Management's Discussion and Analysis

Pacific Rodera Energy Inc. ("PRD Energy" or the "Company") has prepared the Financial Statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP "). This Management's Discussion and Analysis should be read in conjunction with the audited Financial Statements of the Company for the years ended December 31, 2009 and December 31, 2008 together with the notes related thereto. The following MD&A of financial condition and results of operations was prepared at and is dated April 9, 2010. Our audited financial statements and other disclosure documents for 2009 will be available through our filings on SEDAR at **www.sedar.com** or can be obtained from our website **at www.prdenergy.com** prior to April 30, 2010.

Basis of presentation – The financial data presented below has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The reporting and the measurement currency is the Canadian dollar. For the purpose of calculating unit costs, natural gas is converted to a barrel of oil equivalent ("Boe") using six thousand cubic feet of natural gas equal to one barrel of oil. In certain circumstances natural gas liquid volumes have been converted to thousand cubic feet equivalent ("Mcfe") on the basis of one barrel of natural gas liquids to six thousand cubic feet. Boes and Mcfes may be misleading, particularly if used in isolation. A conversion ratio of one barrel to six thousand cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Forward-looking statements – Certain information set forth in this document contain forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond PRD Energy's control, including the impact of general economic conditions, industry conditions, the timing and costs of the Mackenzie Valley pipeline and facility construction, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management and services, stock market volatility, changes in environmental regulations, tax laws and royalties and the ability to access sufficient capital from internal sources and bank and equity markets. Forward-looking statements included or incorporated by reference in this document include, but are not limited to, statements with respect to:

- The Company's outlook for the upcoming year or years;
- The Company's strategy and goal to enter into and transact future deals;
- The future effect of IFRS on the Company;
- The ability to locate appropriate exploitation projects that will produce oil or gas in commercial quantities;
- Expectations regarding the ability to raise capital or secure other forms of financing

Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. PRD Energy's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements, or if any of them do so, what benefits that PRD Energy will derive there from.

Non-GAAP measurements – Within the MD&A, references are made to terms commonly used in the oil and natural gas industry. Management uses funds from operations to analyze operating performance and leverage. Funds from operations as presented, does not have any standardized meaning prescribed by Canadian GAAP and therefore it may not be comparable with the calculation of similar measures for other entities. Funds from operations as presented is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, per the statement of cash flows, net loss or other measures of financial performance calculated in accordance with Canadian GAAP. All references to funds from operations throughout this report are based on cash flow from operating activities before changes in non-cash working capital and asset retirement expenditures. Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net loss per share. Funds from operations equal total revenue less royalties, transportation, operating costs and general and administrative costs.

HIGHLIGHTS OF 2009 AND OUTLOOK FOR 2010

In 2009 PRD Energy expanded its evaluation of oil and gas opportunities and reviewed projects on 5 continents. We evaluated projects based on a conservative risk profile and our ability to apply our core strengths of exploitation and development skills. Our risk evaluation focused us on operated onshore projects in politically stable countries with beneficial tax and royalty structures, world commodity pricing, low geological risk and repeatable exploitation and development drilling opportunities. We also evaluated our ability to use new drilling and stimulation techniques to optimize flow rates and reserves recovery while maintaining strict cost controls. We also wanted to ensure that the projects we chose will allow us to have a high working interest in properties with a rolling option on similar plays thus enabling us to become a mid-sized oil and gas producer within a reasonable time frame.

Using this disciplined approach PRD Energy has reviewed several plays that met some but not all of our requirements. After detailed evaluations, PRD Energy has chosen not to participate in a number of opportunities that were subsequently drilled unsuccessfully. We believe that this supports our model of thorough technical evaluation protecting shareholder value.

We continue to search for opportunities and have signed several confidentially agreements that allow us to evaluate promising overseas projects in detail. We are currently negotiating the structure of a farm in or joint venture partnership with the operators of projects we have identified that meet our requirements.

While we have been focusing on Europe and the Middle East, we continue reviewing Canadian based projects. We believe that natural gas prices in Western Canada will be low for many years and we review Canadian based opportunities in that light.

PRD Energy continues to enjoy as strong cash position which will allow us to exploit opportunities that meet the Company's evaluation metrics.

