down	**–**	(35)	**–**	–
Stock-based compensation	**426**	296	**870**	504
Funds from operations	**1,848**	371	**3,413**	120

The following table shows the reconciliation of funds from operations to cash flow from operating activities for the periods noted:

	Three months ended September 30		Six months ended September 30	
	2008	2007	**2008**	2007
Funds from operations: Non-GAAP	**1,848**	371	**3,413**	120
Net change in non-cash working capital	**2,558**	(95)	**(707)**	230
Cash flow from operating activities: GAAP	**4,406**	276	**2,706**	350

INTEREST INCOME

During the three and six months ended September 30, 2008, the Company earned interest income of $0.1 and $0.2 million compared to $0.1 million and $0.3 million in the comparative periods in the prior year. The decrease in interest income is due to lower average cash balances and the Company holding the cash on hand in a operating account in order to have unrestricted access to the funds. As at September 30, 2008, the Company had cash of $16.6 million, which primarily is a result of the financing that closed on December 20, 2007.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative ("G&A") costs for the three and six months ended September 30, 2008 were $1.8 million and $3.7 million compared to $1.2 million and $1.7 million in the comparative periods in the prior year. G&A costs have increased commensurate with increased staffing and activity levels. As a result of high levels of activity for Canoro and for the industry as a whole, the costs associated with hiring, compensating, and retaining employees and consultants have risen. Canoro believes it has assembled an excellent team to take the Company from an exploration company to an exploration and production company with the ability to significantly increase reserves and production with only minimal increases to G&A costs.

STOCK BASED COMPENSATION EXPENSE

Stock-based compensation expense is the amortization over the vesting period of the fair value of stock options granted to employees, directors and key consultants of the Company. The fair value of all options granted is estimated using the Black-Scholes option pricing model. The non-cash compensation expense for the three months and six months ended September 30, 2008, was $0.4 million and $0.9 million compared to $0.3 million and $0.5 million in the comparative periods in the prior year. Canoro believes that providing employees with stock options effectively aligns the employees' goals with the shareholders and helps retain key employees.

NET LOSS

For the three and six months ended September 30, 2008, Canoro recorded a net loss of $0.6 million and $1.0 million compared to a net loss of $1.4 million and $4.4 million in the comparative periods in the prior year. Earnings for the three and six months ended were adversely affected by non-cash items such as depletion, depreciation, accretion, unrealized foreign exchange, unrealized investment loss and stock-based compensation.

LIQUIDITY AND CAPITAL RESOURCES

SHARE CAPITAL

At September 30, 2008, the Company had 113,708,941 shares outstanding (March 31, 2008 – 112,992,273). The common shares of Canoro trade on the TSX Venture Exchange under the symbol CNS. The following table summarizes outstanding share data for the three and six months ended September 30, 2008.

	Three months ended September 30	Six months ended September 30
	2008	**2008**
Weighted average shares outstanding:		
Basic	113,708,941	113,423,004
Options and warrants [1]	–	–
Diluted	113,708,941	113,423,004

Trading Statistics		
High	1.38	1.64
Low	0.47	0.47
Average daily volume	265,129	219,208

[1] *Anti-dilutive incremental options and warrants are excluded from the weighted average diluted shares outstanding.*

At November 25, 2008, the Company had 113,708,941 shares outstanding and 9,197,000 options outstanding.

CAPITAL RESOURCES

At September 30, 2008, the Company had $24.8 million of net working capital, including cash and cash equivalents of $16.6 million. As at September 30, 2008, the Company had no debt. New equity, if available and on favorable terms, may be utilized to expand the exploration and development program. The Company does not currently have a credit facility in place, but would consider debt financing for certain development opportunities if they arise.

The Company's investing activities in the Quarter consisted primarily of expenditures on its capital program. As a result of the current international credit crisis, capital markets with respect to both equities and debt have tightened significantly. Management anticipates the Company will have adequate liquidity and capital resources to fund its budgeted capital expenditures through a combination of funds generated from operations and cash on hand. Subsequent to Quarter-end, accounts receivable of $6.9 million was collected from our joint venture partner. With zero debt, $24.8 million in working capital, and positive funds from operations the Company believes it is in a excellent position to navigate the uncertainties in the market.

SUMMARY OF QUARTERLY RESULTS

($ thousands, except per share amounts)	2009		2008				2007	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Petroleum and natural gas sales	4,012	4,201	1,715	1,091	1,253	748	433	570
Cash flow from/(used) in operating activities	4,406	(1,700)	(3,220)	(3,327)	276	77	323	489
Net Loss	(582)	(381)	(755)	(1,974)	(1,438)	(2,921)	(1,851)	(1,369)
Per share – basic and diluted	(0.01)	–	(0.01)	(0.02)	(0.02)	(0.03)	(0.03)	(0.02)
Capital expenditures	7,898	6,588	5,445	3,253	138	4,871	7,394	4,792
Total boe/day	923	904	390	288	295	267	198	218
Total Assets	90,604	91,704	90,364	90,098	67,732	59,974	59,005	53,948

The increase in revenue over the past eight quarters is due to increased production and oil prices from the Amguri field. The quarterly net loss has decreased in fiscal 2009 compared to 2008 and 2007 due to higher production volumes and commodity prices. Production has increased through the drill-bit by 323 percent from Q3 of fiscal 2007 as a result of the Company's drilling program. Total assets have remained relatively flat since the third quarter of 2008. The large increase in the third quarter of 2008 is due to the financing that closed in December 2007.

