Press Release

Q1 2007 Financial and Operating Results

FOR IMMEDIATE RELEASE – May 17, 2007

CROCOTTA ENERGY INC. is pleased to announce its financial and operating results for the three-month period ended March 31, 2007, including financial statements, notes to the financial statements, and Management's Discussion and Analysis. All dollar figures are Canadian dollars unless otherwise noted.

HIGHLIGHTS

- Subsequent to quarter-end, Crocotta announced a business combination by way of plan of arrangement (the "Arrangement") with Eastshore Energy Ltd. ("Eastshore"). Eastshore has oil and natural gas assets located in West Central Alberta that currently produce approximately 540 boe/d with a value of approximately $33.9 million. The Arrangement is expected to close on June 8, 2007.

- In conjunction with the Arrangement, Crocotta entered into a financing arrangement to issue 7.2 million common shares for proceeds of $9.0 million, with an option to issue up to an additional 8.0 million common shares for proceeds of $10.0 million. Crocotta entered into a second financing arrangement to issue approximately 3.7 million special warrants, convertible into flow-through common shares, for proceeds of approximately $5.0 million.

FINANCIAL [(1)]		**Three Months Ended March 31, 2007**
($, except where noted)		
Oil and natural gas sales		**531,711**
Funds from operations		**(70,887)**
per share - basic and diluted		**-**
Net earnings		**381,942**
per share - basic and diluted		**0.02**
Capital expenditures		**2,233,957**
Net cash and working capital		**11,164,833**
Common shares outstanding		
weighted average - basic and diluted		**23,940,001**
end of period	- basic	**23,940,001**
	- diluted	**30,050,001**

(1) There are no comparative numbers as the Company began active oil and natural gas operations on November 15, 2006.

OPERATING [1]	Three Months Ended March 31, 2007
Number of producing days	**90**
Daily production	
Oil and liquids - (bbls/d)	**49**
Natural gas - (mcf/d)	**325**
Oil equivalent - (boe/d @ 6:1)	**103**
Revenue, net of transportation	
Oil and liquids - ($/bbl)	**66.69**
Natural gas - ($/mcf)	**7.78**
Oil equivalent - ($/boe @ 6:1)	**56.20**
Royalties	
Oil and liquids - ($/bbl)	**3.60**
Natural gas - ($/mcf)	**1.66**
Oil equivalent - ($/boe @ 6:1)	**6.94**
Production expenses	
Oil and liquids - ($/bbl)	**8.52**
Natural gas - ($/mcf)	**1.18**
Oil equivalent - ($/boe @ 6:1)	**7.77**
Operating netback	
Oil and liquids - ($/bbl)	**54.57**
Natural gas - ($/mcf)	**4.94**
Oil equivalent - ($/boe @ 6:1)	**41.49**

(1) There are no comparative numbers as the Company began active oil and natural gas operations on November 15, 2006.

Management's Discussion and Analysis

May 16, 2007

Crocotta Energy Inc. ("Crocotta" or the "Company") is an emerging oil and natural gas company, actively engaged in the acquisition, development, exploration, and production of oil and natural gas reserves in Western Canada. Crocotta is not publicly listed or actively traded on any stock exchange.

On August 16, 2005, Donner Minerals Ltd., the predecessor to the Company, completed a reorganization, by way of statutory plan of arrangement, and restructured into two separate companies, Donner Metals Ltd. and Donner Minerals Ltd., which changed its name to Donner Petroleum Ltd. and subsequently to Crocotta Energy Inc. On November 14, 2006, the Company appointed a new board of directors and hired a new management team consisting of the previous directors and officers of Chamaelo Exploration Ltd. ("Chamaelo"). On November 15, 2006, the Corporation commenced active oil and natural gas operations with the acquisition of certain oil and natural gas properties from Chamaelo.

Effective December 31, 2006, the Company changed its fiscal year-end from February 28 to December 31. As a result, the financial statements for the three-month period ended March 31, 2007 and the disclosure throughout the Management's Discussion and Analysis ("MD&A") reflect Crocotta's overall company results for the three-month period ended March 31, 2007, with comparative results for the three-month period ended February 28, 2006.

The MD&A should be read in conjunction with the unaudited interim financial statements for the three-month period ended March 31, 2007 and the audited consolidated financial statements for the 10-month period ended December 31, 2006. The unaudited interim financial statements and financial data contained in the MD&A have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") in Canadian currency (except where noted as being in another currency).

BOE Conversions

Barrel of oil equivalent ("boe") amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil ("6:1") unless otherwise stated. The term "boe" may be misleading, particularly if used in isolation. A boe conversion rate of six thousand cubic feet of natural gas to one barrel of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Forward-Looking Information

This MD&A may contain forward-looking information that involves a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. For this purpose, any statements herein that are not statements of historical fact may be deemed to be forward-looking statements. Such risks and uncertainties include, but are not limited to: risks associated with the oil and natural gas industry (e.g. – operational risks in exploration, development and production; changes and/or delays in the development of capital assets; uncertainty of reserve estimates; uncertainty of estimates and projections relating to production and costs; commodity price fluctuations; environmental risks; and industry competition).

Non-GAAP Measures

Funds from operations and operating netback as presented do not have any standardized meaning prescribed by Canadian GAAP and therefore may not be comparable to similar measures used by other companies. The determination of funds from operations is detailed on the Consolidated Statement of Cash Flows and is determined before changes in non-cash working capital. Operating netback, which is calculated as average unit sales price less royalties, production expenses, and transportation expenses, represents the cash margin for every barrel of oil equivalent sold.

