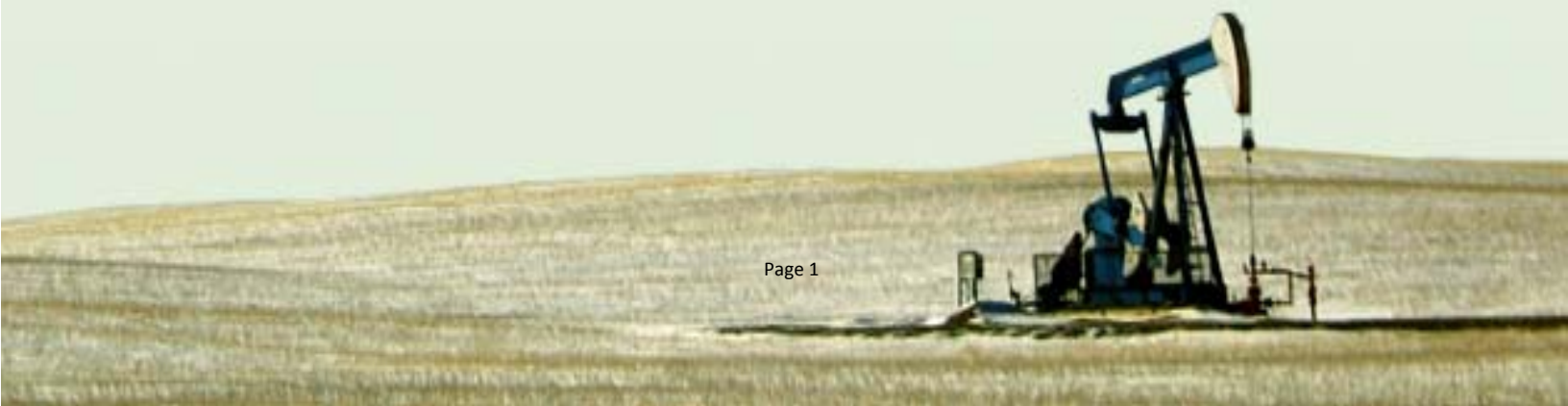




GALE FORCETM PETROLEUM

Management's Discussion and Analysis
For the Period Ended March 31, 2009



Management's Discussion and Analysis

For the quarter ended March 31, 2009

Prepared as at May 31, 2009

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BASIS OF PRESENTATION

Throughout this document, Gale Force Petroleum Inc. is referred to as “Gale Force Petroleum”, “we” or the “Corporation”. This management’s discussion and analysis of the financial condition and results of operations (“MD&A”) describes our business, the business environment, our vision and strategy as well as the critical accounting policies used in our Corporation that will help you understand our financial statements, the principal factors affecting the results of operations, and liquidity and capital resources. This discussion should be read in conjunction with the Corporation’s audited annual financial statements, including the notes, for the fiscal years 2008, 2007 and 2006. Gale Force Petroleum’s accounting policies are in accordance with Canadian generally accepted accounting principles (“GAAP”). All dollar amounts are in Canadian dollars unless otherwise indicated. Except as otherwise specified, references to the period or quarter indicate the quarter ended March 31, 2009, and all comparisons are to the same quarter in the previous year.

FORWARD-LOOKING STATEMENTS

All statements in this MD&A that do not directly and exclusively relate to historical facts constitute “forward-looking statements”. These statements represent Gale Force Petroleum’s intentions, plans, expectations and beliefs, and are subject to risks, uncertainties and other factors, of which many are beyond the control of the Corporation. These factors could cause actual results to differ materially from such forward-looking statements. These factors include and are not restricted to general economic and business conditions, industry conditions, volatility of commodity prices, currency exchange rate fluctuations, imprecision of reserve estimates, environmental risks, competition from other explorers, stock market volatility, the ability to access sufficient capital, the timing and size of new contracts, acquisitions and other corporate developments, the ability to attract and retain qualified employees, contractors, managers and members of the board, and other risks identified in the MD&A, as well as assumptions regarding the foregoing. The words “believe,” “estimate,” “expect,” “intend,” “anticipate,” “foresee,” “plan,” and similar expressions and variations thereof, identify certain of such forward-looking statements, which speak only as of the date on which they are made. In particular, statements relating to future performance are forward-looking statements. Gale Force Petroleum disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on these forward-looking statements. You will find more information about the risks that could cause our actual results to significantly differ from our current expectations in the Risks and Uncertainties section.