RISK AND UNCERTAINTIES

EXPLORATION AND DEVELOPMENT

The exploration and development of oil and gas deposits involve a number of uncertainties that even thorough evaluation, experience and knowledge of the industry cannot eliminate. It is impossible to guarantee that the exploration programs of the Company's properties will generate economically recoverable reserves. The commercial viability of a new hydrocarbon pool is dependent upon a number of factors that are inherent to reserves, such as the content and the proximity of infrastructure, as well as oil and gas prices, which are subject to considerable volatility, regulatory issues such as price regulation, taxes, royalties, import and export of oil and gas and environmental protection issues. The individual impact generated by these factors cannot be predicted with any certainty, but once combined, may result in non-economic reserves. The Company remains subject to normal risks inherent to the oil and gas industry such as unusual and unexpected geological changes in the parameters and variables of the petroleum system and operations.

OPERATING HAZARDS AND RISKS

Exploration for natural resources involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages, damages to persons or property and possible environmental damage.

Although the Company has obtained liability insurance in an amount it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

RESERVE ESTIMATES

Despite the fact that the Company has reviewed the estimated figures related to potential reserve evaluation and probabilities attached thereto and is of the opinion that the methods used to appraise these estimates are adequate, these figures remain estimates, even though they have been calculated or validated by independent appraisers. The reserves disclosed by the Company should not be interpreted as assurances of property life or the profitability of current or future operations given that there are numerous uncertainties inherent in the estimation of economically recoverable oil and gas reserves.

FLUCTUATING PRICES

Revenues from oil and gas sales vary accordingly to the existence of cost recovery pool balances. The Company’s revenues, if any, are expected to be in large part derived from the extraction and sale of oil and gas. The price of oil has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company’s control, including international economic and political trends, expectations of inflation, war, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of oil, and therefore the economic viability of any of the Company’s exploration projects, cannot be accurately predicted.

ENVIRONMENTAL FACTORS

All phases of the Company’s operations are subject to environmental regulation in India. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines, and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The current exploration, development and production activities of the Company require certain permits and licenses from the Directorate General Hydrocarbons and other governmental agencies and such operations are, and will be, governed by laws and regulations governing exploration, development and production, labor laws, waste disposal, land use, safety, and other matters. There can be no assurance that all licenses and permits that the Company may require to carry out exploration and development of its projects will be obtainable on reasonable terms or on a timely basis, or that such laws and regulation would not have an adverse effect on any project that the Company may undertake.

POLITICAL RISK

The Company's projects are located in Northeast India and consequently the Company is subject to certain risks, including currency fluctuations and possible political or economic unrest which may result in the disruption of exploration and development activities. The states of Assam, Nagaland and Arunachal Pradesh are home to strong independence movements. Over the past several years, varying degrees of social upheaval and criminal activity has occurred related to these independence movements. While the situation is presently stable and the Company has exceptional relationships in these areas, there can be no guarantee that the company will not be affected in the future. Additionally, the continued perception that the situation has not stabilized or improved may hinder the Company's ability to access capital in a timely or cost effective manner.

RETENTION OF KEY EMPLOYEES

The Company is dependent on retaining the services of a small number of key personnel of the appropriate caliber as its business develops. The success of the Company is, and will continue to be to a significant extent, dependent on the expertise and experience of the directors and senior management and the loss of one or more could have a materially adverse effect on the Company.

EXCHANGE RATE VOLATILITY

To the extent revenues and expenditures denominated in, or strongly linked to, the US dollar and the Indian Rupee (INR) are not equivalent; the Company is exposed to exchange rate risk. In India, the Company is exposed to the extent that US dollar revenues for crude oil sales do not equal US dollar expenditures and that INR revenues from natural gas sales do not equal INR expenditures. The Company is not currently using exchange rate derivatives to manage exchange rate risk.

FINANCIAL RESOURCES

The Company's cash flow from operations may not be sufficient to fund its ongoing activities and implement its business plans. From time to time the Company may enter into transactions to acquire assets or the shares of other companies. Depending on the future exploration and development plans, the Company may require additional financing, which may not be available or, if available, may not be available on favorable terms. Failure to obtain such financing on a timely basis could cause the Company to forfeit or forego various opportunities.

REPATRIATION OF EARNINGS

Currently there are no restrictions on the repatriation from India of earnings to foreign entities. However, there can be no assurance those restrictions on repatriation of earnings from India will not be imposed in the future.

DISRUPTIONS IN PRODUCTION

Other factors affecting the production and sale of oil and gas that could result in decreases in profitability include: (i) expiration or termination of permits or licenses, or sales price redeterminations or suspension of deliveries; (ii) future litigation; (iii) the timing and amount of insurance recoveries; (iv) work stoppages or other labor difficulties; (v) changes in the market and general economic conditions, monsoon conditions, equipment replacement or repair, fires or other unexpected geological conditions that can have a significant impact on operating results.

FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risks due to the nature of its business and the financial assets and liabilities it holds. The following discussion reviews material financial risks, quantifies the associated exposures, and explains how these risks, and the Company's capital, are managed.

Additional information in respect of the Company's risks may be found in the Annual Information Form.

A) MARKET RISK

Changes in commodity prices and foreign currency exchange rates can have an impact on the Company's earnings and value of financial assets and liabilities.

Commodity price risk – Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. The Company is exposed to commodity price risk due to the nature of its business. Oil and natural gas prices are impacted by global supply and demand, as well as political and other forces. For the majority of natural gas production, the Company receives a fixed price of 3,840 rupees (Rs) per 1000 m^3, approximately $2.73 per thousand cubic feet (mcf). The Company also has a contract for the life of production sharing contract to sell 12,000 m^3/d (approximately 340 mcf per day) at 2,304 Rs per 1000 m^3, (approximately $1.64 per mcf). The Company is paid in rupees and is subject to foreign exchange fluctuations on the average price received on changes between the rupee and US$. Although the Company is not directly impacted by fluctuations in natural gas prices due to the nature of their contracts, as prices around the world increase for natural gas there is continued market pressures to increase the price received for natural gas in India which would benefit the Company. The Company receives world oil prices for its oil production and is subject to price fluctuations. Prices continue to be volatile and can undergo significant changes in relatively short time periods. The Company may enter into derivative commodity price contracts in order to manage its commodity price risk.

Based on actual sales volumes recorded for the period ended September 30, 2008, a US$1.00 per barrel increase (decrease) in oil prices would have increased (decreased) net earnings by $0.05 million. As the Company continues to increase production, earnings will become more impacted by commodity prices, primarily oil.

Foreign currency exchange rate risk – Foreign exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The reporting currency of the Company is US$. Substantially all of the Company's operations are in foreign jurisdictions and as a result, the Company is exposed to foreign currency exchange rate risk on some of its activities primarily on exchange fluctuations between the rupee and the US$. Oil revenues are denominated in US$, while natural gas revenues are denominated in Indian rupees. Operating and capital expenditures are incurred in various currencies, including, US dollars, Indian rupees and Canadian dollars. The majority of capital expenditures are incurred in US$ and oil revenues are received in US$ therefore the Company's exposure to foreign exchange is minimal.

The Company may enter into derivative foreign currency contracts in order to manage foreign currency exchange rate risk, but has not done so to date.

The table below shows the Company's exposure to foreign currencies for its financial instruments:

As at September 30, 2008	Total	USD	INR	CAD
	per FS [1]		US$ Equivalent	
Cash and cash equivalents	16,634	14,063	1,219	1,352
Restricted cash	–	–	–	–
Accounts receivable	14,206	12,438	1,754	14
Accounts payable	(6,973)	(5,279)	(1,340)	(354)
Balance sheet exposure	23,867	21,222	1,633	1,012

[1] *denotes Financial statements*

The Company believes a three percent change in the US$ against these foreign currencies would be reasonably possible within the next three month reporting period. A three percent strengthening of the US$ would result in a change in earnings as follows (an equal but opposite impact to earnings would result if the US$ weakened by three percent):

As at September 30, 2008	INR		CAD
		US$ Equivalent	
Decrease in earnings	49		30

B) CREDIT RISK

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation and arises principally from joint venture partners and natural gas and oil marketers. The Company is exposed to credit risk in respect to its cash and cash equivalents and accounts receivable.

Cash and cash equivalents are held in operating accounts with highly rated Canadian banks and therefore the Company considers these assets to have negligible credit risk.

Virtually all of the Company's accounts receivable are from counterparties in the oil and gas industry and are subject to normal industry credit risks. The Company's production base is entirely in the Assam state in North East India. For both the Amguri and AAON/7 production sharing contracts, the Company has the same joint venture partner for both contracts thereby increasing the exposure to credit risk for the Company. The Company believes credit risk from its joint venture partner is mitigated by the default provisions within the production sharing contracts. The default provisions are very punitive to the party in default and can include additional working interest reverting to the operator if certain conditions are not met by the defaulting party. Subsequent to Quarter end, the joint venture partner paid all receivables outstanding at September 30, 2008. Revenue receivables are from both government agencies in India and large international oil and gas companies.

The carrying amount of cash and cash equivalents and accounts receivable represents the Company's maximum credit exposure. As at September 30, 2008, the Company's accounts receivable is aged as follows:

Current (less than 90 days)	11,233
Past due (more than 90 days)	2,973
Total	14,206

The Company does not have an allowance for doubtful accounts, and did not write off any receivables in the six months ended September 30, 2008.

C) LIQUIDITY RISK

The Company manages its risk of not meeting its financial obligations through management of its capital structure, annual budgeting of its revenues, expenditures and cash flows. The Company expects its 2009 operating cash flow and cash on hand to exceed budgeted non-discretionary expenditures, providing added liquidity. As at September 30, 2008, the Company had working capital of $24.8 million.

