Vesta Capital Corp.
Management's Discussion and Analysis

This management's discussion and analysis may contain forward-looking statements. Forward-looking statements are based on current expectations that involve a number of risks and uncertainties which could cause actual events or results to differ materially from those reflected herein. Forward-looking statements are based on the estimates and opinions of the management of Vesta Capital Corp. at the time the statements were made.

The following management's discussion and analysis ("MD&A") of the financial position of Vesta Capital Corp. (the "Company") should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2009. The information provided is as of April 30, 2010. These documents, and additional information about the Company, are available at www.sedar.com.

Description of Business

Vesta Capital Corp. (the "Company") was incorporated under the Ontario Business Corporations Act on February 22, 2008 and is classified as a capital pool company as defined in Policy 2.4 of TSX Venture Exchange Inc. ("TSX-V"). The Company's common shares were listed on the TSX-V under the symbol "VES.P" on July 29, 2008.

On April 23, 2010, the Company acquired a 65% indirect Membership Interest in Excelaron, LLC ("Excelaron"), a development stage company based in San Luis Obispo, California, engaged primarily in the business of oil and natural gas resource exploration and development ("Qualifying Transaction"). Excelaron holds a 100% interest in an oil and natural gas property consisting of 260 acres on the western edge of the Huasna Basin, an existing California Department of Oil, Gas and Geothermal Resources designated oilfield within the Meridian Anticline located in Arroyo Grande, California.

The Company will carry out exploration and development of oil and gas properties held by Excelaron pursuant to the terms of an operating agreement.

Qualifying Transaction and Financing-Excelaron LLC

On April 1, 2010, the Company received conditional approval from the TSX Venture Exchange ("TSX-V") for the qualifying transaction outlined below.: on April 23, 2010, the Company acquired a 65% indirect Membership Interest in Excelaron, LLC ("Excelaron"), a development stage company based in San Luis Obispo, California, engaged primarily in the business of oil and gas resource management and development ("Qualifying Transaction"). The Qualifying Transaction is subject to final approval by the TSX-V.

The Company, a wholly-owned subsidiary of the Company ("Subsidiary") and United Hydrocarbon Corporation ("UHC") completed a three-cornered amalgamation, whereby Subsidiary amalgamated with UHC and the Company issued 1.7754 common shares for each outstanding UHC common share and 1.33 common shares for each outstanding UHC Class A common share.

Prior to the closing of the Qualifying Transaction, UHC increased its Membership Interest in Excelaron from 21% to 65%. UHC acquired an additional 4% Membership Interest in Excelaron in exchange for 1,902,896 common shares valued at $0.20 per common share for total consideration of $380,579. UHC acquired an additional 40% Membership Interest in Excelaron for $1,000,000, a capital contribution to Excelaron of US$1,075,000 and a commitment to pay US$800,000 at such time as Excelaron secures its conditional use permits for its planned operations on its oil and gas properties. In the event that Excelaron does not secure such permits or the Company does not pay the US$800,000, the 40% Membership Interest will be reduced to a 15% Membership Interest in Excelaron. The Company has also agreed to pay a shareholder of UHC a 5% assignable gross overriding royalty on all amounts received, directly or indirectly, by the Company that can be attributed to its 65% Membership Interest in Excelaron.

Concurrent with the closing of the Qualifying Transaction, UHC completed a private placement of 45,000,000 units of UHC at a price of $0.20 per unit for gross proceeds of $9,000,000 ("Private Placement"). Each unit consisted of one UHC Class A common share and one-half of one warrant, with each whole warrant entitling the holder to purchase one UHC Class A common share at a price of $0.40 per UHC Class A share until April 23, 2012 ("UHC Warrant"). In the event that the UHC Class A common shares trade at or above $0.80 for more than 20 consecutive days, the warrants must be exercised after written notice is provided by UHC or they will expire. In respect of the Private Placement, UHC paid a commission of $720,000 equal to 8% of gross proceeds of the Private Placement; issued 3,600,000 warrants equal to 8% of the number of common shares issued entitling the holder to purchase one Class A common share at a price of $0.20 per Class A common share until April 23, 2012; issued 5,746,999 common shares to a shareholder of UHC in respect of a financing consulting fee; paid the agent's legal fees and out-of-pocket expenses of $85,000.

