

NORTHERN HEMISPHERE DEVELOPMENT CORP.

**Consolidated Financial Statements
(Unaudited)**

August 31, 2007

NORTHERN HEMISPHERE DEVELOPMENT CORP.
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(Unaudited)
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NORTHERN HEMISPHERE DEVELOPMENT CORP.**Consolidated Balance Sheet****As at August 31, 2007**

(Expressed in Canadian dollars)

(Unaudited)

	August 31, 2007	February 28, 2007
Assets		
Current		
Cash and cash equivalents	\$ 440,692	\$ 1,137,717
Account receivable and prepaid expenses	104,542	51,379
	545,234	1,189,096
Due from Related Parties (note 8)	3,900	25,872
Reclamation Deposit	10,000	10,000
Property and Equipment (note 5)	32,589	30,994
Investment in and Expenditures on Resource Properties (notes 6 and 7)	3,100,627	2,524,620
	\$ 3,692,350	\$ 3,780,582
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 64,097	\$ 86,301
Due to related parties (note 8)	-	10,071
	64,097	96,372
Shareholders' Equity		
Capital Stock (note 7)	20,952,296	20,952,296
Share Subscriptions Receivable (note 7(e))	(4,500)	(4,500)
Contributed Surplus (note 7(f))	4,377,456	4,259,952
Deficit	(21,697,000)	(21,523,538)
	3,628,253	3,684,210
	\$ 3,692,350	\$ 3,780,582
Nature and Continuance of Operations (note 1)		
Contingency (note 9)		
Subsequent Event (note 10)		

On Behalf of the Board

Signed:

"Charles O'Sullivan" _____ Director

"Alan Crawford" _____ Director

NORTHERN HEMISPHERE DEVELOPMENT CORP.
Consolidated Statements of Operations and Deficit
Six Months ended August 31, 2007

(Expressed in Canadian dollars)

(Unaudited)

	Three Months Ended		Six Months Ended	
	August 31		August 31	
	2007	2006	2007	2006
Oil and Gas Operations				
Gross revenue, Natural gas - British Columbia	\$ 78,378	\$ -	\$ 230,084	\$ -
Cost of production	(22,873)	-	(88,541)	-
Net revenue, Natural gas - British Columbia	55,506	-	141,543	-
Oil and gas revenue, net of cost - Oklahoma	3,077	2,869	7,642	5,122
Total Revenues - net	58,583	2,869	149,186	5,122
Administrative Expenses				
Amortization	2,388	1,054	4,646	2,107
Bank charges	340	360	710	720
Foreign exchange loss	40	-	67	-
Management fees (note 8(a))	42,556	15,000	72,556	30,000
Office	9,181	11,686	14,936	14,549
Professional fees	22,771	(3,417)	25,137	2,284
Rent	4,387	5,289	12,658	10,442
Shareholder communication	20,101	22,222	32,948	33,909
Stock-based compensation	18,808	-	117,504	-
Telephone	1,330	50	2,508	486
Transfer agent and filing fees	13,597	11,788	15,019	17,893
Wages and benefits	21,067	14,243	40,958	36,972
	156,566	78,275	339,648	149,362
Loss Before Other Items	(97,983)	(75,406)	(190,462)	(144,240)
Other items:				
Interest income	9,329	1,131	17,001	11,168
Write-off of resource property	-	-	-	(487,358)
Net Loss for the period	(88,654)	(74,275)	(173,462)	(620,430)
Deficit, beginning of period	(21,608,346)	(18,669,644)	(21,523,538)	(18,669,644)
Deficit, end of period	\$ (21,697,000)	\$ (18,743,919)	\$ (21,697,000)	\$ (19,290,074)
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.02)
Weighted Average Number of Common Shares Outstanding	45,929,718	38,623,581	45,929,718	38,623,581

See accompanying notes to the consolidated financial statements

NORTHERN HEMISPHERE DEVELOPMENT CORP.

