

**DEREK OIL AND GAS CORPORATION
QUARTERLY FINANCIAL STATEMENTS
For the Three and Nine Month Period Ended
January 31, 2009 and 2008**

**Unaudited
Prepared by Management
Vancouver, B.C.
March 30, 2009**

Derek Oil and Gas Corporation

Notice Pursuant to Part 4.3 (3) of the National Instrument 51-102
Continuous Disclosure Obligations

The quarterly report of Derek Oil and Gas Corporation filed for the nine months ended January 31, 2009 has been prepared by management without review by our auditors. These unaudited financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by Generally Accepted Accounting Principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included.

Date: March 30, 2009

“Signed”

Name: Greg Amor, C.A.
Chief Financial Officer
Derek Oil and Gas Corporation

DEREK OIL AND GAS CORPORATION

Consolidated Balance Sheets

as at January 31, 2009 and April 30, 2008

	January 31, 2009	April 30, 2008
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	380,064	68,903
Prepaid expenses	4,852	15,173
Accounts receivable	103,755	82,718
	<u>488,671</u>	<u>166,794</u>
Performance bonds (note 3)	123,737	95,901
Oil and gas properties (note 3)	19,083,321	18,067,924
Other assets-net of depreciation	27,123	33,357
	<u>19,722,852</u>	<u>18,363,976</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	702,476	576,713
Royalty payable	214,233	135,686
Short-term notes payable (note 4)	892,601	203,980
	<u>1,809,310</u>	<u>916,379</u>
Long-term notes payable (note 4)	233,973	329,994
Asset retirement obligation	98,688	98,688
	<u>2,141,971</u>	<u>1,345,061</u>
SHAREHOLDERS' EQUITY		
Capital stock (note 5)	34,054,563	33,138,158
Contributed surplus	3,028,864	2,706,886
Deficit	(19,502,546)	(18,826,129)
	<u>17,580,881</u>	<u>17,018,915</u>
	<u>19,722,852</u>	<u>18,363,976</u>

Nature of operations and going concern (note 1)

Approved by the Directors

"John Lush", Director"Barry C.J. Ehrl", Director

The accompanying notes are an integral part of the consolidated financial statements

Unaudited – Prepared by Management

DEREK OIL AND GAS CORPORATION

Consolidated Statement of Operations

For the three and nine months ended January 31, 2009 and 2008

	Three Months Ended Jan. 31, 2009	Three Months Ended Jan 31, 2008	Nine Months Ended Jan. 31, 2009	Nine Months Ended Jan. 31, 2008
	\$	\$	\$	\$
EXPENSES				
Bank charges and interest	29,634	101,231	82,257	103,041
Consulting fees	10,334	(73)	32,167	17,448
Foreign exchange loss (gain)	6,931	18,460	31,254	(21,038)
Insurance expense	-	1,220	30,121	38,800
Legal and audit fees	1,950	27,439	31,515	49,117
Management fees	37,500	37,500	112,500	112,500
Office administration and other	9,632	28,625	40,572	48,246
Office rent and services	17,128	16,612	51,383	50,844
Salaries and benefits	123,471	75,678	256,143	200,879
Shareholder information	1,552	3,254	22,503	54,898
Stock exchange and filing fees	-	9,930	(5,560)	23,364
Stock option expense	-	-	-	159,119
Telephone and fax	3,051	308	10,259	10,626
Transfer fees	1,694	2,140	11,185	9,380
Travel	418	39,584	21,255	86,735
LAK royalty costs	-	65,044	-	91,155
	<u>(243,295)</u>	<u>(426,952)</u>	<u>(727,554)</u>	<u>(1,035,144)</u>
Interest and other income	7,745	989	51,137	11,665
Loss for the period	<u>(235,550)</u>	<u>(425,963)</u>	<u>(676,417)</u>	<u>(1,023,449)</u>
Deficit-opening balance	<u>(19,266,996)</u>	<u>(18,094,056)</u>	<u>(18,826,129)</u>	<u>(17,496,570)</u>
Deficit-closing balance	<u>(19,502,546)</u>	<u>(18,520,019)</u>	<u>(19,502,546)</u>	<u>(18,520,019)</u>
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.03)
Weighted average number of shares	59,363,450	48,667,617	56,560,672	48,667,617

