

***United Hunter Oil & Gas Corp.***  
***(formerly 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 United Hunter Oil & Gas Corp. at the time the statements were made.*

The following management's discussion and analysis ("MD&A") of the financial position of United Hunter Oil & Gas Corp. (the "Company") should be read in conjunction with the Company's unaudited interim financial statements for the 6 months ended June 30, 2010. The information provided is as of August 30, 2010. These documents, and additional information about the Company, are available at [www.sedar.com](http://www.sedar.com). Unless otherwise noted, dollar amounts are expressed in US dollars.

**Description of Business**

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

On April 23, 2010, the Vesta 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. The acquisition constituted Vesta's 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.

On May 31, 2010, the Company acquired a 47.5% working interest in a portion of the suspended Alberta Mannville G oil field ("Atlee Buffalo") from 868218 Alberta Ltd. for \$54,648. The Atlee Buffalo Mannville G pool was discovered in 1980 and is currently suspended. The suspended wells associated with the property will allow the Company the opportunity to re-enter and re-complete the wells within the Mannville G. This first acquisition in Alberta is part of the Company's overall mandate and growth strategy for Alberta to re-enter suspended vertical wells in low risk oil prospects.

On August 18, 2010, the name of the company was changed to United Hunter Oil & Gas Corp. (the "Company").

### ***Amalgamation***

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

Prior to the closing of the Amalgamation, UHC increased its Membership Interest in Excelaron from 21% to 65%. UHC acquired an additional 4% Membership Interest in Excelaron in exchange for 2,253,001 common shares valued at C\$0.20 per common share for total consideration of \$451,008 (C\$450,600). UHC acquired an additional 40% Membership Interest in Excelaron for \$1,000,900 (C\$1,000,000), a capital contribution to Excelaron of \$1,075,000 and a commitment to pay \$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 \$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.

	\$
<b>Investment in Excelaron</b>	
2,253,001 UHC common shares	451,008
Cash of C\$1,000,000	1,000,900
Members’ equity contribution	1,075,000
Consideration payable	800,000
	<hr/> 3,326,908
Oil and gas property	2,330,621
Members’ equity	996,287
	<hr/> 3,326,908

Concurrent with the closing of the Amalgamation, UHC completed a private placement of 45,000,000 units of UHC at a price of C\$0.20 per unit for gross proceeds of \$9,008,100 (C\$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 C\$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 C\$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 \$552,498 (C\$552,000) equal to 8% of certain gross proceeds of the Private Placement; issued 3,600,000 compensation 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 C\$0.20 per Class A common share until April 23, 2012 (“UHC Compensation Warrants”); issued 5,746,999 common shares with a value of \$1,150,434 (C\$1,149,400) to a shareholder of UHC in respect of a financing consulting fee; paid the agent’s legal fees and out-of-pocket expenses of \$130,809 (C\$132,619).

### *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 cherty 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 MSTB for the low estimate and 14,404 MSTB 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 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.

#### **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

### 3 months and 6 months ended June 30

	2010	2009
	\$	\$
<b>Expenses</b>		
Management fees	40,625	-
Salaries and wages	2,879	-
Consulting fees	158,152	-
Stock-based compensation	22,778	-
Premises	8,703	-
General and administrative	12,380	-
Public company costs	10,711	-
Investor relations	14,147	-
Travel	9,121	-
Permitting	12,847	-
Foreign exchange loss	56,406	-
<b>Loss and comprehensive loss for the period</b>	<b>348,749</b>	<b>-</b>

On April 23, 2010, Vesta and UHC completed the Amalgamation to form the Company, which concurrently acquired a 65% indirect Membership Interest in Excelaron. The consolidated results of operations for the Company includes the results for UHC for the 6 months ended June 30, 2010 and for Vesta and Excelaron from the closing date, April 23, 2010 to June 30, 2010. The comparative figures presented are those of UHC, which was inactive until the closing of the Amalgamation.

### Summary of Quarterly Results

The summary of quarterly results has been prepared in accordance with Canadian generally accepted accounting principles.

	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	2008	2008	2009	2009	2009	2009	2010	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	-	-
Loss								
- Total	-	-	-	-	-	-	-	348,749
- Per share	-	-	-	-	-	-	-	-
Total assets	2,101	2,101	2,101	2,101	2,101	2,101	2,101	8,635,812

On April 23, 2010, Vesta and UHC completed the Amalgamation to form the Company, which concurrently acquired a 65% indirect Membership Interest in Excelaron. The consolidated results of operations for the Company for the second quarter of 2010 includes the results for UHC for the 3 months ended June 30, 2010 and for Vesta and Excelaron from the closing date, April 23, 2010 to June 30, 2010. The comparative figures presented are those of UHC, which was inactive until the closing of the Amalgamation.

## 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:

<b>Purpose</b>	<b>US\$</b>
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	1,008,759
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
	<hr/>
	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 \$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 \$300,000 to drill and the hot water boiler and associated facilities will cost \$1,000,000.

Total capital expenditures for a fully exploited Project as described would be \$14,175,000 (\$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, , building of water boiler/treater 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 \$350,000 (\$227,500 net to the Company).

Of the first \$1,875,000 required for the development plan, the Company has already advanced \$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 \$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.

### **Related Party Transactions**

The Company issued 5,746,999 common shares with a value of \$1,150,434 to a director of the Company in respect of a financing consulting fee.

### **Changes in Accounting Policies Including Initial Adoption**

#### **Future Changes in Accounting Policies**

##### *Business Combinations*

On January 1, 2011, the Company will adopt CICA Handbook Section 1582, "Business Combinations", which will be converged with IFRS 3, "Business Combinations" and replaces CICA Handbook Section 1581, "Business Combinations". The new standard 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.