Summary of Financial Results [1]	Three months ended March 31, 2007
	$
Oil and natural gas sales	**531,711**
Funds from operations	**(70,887)**
per share - basic and diluted	**-**
Net earnings	**381,942**
per share - basic and diluted	**0.02**
Total assets	**25,291,781**
Net cash and working capital	**11,164,833**
Total long-term liabilities	**183,000**

(1) There are no comparative numbers as the Company began active oil and natural gas operations on November 15, 2006.

Production	Three months ended March 31, 2007
Average Daily Production	
Oil and liquids (bbls/d)	49
Natural gas (mcf/d)	325
Total (boe/d)	103

Crude oil and natural gas liquids production averaged 49 bbls/d while natural gas production averaged 325 mcf/d for the three months ended March 31, 2007. On a combined basis, average daily production totaled 103 boe/d.

Revenue	Three months ended March 31, 2007
	$
Oil and liquids	298,100
Natural gas	233,611
Total revenue	531,711
Transportation expenses	(9,885)
Total revenue, net of transportation	521,826
Average Sales Price	
Oil and liquids ($/bbl)	67.60
Natural gas ($/mcf)	7.98
Average sales price ($/boe)	57.26
Transportation expenses ($/boe)	(1.06)
Average sales price ($/boe), net of transportation	56.20

Revenue totaled $531,711 for the three months ended March 31, 2007. Currently, the Company sells all its oil, natural gas liquids, and natural gas on the spot market. Future prices received from the sale of oil, natural gas liquids, and natural gas may fluctuate as the result of market factors. The Company did not hedge any of its oil, natural gas liquids, or natural gas production for the period.

The following table outlines the Company's realized wellhead prices and industry benchmarks for the three-month period ended March 31, 2007:

Commodity Pricing (average unless otherwise stated)	**Three months ended March 31, 2007**	
	$US	**$Cdn**
Oil and liquids		
Corporate Price ($/bbl)		67.60
West Texas Intermediate ($/bbl)	57.87	
Edmonton Par ($/bbl)		67.74
Natural gas		
Corporate Price ($/mcf)		7.98
AECO Daily Spot Price ($/mcf)		7.42
Exchange Rate		
U.S./Cdn Dollar Average Exchange Rate		0.8537

Corporate average oil and natural gas liquids price was 99.8% of Edmonton Par price or a discount of $0.14 to Edmonton Par. Corporate average natural gas price was 107.5% of AECO Daily Spot price or a premium of $0.56 to AECO Daily Spot. A difference can be the result of quality (higher or lower API, higher or lower heat content), sour content, natural gas liquids included in reporting, and various other factors. Crocotta's differences are mainly as a result of higher heat content natural gas production that is priced higher than AECO Daily Spot. Note that these differences change on a monthly basis pending demand for each particular product.

Transportation Expenses	**Three months ended March 31, 2007**
Oil and liquids ($/bbl)	0.91
Natural gas ($/mcf)	0.20
Total ($/boe)	1.06

Transportation expenses are third-party pipeline tariffs and trucking costs incurred to deliver the products to the purchasers at main hubs. The Company expects to have industry average transportation costs, as the current production and capital expenditure plans are located in West Central Alberta, Southern Alberta, and Northeast British Columbia.

Royalties	**Three months ended March 31, 2007**
	$
Oil and liquids	15,892
Natural gas	48,534
Total royalties	64,426

Average Royalty Rate (% of sales)	
Oil and liquids	5.3
Natural gas	20.8
Average royalty rate	12.1

Crude oil, natural gas liquids, and natural gas royalties totaled $64,426 for the three months ended March 31, 2007. The overall effective royalty rate was 12.1 percent of the Company's total revenue from the sale of crude oil, natural gas liquids, and natural gas. The low oil and natural gas liquids royalty rate is due to the Company's oil production currently being on a Crown royalty holiday that is expected to be used up in the first half of 2007, at which time the oil and natural gas liquids royalty rate will increase substantially.

Production Expenses	**Three months ended March 31, 2007**
Oil and liquids ($/bbl)	8.52
Natural gas ($/mcf)	1.18
Total ($/boe)	7.77

Per unit production expenses for the three months ended March 31, 2007 were $7.77/boe ($8.52/bbl of oil and natural gas liquids and $1.18/mcf of natural gas). Crocotta recognizes that controlling operating costs plays an integral role in the effective exploitation of reserves typically found today in the Western Canadian Sedimentary Basin. Crocotta is committed to focusing efforts on opportunities that will improve operational efficiencies and reduce per boe production expenses to enhance netbacks.

Operating Netback	**Three months ended March 31, 2007**
Oil and liquids ($/bbl)	
Revenue	67.60
Royalties	3.60
Production expenses	8.52
Transportation expenses	0.91
Operating netback	54.57
Natural gas ($/mcf)	
Revenue	7.98
Royalties	1.66
Production expenses	1.18
Transportation expenses	0.20
Operating netback	4.94
Combined ($/boe) (6:1)	
Revenue	57.26
Royalties	6.94
Production expenses	7.77
Transportation expenses	1.06
Operating netback	41.49

The operating netback is a key indicator of an exploration and production company's ability to generate cash flow for reinvestment. During the three months ended March 31, 2007, Crocotta generated an operating netback of $41.49/boe.

