

**Ironhorse Oil & Gas Inc.**  
**March 31, 2010**  
**Unaudited Financial Statements**

**Management's Report**

The accompanying unaudited interim financial statements of Ironhorse Oil & Gas Inc. for the three months ended March 31, 2010 have been prepared by management and approved by the Board of Directors of the Company. These financial statements have not been reviewed by the Company's external auditors.

Dated May 20, 2010

**On behalf of Ironhorse Oil & Gas Inc.**

signed "Larry J. Parks"

Larry J. Parks  
President & Chief Executive Officer

signed "Rob Solinger"

Rob Solinger  
Vice President, Finance &  
Chief Financial Officer

**Ironhorse Oil & Gas Inc.**  
**Balance Sheet**  
**Unaudited**

<i>Thousands of dollars</i>	<b>March 31 2010</b>	<b>December 31 2009</b>
<b>Assets</b>		
Current assets		
Cash	\$ 22	\$ 345
Accounts receivable	1,567	1,009
	<b>1,589</b>	1,354
Petroleum and natural gas properties <i>(note 4)</i>	<b>40,894</b>	35,137
	<b>\$ 42,483</b>	\$ 36,491
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,705	\$ 2,513
Bank loan <i>(note 5)</i>	<b>11,925</b>	8,750
	<b>17,630</b>	11,263
Asset retirement obligation <i>(note 6)</i>	<b>1,366</b>	1,343
Future income taxes <i>(note 7)</i>	<b>2,961</b>	2,258
	<b>21,957</b>	14,864
<b>Shareholders' Equity</b> <i>(note 8)</i>		
Share capital	<b>23,993</b>	24,919
Contributed surplus	<b>1,476</b>	1,423
Deficit	<b>(4,943)</b>	(4,715)
	<b>20,526</b>	21,627
	<b>\$ 42,483</b>	\$ 36,491

*See accompanying notes to financial statements.*

**Ironhorse Oil & Gas Inc.**  
**Statements of Operations, Comprehensive Loss and Deficit**  
**Unaudited**

<i>Thousands of dollars except per share amounts</i>	<b>March 31 2010</b>	<b>March 31 2009</b>
<b>Revenue</b>		
Petroleum and natural gas sales	\$ 2,838	\$ 3,053
Royalties	(649)	(822)
	<b>2,189</b>	<b>2,231</b>
<b>Expenses</b>		
Operating	349	277
General and administrative	335	343
Stock-based compensation <span style="float: right;"><i>(note 8)</i></span>	73	83
Interest	160	64
Depletion, depreciation and accretion	1,737	1,453
	<b>2,654</b>	<b>2,220</b>
<b>Income (loss) before taxes</b>	<b>(465)</b>	<b>11</b>
Future income taxes (recovery) <span style="float: right;"><i>(note 7)</i></span>	<b>(237)</b>	29
<b>Net loss and comprehensive loss</b>	<b>(228)</b>	<b>(18)</b>
Deficit, beginning of the period	(4,715)	(3,220)
<b>Deficit, end of the period</b>	<b>\$ (4,943)</b>	<b>\$ 3,238</b>
<b>Net loss per share</b>		
Basic and diluted <span style="float: right;"><i>(note 8)</i></span>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>

*See accompanying notes to financial statements.*

**Ironhorse Oil & Gas Inc.**  
**Statements of Cash Flow**  
**Unaudited**

<i>Thousands of dollars</i>	<b>March 31 2010</b>	<b>March 31 2009</b>
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss	\$ (228)	\$ (18)
Items not affecting cash		
Depletion, depreciation and accretion	1,737	1,453
Stock-based compensation	73	83
Future income taxes	(237)	29
Abandonment costs incurred	-	(5)
Funds from operations	<b>1,345</b>	1,542
Changes in non-cash working capital <span style="float: right;"><i>(note 12)</i></span>	<b>(1,207)</b>	197
	<b>138</b>	1,739
<b>Financing activities</b>		
Bank loan	3,175	4,230
Exercise of stock options	37	46
Purchase of common shares for cancellation	(43)	(125)
	<b>3,169</b>	4,151
<b>Investing activities</b>		
Petroleum and natural gas properties	(7,470)	(5,993)
Changes in non-cash working capital	3,840	100
	<b>(3,630)</b>	(5,893)
<b>Change in cash</b>	<b>(323)</b>	<b>(3)</b>
Cash, beginning of the period	345	7
Cash, end of the period	<b>\$ 22</b>	<b>\$ 4</b>

