

LNG ENERGY LTD.
(Formerly Invicta Oil & Gas Ltd.)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months Ended June 30, 2008 and 2007

(unaudited)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

LNG ENERGY LTD.
(Formerly Invicta Oil & Gas Ltd.)

CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In Canadian \$)	June 30, 2008	September 30, 2007
ASSETS		
Current		
Cash and cash equivalents	\$ 14,324,614	\$ 657,446
Short term investments (Note 14)	14,651,262	-
Amounts receivable	181,015	28,260
Note receivable (Note 7)	300,000	155,189
Prepaid expenses and other term deposits	132,440	3,486
Refundable deposits on petroleum prospecting licenses	238,080	-
	29,827,411	844,381
Deferred acquisition costs	-	1,623,395
Deferred financing costs	-	4,093
Exploration advances (Note 9)	51,596	64,133
Investments (Note 8)	3,061	-
Property, plant and equipment (Note 9)	26,249,054	3,165,280
	\$ 56,131,122	\$ 5,701,282
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,185,235	\$ 233,818
Current portion of capital lease obligations (Note 11)	13,233	-
Loan payable	-	39,792
	1,198,468	273,610
Long Term		
Long term portion of capital lease obligations (Note 11)	\$ 2,600	\$ -
Future income taxes (Note 6)	1,663,022	-
	1,665,622	-
Non-controlling interest (Note 6)	2,455,266	-
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	\$ 55,738,855	\$ 7,493,370
Share subscriptions received (Note 10)	-	57,119
Warrants (Note 10)	417,110	1,301,120
Contributed surplus (Note 10)	6,249,182	1,997,788
Deficit	(11,593,381)	(5,421,725)
	50,811,766	5,427,672
	\$ 56,131,122	\$ 5,701,282

Going Concern (Note 2)
Commitments (Notes 6, 9 and 16)

Approved on Behalf of the Board of Directors:

"Paul Larkin"

Director

"David Cohen"

Director

The accompanying notes are an integral part of these interim financial statements.

LNG ENERGY LTD.
(Formerly Invicta Oil & Gas Ltd.)

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited)

(In Canadian \$)	For the Three Months Ended June 30		For the Nine Months Ended June 30	
	2008	2007	2008	2007
Expenses				
Depreciation	\$ 6,336	\$ –	\$ 13,588	\$ –
Bank charges	1,542	145	3,612	668
Foreign exchange loss	–	27,761	–	28,136
General and administration	312,825	16,624	748,937	57,184
Interest	569	–	1,436	–
Loss on disposal of property, plant and equipment	–	–	834	–
Operations and explorations	1,407	–	17,393	–
Professional fees (Note 12)	481,664	24,722	1,316,163	132,113
Stock based compensation (Note 10)	203,348	1,596,000	4,209,979	1,995,000
Travel and business development	124,314	4,440	475,507	6,017
	(1,132,005)	(1,669,692)	(6,787,449)	(2,219,118)
Interest and miscellaneous income	239,038	8,458	559,558	33,214
Foreign exchange gain	(4,065)	–	41,318	–
Loss from continuing operations before the following:	(897,032)	(1,661,234)	(6,186,573)	(2,185,904)
Future income taxes	(20,434)	–	(20,434)	–
Non-controlling interests (note)	36,500	–	35,351	–
Loss from continuing operations	(880,966)	(1,661,234)	(6,171,656)	(2,185,904)
Discontinued operations (Note 5)	–	–	–	3,810
Loss on disposal of discontinued operations (Note 5 and 17)	–	–	–	(5,122)
Net loss for the period	(880,966)	(1,661,234)	(6,171,656)	(2,187,216)
Deficit, beginning of period	(10,712,415)	(986,199)	(5,421,725)	(460,217)
Deficit, end of period	\$ (11,593,381)	\$ (2,647,433)	\$ (11,593,381)	\$ (2,647,433)
Basic and diluted net loss per share from continuing operations	\$ (0.01)	\$ (0.04)	\$ (0.05)	\$ (0.06)
Basic and diluted net loss per share	\$ (0.01)	\$ (0.04)	\$ (0.05)	\$ (0.06)
Weighted average number of shares outstanding	140,127,528	42,718,379	123,281,800	36,555,516

The accompanying notes are an integral part of these interim financial statements.

