

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the financial statements of Pacific Rodera Energy Inc. ("Pacific Rodera" or the "Company") as at and for the three months ended March 31, 2009 and for the year ended December 31, 2008. Information in this MD&A has been presented in Canadian Dollars and in accordance with Canadian generally accepted accounting principles ("GAAP"), unless otherwise stated.

This MD&A is dated May 26, 2009.

The calculation of barrels of oil equivalent ("BOE") is based on a conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil. This ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Readers are cautioned that BOEs may be misleading, particularly if used in isolation.

This MD&A contains the term "cash flow from operations", which is determined before changes in non-cash working capital and should not be considered an alternative to, or more meaningful than, "cash flow from operating activities" as determined in accordance with GAAP. Pacific Rodera's determination of cash flow from operations may not be comparable to that reported by its peers. The Company also presents cash flow from operations on a per share basis whereby per share amounts are calculated using weighted average shares outstanding in a manner consistent with the calculation of earnings per share on a fully diluted basis.

Forward-Looking Information Disclaimer

Certain information included in this MD&A constitutes forward-looking statements under applicable securities legislation. Forward-looking statements or information typically contain or can be identified by statements that include words such as "anticipate", "assume", "based", "believe", "can", "continue", "depend", "estimate", "expect", "forecast", "if", "intend", "may", "plan", "project", "propose", "result", "upon", "will", "within" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this document include but are not limited to estimates of future capital expenditures, capital raising, business strategy and objectives, exploration, development and production plans and the timing thereof, operating and other costs.

Such forward-looking statements or information are based on a number of assumptions that may prove to be incorrect. Assumptions have been made regarding, among other things: the ability of the Company to obtain required capital to finance its exploration, development and operations; the ability of the Company to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out its activities; the ability of the Company to market its oil and natural gas successfully to current and new customers; the ability of the Company to transport its oil and natural gas successfully to market; the timing and costs of the Mackenzie Valley pipeline and facility construction and expansion and the ability of the Company to secure adequate product transportation; the ability of the Company to enjoy drilling success consistent with expectations; the timely receipt of required regulatory approvals; and future oil and gas prices.

Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties that could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking statements or information.

Basis of Presentation

The Company was formed by the amalgamation in British Columbia of Pacific Royal Ventures Ltd. ("Pacific") and Rodera Diamond Corp. ("Rodera") (collectively the "Amalgamating Companies"), pursuant to an Amalgamation Agreement dated effective as of March 1, 1999, under the name "Pacific Rodera Ventures Inc." Each of the Amalgamating Companies were involved in the acquisition, exploration and development of resource properties. The common shares of Pacific and Rodera were exchanged for common shares of the Company on the basis of five (5) Pacific common shares for each Company common share and eight (8) Rodera common shares for each Company common share. On June 21, 2004, Pacific Rodera Ventures Inc. changed its name to Pacific Rodera Energy Inc.

The Company is natural resource exploitation company focused to seek rewards from exploitation success, being cost conscious while the management and employees are at risk to the outcome of the Company, thus keeping them aligned as closely as possible to the shareholders. In this regard, the Company intends to encourage the maintenance of high levels of employee ownership of the Company. The management team has invested a significant portion of its net worth in the Company. To date, directors and officers of the Company have invested approximately \$12 million in Pacific Rodera and hold, directly or indirectly, approximately 25% of the common shares.

In addition to the above the Company is looking for acquisition candidates with production and significant development upside that the Company can then leverage with its capital. Management believes that many public and private oil and gas companies are not currently well capitalized, and that access to capital will be very difficult for most companies in the near to mid-term. The Company is exploring potential acquisitions and farm-ins that represent large working interests as operators in a limited number of core areas with large contiguous land positions. The Company expects to attract companies and partners who are of like mind to build a mid-size exploration and development Company.

In December 2007, the board of directors of the Company resolved to change the financial year-end of the Company from November 30 to December 31 in order to have a financial year-end consistent with that of the majority of other issuers in the oil and gas industry and facilitate third party analysis by having the Company's financial results reported in the same periods as most of its peers. Readers are referred to the Company's Financial Statements for the twelve month period ended December 31, 2007 and the twelve month periods ended December 31, 2008 available at www.sedar.com.