SELECTED INFORMATION

Periods ended	Twelve months ended December 2009	Twelve months ended December 2008
Total assets	$ 27,927,102	$ 33,781,330
Revenue	-	477,211
Gross general and administrative costs	1,710,173	2,291,126
Net general and administrative costs	1,710,173	1,434,148
Asset write down	4,335,906	7,854,284
Net loss	(6,284,223)	(6,828,608)
Net loss per share (basic and diluted)	$ (0.06)	$ (0.06)

Years ended	December 31 2009	December 31 2008	% change	($ per BOE) December 31 2009	($ per BOE) December 31 2008	% change
Gross revenue	**$ -**	$ 477,211	(100)	**$ -**	$ 56.49	(100)
Royalties	**-**	62,492	(100)	**-**	7.40	(100)
Production and operating expenses	**-**	96,672	(100)	**-**	11.44	(100)
Operating Netback	**-**	318,047	(100)	**-**	37.65	(100)
General and administrative expenses	**1,710,173**	1,434,148	19	**-**	169.77	(100)
Interest expense	**-**	26,841	(100)	**-**	3.18	(100)
Interest income	**(244,677)**	(782,028)	(69)	**-**	(92.57)	(100)
Reclamation costs	**264,875**	-	100	**-**	-	N/A
Funds from Operations	**(1,730,371)**	(360,917)	306	**-**	(42.73)	(100)
Depletion and amortization	**19,674**	241,134	(92)	**-**	28.54	(100)
Future income tax recovery	**(46,965)**	(1,912,479)	(98)	**-**	(226.39)	(100)
Asset write down	**4,335,906**	7,854,284	(45)	**-**	929.76	(100)
Stock based compensation expense	**245,237**	284,752	(14)	**-**	33.71	(100)
Net loss	**$ (6,284,223)**	$(6,828,608)	(8)	**$ -**	$ (808.35)	(100)

RESULTS OF OPERATIONS

For the year ended December 31, 2009 the Company recorded a net loss of $6,284,223 ($0.06 per share) down from a net loss of $6,828,608 ($0.06 per share) for the year ended December 31, 2008. During 2009 the Company impaired the value of the Tulita property in the Northwest Territories ($3,992,968) as well as the balance on EL-423 also in the Northwest Territories ($342,938). Management believes that, given the current environment for natural gas prices and the costs to develop the Mackenzie Valley Pipeline, it would be in the best interest of the shareholders to reduce our exposure to exploration risk in the Northwest Territories at this time. As a result the Company is releasing a number of blocks of land, keeping only those lands with significant discovery licenses on them. During 2008 the Company impaired the majority of the value of EL-423 due to the disappointing drilling results.

Funds from operations were a loss of $1,730,371 for the year ended December 31, 2009 compared to a loss of $360,917 for the year ended December 31, 2008. The main changes are the reduced revenue from the sale of the Trutch property, reduced interest income as a result of dramatically reduced interest rates and increased net general and administrative costs due to an increase in costs relating to evaluating strategic alternatives which are not capitalized.

PRODUCTION, PRICING AND REVENUE

	Year Ended		
	December 31, 2009	December 31, 2008	% change
Natural Gas			
Average Daily Production (mcf/d)	**0**	123.1	(100)
Average Sales Price ($/mcf)	**n/a**	8.86	(100)
Natural Gas Revenue net of transportation ($000's)	**0**	397.8	(100)
Oil & NGLs			
Average Daily Production (bbl/d)	**0**	2.6	(100)
Average Net Sales Price ($/bbl)	**n/a**	82.65	(100)
Oil & NGLs Revenue net of transportation ($000's)	**0**	79.4	(100)
Barrels of Oil Equivalent (6:1)			
Average Daily Production (boe/d)	**0**	23.1	(100)
Average Sales Price ($/boe)	**n/a**	56.49	(100)
Total Oil & Gas Revenue net of transportation ($000's)	**0**	477.2	(100)

Daily production for the year ended December 31, 2009 has reduced to nil as a result of the sale of the Trutch property that closed on May 29, 2008.

HEDGING

The Company has not entered into any commodity sales agreements or any derivative financial instruments.