*See accompanying notes to financial statements.*

**IRONHORSE OIL & GAS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Unaudited**

For the period ended March 31, 2010  
(Tabular amounts are expressed in thousands of dollars except share and per share numbers)

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**1. DESCRIPTION OF BUSINESS**

Ironhorse Oil & Gas Inc. ("Ironhorse" or the "Company") is engaged in the exploration for and development and production of petroleum and natural gas reserves in western Canada.

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION**

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles.

**a) Petroleum and natural gas properties**

Capitalized costs

The Company follows the full cost method of accounting, whereby all costs associated with the exploration for and development of petroleum and natural gas reserves are capitalized in a single Canadian cost centre. Such amounts include land acquisition costs, geological and geophysical expenditures, carrying charges of non-producing properties, costs of drilling productive and non-productive wells, site restoration and abandonment costs and administrative costs related to exploration and development activities.

Proceeds from the sale of properties are applied against capitalized costs and gains or losses are not recognized in the statement of income unless the depletion and depreciation rate would be changed by 20% or more.

Impairment test

The Company performs an impairment test whereby the carrying value of its petroleum and natural gas properties is compared at the end of each reporting period to an estimate of the undiscounted future net cash flow from the production of gross proved reserves plus the cost of unproved properties, net of impairments, excluded from depletion. Net cash flow is estimated using forecast prices, less estimated costs directly associated with the development, production and sale of reserves. Should the impairment test result in an excess of carrying value, the Company would then measure the amount of impairment by comparing the carrying amounts of property and equipment to an amount equal to the estimated net present value of future cash flows from proved plus probable reserves and the carrying value of unproved properties, major development projects, net of impairments. A risk-free interest rate is used to arrive at the net present value of the future cash flows. Any excess is recorded as a permanent impairment. Undeveloped and unproved properties are also assessed periodically to determine whether impairment has occurred.

## Depletion and depreciation

The capitalized costs of petroleum and natural gas properties plus future development costs, if any, are depleted and depreciated using the unit-of-production method based on the Company's interest in proved reserves of petroleum and natural gas calculated before royalties. Estimated proved reserves are based on reports prepared by independent engineering consultants. Petroleum substances are converted to volumes of energy equivalent barrels of oil at a conversion rate of six thousand cubic feet ("mcf") of natural gas to one barrel of crude oil.

Costs associated with the acquisition and evaluation of significant unproved properties where there is no commercial production are excluded from amounts subject to depletion and depreciation until such time as the properties are proved or become impaired.

### **b) Asset retirement obligation**

The Company recognizes and measures the liabilities for obligations associated with the retirement of petroleum and natural gas properties when those obligations result from the acquisition, construction, development or normal operation of the asset. The obligation is measured at fair value and the related costs recorded as part of the carrying value of the related asset. Fair value is estimated using the present value of the estimated future cash costs to reclaim and abandon wells and facilities, using the Company's credit-adjusted risk free interest rate. In subsequent periods, the liability is adjusted for the change in present value and any changes in the amount or timing of the underlying future cash flows required for settlement of the obligation with a corresponding charge to property and equipment. The asset retirement costs included in petroleum and natural gas costs are depleted or amortized into income in accordance with the Company's policies pertaining to those assets.

### **c) Joint operations**

Substantially all of the Company's petroleum and natural gas exploration and development activities are conducted jointly with others and, accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

### **d) Future income taxes**

The Company uses the liability method for accounting for future income taxes. Under the liability method, future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted tax rates and laws expected to apply when those temporary differences reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in net income in the period when the change is substantially enacted. A valuation allowance is recorded against any future income tax assets if it is more likely than not that the asset will not be realized.

**e) Flow-through shares**

Resource expenditure deductions funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. To recognize the foregone tax benefits to the Company, the future income tax liability and the carrying value of the shares issued are adjusted by the effect of the tax benefits renounced to subscribers in the period when the corresponding exploration and development expenditures are renounced.