SELECTED INFORMATION

Periods ended	Three months	Twelve months ended
	ended March 2009	December 2008
Total assets	\$ 33,402,323	\$ 33,781,330
Revenue	-	477,211
Net loss	(291,051)	(6,828,608)
Net loss per share (basic and diluted)	\$ (0.00)	\$ (0.06)

(\$ per BOE)

Three months ended	March 31	March 31	%	March 31	March 31	%
	2009	2008	change	2009	2008	change
Gross revenue	\$ -	\$ 247,515	(100)	\$ -	\$ 51.18	(100)
Royalties	-	24,103	(100)	-	4.98	(100)
Production and operating expenses	-	53,556	(100)	-	11.07	(100)
Operating Netback	-	169,856	(100)	-	35.12	(100)
General and administrative expenses	386,096	343,528	12	-	71.03	(100)
Interest expense	-	4,469	(100)	-	0.92	(100)
Asset retirement obligation	-	(356)	(100)	-	(0.07)	(100)
Interest income	(93,700)	(233,107)	(60)	-	(48.20)	(100)
Funds from Operations	(292,396)	55,322	(629)	-	11.44	(100)
Depletion and amortization	3,760	95,573	(96)	-	19.76	(100)
Future income tax recovery	(46,965)	(1,314,298)	(96)	-	(271.76)	(100)
Asset write down	-	4,109,470	(100)	-	849.72	(100)
Stock based compensation expense	41,860	123,463	(66)	-	25.53	(100)
Net loss	\$ (291,051)	\$(2,958,886)	(90)	\$ -	\$ (611.81)	(100)

RESULTS OF OPERATIONS

For the three months ended March 31, 2009 the Company reported net loss of \$291,051 (\$0.00 per share) compared to a net loss of \$2,958,886 (\$0.03 per share) during the three months ended March 31, 2008. In the first three months of 2008 the Company wrote off the book value of Northwest Territories EL-423 due to the disappointing drilling results. The Company is continuing its approach of evaluating opportunities as the economy continues to stumble. While the Company believes this approach will have significant upside for the Company's shareholders during the longer term, it incurs costs in the near term.

Funds of \$292,396 were used for operations for the three months ended March 31, 2009 compared to funds from operations of \$55,322 for the three months ended March 31, 2008. The change is the result of the sale of the Trutch property and the resulting reduction of revenue coupled with the increased general and administrative costs.

PRODUCTION, PRICING AND REVENUE

	Three months ended		
	<u>March 31, 2009</u>	<u>March 31, 2008</u>	<u>% change</u>
Natural Gas			
Average Daily Production (mcf/d)	-	282.7	(100)
Average Sales Price (\$/mcf)	-	8.07	(100)
Natural Gas Revenue net of transportation (\$000's)	-	207.5	(100)

Oil & NGLs			
Average Daily Production (bbl/d)	-	6.0	(100)
Average Net Sales Price (\$/bbl)	-	72.94	(100)
Oil & NGLs Revenue net of transportation (\$000's)	-	40.0	(100)
Barrels of Oil Equivalent (6:1)			
Average Daily Production (boe/d)	-	53.1	(100)
Average Sales Price (\$/boe)	-	51.18	(100)
Total Oil & Gas Revenue net of transportation (\$000's)	-	247.5	(100)

Daily production for the three months ended March 31, 2009 was 0.0 BOE/d compared to 53.1 BOE/d (282.7 MCF/d gas and 6.0 BBL/d oil) recorded in the three months ended March 31, 2008. The large drop is due to the sale of the Trutch property on May 29, 2008. Oil and gas revenue for the three months ended March 31, 2009 was nil compared to \$247,515 (\$207,537 gas and \$39,978 oil) for the three months ended March 31, 2008. The large drop is due to the sale of the Trutch property.

HEDGING

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

ROYALTIES

Royalties for the three months ended March 31, 2009 were nil down 100% from the \$24,102 recorded in the three months ended March 31, 2008. The royalties were lower due to the sale of the Trutch property. The average royalty rate for the three months ended December 31, 2009 was nil, compared 9.7% for the three months ended March 31, 2008.