ROYALTIES

Royalties for the year ended December 31, 2009 were nil due to the sale of the Trutch property.

Year ended	**December 2009**	December 2008	% Change
Crown	**$ 0**	$ 61,111	(100)
Freehold & overriding	**0**	1,381	(100)
Total Royalties	**$ 0**	$ 62,492	(100)
Per BOE	**$ 0.00**	$ 7.40	(100)
Percent of total revenue	**0.0%**	13.1%	n/a

PRODUCTION AND OPERATING EXPENSES

Production and operating expenses for the year ended December 31, 2009 were nil (2008 – $96,672) down 100% from the year ended December 31, 2008. The sale of the Trutch property is the reason for the elimination of the operating costs.

INTEREST INCOME

Year ended	**December 2009**	December 2008	% Change
Interest income	**$ 244,677**	$ 782,028	(68.7)
Average cash balance outstanding	**$ 20,772,684**	$ 22,018,409	(5.7)
Average effective interest rate %	**1.2**	3.6	(66.7)

Interest income declined 68.7% to $244,677 in 2009 from $782,028 in 2008. The drop in the benchmark prime interest rate is the main reason for this reduction. The Company has worked very hard at getting the best possible return on the cash balance while ensuring the underlying capital is not subjected to any risk. The Company holds its funds in secure term deposits, GIC's, bonds, bankers' acceptances or T-bills and has not invested in any asset backed commercial paper or any other higher risked securities. At December 31 2009 the Company had $20.1 million on hand to fund future operations or acquisitions.

GENERAL AND ADMINISTRATIVE EXPENSES (G&A)

Year ended	**December 2009**	December 2008	% Change
Gross expenses	**$ 1,710,173**	$ 2,291,126	(25.4)
Capitalized overhead	**0**	(856,978)	(100)
Net expenses	**$ 1,710,173**	$ 1,434,148	19.2
General and administrative costs spent on:			
Head office - Canada	**$ 1,453,906**	$ 1,934,355	(24.8)
Specific Canadian projects	**8,477**	148,951	(94.3)
International general	**205,252**	207,820	(1.2)
Specific international projects	**42,538**	-	100
Gross general and administrative costs	**$ 1,710,173**	$ 2,291,126	(25.4)

During the year ended December 31, 2009 the Company incurred G&A charges of $1,710,173 up 19% from the $1,434,148 incurred during the year ended December 31, 2008. The main reason for the change was that, given the broad global review and ranking of prospects in 2009, the Company had no G&A costs during this period that were capitalized as none were attributable to capital projects. G&A costs before capitalization have decreased 25% to $1,710,173 incurred in the year ended December 31, 2009 compared with $2,291,126 in the year ended December 31, 2008. The decrease in net G&A is due to managements strict cost control and looking at ways to achieve the same, or better results while controlling the G&A spending.

STOCK BASED COMPENSATION EXPENSE

The Company recorded $245,237 in stock based compensation for the year ended December 31, 2009 compared to $284,752 recorded in the year ended December 31, 2008. The reduced stock based compensation expense is due to the effect of 956,200 options being forfeited or expiring and grants of 2,875,000 options with lower fair values.

DEPLETION AND AMORTIZATION

Depletion and amortization for the year ended December 31, 2009 was $19,674 as compared to the $241,134 recorded in the year ended December 31, 2008. The dramatic reduction is due to the elimination of all depletion with the sale of the Trutch property.

P & NG PROPERTY IMPAIRMENT

During 2009, the Company impaired the outstanding balance of the value on EL-423 in the Northwest Territories ($342,398) The Company also impaired the value of the Tulita property in the Northwest Territories ($3,992,968) as the Company is in the process of releasing all of the Tulita parcels of lands. We believe that, given the poor outlook for natural gas prices into the future and the costs associated with exploration in the Northwest Territories we would better serve our shareholders by preserving our capital for other higher return investments. In the Northwest Territories, the Company is retaining only lands that are held by a significant discovery license which have no continuing holding costs attributable to them. During 2008 the Company wrote off the majority of the costs associated with Northwest Territories EL-423 and the western Canada assets due to the disappointing drilling results.