General and Administrative Expenses ("G&A")	**Three months ended March 31, 2007**
	$
G&A expenses (gross)	707,102
G&A capitalized	(100,964)
G&A recoveries	(35,122)
G&A expenses (net)	571,016
G&A expenses ($/boe)	61.49

G&A totaled $571,016 or $61.49/boe for the three months ended March 31, 2007. The amount per boe is unusually high due to average production of only 103 boe/d for the three months ended March 31, 2007, which is a result of the Company recently commencing active oil and natural gas operations in November 2006. The Company expects per-unit G&A costs will decline significantly as production levels increase.

Interest	**Three months ended March 31, 2007**
	$
Interest expense	-
Interest income	(114,848)
Interest income (net)	(114,848)
Interest income ($/boe)	12.37

Interest income totaled $114,848 for the three months ended March 31, 2007, or $12.37/boe. Interest income amounts related to interest earned on funds raised through the November 2006 private placement issuances.

Depletion, Depreciation and Accretion ("DD&A")	**Three months ended March 31, 2007**
DD&A ($)	255,631
DD&A ($/boe)	27.53

The Company's DD&A expense totaled $255,631 for the three months ended March 31, 2007 or $27.53/boe. During the three months ended March 31, 2007, the provision for DD&A included $18,449 for depreciation of office and other equipment and $2,954 for accretion of asset retirement obligations.

Stock-based Compensation	**Three months ended March 31, 2007**
Stock-based compensation ($)	18,860
Stock-based compensation ($/boe)	2.03

Stock-based compensation expense totaled $18,860 for the three months ended March 31, 2007 or $2.03/boe. During the three months ended March 31, 2007, 2,685,000 stock options and 6,725,000 warrants were issued to directors, officers, and employees of the Company.

Taxes
At March 31, 2007, the Company had approximately $32.8 million in tax pools, losses, and share issue costs.

	March 31, 2007
	$
Canadian oil and gas property expense (COGPE)	5,086,090
Canadian development expense (CDE)	3,537,419
Canadian exploration expense (CEE)	14,996,556
Undepreciated capital costs (UCC)	1,633,945
Non-capital losses carried forward	3,949,906
Capital losses carried forward	3,416,617
Share issue costs	211,667
Total pools, losses, and share issue costs	32,832,200

During the three months ended March 31, 2007, the Company had a future income tax recovery of $727,320 relating to the renunciation of approximately $2.5 million in flow-through share obligations during the quarter.

Funds from Operations and Net Earnings
Funds from operations for the three months ended March 31, 2007 was negative $70,887 ($nil per share) due to unusually high general and administrative costs associated with average production of only 103 boe/d for the three months ended March 31, 2007, which is a result of the Company recently commencing active oil and natural gas operations in November 2006.

Net earnings for the three months ended March 31, 2007 totaled $381,942 ($0.02 per share) due to a future income tax recovery resulting from the renunciation of approximately $2.5 million in flow-through share obligations during the quarter. The flow-through shares were issued in November 2006.

Capital Expenditures

Net cash payments for capital expenditures are as follows:

	Three months ended March 31, 2007
	$
Land	24,998
Drilling, completions and workovers	1,741,485
Equipment	214,367
Geological and geophysical	253,107
	2,233,957

During the three months ended March 31, 2007 the company drilled 2 (1.0 net) wells resulting in 1 (0.5 net) oil well and 1 (0.50 net) gas well. The Company commenced drilling 1 (0.8 net) well during the quarter that was completed subsequent to March 31, 2007, resulting in 1 (0.8 net) oil well. The successful wells are anticipated to be tied-in during the second quarter of 2007.

Liquidity and Capital Resources

Net cash and working capital was $11,164,833 at March 31, 2007.

On April 18, 2007, the Company announced that it entered into an arrangement ("Arrangement") whereby it will combine with Eastshore Energy Ltd. ("Eastshore"), a public oil and natural gas company listed on the TSX Venture Exchange. Eastshore has oil and natural gas assets located in West Central Alberta with a value of approximately $33.9 million. The Arrangement is expected to close in early June 2007.

Crocotta entered into a financing arrangement to issue 7.2 million common shares priced at $1.25 per share for proceeds of $9.0 million, contingent on the closing of the Arrangement. In conjunction with this offering, Crocotta will have an option to issue up to an additional 8.0 million common shares priced at $1.25 per share for a period of 10 business days after closing of the Arrangement.

Crocotta entered into a second financing arrangement to issue approximately 3.7 million special warrants priced at $1.36 for gross proceeds of approximately $5.0 million. Subject to certain conditions, the special warrants will be converted into approximately 3.2 million flow-through common shares, for an effective price of $1.55 per share.

The Company anticipates it will make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. The Company will utilize current cash reserves, internally generated cash flow from operations, debt where deemed appropriate, and equity financing if market conditions are favourable to finance its capital expenditures.

Summary of Quarterly Results (1)

	Q4 2006	Q1 2007
Number of producing days	47	90
	$	$
Oil and natural gas sales	290,243	531,711
Funds from operations	(194,807)	(70,887)
per share - basic and diluted	(0.05)	-
Net earnings (loss)	(436,321)	381,942
per share - basic and diluted	(0.12)	0.02

(1) There are not eight quarters of information as the Company began active oil and natural gas operations on November 15, 2006. Results from oil and natural gas activities for Q4 2006 take into account only the 47-day period from November 15, 2006 to December 31, 2006.