Three months ended	March 2009	March 2008	% Change
Crown	\$ 0	\$ 23,001	(100)
Freehold & overriding	0	1,101	(100)
Total Royalties	\$ 0	\$ 24,102	(100)
Per BOE	\$ 0.00	\$ 4.98	(100)
Percent of total revenue	0.0%	9.7%	n/a

PRODUCTION AND OPERATING EXPENSES

Production and operating expenses for the three months ended March 31, 2009 were nil down 100% from the three months ended March 31, 2008 expenses of \$53,556. The sale of the Trutch property is the reason for the elimination of the operating costs

GENERAL AND ADMINISTRATIVE EXPENSES

During the three months ended March 31, 2009 the Company incurred G&A charges of \$386,096 up 12% from the \$343,528 incurred during the three months ended March 31, 2008. The main reason for the change was that, in the three months ended March 31, 2009, the Company had no G&A costs that were directly attributable to any capital projects. This resulted in no capitalizing of any G&A during this period. G&A costs before capitalization have decreased 20% to \$343,528 incurred in the first three months 2009 compared with \$569,655 in the same period in 2008.

The Company continues to be active in a number of areas while being very conscious of trying to keep control on the G&A costs. The main activities were:

Saskatchewan TLE Process

The Company now has Memorandums of Understanding (MOU's) with four First Nations bands (The Bands) in Saskatchewan which allows the Company exclusive rights to explore on lands that The Bands acquire under the Treaty Land Entitlement Act. (TLE) Under the terms of

the TLE, The Bands have the right to add land to their reservation that need not be contiguous to their existing reservation. The start of the process is for The Bands to place an 18 month moratorium on the land and then work through the process to turn the land into their reservation. To date The Bands have placed the 18 month moratorium on 74,720 acres in south east Saskatchewan surrounding the Bakken play and 56,960 acres in southwest Saskatchewan surrounding the Shaunavon play amounting to a total of 131,680 acres of land surrounding two of the most active plays in Saskatchewan. One of the requirements of the TLE process for The Bands to acquire the subsurface rights is that they first have to acquire the surface rights from the present land owners. Due to this the Company expects the actual land acquired to be less than the full amounts listed above.

The Company has been very active with the First Nations bands and the respective governmental agencies and has made progress at working through the issues with these groups. As a result of this the Governmental agencies are supportive of the agreements with the First Nations and are assisting the Company to work through the process.

International Opportunities

The Company has been very active pursuing a number of international opportunities with one of them making substantial progress. The Company has set up a Branch Office in one of the Free Trade zones in the Middle East and is currently being reviewed for approval to operate by the government of a Middle East country. Once approval is granted the Company will be able to do a detailed review of the concessions available to determine if they meet the Company's objectives.

Investment Opportunities.

The Company anticipated the current downturn and has spent 2008 preparing for it. The Company disposed of our producing property while the market was still strong and we have preserved our cash, waiting for the right time to re-enter the market. The Company has been evaluating numerous potential opportunities, both domestic and international to see if they meet our criteria. With the recent changes in the market the Company is starting to see potential opportunities that come close to our criteria and are further researching these opportunities. We expect our focus on these will intensify over the next year.

STOCK BASED COMPENSATION EXPENSE

The Company recorded \$41,860 in stock based compensation for the three months ended March 31, 2009 compared to \$123,463 recorded in the three months ended March 31, 2008. The reduced stock based compensation expense is due to the effect of 181,200 options being forfeited and only 400,000 options granted during 2008. There were no options issued during the three months ended March 31, 2009.

INTEREST AND OTHER INCOME

During the three months ended March 31, 2009 the Company earned \$93,700 in interest and other income compared to \$233,107 in the three months ended March 31, 2008. The reduction is due to lower interest rates and slightly lower deposits, on balance, during 2009. The cash was raised in the private placements on December 5, 2006, January 8, 2007, March 2, 2007 and September 5, 2007. The Company holds the funds in secure term deposits, bankers acceptances or T-bills and has not invested in any asset backed commercial paper or any other higher risked securities. At the end of March 2009 the Company had \$21.4 million on hand to fund future operations or acquisitions.