Terminated Qualifying Transaction and Financing-3G Solar, Ltd.

On October 30, 2008, the Company entered into a letter of intent with 3G Solar, Ltd. ("3G"), an Israeli company engaged in the development of dye solar cell photovoltaic modules ("Transaction"). On January 6, 2009, the Company and 3G amended the letter of intent to restructure the transaction from a share sale to a three cornered amalgamation (the "Transaction"). To satisfy the minimum listing requirements of the TSX-V, on October 31, 2008, the Company signed an engagement letter for a public offering of a minimum of 10,000,000 common shares and maximum of 15,000,000 common shares at a price of $0.40 per common share for gross proceeds of between $4,000,000 and $6,000,000 (the "Offering").

On May 26, 2009, 3G terminated the Transaction and therefore, the Company wrote off deferred costs of $396,570, representing costs incurred in respect of the Transaction and Offering.

On April 8, 2009, the Company advanced a demand loan in the amount of $225,000 to 3G which bears interest at the rate of 5% per annum and is secured by a fixed and floating charge over all of 3G's personal property, including its intellectual property ("Loan").

Although the Company is continuing to take steps to recover the Loan, the Company wrote off the balance of $225,000. No interest was charged on the Loan.

The Property
The Company holds a 65% indirect interest in Excelaron, which holds a 100% interest in an oil and natural gas property consisting of 260 acres on the western edge of the Huasna Basin, an existing California Department of Oil, Gas and Geothermal Resources designated oilfield within the Meridian Anticline located in Arroyo Grande, California.

Geology Description
The onshore portion of the Santa Maria Basin is a triangular shaped structural basin located north of Los Angeles in the state of California and bounded by the Santa Ynez Mountains to the south and the San Rafael Mountains to the north.

The basin contains Cenozoic Miocene to Quaternary strata that pinch out against the older strata of the mountain ranges to the south and north. An unconformity at the top of the Mesozoic strata indicates a period of widespread emergence and erosion during the middle Tertiary period. Sedimentation commenced again when Lower Miocene strata were deposited during a period of regional crustal extension. During much of the ensuing Miocene time the Monterey Formation was deposited, the major reservoir zone and only source rock in the basin. The Monterey Formation ranges in thickness from 1,000 to 4,000 feet and consists primarily of organic rich clastic poor strata, more calcareous in the lower section and increasingly chcrty and siliceous in the upper section. These are deeper water deposits as sea level was high at this time.

Much of the oil in the Santa Maria Basin is trapped in west-northwest trending faulted anticlines. In the Monterey Formation, the reservoirs are very thick fractured sections of chert, siliceous shale and dolomite. The oil is usually heavy and typically ranges from 10° to 20° API. Matrix porosity is typically about 10% to 35% but the permeability within the matrix is negligible. The recoverable oil is predominantly located in the fracture system for which the porosity ranges from 1% to 2% or less, but permeability can be very large.

The Huasna Field is located in the northern portion of the Santa Maria Basin and is a mapped surface anticlinal feature with tar sealed Monterey Formation as the outcropping formation. Structural closure is 450 acres and the first well drilled into the structure, Scherer-Dickes #1, was perforated from 900 to 2200 feet in the Monterey Formation.

Resource Estimates
The oil gravity in the Monterey shale accumulation is presumed to be 13° API and its exploitation will be facilitated by application of an enhanced recovery scheme by hot water injection. Under Excelaron's scheme concept hot water would be injected to raise the reservoir temperature and increase oil mobility, plus provide a displacement mechanism for the oil.