LNG ENERGY LTD.
(Formerly Invicta Oil & Gas Ltd.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In Canadian \$)	For the Three Months Ended June 30		For the Nine Months Ended June 30	
	2008	2007	2008	2007
Cash flows from (used by) operating activities				
Loss from continuing operations	\$ (880,966)	\$ (1,661,234)	\$ (6,171,656)	\$ (2,185,904)
Items not affecting cash:				
Depreciation	6,336	–	13,588	–
Stock based compensation	203,348	1,596,000	4,209,979	1,995,000
Unrealized foreign exchange	40,221	–	7,241	–
Loss on disposal of fixed asset	–	–	834	–
Non-controlling interests	(36,502)	–	(35,351)	–
Future income taxes	20,434	–	20,434	–
Changes in non-cash working capital	(321,025)	(87,682)	(215,593)	(65,441)
	(968,154)	(152,916)	(2,170,524)	(256,345)
Cash flows from (used by) investing activities				
Asset acquisition	–	–	(14,863,893)	–
Deferred acquisition costs	–	–	1,623,395	–
Plant and equipment purchased	(54,602)	–	(55,814)	–
Proceeds on disposal of computer equipment	–	–	372	–
Exploration advances	7,713	–	12,537	–
Notes receivable	(100,000)	–	(300,000)	–
Oil and gas properties	(359,509)	(218,914)	(660,256)	(3,860,856)
Short term investments	(14,651,262)	–	(14,651,262)	–
Investments	(3,061)	–	(3,061)	–
Changes in non-cash working capital	86,823	–	(1,582,601)	–
Cash acquired on acquisition of subsidiary	–	–	1,281,121	–
Discontinued operations	–	–	–	100,000
	(15,073,898)	(218,914)	(29,199,462)	(3,760,856)
Cash flows from (used by) financing activities				
Share capital issued, net of share issue cost	–	–	43,160,444	5,012,671
Subscription receipts	–	–	(57,119)	(20,000)
Shares issued on warrants and options exercised	–	54,500	1,975,647	54,500
Deferred financing fees	–	–	4,093	–
Loans payable	–	–	(39,792)	–
Capital lease repayments	(2,519)	–	(6,119)	–
	(2,519)	54,500	45,037,154	5,047,171
Net increase /(decrease) in cash and cash equivalents	(16,044,571)	(317,330)	13,667,168	1,029,970
Cash and cash equivalents, beginning of period	30,369,185	1,383,401	657,446	36,101
Cash and cash equivalents, end of period	\$ 14,324,614	\$ 1,066,071	\$ 14,324,614	\$ 1,066,071

Supplemental disclosure with respect to cash flows (Note 13).

The accompanying notes are an integral part of these interim financial statements.

LNG Energy Ltd.

(formerly Invicta Oil & Gas Ltd.)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
For the Three and Nine Months Ended June 30, 2008
(in Canadian dollars)

1. NATURE OF OPERATIONS

LNG Energy Ltd. (the "Company") was incorporated on February 24, 2000 in the Province of British Columbia.

In November 2006 the Company disposed of its interest in its subsidiary, Pro Net Communications Inc. ("Pro Net") and acquired a 15% interest in certain oil and gas leases as described in notes 5, 6 and 9. Accordingly, the assets and liabilities, and the results of operations of Pro Net have been segregated and presented separately as discontinued operations in the financial statements.

On November 27, 2007, the Company completed the acquisition of 90% of the shares of LNG Energy (BC) Ltd. ("LNG BC"), formerly Cheetah Oil & Gas Limited. LNG BC indirectly holds interests in approximately 8.4 million acres of land for oil and natural gas exploration in Papua New Guinea.

Effective March 28, 2008, the Company changed its name to "LNG Energy Ltd." to reflect its focus on oil and gas in Papua New Guinea. The Company's common shares began trading under the new symbol "LNG" on the TSX Venture Exchange on March 28, 2008.

2. GOING CONCERN

These unaudited interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. These principles assume that the Company will be able to realize its assets and discharge its obligations in the normal course of operations for the foreseeable future.

As at June 30, 2008, the Company had net working capital of \$28,628,943 and incurred a net loss of \$6,171,656 for the nine months ended June 30, 2008. The Company is in the pre-production stage and has generated no revenues to date. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain the necessary financing to do so.