**f) Stock-based compensation**

The Company follows the fair value method to record the compensation expense for stock options granted under its stock option plan. Under this method, the Company estimates the fair value of stock options using the Black-Scholes option pricing model on the date of granting. Based on the value of the option granted, stock-based compensation expense and an offsetting credit to contributed surplus is recorded over the vesting period. When options are exercised, the amortized portion of the value of the option is transferred from the contributed surplus account to the share capital account.

At the discretion of the Board of Directors, the Company's stock option plan provides that option holders may take a cash settlement payment for the in-the-money value of the option on the exercise date. Should such a cash settlement payment be made to the option holder, the amortized portion of the original value of the option is reversed from the contributed surplus account to the extent of the cash settlement payment made to the option holder.

**g) Revenue recognition**

Revenue from the production of petroleum and natural gas is recognized when deliveries of products are made to third parties.

**h) Use of estimates**

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. The amounts recorded for depletion and depreciation of petroleum and natural gas properties and the provision for the asset retirement obligation and the ceiling test are based on estimates of proved reserves, production rates, petroleum and natural gas prices, future costs and other relevant assumptions. The fair value of stock options and the related stock-based compensation expense is based on estimates using the Black-Scholes option pricing model. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

**i) Net income per share**

Diluted per share amounts are calculated using the treasury stock method. Diluted calculations reflect the incremental common shares that would be issued upon exercise of dilutive options, warrants and equivalents assuming the proceeds would be used to repurchase shares at average market prices for the period. Anti-dilutive items are not included in the calculation.

## j) Financial instruments

The Company's financial assets and liabilities are classified and measured as follows:

- Cash and cash equivalents are classified as held for trading and are measured at fair value.
- Accounts receivable are classified as loans and receivables and are initially measured at fair value, and subsequently at amortized cost using the effective interest rate method, which approximates fair value.
- Accounts payable, accrued liabilities and bank loan payable are classified as other liabilities and are initially measured at fair value, and subsequently at amortized cost using the effective interest rate method, which approximates fair value.
- Gains and losses related to periodic revaluations are recorded in net income

The Company accounts for its physical delivery sales contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items, in accordance with its expected purchase, sale or usage requirements, as executory contracts on an accrual basis rather than as financial instruments.

## 3. CHANGES IN ACCOUNTING POLICIES

### International Financial Reporting Standards ("IFRS")

The CICA has confirmed January 1, 2011 as the effective date for the change over to IFRS from Canadian GAAP. The Company will be required to begin reporting under IFRS in the first quarter of 2011 with comparative data for the prior year. IFRS uses a conceptual framework similar to Canadian GAAP; however, there will be significant differences in recognition, measurement and disclosures.

The Company has begun the process of transitioning to IFRS and has identified key areas of Ironhorse's financial reporting that will be affected by the change from current Canadian GAAP to IFRS.

## 4. PETROLEUM AND NATURAL GAS PROPERTIES

	Cost	Accumulated depletion and depreciation	Net Book Value
December 31, 2009	\$ 51,909	\$ 16,772	\$ 35,137
March 31, 2010	\$ 59,389	\$ 18,495	\$ 40,894

During the period ended March 31, 2010, the Company capitalized \$244 thousand (March 31, 2009 - \$258 thousand) of general and administrative expenses. In calculating the depletion and depreciation provision for the period ended March 31, 2010, \$2.0 million (March 31, 2009 - \$0.5 million) of costs relating to the undeveloped land, seismic and other costs were excluded from costs subject to depletion and depreciation. Estimated future development costs of \$7.0 million (March 31, 2009 - \$1.5 million) were included in the calculation of depletion and depreciation for the period ended March 31, 2010.

On September 15, 2009, the Alberta government approved a drilling royalty incentive program for new wells drilled after April 1, 2009 but before April 1, 2011. Included as a reduction of petroleum and natural gas properties as at March 31, 2010 is an expected royalty recovery of \$0.5 million (December 31, 2009 – nil) related to the royalty incentive program.

