FOR IMMEDIATE RELEASE **31 MARCH 2009**

Resaca Exploitation, Inc.

("Resaca" or "the Company")

Interim results for the six months ended 31 December 2008

Resaca (AIM:RSOX), the oil and natural gas production, exploitation, and development company focused on the Permian Basin in the USA, is pleased to announce its interim results for the six months ended 31 December 2008, which reflect the Company's flotation on the AIM market of the London Stock Exchange on 17 July 2008 and the corporate events that immediately preceded the flotation.

Highlights

Operational Highlights

- Began first phase of its capital program after flotation
- December net production averaged approximately 720 barrels of oil equivalent per day ("boe/d")
- Approximately 65% of current production is hedged under costless collars, with a crude oil price floor equivalent to a NYMEX WTI price of approximately $62/bbl and a natural gas price floor equivalent to NYMEX Henry Hub index price of approximately $7.30/MMbtu
- Proved reserves of 17.3 million barrels of oil equivalents ("MMboe") as of 1 January 2009
- Proved and probable reserves stand at 31.6 MMboe as of 1 January 2009

Financial Highlights

- Oil and gas revenues of $8.3 million
- Unrealized gain from hedging activities of $16.9 million
- Income before taxes of $13.6 million
- EBITDA of $2.3 million

Post Period Update

- Completed the final portion of the first phase of its capital program and continue to reactivate and optimize its waterfloods
- Cooper Jal water injection currently in excess of 15,000 barrels per day
- Completed facility work on several properties
- Implemented operating cost reduction measures
- Significant progress made on refinancing efforts

JP Bryan, Chairman of Resaca, commented:

"We are pleased with the results of our capital program to date and we are also pleased to have reached the 15,000 barrels of water injection per day level at Cooper Jal, our largest property. Our stable production and hedge position contribute to positive operating cash flows, even in the current low commodity price environment. With a solid reserve base, operating cash flows, and available borrowing capacity, we are in a strong position to grow our business. We believe the global economic conditions and the pricing environment currently facing our industry will present attractive opportunities and we are well positioned to take advantage of these opportunities."

For further information please contact:

Resaca Exploitation, Inc.	
J.P. Bryan, Chairman	**+1 713-753-1300**
John J. ("Jay") Lendrum, III, Chief Executive Officer	**+1 713-753-1400**
Dennis Hammond, President	**+1 713-753-1281**
Chris Work, Chief Financial Officer	**+1 713-753-1406**
Buchanan Communications (Investor Relations)	**+44 (0)20 7466 5000**
Tim Thomson	
Catherine Breen	
Katharine Sutton	
Seymour Pierce Limited (Nomad and Joint Broker)	**+44 (0)20 7107 8000**
Jonathan Wright	
Richard Redmayne	
RBC Capital Markets (Joint Broker)	**+44 (0)207 653 4667**
Sarah Wharry	

CHAIRMAN'S STATEMENT

I am pleased to present the interim results for Resaca Exploitation for the six months ended 31 December 2008. Resaca achieved several important milestones during this reporting period, including the completion of its initial public offering and the implementation of the first phase of its capital program.

Financial Position and Results

Resaca began the period by successfully raising £42.0 million ($83.4 million) for the Company before expenses in its initial public offering. The offering closed on 17 July 2008 and was oversubscribed. The balance sheet at 31 December 2008 reflects Resaca's conversion from a partnership to a corporation, the offering, the debt repayment that followed, and subsequent borrowings to fund capital expenditures.

In addition to our operating cash flow, we had $32 million of available borrowing capacity at 31 December 2008 to fund our development program. Our stable production and hedge position contribute to positive operating cash flows, even in the current low commodity price environment. With a solid reserve base, operating cash flows, and available borrowing capacity, we are in a strong position to grow our business and take advantage of attractive acquisition and joint venture opportunities. We are currently in discussions with lenders to re-finance our senior credit facility, which we expect to complete by 30 April.

EBITDA for the six months ended 31 December 2008 was $2.3 million compared to $3.4 million for the six months ended 30 December 2007. The difference primarily related to lower oil and gas prices and higher administrative costs associated with being a public company, which were offset in part by lower lease operating costs. A complete discussion of our results is included in the notes to our financial statements for the six months ended 31 December 2008 and the related Management's Discussion and Analysis of Financial Condition and Results of Operation included with those financial statements.

Development Plan and Operations Update

After the end of the calendar year, we completed the first phase of our capital program. We are pleased with the results of our capital program to date, but have decided to curtail it during the near term until commodity prices improve. In response to the current market conditions, we have taken steps to reduce our operating costs and continue to rebid all of our projects as prices for services and equipment continue to fall. These cost cutting measures will contribute to additional operating cash flow and reduce our capital costs when we are ready to restart our development program.

One of our primary development focuses to date has been the optimization of our waterflood at Cooper Jal, our largest property. In addition to cleaning out numerous water injection wells and the completion of facility work on this property, we are pleased to have reached 15,000 barrels of water injection per day level on this field and are planning to add additional water injection in the near future, which should improve this waterflood.

Acquisitions

As expected, the global economic conditions and the current pricing environment have begun to produce some very interesting merger, acquisition and joint venture candidates within and outside of the Permian Basin, our current area of operations. We are diligently analyzing a number of these opportunities at this time.