Consolidated Statements of Cash Flow

Six months ended August 31, 2007

(Expressed in Canadian dollars)

(Unaudited)

	Three Months Ended		Six Months Ended	
	August 31		August 31	
	2007	2006	2007	2006
Net loss	\$ (88,654)	\$ (74,275)	\$ (173,462)	\$ (620,430)
Items not involving cash				
Amortization	2,388	1,054	4,646	2,107
Loss on write-down of resource property	-	-	-	487,358
Stock-based compensation	18,808	-	117,504	-
	(67,458)	(73,221)	(51,312)	(130,965)
Changes in Non-Cash Working Capital				
Due to related parties	(10,071)	(33,057)	(10,071)	(59,955)
Accounts receivable and prepaid expenses	(12,674)	16,626	(53,163)	20,113
Accounts payable and accrued liabilities	(33,360)	9,757	(22,204)	21,833
	(56,105)	(6,674)	(85,438)	(18,009)
Cash Used in Operating Activities	(123,563)	(79,895)	(136,750)	(148,974)
Investing Activities				
Purchase of equipment	-	-	(6,241)	(313)
Investment in and expenditures on resource properties	(237,039)	(3,707)	(576,007)	(160,610)
Cash Used in Investing Activities	(237,039)	(3,707)	(582,248)	(160,923)
Financing Activities				
Shares issued for cash, net of issue costs	-	38,750	-	47,000
Repayments from (advances to) related parties	21,972	2,896	21,972	3,696
Cash Provided by Financing Activities	21,972	41,646	21,972	50,696
Inflow (Outflow) of Cash	(338,630)	(41,956)	(697,026)	(259,201)
Cash, Beginning of Period	779,320	2,688,687	1,137,717	2,905,932
Cash, End of Period	\$ 440,691	\$ 2,646,731	\$ 440,691	\$ 2,646,731

See accompanying notes to the consolidated financial statements

NORTHERN HEMISPHERE DEVELOPMENT CORP.

Notes to Consolidated Financial Statements

For the Six Months ended August 31, 2007

(Unaudited)

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. The Company commenced production in February 2007 and has not established the amount of the economically recoverable reserves.

These consolidated 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 accumulated losses of \$21,697,000 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) Cash and cash Equivalents

Cash and cash equivalents include cash and short term investments with a maturity of less than 90 days at the date of purchase.

c) 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 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.

NORTHERN HEMISPHERE DEVELOPMENT CORP.
Notes to Consolidated Financial Statements
For the Six Months ended August 31, 2007
(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Revenue Recognition

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

e) 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.

f) 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 basis. 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.

g) 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.

h) Loss Per Share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

However, diluted loss per share is not presented where the effects of various conversions and exercise of options and warrants would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not been included in the calculation of the weighted average number of common shares outstanding.

NORTHERN HEMISPHERE DEVELOPMENT CORP.
Notes to Consolidated Financial Statements
For the Six Months ended August 31, 2007
(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Asset Retirement Obligations

The Company recognizes 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 is depleted on a straight-line basis over the estimated life of the asset. 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. At present the Company has determined that it has no material AROs to record in the financial statements.

j) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates 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. Significant areas requiring the use of management estimates include the determination of environment obligations, asset retirement obligations, rates for depletion and amortization, the impairment of mineral property interests, valuation allowance for future tax assets and the estimates used in the calculation of stock-based compensation. While management believes the estimates used are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

k) Stock-Based Compensation

The Company accounts for stock-based compensation expense using the fair value based method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this method, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to contributed surplus under shareholders’ equity. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to capital stock.

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%

m) Joint interest operations

The company’s natural gas exploration and production activities are conducted jointly with others and, accordingly, the financial statements reflect only the Company’s proportionate interest in such activities.

NORTHERN HEMISPHERE DEVELOPMENT CORP.
Notes to Consolidated Financial Statements
For the Six Months ended August 31, 2007
(Unaudited)

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 and prepaid expenses due from (to) related parties, and accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these financial instruments.

b) Credit Risk

The Company's financial assets that are exposed to credit risk consist primarily of cash. This account is placed with well capitalized, high quality financial institutions.

