NEWTON ENERGY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For three months ended

September 30, 2009

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following management’s discussion and analysis (“MD&A”), effective October 29, 2009, reviews Newton Energy Corporation’s (“Newton” or the “Company”) activities and results for the three month period ended September 30, 2009. It should be read in conjunction with the unaudited Consolidated Financial Statements, together with the accompanying notes, included in this report. The Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

In the MD&A, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars.

Forward-Looking Information

This discussion offers management’s analysis of the financial and operating results of Newton and contains certain forward-looking statements relating, but not limited, to operational information, future drilling plans and the timing associated therewith, estimated commitments, anticipated capital and operating budgets and estimated costs. Forward-looking information typically contains statements with words such as “anticipate”, “estimate”, “expect”, “potential”, “could”, or similar words suggesting future outcomes. The Company cautions readers and prospective investors in the Company’s securities to not place undue reliance on forward-looking information as by its nature, it is based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties, which could cause actual results to differ materially from those anticipated by Newton.

Forward looking information is based on management's current expectations and assumptions regarding, among other things, plans for and results of drilling activity, future capital and other expenditures (including the amount, nature and sources of funding thereof), future economic conditions, future currency and exchange rates and the Company's continued ability to obtain qualified staff and equipment in a timely and cost efficient manner. In addition, budgets are based upon Newton's current exploration plans and anticipated costs both of which are subject to change based on, among other things, the actual results of drilling activity, unexpected delays and changes in market conditions. Although the Company believes the expectations and assumptions reflected in such forward-looking information are reasonable, they may prove to be incorrect. Forward-looking information involves significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from those anticipated by Newton including, but not limited to, risks associated with the oil and gas industry (e.g. operational risks in exploration; inherent uncertainties in interpreting geological data; changes in plans with respect to exploration or capital expenditures; the uncertainty of estimates and projections in relation to costs and expenses and health, safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations and risk associated with international activity.

See the Risk Factors section of this MD&A for a further description of these risks. The forward-looking information included in this annual report is expressly qualified in its entirety by this cautionary statement. Newton assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law. For additional information relating to the risks and uncertainties facing Newton, see “Risk Factors”. Additional information relating to Newton is available on SEDAR at www.sedar.com.

Overview

Newton is a publicly-traded, Calgary-based, international oil and gas company engaged in acquiring properties and exploring for, developing and producing crude oil and natural gas onshore in the UK. Newton holds five licenses which cover a 600 square kilometre exploration block in the East Midland Region of UK. The Corporation believes that the onshore East Midlands Basin is an overlooked source of diverse prospects and has already identified prospects for the first stage of the Corporation's drilling program. The Corporation is preparing applications to local County Councils in the United Kingdom for planning permissions for its current year drilling program and has sufficient working capital to complete its drilling program, subject to rig availability.

In April, 2009, the government of the UK announced budget changes to tax code that the Corporation's oil revenues would effectively not be subject to the supplemental charge of 20%. The Corporation's tax rate on net income is now expected to be 30%.

Strategy

Newton' main focus is the exploration and development of its licenses. Newton objective is to be recognized, through consistently superior business performance and operations excellence, as one of the leading independent oil and gas companies active onshore in the UK.

Licenses

The Company has been awarded five exploration licenses, PEDLs 204, 205 and 208 in which it has a 100% interest and PEDLs 254 and 255 in which it has a 100% interest in the non-coal bed petroleum rights. The Company's rights and obligations in each license are set out in agreements with the Department of Energy and Climate Change (DECC) and joint operating agreements with the coal bed methane rights holders on PEDLs 254 and 255. These agreements are structured such that the Company has certain rental payments and minimum exploration obligations in the first six years of the license. The exploration obligations are work commitments and do not have specific dollar amounts. During the remaining term of 25 years, the licenses are subject to escalating rental payments. If production extends past this period, the DECC may extend the licenses. The Company can relinquish its licenses at any time without financial penalty. Work and rental commitments are as follows:

License	Rental per year until 2014	Work commitment
PEDL204	£2,500	Firm commitment to drill one well to depth of 1,000 m before the end of year 6.
PEDL205	£2,500	Complete a geochemical survey across 2.5 km^2 reprocess 30 km of 2D seismic data in the first 3 years and a drill or drop well commitment.
PEDL208	£5,000	Firm commitment to obtain 56 kilometres of seismic data and drill a well to depth of 850m before the end of year 6.
PEDL254	£1,250	Firm commitment to obtain 78 kilometres of seismic data and to drill a well to depth of 800m before the end of year 2.
PEDL255	£1,250	Drill or drop a well to depth of 800m before the end of year 6.