Outstanding Share Data

The Company is authorized to issue an unlimited number of voting common shares, an unlimited number of non-voting common shares, Class A and Class B preferred shares, issuable in series, and special voting shares, issuable in series. The voting common shares of the Company are not publicly listed or actively traded on any stock exchange. The following table summarizes the common shares outstanding and the number of shares exercisable into common shares from options, warrants, and other instruments:

	March 31, 2007	May 16, 2007
Voting common shares	23,940,001	23,940,001
Special warrants [1]	-	3,681,819
Series I special voting shares	6,110,000	6,110,000
Options	2,685,000	2,685,000
Warrants	6,725,000	6,725,000
Total	39,460,001	43,141,820

(1) The special warrants are convertible into flow-through common shares. Subject to certain conditions, the special warrants will be converted into approximately 3.2 million flow-through common shares.

Commitments

The Company is committed to payments under an operating lease for office space as follows:

	Amount ($)
2007	439,996
2008	586,661
2009	586,661
2010	586,661
2011	488,884
	2,688,863

Critical Accounting Policies and Significant Estimates

Management is required to make judgments, assumptions, and estimates in the application of Canadian GAAP that have a significant impact on the financial results of the Company. The following summarizes the accounting policies that are critical to determining the Company's financial results.

Full Cost Accounting - The Company follows the full cost method of accounting whereby all costs related to the acquisition of, exploration for, and development of oil and natural gas reserves are capitalized and charged against earnings. These costs, together with the estimated future costs to be incurred in developing proved reserves, are depleted or depreciated using the unit-of-production method based on the proved reserves before royalties as estimated by independent petroleum engineers. The costs of undeveloped properties are excluded from the costs subject to depletion and depreciation until it is determined whether proved reserves are attributable to the properties or impairment occurs. Reserve estimates can have a significant impact on earnings, as they are a key component in the calculation of depletion. A downward revision to the reserve estimate could result in higher depletion and thus lower net earnings. In addition, estimated reserves are also used in the calculation of the impairment (ceiling) test. Oil and natural gas properties are evaluated each reporting period through an impairment test to determine the recoverability of capitalized costs. The carrying amount is assessed as recoverable when the sum of the undiscounted cash flows expected from proved reserves plus the cost of unproved interests, net of impairments, exceeds the carrying amount. When the carrying amount is assessed not to be recoverable, an impairment loss is recognized to the extent that the carrying amount exceeds the sum of the discounted cash flows from proved and probable reserves plus the cost of unproved interests, net of impairments. The cash flows are estimated using expected future prices and costs and are discounted using a credit adjusted risk-free interest rate.

Proceeds from the sale of oil and natural gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would result in a change in the depletion rate of 20% or more.

Oil and Natural Gas Reserves - The Company's oil and natural gas reserves are evaluated and reported on by independent petroleum engineers. The estimates of reserves is a very subjective process as forecasts are based on engineering data, projected future rates of production, estimated future commodity prices and the timing of future expenditures, which are all subject to uncertainty and interpretation.

Asset Retirement Obligations - The Company is required to provide for future abandonment and site restoration costs. These costs are estimated based on existing laws, contracts or other policies. The obligations are initially measured at fair value and subsequently adjusted for the accretion of discount and any changes to the underlying cash flows. The asset retirement cost is capitalized to oil and natural gas properties and equipment and amortized into earnings on a basis consistent with depletion and depreciation. The estimate of future abandonment and site restoration costs involves estimates relating to the timing of abandonment, the economic life of the asset and the costs associated with abandonment and site restoration which are all subject to uncertainty and interpretation.

New Accounting Standards

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, *Comprehensive Income*, Section 3251, *Equity*, Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3861, *Financial Instruments – Disclosure and Presentation*, and Section 3865, *Hedges*, retroactively with no restatement of prior periods.

The Company has evaluated the impact of these new standards and determined that the adoption of these standards has had no material impact on the Company's net earnings or cash flows. The other effects of the implementation of the new standards are discussed below.

Comprehensive Income

The new standards introduce comprehensive income, which consists of net earnings and other comprehensive income ("OCI"). Because the Company does not have any OCI, the Company's interim financial statements do not include a Statement of Comprehensive Income which would otherwise describe the components of comprehensive income. Accordingly, since there are no cumulative changes in OCI to be included in accumulated other comprehensive income ("AOCI"), the Company has not presented AOCI as a new category within shareholders' equity in the interim balance sheet and has not included a Statement of Accumulated Other Comprehensive Income, which would otherwise provide the continuity of the AOCI balance.

Financial Instruments

The financial instruments standard establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurements in subsequent periods depend on whether the financial instrument has been classified as "held-for-trading", "available-for-sale", "held-to-maturity", "loans and receivables", or "other financial liabilities" as defined by the standard.

Financial assets and financial liabilities classified as "held-for-trading" are measured at fair value with changes in those fair values recognized in net earnings. Financial assets classified as "available-for-sale" are measured at fair value, with changes in those fair values recognized in OCI. Financial assets classified as "held-to-maturity", "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest method of amortization. The methods used by the Company in determining fair value of financial instruments are unchanged as a result of implementing the new standard.

Cash and cash equivalents are designated as "held-for-trading" and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable and deposits are designated as "loans and receivables" and accounts payable and accrued liabilities are designated as "other liabilities".