5. PROPERTY AND EQUIPMENT

	Net Value February 28, 2007	Changes in the Period		Net Value Aug 31, 2007
		Additions	Accumulated Amortization	
Computers	\$ 24,435	5,746	\$ (3,953)	\$ 26,227
Equipment	3,795	-	(353)	3,442
Furniture	2,764	495	(340)	2,919
	\$ 30,994	\$ 6,241	\$ (4,646)	\$ 32,589

6. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES

Oil & Gas Wells	
Northeastern British Columbia	
Balance, February 28, 2007	\$2,524,620
Acquisitions	132,755
Exploration Expenditures	
Drilling and testing	421,170
General fees	22,082
	443,252
Balance, August 31, 2007	\$ 3,100,627

NORTHERN HEMISPHERE DEVELOPMENT CORP.

Notes to Consolidated Financial Statements

For the Six Months ended August 31, 2007

(Unaudited)

6. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

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. During the six months ended August 31, 2007, the Company realized revenue from the oil and gas holdings of \$7,642 (2006 - \$5,122). The interest in these properties is recorded at nominal value. The Company does not plan any further expenditure on these properties.

British Columbia, Canada

Bougie Trutch

During the year ended February 28, 2005, the Company acquired a 17.5% working interest in a total of 26 sections of land from the Slave Point formation to the basement (deep rights) located in northeastern British Columbia. In addition, the Company has also earned a working interest under varying terms and conditions in all PNG zones from the surface to those zones shallower than the top of the Slave Point, over a selected six (6) square mile land package located within the earning block. In addition the Company has the option to participate in additional wells from the surface to the top of the Slave Point formation outside of the six-section earning block for shallower rights.

At February 28, 2005, the Company paid \$1,425,000 cash for drilling costs, issued 700,000 common shares at a value of \$309,750, paid \$82,500 in cash to acquire the 17.5% interest and paid a finders' fee of 200,000 shares at a value of \$45,000 in respect to this acquisition.

During the year ended February 28, 2006, the Company incurred an additional \$619,264 for two exploratory wells. As of August 31, 2007 the Company has incurred a total of \$3,704,231 of expenditures on the property. In addition to the previously mentioned deep rights, the Company has earned a total of 18 sections from surface to above the Slave Point formation (shallow rights). At February 28, 2007, management of the Company wrote off \$1,425,000 of drilling costs on the original deep test well as it was not believed to be economically viable.

Trutch East

During the year ended February 28, 2007 the Company acquired a 17.5% working interest in the Trutch east land package located in the Western Canadian Sedimentary Basin in north-eastern British Columbia. This land package consists of fifteen sections and adjoins the Bougie Trutch property. Under the terms of the Participation Agreement the Company will have the right to earn 17.5% rolling working interest in the 15 sections. Each section drilled will earn the Company the section drilled and an additional section as well as the opportunity to participate in further option wells that follow. The Company has paid \$10,500 in cash and \$42,000 (131,250 shares) in stock to participate in the agreement. As of August 31, 2007 the Company has incurred a total of \$365,396 for the one well on this property.

In December 2006 the two Trutch Triassic Halfway development wells, FET et al Tommy c-25-A/94-G-15 and FET et al Tommy b-56-A/94-G-15 had been drilled to total depth and production casing was run. In addition, the Company received an Authorization for Expenditures (AFE) from the Trutch project Operator, Focus Energy Trust (FET) to equip well FET et al Tommy c-36-A/94-G-15 for tie-in to production. Well c-36-A was completed late 2005.

NORTHERN HEMISPHERE DEVELOPMENT CORP.
Notes to Consolidated Financial Statements
For the Six Months ended August 31, 2007
(Unaudited)

6. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (continued)

In January 2007 the Operator, Focus Energy Trust (FET), commenced equipping the c-25-A, c-36-A and b- 56-A wells for production and started extending pipeline from their existing infrastructure at Tommy Lake. FET ran 14,217 meters of six inch pipe from Tommy Lake to the c-36-A well, followed by a total of 1,688 meters of four inch pipe from c-36-A to the b-56-A and c-25-A wells. The company has paid \$456,000 representing its 17.5% gross interest in the pipeline. The Company has not recorded any revenues for its working interest in the Trutch pipeline at this time, as the operator has not disseminated any substantive information as of the date of this report.