DISCLOSURE CONTROLS AND PROCEDURES

Management has designed such disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to us by others, particularly during the period covered by this quarterly report. We have designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Management has evaluated the effectiveness of the Corporation’s disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the Corporation to disclose in this MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation. Management has concluded that the disclosure controls and procedures are effective.



INTERNAL CONTROL OVER FINANCIAL REPORTING

During the period, the Company updated its financial control policies as part of a process of continuous improvement. These changes continue to ensure the quality and integrity of records and accounting as well as improving the timeliness of financial information.

NON-GAAP MEASURES

This document contains the terms “Adjusted EBITDA”, “Gas Netback” and “Oil Netback”, which do not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures by other companies. Adjusted EBITDA, Gas Netback and Oil Netback are used by Gale Force Petroleum as key measures of performance. Adjusted EBITDA and Oil Netback are not intended to represent operating profits or loss nor should they be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP. “Adjusted EBITDA” is the Corporation’s earnings or losses after cash operating expenses, or conversely, before non-cash operating expenses, including financial expenses, taxes, write-off of deferred development costs, stock-based compensation expense, depletion, depreciation and amortization. Adjusted EBITDA is used as management believes that this measure provides better visibility of our cash requirements and/or our ability to generate cash, exclusive of capital investments, exclusive of the costs to finance our activities and exclusive of income taxes. A reconciliation of this item to its closest GAAP measure may be found below. “Gas Netback” or “Oil Netback” is the average sales price of gas or oil less royalties, production taxes, transportation and selling expenses and production expenses. The Gas Netback or Oil Netback is used by management as a measure to provide better visibility of the efficiency our operations and their ability to generate cash, exclusive of capital investments, exclusive of the costs to finance our activities and exclusive of income taxes. A reconciliation of this item to its closest GAAP measure may be found herein. These non-GAAP financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. They should be considered as supplemental in nature and not a substitute for the related financial information prepared in accordance with GAAP.

CRITICAL ACCOUNTING ESTIMATES

Management is required to make judgments, assumptions and estimates in the application of generally accepted accounting principles that have a significant impact on the financial results of the Corporation. Capitalized costs relating to the exploration and development of oil and gas reserves, along with estimated future capital expenditures required in order to develop proved and probable reserves, are depleted and depreciated on a unit-of production basis using estimated proved reserves. The carrying value of property, plant and equipment is reviewed at least annually for impairment. Impairment occurs when the carrying value of the assets is not recoverable by the future undiscounted cash flows. The cost recovery ceiling test is based on estimates of proved reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material. Liability recognition for asset retirement obligations associated with oil and gas well sites and facilities are determined using estimated costs discounted based on the estimated life of the asset. These capitalized costs are amortized on a unit-of-production basis, consistent with depletion and depreciation. Over time, the liability is accreted up to the actual expected cash outlay to perform the abandonment and reclamation. In order to recognize stock-based compensation expense, the Corporation estimates the fair value of stock options granted using assumptions related to interest rates, expected life of the option, volatility of the underlying security and expected dividend yields. These assumptions may vary over time. The determination of the Corporation’s income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability (or asset) may differ significantly from that estimated and recorded on Gale Force Petroleum’s financial statements.

OVERVIEW OF THE CORPORATION

Gale Force Petroleum is a public oil and gas corporation with a focus on the development and exploitation of conventional and unconventional gas resources in mature basins. It owns producing natural gas properties in Alberta, Canada and in Kentucky, USA.

The Corporation began oil and gas production in June 2005, and has invested significantly in attempting to improve its assets and increase its reserves ever since. The Corporation now has an aggregate 11,600 net acres (24,400 gross acres). This breaks down as 214 MMcf proven and probable natural gas reserves from its Alberta properties and a contingent resource of approximately 50 Bcf of natural gas (net to the Corporation) from its Kentucky Shale Gas Property.