An assessment has been prepared of the contingent resources for the Monterey shale interval in Huasna Field in the San Luis Obispo area in central California based on reservoir parameters derived from log analysis, geological mapping and comparison to other Monterey reservoirs in this area. The analysis on the initial phase of the Project suggests a recovery of 2,334 MSTB for the best estimate, 1,400 MSTB for the low estimate and 4,668 MSTB for the high estimate, assuming recovery factors of 30, 27 and 45 percent of the oil, respectively. The analysis also suggests that the total recoverable contingent resources estimate for the Project amounts to 7,002 MSTB for the best estimate, 4,201 MTSB for the low estimate and 14,404 MTSB for the high estimate, assuming recovery factors of 30, 27 and 45 per cent of the oil, respectively.

However, there is no certainty that it will be commercially viable to produce any portion of the foregoing resources. The contingent resource estimate contained in the 51-101 Report was determined in accordance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities and COGE Handbook standards, with an effective date of December 31, 2009.

As indicated above, the Project contains contingent resources, rather than one of the categories of reserves, with the 51-101 Report containing an estimate of the quantity of oil related to the Project's contingent resources. The significant positive factors relevant to such estimate include the large volume of oil in place in the Project's formation and the enormously high pay thickness associated with the Project's formation. The significant negative factors relevant to such estimate include the nature of the oil contained in the Project's formation, being heavy oil, and the possibility that the hot water application or the water injection will not effectively heat or displace the heavy oil. In addition to the foregoing, the specific contingencies which prevent the Project's contingent resources from being classified as reserves include the lack of historic commercial production of the Huansa Field and the lack of properties in the area surrounding the Project that contain producing oil wells.

Exploration and Development
The 51-101 Report was created to examine the production feasibility of the Huasna field, and provides a conceptual scheme with which the property could be developed. The current project description entitles Excelaron to a maximum of 12 production wells.

A well pilot program, consisting of one vertical hot water injector and up to four vertical producers, would be drilled and operated with a rental boiler/treater generator for about six months to examine the potential for commercial production. After the completion of the well pilot program a full analysis of the field's commercial potential will be conducted.

Productivity Estimate
The 51-101 Report identifies initial rates of 500 STB/d from a twin leg horizontal well is the best estimate case based on comparison to other recovery projects. For the low and high cases, rates of 300 STB/d and 1,000 STB/d have been predicted.

Oil production is expected to commence in the second half of 2011 following a hot water flood response. Following satisfactory results from the pilot well program, phase 1 of the Project would be implemented in 2011.

An average 2010 price of US$73.00 per STB of heavy oil has been utilized for the Project.

Risks and Uncertainties

The Company is exposed to financing risk as it is not in commercial production on any of its oil and gas properties, and accordingly, has no revenues. The Company finances its operations by raising capital in the equity markets. Although the Company has been successful in raising funds to date, there can be no assurance that additional funding will be available in the future.

The Company is exposed to the inherent risks associated with oil and gas exploration and development, including the uncertainty of oil and gas resources and their development into recoverable reserves; the uncertainty as to potential project delays from circumstances beyond the Company's control; and the timing of production; as well as title risks, risks associated with joint venture agreements and the possible failure to obtain mining licenses.

The Company is exposed to commodity price risk with respect to oil and gas prices. A significant decline in oil and gas commodity prices may affect the Company's ability to obtain capital for the exploration and development of its interest in oil and gas properties.