Risk management assets and liabilities are derivative financial instruments classified as "held-for-trading" unless designated for hedge accounting. The Company has no commodity financial contracts or fixed-price physical contracts in place at this time.

Section 1506 – Accounting Changes

Beginning January 1, 2007 the Company adopted Section 1506 "Accounting Changes," the only impact of which is to provide disclosure of when an entity has not applied a new source of GAAP that has been issued but is not yet effective. This is the case with Section 3862, *Financial Instruments – Disclosures*, Section 3863, *Financial Instruments – Presentation*, and Section 1535, *Capital Disclosures*, which are required to be adopted for fiscal years beginning on or after October 1, 2007. The Company will adopt these standards on January 1, 2008 and it is expected the only effect on the Company will be incremental disclosures regarding the significance of financial instruments for the entity's financial position and performance, the nature, extent and management of risks arising from financial instruments to which the entity is exposed, and the policies and processes the Company uses for managing its capital.

Risk Assessment

The acquisition, exploration, and development of oil and natural gas properties involves many risks common to all participants in the oil and natural gas industry. Crocotta's exploration and development activities are subject to various business risks such as unstable commodity prices, interest rate and foreign exchange fluctuations, the uncertainty of replacing production and reserves on an economic basis, government regulations, taxes and safety and environmental concerns. While the management of Crocotta realizes these risks cannot be eliminated, they are committed to monitoring and mitigating these risks. The Company currently does not have any commodity price, interest rate, or foreign exchange contracts in place.

Reserves and Reserve Replacement

The recovery and reserve estimates on Crocotta's properties are estimates only and the actual reserves may be materially different from that estimated. The estimates of reserve values are based on a number of variables including price forecasts, projected production volumes and future production and capital costs. All of these factors may cause estimates to vary from actual results.

Crocotta's future oil and natural gas reserves, production, and funds from operations to be derived therefrom are highly dependent on Crocotta successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves Crocotta may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Crocotta's reserves will depend on its abilities to acquire suitable prospects or properties and discover new reserves.

To mitigate this risk, Crocotta has assembled a team of experienced technical professionals who have expertise operating and exploring in areas which Crocotta has identified as being the most prospective for increasing Crocotta's reserves on an economic basis. To further mitigate reserve replacement risk, Crocotta has targeted a majority of its prospects in areas which have multi-zone potential, year-round access and lower drilling costs and employs advanced geological and geophysical techniques to increase the likelihood of finding additional reserves.

Operational Risks

Crocotta's operations are subject to the risks normally incidental to the operation and development of oil and natural gas properties and the drilling of oil and natural gas wells. Continuing production from a property, and to some extent the marketing of production therefrom, are largely dependent upon the ability of the operator of the property.

Commodity Price Risk

The Company's oil and natural gas production is marketed and sold on the spot market to area aggregators based on daily spot prices that are adjusted for product quality and transportation costs. The Company is exposed to foreign currency fluctuations as crude oil prices received are referenced to U.S. dollar denominated prices.

Safety and Environmental Risks

The oil and natural gas business is subject to extensive regulation pursuant to various municipal, provincial, national, and international conventions and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. Crocotta is committed to meeting and exceeding its environmental and safety responsibilities. Crocotta has implemented an environmental and safety policy that is designed, at a minimum to comply with current governmental regulations set for the oil and natural gas industry. Changes to governmental regulations are monitored to ensure compliance. Environmental reviews are completed as part of the due diligence process when evaluating acquisitions. Environmental and safety updates are presented and discussed at each Board of Directors meeting. Crocotta maintains adequate insurance commensurate with industry standards to cover reasonable risks and potential liabilities associated with its activities as well as insurance coverage for officers and directors executing their corporate duties. To the knowledge of management, there are no legal proceedings to which Crocotta is a party or of which any of its property is the subject matter, nor are any such proceedings known to Crocotta to be contemplated.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Company's President and Chief Executive Officer ("CEO") and Vice President Finance and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators.

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. The Company evaluated its disclosure controls and procedures for the year ended December 31, 2006. The Company's CEO and CFO have concluded that, based on their evaluation, the Company's disclosure controls and procedures are effective to provide reasonable assurance that all material or potentially material information related to the Company is made known to them and is disclosed in a timely manner if required.

Internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. No material changes in the Company's internal controls over financial reporting were identified during the most recent interim period that have materially affected, or are likely to material affect, the Company's internal controls over financial reporting.

Because of their inherent limitations, disclosure controls and procedures and internal controls over financial reporting may not prevent or detect misstatements, errors, or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met.

Additional information related to the Company may be found on the SEDAR website at www.sedar.com.

Crocotta Energy Inc.
Balance Sheets

	As at March 31, 2007 (unaudited) $	As at December 31, 2006 (audited) $
Assets		
Current assets:		
Cash and cash equivalents	**11,617,342**	15,847,815
Accounts receivable	**1,819,325**	965,233
Prepaid expenses and deposits	**340,248**	109,284
	13,776,915	16,922,332
Oil and natural gas properties and equipment (note 2)	**11,514,866**	9,522,916
	25,291,781	26,445,248
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**2,612,082**	3,452,655
Asset retirement obligations (note 3)	**183,000**	173,173
Shareholders' equity:		
Capital stock (note 4)	**23,497,171**	24,224,491
Contributed surplus	**22,657**	-
Deficit	**(1,023,129)**	(1,405,071)
	22,496,699	22,819,420
Subsequent events (note 7)		
	25,291,781	26,445,248

See accompanying notes to the financial statements

Approved by the Board of Directors:

Director, "signed" Rob Zakresky

Director, "signed" Larry Moeller

The interim financial statements of the Company have not been reviewed by the Company's auditors.

