Wedge Energy International Inc.
Interim Consolidated Financial Statements (unaudited)
For the three and nine months ended September 30, 2009 & 2008

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Management's Report to the Shareholders

The interim consolidated financial statements for the three and nine months ended September 30, 2009 and 2008 for Wedge Energy International Inc. ("Wedge") are the responsibility of management. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and have not been audited.

Wedge maintains appropriate systems of internal control, which are designed to provide reasonable assurance that transactions are appropriately authorized, the assets are safeguarded from loss, and the financial records provide reliable information for the preparation of the financial statements.

The Board is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board exercises its responsibility through the Audit Committee, which has a majority of non-management Directors. This committee meets with management and the auditors to satisfy itself that management responsibilities are properly discharged and to review the financial statements before they are presented to the Board for approval. These financial statements have been approved by the Board on the recommendation of the Audit Committee.

(signed)
Robin Dow
Chief Executive Officer
November 13, 2009

Notice to Reader - Unaudited Interim Consolidated Financial Statements

The interim consolidated financial statements for the three and nine months ended September 30, 2009 and 2008 for Wedge Energy International Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies have been set out in the audited consolidated financial statements for the year ended December 31, 2008. Only changes in significant accounting policies have been disclosed in the notes to the financial statements. Recognizing that the Company is responsible for both the integrity and objectivity, management is satisfied that these financial statements have been fairly presented.

Auditor involvement

The auditor of Wedge Energy International Inc. has not performed a review or an audit of these interim consolidated financial statements.

Wedge Energy International Inc.
Consolidated Balance Sheets

	Sept. 30 2009	Dec. 31 2008
ASSETS		
Current Assets		
Cash	**$ 948**	$ 14,113
Accounts receivable	**7,924**	23,636
Prepaid expenses	**1,360**	12,499
	10,232	50,248
Property and equipment (note 5)	**460,400**	637,662
Future income tax assets	**-**	37,800
	$ 470,632	$ 725,710
LIABILITIES		
Current liabilities		
Accounts payable & accrued liabilities	**$ 1,028,539**	$ 958,770
Part XII.6 tax (note 7)	**90,709**	90,709
Flow-through related obligations (note 7)	**254,824**	254,824
	1,374,072	1,304,303
Asset retirement obligations (note 8)	**59,203**	55,852
	1,433,275	1,360,155
SHAREHOLDERS' DEFICIENCY		
Share capital (note 9)	**7,033,109**	6,946,953
Warrants (note 10)	**650,615**	774,381
Contributed surplus (note 11)	**926,356**	627,956
Deficit	**(9,572,723)**	(8,983,735)
	(962,643)	(634,445)
	$ 470,632	$ 725,710

Note receivable (note 6)
Commitments and contingencies (note 18)
Subsequent events (note 19)

Approved by the Board:

(Signed) "Robin Dow" — Director

(Signed) "Robert Schellenberg" — Director

See Notes to the Interim Consolidated Financial Statements

Wedge Energy International Inc.
Consolidated Statements of Loss, Comprehensive Loss and Deficit (unaudited)
For the three and nine months ended September 30

	Q3 2009	Q3 2008	9Month-YTD 2009	9Month-YTD 2008
REVENUE				
Petroleum and natural gas sales (note 1)	**$ 25,209**	$ 50,910	**$ 28,367**	$ 156,551
Less: royalties	**(1,036)**	(22,668)	**(10,182)**	(45,649)
Interest	**-**	23,937	**925**	65,444
	24,173	52,179	**19,110**	176,346
EXPENSES				
Production costs	**9,049**	45,885	**18,906**	69,472
General and administration	**70,103**	228,848	**107,489**	638,741
Depletion, depreciation, and accretion	**50,881**	24,465	**68,315**	68,455
Loss (gain) on foreign exchange	**(512)**	(21,053)	**(10,569)**	(23,575)
Impairment on notes receivable (note 6)	**107,327**	63,701	**382,267**	360,646
Stock-based compensation	**34,110**	142,253	**41,690**	235,675
	270,958	484,099	**608,098**	1,350,314
Loss before income taxes	**(246,785)**	(431,920)	**(588,988)**	(1,173,968)
Future income taxes recovery	**-**	110,673	**-**	276,796
Net loss and comprehensive loss	**(246,785)**	(321,247)	**(588,988)**	(897,172)
Deficit, beginning of period	**(9,325,938)**	(6,495,299)	**(8,983,735)**	(5,919,374)
Deficit, end of period	**$ (9,572,723)**	$ (6,816,546)	**$ (9,572,723)**	$ (6,816,546)
Loss per share - basic & diluted (note 15)	**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ (0.04)
Shares outstanding - weighted average	**26,499,057**	21,704,858	**24,259,637**	21,396,456