The Company also holds term deposits in the amount of \$349,925 as security for the work commitments in the Northwest Territories and deposits with the Alberta Energy Utilities Board, on which it also earns interest.

DEPLETION AND AMORTIZATION

Depletion and amortization for the three months ended March 31, 2009 was \$3,760 down 96% from the \$95,573 recorded in the three months ended March 31, 2008. The dramatic reduction is due to the elimination of all depletion with the sale of the Trutch property.

P & NG PROPERTY IMPAIRMENT

In 2008 the Company wrote off the costs associated with Northwest Territories EL-423 and the western Canada assets due to the disappointing drilling results. On May 29, 2008 the Company closed the sale of the NE British Columbia Trutch property for \$2,200,000 cash and removed the assets, accumulated depletion and asset retirement obligations from the financial records. The net proceeds from the sale were lower than the net carrying costs of the property by \$208,985.

TAXES

The Company has a future income tax asset of \$ nil at March 31, 2009 compared to a liability of \$136,639 at March 31, 2008. The Company recorded a valuation allowance at March 31, 2009 of \$12,844 (March 31, 2008 – nil). The large change in the future tax liability is a result of the write off of the costs associated with EL-423 and the Western Canada assets in 2008. The increase in the valuation allowance is due to the reduced probability of being able to utilize the tax losses. The Company has \$9,986,876 in tax pools and \$2,153,471 in non capital losses available to reduce future taxes. The Company does not expect to be taxable in 2009.

CAPITAL EXPENDITURES

Petroleum and natural gas properties	Dec 31, 2008	Additions	Disposals	March 31, 2009
Northwest Territories prospects	\$ 7,539,476	\$ 2,218	\$ -	\$ 7,541,694
Tulita prospects	3,940,463	-	-	3,940,463
Western Canada	-	14,465	-	14,465
Total	\$ 11,479,939	\$ 16,683	\$ -	\$ 11,496,622
Accumulated depletion				
Western Canada	\$ -	-	-	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Net carrying values P&NG properties	\$ 11,479,939	\$ 16,683	\$ -	\$ 11,496,622

During the three months ended March 31, 2009 the Company paid lease retention costs relating to the western Canada land holdings and a few late costs relating to the Keele River L-52 well.

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 Rodera 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.

Northwest Territories 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 three months 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

SUMMARY OF QUARTERLY RESULTS

	<u>31-Mar-09</u>	<u>31-Dec-08</u>	<u>30-Sept-08</u>	<u>30-June-08</u>	<u>31-Mar-08</u>	<u>One month</u> <u>31-Dec-07</u>	<u>30-Nov-07</u>
Production							
Oil bbls/d	0	0	0	4.5	6.0	4.7	6.3
Gas mcf/d	0	0	0	412.2	282.7	297.6	329.4
BOE bbls/d	0	0	0	39.3	53.1	54.3	61.2
Revenue \$	0.00	0.00	0.00	0.00	247,515	74,651	219,300
Net income (loss) \$	(291,051)	(3,943,539)	584,428	(510,611)	(2,958,886)	(156,716)	(391,672)
Income (loss) per share \$	(0.00)	(0.04)	0.01	(0.00)	(0.03)	(0.00)	(0.00)
Funds from (used in) operations \$	(292,396)	(146,487)	(149,501)	(120,251)	55,322	(12,786)	153,527

The large change in the net loss for the three months ended March 31, 2009 is a result of the write down of the Western Canadian assets in 2008. The funds used in operations is higher as the Company is not capitalizing any of the G&A costs in the three months ended March 31, 2009.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2009 the Company had working capital of \$20,708,726 (Current assets of \$21,501,104 less current liabilities of \$792,378) as compared to working capital of \$20,679,808 (Current assets of \$22,802,079 less current liabilities of \$2,122,271) as at March 31, 2008. The Company also has \$328,125 (March 2008 - \$944,740) lodged as security against refundable deposits in the Northwest Territories and \$21,800 (March 2008 – nil) with the Energy Resources Conservation Board.

SHARE CAPITAL

	March 31, 2009	December 31, 2008
Common shares outstanding, end of period	109,789,946	109,789,946
Common share purchase warrants	-	26,159,444
Stock options	5,410,000	5,591,200

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements.