Crocotta Energy Inc.

Statements of Operations and Deficit

(unaudited)

	Three months ended March 31, 2007	Three months ended February 28, 2006
	$	$
Revenue:		
Oil and natural gas sales	**531,711**	-
Transportation expense	**(9,885)**	-
Royalties	**(64,426)**	-
Interest income	**114,848**	-
	572,248	-
Expenses:		
Production	**72,119**	-
General and administrative	**571,016**	31,197
Interest	**-**	32,093
Depletion, depreciation and accretion	**255,631**	-
Stock-based compensation	**18,860**	
	917,626	63,290
Net loss from continuing operations before taxes	**(345,378)**	(63,290)
Taxes:		
Future income tax recovery	**(727,320)**	-
Net earnings (loss) from continuing operations	**381,942**	(63,290)
Net earnings from discontinued operations (note 5)	**-**	179,534
Net earnings and comprehensive income	**381,942**	116,244
Deficit, beginning of period	**(1,405,071)**	(1,084,994)
Deficit, end of period	**(1,023,129)**	(968,750)
Net earnings (loss) per share from continuing operations:		
Basic and diluted	**0.02**	(0.20)
Net earnings per share:		
Basic and diluted	**0.02**	0.36

See accompanying notes to the financial statements

Crocotta Energy Inc.

Statements of Cash Flows

(unaudited)

	Three months ended March 31, 2007	Three months ended February 28, 2006
	$	$
Cash provided by (used in):		
Operating:		
Net earnings	**381,942**	116,244
Less: Net earnings from discontinued operations (note 5)	**-**	(179,534)
Net earnings (loss) from continuing operations	**381,942**	(63,290)
Items not affecting cash:		
Depletion, depreciation and accretion	**255,631**	-
Accretion of convertible debentures	**-**	19,064
Amortization of deferred financing costs	**-**	3,153
Stock-based compensation	**18,860**	-
Future income tax recovery	**(727,320)**	
Funds from continuing operations	**(70,887)**	(41,073)
Net change in non-cash working capital from continuing operations (note 6)	**(512,965)**	213,220
	(583,852)	172,147
Net change in non-cash working capital from discontinued operations (note 5)	**-**	(178,232)
	(583,852)	(6,085)
Investing:		
Purchase and development of oil and natural gas properties and equipment	**(2,233,957)**	-
Net change in non-cash investing working capital from continuing operations (note 6)	**(1,412,664)**	-
	(3,646,621)	-
Change in cash and cash equivalents	**(4,230,473)**	(6,085)
Cash and cash equivalents, beginning of period	**15,847,815**	47,642
Cash and cash equivalents, end of period	**11,617,342**	41,557

See accompanying notes to the financial statements

On August 16, 2005, Donner Minerals Ltd., the predecessor to Crocotta Energy Inc. ("Crocotta" or the "Company"), completed a reorganization, by way of statutory plan of arrangement, and restructured into two separate companies, Donner Metals Ltd. and Donner Minerals Ltd., which changed its name to Donner Petroleum Ltd., and subsequently to Crocotta Energy Inc. On November 15, 2006, the Company commenced active oil and natural gas operations with the acquisition of certain oil and natural gas properties from Chamaelo Exploration Ltd.

Effective December 31, 2006, the Company changed its fiscal year-end from February 28 to December 31. As a result, the financial statements prepared are as at and for the three months ended March 31, 2007, with comparative amounts for the three months ended February 28, 2006.

The Company is not publicly listed or actively traded on any stock exchange. The Company is engaged in the acquisition, development, exploration, and production of oil and natural gas reserves in Western Canada.

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

The interim financial statements of Crocotta have been prepared by management in accordance with accounting principles generally accepted in Canada. The interim financial statements have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the period ended December 31, 2006. The disclosures provided below are incremental to those included with the audited annual consolidated financial statements. The interim financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto in the Company's annual report for the period ended December 31, 2006.

b) Stock-based compensation

The Company has a stock-based compensation plan, which is described in note 4. The Company applies the fair value method for valuing stock options granted to officers, directors, employees and consultants. Under this method, compensation cost attributable to stock options granted to officers, directors, employees and consultants is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

c) New accounting standards

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, *Comprehensive Income*, Section 3251, *Equity*, Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3861, *Financial Instruments – Disclosure and Presentation*, and Section 3865, *Hedges*, retroactively with no restatement of prior periods.

The Company has evaluated the impact of these new standards and determined that the adoption of these standards has had no material impact on the Company's net earnings or cash flows. The other effects of the implementation of the new standards are discussed below.

Comprehensive Income
The new standards introduce comprehensive income, which consists of net earnings and other comprehensive income ("OCI"). Because the Company does not have any OCI, the Company's interim financial statements do not include a Statement of Comprehensive Income which would otherwise describe the components of comprehensive income. Accordingly, since there are no cumulative changes in OCI to be included in accumulated other comprehensive income ("AOCI"), the Company has not presented AOCI as a new category within shareholders' equity in the interim balance sheet and has not included a Statement of Accumulated Other Comprehensive Income, which would otherwise provide the continuity of the AOCI balance.