See Notes to the Interim Consolidated Financial Statements

Wedge Energy International Inc.
Consolidated Statement of Cash Flows (unaudited)
For the three and nine months ended September 30

	Q3 2009	Q3 2008	**9Month-YTD 2009**	9Month-YTD 2008
Operating activities				
Net loss for the period	**$ (246,785)**	$ (321,247)	**$ (588,988)**	$ (897,172)
Add (deduct) items not involving cash:				
Depletion, depreciation, and accretion	**50,881**	24,465	**68,315**	68,455
Impairment on notes receivable	**107,327**	63,701	**382,267**	360,646
Stock-based compensation	**34,110**	142,253	**41,690**	235,676
Future income taxes recovery	**-**	(110,673)	**-**	(276,796)
Interest accrued on notes receivable	**-**	(21,973)	**-**	(63,480)
Unrealized foreign exchange loss (gain)	**-**	(13,646)	**-**	(16,841)
	(54,467)	(237,120)	**(96,716)**	(589,512)
Change in non-cash working capital (note 14)	**111,916**	139,665	**105,042**	301,845
	57,449	(97,455)	**8,326**	(287,667)
Financing activities				
Proceeds from issuance of share capital	**50,000**	160,000	**256,901**	160,000
Share issue costs	**-**	-	**-**	(3,000)
	50,000	160,000	**256,901**	157,000
Investing activities				
Expenditures on property and equipment	**-**	(80,514)	**-**	(465,235)
Proceeds on disposal of assets	**-**	-	**103,875**	-
Advances on notes receivable	**(107,327)**	(28,082)	**(382,267)**	(280,325)
Change in non-cash working capital (note 14)	**-**	44,085	**-**	62,095
	(107,327)	(64,511)	**(278,392)**	(683,465)
Increase (decrease) in cash during period	**122**	(1,966)	**(13,165)**	(814,132)
Cash, beginning of period	**826**	39,842	**14,113**	852,008
Cash, end of period	**$ 948**	$ 37,876	**$ 948**	$ 37,876

See Notes to the Interim Consolidated Financial Statements

1. Nature of Operations and Going Concern

Wedge Energy International Inc. ("Wedge" or the "Company) was incorporated on July 5, 1996 under the Ontario Business Corporations Act. The Company changed its name to Alyattes Enterprises Inc. in 1999, and took its current name on February 1, 2007. The Company is engaged in the business of acquisition, production, and exploration of energy resource assets.

These interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2009, the Company had a shareholders' deficiency of $962,643 (December 31, 2008 - $634,445) and a working capital deficiency of $1,363,840 (December 31, 2008 - $1,254,055).

The Company's joint venture partner was granted receivership protection by the Court of Queen's Bench of Alberta on June 25, 2009. The Company has received its joint interest billings up to August 2009, which the Company included in the preparation of these financial statements.

The Company has failed to incur $494,172 of the required expenditures related to flow-through shares issued in 2007. Also, the Company is required to make qualifying expenditures of $135,000 by December 31, 2009 with respect to the flow-through shares issued in 2008.

The Company's continuation as a going concern is dependent upon its ability to obtain additional financing as required through issuing shares, possible sale of assets and to attain profitability from operations. The Company is pursuing additional financing through public and private equity, debt instruments and collaborative arrangements with potential partners. In the event the Company is unable to arrange additional financing, the Company's ongoing operations would be negatively impacted.

