



YEAR ENDED APRIL 30, 2010
MANAGEMENT DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of the consolidated financial position and results of operations of the Company, which includes its subsidiaries and partnership arrangements, was prepared as of June 29, 2010, and is for the three months ended April 30, 2010 and 2009. For a full understanding of the consolidated financial position and results of operations of the Company, the MD&A should be read in conjunction with the documents filed on SEDAR, including historical financial statements and press releases. These documents are available at www.sedar.com. The selected financial information contained herein has been prepared in accordance with Canadian Generally Accepted Accounting principles, and are expressed in Canadian dollars, unless otherwise noted.

The Company's Board of Directors and Audit Committee have reviewed and approved the interim consolidated financial statements and MD&A.

Readers are cautioned of the advisories of forward-looking statements, estimates, non-GAAP measures and numerical references which can be found at the end of this MD&A. This MD&A is dated and was prepared using currently available information as of June 29, 2010.

Description of the Company

Thunderbird Energy Corp. (the "Company") is a Canadian based natural resource company focused on the exploration, exploitation, acquisition and production of natural gas and crude oil, primarily in the United States. The Company owns and operates a producing natural gas field in Carbon County, Utah, known as the Gordon Creek field, and holds a 50% interest in a producing light oil project located in Rush County, Kansas. The Company also holds a 100% in an exploration project in Weston County, Wyoming.

HIGHLIGHTS AND OUTLOOK

During the past year, the Company completed an extensive study of the Gordon Creek geology and production history, as well as the history of neighboring Drunkards Wash and Clear Creek fields. As a result, the Company has gained a greater understanding of the geology at Gordon Creek and, in particular, the depositional characteristics of the Ferron Sandstone and Coals throughout the region. This study, combined with an extensive review of the geology and operating practices at the neighboring Drunkards Wash field have led the Company's management to the conclusion that the Gordon Creek field has not been operated in accordance with best practices and there is considerable room for optimization in existing wells and new drilling locations. During the year, the Company also created an extensive Gordon Creek development plan and focused its efforts on developing a strategy to secure the capital necessary to carry out the development plan.

On December 21, 2009, the Company announced two letters of intent ("LOI") with independent third parties collectively providing for the investment of up to US\$40 million at Gordon Creek, commencing in 2010. Both agreements are subject to various conditions precedent including further due diligence, formal documentation and financing.

The first LOI involves Thunderbird's participation with a group called the Southwest Regional Partnership ("SWP") in its Carbon Sequestration Phase III: Deep Saline Sequestration Deployment Project to be sited at Gordon Creek. This project will be funded approximately 80% by the US. Department of Energy ("DOE") and 20% by the other participants, including Thunderbird, The University of Utah through the Utah Science Technology And Research initiative ("USTAR") and the New Mexico Tech – Petroleum Recovery Research Center. It is anticipated that the project will represent an investment in excess of US\$20 million in wells, facilities and infrastructure to be situated at Gordon Creek. The project is currently at an advanced design stage, although final designs and participation remain subject to final DOE approvals. The first major step in the project will be to conduct an extensive seismic program and to drill a deep (3,650 meter) CO₂ source well in the southern portion of the Gordon Creek lands as early as the third quarter of this year.

The second LOI contemplates an investment of up to US\$20 million by a Houston, Texas based private company ("HoustonCo") to fund a mutually agreed development plan. HoustonCo will earn various interests at certain stages of development, resulting in an overall 50% working interest (75% working interest before payout on earning wells) in the Gordon Creek property. Thunderbird will retain ownership of its existing facilities and infrastructure and will charge mutually agreed fees for gas gathering, compression and water treating and disposal. HoustonCo has completed its due diligence on the project and is currently in the funding phase. Subject to the timely completion of HoustonCo's financing, Thunderbird anticipates kicking off the joint venture in the third quarter with a 15 well drilling program. The joint venture remains subject to financing and to formal documentation.

Activities during the current quarter were focused on preparations for the implementation of the HoustonCo joint venture and the SWP CO2 sequestration project.