Results of Operations

Periods ended December 31

	Year ended December 31, 2009 $	**Period from February 28, 2008 (date of incorporation) to December 31, 2008 $**
Expenses		
Professional fees	36,275	10,000
Consulting fees	18,500	13,125
Directors fees, stock-based compensation	-	57,642
Office and general	280	1,754
Public company costs	17,418	14,293
Investor relations	-	2,100
	72,473	98,914
Loss before the undernoted	(72,473)	(98,914)
Writedown of loan to 3G Solar, Ltd.	(225,000)	-
Writedown of deferred costs	(396,570)	-
Loss and comprehensive loss for the period	(694,043)	(98,914)

On May 26, 2009, 3G terminated the Proposed Transaction and subsequently, the Company wrote off deferred costs of $396,570 and a loan of $225,000. In light of 3G's termination, the Company will be seeking reimbursement from 3G for its Costs and the Loan. The outcome of the Company's attempts to recover the Costs and Loan is not determinable. Any recovery of Costs or the Loan will be recorded as a recovery when received.

3 months ended December 31

	2009 $	2008 $
Expenses		
Professional fees	15,275	2,500
Consulting fees	-	5,625
Office and general	-	1,754
Public company costs	1,337	14,293
Investor relations	-	2,100
	16,613	26,272
Loss before the undernoted	(16,613)	(26,272)
Writedown of loan to 3G Solar, Ltd.	(107,070)	-
Writedown of deferred costs	7,950	-
Loss and comprehensive loss for the period	(115,733)	(26,272)

Summary of Quarterly Results

The Company was incorporated on February 22, 2008 and commenced operations on July 25, 2008, the date of the closing of its initial public offering. The summary of quarterly results has been prepared in accordance with Canadian generally accepted accounting principles.

	Q1 2008 $ (note 1)	Q2 2008 $ (note 1)	Q3 2008 $ (note 2)	Q4 2008 $	Q1 2009 $	Q2 2009 $	Q3 2009 $	Q4 2009 $
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Loss								
- Total	Nil	Nil	72,642	26,272	417,561	25,686	135,064	115,733
- Per share	Nil	Nil	0.016	0.004	0.07	Nil	0.02	0.02
Total assets	180,000	227,250	862,242	934,513	611,048	461,490	341,426	243,523

1. The Company was incorporated on February 22, 2008 and commenced operations on July 25, 2008, and accordingly, no revenue or loss figures are presented.
2. Revenue and loss figures presented are for the period July 25, 2008 (date of commencement of operations) to September 30, 2008.

The loss for the third quarter of 2008 includes stock-based compensation of $57,642 for stock options granted to directors of the Company. The loss for the first quarter of 2009 includes a writedown $396,570 of deferred costs as a result of the termination of a proposed Qualifying Transaction. The loss for the third and fourth quarter of 2009 includes writedowns of the loan to 3G of $117,390 and $107,070, respectively. The increase in total assets from the first quarter of 2008 to the fourth quarter of 2008 reflects the proceeds of private placements completed.

Liquidity & Capital Resources

On April 23, 2010, the Company completed the Private Placement and intends to use the net proceeds of the financing for the following purposes:

Purpose	**US$**
For certain repayments, drilling exploration activities and operating expenses	1,270,000
To acquire and undertake exploration activities on certain prospects located in the State of California	l,008,759
To undertake geological and geophysical development of prospects in the United States identified by John Masters, who is anticipated to become an officer or director of the Company at the next annual general meeting	1,130,000
To undertake drilling and exploration activities on four additional wells and for permanent facilities	908,303
For management and administration costs for 1 year	693,939
General working capital	100,000
	5,111,001

Capital Expenditures
It has been estimated that the initial pilot scheme for the development plan, consisting of one vertical hot water injector and two vertical producers, plus surface equipment, would cost US$1,875,000, which would be paid 100% by the Company, with all costs for the development of the development plan thereafter being paid 65% by the Company and 35% by AOC. The Project will be subject to a 12.5% basic overriding royalty.

For the expanded development plan it has been estimated that a vertical hot water injection well will cost US$300,000 to drill, each horizontal producer will cost US$1,000,000 and the hot water boiler and associated facilities will cost US$1,000,000.

