

Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

**NORTHERN HEMISPHERE
DEVELOPMENT CORP.**

For the nine months ended November 30, 2006

The accompanying Financial Statement for the nine months ended November 30, 2006 and 2005 have not been reviewed or audited by the Company's Auditors.

NORTHERN HEMISPHERE DEVELOPMENT CORP.
Consolidated Balance Sheet
(Expressed in Canadian dollars)
(Unaudited - Prepared by Management)

ASSETS

	November 30 2006	February 28 2006
	\$	\$
Current assets		
Cash	2,371,205	2,905,932
Accounts receivable and prepaid expenses	12,964	46,895
	<u>2,384,169</u>	<u>2,952,827</u>
Due from related parties (Note 8)	24,763	6,068
Reclamation bond	10,000	10,000
Property and Equipment (Note 5)	14,818	17,665
Resource Properties (Note 6)	2,750,588	3,180,210
	<u>5,184,338</u>	<u>6,166,770</u>

LIABILITIES

Current liabilities		
Accounts payable and accrued liabilities	45,072	55,005
Due to related parties (Note 8)	10,851	77,266
	<u>55,923</u>	<u>132,271</u>

SHAREHOLDERS' EQUITY

Capital stock (Note 7)	20,735,522	20,688,522
Contributed surplus	4,015,621	4,015,621
Deficit	(19,622,728)	(18,669,644)
	<u>5,128,415</u>	<u>6,034,499</u>
	<u>5,184,338</u>	<u>6,166,770</u>

On Behalf of the Board

Signed:

"A. Crawford", Director

"C. O'Sullivan", Director

See Accompanying Notes to the Consolidated Interim Financial Statements

NORTHERN HEMISPHERE DEVELOPMENT CORP.
Consolidated Balance Sheet
(Expressed in Canadian dollars)
(Unaudited - Prepared by Management)

	Three Months Ended November 30		Nine Months Ended November 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Income:				
Oil and gas revenue, net of cost	1,619	1,076	6,741	4,493
Interest Income	33,620	3,362	44,788	9,891
	35,239	4,438	51,529	14,384
Expenses:				
Amortization	1,053	1,052	3,160	3,159
Audit and accounting	-	9,500	912	15,142
Consulting fees (Note 8)	866	-	866	65,123
Insurance	(6,354)	290	4,538	11,747
Shareholder communications and advertising	987	12,351	24,085	47,556
Stock-based compensation	-	1,240,354	-	3,491,448
Legal fees	275	145	1,647	13,478
Listing and filing fees	710	9,206	12,330	15,193
Management fees (Note 8)	25,000	15,000	55,000	45,000
Office services, and supplies	5,509	3,516	9,886	25,676
Office rent	9,934	4,579	20,376	20,025
Salaries and benefits (Note 8)	22,303	56,516	59,275	135,166
Trade show	-	7,880	2,461	8,921
Telephone	-	1,990	486	6,121
Travel and accommodation	920	69	9,270	3,887
Transfer agent	407	3,745	6,680	17,528
	(61,610)	(1,366,193)	(210,972)	(3,925,170)
Gain on write off of accounts payable	10,000	-	10,000	-
Write down of resource property	(316,283)	(2,142,791)	(803,641)	(2,142,791)
Net (loss) gain for the period	(332,654)	(3,504,546)	(953,084)	(6,053,577)
Deficit, beginning of period	(19,290,074)	(14,598,505)	(18,669,644)	(12,049,474)
Deficit, end of period	(19,622,728)	(18,103,051)	(19,622,728)	(18,103,051)
Basic and diluted loss per share	\$ (0.01)	\$ (0.10)	\$ (0.02)	\$ (0.17)

See Accompanying Notes to the Consolidated Interim Financial Statements

NORTHERN HEMISPHERE DEVELOPMENT CORP.
Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)
(Unaudited - Prepared by Management)