RECENT EVENTS

During and since the quarter ended March 31, 2009, there were several important material changes in the business of the Corporation:

- On January 13, 2009, the Corporation concluded a farm-out agreement of its Kentucky Shale Gas Property. According to the terms of the agreement, the farmee may earn up to a 50-per-cent interest in the Kentucky shale gas property, currently consisting of approximately 20,000 acres, nine existing wells, gathering lines and two compressors in eastern Kentucky, by paying for a series of staged development programs.
- On February 4, 2009, the Corporation filed a Proposal to Creditors under the Bankruptcy and Insolvency Act (Canada) (the "Proposal"). The Proposal was approved by the necessary majority of creditors and sanctioned by the Superior Court of Quebec. The Trustee is currently soliciting creditors to file a Proof of Claim until June 12, 2009. Under the terms of the Proposal, the Corporation's unsecured creditors, with debts totalling approximately \$2.5 million, will be paid by the issuance of common shares of the Corporation. Category I unsecured creditors who file a Proof of Claim before the deadline will be paid twenty (20) common shares of the Corporation per each dollar of debt. Category II unsecured creditors who file a Proof of Claim before the deadline will be offered fifteen (15) common shares of the Corporation per each dollar of debt.
- Part and parcel with the Proposal, the Corporation reached an agreement with its lender and secured creditor, Primatlantis Capital, which was subject to the Approval of the Proposal to Creditors. According to the terms of this agreement, \$132,613 in interest and fees owing to Primatlantis will be paid as a Category I unsecured creditor under the Proposal to Creditors. Additionally, the loan agreement will be amended such that the Maturity Date is extended until December 31, 2010; the loan will not earn any interest nor will there be any fees owing on the loan until after December 31, 2009; after December 31, 2009 the loan will earn interest at 12% per annum; after December 31, 2009, subject to TSX Venture Exchange approval, the loan will be convertible in full or in part into securities of the Corporation, at the election of the lender, upon terms and conditions similar to those offered to purchasers of securities of the Corporation participating in any private placement of the Corporation following the Proposal, and; the loan is repayable in full or in part, at the election of the Corporation, at any time without penalty.

STRATEGY, OBJECTIVES AND PLANS

The Corporation is currently attempting to stave off insolvency and begin rebuilding the Corporation by completing a restructuring of its debts and an equity re-financing.

The first step was to file a Proposal to Creditors under the Bankruptcy and Insolvency Act (Canada) (the "Proposal"). This has now been approved by the necessary majorities of creditors and has received the sanction of the Superior Court of Quebec. The creditors have until June 12, 2009 to file a Proof of Claim to establish their debt with the Trustee, after which the creditors will be issued shares of the Corporation as a final dividend to settle the debts.

The next step for the Corporation is to obtain new equity financing, which is needed for working capital and so that the Corporation can continue to invest to maintain the value of its assets. A major barrier to obtaining equity financing is the \$2 million secured loan, which remains on the Corporation's balance sheet. Unless the Corporation can come to an agreement with the secured lender to write-down the debt or convert the debt into shares, the Corporation will not be able to obtain the equity it needs to continue as a going concern. Conversely, the secured lender will not write-down or convert its loan into equity until the Corporation has obtained new equity financing. The Corporation is therefore currently working to obtain new financing and simultaneously reach an agreement with the secured lender to write-down and convert the loan into equity. If these efforts are not successful, the Corporation will be unable to continue as a going concern and will possibly file for bankruptcy in the coming months.

Growth Strategies and Objectives

If the Corporation is successful in restructuring its secured debt and obtaining new equity financing, the Corporation will pursue two key drivers of shareholder wealth creation:

1. Converting Contingent Resources to Proven and Probable Reserves: Gale Force Petroleum will reap the benefits of the Farm out Agreement it concluded on January 13, 2009, which will ensure the continued development of the Kentucky Shale Gas Property. This development may help prove that the Kentucky Shale Gas Property's contingent resource can be extracted economically, which will increase the Corporation's independently determined *net asset value* by adding to its proven and probable reserves.
2. Mergers and Acquisitions: Gale Force Petroleum will try to grow via merger or acquisition, the goal being to create economies of scale. We had begun exploring this strategy during the summer of 2008. Now, organic growth via raising equity and investing in our properties has become more difficult due to market conditions. Therefore, we believe this to be an even more appropriate and attainable method of creating shareholder value should the right opportunity present itself.



RESULTS OF OPERATIONS

For the period ended March 31, 2009 revenues were generated from the Corporation's assets located in Alberta (the Corporation's wells in Kentucky were shut-in during the quarter).

Financial Information and Analysis

Revenues

Quarters ended March 31	2009	2008
	\$	\$
Oil and gas division sales	88,086	387,025
General Revenues	4,725	-
Total Revenues	92,811	387,025

Oil and natural gas revenues decreased by 77% to \$88,086 compared with last year, reflecting that the Corporation sold its unprofitable Manitoba oil properties.