7. CAPITAL STOCK

a) Authorized

Unlimited number of common shares without par value

b) Issued and Outstanding

	Number of Shares	Amount
Balance, February 2007	45,929,718	\$20,952,296
Shares issued during the period	nil	nil
Balance, August 31, 2007	45,929,718	\$20,952,296

c) Stock Options

The Company has a formal plan for the granting of stock options in the form of a Rolling Stock Option Plan. The Company received TSX Venture Exchange ("TSX") approval of this plan on November 23, 2004. Pursuant to the policies of the TSX, the Company may grant incentive stock options to officers, directors, employees and to persons in consideration for services. Stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance may not exceed 10% of the issued shares at the time of grant and to each individual may not exceed 5% of the issued shares. The exercise price of stock options is determined by the board of directors of the Company at the time of grant and may not be less than the average closing price of the Company's shares on the ten trading days immediately preceding the day on which the option is granted and publicly announced, and may not be less than \$0.10 per share. Options have a maximum term of ten years and terminate not later than 30 days following the termination of the optionee's employment, except in the case of retirement, death or disability, in which case they terminate one year after the event. Vesting of the options is determined at the time of granting of the options at the discretion of the board of directors. Once approved and vested, options are exercisable at any time.

NORTHERN HEMISPHERE DEVELOPMENT CORP.
Notes to Consolidated Financial Statements
For the Six Months ended August 31, 2007
(Unaudited)

7. CAPITAL STOCK (Continued)

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes option pricing model with the following assumptions:

	Aug 2007	Feb 2007
Expected life (years)	3.00	3.00
Interest rate	4.51%	4.25%
Volatility	78.49%	125.00%
Dividend yield	0.00%	0.00%

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Details of the status of the Company's stock options as at August 31, 2007 and February 28, 2007 and changes during the years then ended are as follows:

		Changes in the Period					
Exercise Price	Expiry Date	Balance Feb 28, 2007	Granted	Exercised	Expired/Cancelled	Balance Outstanding & Exercisable Aug 31, 2007	
\$0.20	09-Dec-07	50,000	-	-	-	50,000	
\$0.33	18-Jan-08	50,000	-	-	-	50,000	
\$0.40	31-Jan-08	25,000	-	-	-	25,000	
\$0.69	22-Mar-08	2,197,109	-	-	-	2,197,109	
\$0.71	30-Sep-08	104,737	-	-	-	104,737	
\$0.73	17-Mar-08	135,283	-	-	-	135,283	
\$0.50	01-Jul-08	507,187	-	-	-	507,187	
\$0.50	11-Jan-09	600,705	-	-	-	600,705	
\$0.45	23-Feb-10	25,000	-	-	-	25,000	
\$0.35	17-Apr-09	117,575	-	-	-	117,575	
\$0.30	30-Mar-09	-	770,000	-	-	770,000	
\$0.30	13-Jul-10	-	200,000	-	-	200,000	
		3,812,596	970,000	0	0	4,782,596	
Weighted average exercise price		\$ 0.60	\$ 0.30	\$ -	\$ -	\$ 0.55	

d) Share subscriptions receivable

At February 28, 2007, the Company issued 25,000 common shares at a price of \$0.33 for proceeds of \$8,250. To date \$3,750 has been received and the balance of \$4,500 has been recorded as share subscriptions receivable.

NORTHERN HEMISPHERE DEVELOPMENT CORP.

Notes to Consolidated Financial Statements

For the Six Months ended August 31, 2007

(Unaudited)

7. CAPITAL STOCK (Continued)

e) Contributed Surplus

Balance, February 28, 2007	\$	4,259,952
Stock-based compensation		117,504
Balance August 31, 2007	\$	4,377,456

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 \$60,000 (2006 - \$30,000) were charged by directors of the Company.
- b) The amount receivable is for rent due from a related party.
- c) The amounts due from/to related parties, which are non-interest bearing, unsecured and due on demand, are comprised of the following:

	Aug-07	Feb-07
Receivable		
Due from companies with common directors	\$3,900	\$25,872
Payable		
Due to directors	\$0	\$10,071

9. CONTINGENCY

In March 2005, the Company received a notice from the operator of the deep test well at the Bougie Trutch property requesting additional funding in the amount of \$160,214 for payment of expenditures. In 2007, the Company requested an external audit of this well from the operator. One week prior to the commencement of the audit the operator requested payment of these expenditures. It is the Company's position that the operator's request is without merit. The Company believes it has not received sufficient documentation from the operator to justify payment of the expenditures on the premise that the well has been abandoned by the operator for a significant period of time.

