Management's discussion and analysis ("MD&A") of the financial condition and the results of operations should be read in conjunction with the unaudited interim consolidated financial statements of Yangarra Resources Ltd. (the "Company") for the three months ended March 31, 2009 and the audited consolidated financial statements for the year ended December 31, 2008, together with the accompanying notes. The MD&A has been prepared using information that is current to May 29, 2009.

The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). Throughout this discussion, percentage changes are calculated using numbers rounded to the decimal to which they appear. All references to dollar amounts are in Canadian dollars.

BOE Presentation – *Production information is commonly reported in units of barrel of oil equivalent ("boe"). For purposes of computing such units, natural gas is converted to equivalent barrels of oil using a conversion factor of six thousand cubic feet to one barrel of oil. This conversion ratio of 6:1 is based on an energy equivalent wellhead value for the individual products. Such disclosure of boe may be misleading, particularly if used in isolation. Readers should be aware that historical results are not necessarily indicative of future performance.*

Special Note Regarding Non-GAAP Measures *– This MD&A includes references to financial measures commonly used in the oil and gas industry. The terms "**net petroleum and natural gas revenue**" (petroleum and natural gas sales less royalties, production expenses and transportation costs) and "**funds flow from operations**" (net loss for the period adjusted for non-cash items in the statement of operations) are not GAAP measures and do not have standardized meanings prescribed by GAAP.*

Forward-looking Statements – *Certain information regarding the Company set forth in this report, including management's assessment of the Company's future plans and operations, contain forward-looking statements that involve substantial known and unknown risks and uncertainties. These risks and uncertainties, many of which are beyond the Company's control, include the impact of general economic conditions and specific industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, the lack of available qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements, and accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits the Company can derive such events.*

Company Description and Outlook

Yangarra Resources Ltd. ("Yangarra" or the "Company") was formed by the amalgamation on November 9, 2005, under the Business Corporations Act (Alberta), of Yangarra Resources Inc. and TriOil Ltd. The Company is involved in the production, exploration and development of resource properties in the Ferrier, Medicine Hat, Mega, Viking, Jaslan and Bigstone areas of Alberta and in Bayhurst, Saskatchewan.

With the rapid decline in the price of commodities, the price of natural gas in particular, Yangarra has elected to reduce capital expenditures until prices improve, while continuing to monitor the commitment to incur $600,000 of eligible flow-through expenditures by December 31, 2009. In addition, the Company has entered into commodity swaps to provide a $6.00 per mcf floor price for natural gas sales for more than 50% of its production. This floor will enable Yangarra to continue to generate positive funds flow from operations until the end of 2009.

Yangarra is also pursuing farm out arrangements on some of its prospective properties which will allow the Company to utilize the new drilling incentives provided by the Alberta government; provide processing income from company-owned facilities; and ultimately achieve higher production with very little capital exposure.

The unaudited interim consolidated financial statements were prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. As at March 31, 2009, the Company had a working capital deficiency of $13,389,927 and an accumulated deficit of $12,620,636. The Company's bank debt and credit facility are currently under review by the lenders. The outcome of the review process is not yet known. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom, negotiate favorable terms with its lenders and to continue to obtain capital financing from investors sufficient to meet current and future obligations.

Summary Financial Information

	Three months ended March 31 2009	Three months ended March 31 2008
Statement of Operations and Deficit		
Net income (loss) for the period	$ (580,686)	$ (1,045,274)
Net income (loss) per share - basic	$ (0.01)	$ (0.02)
Weighted average number of shares - basic	75,561,912	63,821,442
Statement of Cash Flows		
Funds flow from operations	$ 432,673	$ 944,104

	March 31 2009	December 31 2008
Balance Sheet		
Property and equipment	$ 41,174,777	$ 41,922,138
Total assets	$ 43,227,010	$ 44,081,309

Results of Operations

Net petroleum and natural gas revenue

	Three months ended March 31 2009	2008
Net petroleum & natural gas revenue	$ 629,971	$ 1,427,515
Per boe	$ 21.24	$ 33.94
Net petroleum & natural gas revenue with royalty recovery	$ 805,607	
Per boe	$ 27.16	