For each drilling site, a Minerals Planning Permission ("MPP") is required from the County authority in which the location resides. A prerequisite for submission of the planning applications are the signing of the surface owner's certificate which requires that a surface lease be in place. The MPP covers most operational issues such as noise, traffic, site operations, visual impact and environmental concerns and typically take two to three months to receive. The Corporation is currently in negotiations to obtain surface lease rights for identified drilling sites.

The DECC at its discretion may revoke any licenses for non performance during the term of each license. The DECC's approval is required for the drilling and the production of wells on each license and such approvals are subject to safety and "good oilfield practice" reviews. The DECC is responsible to monitor the efficient economic exploitation of the resources covered by the licenses.

There are no explicit health and safety permits required. The DECC approves the Corporation as an "Approved Operator" which is bound by the test of "good practice" and DECC will not issue a license to anyone that is not an "Approved Operator". The Health and Safety Executive ("HSE") uses a series of guidelines backed by workplace legislation under which the company must acknowledge its awareness of and adherence to the HSE. When operations are to commence, the Corporation must send the HSE a notification via fax 21 days prior to the date of commencing operations.

A description of the 13th round award and maps can be found at:
https://www.og.decc.gov.uk/upstream/licensing/onshore_13th/index.htm

Financial Highlights

- As at September 30, 2009, Newton had $4,134,226 in cash and cash equivalents and short-term investments. The Company is well-positioned to weather the current conditions in the financial markets and will maintain flexibility in the deployment of capital over the course of 2009.
- Newton had a net loss of $172,969 for the three month period ended September 30, 2009. This net loss comprised general and administrative costs $169,412 incurred by the Company and $16,428 loss on foreign currency net of $12,871 interest earned on short term investments.

FINANCIAL PERFORMANCE

	September 30, 2009 (Unaudited)	**June 30, 2009 (Unaudited**	**March 31, 2009 (Unaudited)**	**December31, 2008 (Unaudited)**	**September 30, 2008 (Unaudited)**	**June 30, 2008 (Unaudited)**	**March 31, 2008 (Unaudited)**	**December 31, 2007 (Unaudited)**
Total Revenues	$Nil	Nil	Nil	Nil	$Nil	$Nil	$Nil	$Nil
Net and Comprehensive Loss	$172,969	$173,856	$134,250	$234,302	$152,397	$454,865	$80,271	$17,501
Net Income (loss) per share	($0.01)	(0.01)	(0.01)	($0.02)	($0.01)	($0.07)	($0.02)	($0.01)
Total Assets	$4,192,822	$4,340,323	$4,529,096	$4,705,738	$4,889,712	$3,762,990	$3,684,146	$2,786,680
Weighted Average Number of Shares	14,011,261	14,011,261	14,011,261	14,011,261	13,666,653	6,764,354	5,024,079	4,803,605

Newton is currently exploring for crude oil in the East Midlands Region of the UK and has no production. The Company's revenue is comprised entirely of interest earned on cash and cash equivalent balances and short term investments. Capital expenditures and certain general and administrative costs represent Newton' share of costs associated with its activities for the respective periods.

General and Administrative Expenses

For three month period ended September 30, 2009 General and Administrative Expenses were $169,412 compared to$185,538 in the three months ended September 30, 2008.

	Three Months Ended 30 September 2009	Three Months Ended 30 September 2008	% Change
Gross G & A	169,412	185,538	-9%
Capitalized overhead	Nil	Nil	N/A
Net G& A	169,412	185,538	-9%

Consulting Fees

For the three month period ended September 30, 2009, consulting fees paid to President and Managing Director of its UK subsidiary was $30,000 and consulting fees paid to CFO was $24,000 for a total of $54,000 ($54,000 2008).