The accompanying notes are an integral part of the consolidated financial statements
Unaudited – Prepared by Management

DEREK OIL AND GAS CORPORATIONConsolidated Statement of Changes in Financial Position
For the three and nine months January 31, 2009, and 2008

	Three Months Ended Jan. 31 2009 \$	Three Months Ended Jan. 31 2008 \$	Nine Months Ended Jan. 31 2009 \$	Nine Months Ended Jan. 31 2008 \$
Cash flows from operating activities				
Loss for the period	(235,550)	(425,963)	(676,417)	(1,023,449)
Items not affecting cash				
Amortization of other assets	1,666	1,149	6,234	3,447
Stock option expense	-	-	-	159,119
Loan bonus share expense	-	100,000	-	100,000
Changes in non-cash working capital				
Accounts receivable	(72,346)	(6,410)	(19,312)	(16,243)
Prepaid expenses	-	(18,780)	10,321	(21,972)
Accounts and royalty payable	1,257,489	(65,707)	937,209	(619,785)
	<u>951,259</u>	<u>(415,711)</u>	<u>258,035</u>	<u>(1,418,933)</u>
Cash flows from (for) investing activities				
Short-term investments	-	-	-	415,257
Oil and natural gas interests	(530,978)	(213,513)	(1,015,397)	(733,278)
Performance bonds posted	(2,385)	(4,965)	(27,836)	9,928
Other assets	-	(1,724)	-	3,448
Contributed surplus	-	138,668	-	391,582
	<u>(533,363)</u>	<u>(81,534)</u>	<u>(1,043,233)</u>	<u>337,247</u>
Cash flows from (for) financing activities				
Loans	(86,234)	515,709	(86,234)	515,709
Shares issued for cash	-	123,901	1,182,593	844,303
	<u>(86,234)</u>	<u>639,610</u>	<u>1,096,359</u>	<u>1,360,012</u>
Increase (Decrease) in cash and short term deposits	<u>331,662</u>	<u>142,365</u>	<u>311,161</u>	<u>28,016</u>
Cash – Beginning of Period	<u>48,402</u>	<u>69,768</u>	<u>68,903</u>	<u>184,117</u>
Cash – End of Period	<u>380,064</u>	<u>212,133</u>	<u>380,064</u>	<u>212,133</u>

The accompanying notes are an integral part of the consolidated financial statements
Unaudited – Prepared by Management

DEREK OIL and GAS CORPORATION

Notes to Consolidated Financial Statements
January 31, 2009 and 2008

1. NATURE OF OPERATIONS, GOING CONCERN AND BASIS OF PRESENTATION

Nature of operations

The Company is engaged in the acquisition, exploration and development of oil and gas properties. The Company's current oil and gas activities are in the pre-production stage and the Company is attempting to advance the development of the LAK Ranch Project (which is located in Wyoming, USA) to commercial production through earn-in agreements with third parties (see note 3). Commercial production has not yet commenced.

Going concern

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern that contemplates the realization of assets and the settlement of liabilities in the normal course of business as they come due.

The Company's ability to continue as a going concern is dependent on continued financial support from its shareholders, the ability of the Company to raise equity or debt financing and the attainment of profitable operations. While management has been successful in obtaining additional sources of financing in the past, there can be no assurance that it will be able to do so in the future.

The Company has a history of operating losses and of negative cash flows from operations. In the nine months ended January 31, 2009, the Company incurred a loss of \$678,142 and cash outflows from operating activities of \$171,801. The Company's deficit at January 31, 2009 totaled \$19,504,271. These circumstances lend substantial doubt as to the ability of the Company to meet its obligations as they come due and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern. Such adjustments could be material.