Accounts payable arise in the normal course of business, and all amounts are due within three months or less of the balance sheet date.

The Company believes it has adequate cash flows and cash on hand to discharge its financial obligations.

D) CAPITAL MANAGEMENT

The Company defines its capital as shareholder's equity. The Company's objective is to maintain a strong capital position in order to execute its business plan and maximize value to shareholders. Availability of capital is critical for future success and as such, the Company strives to maintain strong relationships with the capital investment community. Methods employed to adjust the Company's capital structure could include any, all, or a combination of the following activities:

- Repurchase shares pursuant to a normal course issuer bid;
- Issue new shares through a public offering or private placement;
- Issue equity linked or convertible debt;
- Raise fixed or floating rate debt;

The Company is not subject to any externally imposed capital requirements.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS:

The Company has office lease commitments in Noida and Jorhat in India and Calgary, Canada.

The Company has contracted two drilling rigs for a period of one year plus an option for a second year for the exploration and development of the Company's Northeast India assets.

Following are the future anticipated payments under the contracts:

	Drilling contracts	Office leases	Total
2009	10,395	315	10,710
2010	4,553	602	5,155
2011	–	500	500
2012	–	187	187
2013	–	125	125
Total	14,948	1,729	16,677

Under the terms of the drilling contracts, the Company has the ability to cancel the contracts at its discretion and pay an early termination fee. If the drilling rig contracts were canceled at September 30, 2008 the obligation would be:

	Drilling contracts	Office leases	Total
2009	10,117	315	10,432
2010	–	602	602
2011	–	500	500
2012	–	187	187
2013	–	125	125
Total	10,117	1,729	11,846

On September 20, 2007 the Company entered into an agreement with a private fund based in Jersey, Channel Islands, whereby the fund provided limited-recourse funding of $10.0 million for appraisal and development drilling in the Company's Amguri Field in Assam, India. The funds have been expended.

The fund does not have a participating interest in the field, nor is it responsible for future capital costs. The fund only receives payments based on the Company's 60 percent share of gross revenue from the Amguri Field ranging from seven percent before recovery of the original $10.0 million and 3.5 percent thereafter. The agreement provides that the Company shall have a termination option between September 20, 2010, the third anniversary of the agreement, and December 31, 2012 to buy back the fund's entitlement for $15.0 million before recovery, or for $12.8 million after recovery of the fund's initial $10.0 million. If this termination option is exercised by the Company, the fund will be granted, subject to TSX approval, 5.0 million warrants to acquire 5.0 million common shares of the Company, exercisable within nine months from the date of issue at an exercise price of C$ 2.00 per common share. If the Company declines to exercise the termination option within the stated time period, the fund will retain its revenue entitlement to the Amguri field.

CRITICAL ACCOUNTING POLICIES / CRITICAL ACCOUNTING ESTIMATES:

Canoro's financial statements have been prepared in accordance with Canadian general accepted accounting principles. Certain accounting policies require management to make decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Canoro's management reviews their estimates frequently; however, the emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates. Canoro attempts to mitigate this risk by employing individuals with the appropriate skill set and knowledge to make reasonable estimates; developing internal reporting systems; and comparing past estimates to actual results.

The Company's financial and operating results include estimates of the following:

- Depletion, depreciation and accretion based on estimates of oil and gas reserves;
- Estimated revenues, operating expenses and royalties for which actual revenues and costs have not yet been received;
- Estimated capital expenditures on projects that are in progress; and
- Estimated amount of the asset retirement obligation, including estimates of future costs and the timing of the costs.

GUARANTEES AND OFF-BALANCE SHEET ARRANGEMENTS:

Canoro has not entered into any off-balance sheet arrangements except for certain lease agreements entered into in the normal course of operations. All leases are operating leases with lease payments charged to operating expenses or general and administrative expenses according to the nature of the lease.

RECENT ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements have been issued by the AcSB, but were not in effect at the date of the current financial statements. These pronouncements may have an impact on the Company's future financial reporting.

GOODWILL AND INTANGIBLE ASSETS

Effective April 1, 2009, the Company will be required to adopt this standard, which replaces GAAP sections 3062 and 3450 and provides guidance relating to the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company is currently assessing the impact of this standard.

CONVERGENCE OF CANADIAN GAAP WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February of 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the effective date for the requirement to report under International Financial Reporting Standards ("IFRS") with comparative 2010 periods converted as well. The Canadian Securities Administrators are in the process of examining the changes to securities rules as a result of this initiative. The Company has not completed development of its IFRS changeover plan, which will include an analysis of key GAAP differences and a plan to assess accounting policies under IFRS as well as the potential IFRS 1 exemptions.

2009 OUTLOOK

STRATEGY

Canoro Resources Ltd. through its corporate branch is engaged in the acquisition, development and exploration for, and production and marketing of petroleum and natural gas in India. Presently, the Company holds three properties or Production Sharing Contracts (PSC) in the States of Assam, Nagaland and Arunachal Pradesh, India.