10. SUBSEQUENT EVENT

In October 2007, the Company executed documents with Tenaka Drilling Consortium Ltd. (Agent and Farmee into the Master Agreement for The Bougie Trutch and Trutch East lands) whereby Tenaka assigned, transferred and conveyed an undivided 35% of its interest in the Master Agreement to the Company. The Company has since received notification from Focus Energy Trust ("FET", the Farmor and Operator) that it has agreed to the binding date for novation of no later than January 1, 2008. Novation will enable the Company to directly communicate and plan with the operator as well as receive cashflow statements, accounting and revenues directly from FET, which will enable reporting of information to shareholders on a more timely basis.

NORTHERN HEMISPHERE DEVELOPMENT CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Six Months ended August 31, 2007

The following discussion and analysis of the operations, results, and financial position of the Company for the six months ended August 31, 2007 should be read in conjunction with the August 31, 2007 Unaudited Consolidated Financial Statements and the related Notes. The effective date of this report is October 30, 2007.

FORWARD LOOKING STATEMENTS

The Company is continually investigating new exploration opportunities, and resource exploration is carried out on properties identified by management as having favorable exploration potential. Acquisition of oil and gas properties is typically done through a participation agreement whereby the Company pays a specific amount to earn a specific interest. The recoverability of amounts shown for resource properties depends on the discovery of economically recoverable reserves, and upon future profitable production or sufficient proceeds from the disposition of its resource properties.

BUSINESS OVERVIEW

In the past, the Company's principal business activity was the exploration and development of mineral properties. In February 2006, management refocused its efforts on oil and gas opportunities and the Company's principal business activity has since been the exploration and development of its oil and gas properties. The Company started production from three Triassic Halfway wells on February 7, 2007 on the Bougie Trutch and Trutch East properties in north eastern British Columbia. Properties and wells not deemed to be commercially viable (Bulwark in Alberta and the Shell deep test well at Bougie Trutch, BC) have been written off.

CURRENT OPERATIONS

During the six months ended August 31, 2007 the Company focused on its oil and gas projects:

Bougie Trutch Natural Gas Property

During fiscal 2005 the Company participated in the drilling of a Slave Point Natural Gas Test Well in Northeastern British Columbia. The cost of drilling was \$1,425,000. The operator was Shell Canada who has a 50% interest in the project. As a result of this drilling the Company has earned a 17.5% working interest in twenty-six square miles from the top of the Slave Point to the Basement. The test well is located in a prolific gas producing region of Northeastern British Columbia which has seen several natural gas discoveries. At February 28, 2007, management of the Company wrote off \$1,425,000 as the well is not commercially viable. However, the Company has to date drilled, completed and tied in two shallow wells into the pipeline on the Bougie Trutch property with Focus Energy Trust ("FET") as the operator. The three Bougie Trutch wells are summarized as follows:

FET et al Tommy C-36-A/94-G-15 Triassic Halfway Well

- This well was spudded in December of 2005 and reached a depth of 1,275 meters. The well has flow tested 1.65 MMcf per day and went into production on February 7, 2007.

FET et al Tommy B-56-A/94-G-15 Triassic Halfway Well

- This well was spudded in December of 2006, flow tested 807.3 thousand cubic feet per day and went into production on February 7, 2007

NORTHERN HEMISPHERE DEVELOPMENT CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Six Months ended August 31, 2007

At the prior year end \$26,863 of net revenue from these wells was accrued and netted off of the capital cost of resource properties on the balance sheet.

FET et al Tommy A-13-B/94-G-15 Triassic Halfway Well

- This well was spudded in January of 2006 and reached a depth of 1,223 meters. The well has flow tested 827.8 Mcf per day. This well is not yet in production.

The Company has drilled another Bougie Trutch area Triassic Halfway well designated as B-86-A/94-G-15. This well is located north of the successful B-56-A well.

Trutch East Property

In November 2006 the Company acquired a 17.5% working interest in the Trutch East natural gas lease package (15 square miles).