These financial statements do not include any adjustments relating to the amount and classification of the carrying value of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with GAAP under for the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1751 "Interim financial statements". Accordingly, they do not include all of the information and note disclosures as contained in annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the three and nine months ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ended December 31, 2009.

The significant accounting policies have been set out in Wedge's audited consolidated financial statements for the year ended December 31, 2008. Only changes in significant accounting policies have been disclosed in these interim financial statements below:

(a) Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted the CICA Handbook Section 3064 "Goodwill and intangible assets". This standard, which replaces GAAP section 3062 and 3450, provides guidance relating to the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard did not have significant impact the Company's financial statements as it has no goodwill or intangible assets.

(b) Future accounting pronouncements

Convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board has confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises, which are responsible to large or diverse groups of stakeholders. The official changeover date is fiscal years beginning on or after January 1, 2011. The Company will be required to provide comparative previous fiscal year information under IFRS in interim and annual financial statements. While the Company has begun assessing its adoption of IFRS, the impact of this transition cannot be reasonably estimated at this time.

3. Capital management

The Company's objectives when managing capital are:

- To safeguard its ability to continue as a going concern.
- To maintain appropriate cash on hand to meet ongoing operating costs.
- To invest cash on hand in liquid and highly rated financial instruments.

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

4. Financial instruments

The Company's financial instruments are cash, accounts receivable and accounts payable and accrued liabilities. The amounts reflected in the balance sheet are carrying amounts and approximate their fair values due to the short-term nature and negligible credit losses. These financial instruments are classified as follows:

- Cash – held for trading
- Accounts receivable – loans and advances
- Accounts payable and accrued liabilities – other financial liability

Certain risks that the Company is exposed to in normal course of operations are described below:

a) Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

b) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company does not use derivative instruments or hedges to manage risks as the interest rate risk is low.

c) Currency risk
Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's exposure to currency risk is limited because all monetary assets and liabilities in Canadian dollars. In addition, the carrying value of the notes receivable is nil due to the impairment taken for uncertainty of collection.

d) Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable and accrued liabilities are all current and due within 90 days of the balance sheet date.

5. Property and equipment

September 30, 2009	Cost	Accum. Depletion & Depreciation	Net book Value
Petroleum & natural gas assets	$ 4,087,665	$ (3,627,265)	$ 460,400
Administration assets	23,132	(23,132)	-
	$ 4,110,797	$ (3,650,397)	$ 460,400

December 31, 2008	Cost	Accum. Depletion & Depreciation	Net book Value
Petroleum & natural gas assets	$ 4,191,540	$ (3,565,665)	$ 625,875
Administration assets	23,132	(11,345)	11,787
	$ 4,214,672	$ 3,577,010	$ 637,662

6. Notes receivable

Since January 2007, the Company received promissory notes on loans advanced to support legal proceedings to confirm ownership of charter capital in Kazakhstan by an unrelated party (the "Borrower"). The Company will hold the right to purchase a 70% interest in the property at a purchase price equal to the loan advances, and to pay 70% of initial license exploration expenses; or to remain in a secured position, with the right in default of repayment to seize 70% of the Borrower's holding in the license.

Due to the uncertainty of the resolution, the Company recognized impairment in the full amount of the notes (including principal and interest). The advances bear annual interest of 5%, which has not been accrued due to uncertainty of collection. As of September 30, 2009, the Company had advanced a cumulative amount of $2,308,781 (December 31, 2008 - $1,926,514) in principal on the promissory notes.

7. Flow-through related obligations

The Company did not incur $494,172 of expenditures pursuant to flow-through shares issued in 2007. According to the share-issuance agreement, the Company is required to pay any resulting tax, interest, and penalties on behalf of the initial investor of the shares if the flow-through commitments are not met. The Company has accrued $345,533 due to the shortfall in flow-through expenditures, which is made up of $90,709 for Part XII.6 tax and $254,824 for estimated investor obligations.