The variances in net petroleum and natural gas revenue are explained by changes in the following components:

	Three months ended March 31 2009	2008
Total boe (boe 6:1)	29,662	42,062
Daily sales volumes (boe 6:1)	330	462
Petroleum & natural gas sales	$ 1,025,969	$ 2,104,060
Per boe	$ 34.59	$ 50.02
Royalties	$ 63,731	$ 317,688
Per boe	$ 2.15	$ 7.55
As a % of sales	6%	14%
Royalty recovery	$ 175,636	$ -
Production & transportation costs	$ 332,267	$ 358,857
Per boe	$ 11.20	$ 8.53

- The reduction in production for the first quarter of 2009 as compared to the first quarter of 2008 can be attributed to lower production from Medicine Hat, Ferrier and Viking South wells due to natural declines and the loss of two Bow Island wells in Medicine Hat due to premature watering out. These production declines were partially offset by two new wells drilled in the Jaslan area.
- The average price earned by the Company decreased in 2009 due to decreases in all commodity prices. For the first quarter of 2009, the Company's average oil price was $48.06/bbl and the average for NGLs was $40.73/bbl (2008 quarter – oil $96.29/bbl; NGLs $74.65/bbl). Natural gas prices earned in 2009 were also lower at $5.61/mcf versus $7.82/mcf for the 2008 period.
- The decrease in royalties for the 2009 quarter on both a boe and percentage basis relates to lower production and pricing. The majority of the Company's properties are at lower royalty rates in 2009 due to lower production levels.

- During the three months ended March 31, 2009, the Company recognized a recovery in the amount of $175,636 related freehold and gross overriding royalties calculated and paid in previous years.
- Production and transportation costs per boe for the first quarter of 2009 are higher than those for the first quarter of 2008 due to higher fixed costs per boe attributed to lower 2009 production levels.

Depletion, depreciation and accretion

	Three months ended March 31	
	2009	2008
Depletion and depreciation	$ 1,045,374	$ 1,170,730
Per boe	$ 35.24	$ 27.83
Accretion	$ 36,236	$ 30,457

The depletion rate for the three months ended March 31, 2009 is higher as compared to the three months ended March 31, 2008 due to a decrease in the Company's proved reserves as stated in the Company's December 31, 2008 independent reserve report. Although the Company had considerable success with the Jaslan Wabamun play, the Jaslan reserve additions were offset by reductions in proved reserves in previously evaluated areas and current year production. Reductions were primarily due to unexpectedly low pool pressure indications in Ferrier and premature watering out of a gas reservoir in Medicine Hat. The reserve loss in Medicine Hat is expected to be a temporary setback until the Company can demonstrate that the related production can be turned back on through the drilling of new wells or the remediation of old wells.

Accretion expense increased in 2009 due to an increase in the undiscounted cash flows associated with the retirement of the Company's assets resulting from the increase in the number of properties and changes to certain reserve life and cost estimates.

Other expenses

	Three months ended March 31	
	2009	2008
General and administrative expenses	$ 147,830	$ 223,418
Interest and financing fees	$ 251,780	$ 307,711
Stock-based compensation	$ -	$ 187,589

General and administrative expenses have decreased due to management's continued efforts to monitor and reduce costs.

Interest and financing fees include:

- Interest in the 2009 period $84,969 on the revolving operating demand loan for which the average amount drawn during the period was $8,550,000 at an effective interest rate of 4.03% compared to $123,463 in the 2008 period on an average loan balance of $7,776,310 at an effective interest rate of 6.37%; and

- Interest and financing fees on the credit facility based on the effective interest method of $159,827 for the 2009 period compared to $184,248 for the 2008 period.

The Company did not grant any stock options or record any stock-based compensation ("SBC") during the three months ended March 31, 2009. SBC for the three months ended March 31, 2008 was $242,053 of which $187,589 was expensed and $54,464 was capitalized to property and equipment for the portion related to options granted to field personnel. Of the total SBC, $186,690 related to options granted in January 2008 which vested immediately and $55,363 related to options granted in prior years.