TAXES

The Company has a future income tax asset of $ nil at December 31, 2009 (December 31, 2008 – $ nil) and the Company recorded a valuation allowance at December 31, 2009 of $1,609,131 (December 31, 2008 – 186,938). The Company has $9,756,112 in tax pools and $3,934,073 in non capital losses available to reduce future taxes. The Company does not expect to be taxable in 2010.

CAPITAL EXPENDITURES

Unproven petroleum and natural gas properties	Dec 31, 2008	Additions and adjustments	Impairment	December 31, 2009
Northwest Territories prospects	$ 7,539,476	$ (19,983)	$ 342,938	$ 7,176,555
Tulita prospects	3,940,463	52,505	3,992,968	-
Western Canada	-	29,750	-	29,750
Total	$ 11,479,939	$ 62,272	$ 4,335,906	$ 7,206,305
Accumulated depletion				
Western Canada	-	-	-	-
Total	-	-	-	-
Net carrying values P&NG properties	$ 11,479,939	$ 62,272	$ 4,335,906	$ 7,206,305

During the year ended December 31, 2009, the Company received credits from the operator of the wells drilled in the Northwest Territories during 2008 and incurred some land retention costs relating to the Western Canadian land holdings. The Company has been very methodical at minimizing our ongoing costs and only retaining those assets that have low or no holding costs and still have potential to have future economic benefit to the PRD Energy shareholder.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of the International Financial Reporting Standards (“IFRS”) will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada’s current GAAP for those enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the fiscal year of 2010. The Company has commenced the IFRS conversion project. The Company has identified major differences between current Canadian GAAP and IFRS and is currently performing impact analysis and evaluation of these differences.

It has been determined that accounting for property plant and equipment ("PP&E"), will be impacted by the conversion to IFRS, including accounting for and assessing depletion and impairment. PRD Energy has assessed the impact of the change to IFRS and, due to the current size of the balance sheet and the number of items in PP&E has determined that the impact to the Company is less significant than the impact to its peers. There still are a number of areas that will affect the Company and we are working to streamline the changeover in these areas. Through 2010, as PRD Energy records transactions we will ensure that all information will be IFRS compliant.

First Time Adoption of IFRS

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 at the unit of account level based on the Corporation's reserve volumes or reserve values as of the date of conversion. This exemption will relieve the Corporation from retrospective application of IFRS for its oil and gas assets. The Corporation currently anticipates that this exemption will be used. In addition to policy differences PRD Energy's transition to IFRS will impact internal controls over financial reporting, the disclosure controls and procedures and IT systems as follows:

- Internal controls over financial reporting – An assessment will be made to determine changes required for internal controls over financial reporting. An example is additional controls will be implemented for the determination of exploration activities and their potential reclassification to PP&E. We will continue this process through 2010 to ensure all changes in accounting policies include the appropriate controls and procedures for upcoming IFRS reporting requirements.
- Disclosure controls and procedures – PRD Energy will be continually assessing stakeholders' information requirements and will ensure that adequate and timely information is provided so that all stakeholders are kept informed.
- IT systems – PRD Energy is confident that the majority of their systems are ready for IFRS reporting. The Company's accounting system provider has been working on updates and modifications to their system for quite some time now, however PRD Energy feels that we would be able to meet all the IFRS requirements with the system as it is currently. Any future enhancements will only simplify the process.

NORTHWEST TERRITORIES CASH DEPOSITS

During the year ended December 31, 2009 the Company replaced all the letters of credit that were securing the Northwest Territories work commitments and the deposit with the Energy Resources Conservation Board with cash deposits as the costs of the letters of credit were exceeding the interest earned on the term deposits. At December 31, 2009 the Company has refundable deposits of $389,823 (December 2008 - $962,301) of which $49,230 (December 2008 – $21,799) is a deposit with the Energy Resources Conservation Board, $12,468 (December 2008 – nil) is a deposit on new office space and the balance relates to work commitments on the Northwest Territories license. Under the terms of the license the Company has a deposit of $328,125 (December 2008 - $940,502) to cover the work commitments made by the Company on the license. To the extent eligible expenditures are incurred the deposit 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 deposit relating to the unexpended work commitment. This forfeiture would completely satisfy all obligations on the license. During 2009, the expiry periods were extended by one year. With this extension the Company, along with partners, is required to drill a well on the license before the expiry of period 1 (now May 9, 2011) and, before the end of period 2 (now May 9, 2015), 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. At this time we do not believe that we will drill during the period 1 timeframe and are exploring other options to release the deposit.