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 three months 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.

BUSINESS RISKS

Companies engaged in the oil and gas industry are exposed to a number of business risks, which can be described as operational and financial risks, many of which are outside of Pacific Roderer's control.

Oil and Natural Gas Price Volatility

Operational results and financial condition are in part dependent on the prices received for oil and natural gas production. Oil and natural gas prices, which have fluctuated dramatically in recent years, are subject to supply and demand factors, general economic conditions, weather, geo-political issues and condition in other oil and gas regions. Declines in oil and gas prices could have an adverse effect on our operations, reserves and financial condition and could result in a reduction in production revenue which could lead to a reduction in our oil and gas acquisition and development activities. Under the full cost accounting principle followed by Pacific Roderer, a decline in prices would also lead to a write down of our asset base if the carrying value of the capitalized costs were to exceed the expected future cash flows from those assets.

Mackenzie Valley Pipeline

One of the Company's major assets 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. Pacific Roderer is encouraged with the recent proposals by TransCanada Pipelines Limited to spearhead the development of the proposed Mackenzie Valley gas pipeline. We believe that TransCanada, as a common carrier with strong motivation to backfill production on its existing pipeline, could provide the necessary impetus required to initiate this very important project. All of these augers well for Pacific Roderer and the possibility of bringing to commerciality our significant gas discoveries. During the three months ended March 31, 2009, the Canadian federal government indicated that it will offer financial support to the Mackenzie Valley pipeline. The Company is encouraged by this announcement as it will enhance all projects in the Northwest Territories, including those of the Company.

Exploration Risks

The exploration of the Company's oil and gas properties involves a high degree of risk that no production will be obtained or that the production obtained will be insufficient to recover drilling and completion costs. The costs of drilling, completing and operating wells are uncertain to a degree. Cost overruns can adversely affect the economics of the Company's exploration programs and projects. In addition, the Company's drilling plans may be curtailed, delayed or cancelled as a result of numerous factors, including, among others, equipment failures, weather or adverse climate conditions, shortages or delays in obtaining qualified personnel, shortages or delays in the delivery of or access to equipment, necessary regulatory or other third party approvals and compliance with regulatory requirements.

Operational Matters

The ownership and operation of oil and natural gas wells, pipelines and facilities involves a number of operating and natural hazards that may result in blowouts, environmental damage and other unexpected or dangerous conditions resulting in damage to the Company's properties and possible liability to third parties. The Company employs prudent risk management practices and maintains suitable liability insurance, where available. The Company may become liable for damages arising from such events against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. Costs incurred to repair such damage or pay such liabilities could have a material adverse effect on the Company, its operations and financial condition.

Availability of Equipment and Qualified Personnel and Related Costs

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment and qualified personnel in the particular areas where such activities will be conducted. Demand for such limited equipment and qualified personnel may affect the availability of such equipment and qualified personnel to the Company and may delay the Company's exploration and development activities. In addition, the costs of qualified personnel and equipment in the Northwest Territories where the Company's assets are located are very high due to the availability of, and demands for, such qualified personnel and equipment in the area.

Seasonable Accessibility

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

Economics of Reserves

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive, but do not produce sufficient net operating income to return a profit after incurring drilling, completion, equipping and operating costs. Completion of a well does not assure a profit or even the recovery of the capital investment made in that well. In addition, drilling hazards or environmental damage could greatly increase the costs of operations and field operation conditions may adversely affect the production from successful wells. Operating conditions include delays in obtaining government approvals or consents, shut-in of producing wells due to weather conditions, insufficient storage and transportation capacity or other mechanical conditions. While diligent well supervision and maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operations cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In order to mitigate these risks, the Company has an experienced base of qualified personnel, both technical and financial, and

maintains an insurance program that is consistent with industry standards.

At December 31, 2008, the Company had \$940,502 of term deposits posted as security against its remaining Northwest Territories work expenditure bids. 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, along with partners has drilled two wells which will fulfill the requirements on EL 423 and is confident that it will meet the requirements of EL 441.

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

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 three month and 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, 2008. 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.