The Trutch East land package is located in the prolific natural gas producing Western Canadian Sedimentary Basin in northeastern British Columbia, on trend with the East to West industry expansion of pipeline and support infrastructure. The Trutch East lands consist of fifteen sections (district spacing units) of which at least twelve hold the potential for a total of up to twenty-four Triassic Halfway development wells (upon half-spacing drilling targets). The property adjoins Northern Hemisphere's Bougie Trutch lands (26 square miles) and is situated between the successful C-36-A/94-G-15 Triassic Halfway Discovery well and the Tommy Lake Triassic Halfway Field. Possible undeveloped reserves for the Trutch East are estimated at sixty Billion cubic feet (Bcf) of natural gas in the Triassic Halfway Formation based on both 2D and 3D seismic interpretation.

The Trutch East Agreement

Under the terms of the Trutch East Participation Agreement, the Company has 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, the Company earned 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 sections), as well as the opportunity to participate in the option well and earning blocks that follow.

Upon the execution of this Agreement, the Company issued, 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);
- (c) \$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 (issued).

To date the Company has drilled one shallow well, known as FET et al Tommy C-25-A/94-G-15. This is a Triassic Halfway well and it was completed and flow tested 1.4 MMcf per day in December of 2006. The well went into production on February 7, 2007. At the prior year end \$11,109 of net revenue was accrued and netted off of the capital cost of resource properties on the balance sheet.

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In addition to its interests in Bougie Trutch and Trutch East the Company has paid \$455,000 for its 17.5% interest in the pipeline that tied wells C-25-A, C-36-A and B-56-A.

RESULTS OF OPERATIONS

The Company reported a net loss for the six months ended August 31, 2007 of \$173,462 or \$0.0038 per share compared to \$620,430 or \$0.0161 per share for the previous year. The Company is in full production on three of its natural gas wells and has begun receiving natural gas production revenue for its working interest in the Bougie/Trutch properties since February 2007.

The gross revenue for these northeastern British Columbia wells was \$230,084 for the six month period (2006 - nil) and the net revenue after production, processing, transportation, marketing and royalty cost was \$141,543 (2006 - nil). In addition the Company continues to receive oil and gas revenues from its minority interests in wells in Oklahoma, USA which were \$7,642 net of costs for the six month period (2006 - \$5,122). Total net revenues reported for the period were \$149,186 (2006 - \$5,122). The Company has not recorded any revenues for its working interest in the Trutch pipeline at this time, as the operator has not disseminated any substantive information as of the date of this report.

The expenses for the six months ended August 31, 2007 have changed in comparison to the same period last year as follows: Amortization increased by \$2,539 due to additional equipment and fixtures for the new office premises leased in December 2006. Management fees rose by \$42,556 as the Company has been more active with the gas wells in production since last year. This includes the addition of management fees paid to a director since March 2007. Professional fees have increased by \$22,853 primarily for legal fees including some prior period charges relating to the shareholder rights plan and other securities governance. Stock-based compensation expense was recorded at \$117,504 (2006 - nil) for the issuance of 970,000 stock options. Overall for the six months, excluding stock based compensation and amortization, administration expenses were \$217,498 (2006: \$147,255).

SELECTED ANNUAL INFORMATION

The following are highlights of financial data on the Company for the most recently completed three financial years:

	Fiscal Year Ended February 28,		
	2007	2006	2005
(Loss) Income before Income Tax	\$ (2,545,928)	\$ (6,928,136)	\$ (1,494,695)
Net Loss	(2,545,928)	(6,928,136)	264,300
Loss Per Share	(0.06)	(0.18)	(0.02)
Total Assets	3,780,582	6,166,770	5,271,716
Total Liabilities	96,372	132,271	113,412
Working Capital	1,092,724	2,820,556	1,502,194

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SUMMARY OF QUARTERLY RESULTS (unaudited)

