

Pacific Roder Energy Inc.

Suite 1100, 550 6th Avenue SW
Calgary, Alberta
T2P 0S2

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

Balance Sheets

Unaudited

Assets **March 31, 2009** **December 31, 2008**

Current Assets

Cash and short-term investments (Note 4)	\$ 21,364,070	\$ 21,061,387
Accounts receivable	57,899	101,643
Prepaid expenses	79,135	124,684

	21,501,104	21,287,714
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Term deposits (Note 5)	349,925	962,301
Equipment	54,672	51,376
Petroleum and natural gas properties (Note 7)	11,496,622	11,479,939

	\$ 33,402,323	\$ 33,781,330
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Liabilities

Current liabilities

Accounts payable and accrued liabilities (Note 6,	\$ 792,378	\$ 875,229
	792,378	875,229

Shareholders' equity

Share capital (Note 9)	49,818,039	49,865,004
Warrant equity (Note 9)	8,623,448	8,623,448
Contributed surplus	5,132,470	5,090,610
Deficit	(30,964,012)	(30,672,961)

	32,609,945	32,906,101
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	\$33,402,323	\$33,781,330
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See accompanying notes to the financial statements

Contingencies [Note 11]

Approved by the Board

[signed] "Michael Greenwood"

Michael G. Greenwood

Director

[signed] "Mark Hornett"

Mark Hornett

Director

Statements of Operations, Comprehensive Loss and Deficit

	Three months ended March 31, 2009	Three months ended March 31, 2008
Revenue		
Oil and gas	\$ -	\$ 247,515
Royalties net of royalty tax credit	-	(24,103)
	-	223,412
Expenses		
Production and operating	-	53,556
General and administration	386,096	343,528
Interest	-	4,469
Depletion, amortization and accretion	3,760	95,217
Impairment of petroleum & natural gas properties	-	4,109,470
Stock based compensation	41,860	123,463
	431,716	4,729,703
Loss from operations	(431,716)	(4,506,291)
Interest and other income	93,700	233,107
Loss before income taxes	(338,016)	(4,273,184)
Income tax recovery (Note 8)	46,965	1,314,298
Net loss and comprehensive loss	\$ (291,051)	\$ (2,958,886)
Deficit, beginning of period	(30,672,961)	(23,844,353)
Deficit, end of period	\$ (30,964,012)	\$ (26,803,239)
Loss per share – basic and diluted	\$ 0.00	\$ (0.03)
Weighted average shares outstanding	109,789,946	109,396,223
Diluted weighted average shares outstanding	109,789,946	109,396,223

See accompanying notes to financial statements

Statements of Cash Flows

	<i>Three months ended March 31, 2009</i>	<i>Three months ended March 31, 2008</i>
Cash provided by (used in):		
Operations		
Net loss	\$ (291,051)	\$ (2,958,886)
<i>Items not involving cash</i>		
Depletion, amortization and accretion	3,760	95,217
Stock based compensation	41,860	123,463
Future income tax recovery	(46,965)	(1,314,298)
Impairment loss on petroleum and natural gas properties	-	4,109,470
Asset retirement obligation	-	356
Funds from (used in) operations	(292,396)	55,322
Change in non cash working capital related to operations	6,442	1,434,701
	(285,954)	1,490,023
Financing		
Issue of shares	-	10,238
Warrants issued with shares	-	(3,237)
	-	7,001
Investing activities		
Exploration and development expenditures	(20,443)	(2,783,768)
Redemption (Issue) of security deposits	612,376	57,932
Equipment	(3,296)	(7,856)
	588,637	(2,733,692)
Increase (decrease) in cash	302,683	(1,236,668)
Cash and short term investments, beginning of period	21,061,387	23,626,946
Cash and short term investments, end of period	\$ 21,364,070	\$ 22,390,278
Interest paid during the period	\$ -	\$ 4,469
Taxes paid during the period	\$ -	\$ -

See accompanying notes to financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in thousands except per share amounts)

Note 1: Basis of Presentation

Pacific Roder Energy Inc. ("the Company") was formed in the Province of British Columbia, Canada, by the amalgamation on March 1, 1999, of two predecessor companies. The Company changed its name from Pacific Roder Ventures Inc. to Pacific Roder Energy Inc. on June 21, 2004 and trades on the TSX Venture Exchange under the symbol PRD.