Total capital expenditures for a fully exploited Project as described would be US$14,175.000 (US$9,870,000 net to the Company), comprised of the following:

(a) the well pilot program, consisting of one vertical hot water injector and up to four vertical producers which would be drilled and operated with a rental boiler/treater generator for about six months to examine the potential for commercial production; and

(b) phase 1, consisting of two vertical injectors, the conversion of two producers, two double horizontal producers, building of water boiler/treator facilities, and the recompletion of five hot water injectors and re-reroute of two horizontal producers on three occasions.

Total abandonment and restoration liabilities have been estimated at US$350,000 (US$227,500 net to the Resulting Issuer).

Of the first US$1,875,000 required for the development plan, the Company has already advanced US$1,075,000 and the remaining $800,000 will be advanced at such time as Excelaron secures its conditional use permits for its planned operations on its oil and natural gas properties. In the event that Excelaron does not secure such permits or the Company does not pay the US$800,000, the 40% Membership Interest will be reduced to a 15% Membership Interest in Excelaron. The Company has also agreed to pay a shareholder of UHC a 5% assignable gross overriding royalty on all amounts received, directly or indirectly, by the Company that can be attributed to its 65% Membership Interest in Excelaron.

Changes in Accounting Policies Including Initial Adoption

Goodwill and Intangible Assets
On January 1, 2009, the Company adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets" which replaced Section 3062. Concurrent with the introduction of this standard, the CICA withdrew EIC-27, Revenues and Expenses during the pre-operating period. The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred.

Financial Statement Concepts
On January 1, 2009, the Company adopted CICA Handbook Section 1000, "Financial Statement Concepts". This amended section removes references to the recognition of assets and liabilities solely on the basis of matching net income items and clarifies the timing of expense recognition and the creation of an asset.

Credit Risk and Fair Value of Financial Assets and Liabilities
On January 20, 2009, the CICA's Emerging Issue Committee ("EIC") issued abstract EIC-173, "Credit Risk and the Fair Value of Financial Assets and Liabilities," which requires entities to take both counterparty credit risk and their own credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives.

Financial Instruments
On December 31, 2009, the Company adopted the changes made to the CICA Handbook Section 3862, "Financial instruments – Disclosures" whereby an entity shall classify and disclose fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The fair value of cash and qualifying transaction funds are classified as "Level 1" financial instruments valued using quoted prices in active markets for identical assets. All other financial assets are carried at amortized cost; their carrying value approximates fair value as they are short term in nature.

The adoption of these new standards did not have an effect on the Company's financial statements.

Future Changes in Accounting Policies

Business Combinations

In January 2009, the CICA issued new Handbook Section 1582, 'Business Combinations". Section 1582 will be converged with IFRS 3, "Business Combinations" and replaces Handbook Section 1581, "Business Combinations". Section 1582 establishes the standards for the measurement of a business combination and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This Section is effective for business combinations for which the acquisition date is on or after January 1, 2011. The Company may elect to early adopt this Section and if so, will be required to early adopt Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-controlling Interests".

Consolidated Financial Statements

In January 2009, The CICA issued Handbook Section 1601, "Consolidated Financial Statements", which replaces Handbook Section 1600, "Consolidated Financial Statements" other than the standards relating to non-controlling interest. The Section establishes the standards for preparing consolidated financial statements and is effective for fiscal years beginning on or after January 1, 2011. The Company may elect to early adopt this Section, and if so, will be required to early adopt Section 1582, "Business Combinations" and Section 1602, "Non-controlling Interests".

Non-controlling Interests

In January 2009, the CICA issued new Handbook Section1602, "Non-controlling interests", which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of financial statements subsequent to a business combination. This standard is effective for fiscal years beginning on or after January 1, 2011. The Company may elect to early adopt this Section, and if so, will be required to early adopt Section 1582, "Business Combinations" and Section 1602, "Consolidated Financial Statements".