	Three Months Ended November 30		Nine Months Ended November 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash provided by (used in)				
Operating Activities:				
Gain (Loss) for the period	(332,654)	(3,504,546)	(953,084)	(6,053,577)
Expenses (recoveries) not involving current outlay of cash:				
Stock-based compensation	-	1,240,359	-	3,491,453
Amortization	1,053	1,052	3,160	3,159
Write down of resource property	316,283	2,142,791	803,641	2,142,791
Gain on write down of accounts payable	(10,000)	-	(10,000)	-
	(25,318)	(120,344)	(156,283)	(416,174)
<i>Changes in non-cash working capital items:</i>				
Accounts receivable and prepaid expenses	13,818	8,244	33,931	(10,376)
Due to related parties	(6,460)	25,127	(66,415)	30,481
Accounts payable and accrued liabilities	(21,766)	(14,239)	67	(52,311)
	(39,726)	(101,212)	(188,700)	(448,380)
Financing activities:				
Due from related parties	(22,391)	32,809	(18,695)	13,112
Issuance of shares for cash, net of costs	-	117,049	47,000	1,455,785
	(22,391)	149,858	28,305	1,468,897
Investing Activities				
Investment in and expenditures on resource properties	(213,409)	(693,388)	(374,019)	(1,480,161)
Purchase of Property and Equipment	-	(856)	(313)	(5,256)
Purchase of reclamation bond	-	-	-	(5,000)
	(213,409)	(694,244)	(374,332)	(1,490,417)
Increase (decrease) in cash	(275,526)	(645,598)	(534,727)	(469,900)
Cash, beginning of period	2,646,731	1,736,147	2,905,932	1,560,449
Cash, end of period	2,371,205	1,090,549	2,371,205	1,090,549

See Accompanying Notes to the Interim Consolidated Financial Statements

NORTHERN HEMISPHERE DEVELOPMENT CORP.
Notes to Consolidated Financial Statements
Nine Months Ended November 30, 2006
(Expressed in Canadian dollars)
(Unaudited – Prepared by Management)

1. NATURE AND CONTINUANCE OF OPERATIONS

Northern Hemisphere Development Corp. (the "Company") was incorporated under the laws of British Columbia. It is an exploration stage public Company whose principal business activity is the exploration for and development of natural resource properties. There has been no significant revenue generated from these activities to date.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going-concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company has a working capital surplus of \$2,328,246 at November 30, 2006 and has accumulated losses of \$19,622,728 since inception. The Company's ability to meet its obligations and maintain its operations is contingent upon successful completion of additional financing arrangements and/or the ability to generate profitable production in the future.

The Company is in the process of exploring and developing properties and has not determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for resource properties and related deferred exploration costs is dependent on the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete their exploration and development and future profitable production from the properties or proceeds from their disposition.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

These consolidated financial statements include the accounts of Northern Hemisphere Development Corp. and its wholly-owned subsidiary, Hemisphere Development Corporation, a US corporation. All significant intercompany balances and transactions are eliminated.

(b) Petroleum and natural gas interests

The Company follows the full cost method of accounting for petroleum and natural gas interests whereby all costs of exploration for and development of petroleum and natural gas reserves are capitalized. These costs include lease acquisition costs, geological and geophysical expenses, drilling costs of successful as well as unsuccessful wells and overhead charges related directly to exploration. The carrying value of petroleum and natural gas interests are not intended to report replacement or current market values.

If the interests are sold or abandoned, the proceeds will be applied against capitalized costs unless such sale significantly impacts the rate of depletion.

Costs associated with unproven reserves are reviewed by management to determine whether or not they have become impaired. If impairment occurs, the carrying value of the related interest will be reduced to reflect the estimated net realizable value. The estimate will be based on the then current conditions and it is possible that changes could occur that would adversely affect management's estimates resulting in further write-downs of the carrying value of the interest.

(c) Revenue recognition

Revenue from the sale of petroleum and natural gas is recorded when title passes from the Company to its customers.

NORTHERN HEMISPHERE DEVELOPMENT CORP.
Notes to Consolidated Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
- (ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- (iii) Revenues and expenses, at the average rate of exchange for the year.

Gains and losses arising from translation of foreign currency are included in net loss for the year.

(e) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided against future tax assets when it is more likely than not that the tax asset will not be utilized.

(f) Flow-through shares

The Company finances a portion of its exploration program with flow-through common shares issued. Income tax deductions relating to these expenditures are claimable only by the investors. Proceeds from common shares issued pursuant to flow-through financing are credited to capital stock. Recording these expenditures for accounting purposes gives rise to taxable temporary differences. On the date that the Company renounces flow-through expenditures to the investor and where the Company has sufficient available tax losses or pools of tax deductions, a portion of the Company's future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, is recorded as a recovery of income taxes in the statement of operations.

This is a change in accounting policy that has been applied prospectively, effective March 19, 2004, in accordance with Canadian Institute of Chartered Accountants ("CICA") Handbook EIC-146.