Selected Balance Sheet Information

	31-Mar-09	30-Jun-08
	\$	\$
Assets	2,676,570	5,582,180
Current liabilities	4,467,027	5,592,922
Long-term liabilities	174,257	468,172
Asset-Retirement Obligations	264,555	704,385
Shareholder's equity	(2,229,269)	(1,183,299)

Total assets have decreased by 52% when compared with June 30, 2008, mainly because the Corporation sold the Manitoban oil properties. Current liabilities include \$2 million in short-term, secured, bridge debt, plus payables and accruals.

As a result of the Proposal to Creditors, which was approved by the creditors and the Superior Court of Quebec, all short-term and long-term liabilities with the exception of the \$2 million secured loan and approximately \$400,000 of unsecured currently liabilities will be converted into equity.



Adjusted EBITDA

Quarters ended March 31	2009	2008
	\$	\$
Gross Margin	75,314	329,706
Oil and gas division production and transport expenses	20,439	179,454
Administrative, Professional and Consulting expenses	(19,223)	191,168
Adjusted EBITDA	74,098	(40,916)

The Adjusted EBITDA increased from negative \$40,916 to a positive \$74,098 cash gain during the quarter, reflecting decreased revenues but also decreased operating expenses and significantly diminished administrative expenses, which mean that there was a net inflow of cash from operations during the period.

EBITDA is a measure of performance used by analysts to evaluate a Corporation's cash operating activities, while separating out the cost and impact of capital investments and of the Corporation's capital structure. In a similar vein, we use "Adjusted EBITDA", which is defined as earnings before financial expenses, taxes, write-off capital assets, stock-based compensation expense, depletion, depreciation and amortization, because we believe that this measure provides better visibility of our cash requirements and/or our ability to generate cash, exclusive of non-cash operating expenses, exclusive of the costs to finance our activities and exclusive of income taxes.

Operating loss before financial expenses

Quarters ended March 31	2009	2008
	\$	\$
Adjusted EBITDA	74,098	(40,916)
Write-down of R&D Tax Credits, Gain on Sale of Manitoba Assets	541,531	-
Depletion, depreciation and amortization – Oil and gas division	83,962	99,651
Stock-based compensation expense	-	3,381
Operating profit (loss) before financial expenses	(551,395)	(143,948)

By deducting non-cash operating expenses from Adjusted EBITDA we arrive at the operating loss before financial expenses and income taxes (EBIT).

Stock-based Compensation Expense

Quarters ended March 31	2009	2008
	\$	\$
Stock-based compensation expense	-	3,381
Weight average assumptions for stock options granted:		
Risk-free interest rate	-	3.20%
Expected life in years	-	1.0
Expected volatility	-	55.0%
Expected dividend yield	n/a	0



Profit and Loss Information

Quarters ended March 31	2009	2008
	\$	\$
Revenues	92,811	387,025
Royalties, production taxes	(17,497)	(57,319)
Gross margin	75,314	329,706
Operating and Administrative Expenses	85,178	473,653
EBIT	(9,864)	(143,947)
Financial expenses	350	215,817
Other expenses (income)	541,531	(12,446)
Write-down of future income taxes	-	0
Net profit (loss)	(551,745)	(347,318)

The Corporation lost \$551,745 during the quarter, compared with a loss of \$347,318 the previous year. The main reason for this was a write-down of an R&D tax credit asset. Financial expenses were much lower, as were operating and administrative costs.

Operations Performance Overview

Revenues generated during the quarter came from Corporation's properties in Alberta. Oil and gas production for the quarter decreased by 45% compared with the same period last year to total 2,273 barrels of oil equivalent ("boe").

Production Summary

Quarters ended March 31	2009	2008
Total oil and gas production (boe)	2,273	4,136
Average Sale Price (\$/boe)	38.75	93.57
Total Revenues	88,086	387,025

Production for the quarter ended March 31, 2009 was 2,273 boe compared with 4,136 boe in the previous year, the decrease being due to the sale of the Manitoba properties, as expected. The price of oil and gas was lower compared with the previous year, at an average \$38.75 per boe compared with \$93.57 per boe the previous year, reflecting both lower commodity prices and the switch made by the Corporation from principally oil production to only gas production, which is sold at a lower value per unit of energy.



