Ironhorse Oil & Gas Inc.
June 30, 2010
Unaudited Financial Statements

Management's Report

The accompanying unaudited interim financial statements of Ironhorse Oil & Gas Inc. for the three month and six months ended June 30, 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 August 25, 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

Thousands of dollars		June 30 2010	December 31 2009
Assets			
Current assets			
Cash		**$ 36**	$ 345
Accounts receivable		**2,049**	1,009
		2,085	1,354
Petroleum and natural gas properties	*(note 4)*	**44,270**	35,137
		$ 46,355	$ 36,491
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**$ 1,684**	$ 2,513
Bank loan	*(note 5)*	**15,200**	8,750
		16,884	11,263
Asset retirement obligation	*(note 6)*	**1,390**	1,343
Future income taxes	*(note 7)*	**2,820**	2,258
		21,094	14,864
Shareholders' Equity	*(note 8)*		
Share capital		**28,886**	24,919
Contributed surplus		**1,550**	1,423
Deficit		**(5,175)**	(4,715)
		25,261	21,627
		$ 46,355	$ 36,491

See accompanying notes to financial statements.

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

		Three months ended June 30		Six months ended June 30	
Thousands of dollars except per share amounts		**2010**	**2009**	**2010**	**2009**
Revenue					
Petroleum and natural gas sales		**2,682**	2,298	**5,520**	5,351
Royalties		**(496)**	(591)	**(1,145)**	(1,413)
		2,186	1,707	**4,375**	3,938
Expenses					
Operating		**164**	331	**483**	608
Transportation		**126**	-	**156**	-
General and administrative		**582**	424	**917**	766
Stock-based compensation	*(note 8)*	**74**	93	**147**	176
Interest		**161**	68	**321**	132
Depletion, depreciation and accretion		**1,337**	1,652	**3,074**	3,106
		2,444	2,568	**5,098**	4,788
Loss before taxes		**(258)**	(861)	**(723)**	(850)
Capital taxes		**-**	7	**-**	7
Future income tax recovery	*(note 7)*	**(27)**	(215)	**(264)**	(186)
Net loss and comprehensive income		**(231)**	(653)	**(459)**	(671)
Deficit, beginning of the period		**(4,943)**	(3,238)	**(4,715)**	(3,220)
Deficit, end of the period		**(5,174)**	(3,891)	**(5,174)**	(3,891)
Loss per share					
Basic and diluted	*(note 8)*	**(0.01)**	(0.03)	**(0.02)**	(0.03)

See accompanying notes to financial statements.

Ironhorse Oil & Gas Inc.
Statements of Cash Flow
Unaudited

Thousands of dollars	Three months ended June 30		Six months ended June 30	
	2010	**2009**	**2010**	**2009**
Cash provided by (used in):				
Operating activities				
Net loss	**(231)**	(653)	**(459)**	(671)
Items not affecting cash				
Depletion, depreciation and accretion	**1,337**	1,652	**3,074**	3,106
Stock-based compensation	**74**	93	**147**	176
Future income taxes recovery	**(27)**	(215)	**(264)**	(186)
Abandonment costs incurred	**-**	4	**-**	(1)
Funds from operations	**1,153**	881	**2,498**	2,423
Changes in non-cash working capital *(note 11)*	**882**	1,598	**(325)**	1,795
	2,035	2,479	**2,173**	4,218
Financing activities				
Bank loan	**3,275**	1,055	**6,450**	5,285
Issuance of common shares, net	**4,790**	-	**4,790**	-
Exercise of stock options	**-**	-	**22**	46
Purchase of common shares for cancellation	**(12)**	(50)	**(40)**	(174)
	8,053	1,005	**11,222**	5,157
Investing activities				
Petroleum and natural gas properties	**(4,691)**	(1,017)	**(12,161)**	(7,011)
Changes in non-cash working capital	**(5,383)**	(2,438)	**(1,543)**	(2,338)
	(10,074)	(3,455)	**(13,704)**	(9,349)
Change in cash	**14**	29	**(309)**	26
Cash, beginning of the period	**22**	4	**345**	7
Cash, end of the period	**36**	33	**36**	33

See accompanying notes to financial statements.