Commodity price risk contracts

	Three months ended March 31 2009	2008
Unrealized (gain) loss on commodity price risk contracts	$ (101,296)	$ 513,802

2009 unrealized gain: In February and March 2009, the Company committed to the following commodity price risk contracts for the sale of natural gas:

- 1,500 GJ per day from April 1 to December 31, 2009 at a fixed price of $5.69 per GJ;
- 500 GJ per day from January 1 to December 31, 2010 at strike price of $6.25 per GJ;
- 500 GJ per day from January 1 to December 31, 2010 at strike price of $6.50 per GJ; and
- 500 GJ per day from January 1 to December 31, 2010 at strike price of $6.70 per GJ.

The mark-to-market value of the unfulfilled portion of the above contracts at March 31, 2009 is an asset of $101,296 based on a remaining term of April 1, 2009 to December 31, 2010.

2008 unrealized loss: In February 2008, the Company committed to the following commodity price risk contracts for the sale of natural gas:

- 500 GJ per day from April 1 to December 31, 2008 at a ceiling price of $8.46 per GJ and a floor price of $7.25 per GJ;
- 500 GJ per day from April 1 to December 31, 2008 at a ceiling price of $8.31 per GJ and a floor price of $7.75 per GJ;
- 500 GJ per day from April 1 to December 31, 2008 at a ceiling price of $8.25 per GJ and a floor price of $7.00 per GJ; and
- 500 GJ per day from April 1 to December 31, 2008 at a ceiling price of $8.15 per GJ and a floor price of $7.50 per GJ.

The mark-to-market value of the unfulfilled portion of the contracts at March 31, 2008 was a liability of $513,802 based on the remaining term of April 1, 2008 to December 31, 2008.

The mark-to-market value represents what the Company would have to pay (liability) or receive (asset) if the contracts were terminated on the measurement date.

Investment

	Three months ended March 31	
	2009	2008
Unrealized (gain) loss on investment	$ (6,979)	$ 39,082

The Company holds a minority equity position in a public company. As at March 31, 2009, the fair value of the Company's investment was $17,447 (December 31, 2008 – $10,468). The change in fair value at each balance sheet date has been reported as an unrealized gain or loss on investment in the consolidated statement of operations. Subsequent to March 31, 2009, the Company sold the investment for proceeds of $33,000.

Future income tax reduction

During the three months ended March 31, 2009, the Company recorded a $162,288 reduction of future income taxes (three months ended March 31, 2008 – nil) related to the reversal of temporary differences between the carrying value and tax basis of the Company's property and equipment.

Liquidity and Capital Resources

During the three months ended March 31, 2009, the Company generated $432,673 of funds flow from operations compared to $944,104 in the 2008 comparative period. The reduction in funds flow from operations is primarily due to the effect of lower production and commodity prices on net petroleum and natural gas revenue.

As at March 31, 2009 and December 31, 2008, the Company's revolving operating demand loan was available to a maximum of $9,000,000, of which the Company had drawn $8,950,000 at March 31, 2009. The Company is subject to a working capital covenant for the revolving operating demand loan which was met.

As at March 31, 2009 and December 31, 2008, the Company had a $4,500,000 credit facility for which the amortized cost was $4,421,676 at March 31, 2009. Pursuant to the terms of the credit facility, the Company is subject to financial covenants for working capital, debt to equity and debt to trailing cash flow. As at March 31, 2009, the Company was in breach of the debt to trailing cash flow covenant and received acknowledgement of the breach from the lender.

The Company's bank debt and credit facility are currently under review by the lenders, the outcome of which is not yet known.

As at March 31, 2009, the Company had a working capital deficit of $13,389,927 compared to $13,599,207 at December 31, 2008. The improvement in the working capital deficit was due to $432,673 of funds flow generated by operating activities and an asset of $101,296 for the fair value of the commodity price risk contracts offset by $298,013 of capital spending and $26,676 related to the amortized cost of the credit facility.