Basis of presentation

The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered

necessary for a fair presentation have been included. Operating results for the nine-month period ended January 31, 2009 are not necessarily indicative of the results that may be expected for the year ended April 30, 2009.

The balance sheet at April 30, 2008 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. Management prepared the interim financial statements in accordance with the accounting policies described in the Company's annual financial statements for the year ended April 30, 2008. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report to Shareholders for the year ended April 30, 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 2 of the audited consolidated financial statements for the year ended April 30, 2008 and have been consistently followed in the preparation of these consolidated financial statements except that the Company has adopted the following CICA guidelines effective for the Company's first quarter commencing May 1, 2007:

a) Section 3855 - Financial Instruments - Recognition and Measurement. Section 3855 requires that all financial assets, except those classified as held to maturity, and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at cost. Investments classified as available for sale are reported at fair market value (or mark to market) based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. Investments subject to significant influence are reported at cost and not adjusted to fair market value.

b) Section 1530 - Comprehensive Income. Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses from available for sale securities which are not included in net income (loss) until realized.

c) The adoption of Sections 1530 and 3855 has no impact on the opening equity and losses of the Company nor for the current quarter.

3. Oil and natural gas properties

LAK RANCH PROJECT	January 31, 2009	April 30, 2008
Acquisition costs	\$	\$
Opening balance	1,108,588	1,091,616
Acquisition costs	25,946	16,972
Closing balance	1,134,534	1,108,588
Exploration and development costs		
Opening balance	16,959,336	16,051,084
Lease operating costs	1,074,927	1,580,667
Lease well/drilling costs	-	532,719
Steam plant costs	545,904	36,442
Proceeds from sale of oil	(351,497)	(464,556)
	18,228,670	17,736,336
Less: SEC Oil and Gas Partnership contribution	(279,884)	(777,000)
Closing balance	17,948,786	16,959,336
Total	19,083,320	18,067,924

In April, 2001 the company was granted a 100% interest in the LAK Ranch Project, located near Newcastle, Wyoming, subject to various minimum and production royalty payments.

During the year ended April 30, 2002, as part of certain financings, the company granted additional royalties of US \$0.14 per barrel of oil produced on the LAK Ranch Project. In addition the property carries additional gross royalties of 20.95% to various parties. The Company has to date repurchased 4.42 % of these royalties for its own account. Of these royalties, 4% were assigned to a lender in the period and subsequent to the period end, and .42% was assigned to a former employee to serve as collateral in a legal settlement.

In October 2003, the Company entered into an agreement with SEC Oil and Gas Partnership (“SEC”), whereby SEC could earn a 5% working interest in the LAK ranch project by advancing to the Company the sum of US\$600,000 for expenditure on the LAK ranch project (spent). SEC will under this agreement receive a 10% revenue share until 1.2 times payback (\$US720,000) at which time their revenue interest will revert to 5%. As at January 31, 2009, SEC has received \$175,917.68 from the LAK Ranch Project.

In January 2004, the Company concluded an agreement with Ivanhoe Energy, whereby Ivanhoe will earn up to a 60% interest in the LAK Ranch Project by expending \$5,000,000 US on capital development. On December 1, 2006, Derek repurchased 100% of Ivanhoe’s interest in LAK Ranch for US\$800,000, payable by US\$600,000 cash on signing (paid) and US\$200,000 represented by a 5% royalty on Derek’s share of production sales from the property.

Also in December 2006, the Company entered into an agreement with SEC whereby the Company, as Operator, and SEC would develop a portion of the property with 12 wells. For these 12 wells only, the Company and SEC’s working interest will be 50% each until the

program reaches payback and then will be owned as to 60% to Derek and 40% to SEC. SEC advanced \$1,500,000 for their share of the costs of the program, these monies were spent by the quarter ended July 31, 2007. As an additional incentive for SEC to enter into this arrangement they were granted 1,000,000 share purchase warrants, convertible at \$0.75 for the first nine months after the wells begin production, and convertible at \$1.00 for the next twelve months. The 12 wells began production in October 2007 setting the expiry date of the warrants at July 31, 2009. These warrants were assigned an estimated fair value of \$78,413.