The financial statements are presented in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, they have been prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Note 2: Significant Accounting Policies

a) Cash and short-term investments - Cash and short-term investments consist of balances with banks and investments in highly liquid short-term deposits with a maturity date of less than ninety days.

b) Petroleum and Natural Gas Properties – Pacific Roder Energy Inc. is engaged in the acquisition, exploration, development and production of oil and gas in Canada. The Company follows the full-cost method of accounting for oil and gas operations whereby all costs relating to the acquisition of, exploration for and development of oil and gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling both productive and nonproductive wells, costs of production equipment and overhead charges related to acquisition, exploration and development activities.

The costs are amortized using the unit-of-production method based upon the estimated proved oil and gas reserves, before royalties, as determined by the Company's independent engineers. The relative volumes of oil and natural gas reserves and production are converted to equivalent barrels of oil based on the relative energy content of each product on a one barrel to six thousand cubic feet basis.

Costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

The Company performs a ceiling test in a two-stage test performed at least annually:

i) Impairment is recognized if the carrying value of the oil and gas assets less accumulated depletion and amortization and the lesser of cost and fair value of unproven properties exceeds the estimated

future cash flows from proved oil and gas reserves, on an undiscounted basis, using forecast prices and costs.

- ii) If impairment is indicated by applying the calculations described in i) above, the Company will measure the amount of the impairment by comparing the carrying value of the oil and gas assets less accumulated depletion and amortization and the lesser of cost and fair value of unproven properties to the estimated future cash flows from the proved and probable oil and gas reserves, discounted at the Company's credit-adjusted risk-free rate of interest, using forecast prices and costs. Any impairment is included in earnings for the year.

Proceeds received from disposals of properties and equipment are credited against capitalized costs unless the disposal would alter the rate of depletion and depreciation by more than 20%, in which case a gain or loss on disposal is recorded. Amortization of other equipment is provided on a diminishing balance basis at rates ranging from 20% to 100% per annum. Gains and losses from disposals are included in income.

- c) Asset Retirement Obligation – The Company follows the recommendations for asset retirement obligations as set out in the CICA Handbook section 3110. This standard requires the recognition and measurement of liabilities related to the legal obligation to abandon and reclaim property, plant and equipment incurred upon acquisition, construction, development and/or normal use of the asset. The initial liability must be measured at fair value and subsequently adjusted for the accretion of discount and changes in fair value. The asset retirement cost is capitalized as part of property and equipment and depleted into earnings based on units of production. Actual costs incurred upon settlement of the obligations are charged against the liability.
- d) Joint Ventures - The Company's exploration and development activities related to oil and gas are conducted jointly with others. The accounts reflect only the Company's proportionate interest in such activities.
- e) Income Taxes - The Company follows the liability method of accounting for income taxes. Temporary differences arising from the differences between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. Future income tax assets are evaluated and if their realization is not considered "more likely than not", a valuation allowance is provided.
- f) Revenue recognition - Revenue from the sale of oil and gas is recognized based on volumes delivered to customers at contractual delivery points and rates. The costs associated with the delivery, including operating and maintenance costs, transportation, and production-based royalty expenses are recognized in the same period in which the related revenue is earned and recorded.
- g) Flow-through shares - The Company, from time to time, issues flow-through shares to finance a portion of its oil and gas exploration activities. The exploration and development expenditures funded

- by flow-through shares are renounced to subscribers in accordance with the Income Tax Act (Canada). The estimated value of the tax pools foregone is reflected as a reduction in share capital with a corresponding increase in the future income tax liability at the time the relevant expenditures are renounced.
- h) Measurement Uncertainty - The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Company's management 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 revenues, royalties and expenses during the reporting period. Actual results could differ materially from those estimates. The amounts recorded for depletion and depreciation of petroleum and natural gas properties, the provision for asset retirement obligations and the ceiling test are based on estimates of proven reserves, production rates, oil and gas prices and other relevant assumptions. 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) Stock Based Compensation – The Company follows the accounting standard on stock based compensation as presented in the CICA handbook section 3870. This standard requires the recognition of stock-based compensation expense for “awards to” or “grants to” employees and non-employees using the fair value method. The standard requires the fair value of all stock based compensation awards to be expensed over the vesting period of the award with an offsetting credit to contributed surplus. The Black-Scholes option pricing model has been used to calculate the fair value of the options granted. Consideration paid by the optionees on exercise of the stock option is credited to share capital together with any amounts previously included in contributed surplus. Stock based compensation amounts are determined using certain assumptions. (see note 9)
 - j) Per share amounts – The Company follows the treasury stock method for the computation of diluted per share amounts. This method assumes the proceeds from the exercise of dilutive options and warrants are used to purchase common shares at the weighted average market price during the period.
 - k) Financial Instruments – Recognition and Measurement - The Financial Instruments standard, Section 3855 establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods is dependent on whether the financial instrument has been classified as “held-for-trading”, “available-for-sale”, “held-to-maturity”, “loans and receivables”, or “other financial liabilities” as defined by the standard. Financial assets and financial liabilities “held-for-trading” are measured at fair value with changes in those fair values recognized in net earnings. Financial assets “available-for-sale” are measured at fair value, with changes in those fair values measured in OCI. Financial assets “held-to-maturity”, “loans and receivables”, and “other financial liabilities” are measured at amortized cost using the effective interest

method of amortization. Cash and short term investments are designated as "held-for-trading" and is measured at carrying value, which approximates fair value due to the short-term nature of this instrument. Accounts receivable are designated as "loans and receivables" and accounts payable, and accrued liabilities are designated as "other liabilities".