Financial Instruments

The financial instruments standard establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurements in subsequent periods depend on whether the financial instrument has been classified as "held-for-trading", "available-for-sale", "held-to-maturity", "loans and receivables", or "other financial liabilities" as defined by the standard.

Financial assets and financial liabilities classified as "held-for-trading" are measured at fair value with changes in those fair values recognized in net earnings. Financial assets classified as "available-for-sale" are measured at fair value, with changes in those fair values recognized in OCI. Financial assets classified as "held-to-maturity", "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest method of amortization. The methods used by the Company in determining fair value of financial instruments are unchanged as a result of implementing the new standard.

Cash and cash equivalents are designated as "held-for-trading" and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable and deposits are designated as "loans and receivables" and accounts payable and accrued liabilities are designated as "other liabilities".

Risk management assets and liabilities are derivative financial instruments classified as "held-for-trading" unless designated for hedge accounting. The Company has no commodity financial contracts or fixed-price physical contracts in place at this time.

Section 1506 – Accounting Changes

Beginning January 1, 2007 the Company adopted Section 1506 "Accounting Changes" the only impact of which is to provide disclosure of when an entity has not applied a new source of GAAP that has been issued but is not yet effective. This is the case with Section 3862, *Financial Instruments – Disclosures*, Section 3863, *Financial Instruments – Presentation*, and Section 1535, *Capital Disclosures*, which are required to be adopted for fiscal years beginning on or after October 1, 2007. The Company will adopt these standards on January 1, 2008 and it is expected the only effect on the Company will be incremental disclosures regarding the significance of financial instruments for the entity's financial position and performance, the nature, extent and management of risks arising from financial instruments to which the entity is exposed, and the policies and processes the Company uses for managing its capital.

2. OIL AND NATURAL GAS PROPERTIES AND EQUIPMENT

	Cost	Accumulated Depletion and Depreciation	Net Book Value
	$	$	$
Oil and natural gas properties	11,675,776	351,554	11,324,222
Office and other equipment	221,393	30,749	190,644
	11,897,169	382,303	11,514,866

As at March 31, 2007, the cost of oil and natural gas properties includes $1,949,583 relating to properties from which there is no production and no reserves assigned and which have been excluded from costs subject to depletion and depreciation. During the three months ended March 31, 2007, the provision for depletion, depreciation and accretion includes $2,954 for accretion of asset retirement obligations. During the three months ended March 31, 2007, the Company capitalized $100,964 of general and administrative costs.

The Company performed an impairment test calculation at March 31, 2007 to assess the recoverable value of the oil and natural gas properties. The oil and natural gas future prices are based on April 1, 2007 commodity price forecasts of the Company's independent reserve evaluators. These prices have been adjusted for commodity price differentials specific to the Company. The following table summarizes the benchmark prices used in the ceiling test calculation. Based on these assumptions, there was no impairment at March 31, 2007.

Year	WTI Oil ($US/bbl)	Foreign Exchange Rate	Edmonton Light Crude Oil ($Cdn/bbl)	AECO Gas ($Cdn/mmbtu)
2007	62.00	0.870	70.25	7.30
2008	60.00	0.870	68.00	7.65
2009	58.00	0.870	65.75	7.75
2010	57.00	0.870	64.50	7.80
2011	57.00	0.870	64.50	7.85
2012	57.50	0.870	65.00	8.15
2013	58.50	0.870	66.25	8.30
2014	59.75	0.870	67.75	8.50
2015	61.00	0.870	69.00	8.70
2016	62.25	0.870	70.50	8.90
2017	63.50	0.870	71.75	9.10
Escalate Thereafter	2.0% per year		2.0% per year	2.0% per year

3. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations result from net ownership interests in oil and natural gas properties including well sites, gathering systems, and processing facilities. The Company estimates the total undiscounted amount of cash flows (adjusted for inflation at 2% per year) required to settle its asset retirement obligations is approximately $405,000 which is estimated to be incurred between 2007 and 2026. A credit-adjusted risk-free rate of 7% was used to calculate the fair value of the asset retirement obligations.

A reconciliation of the asset retirement obligations is provided below:

	Amount ($)
Balance at December 31, 2006	173,173
Liabilities incurred in period	6,873
Accretion expense	2,954
Balance at March 31, 2007	183,000

4. CAPITAL STOCK

a) Authorized:

Unlimited number of voting common shares.
Unlimited number of non-voting common shares.
Class A preferred shares, issuable in series.
Class B preferred shares, issuable in series.
Special voting shares, issuable in series.

b) Issued and outstanding:

	Number	Amount ($)
Voting common shares		
Balance at December 31, 2006	23,940,001	24,224,491
Future tax effect of flow-through share renunciation	-	(727,320)
Balance at March 31, 2007	23,940,001	23,497,171

During the quarter, the Company renounced approximately $2.5 million in flow-through share obligations, relating to flow-through share issuances in November 2006.

c) Warrants

During the three months ended March 31, 2007, the Company issued performance warrants to directors, officers, and employees as outlined below:

	Number of Warrants	Weighted Average Price ($)	Expiry Date
Performance Warrants			
- issued at $1.25 per share	2,241,666	1.25	December 23, 2009
- issued at $1.50 per share	2,241,667	1.50	December 23, 2009
- issued at $2.00 per share	2,241,667	2.00	December 23, 2009
	6,725,000	1.58	

One third of each performance warrant issuance vests over the next three years. The Company has a total of 7,212,000 performance warrants available for issuance, representing 24% of total issued and outstanding common shares and total issued and outstanding special voting shares (see note 4(f)).

d) Stock options

During the three months ended March 31, 2007, the Company authorized the issuance of 2,685,000 common shares at an exercise price of $1.00 per share under a stock option plan enabling certain directors, officers, and employees to purchase common shares. The Company has reserved for issuance 3,005,000 common shares for this purpose, representing 10% of total issued and outstanding common shares and total issued and outstanding special voting shares (see note 4(f)). The Company will not issue options exceeding 10% of the total common shares and special voting shares outstanding at the time of the option grants. The options vest over a period of three years and have a term of five years. The options expire on January 23, 2012.