Capital Spending

During the three months ended March 31, 2009, the Company spent $298,013 on its capital spending program compared to $1,067,265 during the three months March 31, 2008.

Capital spending is summarized as follows:

	Three months ended March 31	
	2009	2008
Land and lease rentals	$ 47,429	$ 287,442
Drilling and completion	166,114	499,699
Geological and geophysical	23,884	24,121
Equipment	60,586	256,003
	298,013	1,067,265
Dispositions		(50,000)
	$ 298,013	$ 1,017,265

Asset retirement obligation

As at March 31, 2009, the undiscounted fair value of the asset retirement obligation associated with the Company's existing properties was estimated to be $4,450,264 for which $2,160,478 has been recorded using a discount rate of 7% - 12%, an inflation rate of 2% and an estimated weighted average timing of cash flows of 11.3 years.

Related Party Transactions

During the three months ended March 31, 2009 and 2008, the Company was charged or invoiced the following amounts by certain of its officers and directors and by companies controlled by certain of the Company's officers and directors:

	Three months ended March 31	
	2009	*2008*
Administration and consulting fees	$ 21,118	$ 39,384
Production and capital expenditures	$ 37,088	$ 51,661

During the three months ended March 31, 2009, the Company was charged $1,144 (three months ended March 31, 2008 – nil) by a law firm in which a director of the Company is a partner.

Share Capital

<u>Common shares</u>

As at March 31, 2009 and December 31, 2008 there were 75,561,912 issued and outstanding common shares. There has been no change in the number of common shares outstanding as of the date of this MD&A.

<u>Stock options</u>

As at March 31, 2009 and December 31, 2008, the Company had 6,267,025 stock options outstanding all of which are exercisable. There has been no change in the number of stock options outstanding and exercisable as of the date of this MD&A.

Contingency

The Company has filed a Statement of Claim against the operator of certain jointly held properties for which the operator has filed a defense and counterclaim. The lawsuit is subject to a Standstill Agreement while the parties attempt to negotiate a resolution. As the likely outcome of this litigation cannot be determined while the Standstill Agreement is in effect, no provision was made in the financial statements at March 31, 2009 or December 31, 2008.

Commitments

The Company has until December 31, 2009 to incur $600,000 of qualifying flow-through expenditures related to the issue of 6,000,000 common shares on a flow-through basis issued in December 2008.

In February and March 2009, the Company committed to the following commodity price risk contracts for the sale of natural gas:

i) 1,500 GJ per day from April 1 to December 31, 2009 at a fixed price of $5.69 per GJ;

ii) 500 GJ per day from January 1 to December 31, 2010 at strike price of $6.25 per GJ;

iii) 500 GJ per day from January 1 to December 31, 2010 at strike price of $6.50 per GJ; and

iv) 500 GJ per day from January 1 to December 31, 2010 at strike price of $6.70 per GJ.

Financial Instruments

The Company's financial instruments include accounts receivable, investment, accounts payable and accrued liabilities, bank debt, credit facility, and commodity price risk contracts. The carrying values of accounts receivable, bank indebtedness, accounts payable and accrued liabilities, bank debt, and credit facility approximate their fair values due to their relatively short periods to maturity. The investment and commodity price risk contracts have been marked-to-mark at the balance sheet date.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with the risk management policies as set out herein:

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. A substantial portion of the Company's accounts receivable are with natural gas and liquids marketers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. Purchasers of the Company's natural gas and liquids are subject to credit review to minimize the risk of non-payment. As at March 31, 2009, the maximum credit exposure is the carrying amount of the accounts receivable and accruals of $1,481,945 (December 31, 2008 – $1,710,780). As at March 31, 2009, the Company's receivables consisted of $1,197,990 from joint venture partners and other trade receivables and $283,955 of revenue receivable from a petroleum and natural gas marketer.

Receivables from petroleum and natural gas marketers are typically collected on the 25th day of the month following production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers. The Company historically has not experienced any significant collection issues with its petroleum and natural gas marketers. All of the $283,955 of revenue accruals and receivables from petroleum and natural gas marketers was received in April and May 2009.