(g) Loss per share

Loss per share computations are based on the weighted average number of common shares outstanding during the year. Diluted loss per share has not been presented as the outstanding stock options and warrants are anti-dilutive.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Asset retirement obligations

Section 3110 of the CICA Handbook requires companies to recognize an estimate of the liability associated with an asset retirement obligation (“ARO”) in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount of the ARO is depleted on a unit-of-production method over the life of the proved reserves. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded.

(i) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and would impact future results of operations and cash flows.

(j) Stock-based compensation

Effective March 1, 2004, the Company adopted the CICA Handbook Section 3870, “Stock-Based Compensation and Other Stock-Based Payments” (“HB 3870”). HB 3870 requires the use of the fair value method to calculate all stock-based compensation associated with granting stock options to employees and directors, and the inclusion of that expense in the statements of operations. Prior to March 1, 2004, the Company disclosed the effect of the fair value method in the notes to the financial statements and did not recognize the stock-based compensation related to stock options granted to employees and directors in the statement of operations. Under the revised accounting policy, the Company measured stock-based compensation on the date of the grant and recognized this cost over the vesting period of the option in results from operations. As a result of this change in accounting, the opening deficit was restated on a retroactive basis to show the effect of compensation expense of \$99,062 associated with stock option grants to employees and directors in 2004. Accordingly, contributed surplus was increased by \$99,062.

(k) Share issuance costs

Share issuance costs are netted against capital stock proceeds.

(l) Property and equipment

Property and equipment are recorded at cost. Amortization is provided, once the assets are in use, over their estimated useful lives on a declining-balance basis at the following annual rates:

Computers	-	30%
Equipment	-	20%
Furniture	-	20%

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3. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current period's presentation.

4. FINANCIAL INSTRUMENTS

(a) Fair value

The carrying values of cash, accounts receivable, due to related parties, and accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these financial instruments.

(b) Interest rate risk

The Company is not exposed to significant interest rate risk.

(c) Credit risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and reclamation deposit. These are placed with well capitalized, high quality financial institutions.

5. PROPERTY AND EQUIPMENT

	Changes in the Period			Net Value November 30, 2006
	Net Value February 28, 2006	Additions	Accumulated Amortization	
Computers	\$12,889	\$313	(1,819)	\$11,383
Equipment	\$4,776	-	(1,341)	3,435
	\$17,665	\$313	\$(3,160)	\$14,818

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6. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES

	Northstar - Kaza Properties, British Columbia	Oil and Gas Wells	Total
Balance, February 28, 2005	\$1,540,194	\$1,934,512	\$3,474,706
Acquisition Costs	85,000	1,313,900	1,398,900
Exploration Expenditures			
Overhead costs	18,896	-	18,896
Assays	9,963	-	9,963
Equipment repair and rental	21,279	-	21,279
Exploration - other	17,896	-	17,896
Geographical consulting	91,712	37,721	129,433
Staking costs	8,000	-	8,000
Mobilization and demobilization	3,504	-	3,504
Drilling and sampling	115,184	-	115,184
Camp costs	124,617	-	124,617
	411,051	37,721	448,772
Write off of resource costs	(2,036,245)	(105,923)	(2,142,168)
Balance, February 28, 2006	-	3,180,210	3,180,210
Acquisition Costs	-	374,019	374,019
Write-Off of resource costs	-	(803,641)	(803,641)
Balance, November 30, 2006	\$ -	\$2,750,588	\$2,750,588

(a) Oil and gas wells

Oklahoma, USA

The Company has a small minority interest in certain oil and gas producing wells situated in the state of Oklahoma, USA. The interest is held in the Company's US subsidiary, Hemisphere Development Corporation. The interest in these properties is recorded at nominal value. The Company does not plan any further expenditures on these properties.

British Columbia, Canada

Bougie Trutch

During the year ended February 28, 2005, the Company acquired a 17.5% working interest in 26 sections of land in Northeastern British Columbia. The Company paid \$1,425,000 cash for this interest and issued 900,000 shares and paid cash for finder's fees totalling \$437,250. During the year ended February 28, 2006, the Company incurred an additional \$619,264 on the original test well and two exploratory wells.