Outlook

Since our last communication barely three months ago, a near lifetime of financial turmoil has battered global credit markets. U.S. politicians and their appointed surrogates have managed to turn this long overdue and quite severe correction into a crisis with a dysfunctional and erratic response that demeans the ability of the free market to provide a proper solution to many of the problems. At the same time, our government is moving to socialize America with a spending program that is neither stimulating nor temporary. This is offered in homogeneous fashion to the American people and our world partners as their solution for the crisis. To the oil and gas industry, they have something more specific in mind—a tax plan that will severely injure the entire industry. So, how do we respond? Certainly money is going to be devalued at some point by this vapid spending frenzy, so holding substantial long life oil reserves has to be of considerable value. So, we need to be in a position to take advantage of when markets improve, which they surely will. We have at least three initiatives to see this happens:

1. Reduce costs, even if it means shutting in production from wells with marginal economics at these prices
2. Increase water injection as quickly as possible in fields that have the best chance for immediate response
3. Grow our reserve base by way of merger and acquisition

How have things developed so far:

1. We have reduced cost by approximately $235,000 per month and are shutting in numerous wells at our Kermit, Kayser and Iatan fields
2. Water injection at Cooper Jal, our largest field, is 15,000 barrels per day, but needs to be 18,000, which is the point when the oil production will begin to show improvement. I should tell you that we are three months behind where we should be in this endeavor. The reasons for the delay were unforeseen mechanical problems in the wells we selected for our source water. These issues are nearly solved and we should be injecting 18,000 barrels per day in 30-45 days. At our Jordan Unit, we have realized there is a great advantage to unitize the field with two other offset operators. We will have a meeting in early April to try and lay the ground work for such an outcome. If successful, this will both reduce cost and increase production.

In the area of acquisition, we believe there are unique opportunities for benefitting shareholders by a significant acquisition or merger. These endeavors are not without special challenges, but we have greatly increased the level of commitment to the endeavor. Just so you know, our objective is to double the reserve base.

No one is more disappointed than myself about the performance of our stock. While I believe the culprit of such a drop in value lies beyond our control that feels too much like an excuse. We are all determined to emerge from the circumstances of today a far better and larger enterprise than the one which went in to it.

JP Bryan
Chairman

Resaca Exploitation, Inc.
Balance Sheets

	December 31, 2008	June 30, 2008
Assets	(unaudited)	
Current assets		
Cash and cash equivalents	$658,715	$188,457
Restricted cash	350,000	-
Accounts receivable	1,579,989	2,636,359
Assets from price risk management	2,197,073	-
Prepaids and other current assets	1,365,324	3,107,202
Total current assets	6,151,101	5,932,018
Property and equipment, at cost:		
Oil and gas properties - full cost method	124,232,880	106,964,478
Fixed assets	36,433	6,975
	124,269,313	106,971,453
Accumulated, depreciation, depletion and amortization	(7,892,990)	(6,209,302)
	116,376,323	100,762,151
Other property	164,083	79,999
Total property and equipment	116,540,406	100,842,150
Assets from price risk management	918,592	-
Deferred finance costs, net	849,786	977,254
Total assets	$124,459,885	$107,751,422
Liabilities and Owners' Equity (Deficit)		
Current liabilities		
Accounts payable and accrued liabilities	$3,425,146	$4,518,313
Due to affiliates, net	588,481	6,567,863
Liabilities from price risk management	-	5,329,135
Current portion of senior credit facility	6,222,222	18,683,333
Total current liabilities	10,235,849	35,098,644
Senior credit facility, net of current portion	21,777,778	62,616,667
Convertible subordinated debt	-	10,000,000
Liabilities from price risk management	-	8,425,495
Deferred income taxes	634,104	-
Asset retirement obligations	3,911,765	3,533,577
Commitments and contingencies		
Owners' equity (deficit)	$87,900,389	(11,922,961)
Total liabilities and owners' equity (deficit)	$124,459,885	$107,751,422

See accompanying notes to financial statements

Resaca Exploitation, Inc.
Statements of Operations

	Six Months Ended December 31, 2008	Six Months Ended December 31, 2007
	(unaudited)	(unaudited)
Income		
Oil and gas revenues	$8,300,514	$9,149,997
Unrealized gain (loss) from price risk management activities	16,870,295	(5,713,501)
Total income	25,170,809	3,436,496
Costs and expenses		
Lease operating and production taxes	4,392,679	5,317,237
Depreciation, depletion, and amortization	1,683,688	1,466,104
Accretion	192,483	167,389
General and administrative	1,615,090	388,383
Share-based compensation costs	1,961,777	-
Interest, net	1,700,854	5,414,396
Total costs and expenses	11,546,571	12,753,509
Income (loss) before taxes	13,624,238	(9,317,013)
Income tax provision	(634,104)	-
Net income (loss)	$12,990,134	$(9,317,013)

Earnings per share:		
Basic and diluted weighted-average shares outstanding	92,258,739	n/a
Basic and diluted earnings per share	$0.14	n/a

See accompanying notes to financial statements

Resaca Exploitation, Inc.
Statement of Owners' Equity (Deficit)
(unaudited)

	Common Stock Shares	Common Stock Par value	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity	Partners' Capital
Balance at June 30, 2008						($11,922,961)
Conversion from partnership to corporation	39,625,064	396,251		(12,319,212)	(11,922,961)	11,922,961
Conversion of debt to equity	20,320,545	203,205	9,796,795		10,000,000	
Initial public offering, net	32,313,130	323,131	74,548,308		74,871,439	
Share-based compensation			1,961,777		1,961,777	
Net income				12,990,134	12,990,134	
Balance at December 31, 2008	92,258,739	$922,587	$86,306,880	$670,922	$87,900,389	$ -