The Company strives to create shareholder value through the acquisition, exploration and development of prospective oil and gas areas in Northeast India. The Company has achieved competitive advantages in this region by focusing on relationships, experience, technology and good international oilfield practices. While the competition for attractive development properties is intense, the Company believes that this strategy is viable and offers an attractive risk-reward ratio for shareholders. The Company focuses on areas where the management has long-standing experience and above-average relationships. Additionally, to mitigate risk, the Company has entered into joint ventures with partners who provide significant technical and/or financial resources.

2009 CAPITAL ACTIVITIES

As at June 30, 2008 the company forecasted net capital expenditures over the next 12 to 15 months to be approximately $50 to $55 million. Due to adverse market conditions such as uncertainty in the debt and equity markets and volatile commodity prices the Company is adopting a conservative approach to its capital expenditures and is now forecasting capital expenditures to be approximately $27 to $30 million over the next nine to 12 months in addition to the $7.9 million incurred in the three months ended September 30, 2008. Should the market conditions become more favorable and/or if commodity prices stabilize the Company has the prospect inventory, capability and resources to accelerate the capital program.

2009 PRODUCTION GUIDANCE

As at June 30, 2008 the company forecasted production to average 1,200 boe/d to 1,300 boe/d; however due to the reduced capital program and prudent reservoir management the Company is now expecting production to average 900 boe/d to 1,000 boe/d for fiscal 2009 with an exit rate 1,200 boe/d. The Company is expecting the interim compression to be commissioned in mid-2009 with production increasing to 1,500 boe/d.

SEDAR FILINGS

Additional information about Canoro is available on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and at the Company's website at www.canoro.com.

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED) Q2

(Thousands of United States dollars)

	September 30, 2008	March 31, 2008
ASSETS		(Restated – note 2)
Current assets		
Cash and cash equivalents	**16,634**	23,993
Restricted cash (Note 7)	**–**	9,741
Investment	**27**	80
Accounts receivable	**14,206**	8,323
Inventory	**70**	401
Prepaid expenses and deposits	**818**	767
	31,755	43,305
Property, plant and equipment (Note 3)	**58,849**	47,059
Total Assets	**90,604**	90,364
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**6,973**	7,760
Asset retirement obligations (Note 4)	**709**	513
Shareholders' equity		
Common shares (Note 6)	**86,883**	85,597
Contributed surplus (Note 6)	**13,494**	12,986
Accumulated other comprehensive income (Note 2)	**8,332**	8,332
Deficit	**(25,787)**	(24,824)
	82,922	82,091
Total liabilities and shareholders' equity	**90,604**	90,364

Entitlement fund (Note 5)
Contingent liabilities (Note 9)
Contractual obligations and commitments (Note 10)

See accompanying notes to consolidated financial statements.

Approved by the Board:

Douglas R. Martin, Director

Harley L. Winger, Director

(Thousands of United States dollars)

	Three months ended September 30		Six months ended September 30	
	2008	2007	**2008**	2007
REVENUES				
Petroleum and natural gas sales	**4,012**	1,253	**8,213**	2,001
Royalties	**(382)**	(39)	**(797)**	(72)
Interest income and other	**65**	124	**185**	287
	3,695	1,338	**7,601**	2,216
EXPENSES				
Operating	**334**	141	**693**	325
General and administrative	**1,755**	1,151	**3,710**	1,688
Stock-based compensation	**426**	296	**870**	504
Foreign exchange loss	**213**	865	**105**	1,635
Investment (gain)/loss	**144**	(72)	**53**	191
Depletion, depreciation and accretion	**1,405**	395	**3,133**	2,232
	4,277	2,776	**8,564**	6,575
Net loss	**(582)**	(1,438)	**(963)**	(4,359)
Deficit, beginning of the period	**(25,205)**	(20,656)	**(24,824)**	(17,735)
Deficit, end of the period	**(25,787)**	(22,094)	**(25,787)**	(22,094)
Basic and diluted loss per share (Note 6)	**(0.01)**	(0.02)	**(0.01)**	(0.05)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(Thousands of United States dollars)

	Three months ended September 30		Six months ended September 30	
	2008	2007	**2008**	2007
Net loss	**(582)**	(1,438)	**(963)**	(4,359)
Other comprehensive income				
Foreign exchange adjustment on change in reporting currency	**–**	3,577	**–**	7,663
Comprehensive income/(loss)	**(582)**	2,139	**(963)**	3,304

See accompanying notes to the interim consolidated financial statements

(Thousands of United States dollars)