1. DESCRIPTION OF BUSINESS

Ironhorse Oil & Gas Inc. ("Ironhorse" or the "Company") is engaged in the exploration, 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 Canadian Accounting Standards Board (AcSB) has confirmed January 1, 2011 as the effective date for the change over to International Financial Reporting Standards (IFRS) from the current Canadian GAAP, for publicly accountable profit-oriented enterprises. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Corporations will be required to provide comparative IFRS information for the fiscal year of 2010. 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. It is expected that share based payments, income taxes, asset retirement obligations and accounting for property and equipment, including accounting for and assessing depletion and impairment, will be impacted by the conversion to IFRS. The Corporation is currently working through the impact analysis of the areas affected by the change to IFRS and evaluation of the potential reporting changes required.

In July 2009, the International Accounting Standards Board (IASB) issued an amendment to IFRS 1 "First Time Adoption of International Reporting Standards". The amendment allows full cost accounting

corporations to elect, at the time of adoption, to measure exploration and evaluation assets at the amount determined under the entity's previous GAAP. The amendment will also permit full cost accounting corporations to measure, at the time of adoption, oil and gas assets in the development or production phases, by using the total value determined under the entity's previous GAAP and allocating values as of the date of conversion. This exemption will relieve the Corporation from retrospective application of IFRS for its oil and gas assets. Ironhorse has not made a final determination as to whether or not this exemption will be used.

4. PETROLEUM AND NATURAL GAS PROPERTIES

	Cost	Accumulated depletion and depreciation	Net Book Value
June 30, 2010	$ 64,063	$ 19,793	$ 44,270
December 31, 2009	$ 51,909	$ 16,772	$ 35,137

During the period ended June 30, 2010, the Company capitalized $503 thousand (June 30, 2009 - $230 thousand) of general and administrative expenses. In calculating the depletion and depreciation provision for the period ended June 30, 2010, $5.0 million (June 30, 2009 - $0.7 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 (June 30, 2009 – $5.3 million) were included in the calculation of depletion and depreciation for the period ended June 30, 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 June 30, 2010 is an expected royalty recovery of $0.5 million (December 31, 2009 – nil) related to the royalty incentive program.

5. BANK LOAN

At June 30, 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. Subsequent to June 30, 2010 the annual review of the credit facility was completed resulting in the Company's revolving credit facility and non revolving facility being combined into a $17 million demand revolving credit facility with the next scheduled review to occur prior to July 31, 2011. Draws against the credit facility are made by way of direct advances or guaranteed notes. Direct advances bear interest at the financial institution's prime lending rate plus 2.25%, guaranteed notes bear interest at a base rate of 3.75% 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 Company's assets. At June 30, 2010 an amount of $15.2 million was drawn on the facility (December 31, 2009 - $8.8 million).

6. ASSET RETIREMENT OBLIGATIONS

		June 30 2010		December 31 2009
Balance, beginning of the period	$	1,343	$	1,034
Incurred in the period		120		235
Change in estimate		(126)		-
Accretion expense		53		74
Balance, end of period	**$**	**1,390**	**$**	**1,343**

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 June 30, 2010 was $3.4 million (December 31, 2009 - $3.2 million) using an inflation rate of 2% (2009 – 2%). 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 June 30		Six months ended June 30	
	2010	2009	2010	2009
Statutory tax rate	29.0%	30.3%	29.0%	30.3%
Anticipated tax expense	(75)	(260)	(210)	(257)
Add (deduct)				
Non-deductible stock-based compensation	29	27	43	53
Effect of change in income tax rate	19	18	(97)	18
Future income taxes	(27)	(215)	(264)	(186)