See accompanying notes to financial statements

Resaca Exploitation, Inc.
Statements of Cash Flows

	Six Months Ended December 31, 2008 (unaudited)	Six Months Ended December 31, 2007 (unaudited)
Cash flow from operating activities		
Net income (loss)	$12,990,134	$(9,317,013)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Depreciation, depletion and amortization	1,683,688	1,466,104
Accretion	192,483	167,389
Amortization of deferred finance costs	127,468	145,538
Deferred Taxes	634,104	-
Unrealized (gain) loss from price risk management activities	(16,870,295)	5,713,501
Share-based compensation costs	1,961,777	-
Changes in operating assets and liabilities:		
Accounts receivable	1,056,370	(218,445)
Prepaids and other current assets	1,741,878	(1,593,273)
Accounts payable and accrued liabilities	(1,093,167)	1,069,315
Due to affiliates, net	(5,979,382)	2,186,707
Other liabilities	(2,389)	-
Net used in operating activities	(3,557,331)	(380,177)
Cash flows from investing activities		
Restricted cash	(350,000)	-
Investment in oil and gas properties	(17,080,308)	(2,434,599)
Investment in land	(84,084)	(79,999)
Investment in fixed assets	(29,458)	(3,225)
Net cash used in investing activities	(17,543,850)	(2,517,823)
Cash flows from financing activities		
Proceeds from senior credit facility	6,000,000	2,640,000
Payments on senior credit facility	(59,300,000)	-
Proceeds from initial public offering, net of direct expenses	74,871,439	-
Deferred finance costs	-	-
Net cash provided by financing activities	21,571,439	2,400,000
Net increase (decrease) in cash and cash equivalents	470,258	(498,000)
Cash and cash equivalents, beginning of period	188,457	607,343
Cash and cash equivalents, end of period	$658,715	$109,343
Supplemental cash flow information		
Cash paid during the period for interest	$1,608,501	$5,268,858
Non cash investing and financing activities:		
Establishment of asset retirement obligation	$188,094	$-
Conversion of debt to equity	$10,000,000	$-

See accompanying notes to financial statements

Note A - Organization and Nature of Business

Resaca Exploitation, L.P. (the "Partnership") was formed on March 1, 2006 for the purpose of acquiring and exploiting interests in oil and gas properties located in New Mexico and Texas and to conduct, directly and indirectly through third parties, operations on the properties. The Partnership was funded and began operations on May 1, 2006. Resaca Exploitation, G.P. served as the sole general partner (.667%) and various limited partners owned the remaining 99.333%. Under the terms of the Limited Partnership Agreement, profits and losses were allocated to the general partner and limited partners based upon their ownership percentages.

On July 10, 2008, the Partnership converted from a Delaware partnership to a Texas corporation and became Resaca Exploitation, Inc. (the "Company"). Following conversion, the Company became subject to federal and certain state income taxes and adopted a June 30 year end for federal income tax and financial reporting purposes. On July 17, 2008, Resaca Exploitation, Inc. completed an initial public offering (the "Offering") on the Alternative Investment Market of the London Stock Exchange. In the initial public offering, the Company raised $83.4 million before expenses (see Note G).

Note B - Summary of Significant Accounting Policies and Basis of Presentation

<u>Basis of Presentation:</u> The accompanying unaudited condensed financial statements present the financial position at December 31, 2008 and June 30, 2008, and the results of operations and cash flows for the six-month periods ended December 31, 2008 and 2007 of the Company. These condensed financial statements include all adjustments, consisting of normal and recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of the financial position and the results of operations for the indicated periods. The results of operations for the six months ended December 31, 2008 are not necessarily indicative of the results to be expected for the full year ending June 30, 2009. Reference is made to the Company's financial statements for the year ended June 30, 2008, for an expanded discussion of the Company's financial disclosures and policies.

<u>Cash and Cash Equivalents</u>: Cash in excess of the Company's daily requirements is generally invested in short-term, highly liquid investments with original maturities of three months or less. Such investments are carried at cost, which approximates fair value and, for the purposes of reporting cash flows, are considered to be cash equivalents. The Company maintains its cash in bank deposits with various major financial institutions. These accounts, at times, exceed federally insured limits. Deposits in the United States of America are currently guaranteed by the Federal Deposit Insurance Corporation up to $250,000. The Company monitors the financial condition of the financial institutions and has not experienced any losses on such accounts.

<u>Accounts Receivable</u>: Accounts receivable primarily consists of accrued revenues for oil and gas sales. Management believes that all receivables are fully collectible at December 31, 2008. Therefore, no allowance for doubtful accounts was recorded as of December 31, 2008 and June 30, 2008.

<u>Oil and Gas Properties</u>: Oil and gas properties are accounted for using the full-cost method of accounting. Under this method, all productive and nonproductive costs incurred in connection with the acquisition, exploration, and development of oil and natural gas reserves are capitalized. This includes any internal costs that are directly related to acquisition, exploration and development activities, including salaries and benefits, but does not include any costs related to production, general corporate overhead or similar activities. During the six months ended December 31, 2008 and 2007, the Company capitalized $356,644 and $0, respectively in overhead relating to these internal costs. No gains or losses are recognized upon the sale or other disposition of oil and natural gas properties except in transactions that would significantly alter the relationship between capitalized costs and proved reserves.