	2007	2007	2007	2006	2006	2006	2006	2005
	Aug 31	May 31	Feb. 28	Nov 30	Aug. 31	May 31	Feb. 28	Nov. 30
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total revenue	81,455	156,271	15,969	35,239	4,000	12,290	27,663	1,076
Income (loss) before extraordinary items	(97,983)	(92,479)	(1,597,849)	(332,654)	(74,275)	(541,155)	(3,016,274)	(1,362,831)
Basic loss per share	(0.00)	(0.00)	(0.04)	(0.01)	(0.00)	(0.01)	(0.18)	(0.04)
Diluted per share	(0.00)	(0.00)	(0.04)	(0.01)	(0.00)	(0.01)	(0.18)	(0.04)
Net income (loss)	(88,654)	(84,808)	(157,844)	(332,654)	(74,275)	(541,155)	(847,559)	(3,504,546)
Basic per share	(0.00)	(0.00)	(0.04)	(0.01)	(0.00)	(0.01)	(0.17)	(0.10)
Diluted per share	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.17)	(0.10)	0.00

SHARE CAPITAL AND FINANCING ACTIVITIES

During the period, the Company did not issue any shares nor exercise any options. At October 30, 2007, the Company has 45,929,718 common shares outstanding.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company has funded its operations through equity financing and the exercise of options and warrants. The Company has working capital of \$481,137 at August 31, 2007. The Company believes it will have to raise further funds by way of brokered/non-brokered private placements in order to finance future corporate and administrative expenses and ongoing development of the Bougie/Trutch East properties.

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 \$30,000 (2006 - \$15,000) were charged by directors of the Company.
- (b) The amount receivable is for rent due from a related party.
- (c) The amounts due from/to related parties, which are non-interest bearing, unsecured and due on demand, are comprised of the following:

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	May-07	Feb-07
Receivable		
Due from companies with common directors	\$3,900	\$25,872
Payable		
Due to directors	\$0	\$10,071

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet transactions.

PROPOSED TRANSACTIONS

At the effective date the Company does not have any proposed transactions to disclose.

CRITICAL ACCOUNTING ESTIMATES

(a) 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.

(b) Revenue Recognition

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

(c) 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.

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(d) 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.

(e) Asset Retirement Obligations

The company recognizes 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.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and amounts owing to related parties. Terms of the financial instruments are fully disclosed in the Company's consolidated financial statements. Management's opinion is that the Company is not exposed to significant interest, currency, or credit risks arising from its financial instruments and that, unless otherwise noted, their fair values approximate their carrying values.

RISKS

Oil and gas exploration and development involves a high degree of risk and many properties are ultimately not developed to a producing stage. There can be no assurance that the Company's future exploration and development activities will result in discoveries of commercial bodies of oil and gas. Whether an oil and gas property will be commercially viable depends on a number of factors including the particular attributes of the reserve and its proximity to infrastructure, as well as commodity prices and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, and environmental protection. The exact effect of these factors cannot be accurately predicted, and the combination of these factors may result in an oil and gas property not being profitable.

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DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The following table is a breakdown of the material components listed for the three most recently completed financial years:

	Fiscal Year Ended February 28,		
	2007	2006	2005
Capitalized acquisition, exploration and development costs	\$1,580,864	\$1,777,672	\$3,058,022
Stock-based compensation	36,487	4,211,904	921,500
Shares issued for cash, net of issue costs	121,650	3,522,427	4,969,153
General and administration costs	350,483	594,158	578,896

CONTINGENCY

In March 2005, the Company received a notice from the operator of the deep test well at the Bougie Trutch property requesting additional funding in the amount of \$160,214 for payment of expenditures. In 2007, the Company requested an external audit of this well from the operator. One week prior to the commencement of the audit the operator requested payment of these expenditures. It is the Company's position that the operator's request is without merit. The Company believes it has not received sufficient documentation from the operator to justify payment of the expenditures on the premise that the well has been abandoned by the operator for a significant period of time.

SUBSEQUENT EVENT

In October 2007, the Company executed documents with Tenaka Drilling Consortium Ltd. (Agent and Farmee into the Master Agreement for The Bougie Trutch and Trutch East lands) whereby Tenaka assigned, transferred and conveyed an undivided 35% of its interest in the Master Agreement to the Company. The Company has since received notification from Focus Energy Trust ("FET", the Farmor and Operator) that it has agreed to the binding date for novation of no later than January 1, 2008. Novation will enable the Company to directly communicate and plan with the operator as well as receive cashflow statements, accounting and revenues directly from FET, which will enable reporting of information to shareholders on a more timely basis.

Additional information relating to the Company is available on SEDAR at www.sedar.com.