During the nine months ended June 30, 2008, the Company completed its non-brokered private placement for gross proceeds of \$43,284,157, of which approximately \$14,863,000 has been used to fund the Company's acquisition of LNG BC.

Management believes the going concern assumption to be appropriate for these financial statements. If the going concern assumption was not appropriate, adjustments might be necessary to the carrying values of assets and liabilities, reported revenues and expenses, and the balance sheet classifications used in the consolidated financial statements.

3. BASIS OF PRESENTATION

These unaudited consolidated interim financial statements do not include all the information and note disclosures required by Canadian generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the September 30, 2007 audited annual consolidated financial statements and the notes below.

LNG Energy Ltd.

(formerly Invicta Oil & Gas Ltd.)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
For the Three and Nine Months Ended June 30, 2008
(in Canadian dollars)

3. BASIS OF PRESENTATION (Continued)

Except for the changes in accounting policies described in Note 4, these unaudited interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements for the year ended September 30, 2007.

As a precise determination of many assets and liabilities is dependent upon future events, the preparation of unaudited consolidated interim financial statements for a period necessarily involves the use of estimates, which have been made using careful judgment. Actual results may differ from these estimates.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

These unaudited consolidated interim financial statements presented are those of LNG Energy Ltd. ("LNG") and the consolidated financial statements of its 90% owned subsidiary LNG Energy (BC) Ltd. ("LNG BC"), formerly Cheetah Oil and Gas Limited. The consolidated interim financial statements include LNG BC's wholly-owned subsidiaries LNG Energy (PNG) Limited ("LNG PNG"), formerly Cheetah Oil and Gas (PNG) Limited, and LNG Energy No. 2 Limited ("LNG No. 2"), formerly Scotia Petroleum Limited, and 98.65% owned Scotia Petroleum Inc. ("Scotia BC"). All intercompany transactions have been eliminated on consolidation. For the comparative year, the wholly-owned subsidiary Pro Net Communications Inc. was also included prior to sale.

b) Foreign currency translation

All of the Company's operations are considered financially and operationally integrated. The Canadian dollar is the Company's functional currency. As a result, monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the balance sheet date and non-monetary assets and liabilities are translated at rates in effect when the assets were acquired or liabilities incurred. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates. Foreign exchange gains and losses are recorded in the statement of operations.

c) New accounting pronouncements

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

(i) Capital Disclosures (CICA Handbook Section 1535)

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

LNG Energy Ltd.

(formerly Invicta Oil & Gas Ltd.)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
For the Three and Nine Months Ended June 30, 2008
(in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Financial Instruments – Disclosures (CICA Handbook Section 3862)

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

(iii) Financial Instruments – Presentation (CICA Handbook Section 3863)

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

d) Recent Accounting Pronouncements

As of January 1, 2009, the Company will be required to adopt the CICA Handbook Section 3064, "Goodwill and Intangible Assets", which will replace the existing Goodwill and Intangible Assets standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard should not have a material impact on the Company's consolidated financial statements.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit oriented Canadian publicly accountable enterprises. As the Company will be required to report its results in accordance with IFRS starting in 2011, the Company is assessing the potential impacts of this changeover and developing its plan accordingly.

e) Cash and Equivalents

Cash and equivalents consist of cash and short term deposits which, on acquisition, have a maturity of less than ninety days. The Company has total cash and cash equivalents of \$14,324,614 as of June 30, 2008.

f) Equipment

Depreciation is based on the estimated useful lives of the assets and is computed using the declining balance method. Equipment is recorded at cost. Depreciation is provided using the following rates:

Office furniture and equipment	15%
Vehicles	30%
Computer equipment and software	15% - 50%

LNG Energy Ltd.

(formerly Invicta Oil & Gas Ltd.)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
For the Three and Nine Months Ended June 30, 2008
(in Canadian dollars)

5. DISCONTINUED OPERATIONS

On November 28, 2006 the Company completed the Pro Net sale. The Company realized a loss on disposition of Pro Net calculated as follows:

Consideration received on Sale:		2007
Cash		\$ 100,000
Company shares returned for cancellation		115,000
Total Proceeds		215,000
Net Assets Disposed of		
Assets disposed of	\$ 309,222	
Liabilities transferred on disposition	(89,100)	
Net assets disposed of		220,122
Loss on disposal of subsidiary		\$ (5,122)

The following table presents summarized financial information related to discontinued operations:

Operations:	2007
Revenue	\$ 68,574
Expenses	
General and administrative	65,292
	3,282
Interest income	528
Income from discontinued operations	\$ 3,810

6. ASSET ACQUISITION

On November 27, 2007, the Company completed the acquisition of 90% of the shares of LNG BC by exercising its right to acquire the shares for a price of \$14,859,755 (US\$15,000,000). LNG BC indirectly holds interests in approximately 8.4 million acres of land for oil and natural gas exploration in Papua New Guinea.