Note B - Summary of Significant Accounting Policies (Continued)

Under the full cost method, the net book value of oil and natural gas properties, less related deferred income taxes, may not exceed the estimated after-tax future net revenues from proved oil and natural gas properties, discounted at 10% (the "Ceiling Limitation"). In arriving at estimated future net revenues, estimated lease operating expenses, development costs, and certain production-related and ad valorem taxes are deducted. In calculating future net revenues, prices and costs in effect at the time of the calculation are held constant indefinitely, except for changes that are fixed and determinable by existing contracts. The excess, if any, of the net book value above the Ceiling Limitation is charged to expense in the period in which it occurs and is not subsequently reinstated. The Company prepared its ceiling test at December 31, 2008 and June 30, 2008, and no impairment was deemed necessary. Reserve estimates used in determining estimated future net revenues have been prepared by an independent petroleum engineer at year end and are rolled forward for interim purposes by an in-house petroleum engineer.

The costs of unevaluated oil and natural gas properties are excluded from the amortizable base until the time that either proven reserves are found or it has been determined that such properties are impaired. The Company currently has no material capitalized costs related to unevaluated properties. All capitalized costs are included in the amortization base as of December 31, 2008 and June 30, 2008.

Depreciation and Amortization: All capitalized costs of oil and natural gas properties and equipment, including the estimated future costs to develop proved reserves, are amortized using the unit-of-production method based on total proved reserves. Depreciation of fixed assets is computed on the straight line method over the estimated useful lives of the assets, typically three years.

General and Administrative Expenses: General and administrative expenses are reported net of recoveries from owners in properties operated by the Company and net of amounts related to lease operating activities or capitalized pursuant to the full-cost method of accounting.

Revenue Recognition: The Company recognizes oil and gas revenues from its interests in oil and natural gas producing activities as the hydrocarbons are produced and sold

Accounting for Price Risk Management Activities: The Company periodically enters into certain financial derivative contracts utilized for non-trading purposes to hedge the impact of market price fluctuations on its forecasted oil and gas sales. The Company follows the provisions of the Statement of Financial Accounting Standards No. 133 ("SFAS 133"), *Accounting for Derivative Instruments and Hedging Activities*, for the accounting of its hedge transactions. SFAS 133 establishes accounting and reporting standards requiring that all derivative instruments be recorded in the consolidated balance sheet as either an asset or liability measured at fair value and requires that the changes in the fair value be recognized currently in earnings unless specific hedge accounting criteria are met. During 2006, the Company entered into certain over-the-counter collar contracts to hedge the cash flow of the forecasted sale of oil and gas sales. The Company did not elect to document and designate these contracts as hedges. Thus, the changes in the fair value of these over-the-counter collars are reflected in earnings for the six months ended December 31, 2008 and 2007.

Income Tax: The Company is subject to federal income tax, Texas margin tax, and New Mexico income tax, and has adopted a June 30 year end for federal income tax purposes. The Company follows the guidance in Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, which requires the use of the asset and liability method of accounting for deferred income taxes and provides deferred income taxes for all significant temporary differences.

The Company follows Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB No. 109.* The Interpretation prescribes guidance for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. To recognize a tax position, the enterprise determines whether it is more likely than not that the tax position will be sustained upon examination, including resolution of any related appeals or litigation, based solely on the technical merits of the position. A tax position that meets the more likely than not threshold is measured to

determine the amount of benefit to be recognized in the financial statements. The amount of tax benefit recognized with respect to any tax position is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement.

Note B - Summary of Significant Accounting Policies (Continued)

Deferred Finance Costs: The Company capitalizes all costs directly related to obtaining financing and such costs are amortized to interest expense over the life of the related facility. During the six months ended December 31, 2008 and 2007, the Company incurred and capitalized finance costs of $0 and $370,000, respectively. At December 31, 2008 and June 30, 2008, the deferred finance costs balance net of accumulated amortization was $849,786 and $977,254, respectively.

Use of Estimates: Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Independent petroleum and geological engineers have prepared estimates of the Company's oil and natural gas reserves at June 30, 2008, while in-house engineers prepared such estimates at December 31, 2008. Proved reserves, estimated future net revenues and the present value of our reserves are estimated based upon a combination of historical data and estimates of future activity. We have based our present value of proved reserves on spot prices on the date of the estimate. The reserve estimates are used in calculating depreciation, depletion and amortization and in the assessment of the Company's ceiling limitation. Significant assumptions are required in the valuation of proved oil and natural gas reserves which, as described herein, may affect the amount at which oil and natural gas properties are recorded. Actual results could differ materially from these estimates.

Asset Retirement Obligations: The Company follows Statement of Financial Accounting Standards No. 143 ("SFAS 143"), *Accounting for Asset Retirement Obligations*. SFAS 143 requires that an asset retirement obligation ("ARO") associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which a legal obligation is incurred and becomes determinable, with an offsetting increase in the carrying amount of the associated asset. The cost of the tangible asset, including the initially recognized ARO, is depreciated such that the cost of the ARO is recognized over the useful life of the asset. The ARO is recorded at fair value, and accretion expense will be recognized over time as the discounted liability is accreted to its expected settlement value. The fair value of the ARO is measured using expected future cash outflows discounted at the company's credit-adjusted risk-free interest rate.