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Trutch East

Under the terms of the Trutch East Participation Agreement, Northern Hemisphere will have the right to earn a 17.5% rolling working interest in the 15 section (15 square mile) Trutch East lands. This rolling interest will include all zones from the surface through the Halfway horizon. By participating in the C-25-A/94-G-15 Triassic Halfway development well, Northern Hemisphere will earn the right to participate in additional option wells on the property. Each section drilled will earn Northern Hemisphere the section drilled and an additional section (of the 15 total), as well as the opportunity to participate in the option well (and earning blocks) that follow.

Upon the execution of this Agreement, Northern Hemisphere will issue, in the name of the Farmor, Tenaka Drilling Consortium, both cash and non-assessable common shares of the Company as finders fees at three defined stages in the following amounts:

- (a) \$3,500 non-refundable deposit upon signing the Right of First Refusal (paid);
- (b) \$7,000 non-refundable deposit upon execution of the Participation Agreement (paid); and
- (c) CAD \$42,000 in stock. The shares issued will be based on the average market price based on the previous ten days from execution of the Participation Agreement.

Alberta, Canada

During the year ended February 28, 2006, the Company entered into the following two agreements for oil and gas projects located in Alberta:

- (i) Goose Creek project – the Company entered into a participation agreement to earn a 7.5% working interest in the Goose Creek property located in the Kaybob area near Fox Creek, Alberta. The Company paid \$105,923 for this interest. The well drilled was determined to be non-commercial and management wrote off \$105,923 at the year end; and
- (ii) Bulwark project – the Company entered into a participation agreement to earn a 45% working interest in the Bulwark property located in central Alberta. The Company has participated in the drilling of these three wells and has incurred costs totalling \$793,771 to November 30, 2006. At November 30, 2006 the Company wrote off \$793,771 as management does not believe this project to be commercially viable.

7. CAPITAL STOCK

- (a) Authorized
Unlimited number of common shares without par value
- (b) Issued and outstanding

	2006	
	Number of Shares	Amount
Balance, February 28, 2006	45,285,968	\$20,688,522
For cash, pursuant to exercise of share purchase options	25,000	8,250
For cash, pursuant to exercise of agent's warrants	237,500	38,750

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Balance, November 30, 2006	45,548,468	\$20,735,522
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7. CAPITAL STOCK (Continued)

(c) Stock options (Continued)

Details of the status of the Company's stock options as at November 30, 2006 and changes during the period then ended are as follows:

Exercise Price	Expiry Date	Balance February 28, 2006	Changes in the Period			Balance Outstanding and Exercisable November 30, 2006
			Granted	Exercised	Expired/Cancelled	
\$0.15	June 24, 2007	10,000	-	-	-	10,000
\$0.20	December 9, 2007	140,000	-	-	(30,000)	110,000
\$0.33	January 18, 2008	310,000	-	(25,000)	(25,000)	260,000
\$0.40	January 31, 2008	240,000	-	-	(30,000)	210,000
\$0.50	July 1, 2008	507,187	-	-	-	507,187
\$0.69	March 22, 2008	2,197,109	-	-	-	2,197,109
\$0.71	September 30, 2008	159,737	-	-	(12,500)	147,237
\$0.73	March 17, 2008	135,283	-	-	-	135,283
		3,699,316	-	(25,000)	(97,500)	3,576,816
Weighted average exercise price		\$0.59	-	\$0.33	\$0.34	\$0.59

(d) Warrants outstanding

There were no warrants outstanding at February 28, 2006 or at November 30, 2006.

(e) Contributed Surplus

Balance, February 28, 2005	\$ 981,383
Stock options exercised for common shares	(869,700)
Stock-based compensation	3,903,938
Balance, February 28, 2006 and November 30, 2006	\$ 4,015,621

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8. RELATED PARTY TRANSACTIONS

These transactions are in the ordinary course of business and are recorded at the exchange amount that was agreed between the parties.

- (a) Management fees of \$55,000 (2005 - \$45,000), were charged by directors of the Company. In addition, fees for consulting services of \$Nil (2005 - \$22,870) were paid to a director.
- (b) Salaries and benefits of \$15,605 (2005 - \$70,329) were paid to an officer of the Company.
- (c) The amounts due from/to related parties, which are non-interest bearing, unsecured and due on demand, are comprised of the following:

	November 30, 2006	February 28, 2006
Receivable		
Due from companies with common directors	\$ 10,295	\$ 1,600
Due from directors	14,468	4,468
	<u>\$ 24,763</u>	<u>\$ 6,068</u>
Payable		
Due to companies with common directors	\$ 10,851	\$ 77,266