The Company had the following stock options outstanding at March 31, 2007:

	Number of Options	Weighted Average Price ($)	Weighted Average Years to Expiry
Balance at December 31, 2006	-	-	-
Options granted	2,685,000	1.00	4.83
Balance at March 31, 2007	2,685,000	1.00	4.83
Exercisable at March 31, 2007	-	-	-

e) Stock-based compensation

The compensation cost recognized during the three months ended March 31, 2007 for the stock option plan was $22,657, of which $18,860 has been charged against income and $3,797 has been capitalized.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Three Months Ended March 31, 2006
Fair value per option	$0.14
Risk-free rate	4.1%
Expected life	4.0 years
Expected volatility	0.0%
Dividend yield	-

f) Special voting shares

On February 6, 2007, 6,110,000 series I special voting shares were issued, relating to the outstanding put and call obligation at December 31, 2006. The special voting shares will be cancelled upon exercise of the outstanding put and call obligation and an equivalent number of voting common shares will then be issued.

g) Per share information

The weighted average number of shares outstanding for the determination of basic and diluted per share amounts are as follows:

	Three Months Ended March 31, 2007
Basic and diluted	**23,940,001**

For the three months ended March 31, 2007, the Company excluded from the weighted average calculation 6,110,000 common shares issuable from the outstanding put and call obligation, 2,685,000 common shares issuable from stock options, and 6,725,000 common shares issuable from warrants as the effect of these was not dilutive.

5. DISCONTINUED OPERATIONS

On August 16, 2005, Donner Minerals Ltd., the predecessor to Crocotta, completed a reorganization, by way of statutory plan of arrangement, and restructured into two separate companies, Donner Metals Ltd. and Donner Minerals Ltd., which changed its name to Donner Petroleum Ltd. and subsequently to Crocotta Energy Inc. As a result of the reorganization and the lack of continuing operations, the Company's consolidated financial statements for the three months ended February 28, 2006 segregated items prior to and subsequent to the reorganization. For purposes of the comparative period financial statements of Crocotta for the three months ended March 31, 2007, all items disclosed as prior to restructuring in the consolidated financial statements for the three months ended February 28, 2006 have been reclassified as discontinued operations.

6. SUPPLEMENTAL CASH FLOW INFORMATION

a) Net change in non-cash working capital

	Amount ($)
Accounts receivable	(854,092)
Prepaid expenses and deposits	(230,964)
Accounts payable and accrued liabilities	(840,573)
Net change in non-cash working capital	(1,925,629)
Relating to:	
Operating	(512,965)
Investing	(1,412,664)
Net change in non-cash working capital	(1,925,629)

b) Interest and taxes

	Amount ($)
Cash interest received	114,848
Cash interest paid	-
	114,848
Cash taxes paid	-

7. SUBSEQUENT EVENTS

On April 18, 2007, the Company announced that it entered into an arrangement ("Arrangement") whereby it will combine with Eastshore Energy Ltd. ("Eastshore"), a public oil and natural gas company listed on the TSX Venture Exchange. Eastshore has oil and natural gas assets located in West Central Alberta with a value of approximately $33.9 million. The Arrangement is expected to close in early June 2007.

Crocotta entered into a financing arrangement to issue 7.2 million common shares priced at $1.25 per share for proceeds of $9.0 million, contingent on the closing of the Arrangement. In conjunction with this offering, Crocotta will have an option to issue up to an additional 8.0 million common shares priced at $1.25 per share for a period of 10 business days after closing of the Arrangement.

Crocotta entered into a second financing arrangement to issue approximately 3.7 million special warrants priced at $1.36 for gross proceeds of approximately $5.0 million. Subject to certain conditions, the special warrants will be converted into approximately 3.2 million flow-through common shares, for an effective price of $1.55 per share.

CORPORATE INFORMATION

OFFICERS AND DIRECTORS

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President, CEO & Director

Nolan Chicoine, MPAcc, CA
VP Finance & CFO

Terry L. Trudeau, P.Eng.
VP Operations & COO

Weldon Dueck, BSc., P.Eng.
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R.D. (Rick) Sereda, M.Sc., P.Geol.
VP Exploration

Helmut R. Eckert, P.Land
VP Land

Kevin Keith
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FORWARD-LOOKING STATEMENTS

This press release may contain forward-looking information that involves a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. For this purpose, any statements herein that are not statements of historical fact may be deemed to be forward-looking statements. Such risks and uncertainties include, but are not limited to: risks associated with the oil and gas industry (e.g. – operational risks in exploration, development and production; changes and/or delays in the development of capital assets; uncertainty of reserve estimates; uncertainty of estimates and projections relating to production and costs; commodity price fluctuations; environmental risks; and industry competition).

For further information, please visit our website at **www.crocotta.ca** or contact:

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