The company has posted performance bonds of US \$95,000 in relation to the LAK property.

4. Loans

In January 2008, the Company entered into two loan agreements totaling \$533,974 of new debt. There are no fixed terms of repayment and the loans are secured by promissory notes paying monthly interest at the annual rate of 8.5%. In consideration for these unsecured loans, the Company issued 500,000 bonus shares to the lenders, at a deemed price of \$0.20 per share. Both of these loans are short term and were due for repayment in January and July of 2009. An extension of the January loan is currently being negotiated.

In November 2008, the Company entered into a loan agreement totaling US\$205,000. There are no fixed terms of repayment and the loan is secured by a promissory note paying monthly interest at 9%. The terms of the promissory note allow for any unpaid principal to be converted into common shares of the Company at the rate of Cdn\$0.10 per share. This note is due November 2009 and therefore the loan is short term.

In December 2008, the Company entered into a loan agreement totaling US\$125,000. There are no fixed terms of repayment and the loan is secured by a promissory note paying monthly interest at 9%. The terms of the promissory note allow for any unpaid principal to be converted into common shares of the Company at the rate of Cdn\$0.10 per share. This note is due December 2009 and therefore the loan is short term.

In January 2009, the Company entered into a loan agreement totaling up to US\$1,000,000. After the initial US\$200,000 (received), all subsequent advances are at the sole discretion of the lender. As of the date of these interim financial statements, a second advance of US\$200,000 has been received. There are no fixed terms of repayment and the loan is secured by a promissory note paying monthly interest at 9%. The terms of the promissory note allow for any unpaid principal to be converted into common shares of the Company at the rate of Cdn\$0.10 per share. This note is due January 2011 and therefore the loan is long term. In addition to the promissory note, the Company has assigned 4% of its royalty interest to the lender, such assignment to be voided upon repayment or conversion of the loan.

A total of Cdn\$55,970 of the convertible loans were assigned to contributed surplus in the period to reflect the potential equity portion of the loans.

5. Capital Stock

- a) Authorized
Unlimited common shares of no par value

Issued common shares

	Number of Shares	Amount
Balance-April 30, 2007	45,126,550	32,112,087
Private placement – net of issue costs	3,185,000	531,252
Shares issued as commission	73,000	13,300
Options exercised	362,250	54,338
Warrants exercised	26,650	10,662
Shares issued as financing costs	500,000	100,000
Balance – April 30, 2008	49,273,450	33,138,158
Private placement-net of issue costs	10,000,000	905,605
Shares issued as commission	90,000	10,800
Balance – January 31, 2009	59,363,450	34,054,563

During the first quarter, the Company issued 10,090,000 units pursuant to a private placement for net cash proceeds of \$1,200,000. Each unit consisted of one share and one share purchase warrant. Each share purchase warrant can be exercised into one share of the company at an exercise price of \$0.20 per share for a period of two years, expiring July 14, 2010. The warrants associated with this placement have an estimated fair value of \$266,188 that has been included in contributed surplus.

b) Stock Options Outstanding

	Stock Options	Weighted Average Exercise Price
Balance as at April 30, 2007	3,880,080	0.42
Forfeited	(370,000)	0.47
Exercised	(362,250)	0.15
Granted	650,000	0.40
Balance as at April 30, 2008	3,797,830	0.49
Forfeited	1,502,830	0.54
Balance as at January 31, 2009	2,295,000	0.46

The Company follows the fair value method of accounting for stock options. During the period ended January 31, 2009, no options were granted at a fair value of \$nil (January 31, 2008 quarter – 150,000 options were granted at a fair value of \$39,158). The Black-Scholes method of options valuation was used with the following assumptions:

Dividend yield	nil
Risk free interest rate	3.88%
Expected life	5 years
Expected volatility	63%

c.) Share Purchase Warrants Outstanding

Each of the company's common share purchase warrants is convertible into one common share, upon payment of the exercise price.