Foreign Exchange

Newton holds over 95 percent of its cash and cash equivalents and short-term investments in Canadian dollar accounts; however, the Company has certain assets and liabilities in Pound Sterling and converts these to Canadian dollars at the end of each period resulting in foreign exchange gains and losses. For the three month period ended September 30, 2009, Newton incurred $16,428 of foreign exchange losses compared to $Nil for the three month period ended September 30, 2008 relating to these conversions.

Revenue

Newton revenue is comprised entirely of interest earned on cash and cash equivalents and short-term investment balances. Interest of $12,871 was earned for the three month period ended September 30, 2009 compared to $33,141 for the three month period ended September 30, 2008. The decrease in interest revenue is due to lower interest rates in the capital markets as well as reduction in the total amounts invested.

Net Loss

For the three month period ended September 30, 2009, Newton incurred a net loss of $172,969 compared to a net loss of $152,397 for the three month period ended September 30, 2008. The increase in the net loss is due to Losses on exchange as well as lower interest income in 2009 compared to 2008.

Liquidity and Capital Resources

Newton is currently exploring for crude oil in the East Midlands Region of the UK and currently has no production or operational cash flows. Newton revenue is comprised entirely of interest earned on cash and cash equivalent balances. Newton invests its cash and cash equivalents with major Canadian financial institutions with investment grade credit ratings. Newton has no outstanding bank debt or other interest bearing indebtedness as at September 30, 2009.

During three month period ended September 30 2009, Newton had no new sources of financing.

- Taking into account Newton' cash and cash equivalent balances of $4.1 million as at September 30, 2009, and the estimate of its remaining commitments to be approximately $2.5 million to $3.2 million, Newton anticipates having sufficient resources to fund its share of any testing related expenditures on the exploration wells, other corporate G&A expenditures and its ongoing working capital requirements. With exploration success, Newton will require further financial resources to complete an appraisal program and ultimately, if warranted, any development program. Newton assesses its financing requirements and its ability to access debt or equity markets on an ongoing basis. Given the current conditions in the financial markets, Newton will seek to maintain financial flexibility and will monitor and assess its financing requirements as its exploration activities progress. Newton' ability to access the equity or debt markets in the future may be affected by prolonged market instability. The inability to access the equity or debt markets for sufficient capital, at acceptable terms, and within required timeframes, could have a material adverse effect on Newton' financial condition, results of operations and prospects. Further discussion on these risks can be found in the "Risk Factors" section of the MD&A.

Outstanding Share Data

As at October 27, 2009, Newton had 14,011,261 shares issued and outstanding. Newton has a total of 1,370,000 stock options and 509,750 agent's options outstanding. Assuming the exercise of all the options the Corporation would have 15,891,011 common shares outstanding.

RISK FACTORS

The oil and gas industry is very competitive and is subject to many risks. Many of these risks are outside of Newton's control. Management has identified certain key risks and their potential impact on Newton's operations. Financial market instability in 2008 and throughout 2009 has impacted Newton's ability and that of other exploration and development companies, to access equity or debt markets at all or with acceptable terms. For future capital requirements beyond the Company's current financing capability, which consists of its cash and cash equivalents balances and short-term investments, risks associated with the global economic conditions have increased significantly. Other risks are set out below.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of Newton depends on its ability to find, appraise, develop and commercially produce oil and natural gas resources and reserves, which will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire additional producing properties or prospects. No assurance can be given that Newton will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Newton may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that commercial quantities of oil and natural gas will be discovered or acquired by Newton.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or personal injury. In accordance with industry practice, Newton is not fully insured against all of these risks, nor are all such risks insurable. Although Newton will maintain liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event Newton could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas exploration, development and production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on Newton.

Ability to Execute Exploration and Development Program

It may not always be possible for Newton to execute its exploration and development strategies in the manner in which Newton considers optimal. Newton' exploration and development programs involve the need to obtain approvals from the relevant authorities, which may require conditions to be satisfied or the exercise of discretion by the relevant authorities.

Project Risks

Newton' ability to execute projects and market oil and natural gas will depend upon numerous factors beyond Newton' complete control, including:

- the supply of and demand for oil and natural gas;
- the effects of inclement weather;
- the availability of drilling, production and related equipment and supplies, as well as services, all of which may be disrupted for a number of reasons;
- unexpected cost increases;

- accidental events;
- currency fluctuations;
- the availability and productivity of skilled labour;
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies in the UK

Because of these factors, Newton could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it may produce.