Joint venture receivables are typically collected within one to three months of the joint venture bill being issued to the partner. The Company mitigates the risk from joint venture receivables by obtaining partner approval of capital expenditures prior to starting a project. However, the receivables are from participants in the petroleum and natural gas sector, and collection is dependent on typical industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. Further risk exists with joint venture partners as disagreements occasionally arise which increases the potential for non-collection.

For properties that are operated by the Company, production can be withheld from joint venture partners who are in default of amounts owing. In addition, the Company often has offsetting amounts payable to joint venture partners from which it can net receivable balances. As at March 31, 2009, the largest amount owing from one partner is $606,464.

The Company did not provide for any doubtful accounts nor was it required to write-off any receivables during the period ended March 31, 2009. The Company would only choose to write-off a receivable balance (as opposed to providing an allowance) after all reasonable avenues of collection had been exhausted.

As at March 31, 2009, the Company considers its receivables to be aged as follows:

Not past due	$	635,195
Past due by less than 90 days		10,667
Past due by more than 90 days		836,083
	$	1,481,945

b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. The Company uses authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. To facilitate the capital expenditure program, the Company has a revolving reserve-based bank facility, which is reviewed quarterly by the lender. The Company monitors its total debt position monthly. The Company also attempts to match its payment cycle with collection of petroleum and natural gas revenues on the 25th of each month. The Company anticipates it will have adequate liquidity to fund its financial liabilities through its future cash flows. The Company's financial liabilities are comprised of accounts payable and accrued liabilities, bank debt and the credit facility, all of which have expected maturities of less than one year resulting in their current classification on the balance sheet.

c) Market risk

Market risk consists of interest rate risk, currency risk and commodity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The Company may use both financial derivatives and physical delivery sales contracts to manage market risks. All such transactions are conducted in accordance with a risk management policy as set out herein:

i) Interest rate risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its bank debt which bears interest at a floating rate. For the three months ended March 31, 2009, if interest rates had been 1% lower with all other variables held constant, earnings for the period would have been $21,082 (three months ended March 31, 2008 – $18,997) higher, respectively, due to lower interest expense. An equal and opposite impact would have occurred had interest rates been higher by the same amounts. The Company had no interest rate swap or financial contracts in place at March 31, 2009.

ii) Currency risk
Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. All of the Company's petroleum and natural gas sales are denominated in Canadian dollars; however, the underlying market prices in Canada for petroleum and natural gas are impacted by changes in the exchange rate between the Canadian and United States dollar. The Company had no outstanding forward exchange rate contracts in place at March 31, 2009.

iii) Commodity price risk
Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. Details of commodity price risk contracts committed to as at March 31, 2009 have been provided under the "Commitments" section.

Capital management

The Company's objective when managing capital is to maintain a flexible capital structure which will allow it to execute its capital expenditure program, which includes expenditures in oil and gas activities which may or may not be successful. Therefore, the Company monitors the level of risk incurred in its capital expenditures to balance the proportion of debt and equity in its capital structure.

The Company considers its capital structure to include:

	March 31 2009	*December 31 2008*
Working capital deficit	$ (13,389,927)	$ (13,599,207)
Shareholders' equity	23,896,962	24,452,012
	$ 10,507,035	$ 10,852,805

The Company monitors capital based on annual funds from operations and capital expenditure budgets, which are updated as necessary and are reviewed and periodically approved by the Company's Board of

Directors. The Company manages its capital structure and makes adjustments by continually monitoring its business conditions including the current economic conditions, the risk characteristics of the Company's petroleum and natural gas assets, the depth of its investment opportunities, current and forecasted net debt levels, current and forecasted commodity prices and other facts that influence commodity prices and funds from operations such as quality and basis differentials, royalties, operating costs and transportation costs.

In order to maintain or adjust the capital structure, the Company considers its forecasted funds from operations while attempting to finance an acceptable capital expenditure program including acquisition opportunities, the current level of bank credit available from the Company's lender, the level of bank credit that may be attainable from its lender as a result of petroleum and natural gas reserve growth, the availability of other sources of debt with different characteristics than existing debt, the sale of assets, limiting the size of the capital expenditure program and the issue of new equity if available on favorable terms.