International Financial Reporting Standards ("IFRS"):

In February 2008, the CICA Accounting Standards Board confirmed that the changeover to IFRS from Canadian generally accepted accounting principles will be required for publicly accountable enterprises, effective for the interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual financial statements in accordance with IFRS commencing with the interim financial statements for the 3 months ended March 31, 2011. The transition date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

The table below summarizes the expected timing of activities related to the Company's transition to IFRS:

Initial analysis of key areas for which changes to accounting policies may be required	Completed
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives	Completed
Assessment of first-time adoption (IFRS 1) requirements and alternatives	Completed
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption	Q1 2010
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	Q2 2010
Management and employee education and training	Throughout the transition process
Quantification of the financial statement impact of changes in accounting policies	Q4 2010

The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all accounting policies, the initial key areas of assessment will include:

- Exploration and development expenditures;
- Provisions, including asset retirement obligations
- Stock-based compensation;
- Accounting for income taxes; and
- First-time adoption of International Financial Reporting Standards (IFRS 1).

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; contractual arrangements; and employee training.

Financial Instruments and Other Instruments

Fair value
Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and accounts payable and accrued liabilities approximates fair value due to the short-term nature of these financial instruments.

The Company’s financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

Currency risk
As the majority of the Company's expenditures are in Canadian dollars, the Company limits it exposure to currency risk by maintaining its cash and cash equivalents in Canadian dollars.

Credit risk
Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is limited to cash. The Company limits its exposure to credit risk on cash by holding its cash in deposits with high credit quality Canadian financial institutions.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet is financial obligations as they come due. As at December 31, 2009, the Company had aggregate cash of $121,042 (including qualifying transaction funds of $40,793) to settle accounts payable and accrued liabilities of $125,870.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is limited due to the short-term nature of its financial instruments.

Disclosure of Outstanding Share Data (as at April 30, 2010)

Shares
Authorized:
Unlimited number of common shares, no par value.

Unlimited number of preference shares, issuable in series. The preference shares are issuable in series and may be issued in one or more series, from time to time, by the directors of the Company. The directors of the Company are authorized to fix, among other things, the designation, preferences, rights and restrictions attaching to each series of preference shares, in addition to the entitlement of each series of preference shares to receive the assets of the Company available on a liquidation, dissolution or winding-up of the Company. The preference shares are entitled to preference over the common shares and any other shares ranking junior to the such preference shares with respect to, among other things, payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Company. Unless the rights attaching to the preference shares state otherwise, each preference share carries one vote at all meetings of shareholders, other than at meetings of the holders of the common shares meeting separately as a class.

Outstanding:
120,302,722 common shares.

Escrow:
26,606,116 common shares are subject to escrow agreements under which 10% of the escrowed common shares will be released on the date a Final Exchange Bulletin is issued by the TSX-V evidencing final acceptance of the Qualifying Transaction and an additional 15% will be released on the dates that are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months thereafter.

24,541,106 common shares are subject to escrow agreements under which 5% of the escrowed common shares will be released on the date a Final Exchange Bulletin is issued by the TSX-V in evidencing final acceptance of the Qualifying Transaction, 5% will be released 6 months thereafter, 10% will be released 12 months thereafter and 18 months thereafter, 15% will be released 24 months thereafter and 30 months thereafter and 40% will be released 36 months thereafter.

Warrants
On a pro forma basis, the following warrants will be outstanding:

Exercise price	Number of warrants	Expiry date
$0.20	200,000	July 29,2010
$0.20	3,600,000	April 23, 2012
$0.40	29,925,000	April 23, 2012
	33,725,000	

In the event that the Company’s common shares trade at or above $0.80 for more than 20 consecutive days, the 29,925,000 warrants must be exercised after written notice is provided by the Company or they will expire.

Stock options
Authorized:
The Company may grant options to its directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares at the time of the grant.

Outstanding:
No stock options are outstanding, as the 380,000 stock options entitling the holder to purchase one common share at a price of $0.20 per common share until July 25, 2013, previously outstanding, were cancelled upon the closing of the Qualifying Transaction.