##### *Consolidated Financial Statements*

On January 1, 2011, the Company will adopt 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 new standard establishes the standards for preparing consolidated financial statements.

##### *Non-controlling Interests*

On January 1, 2011, the Company will adopt new CICA Handbook Section 1602, "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.

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

### **International Financial Reporting Standards ("IFRS")**

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards ("IFRS") will replace current Canadian generally accepted accounting principles for publicly accountable enterprises. The Company will report interim and annual financial statements, including comparative financial statements, in accordance with IFRS beginning with the interim financial statements for the 3 months ended March 31, 2011.

##### *IFRS Transition Plan*

The Company has established an IFRS transition plan for the implementation of its transition to IFRS. The following summarizes the Company's progress and expectations with respect to its IFRS transition plan:

Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.	Complete.
Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> .	Complete.
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives.	In progress, completion expected during Q3 2010.
Resolution of the accounting policy change implications on information technology, business processes and contractual arrangements.	In progress, completion expected during Q3 2010.
Quantification of the financial Statement impact of changes in accounting policies.	Throughout 2010.
Management and employee education and training.	Throughout the transition process.

#### *Impact of Adopting IFRS on the Company*

As part of its analysis of potential changes to significant accounting policies, the Company is assessing what changes may be required to its accounting systems and business processes. The Company believes that the changes identified to date are minimal and the systems and processes can accommodate the necessary changes. To date, the Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies. The Company's Chief Financial Officer has and will continue to receive training on the relevant aspects of IFRS and the anticipated changes to accounting policies. The Board of Directors and Audit Committee have been regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation to date of the key aspects of IFRS affecting the Company.

#### *First-time adoption of IFRS*

IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS, generally requires retrospective application of IFRS. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment. The Company has identified the following optional exemptions that it expects apply in its preparation of an opening IFRS statement of financial position as at January 1, 2010, the Company's "Transition Date":

- To apply IFRS 2 *Share-based Payments* only to equity instruments which were issued after February 11, 2008 and had not vested by the Transition Date.
- To apply IFRS 3 *Business Combinations* prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.

Prior to reporting interim financial statements in accordance with IFRS for the 3 months ended March 31, 2011, the Company may decide to apply other optional exemptions contained in IFRS 1. IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

### *Impact of Adopting IFRS on the Company's Financial Statements*

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements. The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas that the Company has identified as having the most potential for a significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies on adoption of IFRS. At the present time, however, the Company is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below.

### *Exploration and Evaluation Expenditures*

IFRS currently allows an entity to retain its existing accounting policies related to the exploration for and evaluation of mineral properties, subject to some restrictions. The Company expects to retain its current policy of deferring exploration and evaluation expenditures until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. Therefore, the Company does not expect that the adoption of IFRS will result in any significant change to the related line items within its financial statements.

### *Impairment of (Non-financial) Assets*

IFRS, like Canadian GAAP, requires an assessment at each reporting date as to whether there are indicators of impairment of deferred exploration and evaluation costs. The factors considered under IFRS are quite similar to Canadian GAAP, but there are some differences. IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of deferred exploration costs will be changed to reflect these differences; however, the Company does not expect this change will have an immediate impact to the carrying value of its assets. The Company will perform impairment assessments as at the Transition Date in accordance with IFRS.

### *Share-based Payments*

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current Canadian GAAP. The Company does not expect any changes to its accounting policies related to share-based payments that would result in a significant change to line items within its financial statements.

### *Asset Retirement Obligations (Decommissioning Liabilities)*

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions. The Company's accounting policies related to decommissioning liabilities will be changed to reflect these differences, however, the Company does not expect this change will have an

immediate impact to the carrying value of its assets.

#### *Property and Equipment*

IFRS contains different guidance related to recognition and measurement of property and equipment than current Canadian GAAP. The Company does not expect any changes to its accounting policies related to property and equipment that would result in a significant change to line items within its financial statements.

#### *Income Taxes*

In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes. The Company does not expect any changes to its accounting policies related to income taxes that would result in a significant change to line items within its financial statements.

As the review of accounting policies is completed, appropriate changes to ensure the integrity of internal control over financial reporting and disclosure controls and procedures will be made. For example, any changes in accounting policies could result in additional controls or procedures being required to address reporting of first time adoption as well as ongoing IFRS reporting requirements. The Company has identified resource requirements to establish appropriate IFRS financial reporting expertise at all levels of the business.

#### ***Subsequent Disclosures***

Further disclosures of the IFRS transition process are expected as follows:

- The Company's Management Discussion and Analysis for the 2010 interim periods and the year ended December 31, 2010 will include updates on the progress of the transition plan, and, to the extent known, further information regarding the impact of adopting IFRS on key line items in the annual financial statements.
- The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending March 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending March 31, 2011 will also include 2010 financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position as at January 1, 2010).

#### **Financial Instruments and Other Instruments**

##### *Fair value*

Fair value represents the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair values estimates are based on quoted market values and other valuation methods.

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

### *Risk management*

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 its 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 limits its exposure to credit risk 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 its financial obligations as they come due. The Company manages its liquidity risk through the management of its capital structure. Accounts payable are all due within 30 days.

### *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 is not exposed to interest rate risk due to the short-term nature of its financial instruments.

## **Disclosure of Outstanding Share Data (as at August 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 were released on May 6, 2010 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 were released on May 6, 2010 and 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***

The following warrants are outstanding:

<b>Exercise price</b>	<b>Number of warrants</b>	<b>Expiry date</b>
C\$0.20	200,000	July 29, 2010
C\$0.20	3,600,000	April 23, 2012
C\$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:

<b>Exercise price</b>	<b>Number of options</b>	<b>Expiry date</b>
C\$0.15	8,350,000	May 12, 2015