## 5. BANK LOAN

At March 31, 2010, the Company had a \$20 million demand credit facility (December 31, 2009 - \$20 million) with a Canadian financial institution comprised of a \$16 million revolving operating facility and a \$4 million non revolving development facility to finance costs associated with the Pembina oil discovery. Draws against the credit facilities are made by way of direct advances or guaranteed notes. Direct advances bear interest at the financial institution's prime lending rate plus 2.50%, guaranteed notes bear interest at a base rate of 4% plus an applicable fee. The monthly unused portion of the credit facility is subject to an annualized fee of 0.80%. The credit facility is secured by a general security agreement providing a first floating charge over all of the assets and a fixed charge over the Pembina oil wells. The credit facility is reviewed annually with the next scheduled review to occur prior to July 31, 2010. At March 31, 2010 an amount of \$10.9 million was drawn on the revolving operating facility (December 31, 2009 - \$8.8 million) and \$1 million was drawn on the development facility (December 31, 2009 - \$nil).

## 6. ASSET RETIREMENT OBLIGATIONS

	<b>March 31</b>	<b>December 31</b>
	<b>2010</b>	<b>2009</b>
Balance, beginning of the period	\$ 1,343	\$ 1,034
Incurred in the period	109	235
Change in estimate	(100)	-
Accretion expense	14	74
<b>Balance, end of period</b>	<b>\$ 1,366</b>	<b>\$ 1,343</b>

The Company's asset retirement obligations are based on the net ownership interests in wells and facilities. Management estimates the costs to abandon and reclaim the wells and facilities and the estimated time period during which these costs will be incurred in the future. These costs are expected to be incurred over the next 20 years with the majority of the costs being incurred between 2023 and 2026. The undiscounted amount of the estimated costs at March 31, 2010 was \$3.4 million (December 31, 2009 - \$3.2 million) using an inflation rate of 1.5% (2009 –1.5%). The estimated costs have been discounted at a credit adjusted risk free rate of 8.0% (2009 – 7.75%).

## 7. FUTURE INCOME TAXES

Future income taxes differs from the amount that would be computed by applying the basic combined federal and provincial statutory income tax rate of 29% (2009 – 30.3%) to income before taxes. The reasons for the differences are as follows:

	Three months ended March 31	
	2010	2009
Statutory tax rate	29%	30.3%
Anticipated tax expense (recovery)	\$ (135)	\$ 3
Add (deduct)		
Non-deductible stock-based compensation	21	26
Other	(123)	-
<b>Future income taxes</b>	<b>\$ (237)</b>	<b>\$ 29</b>

The components of future income tax liability (asset) are as follows:

	March 31		December 31	
	2010		2009	
Future Tax liabilities				
Petroleum and natural gas properties	\$	3,807	\$	3,089
Future Tax assets				
Share issue costs		(81)		(124)
Non-capital losses		(403)		(331)
Asset retirement obligations		(362)		(376)
Net future income tax liability	\$	<b>2,961</b>	\$	2,258

## 8. SHARE CAPITAL

The Company has authorized an unlimited number of common shares and first preferred shares. The outstanding share capital is as follows:

### a) Common shares

	Number of Shares	Amount
Balance, December 31, 2008	21,779,743	\$ 22,842
Issue of flow-through common shares for cash	2,513,138	3,518
Options exercised	125,000	47
Shares repurchased under normal course issuer bid	(231,800)	(255)
Transfer from contributed surplus	-	47
Tax effect of 2008 flow-through shares	-	(1,070)
Share issue costs, net of future income taxes of \$91	-	(210)
Balance, December 31, 2009	24,186,081	24,919
Options exercised	58,000	22
Shares purchased for cancellation	(24,400)	(24)
Transfer from contributed surplus		15
Tax effect of 2009 flow-through shares		(932)
Share issue costs		(7)
Balance, March 31, 2010	24,219,681	\$ 23,993

On April 15, 2010 the Company completed a private placement of 3,683,143 common shares on a flow through basis, at a price of \$1.40 per share, for gross proceeds of \$5.2 million.

**b) Normal Course Issuer Bid**

During the period ended March 31, 2010, the Company acquired 24,400 common shares at an average cost of \$1.18 per share. Subsequent to March 31, 2010, the Company has acquired 7,000 common shares at an average price of \$1.16 per share.