In connection with the acquisition, the Company issued 3,968,437 shares of the Company, at a deemed price of \$0.56 per share. These shares were issued January 11, 2008.

The total cash and share consideration was \$17,086,218 (US\$17,325,000). The transaction has been accounted for as an acquisition of assets by the Company. The allocation of the purchase price is based on net assets acquired at assigned value at the date of the acquisition.

LNG Energy Ltd.

(formerly Invicta Oil & Gas Ltd.)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
For the Three and Nine Months Ended June 30, 2008
(in Canadian dollars)

6. ASSET ACQUISITION (Continued)

Allocation of the purchase price to the assets acquired and liabilities is as follows:

Cash and cash equivalents	\$	1,281,121
Net working capital		(2,390,046)
Equipment		85,052
Oil and gas properties, unevaluated		22,252,972
Long term portion of capital lease		(9,677)
Future income taxes		(1,642,588)
Non-controlling shareholders interest		(2,490,616)
Total net assets acquired	\$	17,086,218

Consideration paid:		
Cash	\$	14,859,755
Shares		2,222,325
Acquisition costs		4,138
Total consideration paid	\$	17,086,218

The Company had also agreed to make an additional contribution of capital of \$9,007,030 (US\$9,138,904) to LNG BC on or before December 31, 2008. During the nine months ended June 30, 2008, the Company advanced US\$2,106,220 to LNG BC, resulting in a remaining obligation balance of US\$7,032,684.

7. NOTE RECEIVABLE

The note receivable at June 30, 2008 bears interest at 8% per annum and is secured by a pledge and security agreement granting the Company a first ranking security interest in all of the shares owned by Cheetah Oil and Gas Ltd (a State of Nevada U.S.A. company) ("Cheetah Nevada") in the capital of LNG BC. The note receivable is repayable within 90 days of written demand for repayment being made.

In addition, Cheetah Nevada has issued 100,000 of its common shares (the "Bonus Shares") to the Company. The Bonus Shares are fully-paid and non-assessable shares. The Bonus Shares are designated as held for trading and are included in investments.

Notes receivable at September 30 2007, included \$155,189 (US\$156,000) advanced to LNG BC. These advances were secured by promissory notes bearing interest of prime rate plus 2%. These notes were subsequently repaid.

LNG Energy Ltd.

(formerly Invicta Oil & Gas Ltd.)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
 For the Three and Nine Months Ended June 30, 2008
 (in Canadian dollars)

8. INVESTMENTS

	As at	
	June 30, 2008	September 30, 2007
Sterling West Management Ltd	\$ 2	\$ –
Cheetah Oil and Gas Ltd. (“Cheetah Nevada”)	3,059	–
	\$ 3,061	\$ –

The Company has entered into a service relationship with a group of companies for the provision of administrative, office support and management services. The Company subscribed for one share at \$2 per share in a newly funded management services entity. This entity is funded and owned by ten participating companies and is managed by a board elected by the shareholders. The Company holds a 10% interest in the entity and does not exert significant influence. This investment is recorded on a cost basis. Upon execution of the agreement, each participant is required to provide a deposit to the entity. The Company’s share of the deposit was determined to be \$28,500 (paid).

As described in Note 7, Cheetah Nevada issued 100,000 of its common shares to the Company as fully-paid and non-assessable shares. These shares are designated as held for trading.

9. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2008		
	COST	ACCUMULATED AMORTIZATION, DEPRECIATION AND IMPAIRMENT	NET BOOK VALUE
Oil and gas properties			
Papua New Guinea	\$ 22,859,598	\$ –	\$ 22,859,598
Palo Duro Basin	4,858,630	1,599,827	3,258,803
Vehicles – capital lease	47,792	30,873	16,919
Vehicles	67,366	12,526	54,840
Office furniture & equipment	29,337	11,565	17,772
Computer equipment	66,029	28,835	37,194
Computer software	7,107	3,179	3,928
	\$ 27,935,859	\$ 1,686,805	\$ 26,249,054
	September 30, 2007		
	COST	ACCUMULATED AMORTIZATION, DEPRECIATION AND IMPAIRMENT	NET BOOK VALUE
Oil and gas properties			
Papua New Guinea	\$ –	\$ –	\$ –
Palo Duro Basin	4,760,526	1,599,827	3,160,699
Computer equipment	4,886	305	4,581
	\$ 4,765,412	\$ 1,600,132	\$ 3,165,280

LNG Energy Ltd.

(formerly Invicta Oil & Gas Ltd.)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
For the Three and Nine Months Ended June 30, 2008
(in Canadian dollars)

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Papua New Guinea

The Company indirectly holds working interests of 90% in five Petroleum Prospecting License's (PPL) and one Petroleum Retention License (PRL) through permits received from the Minister of Petroleum and Energy for Papua New Guinea with gross and net acreages of 8.4 million and 7.5 million respectively.

These licenses have an initial term of six years and will remain valid until the expiry dates (between September 17, 2009 and April 8, 2010) and are subject to minimum work expenditures and accomplishments being made. Provided that the licences are in good standing according to the Oil and Gas Act of Papua New Guinea, the Company may extend the term of the licences beyond the original term of six years, and the Company is able to apply for changes in the required expenditures. Upon discovery of oil or gas, a Petroleum Retention Licence can be obtained under the Oil and Gas Act of Papua New Guinea.

The properties over which the Company holds licences are subject to a 22.5% back-in participation right in favour of the government, which the government may exercise upon payment of 22.5% of the expenses incurred in the development of the property. This back-in interest includes a 2% revenue royalty payment to indigenous groups, which is only payable if the government exercises its back-in right.

During the three and nine months ended June 30, 2008, the Company has incurred additional oil and gas exploration costs of \$397,887 and \$606,626 respectively. During the three and nine months ended June 30 2008, approximately \$134,500 of general and administrative costs were capitalized to the oil and gas properties, of which \$44,474 related to capitalized stock based compensation expenses.

Palo Duro Basin

On November 28, 2006, the Company acquired a 15% working interest in approximately 100,000 acres of oil and gas leases in the Palo Duro Basin, Texas (11.25% Net Revenue Interest).

During the three and nine months ended June 30, 2008, the Company incurred additional oil and gas exploration and lease costs of \$6,096 and \$98,104 respectively.

LNG Energy Ltd.

(formerly Invicta Oil & Gas Ltd.)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
For the Three and Nine Months Ended June 30, 2008
(in Canadian dollars)

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS

a) Authorized

Unlimited common shares without par value

b) Issued

	NUMBER OF SHARES	CAPITAL STOCK	CONTRIBUTED SURPLUS
Balance, September 30, 2006 and 2005	3,560,833	\$ 356,360	\$ 147,742
Shares issued pursuant to private placements	29,706,667	3,725,907	-
Shares issued for acquisition of Palo Duro leases	10,000,000	800,000	-
Shares issued upon exercise of warrants	5,829,167	1,564,380	-
Shares issued upon exercise of agents' warrants	128,250	107,148	-
Shares issued upon exercise of options	1,795,000	1,394,454	(1,214,954)
Cancellation of escrow shares	(645,000)	(64,550)	-
Stock based compensation	-	-	3,065,000
Less: Share issue costs	-	(390,329)	-
Balance September 30, 2007	50,374,917	\$ 7,493,370	\$ 1,997,788
Shares issued pursuant to private placements	81,673,583	45,868,620	-
Shares issued upon exercise of warrants	7,278,278	2,260,776	-
Shares issued upon exercise of agents' warrants	325,750	272,152	-
Shares issued upon exercise of options	475,000	329,788	(272,288)
Stock based compensation	-	-	4,254,454
Shares subscription receivable	3,968,437	2,222,325	-
Warrants expired	-	-	269,228
Less: Share issue costs	-	(2,708,176)	-
Balance, June 30, 2008	144,095,965	\$ 55,738,855	\$ 6,249,182

On November 29, 2007, the Company completed its non-brokered private placement for gross proceeds of \$43,284,157 consisting of 77,293,138 shares at a price of \$0.56 per common share. An additional 4,380,445 common shares were issued as a finders' fee in connection with the private placement.