- l) The Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064, Goodwill and Intangible Assets, replaced Section 3062, Goodwill and Other Intangible Assets, and resulted in the withdrawal of Section 3450, Research and Development Costs, and amendments to Accounting Guideline (AcG) 11, Enterprises in the Development Stage and Section 1000, Financial Statement Concepts. The standard reduces the differences with IFRS in the accounting for intangible assets and results in closer alignment with U.S. GAAP. The objectives of Section 3064 are to reinforce the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition; and clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing as assets items that do not meet the definition and recognition criteria is eliminated. The standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The adoption of this standard by the Company on January 1, 2009 did not have an impact on the Company's financial statements.
- m) On January 20, 2009 the CICA Emerging Issues Committee (EIC) issued EIC-173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. Under EIC-173, an entity's own credit risk and the credit risk of the counterparty with which it conducts transactions should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. Fortress adopted the requirements of EIC-173 effective January 1, 2009. The adoption of this standard did not have an impact on the Company's financial statements.

Note 3: Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") confirmed that the use of IFRS will be required in 2011 for publicly traded enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure Draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for its year ended December 31, 2010, and an opening balance sheet as at January 1, 2010 following IFRS. The AcSB proposes that the CICA Handbook Section, Accounting Changes, paragraph 1506.30, which would require an entity to disclose information relating to a new primary source of GAAP that has been issued but not yet effective and that the entity has not yet applied, not be applied with respect to the

IFRS Omnibus Exposure Draft. Pacific Roderia is continuing to assess the financial reporting impact of the adoption of IFRS, and at this time, the impact on the future financial position and results of operations is not fully determinable or estimable. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required, as well as system changes that may be required to gather and process the required information.

Note 4: Cash and Short Term Investments

The Company has cash and short term investments of \$21,364,070 (December 2008 - \$21,061,387) available to fund future opportunities and operations.

Note 5: Northwest Territories Licenses and Related Term Deposits

The Company has refundable term deposits of \$349,925 (March 2008 - \$944,740) of which \$21,800 (March 2008 – nil) is a deposit with the Energy Resources Conservation Board and the balance relates to work commitments on the Northwest Territories licenses. Under the terms of the licenses listed below the Company has assigned term deposits totaling \$328,125 (March 2008 - \$944,740) to cover the work commitments made by the Company on the licenses and accordingly, the deposits have been classified as a non-current asset. To the extent eligible expenditures are incurred by the Company the term deposits will be released on the basis of 25% of the expenditures. If they are not incurred within the period allowed, the Company would forfeit its proportionate share of any remaining deposits relating to the unexpended work commitment. To meet the conditions of the licenses the Company, along with partners, is required to drill a well on the license before the expiry of period 1 and, before the end of period 2, apply for a significant discovery license. The funds relating to the work deposit must be expended in period 1. As long as a well is drilling before the end of period 1, period 1 is extended until the well has been completed. Period 1 can also be extended by posting a drilling deposit and paying annual lease rentals. During the quarter ended March 31, 2009 the funds held under license EL 423 were released.

Deposits

License	Work Deposit	Commitment	Expiry Date Period 1	Expiry Date Period 2
EL 441	\$ 328,125	\$1,312,500	May 10, 2010	May 10, 2014

Note 6: Accounts Payable and Accrued Liabilities.

A large portion of the accounts payable and accrued liabilities relate to cost overruns on the drilling of the two wells in the Northwest Territories of which the Company has booked its maximum obligation under the agreement. The Company is reviewing the details and justifications for these cost overruns.

Note 7: Petroleum and Natural Gas Properties.