Inherent in the fair value calculation of ARO are numerous assumptions and judgments, including the ultimate settlement amounts, inflation factors, credit adjusted discount rates, timing of settlement, and changes in the legal, regulatory, environmental and political environments. To the extent future revisions to these assumptions impact the fair value of the existing ARO liability, a corresponding adjustment is made to the oil and gas property balance.

The following table is a reconciliation of the asset retirement obligation:

	6 Months Ended December 31, 2008
Asset retirement obligation, beginning of the period	$3,533,577
Liabilities incurred	58,140
Liabilities settled	(2,389)
Accretion expense	192,483
Revisions in estimated liabilities	129,954
Asset requirement obligation, end of period	$3,911,765

Note B - Summary of Significant Accounting Policies (Continued)

Share-Based Compensation: The Company follows Statement of Financial Accounting Standards No. 123(R) ("SFAS 123(R)"), *Share-Based Payment*, for all equity awards granted to employees. SFAS 123(R) requires all companies to expense the fair value of employee stock options and other forms of share-based compensation over the requisite service period. The Company's share-based awards consist of stock options and restricted stock.

Earnings per Share: Basic earnings per share are computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share are computed by dividing net income by the sum of the weighted-average number of shares of common stock outstanding during the period and the dilutive effect of restricted stock awards and the assumed exercise of stock options using the treasury stock method. Earnings per share information is only presented for the six months ended December 31, 2008 as the Company was organized as a partnership during the six months ended December 31, 2007.

Accounting Principles Not Yet Adopted

SFAS 141(R): In December 2007, the Financial Accounting Standards Board ("the FASB") issued Statement of Financial Accounting Standards No. 141(R), *Business Combinations* ("SFAS 141(R)". Under SFAS 141(R), an entity is required to recognize the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. It further requires that acquisition-related costs be recognized separately from the acquisition and expensed as incurred. SFAS 141(R) is effective for business combinations consummated in fiscal years beginning on or after December 15, 2008. The impact on the Company's financial statements will depend on the acquisition, if any, consummated after July 1, 2009.

SFAS 161: In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133* ("SFAS 161"). SFAS 161 requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for, and how such derivative instruments affect an entity's financial position, financial performance and cash flows. SFAS 161 is effective for fiscal years beginning after November 15, 2008. The Company does not expect SFAS 161 to have a material impact on its financial position, results of operations, cash flows, or related disclosures.

Newly Adopted Accounting Principles

SFAS 157: In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 applies to all financial assets and financial liabilities recognized or disclosed at fair value in the financial statements. SFAS 157 establishes a framework for measuring fair value and expands disclosures about fair value measurements for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis in financial statements. SFAS 157 was effective for the Company July 1, 2008 and, therefore, the Company adopted SFAS 157 effective on that date. The adoption of SFAS 157 did not have a material impact on the Company's financial position, results of operations, or cash flows (See Note I).

Note C - Related Party Transactions

The Company receives support services from Torch Energy Advisors Incorporated ("TEAI") and its subsidiaries, which include office administration, risk management, corporate secretary, legal services, corporate and litigation legal services, graphic services, tax department services, financial planning and analysis, information management, financial reporting and accounting services, and engineering and technical services. The Company paid TEAI and a subsidiary of TEAI $1,413,333 and $1,033,295 during the six months ended December 31, 2008 and 2007, respectively, for such services. The majority of such fees are included in general and administrative expenses.

Note D - Notes Payable

On May 1, 2006, the Company entered into an $85 million Senior Secured Loan Facility (the "Facility") with third parties. The Facility included two tranches, A and B, of differing amounts and terms. The maximum credit amount under Tranche A was $70 million, $50 million of which was funded at closing. At December 31, 2008 and June 30, 2008, the Company had outstanding borrowings of $28.0 million and $66.3 million, under Tranche A and $0 and $15 million under Tranch B, respectively. The Tranche B maximum credit amount was $15 million. The full amount was funded at closing and no additional borrowings were permitted. Prior to the July 2008 amendment (discussed below), interest accrued on the indebtedness at the one month LIBOR plus 6% (8.5% at June 30, 2008) for Tranche A and interest accrued at the one month LIBOR plus 9% (11.5% at June 30, 2008) for Tranche B. Interest payments are due monthly. Scheduled principal payments under Tranche A begin on May 1, 2009 and will occur monthly, in even increments. Tranche A matures on May 1, 2012. On June 11, 2008, the credit agreement was amended to extend the maturity of Tranche B to August 31, 2008. The Facility contains, among other terms, provisions for the maintenance of certain financial ratios and restrictions on additional debt.

In July 2008, with the proceeds received from the Offering, the Company paid the $15 million outstanding balance on Tranche B which extinguished that portion of the Facility and also repaid $44.3 million of the $66.3 million outstanding on Tranche A. In conjunction with the partial repayment of Tranche A, the maximum credit amount under Tranche A was lowered to $60 million, a 4% LIBOR floor was added, and certain financial covenants were modified. The interest rate on outstanding borrowings under the facility was 10% at December 31, 2008. Recourse for the Facility is limited to the Company, as borrower, and the note is secured by all of Company's oil and gas properties. As of December 31, 2008, the Company was in compliance with all covenants, as amended.