MHA Petroleum Consultants Inc. ("MHA") of Denver, Colorado prepared a reserve report (the "MHA Report") on the Company's oil and gas interests in accordance with NI 51-101 effective January 31, 2010. Specifically, the MHA Report covers the Company's interests in the Gordon Creek natural gas project and its 50% working interest in the Rush County, Kansas light oil project. MHA estimated the Company's total proved plus probable (2P) reserves at 30.92 Bcf of natural gas. The MHA Report estimated the Net Present Value before tax of Future Net Revenue discounted at 10% (PV10) of the Company's combined oil and gas interests at US\$49.7 million, using forecasted prices and costs.

Production at Gordon Creek during the first quarter was roughly equal to production during the fourth quarter of the prior year and to the comparable quarter of the prior year. Aggregate production for the year ended January 31, 2010 increased approximately 15% over the production for the previous fiscal year. These increases were almost entirely a result of field optimization with no new wells drilled or other major capital expenditures.

Natural gas prices for the first quarter were consistent with the modest price recovery of the fourth quarter of fiscal 2010. Natural gas prices realized by the Company during the current quarter averaged US\$ 3.77 per mcf compared to an average realized price of US\$3.55 per mcf in the fourth quarter of fiscal 2010 and an average realized price of US\$2.66 per mcf in fiscal 2010. Economic indicators continue to suggest that the general economic activity is recovering, which may lead to higher prices for gas over the next few quarters. There was a dramatic reduction in the number of active drilling rigs in the US and Canada in calendar 2009 and there has only been a very moderate recovery since. A decrease in drilling rig activity is traditionally a leading indicator of supply declines. However, gas presently in storage remains well above five year averages; therefore, short term prices are forecast to remain relatively soft. In anticipation of this, the Company entered into a fixed price forward sale of 10,000 Mcf/month (roughly 40% of the Company's current net production) for the period November 1, 2009 to October 31, 2010.

Short-term constraints on pipeline capacity have historically contributed to sharp negative price differentials for natural gas produced in the US Rocky Mountain region, due in part to restricted take-away capacity to move natural gas from the Rockies to the eastern United States. Price differentials between Henry Hub and the main Rockies hubs in Wyoming have often been US\$1 to US\$2 and periodically much higher. The third and final phase of the REX pipeline was completed during the third quarter which has substantially increased this take away capacity and lowered the average price differentials to the US\$0.30 to US\$0.50 range. The expectation is that these reduced differentials will remain in place, subject to seasonal variations, for the foreseeable future, resulting in higher gas pricing for the Company.

RESULTS OF OPERATIONS

	Three Months Ended		
	April 30, 2010	January 31, 2009	April 30, 2009
Operating Income⁽¹⁾	116,947	133,823	111,181
General and administrative	(146,128)	(195,616)	(166,131)
Interest and debt service costs	(149,828)	(151,840)	(119,080)
Interest income	213	403	9,194
Funds Flow From Operations⁽¹⁾	(178,796)	(213,230)	(164,836)
<i>Non-cash operating items:</i>			
Accretion and debt service costs	(90,944)	(96,315)	(108,382)
Depletion, depreciation and accretion	(110,776)	(124,667)	(162,216)
Stock-based compensation	(55,995)	(141,640)	(25,530)
Unrealized foreign exchange loss	25,851	180	6,282
Net loss for the period	(410,660)	(575,672)	(452,682)

⁽¹⁾ "Operating income" and "funds flow from operations" are non-GAAP terms and may not be comparable with the calculation of similar measures for other entities. Operating income is equal to petroleum and natural gas sales minus royalties, operating costs, while funds flow from operations represents cash flow from operations before net changes in operating working capital accounts. Refer to the advisory on non-GAAP measures at the end of this MD&A.

Operating Income Items

Sales Volumes

During the three months ended April 30, 2010 the Company's sales volume averaged 672 mcf/d and 4 bbls/d respectively. This compared to average daily sales volumes of 693 mcf/d and 4 bbls/d experienced in the three months period ended January 31, 2010 and 659 mcf/d and 5bbls/day in the three months ended April 30, 2009. Daily sales volumes during the quarter were consistent with the daily sales volumes experienced in fiscal 2010.