On November 29, 2006, the Company completed a private placement for \$1,760,000 consisting of 22,000,000 units at a price of \$0.08 per unit. Each unit is comprised of one common share and one share purchase warrant entitling the holder to acquire one common share at a price of \$0.16 for a period of two years. The gross proceeds have been allocated \$942,978 to the common shares and \$817,022 to the share purchase warrants. The share purchase warrants were valued using the Black-Scholes pricing option model using the following assumptions: 134% volatility, 3.9% risk free interest rate, an expected life of two years and 0% dividend yield.

LNG Energy Ltd.

(formerly Invicta Oil & Gas Ltd.)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
For the Three and Nine Months Ended June 30, 2008
(in Canadian dollars)

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

On November 29, 2006, the Company completed another private placement for \$3,468,000 consisting of 7,706,667 units at a price of \$0.45 per unit. Each unit is comprised of one common share and one-half of a share purchase warrant with each whole warrant entitling the holder to acquire one common share at a price of \$0.55 for a period of one year. The gross proceeds have been allocated \$2,782,929 to the common shares and \$685,071 to the share purchase warrants.

The share purchase warrants were valued using the Black-Scholes pricing option model using the following assumptions: 108% volatility, 3.9% risk free interest rate, an expected life of one year and 0% dividend yield.

Pursuant to the November 29, 2006 private placement, the Company paid cash commission of \$122,850 and issued 454,000 agent's warrants with a fair value of \$175,000 as finders' fees. Each agent's warrant is exercisable for one common share at a price of \$0.45 per share for a period of one year. The fair value of the agent's warrants was estimated using the Black-Scholes pricing option model using the following assumptions: 108% volatility, 3.9% risk free interest rate, an expected life of one year and 0% dividend yield.

c) Stock Options

The following table summarizes information about stock option transactions:

	NUMBER OF SHARES	AVERAGE EXERCISE EXERCISE PRICE
Balance, September 30, 2005	532,500	\$ 0.24
Expired	(132,500)	(0.40)
Balance, September 30, 2006	400,000	0.20
Cancelled	(225,000)	0.20
Granted	5,020,000	0.27
Exercised	(1,795,000)	0.10
Balance, September 30, 2007	3,400,000	0.38
Granted	10,975,000	0.52
Exercised	(475,000)	0.13
Balance, June 30, 2008	13,900,000	\$ 0.50

The following table summarizes information about the stock options outstanding at December 31, 2007:

EXERCISE PRICE	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE	EXPIRY DATE
\$0.20	75,000	75,000	December 16, 2009
\$0.10	1,200,000	1,200,000	November 27, 2011
\$0.67	921,000	921,000	September 20, 2012
\$0.67	729,000	641,500	September 21, 2012
\$0.58	6,100,000	6,100,000	November 27, 2012
\$0.56	1,150,000	-	February 1, 2013
\$0.58	1,500,000	1,500,000	February 1, 2013
\$0.275	2,225,000	1,118,750	May 1, 2013
	13,900,000	11,556,250	

LNG Energy Ltd.

(formerly Invicta Oil & Gas Ltd.)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
For the Three and Nine Months Ended June 30, 2008
(in Canadian dollars)

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

During the three and nine months ended June 30, 2008, the Company recorded stock based compensation expense of \$203,348 and \$4,209,979 respectively (Three and nine months ended June 30, 2007 – \$1,596,000 and \$1,995,000 respectively). This is net of the \$44,474 of stock based compensation capitalized to oil and gas properties in the three and nine months ended June 30, 2008 (Three and nine months ended June 30, 2007 – Nil). The fair value of the options granted has been estimated on the date of grant using the Black-Scholes option-pricing model.