	Share purchase warrants	Weighted Average Price
Balance as at April 30, 2007	5,637,500	0.56
Expired	(1,970,000)	0.70
Exercised	(26,650)	0.40
Issued	3,258,000	0.40
Balance as at April 30, 2008	6,898,850	0.46
Issued	10,090,000	0.20
Expired	(2,123,000)	0.40
Balance as at January 31, 2009	14,865,850	0.30

In addition to the private placement warrants documented in the above table, a total of 4,695,000 share purchase warrants were re-priced from \$0.50 to \$0.40 during the first quarter.

6. Contingency and Commitments

The Company renewed its office lease for a three-year term starting May 1, 2007. The lease commits the Company to rent charges of approximately \$5,870 per month.

DEREK OIL AND GAS CORPORATION

FORM 51-901F – FOR THE QUARTER ENDED JANUARY 31, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

DESCRIPTION OF BUSINESS

The Board of Directors of Derek Oil and Gas Corporation (the “Company”, or “Derek”) is pleased to present to its shareholders a summary of the Company’s activities for the quarter ended January 31, 2009, and any other pertinent events subsequent to that date up to and including March 30, 2009.

The following information should be read in conjunction with the audited consolidated financial statements for the year ended April 30, 2008 and related notes, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars unless otherwise indicated.

The Company is a “reporting issuer” in the provinces of British Columbia and Alberta. Its common shares are listed on the TSX Venture Exchange under the trading symbol “DRK”. The Company is in the business of exploring for and developing oil and gas properties in North America. Currently the Company is focusing on the development of its Wyoming based LAK Ranch oil project.

OVERALL PERFORMANCE AND OUTLOOK

Derek has determined that the Lak Ranch project required greater steam capacity than previously planned. Management therefore secured the use of two 50 million BTU generators. Plans are currently underway to have these generators in use in late 2009. With the addition of more steam, the 2007 12 well program area will begin to produce as forecast. In reviewing the 12 well program, management also determined that certain facilities required upgrading and that the pattern of injectors and producers was not optimal. The capital plan for 2008-09 calls for revisions to the pattern and facilities upgrades, in combination with the moving of the generators. The cost of this capital plan is \$1.4 million, some of which was raised in the quarter and the balance is yet to be raised. In addition to this capital plan, the Company has also secured the use of 12 beam pumps for a period of five years. Six of these beam pumping units are currently on site and deployed on the existing wells and should increase production.

Beyond the exploration and development success at LAK Ranch, there are several factors that could impact the Company going forward, either positively, or negatively. These include the state of the U.S. economy and the value of the US dollar, the value of the Canadian dollar, and the market price for oil and gas. These factors are beyond the control of the Company.

LIQUIDITY AND CAPITAL RESOURCES

The Company is in the oil exploration and development business and is exposed to a number of risks and uncertainties inherent to the oil industry. This activity is capital intensive at all stages and subject to fluctuations in oil prices, market sentiment, currencies, inflation and other risks. The Company currently has no source of material revenue, and relies primarily on equity and debt financings to fund its exploration, development and administrative activities. Material increases or decreases in the Company's liquidity will be substantially determined by the success or failure of its exploration and development activities, as well as its continued ability to raise capital or debt. The Company is not aware of any trends, demands, commitments, events or uncertainties that may result in its liquidity either materially increasing or decreasing at present or in the foreseeable future.

The Company's current working capital commitments include \$5,870 per month for rent, \$16,250 per month for management and consulting fees and \$17,000 per month for administrative support. Total general and administrative costs, including the commitments listed, for the fiscal year is budgeted to be about \$900,000. The loss of \$235,550 for the quarter would pro-rate to an annual cost of about \$942,200 or an increase of 4.6% from budget. This increase from budget is due to the increased administrative costs incurred.