Production Summary

The following table summarizes the production for the first quarter of fiscal 2011 and fiscal 2010:

	Three months ended	
	2010	April 30, 2009
Production:		
Natural gas (mcf)	59,838	58,705
Oil (bbls)	342	443
Total (BOE) (6:1)	10,315	10,227
Production split:		
Natural gas (%)	97%	96%
Oil (%)	3%	4%

Average Realized Price

The following table summarizes the average realized price for the first quarter of fiscal 2011 and fiscal 2010:

		Three months ended April 30,	
		2010	2009
Exchange Rate	<i>US\$/Cdn\$</i>	0.9723	0.8034
Natural gas (mcf)	US\$/Mcf	\$ 3.77	\$ 2.18
Oil (bbls)	\$/bbls	\$ 73.83	\$ 20.54

Revenues, Royalties & Operating Costs

					Three Months Ended		
					April 30, 2010	January 31, 2010	April 30, 2009
Revenues	\$	304,474	\$	373,125	\$	310,101	
Royalties expense		48,563		54,875		49,751	
Operating costs		138,964		184,427		149,169	
Operating Income ⁽¹⁾	\$	116,947	\$	133,823	\$	111,181	

⁽¹⁾ Refer to the advisories on non-GAAP measures at the end of this MD&A.

Revenues

First quarter revenues decreased 18% over the fourth quarter of 2010 and 2% over the first quarter of fiscal 2010. The decreases were primarily attributed to a decrease in revenue from third party water disposal revenue. The decreases in third party water disposal revenue, was partially offset by higher natural gas prices realized in the current quarter.

Royalties

Royalties as a percentage of petroleum and natural gas sales were 19% for the first quarter consistent with the fourth quarter of the fiscal 2010, whereas royalties as a percentage of petroleum and natural gas sales were 18% for the first quarter of fiscal 2010. Royalties vary for each producing well and therefore as a percentage of petroleum and natural gas sales will fluctuate from time to time depending on the production from each well during the respective period.

Operating costs

Operating expenses include all normal operating costs as well as workover costs for both the Gordon Creek and the Rush County projects. First quarter costs decreased 25% over the fourth quarter of fiscal 2010 due primarily to property taxes paid in the fourth quarter of fiscal 2010. The operating costs for the first quarter decreased 7% as compared to the operating costs in the first quarter of fiscal 2010 due to workover costs road maintenance expenses incurred in the first quarter of fiscal 2010.

OTHER INCOME STATEMENT ITEMS

General and administrative

General and administrative costs include such items as office rent, accounting fees, legal fees, professional and consulting fees, filing fees, salaries and wages, transfer agent fees, travel costs, and investor relations, as well as general office expenses.

	Three Months Ended		
	April 30, 2010	January 31, 2010	April 30, 2009
Reported amount	\$ 146,128	\$ 195,616	\$ 166,131
G&A (\$/boe)	\$ 14.17	\$ 17.79	\$ 16.26

G&A expenses decreased 25% in the first quarter of fiscal 2011 as compared to the immediately preceding quarter. The higher G&A expenses incurred in the fourth quarter of fiscal 2010 were largely due to additional professional fees incurred for work relating to the year-end financial statement audit.

G&A expenses for the three months ended April 30, 2010 was 12% less than the corresponding period in 2009 primarily due to lower consulting fees in the first quarter of the current year.

Interest, accretion and debt service costs

Interest charges for the quarter include interest incurred on the credit facility with Macquarie Bank of \$74,194 (2009 - \$47,772) interest paid or accrued on short term debt and promissory notes of \$17,114 (2009 - \$13,770) and interest paid on convertible debentures of approximately \$58,521 (2009 - \$57,538). Accretion costs of approximately \$21,249 (2009 - \$18,933) relate to the accretion on the convertible debentures. Debt service costs of approximately \$69,694 (2009 - \$89,449) relate to the fair value of warrants issued to Macquarie.

	Three Months Ended		
	April 30, 2010	January 31, 2010	April 30, 2009
Reported amount	\$ 240,772	\$ 248,155	\$ 227,462
Expense per sales volume (\$/boe)	\$ 23.34	\$ 22.56	\$ 22.26

The 3% decrease in interest, accretion and debt service costs for the three months ended April 30, 2010 over the fourth quarter of fiscal 2010 was primarily due to a decrease in the debt service costs relating to the fair value of warrants issued to Macquarie. Interest, accretion and debt service costs increased 6% for the three months ended April 30, 2010 over the corresponding period in the prior year. This increase was due to interest incurred on the credit facility with Macquarie Bank as the interest rate increased approximately 3% in the second quarter of fiscal 2010 due to a premium over the original contract rates as the company is not in full compliance with certain financial covenants contained in the loan agreement.