Assumptions used in the option-pricing model are as follows:

	At June 30	
	2008	2007
Risk-free interest rate	2.88% - 3.96%	3.46 – 4.01%
Expected life	5 years	2 - 5 year
Expected volatility	117.72% - 133.71%	120% - 226%
Expected dividends	Nil	Nil
Average Fair value (\$ per option)	0.48	0.65

d) Warrants

The following table summarizes information about warrant transactions:

	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE	CARRYING AMOUNT
Balance, September 30, 2005	350,000	\$ 0.64	\$ -
Expired	(350,000)	0.64	-
Balance, September 30, 2006	-	-	-
Granted	26,307,334	0.22	1,677,093
Exercised	(5,957,417)	0.22	(375,973)
Balance September 30, 2007	20,349,917	0.22	1,301,120
Exercised	(7,604,028)	0.25	(614,782)
Expired	(1,514,334)	0.55	(269,228)
Balance, June 30, 2008	11,231,555	\$ 0.16	\$ 417,110

The 11,231,555 warrants are at an exercise price of \$0.16 and expire on November 28, 2008.

e) Escrow Shares

As at June 30, 2008, the Company has 4,620,936 common shares held in escrow to be released in tranches of 15% every six months up to November 28, 2009.

LNG Energy Ltd.

(formerly Invicta Oil & Gas Ltd.)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
For the Three and Nine Months Ended June 30, 2008
(in Canadian dollars)

11. LONG TERM DEBT – CAPITAL LEASE

The Company is obligated under a capital lease to future minimum annual lease payments that are due as follows:

2008	\$	3,610
2009		13,450
		<u>17,060</u>
Less: amount representing interest at 13.75%		<u>(1,227)</u>
Present value of future minimum lease obligations		15,833
Less: Current Portion		13,233
Long Term Portion	\$	<u>2,600</u>

12. RELATED PARTY TRANSACTIONS AND BALANCES

For the nine months ended June 30, 2008 and 2007, amounts paid to companies controlled by directors and officers of the Company were as follows:

	Three Months Ended June 30		Nine Months Ended June 30	
	2008	2007	2008	2007
Management and Consulting Services paid to current directors and officers	\$ 14,500	\$ 28,500	\$ 147,900	\$ 67,500
Management and Consulting Services paid to a former directors and officers	242,600	–	242,600	–
Management and Consulting Services included in Discontinued Operations	–	–	–	20,000
Directors Fees paid to a former officer of the Company	–	–	7,500	–
Directors Fees paid to current independent directors of the Company	8,000	–	44,500	–
	<u>\$ 265,100</u>	<u>\$ 28,500</u>	<u>\$ 442,500</u>	<u>\$ 87,500</u>

These expenditures are included in professional fees and were measured at the exchange amount, which are amounts agreed upon by the transacting parties.

	As at	
	June 30, 2008	September 30, 2007
Accounts Payable:		
Amounts due to officers or companies controlled by officers of the company	\$ –	\$ 6,340

LNG Energy Ltd.

(formerly Invicta Oil & Gas Ltd.)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
For the Three and Nine Months Ended June 30, 2008
(in Canadian dollars)

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

a) Changes in non-cash working capital are as follows:

	For the Three Months Ended June 30		For the Nine Months Ended June 30	
	2008	2007	2008	2007
Amounts receivable	\$ (79,948)	\$ (1,667)	\$ (138,230)	\$ (10,449)
Prepaid expenses and other term deposits	(20,718)	6,344	(84,677)	(9,899)
Note receivable	–	–	155,189	–
Accounts payable and accrued liabilities	(133,818)	(92,359)	(1,731,300)	(45,093)
Current portion of capital lease obligations	282	–	824	–
Change in non-cash working capital	\$ (234,202)	\$ (87,682)	\$ (1,798,194)	\$ (65,441)
Relating to:				
Operating activities	\$ (321,025)	\$ (87,682)	\$ (215,593)	\$ (65,441)
Investing activities	86,823	–	(1,582,601)	–
Change in non-cash working capital	\$ (234,202)	\$ (87,682)	\$ (1,798,194)	\$ (65,441)

b) Other non-cash transactions that occurred during the three and nine months ended June 30, 2008 are:

	For the Three Months Ended June 30		For the Nine Months Ended June 30	
	2008	2007	2008	2007
Common Shares issued related to acquisition of subsidiary	\$ –	\$ –	\$ 2,222,325	\$ –
Common shares issued as a finders' fee in connection with the private placement charged to share issue costs.	–	–	2,584,463	–

c) Cash and cash equivalents is comprised of the following:

	June 30, 2008	September 30, 2007
Cash	\$ 1,431,635	\$ 657,446
Short term investments	12,892,979	–
	\$ 14,324,614	\$ 657,446

Cash and cash equivalents are classified as "held for trading" and are measured at carrying value which approximates the fair values due to the short term nature of these instruments with maturity at acquisition not exceeding 90 days, bearing interest at rates of 2.928% - 2.979%.