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

SUMMARY OF QUARTERLY RESULTS

2009	31-Dec-09	30-Sept-09	30-June-09	31-Mar-09
Production				
Oil bbls/d	0	0	0	0
Gas mcf/d	0	0	0	0
BOE bbls/d	0	0	0	0
Revenue $	0.00	0.00	0.00	0.00
Net loss $	(5,050,665)	(477,300)	(465,207)	(291,051)
Loss per share $	(0.05)	(0.00)	(0.00)	(0.00)
Funds used in operations $	(640,252)	(416,816)	(380,907)	(292,396)

2008	31-Dec-08	30-Sept-08	30-June-08	31-Mar-08
Production				
Oil bbls/d	0	0	4.5	6.0
Gas mcf/d	0	0	412.2	282.7
BOE bbls/d	0	0	39.3	53.1
Revenue $	0.00	0.00	0.00	0.00
Net income (loss) $	(3,943,538)	584,428	(510,611)	(156,716)
Income (loss) per share $	(0.04)	0.00	(0.00)	(0.00)
Funds from (used in) operations $	(146,487)	(149,501)	(120,251)	55,322

The increase in the net loss is a result of the further impairment of the properties in the Northwest Territories, coupled with no capitalization of any general and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2009 the Company had working capital of $18,107,153 (Current assets of $19,214,105 less current liabilities of $1,106,952) as compared to working capital of $19,355,412 (Current assets of $20,230,641 less current liabilities of $875,229) as at December 31, 2008. The Company also has $328,125 (December 2008 - $940,502) lodged as security against refundable deposits in the Northwest Territories and $49,230 (December 2008 – $21,799) with the Energy Resources Conservation Board and a deposit on new office space of $12,468 (2008 – nil)

SHARE CAPITAL

	April 9, 2010	**December 31, 2009**	December 31, 2008
Common shares outstanding, end of year	**109,789,946**	**109,789,946**	109,789,946
Common share purchase warrants	**-**	**-**	26,159,444
Stock options	**7,510,000**	**7,510,000**	5,591,200

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

There were no related party transactions during the year ended December 31, 2009. During the year ended December 31, 2008 there was a finders' fee of $12,000 paid to a relative of an officer and director and $1,200 paid to relatives of officers and/or directors of the Company for secretarial services. All amounts were in the normal course of business and under the same terms and conditions as unrelated parties. These transactions were all in the normal course of operations and undertaken with the same terms and conditions as transactions with unrelated parties.

RISKS AND UNCERTAINTIES

The international oil and gas industry is exposed to a variety of risks which include the uncertainty of finding reserves in commercial quantities, developing and marketing those reserves, availability of drilling and related equipment, commodity and exchange rates and changes in government regulations. The industry is very competitive and PRD Energy could be competing against companies that are much larger.

PRD Energy continually works to mitigate these risks by searching for exploitation, rather than exploration, opportunities, employing highly skilled and motivated personnel, limiting our search to politically stable regions and regions that we feel can benefit from the experience of our management team and evaluating the use of current technology to enhance methods and control costs. PRD Energy maintains a corporate insurance program consistent with industry practice to protect against losses due to accidental destruction of assets, well blowouts and other operating accidents and disruptions. The Company continually reviews counterparty risk.

The international oil and gas industry is subject to extensive and varying environmental regulations imposed by governments related to the protection of the environment. PRD Energy is committed to operating safely in an environmentally sensitive manner to safeguard the health and welfare of its employees, contractors, suppliers and the public in every area of its operations.

As PRD Energy moves into, and starts operations in the international arena we will experience foreign exchange gains and losses as the operating currency of these operations will not be the Canadian dollar. PRD Energy anticipates it may be exposed to currency fluctuations including the United States dollar, the Euro and possibly others. PRD Energy may also be exposed to documentation and agreements written in languages other than English.