	December 31 2008	Additions	Disposals	Impairment	March 31 2009
Petroleum and natural gas properties	\$ 11,479,939	16,683			\$ 11,496,622
Accumulated depletion	\$ -	-	-		\$ -
Net carrying value P&NG properties	<u>\$ 11,479,939</u>	<u>16,683</u>	<u>-</u>	<u>-</u>	<u>\$ 11,496,622</u>

	December 31 2007	Additions	Disposals	Impairment	December 31 2008
Petroleum and natural gas properties	\$ 17,647,977	4,978,053	(3,291,807)	(7,854,284)	\$ 11,479,939
Accumulated depletion	\$ 853,111	221,224	(1,074,335)		\$ -
Net carrying value P&NG properties	<u>\$ 16,794,866</u>	<u>4,756,829</u>	<u>(2,217,472)</u>	<u>(7,854,284)</u>	<u>\$ 11,479,939</u>

During the quarter the Company incurred land retention costs related to the Western Canadian land holdings.

Unproven oil and gas properties excluded from depletion

	Three months ended March 31 2009	Year ended December 31 2008
Northwest Territories	\$ 11,482,157	\$ 11,479,939
International	-	-
Western Canada	14,465	-
Total	<u>\$ 11,496,622</u>	<u>\$ 11,479,939</u>

Capitalized General and Administrative costs

	Three months ended March 31 2009	Year ended December 31 2008
Western Canada	\$ -	\$ 856,978
Total	<u>\$ -</u>	<u>\$ 856,978</u>

Note 8: Income Taxes

a) Summary of temporary differences giving rise to future income tax liability:

	March 31, 2009	December 31, 2008
Future tax liabilities		
Oil and gas assets in excess of tax balances	\$ 795,423	\$ 648,858
Future tax assets		
Share issue costs and other	(163,518)	(291,936)
Loss carry forward	(644,749)	(543,860)
	<u>(808,267)</u>	<u>(835,796)</u>
Net future income tax liability (asset)	<u>(12,844)</u>	<u>(186,938)</u>
Valuation allowance	12,844	186,938
	<u>\$ -</u>	<u>\$ -</u>

b) Reconciliation of income taxes calculated at the Canadian statutory rate of 29.94% with actual income taxes:

	Three months ended March 31, 2009	Year ended December 31, 2008
Loss before income taxes	\$ (338,016)	\$ (8,741,087)
Combined federal and provincial income tax rate	<u>29.94%</u>	<u>29.94%</u>
Computed income tax recovery	\$ (101,202)	\$ (2,617,081)
Increase (decrease) in expense resulting from:		
Stock based compensation	12,533	85,255
Expired losses	-	75,479
Tax adjustment from rate change	-	182,273
Change in valuation allowance	12,844	186,938
Other adjustments	28,860	174,657
Future income tax recovery	<u>\$ (46,965)</u>	<u>\$ (1,912,479)</u>

The Company currently has tax pools of \$9,986,876 and non capital losses of \$2,153,471.

Expiration dates of the non capital losses:

2009	\$ 191,304
2013	419,119
2014	215,070
2025	261,077
2027	62,499
<u>2028</u>	<u>1,004,402</u>
<u>Total</u>	<u>\$2,153,471</u>

Note 9: Share Capital

a) Authorized:

Unlimited number of common shares

Unlimited number of preferred shares

b) Voting common shares issued:

	Number	Amount
Balance December 31, 2007	109,391,058	50,159,446
Purchase warrants exercised	10,000	10,237
Issued – private placement	388,888	156,865
Tax benefits renounced to subscribers		(461,544)
Balance December 31, 2008	109,789,946	\$ 49,865,004
Tax benefits renounced to subscribers		(46,965)
Balance March 31, 2009	109,789,946	\$ 49,818,039
Purchase warrants issued:		
Balance December 31, 2007	30,125,000	\$ 8,608,550
Purchase warrants exercised	(10,000)	(3,237)
Issued – private placement	194,444	18,135
Expired	(4,150,000)	-
Balance, December 31, 2008	26,159,444	8,623,448
Expired	(26,159,444)	-
Balance March 31, 2009	-	8,623,448
Share capital, March 31, 2009		\$ 58,441,487

c) Stock options:

The Company has a stock option plan for its directors, officers, employees and key consultants. The exercise price for stock options granted is no less than the quoted market price on the grant date. Options have vesting periods that range from the date of grant up to three years. An option's maximum term is five years.