	Three months ended September 30		Six months ended September 30	
	2008	2007	**2008**	2007
OPERATING ACTIVITIES				
Net loss	**(582)**	(1,438)	**(963)**	(4,359)
Non cash items				
Depletion, depreciation and accretion	**1,405**	395	**3,133**	2,232
Unrealized foreign exchange loss	**455**	1,225	**320**	1,552
Unrealized investment (gain)/loss	**144**	(72)	**53**	191
Inventory write-down	**–**	(35)	**–**	–
Stock-based compensation	**426**	296	**870**	504
Net change in non-cash working capital	**2,558**	(95)	**(707)**	230
	4,406	276	**2,706**	350
FINANCING ACTIVITIES				
Stock option proceeds	**–**	–	**689**	–
INVESTING ACTIVITIES				
Additions to property, plant and equipment (net)	**(7,898)**	(138)	**(14,486)**	(5,009)
Proceeds on sale of investments	**–**	708	**–**	708
Restricted cash	**9,741**	5,621	**9,741**	6,657
Change in non-cash working capital	**(4,570)**	80	**(6,142)**	(2,465)
	(2,727)	6,271	**(10,887)**	(109)
Net effect of foreign exchange on cash denominated in foreign currencies	**172**	(339)	**133**	223
Net change in cash and cash equivalents	**1,851**	6,208	**(7,359)**	464
Cash and cash equivalents, beginning of period	**14,783**	7,268	**23,993**	13,012
Cash and cash equivalents, end of period	**16,634**	13,476	**16,634**	13,476
Cash flow supplemental information				
Interest received	**80**	124	**184**	297

See accompanying notes to consolidated financial statements.

For the periods ended September 30, 2008 and 2007 (unaudited)

(All tabular amounts are expressed in thousands of United States dollars, except per share amounts or otherwise noted)

1. General

Canoro Resources Ltd. (the "Company") was incorporated under the Companies Act (British Columbia) and continued under the Business Corporations Act (Alberta). The Company is engaged in the acquisition, development and exploration for, and production and marketing of petroleum and natural gas in India.

2. Significant accounting policies

(a) Basis of presentation

The interim consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. The interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended March 31, 2008. The disclosure which follows is incremental to the disclosure included with the annual financial statements. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended March 31, 2008. The preparation of financial statements in accordance 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 revenue and expenses during the reporting period. Actual results may differ from these estimates.

(b) Change in reporting currency

Effective March 31, 2008, management changed the reporting currency of the Company from Canadian dollars (C$) to United States dollars ($), as the Company transacts substantially all of its business in United States dollars.

(c) Change in accounting policy

Effective April 1, 2008, the Company's functional currency changed from Canadian dollars to US$ as a result of increased significance of the US$ to the Company's cash flows. Amongst other things, the increased significance of the US$ is a result of increased capital expenditures being in US$ and an increased proportion of revenues being earned in US$. As both the functional and reporting currencies of the Company are in US$, there are no translation gains and losses that will impact accumulated other comprehensive income.

Monetary assets and liabilities of the Company that are denominated in currencies other than US$ are translated into its function currency at the rates of exchange in effect at the period end date. Any gains and losses are recorded in earnings.

3. Property, plant and equipment

September 30, 2008	Cost	Accumulated Depletion and Depreciation	Net Book Value
Petroleum and natural gas properties			
India	$ 67,245	10,068	$ 57,177
Office furniture and equipment			
Canada	1,163	260	903
India	1,047	278	769
	2,210	538	1,672
	$ 69,455	10,606	$ 58,849

March 31, 2008	Cost	Accumulated Depletion and Depreciation	Net Book Value
Petroleum and natural gas properties			
India	$ 52,846	7,124	$ 45,722
Office furniture and equipment			
Canada	787	175	612
India	896	171	725
	1,683	346	1,337
	$ 54,529	7,470	$ 47,059

At September 30, 2008, expenditures associated with the Company's unproven properties totaling $11.9 million (March 31, 2008 $11.2 million) have been excluded from depletion. Estimated future development costs of $26.0 million (March 31, 2008 – $15.7 million) have been included in costs subject to depletion. During the six months ended September 30, 2008, direct overhead costs totaling $0.7 million (September 30, 2007 – $0.5 million) were capitalized relating to the Company's exploration and development programs in India.

4. Asset retirement obligations

The following table represents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of oil and gas assets as at September 30, 2008:

Asset retirement obligations, beginning of period	$ 513
Obligations incurred	155
Accretion expense	41
Asset retirement obligations, end of period	$ 709

5. Entitlement fund

On September 20, 2007 the Company entered into an agreement with a private fund based in Jersey, Channel Islands, whereby the fund provided limited-recourse funding of $10.0 million for appraisal and development drilling in the Company's Amguri Field in Assam, India. The funds have been expended.

The fund does not have a participating interest in the field, nor is it responsible for future capital costs. The fund only receives payments based on the Company's 60 percent share of gross revenue from the Amguri Field ranging from seven percent before recovery of the original $10.0 million and 3.5 percent thereafter. The agreement provides that the Company shall have a termination option between September 20, 2010, the third anniversary of the agreement, and December 31, 2012 to buy back the fund's entitlement for $15.0 million before recovery, or for $12.8 million after recovery of the fund's initial $10.0 million. If this termination option is exercised by the Company, the fund will be granted, subject to TSX approval, 5.0 million warrants to acquire 5.0 million common shares of the Company, exercisable within nine months from the date of issue at an exercise price of C$ 2.00 per common share. If the Company declines to exercise the termination option within the stated time period, the fund will retain its revenue entitlement to the Amguri field.

6. Share capital

(a) Authorized

Unlimited voting common shares, without nominal or par value;

Unlimited share purchase warrants; and

Unlimited non-voting preferred shares without nominal or par value.