**c) Options and Stock Based Compensation**

The Company has a stock option plan under terms of which it will grant options to acquire common shares to certain officers, directors, employees and consultants. Under terms of the plan, options totaling up to 10% of the common shares outstanding from time to time are issuable, and no more than 5% of the outstanding options may be issued to any one person as defined by the plan.

The following tables summarize information about the Company's stock options outstanding:

	Number of options	Weighted average exercise price
<b>Balance, December 31, 2008</b>	<b>2,156,167</b>	<b>1.41</b>
Granted	300,000	1.23
Exercised	(125,000)	0.37
Forfeited	(297,999)	1.96
<b>Balance, December 31, 2009</b>	<b>2,033,168</b>	<b>1.37</b>
Granted	493,900	1.35
Exercised	(58,000)	0.38
Forfeited	(127,168)	2.27
<b>Balance, March 31, 2010</b>	<b>2,341,900</b>	<b>1.34</b>

**d) Per share amounts**

The following table summarizes the shares used in calculating earnings per share:

	Three months ended March 31	
	2010	2009
Weighted average number of shares - basic	24,213,782	21,779,000
Effect of dilutive stock options	-	-
Weighted average number of shares - diluted	24,213,782	21,779,000

No options to purchase common shares were included in the calculation because in a net loss position all options would be considered anti-dilutive.

#### e) Contributed Surplus

	<b>March 31</b>	<b>December 31</b>
	<b>2010</b>	<b>2009</b>
<b>Opening balance beginning of period</b>	\$ 1,423	\$ 1,154
Stock-based compensation expense	72	316
Normal course issuer bid purchase price excess over carrying value	(5)	(23)
Transfer to share capital on exercise of options	(14)	(24)
<b>Closing balance end of period</b>	<b>\$ 1,476</b>	<b>\$ 1,423</b>

#### 9. RELATED PARTY TRANSACTIONS

The Company is party to a management services contract with Grizzly Resources Ltd. ("Grizzly"), a company related by virtue of common management. Grizzly is also a significant joint operations partner in the Company's operating areas. These transactions are in the normal course of business and are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties.

The inter-company balances between the Company and Grizzly were as follows:

	<b>March 31</b>	<b>December 31</b>
	<b>2010</b>	<b>2009</b>
Accounts receivable	\$ -	\$ 4
Accounts payable	\$ 2,918	\$ 183

The amounts outstanding at March 31, 2010 were settled in April 2010.

Management fees paid to Grizzly were as follows:

	<b>Three months ended March 31</b>	
	<b>2010</b>	<b>2009</b>
Fees expensed to G&A	\$ 161	\$ 161
Fees capitalized to petroleum and natural gas properties	244	200
Management fees	\$ 405	\$ 361

#### 10. MANAGEMENT OF CAPITAL STRUCTURE

The Company actively manages its capital structure with the objective of maximizing shareholder returns by minimizing the cost of capital while at the same time maintaining its ability to execute the Company's future exploration and development program.

Ironhorse's capital structure includes shareholders' equity, bank debt and working capital. In managing its capital structure, the Company considers the following: future investment and acquisition opportunities; the current level of credit available from the Company's lender; the amount of credit that may be obtainable from the Company's lender as a result of changes in reserves values; the

availability of other sources of debt; the sale of assets; adjustments to the current capital expenditures program; and issuance of new share equity. The Company's objective is to maintain a flexible capital structure that will allow it to execute its capital expenditures program, including exploration and development of its oil and gas properties and acquisition and disposition transactions which all carry varying amounts of risk. Ironhorse continually strives to balance the proportion of debt and equity in its capital structure to take into account the level of risk being incurred in its capital expenditures program. Ironhorse may from time to time, issue shares and adjust its spending to manage current and projected debt levels.