Depletion, depreciation and accretion

	Three Months Ended		
	April 30, 2010	January 31, 2010	April 30, 2009
Reported amount	\$ 110,776	\$ 124,667	\$ 162,216
Expense per sales volume (\$/Boe)	\$ 10.74	\$ 11.33	\$ 15.87

The Company follows the full-cost method of accounting for oil and gas properties, whereby all capitalized costs relating to the acquisition, exploration and development of oil and gas activities are amortized against future income using the unit-of-production method. This method is based on production volumes before royalties in relation to total estimated proved reserves as determined by independent engineers. MHA estimated the Company's reserves as of January 31, 2010 in accordance with NI 51-101.

Unrealized foreign exchange gain

At the end of the first quarter the Company had unrealized foreign exchange gain of \$25,851. This gain pertains to the translation of short-term debt and promissory notes denominated in U.S. currency. The increase in unrealized foreign exchange gain is due to a stronger Canadian dollar at April 30, 2010 than at January 31, 2010.

Stock-based compensation

In accordance with CICA Handbook section 3870, the fair value of each option granted is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	April 30, 2010	January 31, 2010
Weighted average fair value per share	\$ 0.20	\$ 0.20
Dividend yield	0%	0%
Interest rate	2.28%	2.28%
Expected life	4.45 years	4.45 years
Volatility	144%	144%

RISKS AND TRENDS

Demand for natural gas has traditionally been highly cyclical and somewhat predictable. Demand for, and pricing of, natural gas has traditionally been highest during the coldest months of winter. The primary driver for this cyclicity is the need for residential and commercial heating. Because natural gas is increasingly being used to generate electricity, increased electrical demand often means increased natural gas demand and pricing. This results in a smaller spike in natural gas demand during the warmest months of the year, as electrical demand for space cooling increases. Accordingly, the spring and fall “shoulder seasons” are typically becoming the periods of lowest natural gas prices. The magnitude of this summer spike in natural gas prices is expected to increase in future years as natural gas continues to replace coal as a clean source of electrical power generation. In addition, issues relating to pipeline capacity constraints, pipeline maintenance and unscheduled shut-downs, can temporarily impact regional pricing.

Although the Company has no set policy concerning hedges, the management may utilize various techniques to mitigate financial risks including hedging contracts, other financial instruments, and/or fixed price forward sales contracts to reduce corporate risk in certain situations. At April 30, 2010 the Company had a fixed price contract in place to sell 10,000 Mcf per month at \$4.25 per Mcf (roughly 40% of the Company’s current net production) for the period November 1, 2009 to October 31, 2010.

Oil and natural gas operations involve many risks that even a combination of experience and knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Company may have at any particular time and the production there from will decline over time as such existing reserves are exploited. A future increase in the Company’s reserves will depend not only on the Company’s ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that further commercial quantities of oil and natural gas will be discovered or acquired by the Company.

The Company’s principal risks include finding and developing economic hydrocarbon reserves efficiently and the ability to fund the required capital programs. The Company’s needs for capital are both short and long-term in nature. The Company anticipates that future capital requirements will be funded through a combination of internal cash flow, debt and equity financing. There is no assurance that debt and equity financing will be available on terms acceptable to the Company to meet its capital requirements. If any components of the Company’s business plan are missing, the Company may not be able to exercise the entire business plan.

These risk factors should not be construed as exhaustive. There are numerous factors, both known and unknown, that could cause results or events to differ materially from forecast results.

LIQUIDITY AND CAPITAL RESOURCES

The Company's source of funding includes the issuance of equity securities for cash, primarily through private placements and debt financing. The Company has issued common shares pursuant to private placement financings and exercise of warrants and options. The Company's access to exploration financing when the financing is not transaction specific is always uncertain. There can be no assurance of the continued access to significant equity financing.

During the quarter ended April 30, 2010, the Company's additions to its oil and gas properties totalled \$3,990 (2009 - \$378,267).