8. Asset retirement obligations

The future asset retirement obligations were estimated by management based on the Company's working interest in its wells and facilities, estimated costs to remediate, reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. The Company has estimated the net present value of its total asset retirement obligations to be $59,203 at September 30, 2009 based on an undiscounted total future liability of $78,088.

The payments are expected to be incurred starting in 2014 based upon management's estimate of the life of the wells and facilities. The Company used a credit adjusted risk-free rate of 8% (December 31, 2008 - 8%) and an inflation rate of 2% to calculate the present value of these asset retirement obligations.

The following table reconciles the changes in the Company's asset retirement obligations:

	Sept. 30 2009	Dec. 31 2008
Balance, beginning of period	**$ 55,852**	$ 50,273
Accretion	**3,351**	5,579
Balance, end of period	**$ 59,203**	$ 55,852

9. Share Capital

The following table shows the transactions in the share capital since December 31, 2007:

Authorized
Unlimited number of common voting shares
Unlimited number of preferred non-voting shares

	Number	Amount
Issued		
Balance, December 31, 2007	**21,049,230**	**$ 7,062,238**
Penalty Issuance (i)	360,000	-
Private placement (ii)	125,000	11,850
Flow-through shares (iii)	425,000	40,290
Flow-through shares (iv)	250,000	24,575
Tax effect of flow-through share renouncement (v)	-	(192,000)
Balance, December 31, 2008	**22,209,230**	**6,946,953**
Private placement (vi)	2,400,000	48,720
Private placement (vii)	1,150,000	24,035
Private placement (viii)	1,000,000	21,800
Issued to creditors (ix)	117,605	29,401
Tax effect of flow-through share renouncement (x)	-	(37,800)
Balance, September 30, 2009	**26,876,835**	**$ 7,033,109**

2008 share capital transactions:

i) In June 2008, the Company issued 360,000 common shares in connection with the penalty for non-completion of an "Exit Event" related to a private placement that occurred in October 2006.

ii) In July 2008, the Company completed a private placement of 125,000 units at $0.20 per unit. Each unit comprised of one common share and one warrant. Each warrant entitles the holder to purchase one common share at exercise price of $0.30 until July 15, 2010. The proceeds of $25,000 had $11,850 allocated to common shares and $13,150 allocated to the warrants, which was based on the Black-Scholes pricing model with the assumptions of risk-free interest rate of 3.18% and a volatility of 118%.

iii) In July 2008, the Company completed a private placement of 425,000 flow-through units at $0.20 per unit. Each unit comprised of one flow-through common share and one warrant. Each warrant entitles the holder to purchase one common share at exercise price of $0.30 until July 15, 2010. The proceeds of $85,000 had $40,290 allocated to common shares and $44,710 allocated to the warrants, which was based on the Black-Scholes pricing model with the assumptions of risk-free interest rate of 3.18% and a volatility of 118%.

iv) In August 2008, the Company completed a private placement of 250,000 flow-through units at $0.20 per unit. Each unit comprised of one flow-through common share and one warrant. Each warrant entitles the holder to purchase one common share at exercise price of $0.30 until July 15, 2010. The proceeds of $50,000 had $24,575 allocated to common shares and $25,425 allocated to the warrants, which was based on the Black-Scholes pricing model with the assumptions of risk-free interest rate of 3.18% and a volatility of 118%.

v) Tax effect of $192,000 relates to exploration expenditures of $650,828 renounced in February 2008 related to flow-through shares issued in the previous year.