(b) Common shares issued

	Number	Amount
Balance, beginning of period	112,992	$ 85,597
Exercise of stock options	717	689
Transfer from contributed surplus	–	597
Balance, end of period	113,709	$ 86,883

(c) Stock options

The following table sets forth a reconciliation of the stock option plan activity for the six months ended September 30, 2008

	Number	Weighted average exercise price (C$)
Outstanding options, beginning of period	9,942	1.47
Granted	650	1.24
Exercised	(717)	0.96
Forfeited	(553)	1.40
Outstanding options, end of period	9,322	1.50
Options exercisable, end of period	7,253	1.51

Options	Outstanding at September 30, 2008	Weighted Average Remaining Contractual Life (years)	Exercisable at September 30, 2008	Weighted Average Remaining Contractual Life
Exercise Price				
$ 0.50 to $ 0.74	150	2.1	150	2.1
$ 0.75 to $ 0.99	1,655	2.5	1,438	2.2
$ 1.00 to $1.24	2,744	2.9	2,744	2.9
$ 1.25 to $1.49	1,670	3.3	930	2.8
$ 1.50 to $1.74	1,195	4.2	465	4.0
$ 1.75 to $1.99	1,223	2.5	841	1.8
$ 4.34	685	1.4	685	1.4
	9,322	2.9	7,253	2.5

(d) Contributed surplus

The following table sets forth a reconciliation of the contributed surplus balance:

Balance, beginning of period	$ 12,986
Grant of options expensed, net of cancelled	870
Capitalized stock based compensation	235
Transfer to share capital	(597)
Balance, end of period	$ 13,494

(e) Loss per share

Net loss per share is computed using the following weighted average common shares

	Three months ended September 30		Six months ended September 30	
	2008	2007	**2008**	2007
Basic	**113,709**	93,472	**113,423**	93,472
Diluted [1]	**113,709**	93,472	**113,423**	93,472

[1] Anti-dilutive incremental options and warrants are excluded from the weighted average diluted shares outstanding.

7. Restricted cash

From time to time, the Company is required to post guarantees with the Government of India and letters of credit to its suppliers of goods and services. As at September 30, 2008, none of the Company's cash was restricted.

8. Geographic segmentation

The Company has a corporate office in Canada and operations in India. Set out below is segmented information on a geographic basis.

For the three months ended September 30, 2008	Canada	India	Consolidated
Petroleum and natural gas sales	$ –	4,012	$ 4,012
Interest income and other	60	5	65
Net income (loss)/income	(353)	(229)	(582)
Capital expenditures	202	7,696	7,898
As at September 30, 2008			
Total assets	$ 16,077	74,527	$ 90,604

For the three months ended September 30, 2007	Canada	India	Consolidated
Petroleum and natural gas sales	$ –	1,253	$ 1,253
Interest income and other	115	9	124
Net Loss	(1,333)	(105)	(1,438)
Capital expenditures	1	137	138
As at September 30, 2007			
Total assets	$ 19,261	48,471	$ 67,732

For the six months ended September 30, 2008	Canada	India	Consolidated
Petroleum and natural gas sales	$ –	8,213	$ 8,213
Interest income and other	180	5	185
Net income (loss)/income	(2,350)	1,387	(963)
Capital expenditures	380	14,106	14,486
As at September 30, 2008			
Total assets	$ 16,077	74,527	$ 90,604

For the six months ended September 30, 2007	Canada	India	Consolidated
Petroleum and natural gas sales	$ –	2,001	$ 2,001
Interest income and other	276	11	287
Net Loss	(2,305)	(2,054)	(4,359)
Capital expenditures	8	5,001	5,009
As at September 30, 2007			
Total assets	$ 19,261	48,471	$ 67,732

9. Contingent liabilities

The Company is subject to legal proceedings and actions arising in the normal course of business. Management believes that any assets or liabilities, which might arise pertaining to such matters, would not be expected to have a material effect on the Company's consolidated financial position.

10. Contractual obligations and commitments

The Company has office lease commitments in Noida and Jorhat in India and Calgary, Canada.

The Company has contracted two drilling rigs for a period of one year plus an option for a second year for the exploration and development of the Company's Northeast India assets.

Following are the future anticipated payments under the contracts:

	Drilling contracts	Office leases	Total
2009	10,395	315	10,710
2010	4,553	602	5,155
2011	–	500	500
2012	–	187	187
2013	–	125	125
Total	14,948	1,729	16,677

The Company has an obligation to pay a revenue entitlement as described in Note 5.

11. Financial Risk Management

The Company is exposed to financial risks due to the nature of its business and the financial assets and liabilities it holds. The following discussion reviews material financial risks, quantifies the associated exposures, and explains how these risks, and the Company's capital, are managed.

Additional information in respect of the Company's risks may be found in the Annual Information Form.

(a) Market Risk

Changes in commodity prices and foreign currency exchange rates can have an impact on the Company's earnings and value of financial assets and liabilities.