At April 30, 2010, the Company had cash of \$112,121 and a working capital deficiency of \$7,850,659. The working capital deficiency includes a current liability of \$8,346,672 which consists of accounts payable, amounts due to related parties, short-term debt, debentures payable and the Company's revolving credit facility. At the quarter-end the Company is not in compliance with all covenants on its revolving credit facility, as a result the loan is in default. The Company has not subsequently received a waiver and the facility may be called by the lenders at anytime, therefore the entire amount of the loan is considered current. This contributes to factors which raise substantial doubt about the Company's ability to continue as a going concern, as discussed in Note 1 to the Company's financial statements for the year ended January 31, 2010.

The Company has no "purchase obligations" defined as any agreement to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the proximate timing of the transaction.

The Company had no commitments for capital expenditures as of April 30, 2010. The Company has no lines of credit or other sources of financing which have been arranged at this time, other than those listed below.

Revolving Credit Facility

The Company has a long-term financing facility agreement with Macquarie Bank that provides up to a maximum commitment of U.S. \$50 million, subject to an availability limit, for the development of the Company's existing oil and natural gas projects and future acquisitions. The loan's interest rate is due and payable monthly, and at the Company's option, is based on the U.S. Prime Rate plus 0.5% or LIBOR plus 3.5%. The initial availability limit is U.S. \$5,685,000 and will be re-determined by the lender every six months based on reserve estimates provided by independent engineers, subject to certain calculations.

The credit facility operates as a revolving credit line with no principal repayments for the first three years. On December 14, 2010, the credit facility converts to a term loan payable over twenty-four months. The term loan will be fully repaid on December 14, 2012. The facility is secured through a first mortgage and security interests in the Company's oil and gas mineral interests. At April 30, 2010, U.S. \$4,093,733 (Cdn \$4,118,295) is owed under this facility. As noted above, at the quarter-end the Company is not in full compliance with certain financial covenants contained in the loan agreement and as result the loan is in default. Macquarie Bank has not indicated that it has any present intention to call the loan, but since no waivers have been issued, it may be called at anytime, resulting in the entire amount of the loan being categorized as a current liability. The interest rates that the Company is currently being charged reflect a default premium and are 3% over the original contract rates as described above.

Convertible debentures

Debentures with the face value of \$2,000,000 issued in December of 2008 at 12% interest, paid quarterly, are still outstanding and due in December 2010. The Company may repay the debentures at any time, but until repaid, the debentures are convertible at the holders' option into common shares of the Company at a price of \$0.25 per share thereafter until maturity on December 15, 2010.

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in Note 2 of its audited consolidated financial statements for the year ended January 31, 2010. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates relate primarily to the future development costs associated with proved undeveloped reserves, reserve volumes, future production and revenues, future costs associated with asset retirement obligations and stock based compensation. The Company has its oil and gas reserves, future development costs and future cash flows from those reserves evaluated and reported on by MHA, independent petroleum reserve engineering consultants. The estimation of these amounts is a subjective process based on engineering data, forecasted prices and production levels and the timing of expenditures. All of these estimates are subject to numerous uncertainties and various interpretations, and consequently will change over time to reflect updated information as it is received.

No changes have been made to the Company's critical accounting policies and estimates in the three months and year ended April 30, 2010.

SIGNIFICANT ACCOUNTING POUNDNCEMENTS

Future Accounting Changes

Section 1601, "Consolidated Financial Statements" in combination with Section 1602 "Non-Controlling Interest", replace Section 1600 "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements and specifically addresses consolidation accounting following a business combination that involves the purchase of an equity interest in one company by another. CICA 1602 establishes standards for accounting for noncontrolling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These sections apply to all financial statements for fiscal years beginning on or after January 1, 2011, with early adoption permitted. There is no impact on the Company's financial statements at this time.

Section 1582, "Business Combinations", establishes principles for the measurement of assets, liabilities and contingencies acquired at fair value, and recognizing acquisition-related and reorganization costs separately from business combination within the statement of operations. These recommendations are effective for business combinations occurring after January 1, 2011, with early adoption permitted. There is no impact on the Company's financial statements at this time.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Refer to disclosures provided in the January 31, 2010 MD&A with respect to a discussion and status of the Company's IFRS implementation plan. The Company is currently in the initial review phase.