The Company's current property payments and budgeted capital commitments for the remaining three months of the financial year ending April 30, 2009 are \$528,000. With a current working capital deficiency of \$1,320,639 and with further budgeted administrative costs of \$225,000 for the balance of the fiscal year, the Company will need to raise funds, refinance current short term debt and/or generate oil sales of \$1.8 to \$2.1 million to meet its ongoing commitments for fiscal 2009/2010.

The Company has no debt instruments at this time except for five unsecured promissory notes totaling \$1,126,574 and all the Company's funds are unencumbered and available for use as working capital. As of the date of this management discussion and analysis, the Company had a working capital deficiency of \$1,320,639. As LAK Ranch remains in a pilot phase of development no assurance can be given that the budgeted production levels necessary for positive cash flow will be achieved. All operating and capital expenditures at LAK Ranch are results driven. Operating activities and expenditures may increase or decrease depending on the rate of success during the pilot phase. Should these pilot phases be unsuccessful then consideration will have to be given to taking an impairment charge. The Company remains dependent on future capital injections to meet this working capital deficiency and complete its plans at LAK Ranch, and is currently in the process of seeking capital.

RESULTS OF OPERATIONS AND SUMMARY OF QUARTERLY RESULTS

Sales Volumes

Sales volumes in the period were 30 Barrels of Oil/day (“BO”), an increase of 5 BO/day as compared to the second quarter last year and a quarter over quarter increase of 15 barrels per day. Production was up despite a substantial amount of steam generator down time due to extremely cold weather as the Company blended a backlog of dirty oil into saleable condition in the quarter.

Gross revenues and royalties

As we are still in the pilot phase of development, oil sales are netted against the deferred development costs on the balance sheet. The sales level net to Derek was \$351,497 this year versus \$412,396 for the prior year. The decrease is mainly due to the decrease in the net price realized on our oil sales. The net price decreased to \$45.31/barrel from \$63.81/barrel in the prior year.

Field operating costs

Field operating costs in the period were \$1,620,831. This reflects a period of low production as we stopped steaming to complete state required well stress tests, completed well workovers, commenced generator upgrades and replaced faulty pumping units. Once production increases to a commercial level the operating costs are projected to approximate \$15.00/bbl.

Depletion and depreciation

Depletion is not being calculated as we are in the pilot phase of development. Depreciation this year was \$1,666 versus \$1,149 in the prior year’s quarter. The increase reflects the addition of a truck on site.

Asset retirement obligations

There were no additions to asset retirement obligations during this quarter or the prior years quarter as the obligation was booked on all the wells completed in the year ended April 30, 2007.

General and administrative expenses

Quarter-Ended	01/31/09	10/31/08	07/31/08	04/30/08	01/31/08	10/31/07	07/31/07	04/30/07
Loss for the period	(235,550)	(210,989)	(229,878)	(304,025)	(425,963)	(186,345)	(413,226)	(415,882)
Basic and diluted Loss per share.	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)

Generally, expected losses range between \$187,500 and \$240,000 per quarter. Material variances in losses from quarter to quarter compared to these expectations can be explained as follows:

- The July 31, 2007 quarter is higher because the Company has higher administration costs since becoming operator of LAK Ranch and the Company issued stock options in the quarter.
- Foreign exchange was a loss in the July 31 2007 quarter versus a small gain previously.
- For the July 2007 quarter, staff salaries and rent are higher as the Company renewed its office lease at a higher base rent amount, and raises were given to several employees and consultants.
- The April 2007 quarter loss is higher as the Company engaged in more public relations activity and had higher general administration costs after becoming operator of LAK Ranch on November 1, 2006.
- The higher loss in the January 2007 quarter reflects the expensing of stock options granted in that quarter, the legal and accounting costs of buying Ivanhoe's interest in LAK Ranch, and increased general and administrative costs after closing this purchase on November 1, 2006.
- The January 2008 quarter includes \$100,000 of deemed non-cash interest expense relating to the issuance of 500,000 shares as bonuses to certain debtors for advancing the Company \$515,709.
- The April 30, 2008 quarter reflects the expensing of stock options.