On May 1, 2006, the Company entered into a $10 million Senior Subordinated Secured Convertible Term Loan Facility ("Convertible Debt") with third parties. The aggregate loan amount under the Convertible Debt was $10 million, all of which was funded at closing. Interest was paid quarterly on the Convertible Debt, at a rate of 6% per annum for cash dividends and 8% per annum in the event the Company chose to pay interest in kind ("PIK"). The lenders could convert their loans, in whole or in part, to ownership interests in the Company at any time at an 18% premium, provided that the minimum conversion loan amount is $500,000. PIK interest was also able to be converted to ownership interests. The Company had the right to redeem the subordinated debt after May 1, 2009, but was required to pay an early redemption premium. Early redemption premium amounts varied in years three, four and five and were designed to ensure the lenders different internal rates of return at those points in time. To the extent the Convertible Debt was neither redeemed by the Company nor converted by the lenders, the full principal amount was to be due on May 1, 2012. The Convertible Debt contained, among other terms, provisions for the maintenance of certain financial ratios and restrictions on additional debt. As of June 30, 2008, the Company was compliant with all of the covenants, as amended, or had obtained a waiver for noncompliance. Recourse for the Convertible Debt was limited to the Company, as borrower, and the note was secured by all of the Company's oil and gas properties. In July 2008, holders of the Convertible Debt converted their notes into stock of the Company.

Scheduled maturities as of December 31, 2008 are as follows:

Period Ending December 31,	
2009	$6,222,222
2010	9,333,333
2011	9,333,333
2012	3,111,112
	$28,000,000

Note E - Price Risk Management and Financial Instruments

The Company enters into option contracts for the purpose of hedging the impact of market fluctuations on oil and natural gas production. At December 31, 2008, the Company was party to energy commodity options extending to May 2011. During the six months ended December 31, 2008 and 2007, the average monthly hedged volume of crude oil was 13,000 barrels and 14,000 barrels, respectively. During the six months ended December 31, 2008 and 2007, the average monthly hedged volumes of natural gas were 20,000 MMbtus. During the period from January 2009 to May 2011, the monthly hedged volumes of oil decline from 13,000 barrels to 10,000 barrels. During the period from July 2008 to December 2010, the monthly hedged volumes of natural gas are 20,000 MMbtus. During the period ending May 2011, the monthly hedged volumes of natural gas are 10,000 MMbtus.

While notional amounts are used to express the volume of puts and over-the-counter options, the amounts potentially subject to credit risk, in the event of nonperformance by the third parties, are substantially smaller. The Company does not anticipate any material impact to its financial position or results of operations as a result of nonperformance by third parties on financial instruments related to its option contracts.

The carrying amounts of the Company's cash and cash equivalents, receivables and payables approximate the fair value at December 31, 2008 and June 30, 2008 because of their short-term maturities. The carrying amounts of the Company's debt instruments at December 31, 2008 and June 30, 2008 approximate their fair values due to the interest rates being at market.

Note F – Commitments and Contingencies

The Company, from time to time, is involved in certain litigation arising out of the normal course of business, none currently outstanding of which, in the opinion of management, will have any material adverse effect on the financial position, results of operations or cash flows of the Company as a whole.

Note G – Initial Public Offering

On July 17, 2008, the Company completed an initial public offering on the Alternative Investment Market of the London Stock Exchange. In the initial public offering, the Company raised $83.4 million before expenses. Proceeds received were used to repay outstanding borrowings on the Facility, extinguish the balance outstanding to its affiliates, and purchase an overriding royalty interest from a third party covering all of its existing oil and gas properties for $7 million. In conjunction with the initial public offering, certain officers and directors were granted restricted stock awards for an aggregate 4.1 million shares of our common stock that vest ratably over three years, and, 1.7 million stock options, each option to purchase one share of our common stock at an exercise price of 1.34 British pounds per share. The options vest ratably over three years and will expire on July 17, 2016.

Note H – Share-Based Compensation

The Company has adopted a Share Incentive Plan ("The Plan") to foster and promote the long-term financial success of the Company and to increase shareholder value by attracting, motivating and retaining key personnel. The Plan is considered an important component of total compensation offered to key employees and outside directors. The Plan consists of stock option and restricted stock awards. The Company recognizes the fair-value of the share-based payments over the requisite service period of the awards. The stock options and restricted stock both vest over a 3 year period. At December 31, 2008 there were 1,706,787 stock options and 4,105,515 shares of restricted stock outstanding.

Note H – Share-Based Compensation (Continued)

For stock options, the Company determines the fair value of each stock option at the grant date using a Black-Scholes model, with the following assumptions used for the grants made on July 17, 2008:

Risk-free interest rate	3.35%	
Volatility factor	50%	
Expected dividend yield percentage	0%	
Weighted average expected life	3.5	years

All stock option awards have a 3 year vesting period and expire 5 years after the vesting date. There were no other transactions involving stock options other than the July 17, 2008 awards of 1,706,787 options. All stock options have a strike price of 1.34 British pounds per share.

Note I – Fair Value Measurements

SFAS 157 requires enhanced disclosures regarding the assets and liabilities carried at fair value. The pronouncement establishes a fair value hierarchy such that “Level 1” measurements include unadjusted quoted market prices for identical assets or liabilities in an active market, “Level 2” measurements include quoted market prices for identical assets or liabilities in an active market which have been adjusted for items such as effects of restrictions for transferability and those that are not quoted but observable through corroboration with observable market data, including quoted market prices for similar assets, and “Level 3” measurements include those that are unobservable and of a highly subjective measure.