FORWARD LOOKING STATEMENTS

This discussion includes certain statements that may be deemed "forward-looking statement". Forward-looking statements or information do not relate strictly to historical or current facts, and can be identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "plan", "project", "should", "believe", "intend", or similar expressions. These statements represent managements' reasonable projections, expectations and estimates as of the date of this document, but undue reliance should not be placed upon them as they are derived from numerous assumptions. These assumptions are subject to known and unknown risks and uncertainties, including the business risk discussed in the MD&A, which may cause actual performance and financial results to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements.

Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. In addition to the other assumptions identified in this document, assumptions have been made regarding, among other things:

- Future oil and gas supply and prices;
- Drilling and operational results consistent with expectations;
- The ability for the Company to obtain financing on acceptable terms;
- Currency, exchange and interest rates;
- Cash flow consistent with expectations;
- The ability of the Company to obtain equipment, services and supplies in a timely manner to carry out its activities;

The forward looking information in this document is subject to significant risks and uncertainties and is based on a number of material factors and assumptions which may prove to be incorrect; including but not limited to the following assumptions:

- Normal risks common to the petroleum and natural gas industry including various operational risk in exploring for, developing and producing petroleum and natural gas and market demand
- Risks and uncertainties involving geology of oil and gas deposits
- Revisions, amendments or changes to capital expenditure plans including exploration, development and exploitation projects
- Uncertainties as to the availability and cost of appropriate financing alternatives on acceptable terms, including the Company's ability to extend its credit facility on an ongoing basis
- Potential changes in income tax regulations, governmental policies, rules, practices or approval process changes, or delays, or enhancements
- Ability to attract and retain qualified professional employees
- Fluctuations in oil and gas prices, foreign currency exchange rates and interest rates
- The uncertainty of reserve estimate and reserve life
- The uncertainty of estimates and projections relating to future production, costs and expenses
- Health, safety and environmental risks

Statements relating to "reserves" or "resources" are by their nature deemed to be forward-looking statements, as they involve the implied assessment based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future.

Although the company believes the expectations expressed in such forward-looking statements or information are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking information.

The forward-looking statements or information contained in this document represent our views as of the date hereof and as such information should not be relied upon as representing our views as of any date subsequent to the date of this document. The Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Non-GAAP Measures

In this document, the Company uses the terms "funds flow from operations" and "operating income", collectively the "Non-GAAP measures, as indicators of the Company's financial performance. The Non-GAAP measures do not have a standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and therefore are unlikely to be comparable to similar measures presented by other entities.

"Funds flow from operations" refers to the cash flow from operating activities before net changes in operating working capital. The most direct comparable measure to "funds flow from operations" calculated in accordance with GAAP is the cash flow from operating activities. "Funds flow from operations" can be reconciled to cash flow from operating activities by adding (deducting) the net change in working capital as shown in the consolidated statements of cash flow.

“Operating income” is equal to petroleum and natural gas sales minus royalties and operating costs. Management believes that the Non-GAAP measures provide useful information to investors as indicative measures of performance.

Investors are cautioned that the Non-GAAP measures should not be considered in isolation or construed as alternatives to their most directly comparable measure calculated in accordance with GAAP, as set forth above, or other measures of financial performance calculated in accordance with GAAP.

BOE Presentation

Barrels of oil equivalent (“boe”) may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of gas (“Mcf”) to one barrel of oil (“bbl”) (6 Mcf: 1 bbl) is used as an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in this report are derived by converting natural gas to oil in the ratio of six Mcf of gas to one barrel of oil. Readers should be aware that historical results are not necessarily indicative of future performance.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at June 29, 2010 the Company had the following common shares and stock options outstanding:

Common Shares	67,079,492
Share Purchase Warrants	13,000,000
Stock Options	5,415,000

There are no shares held in escrow.

As of June 29, 2010, there was \$2,000,000 of two-year convertible debentures outstanding, convertible to common shares at rates of \$0.25 per share.

“CAMERON WHITE”

Cameron White, President & Chief Executive Officer

“STEPHEN CHEIKES”

Steven Cheikes, Director