All other quarters, the loss was in line with our expectations (range of losses \$187,500 to \$240,000)

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements at the time of this management discussion and analysis.

FINANCIAL INSTRUMENTS

At this time all the Company's financial instruments have short (less than 3 months) periods to maturity.

The Company does not at this time have any hedge or other commodity risk control strategies in place. Management will consider employing such strategies once LAK Ranch is advanced beyond the current pilot phase.

LEGAL MATTERS

None outstanding

CRITICAL ESTIMATES

In expensing stock options we have estimated a risk free interest rate of 3.88%, a dividend yield of 0%, an expected option life of 4.8 years with a stock price volatility of 68%. These estimates are based on the best information available to management. Valuations of stock options are particularly sensitive to changes in the estimates for volatility and expected life.

We have also estimated that the value of Derek's 95% holding in LAK meets or exceeds its historical carrying value of \$18,552,443. Should the vertical well pilot continue to perform below expectations after 12 months of steaming from the new generators, however, an impairment charge may have to be made.

The Company annually reviews the carrying value of its oil and gas properties, which are currently unproven, by reference to the project economics as described above, the timing of exploration and development work, the work programs and the results achieved on the project. Where impairment occurs a charge to earnings would be made.

It should be noted that the recoverability of the amounts shown for oil and gas properties are dependent upon the existence of economically recoverable oil reserves, maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to bring the reserves into production, and upon future profitable production or proceeds from the disposition of properties. The amount shown (\$19,083,321) represents net costs to date, less amounts depleted or written off and amounts realized from pre-commercial production sales, and do not necessarily represent present or future values.

ACCOUNTING POLICIES

The Company follows the full cost method of accounting for oil and gas interests rather than the successful completion method. Under the full cost method all costs of acquiring, exploring for and developing oil and gas reserves are capitalized.

Capitalized costs of proven reserves and equipment will be depleted using a unit of production

method based upon the estimated proven reserves, net of royalties. Unless a significant amount of reserves is involved, proceeds received from the disposition of oil and gas properties are credited to the capitalized costs. In the event of a significant sale of reserves, a proportionate amount of cost and accumulated depletion, based upon the ratio of reserves sold to total reserves, is removed from the capitalized costs and the resultant profit or loss is taken into income.

The Accounting Standards Board (AcSB) has issued new accounting standards relating to the recognition, measurement, disclosure and presentation of financial instruments. The new standards adopted by the Company on May 1, 2007 include:

CICA Section 3855 – Financial Instruments – Recognition and Measurement

This standard establishes the criteria for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It also specifies how financial instrument gains and losses are to be presented. Financial liabilities will be classified as either held-for-trading or other. Held-for-trading instruments will be recorded at fair value with realized and unrealized gains and losses reported in net income. Other instruments will be accounted for at amortized cost with gains and losses reported in net income in the period that the liability is settled. Derivatives will be classified as held-for-trading unless designated as hedging instruments. All derivatives, including embedded derivatives that must be separately accounted for, will be recorded at fair value on the consolidated balance sheet. For derivatives that hedge the changes in fair value of an asset or liability, changes in the derivatives' fair value will be reported in net income and will be substantially offset by changes in the fair value of the hedged asset or liability attributable to the risk being hedged. For derivatives that hedge variability in cash flows, the effective portion of the changes in the derivatives' fair value will be initially recognized in other comprehensive income and the ineffective portion will be recorded in net income. The amounts temporarily recorded in other comprehensive income will subsequently be reclassified to net income in the periods when net income is affected by the variability in the cash flows of the hedged item.

CICA Section 1530 – Comprehensive Income

This standard introduces a new requirement to temporarily present certain gains and losses as part of a new earnings measurement called comprehensive income.

CICA sections 3855 and 1530 have been adopted by the Company on May 1, 2007 and have no impact on the opening equity and losses of the Company.