	Number of Options	Weighted Average price
Balance December 31, 2007	6,316,200	0.44
Forfeited	(1,125,000)	0.50
Granted	400,000	0.65
Balance December 31, 2008	5,591,200	0.45
Expired	(81,200)	0.24
Forfeited	(100,000)	0.50
Balance March 31, 2009	5,410,000	0.45

The following table summarizes information about the stock options outstanding at March 31, 2009:

Options Outstanding				Options Exercisable		
Exercise Price	Number of options	Weighted Average of Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	
\$ 0.39	3,200,000	2.67	\$ 0.39	3,200,000	0.39	
0.50	1,800,000	3.44	0.50	600,000	0.50	
0.61	10,000	3.57	0.61	3,333	0.61	
0.65	400,000	3.97	0.65	133,333	0.65	
\$ 0.39-0.65	5,410,000	3.02	\$ 0.45	3,936,666	\$ 0.39	

A Black-Scholes option pricing model, with the following weighted average assumptions for the year ended December 31, 2008, was used to estimate the fair value of options on the date of the grant, for the inclusion as stock based compensation expense:

Risk free interest rate (%)	3.8
Expected lives (years)	5.0
Expected volatility (%)	75
Dividend per share	0.00

The grant date weighted average fair value of options issued in the quarter ended March 30, 2008 was \$0.41 per option. There were no options granted in the balance of 2008 or in the quarter ended March 31, 2009. Subsequent to the end of the quarter the Company issued 2,875,000 options to officers directors and employees at a price of \$0.20.

On May 6, 2008 the Company completed a private placement of 388,888 units at a price of \$0.45 per unit for gross proceeds of \$175,000. Each unit consisted of one common share of the Company to be issued on a flow-through basis and one-half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to subscribe for one additional common share at a price of \$0.70 per common share. The warrants all expired on March 2, 2009

Additional capital disclosure

The Company continues to optimize its capital structure with a view to ensuring a strong financial position to support its growth strategies. The capital structure of the Company is as follows:

	March 31, 2009	Change %	December 31, 2008
Total shareholders' equity	\$ 32,609,945	(0.01)	\$ 32,906,101
Total shareholders' equity as a % of total capital	100%		100%
Short and long term debt	-	0.0	-
Total debt as a % of total capital	0%		0%
Total capital	<u>\$ 32,609,945</u>		<u>\$ 32,906,101</u>

The Company intends to use its capital to finance future drilling opportunities as well as fund future acquisition opportunities in the oil and gas industry. The Company is not subject to any statutory requirements or any other externally imposed capital requirements. Commitments exist to issue common shares in connection the established stock option plan with such share issuances to occur from treasury.

Note 10: Related Party Transactions

During the year ended December 31, 2008 there was \$1,200 paid to relatives of officers and/or directors of the company for secretarial services and there was a finders' fee of \$12,000 paid to a relative of an officer and director. All amounts were in the normal course of business and under the same terms and conditions as unrelated parties.

During the year ended December 31, 2008 the Company issued:

- 388,888 flow through units at \$0.45 per unit to management of the Company

There was no related party transactions during the quarter ended March 31, 2009.

These transactions were all in the normal course of operations and undertaken with the same terms and conditions as transactions with unrelated parties.

Note 11: Contingencies and Commitments

There is a contingent liability in respect of an irrevocable standby letter of credit for \$328,125 (December 31, 2008 - \$1,002,672), given by the Company's bank to Canada Revenue Agency, on behalf of the Company, for its share of refundable work deposits on a prospect in the Northwest Territories (see note 5). The letter of credit is secured by an assignment of cash of equal amounts.

The Company has a lease for office premises for a period of 2 years and 7 months commencing May 1, 2008. The lease has early termination clauses that could terminate the lease as early as September 30,

2009. The company is committed to payments of \$163,416 per annum plus operating expenses and property taxes.

The Chairman and Chief Executive Officer has the right to maintain his percentage ownership in future share issues at the same terms and conditions of the relevant issue.

Note 12: Financial Instruments

The only financial instruments the Company has are the accounts receivable, accounts payable and the cash and short term investments. The short term instruments are held in short term, fully secure term deposits, GIC's, T-bills and Bankers Acceptances and only with counterparties with a solid credit background.

The carrying values of these instruments as well as the cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to their short term maturity of them.

The Company has exposure to interest rate risk as it relates to the short term investments. Interest rate risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company incurs interest rate risk on its cash balances, receivable and payable balances. All cash balances are current and available immediately. The Company does not hedge its exposure to interest rate risk.

If interest rates throughout the quarter had been 100 basis points lower (higher) then net loss would have been approximately \$54,700 higher (\$54,700 lower).

Liquidity Risk: The recent volatility experienced in the global capital markets may increase the cost of issuance of long-term capital by the Company. The Company currently has no plans to raise any long term capital.

Note 13: Subsequent Events

Subsequent to March 31, 2009 the Company granted 2,875,000 stock options to its directors, officers and employees. These options expire April 22, 2014, are exercisable at a price of \$0.20 per share and vest in equal installments over the next three years. Following the grant, 2,693,994 common shares are reserved for issuance under the Company's stock option plan