The Company's capital structure is not subject to external restrictions; however, the Company's bank facility is determined by the lender and based on the lender's borrowing base model which is based on the Company's petroleum and natural gas reserves.

There has been no change in the Company's approach to capital management during the period ended March 31, 2009. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future.

Selected Historical Financial Information

2009	First Quarter
Petroleum and natural gas sales	1,025,969
Net petroleum and natural gas revenue	805,607
Net loss	(405,050)
Net loss per share	(0.01)
Funds flow from operations	432,673
Net capital expenditures	298,013

2008	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Petroleum and natural gas sales	2,104,060	2,661,004	2,071,008	1,806,264
Net petroleum and natural gas revenue	1,427,515	1,744,759	1,287,609	1,023,858
Net income (loss)	(1,045,274)	(1,076,877)	871,862	(574,791)
Net income (loss) per share	(0.02)	(0.02)	0.01	(0.01)
Funds flow from operations	944,104	1,214,745	724,869	936,560
Net capital expenditures	1,017,265	1,513,100	1,443,728	1,717,702

2007	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Petroleum and natural gas sales	2,606,074	2,256,132	1,594,063	1,443,695
Net petroleum and natural gas revenue	1,889,356	1,796,580	930,507	1,072,194
Net income (loss)	(868,562)	(32,886)	(433,754)	64,089
Net income (loss) per share	(0.02)	–	(0.01)	–
Funds flow from operations	1,281,607	1,138,801	489,113	594,704
Net capital expenditures (proceeds)	1,378,362	430,456	(2,451,045)	479,487

Business Risks and Uncertainties

The Company is exposed to several operational risks inherent in exploring, developing, producing and marketing crude oil and natural gas. These inherent risks include: economic risk of finding and producing reserves at a reasonable cost; financial risk of marketing reserves at an acceptable price given current market conditions; cost of capital risk associated with securing the needed capital to carry out the Company's operations; risk of environment impact and credit risk of non-payment for sales contracts and joint venture partners.

The Company attempts to control operating risks by maintaining a disciplined approach to implementation of its exploration and development programs. Exploration risks are managed by hiring experienced technical professionals and by concentrating the exploration activity on specific core regions that have multi-zone potential where the Company has experience and expertise. The Company also generates internal prospects and participates in projects where ownership interest is considered sufficient to minimize risk. Operational control allows the Company to manage costs, timing and sales of production and to ensure new production is brought on-stream in a timely manner.

The Company maintains a comprehensive insurance program to reduce risk to an acceptable level and to protect it against significant losses. The Company's risk in regards to financial instruments is detailed in note 12 to the unaudited interim consolidated financial statements.

Disclosure Controls and Procedures

In connection with Exemption Orders issued in November 2007 by each of the securities commissions across Canada, the Company's certifying officers will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certification includes a 'Notice to Reader' stating that the certifying officers do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.

Critical Accounting Estimates

The Company's financial statements are prepared in accordance with Canadian generally accepted accounting principles. A comprehensive discussion of the Company's significant accounting policies is contained in Notes 2 and 3 to the audited consolidated financial statements for the year ended December 31,

2008. The Company's significant accounting policies are subject to estimates and key judgments about future events, many of which are beyond management's control.

Changes in Accounting Policies

On January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants Handbook *Section 3064 Goodwill and Intangible Assets* which replaces the previous goodwill and intangible asset standard and revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard had no impact on the Company's unaudited interim consolidated financial statements.

In addition, the Company is currently assessing the impact of:

		Effective for Annual Periods Beginning on or After
Section 1582	Business Combinations	January 1, 2011
Section 1601	Consolidations	January 1, 2011
Section 1602	Non-controlling Interests	January 1, 2011

In addition, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that outlines the convergence of Canadian generally accepted accounting principles with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. The changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles is interim and annual financial statements for fiscal years beginning on or after January 1, 2011 with the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.