Oil Netback

Quarters ended March 31	2009	2008
	\$ / bbl	\$ / bbl
Sales price	-	93.57
Royalties and production taxes	-	13.86
Transportation and selling expense	-	1.22
Production and operations expense	-	42.17
Oil netback	-	36.32

The Corporation no longer sells oil since the sale of its Manitoba properties in September 2008.

Gas Netback

Quarters ended March 31	\$	\$
	\$ / Boe	\$ / Boe
Sales price	38.75	-
Royalties and production taxes	7.70	-
Transportation and selling expense	-	-
Production and operations expense	0.92	-
Gas netback	30.13	-



Quarterly Operating Information

The following tables summarize key financial and operating information by quarter:

Quarters Ended	Jun-08	Sep-08	Dec-08	Mar-09
	\$	\$	\$	\$
Production (boe)	5,273	4,083	959	2,273
Realized oil sales price (\$/boe)				
	92.22	111.63	55.06	38.75
Oil and gas division revenues (including general revenues)	486,233	455,759	52,802	92,811
Royalties and production taxes	87,177	85,444	5,352	17,497
Gross margin	618,916	370,315	47,450	75,314
Cash operating expenses	1,095,987	294,363	294,998	1,216
Adjusted EBITDA	(477,071)	75,952	(247,548)	74,098
Non-cash operating expenses	464,559	53,415	21,517	83,962
Gain (Loss) before financial expenses and income taxes	(941,630)	22,537	(269,065)	(9,864)
Financial expenses	398,425	170,731	278,244	350
Other Income (Expenses)	876,749	207,093	(34,329)	541,531
Future income taxes	561,682	-	-	-
(Net profit (loss))	(2,778,486)	(355,287)	(512,980)	(551,745)

Quarters Ended	Jun-07	Sep-07	Dec-07	Mar-08
	\$	\$	\$	\$
Production (boe)	3,505	3,250	1,920	4,147
Realized oil sales price (\$/boe)				
	69.37	77.03	80.78	93.33
Oil and gas division revenues	243,144	250,350	155,068	387,025
Royalties and production taxes	28,554	30,490	22,152	57,318
Gross margin	214,590	219,860	132,916	329,707
Cash operating expenses	624,675	314,655	359,864	370,622
Adjusted EBITDA	(410,085)	(94,795)	(226,948)	(40,915)
Non-cash operating expenses	232,920	62,901	44,476	103,031
Loss before financial expenses and income taxes	(643,005)	(157,696)	(271,424)	(143,946)
Financial expenses	237,294	215,943	260,946	215,817
Others products	1,330,787	(11,623)	228,543	(12,446)
Future income taxes	1,480,991	0	0	0
Net loss	(3,692,077)	(362,016)	(760,913)	(347,317)



Liquidity and Capital Resources

Source of Funds

The Corporation is currently insolvent, but has sufficient resources to continue operations for a limited period of time while under the protection of the Proposal to Creditors under the Bankruptcy and Insolvency Act (Canada). The Corporation is currently attempting to stave off insolvency and begin rebuilding the Corporation by completing a restructuring of its debts and an equity re-financing of the Corporation.

The first step was to file a Proposal to Creditors under the Bankruptcy and Insolvency Act (Canada) (the "Proposal"). This has now been approved by the necessary majorities of creditors and has received the sanction of the Superior Court of Quebec. The creditors have until June 12, 2009 to file a Proof of Claim to establish their debt with the Trustee, after which the creditors will be issued shares of the Corporation as a final dividend to settle the debts.

The next step for the Corporation is to obtain new equity financing, which is needed for working capital and so that the Corporation can continue to invest to maintain the value of its assets. A major barrier to obtaining equity financing is the \$2 million secured loan, which remains on the Corporation's balance sheet. Unless the Corporation can come to an agreement with the secured lender to write-down the debt or convert the debt into shares, the Corporation will not be able to obtain the equity it needs to continue as a going concern. Conversely, the secured lender will not write-down or convert its loan into equity until the Corporation has obtained new equity financing. The Corporation is therefore currently working to obtain new financing and simultaneously reach an agreement with the secured lender to write-down and convert the loan into equity. If these efforts are not successful, the Corporation will be unable to continue and will possibly file for bankruptcy in the coming months.

Working Capital

The Corporation's current ratio as at March 31, 2008 was 0.022, which is composed of \$98,337 of current assets divided by \$4,467,027 of current liabilities. If you remove the Corporation's short-term debt from the calculation, current liabilities were \$2,467,027 and the current ratio improves to only 0.04. Needless to say, on a scale from barely insolvent to extremely insolvent, the Corporation has reached a point of extreme insolvency.