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (IFRS) over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2010. While the Company has begun assessing the adoption of IFRS for

2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

INTERNAL CONTROLS

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure. Management has reviewed the effectiveness of the design and operation of the Company's disclosure controls and has concluded that the Company's disclosure controls and procedures were operating effectively as at April 30, 2008. Management maintains a system of internal controls to assure that the Company's assets are safeguarded, transactions are authorized and financial information is complete and reliable. Management's review of its internal controls led it to conclude that the internal controls are effective in ensuring the reliability of the financial information for the quarter.

The Company has a limited number of employees therefore internal controls that rely on segregation of duties are not possible in many cases. In these instances, the Company relies on senior management review and approval to ensure that the controls are as effective as possible.

This Management Discussion and Analysis contains several forward-looking statements. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect Management's analysis only as of the date hereof. Readers should be aware the Company is under no obligation to publicly release the results of any revision to these forward-looking statements, which may not reflect circumstances, or occurrences of unanticipated events after the date of this document.

Additional information, including Derek's Alternative Annual Information Form, is available on SEDAR at www.sedar.com. And at the Company's web site at www.derekoilandgas.com

1.13 ADDITIONAL INFORMATION FOR VENTURE ISSUER'S WITHOUT SIGNIFICANT REVENUE

LAK RANCH PROJECT	January 31, 2009	April 30, 2008
Acquisition costs	\$	\$
Opening balance	1,108,588	1,091,616
Acquisition costs	25,946	16,972
Closing balance	1,134,534	1,108,588
Exploration and development costs		
Opening balance	16,959,336	16,051,084
Lease operating costs	1,074,927	1,580,667
Lease well/drilling costs		532,719
	-	
Steam plant costs	545,904	36,442
Proceeds from sale of oil	(351,497)	(464,556)
	18,228,670	17,736,336
Less: SEC Oil and Gas Partnership contribution	(279,884)	(777,000)
Closing balance	17,948,786	16,959,336
Total	19,083,320	18,067,924

SEC Oil and Gas Limited Partnership contributions in fiscal 2008 represent amounts SEC advanced for their portion of the 12 well program. Derek shows proceeds from oil sales at a pre-commercial stage as an offset to project costs, as opposed to an income item

1.13 ADDITIONAL INFORMATION FOR VENTURE ISSUER'S WITHOUT SIGNIFICANT REVENUE (con't)

	Three Months Ended Jan. 31, 2009 \$	Three Months Ended Jan 31, 2008 \$	Nine Months Ended Jan. 31, 2009 \$	Nine Months Ended Jan. 31, 2008 \$
EXPENSES				
Bank charges and interest	29,634	101,231	82,257	103,041
Consulting fees	10,334	(73)	32,167	17,448
Foreign exchange loss (gain)	6,931	18,460	31,254	(21,038)
Insurance expense	-	1,220	30,121	38,800
Legal and audit fees	1,950	27,439	31,515	49,117
Management fees	37,500	37,500	112,500	112,500
Office administration and other	9,632	28,625	40,572	48,246
Office rent and services	17,128	16,612	51,383	50,844
Salaries and benefits	123,471	75,678	256,143	200,879
Shareholder information	1,552	3,254	22,503	54,898
Stock exchange and filing fees	-	9,930	(5,560)	23,364
Stock option expense	-	-	-	159,119
Telephone and fax	3,051	308	10,259	10,626
Transfer fees	1,694	2,140	11,185	9,380
Travel	418	39,584	21,255	86,735
LAK royalty costs	-	65,044	-	91,155
	<u>(243,295)</u>	<u>(426,952)</u>	<u>(727,554)</u>	<u>(1,035,144)</u>
Interest and other income	7,745	989	51,137	11,665
Loss for the period	<u>(235,550)</u>	<u>(425,963)</u>	<u>(676,417)</u>	<u>(1,023,449)</u>

Schedule of Share Capital

	As of the date of this Management Discussion and Analysis
Common Shares outstanding	60,063,450
Options outstanding	2,805,000
Warrants outstanding	14,865,850
Common Shares outstanding-fully diluted	77,734,300