LNG Energy Ltd.

(formerly Invicta Oil & Gas Ltd.)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
For the Three and Nine Months Ended June 30, 2008
(in Canadian dollars)

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (Continued)

d) Other cash flow items:

	For the Three Months Ended June 30		For the Nine Months Ended June 30	
	2008	2007	2008	2007
Cash paid for income taxes	–	–	–	–
Cash paid for interest	599	–	1,436	–

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial assets and liabilities

The carrying amount for cash and cash equivalents, short term investments, amounts receivable, note receivable, term and other deposits, exploration advances, accounts payable and accrued liabilities and capital lease obligations on the balance sheet approximate fair value because of the limited term of these instruments.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Foreign currency risk

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

Credit risk

Cash and cash equivalents consist of cash bank balances and short-term deposits maturing in less than 90 days. The Company manages the credit exposure related to short-term investments by selecting counter parties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its cash balances.

The Company is not exposed to interest rate fluctuations on its short-term investments. At June 30 2008, the Company had short term investments, with maturities at acquisition not exceeding 90 days, amounted to \$12,892,979, bearing interest at rates of 2.928% - 2.979%.

As at June 30, 2008, the Company had short-term investments, with maturity at acquisition exceeding 90 days, as follows:

- \$5,000,000 Government Insured Certificate with a 1 year term that is redeemable after 30 days, bearing interest at 3.3% with a maturity date of May,9 2009.
- \$9,651,262 Government Insured Certificate with a 1 year term that is redeemable after 30 days, bearing interest at 3.45% with a maturity date of April 22, 2009.

LNG Energy Ltd.

(formerly Invicta Oil & Gas Ltd.)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
For the Three and Nine Months Ended June 30, 2008
(in Canadian dollars)

15. CAPITAL MANAGEMENT

The Company manages its capital such that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of shareholder's equity comprising of share capital, share purchase warrants, contributed surplus and deficit. The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in business environment.

As at June 30, 2008, total managed capital was \$50,811,766 (September 30, 2007 - \$5,427,672), comprised of share capital of \$55,738,855 (September 30, 2007 - \$7,550,489), share purchase warrants of \$417,110 (September 30, 2007 - \$1,301,120), contributed surplus of \$6,249,182 (September 30, 2007 - \$1,997,788) and a deficit of \$11,593,381 (September 30, 2007 - \$5,421,725).

16. COMMITMENTS

Operating Lease commitments

The Company is committed to payments under various operating leases for office space and staff rental accommodations that have a variety of expiry dates. The future minimum annual lease payments commitments are as follows:

2008	\$	32,634
2009		73,901
2010		24,073
	\$	<u>103,608</u>

17. SEGMENTED REPORTING

Geographic Information:

The Company operates in one reportable operating segment, being the exploration of oil and gas properties in the United States and Papua New Guinea. The geographical information is as follows:

June 30, 2008	Papua New Guinea	United States	Canada	Total
Current assets	\$ 312,664	\$ -	\$ 29,514,747	\$ 29,827,411
Exploration advances	-	51,596	-	51,596
Investments	-	-	3,061	3,061
Property, plant and equipment	22,983,177	3,258,803	7,074	26,249,054
Total assets	\$ 23,295,841	\$ 3,310,399	\$ 29,524,882	\$ 56,131,122

LNG Energy Ltd.

(formerly Invicta Oil & Gas Ltd.)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
 For the Three and Nine Months Ended June 30, 2008
 (in Canadian dollars)

17. SEGMENTED REPORTING (Continued)

September 30, 2007	Papua New Guinea	United States	Canada	Total
Current assets	\$ -	\$ -	\$ 844,381	\$ 844,381
Deferred acquisition costs	-	-	1,623,395	1,623,395
Deferred financing costs	-	-	4,093	4,093
Exploration advances	-	64,133	-	64,133
Property, plant and equipment	-	3,160,699	4,581	3,165,280
Total assets	\$ -	\$ 3,224,832	\$ 2,476,450	\$ 5,701,282

18. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the current year's financial statement presentation.

The results for the nine months ended June 30, 2007 have been restated for comparative purposes to reflect an adjustment in the three months ended September 30 2007 to the gain on disposal of discontinued operations previously reported.