Commodity price risk – Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. The Company is exposed to commodity price risk due to the nature of its business. Oil and natural gas prices are impacted by global supply and demand, as well as political and other forces. For the majority of natural gas production, the Company receives a fixed price of 3,840 rupees (Rs) per 1000 m^3, approximately $2.73 per thousand cubic feet (mcf). The Company also has a contract for the life of production sharing contract to sell 12,000 m^3/d (approximately 340 mcf per day) at 2,304 Rs per 1000 m^3, (approximately $1.64 per mcf). The Company is paid in rupees and is subject to foreign exchange fluctuations on the average price received on changes between the rupee and US$. Although the Company is not directly impacted by fluctuations in natural gas prices due to the nature of their contracts, as prices around the world increase for natural gas there is continued market pressures to increase the price received for natural gas in India which would benefit the Company. The Company receives world oil prices for its oil production and is subject to price fluctuations. Prices continue to be volatile and can undergo significant changes in relatively short time periods. The Company may enter into derivative commodity price contracts in order to manage its commodity price risk.

Based on actual sales volumes recorded for the period ended September 30, 2008, a US$1.00 per barrel increase (decrease) in oil prices would have increased (decreased) net earnings by $0.05 million. As the Company continues to increase production, earnings will become more impacted by commodity prices, primarily oil.

Foreign currency exchange rate risk – Foreign exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The reporting currency of the Company is US$. Substantially all of the Company's operations are in foreign jurisdictions and as a result, the Company is exposed to foreign currency exchange rate risk on some of its activities primarily on exchange fluctuations between the rupee and the US$. Oil revenues are denominated in US$, while natural gas revenues are denominated in Indian rupees. Operating and capital expenditures are incurred in various currencies, including, US dollars, Indian rupees and Canadian dollars. The majority of capital expenditures are incurred in US$ and oil revenues are received in US$ therefore the Company's exposure to foreign exchange is minimal.

The Company may enter into derivative foreign currency contracts in order to manage foreign currency exchange rate risk, but has not done so to date.

The table below shows the Company's exposure to foreign currencies for its financial instruments:

As at September 30, 2008	Total	USD	INR	CAD
	per FS [1]		US$ Equivalent	
Cash and cash equivalents	16,634	14,063	1,219	1,352
Restricted cash	–	–	–	–
Accounts receivable	14,206	12,438	1,754	14
Accounts payable	(6,973)	(5,279)	(1,340)	(354)
Balance sheet exposure	23,867	21,222	1,633	1,012

[1] *denotes Financial statements*

The Company believes a three percent change in the US$ against these foreign currencies would be reasonably possible within the next three month reporting period. A three percent strengthening of the US$ would result in a change in earnings as follows (an equal but opposite impact to earnings would result if the US$ weakened by three percent):

As at September 30, 2008	INR		CAD
	US$ Equivalent		
Decrease in earnings	49		30

(b) Credit Risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation and arises principally from joint venture partners and natural gas and oil marketers. The Company is exposed to credit risk in respect to its cash and cash equivalents and accounts receivable.

Cash and cash equivalents are held in operating accounts with highly rated Canadian banks and therefore the Company considers these assets to have negligible credit risk.

Virtually all of the Company's accounts receivable are from counterparties in the oil and gas industry and are subject to normal industry credit risks. The Company's production base is entirely in the Assam state in North East India. For both the Amguri and AAON/7 production sharing contracts, the Company has the same joint venture partner for both contracts thereby increasing the exposure to credit risk for the Company. The Company believes credit risk from its joint venture partner is mitigated by the default provisions within the production sharing contracts. The default provisions are very punitive to the party in default and can include additional working interest reverting to the operator if certain conditions are not met by the defaulting party. Subsequent to Quarter end, the joint venture partner paid all receivables outstanding at September 30, 2008. Revenue receivables are from both government agencies in India and large international oil and gas companies.

The carrying amount of cash and cash equivalents and accounts receivable represents the Company's maximum credit exposure. As at September 30, 2008, the Company's accounts receivable is aged as follows:

Current (less than 90 days)	11,233
Past due (more than 90 days)	2,973
Total	14,206

The Company does not have an allowance for doubtful accounts, and did not write off any receivables in the six months ended September 30, 2008.

(c) Liquidity Risk

The Company manages its risk of not meeting its financial obligations through management of its capital structure, annual budgeting of its revenues, expenditures and cash flows. The Company expects its 2009 operating cash flow and cash on hand to exceed budgeted non-discretionary expenditures, providing added liquidity. As at September 30, 2008, the Company had working capital of $24.8 million.

Accounts payable arise in the normal course of business, and all amounts are due within three months or less of the balance sheet date.

The Company believes it has adequate cash flows and cash on hand to discharge its financial obligations.

(d) Capital Management

The Company defines its capital as shareholder's equity. The Company's objective is to maintain a strong capital position in order to execute its business plan and maximize value to shareholders. Availability of capital is critical for future success and as such, the Company strives to maintain strong relationships with the capital investment community. Methods employed to adjust the Company's capital structure could include any, all, or a combination of the following activities:

- Repurchase shares pursuant to a normal course issuer bid;
- Issue new shares through a public offering or private placement;
- Issue equity linked or convertible debt;
- Raise fixed or floating rate debt;

The Company is not subject to any externally imposed capital requirements.

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