2009 share capital transactions:

vi) In April 2009, the Company completed a private placement of 2,400,000 non- brokered units at $0.05 per unit. Each unit comprised of one common share and one common share warrant. Each warrant entitles the holder to purchase one common share at exercise price of $0.10 until May 1, 2012. The proceeds of $120,000 had $48,720 allocated to common shares and $71,280 allocated to the warrants, which was based on the Black-Scholes pricing model with the assumptions of risk-free interest rate of 3.18% and a volatility of 118%.

vii) In June 2009, the Company completed a private placement of 1,150,000 non- brokered units at $0.05 per unit. Each unit comprised of one common share and one common share warrant. Each warrant entitles the holder to purchase one common share at exercise price of $0.10 until May 1, 2012. The proceeds of $57,500 had $24,035 allocated to common shares and $33,465 allocated to the warrants, which was based on the Black-Scholes pricing model with the assumptions of risk-free interest rate of 3.18% and a volatility of 118%

viii) In August 2009, the Company completed a private placement of 1,000,000 non- brokered units at $0.05 per unit. Each unit comprised of one common share and one common share warrant. Each warrant entitles the holder to purchase one common share at exercise price of $0.10 until May 1, 2012. The proceeds of $50,000 had $21,800 allocated to common shares and $28,200 allocated to the warrants, which was based on the Black-Scholes pricing model with the assumptions of risk-free interest rate of 3.18% and a volatility of 118%.

ix) In June 2009, the Company issued 117,605 shares in settlement of $29,401 to certain creditors.

x) Tax effect of $37,800 relates to exploration expenditures of $135,000 renounced in February 2009 related to flow-through shares issued in the previous year.

Shares held in escrow

As of September 30, 2009, the number of common shares that are held in escrow is 1,743,750 (December 31, 2008 - 3,606,250). These shares will be released from escrow in equal installments of 581,250 on March 1, 2010, September 1, 2010, and March 1, 2011.

10. Warrants

The following table reconciles the warrants over the nine months ended September 30, 2009:

	Number	Amount
Balance, December 31, 2008	7,278,750	$ 774,381
Warrants issued during period:		
April 2009	2,400,000	71,280
June 2009	1,150,000	33,464
August 2009	1,000,000	28,200
	4,550,000	132,944
Warrants expired	(1,123,750)	(256,710)
Balance, September 30, 2009	10,705,000	$ 650,615

As of September 30, 2009, the details of warrants outstanding are as follows:

	Exercise Price	Expiry	Number	Attributed Value
Compensation unit related warrants				
November 2007 warrants	$ 0.75	19-Oct-09	100,000	$ 8,256
December 2007 warrants	$ 0.75	15-Nov-09	60,000	4,895
December 2007 warrants	$ 0.75	15-Nov-09	10,000	789
			170,000	13,940
Share purchase warrants				
September 2007 warrants	$ 0.35	1-Sep-11	300,000	25,122
October 2007 warrants	$ 0.35	1-Sep-11	4,060,000	329,548
December 2007 warrants	$ 0.35	15-Nov-11	825,000	65,775
July 2008 warrants	$ 0.15	15-Jul-10	550,000	57,860
August 2008 warrants	$ 0.15	15-Jul-10	250,000	25,425
April 2009 warrants	$ 0.10	1-May-12	2,400,000	71,280
June 2009 warrants	$ 0.10	1-May-12	1,150,000	33,465
August 2009 warrants	$ 0.10	1-May-12	1,000,000	28,200
			10,535,000	636,675
Total warrants			10,705,000	$ 650,615
Weighted average exercise price of warrants	$ 0.24			
Weighted average life of warrants (years)		2.11		

11. Contributed surplus

The following table reconciles the Company's contributed surplus balance over the nine months ended September 30, 2009:

	Sept. 30 2009	Dec. 31 2008
Balance, beginning of period	**$ 627,956**	$ 65,652
Stock-based compensation	**41,690**	303,695
Warrants expired	**256,710**	258,609
Balance, end of period	**$ 926,356**	$ 627,956

12. Compensation Unit options

In connection with the private placements in 2007, the Company issued Compensation Units ("CU") that were comprised of common shares options and warrants. This schedule displays the common share option component of the Compensation Units:

	Exercise Price	Expiry	Number
November 2007 CU options	$ 0.50	19-Oct-09	100,000
December 2008 CU options	$ 0.50	15-Nov-09	60,000
December 2008 CU options	$ 0.50	15-Nov-09	10,000
Total Compensation Unit options			170,000
Weighted average exercise price of Compensation Unit related options	$ 0.50		
Weighted average life of Compensation Unit related options (years)		0.08	