PRD Energy is also exposed to some specific risks on its current Canadian holdings. These risks include:

Mackenzie Valley Pipeline

The Company's major oil and gas asset is located in the Mackenzie Valley of the Northwest Territories. Although gas and natural gas liquids have been encountered in the Company's exploration program, these assets are currently stranded. In order to extract these resources, the Mackenzie Valley Pipeline will have to be constructed. The Canadian federal Government is supporting the project although there are no specific plans by the Government or industry. This, along with the natural gas futures and the downturn in the economy has increased the risk of this project being brought to commercial viability. The Company is currently exploring its options with these assets.

Seasonable Accessibility

The Company's remaining oil & gas assets are located in the Northwest Territories, much of which is winter only access, thus limiting the time available to develop these assets.

At December 31, 2009, the Company had $328,125 of term deposits posted as security against its remaining Northwest Territories work expenditure commitments. To the extent that expenditures are not incurred within the periods allowed, the Company would forfeit its proportionate share of any remaining deposits relating to the unexpended work commitment. The Company's partners are investigating opportunities to fulfill the requirements of EL 441.

CURRENT MARKET CONDITIONS

Current economic uncertainty and the existence of financial market volatility may have an adverse impact on the Company's access to future debt and equity financing, operations financial condition, liquidity and future prospects. The substantial softening in commodity prices that commences in late 2008 has reversed to some degree. There is no certainty that this recovery will continue. In the event of significant future commodity price declines, some or all of the Company's prospects that it is currently evaluating may not be economically viable.

The long term ability of the Company to develop the prospects it is currently evaluating will be largely dependent on the availability of capital. This capital may be sourced through the debt, equity or capital markets. Shareholders and lenders have become increasingly cautious about investing in commodity based companies. The Company feels confident that with the nature of the prospects we are pursuing and the potential returns that we will continue to be able to attract the appropriate capital when required.

CRITICAL ACCOUNTING POLICY

The preparation of the Company's financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as well as the reported expenses during the reporting period. Such estimates and assumptions affect the determination of the potential impairment of long-lived assets, estimated costs associated with reclamation of exploration properties, and the determination of stock-based compensation and future income taxes. Management re-evaluates its estimates and assumptions on an ongoing basis; however, due to the nature of estimates, actual amounts could differ from its estimates. The most critical accounting policies upon which the Company depends are those requiring estimates of impairment, assumption about fair value and future income taxes.

INTERNAL DISCLOSURE CONTROLS

In accordance with Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, the Company's Chairman and Chief Executive Officer and Chief Financial Officer (Officers) have designed, or have caused to be designed under their supervision, disclosure controls and procedures. The Company's Officers are responsible for establishing and maintaining internal controls and procedures for the Company, designed to provide reasonable assurance that material information relating to the Company is made known to the Officers by others within the organization, particularly during the period in which the Company's year-end financial statements and MD&A are being prepared. The Officers have evaluated the effectiveness of the Company's internal controls and procedures as defined in Multilateral Instrument 52-109 for the year ended December 31, 2009. Based on this evaluation, they have concluded that such controls and procedures are effective in conveying the required information to the Officers, particularly in light of the Company's size, structure and stage of development. Management is currently in the process of formalizing the internal controls and procedures. These internal controls and procedures, no matter how well conceived or operated, can provide only reasonable, not absolute assurance, that the objectives are met. Management is aware that in-house expertise to deal with complex taxation, accounting and reporting issues may not be sufficient. The Company utilizes outside assistance and advice on complex financial, taxation and reporting issues, which is common with companies of a similar size. We have assessed the design of our internal control over financial reporting and during this process we identified potential weaknesses in internal controls over financial reporting which are as follows:

- Due to the limited number of staff at the Company it is not feasible to achieve complete segregation of incompatible duties. The Company has mitigated this weakness in controls by adding management review procedures over the areas where segregation is an issue.

· The Company does not retain staff with specialized and current income tax, financial reporting and complex accounting expertise. The Company reports current and future income tax expenses and liabilities and other complex accounting calculations based on management's estimates and relies on reviews by management, external consultants and on the audit committee for quality assurance.

As a result of our assessment of the design of our internal control over financial reporting, we conclude that there is only a remote likelihood that a material misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of a material misstatement in financial reporting; however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.