The methods used by the Company to monitor capital is based on the ratio of net debt to annualized funds from operations and also the ratio of net debt to the maximum amount of the Company's credit facility. The first net debt ratio is calculated as net debt, divided by annualized cash flow from operations which is calculated as the current quarter ended cash flow from operations times four. The second net debt ratio is calculated as net debt, divided by the credit facility availability. Ironhorse's current strategy is to maintain a ratio of net debt to annualized cash flow from operations of no more than 2.0 to 1.0 and its ratio of net debt to credit facility availability at less than 90%. The ratios may temporarily increase at certain times as a result of capital expenditures, which are necessary to bring new reserves on production, and commodity prices being significantly lower than those used in the budget. The annual and updated budgets are based on current commodity prices. As at March 31, 2010, Ironhorse's ratio of net debt to annualized funds from operations was 3.0 to 1.0 (December 31, 2009 – 3.8 to 1.0) which is outside the Company's optimal ratio. On April 15, 2010 the Company completed a private placement for gross proceeds of \$5.2 million which correspondingly reduces net debt and will lower the ratio of net debt to annualized funds from operations. The Company's ratio of net debt to credit facility availability was 80% (December 31, 2009 – 49%), which was within the range established by the Company.

The Company's share capital is not subject to external restrictions but the Company does have financial covenants in regards to its credit facility. The credit facility requires the Company to maintain a ratio of "Funded Debt to Cash Flow", calculated on a historical rolling four quarter basis, equal to or less than 3:1. For purposes of this calculation cash flow is calculated as earnings before interest, taxes, and depletion. Funded Debt is defined as all short term and long-term interest bearing debt, capital leases and other obligations. The Company has complied with these restrictions.

	<b>March 31</b>	<b>December 31</b>
	<b>2010</b>	<b>2009</b>
Current assets	\$ 1,589	\$ 1,354
Current liabilities	17,630	11,263
Net debt	16,041	9,909
Annualized funds from operations	5,380	2,612
<b>Ratio of net debt to annualized cash flow</b>	<b>3.0</b>	<b>3.8</b>
Credit facility availability	\$ 20,000	\$ 20,000
<b>Ratio of net debt to credit facility availability</b>	<b>0.80</b>	<b>0.49</b>

## 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has identified the following risks which are significant to its operations:

### a) Commodity price risk management

The Company produces petroleum and natural gas which have historically been subject to fluctuations in price. During 2009, the Company had entered into several commodity price contracts to manage its exposure to price fluctuations. These were comprised of various physical sales, none of which remain in effect in 2010.

### b) Credit risk

Credit risk is the potential financial loss to the Company if a customer or joint venture partner is unable to meet its contractual obligations and arises principally from the Company's accounts receivable with respect to the sale of petroleum and natural gas. The Company's petroleum and natural gas is marketed on behalf of the company by Grizzly under standard industry terms. In order to mitigate credit risk, Grizzly markets its petroleum and natural gas to established credit worthy purchasers.

At March 31, 2010 accounts receivable were \$1.6 million, of which \$1.3 million relates to accrued revenue for the month of March. The remaining balance is made up of various smaller account balances. The amounts outstanding have been settled in April 2010.

### c) Liquidity risk

Liquidity risk is the potential for the Company to have difficulty in meeting its obligations associated with financial liabilities as they become due. Ironhorse financial liabilities consist of accounts payable, financial instruments, and bank debt. All of the Company's financial liabilities have contractual maturities of less than one year and accounts payable are processed within normal payment terms. Ironhorse prepares an annual budget which is monitored and updated throughout the year. Occasionally the Company enters into fixed price contracts with respect the sale of a portion of its production to protect its cash flow from commodity price declines. The Company also mitigates liquidity risk by maintaining an insurance program to minimize its exposure to insurable losses.

### d) Interest rate risk

The Company's credit facilities bear interest at the lender's prime rate plus 2.5 %. Fluctuations in the prime rate will result in changes to the monthly interest expense. Assuming an average loan balance drawn on the revolving operating facility of \$10 million, a change in the interest rate of 0.50 percent will result in a \$50,000 change in the annual interest expense.

12. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Three months ended March 31	
	2009	2009
Changes in non-cash working capital:		
Accounts receivable	\$ (584)	\$ 479
Prepays and deposits	26	(31)
Accounts payable and accrued liabilities	3,191	(151)
	<u>\$ 2,633</u>	<u>\$ 297</u>
Relating to:		
Operations	\$ (1,207)	197
Investing	3,840	100
	<u>\$ 2,633</u>	<u>\$ 297</u>