13. Stock options

In January 2009, the Company issued 200,000 options to officers and employees. The value to this stock-based compensation was $7,580, which was based on the Black-Scholes pricing model with the assumptions of risk-free interest rate of 3.00% and a volatility of 118%

In August 2009, the Company issued 900,000 options to officers and employees. The value to this stock-based compensation was $34,110, which was based on the Black-Scholes pricing model with the assumptions of risk-free interest rate of 3.00% and a volatility of 118%

The following table reconciles the Company's stock options over the nine months ended September 30, 2009:

	Sept. 30 2009	Dec. 31 2008
Balance, beginning of period	**2,000,000**	-
Stock options issued	**1,100,000**	2,000,000
Stock options expired	**(650,000)**	-
Balance, end of period	**2,450,000**	2,000,000

As of September 30, 2009, the details of stock options outstanding are as follows:

	Exercise Price	Expiry	Number
April 2008 stock options	$ 0.50	15-Mar-13	750,000
July 2008 stock options	$ 0.25	29-Jul-13	600,000
January 2009 stock options	$ 0.10	30-Jan-14	200,000
August 2009 stock options	$ 0.10	31-Aug-14	900,000
Total stock options			2,450,000
Weighted average exercise price of stock options	$ 0.26		
Weighted average life of stock options (years)		4.16	

14. Change in Non-cash Working Capital

The following table reconciles the change in non-cash working capital for the three and nine months ended September 30:

	Q3 2009	Q3 2008	**9Month-YTD 2009**	9Month-YTD 2008
Accounts receivable	**$ (7,768)**	$ 43,914	**$ 15,712**	$ (90,808)
Prepaid expenses	**(1,360)**	(17,951)	**11,138**	68,956
Accounts payable & accrued liabilities	**121,044**	157,786	**78,192**	385,791
	$ 111,916	$ 183,749	**$ 105,042**	$ 363,939
Allocated to:				
Operating activities	**$ 111,916**	$ 139,664	**$ 105,042**	$ 301,845
Investing activities	**-**	44,085	**-**	62,094
	$ 111,916	$ 183,749	**$ 105,042**	$ 363,939
Supplemental cash flow information				
Interest paid	**$ -**	$ -	**$ -**	$ -
Income taxes paid	**$ -**	$ -	**$ -**	$ -

15. Per share amounts

Per share calculations are based on the weighted average number of common shares outstanding during three and nine months ended September 30, 2009 of 26,499,057 and 24,259,637, respectively. Diluted per share amounts have not been disclosed, as the effects of share options and warrants are anti-dilutive.

16. Related party transactions

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties.

During the nine months ended September 30, 2009, the Company was charged nil (2008 - $133,829) for accounting, administrative fees and software solutions by a corporation of which a director of the Company is an officer. As of September 30, 2009, $158,400 (2008 - $156,374) was included in the Accounts payable and accrued liabilities balance.

During the nine months ended September 30, 2009, a director advanced $44,115 (2008 - nil) to the Company. This amount is non-interest bearing and has no set repayment terms. As of September 30, 2009, $59,115 of this loan was included in the Accounts payable and accrued liabilities balance.

17. Comparative figures

Certain comparative figures have been reclassified to conform to the Company's current year presentation.

18. Commitments and contingencies

The Company issued a total of $135,000 in flow-through shares during 2008. The Company has until December 31, 2009 to incur $135,000 of qualifying flow-through exploration expenses.

19. Subsequent events

On October 21, 2009, the Company announced that it had issued an aggregate of $270,000 principal amount of convertible notes ("the Notes"), which mature on October 9, 2010. The Notes are convertible into 5,400,000 common shares at a price of $0.05 per share. In addition, the Company issued 5,400,000 warrants entitling the holder thereof to purchase common shares in the capital of the Company until October 9, 2011 at a price of $0.10 per common share. Interest on the principal amount shall be at 10% per annum, payable quarterly. The Company has the right to effectuate the payment of interest in common shares of the Company.