The Company utilizes the market approach for recurring fair value measurements of its oil and gas hedges. The following table sets forth, by level within the fair value hierarchy, the Company’s financial assets and liabilities that are accounted for at fair value on a recurring basis as of December 31, 2008. As required by SFAS 157, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

	Market Prices for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Oil and Gas Hedges	$-	$3,115,665	$-	$3,115,665
Total Assets	-	3,115,665	-	3,115,665
Liabilities:				
Oil and Gas Hedges	-	-	-	-
Total Liabilities	-	-	-	-
Total Net Assets	$-	$3,115,665	$-	$3,115,665

Note J – Income Taxes

Upon conversion from a partnership to a corporation on July 10, 2008, the Company recorded a $4.3 million deferred income tax asset for the difference between the book basis and the tax basis of the assets and liabilities on that date. The recorded income tax benefit was recorded to earnings for the six months ended December 31, 2008. This deferred income tax asset was offset by a $5.0 million deferred tax liability associated with the Company's operating activity for the six month period ended December 31, 2008 for a net deferred income tax liability of $0.7 million at December 31, 2008.

Note K – Stockholders' Equity

As described in Note A, the Company converted from a partnership to a corporation on July 10, 2008. As such, partners' capital was converted to stockholders' equity. At December 31, 2008, stockholders' equity was composed of the following:

Common Stock ($.01 par value)	922,587
Additional Paid-in Capital	86,306,880
Retained Earnings	670,922
Total Stockholders' Equity	87,900,389

At December 31, 2008, the Company had 230,000,000 common shares authorized and 92,258,739 shares issued and outstanding.

Note L - Liquidity

As shown in the accompanying balance sheet, $6.2 million of current maturity of the Facility created a working capital deficit at December 31, 2008 of approximately $4.1 million. At December 31, 2008, the Company had $32 million of capacity under the Facility to fund capital expenditures or acquisitions. The Company is in the process of refinancing the Facility, which will extend the maturity of the Company's notes payable and eliminate this working capital deficit. While management believes it will be successful in refinancing the Facility, there can be no assurance that such refinancing will ultimately be completed under acceptable terms, or at all.

Introduction

The following discussion and analysis should be read in conjunction with the accompanying financial statements and related notes thereto. The following discussion contains forward-looking statements that reflect our future plans, estimates, beliefs and expected performance. The forward-looking statements are dependent upon certain events, risks and uncertainties that may be outside our control. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, market prices for oil and natural gas, economic and competitive conditions, regulatory changes, estimates of proved reserves, potential failure to achieve production from development projects, capital expenditures and other uncertainties, as well as those factors discussed below, particularly in "Risks Related to our Company and the Oil and Gas Industry" and "Cautionary Statement Concerning Forward-Looking Statements," all of which are difficult to predict. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur.

The financial information with respect to the six month periods ended December 31, 2008 and 2007 discussed below is unaudited. In the opinion of management, this information contains all adjustments, consisting only of normal recurring accruals, necessary for the fair presentation of the results for such periods. The results of the operations for the interim periods are not necessarily indicative of the results of operations for the full fiscal year.

Overview of Our Company

Resaca Exploitation, Inc., a Texas Corporation, ("the Company") is engaged in the acquisition and exploitation of oil and gas properties located in New Mexico and Texas and the operation of these properties directly and indirectly through third parties. The Company was founded in 2006 and is headquartered in Houston, Texas. On July 17, 2008, the Company completed an initial public offering on the Alternative Investment Market of the London Stock Exchange. In the initial public offering, the Company raised $83.4 million before expenses.

In accordance with full cost accounting rules, we are subject to a limitation on capitalized costs. The capitalized cost of oil and gas properties, net of accumulated depreciation, depletion, and amortization, may not exceed the estimated future net cash flows from proved oil and gas reserves discounted at 10%, plus the lower of cost or fair market value of unproved properties as adjusted for related tax effects, which is known as the ceiling limitation. If capitalized costs exceed the ceiling limitation, the excess must be charged to expense. We did not have any adjustment to earnings due to the ceiling limitation for the periods presented herein.

Results of Operations

Six Months Ended December 31, 2008 Compared to Six Months Ended December 31, 2007

Income: Total income increased $21.7 million for the six months ended December 31, 2008 when compared to the six months ended December 31, 2007. The increase was primarily attributable to a $22.6 million increase in the unrealized value of our oil and gas hedges, which was offset by a $0.9 million in decrease in oil and gas revenues due primarily to lower oil and gas prices.

Costs and Expenses: Total costs and expenses decreased $1.2 million for the six months ended December 31, 2008 when compared to the same time period in 2007. This $1.2 million decrease was comprised of the following:

- Lease operating expenses decreased $0.9 million due to a reduction in the well maintenance projects performed by the Company.
- General and administrative expenses increased $1.2 million in the six months ended December 31, 2008. The increase was attributable to the hiring of key personnel and management to support the growth of the business and also higher administrative costs associated with being a public company.
- Share-based compensation costs of $2.0 million were recognized in the current period versus zero in the previous year. This expense stems from the award of restricted stock and stock options to key members of management to promote the success of the Company.

- Net interest expense declined by $3.7 million in the six months ended December 31, 2008. The decrease was mostly due to a $63.3 million reduction in outstanding debt during the six months ended December 31, 2008.