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

		June 30 2010		December 31 2009
Future Tax liabilities				
Petroleum and natural gas properties	$	3,575	$	3,089
Future Tax assets				
Share issue costs		(154)		(124)
Non-capital losses		(233)		(331)
Asset retirement obligations		(368)		(376)
Net future income tax liability	**$**	**2,820**	$	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
Issue of flow-through common shares for cash	3,683,143		5,156
Options exercised	58,000		22
Shares repurchased under normal course issuer bid	(34,400)		(40)
Transfer from contributed surplus	-		21
Tax effect of 2009 flow-through shares	-		(932)
Share issue costs, net of future income taxes of $106	-		(260)
Balance, June 30, 2010	27,892,824		28,886

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 June 30, 2010, the Company acquired 34,400 common shares at an average cost of $1.00 per share. Subsequent to June 30, 2010, the Company has acquired 10,000 common shares at an average price of $0.85 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
Balance, December 31, 2008	**2,156,167**	**1.41**
Granted	300,000	1.23
Exercised	(125,000)	0.37
Forfeited	(297,999)	1.96
Balance, December 31, 2009	**2,033,168**	**1.37**
Granted	493,900	1.35
Exercised	(58,000)	0.38
Forfeited	(127,168)	2.27
Balance, June 30, 2010	**2,341,900**	**1.34**

d) Per share amounts

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

		June 30 2010		**December 31 2009**
Opening balance beginning of period	$	1,423	$	1,154
Stock-based compensation expense		147		316
Normal course issuer bid purchase price excess over carrying value		(5)		(23)
Transfer to share capital on exercise of options		(15)		(24)
Closing balance end of period	**$**	**1,550**	$	1,423

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:

		June 30 2010		**December 31 2009**
Accounts receivable	$	275	$	4
Accounts payable	$	580	$	183

The amounts outstanding at June 30, 2010 were settled in July 2010.

Management fees paid to Grizzly were as follows:

	Three months ended June30		Six months ended June 30	
	2010	**2009**	**2010**	**2009**
Fees expensed to G&A	470	240	631	401
Fees capitalized to petroleum and natural gas properties	259	30	503	230
Management fees	729	270	1,134	631

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 funds flow from operations which is calculated as the current quarter ended funds 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 June 30, 2010, Ironhorse's ratio of net debt to annualized funds flow from operations was 3.2 to 1.0 (December 31, 2009 – 3.8 to 1.0) which is outside the Company's optimal ratio due to lower than budgeted gas prices and significant capital expenditures related to land purchases. The ratio is expected to shift towards the optimal range as oil production increases. The Company's ratio of net debt to credit facility availability was 87% (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.

		June 30 2010		December 31 2009
Current assets	$	2,085	$	1,354
Current liabilities		16,884		11,263
Net debt		14,799		9,909
Annualized funds flow from operations		4,612		2,612
Ratio of net debt to annualized funds flow		**3.2**		**3.8**
Credit facility availability	$	17,000	$	20,000
Ratio of net debt to credit facility availability		**0.87**		**0.49**

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 June 30, 2010 accounts receivable were $2 million, of which $0.8 million relates to accrued revenue for the month of June and $0.5 million relates to accrued drilling incentive credits. The remaining balance is made up of various smaller account balances. The amounts outstanding, excluding the drilling incentive credits, have been settled in August 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 2.25%. 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 $15 million, a change in the interest rate of 0.50 percent will result in approximately a $75,000 change in the annual interest expense.

12. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Three months ended June 30		Six months ended June 30	
	2010	**2009**	**2010**	**2009**
Changes in non-cash working capital:				
Accounts receivable	481	474	(1,039)	922
Accounts payable and accrued liabilities	4,020	(1,314)	(829)	(1,465)
	4,501	(840)	(1,868)	(543)
Relating to:				
Operations	(882)	1,598	(325)	1,795
Investing	5,383	(2,438)	(1,543)	(2,338)
	4,501	(840)	(1,868)	(543)