Ceiling Test

The Corporation performs a ceiling test calculation at June 30 each year in accordance with the CICA full-cost accounting guidelines.



Outlook

For this section in particular, please read the advisory regarding forward-looking statements above.

Due to the Corporation's asset base – comprised of its promising Kentucky Shale Gas Property and its producing Albertan assets - the Corporation is positioned to create wealth for its shareholders if it can complete the restructuring of its debts and equity re-financing.

The Farm out Agreement concluded on January 13, 2009 will see the continued development of the Kentucky Shale Gas Property. Positive results from this development will increase the Corporation's net asset value and its proven and probable reserves.

Gale Force Petroleum faces some difficult immediate challenges ahead, notably coming to an agreement with its secured lender and with new investors to re-finance the Corporation. New equity funding is required to not only cover projected cash shortfalls over the next 12 months, but to also continue growing the business through acquisitions and new development.

In the Outlook section of our Management's Discussion last year, we discussed two avenues for growth: (1) Exploration and development and (2) Acquisitions. We have largely succeeded in these strategies, by raising funds from equity to purchase and develop the Kentucky Shale Gas Property, in developing the Alberta.

We will continue, if we can, the development of our properties, and will continue to explore for new property acquisitions. Additionally, the Corporation will pursue a third option, which is to grow via merger or acquisition. Given the small size of the Corporation and also given current market conditions under which it is difficult to raise funds, we believe this to be an attainable and appropriate method to achieve greater economies of scale to create value for shareholders.

CHANGES IN ACCOUNTING POLICIES AND PRACTICES

There were no changes to accounting policies since the annual financial statements for the exercise ended June 30, 2008. However, during the quarter the Corporation performed a write-down of its R&D tax credit asset. Accrued R&D tax credits do not expire, and therefore can be used indefinitely by the Corporation as long as it is in existence. Given the lack of certainty regarding the continued existence of the Corporation, it is possible that this tax asset will never be realized.

In the upcoming year, the company will apply the new recommendation of the Canadian Institute of Chartered Accountants regarding the recognition, measurement and presentation of financial instruments following the release of Sections 1530, 'Comprehensive income', 1535, 'Capital disclosures', 3031, 'Inventories', 3855, 'Financial instruments - recognition and measurement', 3862, 'Financial Instruments - disclosure', 3863, 'Financial Instruments - presentation' and 3865, 'Hedges'. Management is unable to assess the impact these new standards will have on its financial statements.



BUSINESS RISKS

The Corporation's exploration and production activities are concentrated in the Appalachian and Williston Basins, where activity is highly competitive and includes a variety of different sized companies ranging from smaller junior producers, intermediate and senior producers and royalty trust organizations, to the much larger integrated petroleum companies. The Corporation is subject to a number of risks that are also common to other organizations involved in the oil and gas industry. Such risks include finding and developing oil and gas reserves at economic costs, estimating amounts of recoverable reserves, production of oil and gas in commercial quantities, marketability of oil and gas produced, fluctuations in commodity prices, financial and liquidity risks and environmental and safety risks. A more detailed explanation of the primary risks that could potentially have a material impact on the financial results and operations of the Corporation are presented in the annual Management's discussion for the year ended June 30, 2008, available on SEDAR. We have determined that market, financial and counterparty risks remain substantially unchanged since then.

SHARES ISSUED & OUTSTANDING, OPTIONS & WARRANTS

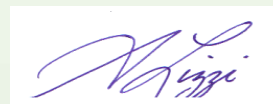
As at March 31, 2008 there were 19,468,355 common shares issued and outstanding. As per the terms of the Proposal to Creditors, the Corporation may issue up to approximately 45 million shares to settle some of its debts. There were also 9,892,974 warrants outstanding and the total number of shares reserved for the exercise of options at the end of the period was 219,294.

ADDITIONAL INFORMATION

The Corporation is an issuer in accordance with the securities legislations of all the Canadian provinces; therefore it has the obligation to deliver financial statements, proxy circulars and annual notices to the various regulating authorities. You can obtain a copy of such documents free of charge by sending your requests to the Corporation or by visiting www.sedar.com.



Michael P. McLellan
President & CEO



Antoinette Lizzi
Vice-President of Finance & CFO