Liquidity and Capital Resources

Summary

Our cash flows from operations are significantly affected by the market prices for oil and natural gas at the time of sale, our production output, and the success of our exploitation activities. Our hedge positions reduce our exposure to declines in oil and gas prices. We intend to draw on our $32 million of available capacity on our senior loan facility at December 31, 2008 to fund our capital development program and for selective acquisitions.

At December 31, 2008, we had $0.7 million of cash on hand and $28.0 million of total debt outstanding. We are currently in discussions with numerous energy lenders to refinance this outstanding debt, which we expect to extend the debt maturity and lower the Company's borrowing rate.

The current worldwide financial crisis has reduced the availability of liquidity and credit. Continued disruption of the credit markets could adversely affect our ability to implement our exploitation plan and limit our ability to expand our asset base, which could materially impact our results of operations, financial position or cash flows. Notwithstanding the current market conditions, Management believes it is well positioned in this market and intends to leverage the many relationships with energy lenders and other capital providers that it has developed over their extensive careers in the oil and gas industry to endure these difficult times.

Capital Expenditures

We have made and will continue to make significant capital expenditures in the development and production of our oil and gas reserves. Our capital expenditures for the six months ended December 31, 2008 were $17.2 million, a $14.7 increase over the same period in the previous year.

We expect to spend an additional $5 million on capital expenditures over the remaining six months of our current fiscal year. Those expenditures will focus primarily on the Cooper Jal and Jordan San Andres properties and will include facility work, waterflood optimization, additional water source wells, and water injection well cleanouts. There are currently no new wells scheduled to be drilled or behind pipe workovers expected to be completed in the near term.

Substantially all of our future capital expenditures are discretionary based on our ability to draw down on our existing credit lines as our cash flow from operations is not currently adequate to meet our immediate investment needs.

Cash Flow Activity

Operating Activities. Cash flows used in operating activities increased $3.2 to $3.6 million for the six months ended December 31, 2008 from $0.4 million for the six months ended December 31, 2007. Net income adjusted for non cash transactions increased $2.5 million from ($1.8) million in the prior year to $0.7 million in the current period. This addition was offset by a $5.7 million decrease in net working capital.

Investing Activities. Cash flows used in investing activities increased by $15.0 million to $17.5 million for the six months ended December 31, 2008 from $2.5 million in the prior year. The increase was primarily due to $17.1 million in investment in our oil and gas properties.

Financing Activities. Cash flows provided by financing activities increased $19.2 million to $21.6 million for the six months ended December 31, 2008. Cash flows provided by financing activities were $2.4 million during the six months ending December 31, 2007. The increase was primarily due to $74.9 million being provided by our initial public offering offset by $44.3 million and $15.0 million used to paydown Tranche A and Tranche B, respectively, of our credit facility.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our financial statements requires us to make assumptions and prepare estimates that affect the reported amounts of our assets and liabilities and revenue and expenses. We base our estimates on historical experience and various other assumptions that we believe are reasonable, however, actual results may differ from such estimates.

Risks Related to our Company and the Oil and Gas Industry

Both oil and natural gas prices are unstable and are subject to fluctuation. The fluctuations in may prices may have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.

There are numerous uncertainties inherent in estimating quantities of oil and natural gas reserves and the future cash flows attributable to such reserves. Any significant revision in the inherent estimates and assumptions will materially affect the quantities and present value of our reserves.

There is no assurance that economically viable and commercial quantities of oil and natural gas, if any, can be recovered from the Company's existing or future project areas. No assurance can be given that when commercial reserves are discovered the Company will be able to realize the value of such reserves as intended.

Delays in the drilling, worker, recompletion, refracturing, waterflood and CO_2 injection projects or other technical difficulties may result in the Company's current or future projected target dates for production being delayed or further capital expenditure being required.

The operations of the Company may be disrupted by a variety of risks and hazards which are beyond the control of the Company, including environmental hazards, industrial accidents, occupational and health hazards, technical failures, labor disputes, unusual or unexpected geological formations and extended interruptions due to inclement or hazardous weather conditions, explosions and other accidents.

The Company's strategy depends partly on its ability to make additional acquisitions of oil and natural gas properties. The Company cannot guarantee that it will be able to identify appropriate properties or negotiate acquisitions on favorable terms or that it will be able to obtain the financing necessary to complete such future acquisitions.

The Company's future value depends on finding and developing reserves. There is no certainty that the Company will obtain any further production rights or that any exploitation activities will result in the discovery of commercial quantities of oil and natural gas reserves.

Future development and exploitation of the Company's properties may be dependent upon the Company's ability to obtain suitable financing.

The oil and gas industry is highly competitive, which may adversely affect our ability to succeed.

As the Company is involved in oil and natural gas drilling and exploitation, it is subject to extensive environmental and safety regulations. While the Company believes that its current provision for compliance with the environmental laws and regulations of the countries in which it operates is reasonable, any future changes and developments in environmental regulation may adversely affect its operations, results, or financial position.

Cautionary Statement Concerning Forward-Looking Statements

We based our forward-looking statements on our current expectations, estimates and projections about ourselves and our industry. We caution that these statements are not guarantees of future performance and involve risks, uncertainties and assumptions that we cannot predict. In addition, we based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. Accordingly, our actual results may differ materially from the future performance that we have expressed or forecast in the forward-looking statements. Differences between actual results and any future performance suggested in these forward-looking statements could result from a variety of factors, including those listed above.