Operational Experience

The management and directors of Newton have significant international experience in the oil and gas industry; however, given the fact that Newton was incorporated recently in 2006, the team has not, as a group, completed the drilling of a well or developed a conventional oil and gas project. There can be no assurance that any drilling and development operations will be successful.

Competition

The petroleum industry is competitive in all its phases. Newton competes with numerous other organizations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Newton' competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than Newton. Newton' ability to acquire or increase reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment and supplies (typically leased from third parties) in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment and supplies to Newton and may delay exploration and development activities.

Management of Growth

Newton may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The ability of Newton to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Newton to deal with this growth could have a material adverse impact on its business, operations and prospects.

Reliance on Key Personnel

Newton' success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on Newton. Newton does not have any key person insurance in effect for management. The contributions of the existing management team to the immediate and near term operations of Newton are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry can be intense and there can be no assurance that Newton will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Newton.

Substantial Capital Requirements

Newton anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. Newton' results will impact its access to the capital necessary to undertake or complete future drilling and development programs. Newton' ability to access the equity or debt markets in the future may be affected by any prolonged market instability. There can be no assurance that debt or equity financing, or future cash (if any) generated by operations, would be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Newton. The inability of Newton to access sufficient capital for its operations could have a material adverse effect on Newton' financial condition, results of operations and prospects.

Dilution

Newton may make future acquisitions or enter into financings or other transactions involving the issuance of securities of Newton which may be dilutive.

Issuance of Debt

From time to time, Newton may enter into transactions to acquire assets or the shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase Newton' debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, Newton may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither Newton' articles nor its by-laws limit the amount of indebtedness Newton may incur. The level of Newton' indebtedness from time to time, could impair Newton' ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Foreign Exchange

Newton operations costs will generally incur in Pound Sterling and the funds it will have available to it may be in other currencies. There is a possibility that operations and development costs may increase as a result of currency fluctuation.

Insurance and Liability

Newton' involvement in the exploration for and development of oil and natural gas properties may result in Newton becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Although Newton maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, such risks are not, in all circumstances, insurable or, in certain circumstances, Newton may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to Newton. The occurrence of a significant event that Newton is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Newton.

Dividends

To date, Newton has not declared or paid any dividends on the outstanding Newton shares. Any decision to pay dividends on the Newton shares will be made by the board of directors of Newton on the basis of Newton' earnings, financial requirements and other conditions existing at such future time. At present, Newton does not anticipate declaring and paying any dividends in the foreseeable future.

Third-Party Credit Risk

Newton is or may be exposed to third-party credit risk through its contractual arrangements with any potential joint venture partners, marketers of its petroleum and natural gas production, suppliers, contractors, and other parties. In the event such entities fail to meet their contractual obligations to Newton, such failures could have a material adverse effect on Newton and its cash flow from operations.

Conflicts of Interest

Certain directors of Newton are also directors of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the Business Corporations Act (Alberta).

FINANCIAL INSTRUMENTS

The Corporation considers its risks in relation to financial instruments in the following categories:

Credit Risk

Credit risk is the risk that counterparty to a financial instrument will not discharge its obligations, resulting in a financial loss to the Corporation. The Corporation has policies and procedures in place that govern the credit risk it will assume. We evaluate credit risks on an ongoing basis including an evaluation of counterparty credit rating and counterparty concentrations measured by amount and percentage. The Corporation's objective is to have no credit losses.

The primary sources of credit risk for the Corporation arise from the following financial assets: (1) cash and cash equivalents and (2) accounts receivable. The Corporation has not had any credit losses in the past and the risk of financial loss is considered to be low. As at September 30, 2009, the Corporation has no financial assets that are past due or impaired due to credit risk related defaults.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet obligations associated with financial liabilities. The Corporation's financial liabilities are comprised of accounts payable and accrued liabilities. The Corporation frequently assesses its liquidity position and obligations under its financial liabilities by preparing regular financial forecasts. The Corporation mitigates liquidity risk by maintaining a sufficient cash balance as well as maintaining sufficient current and projected liquidity to meet expected future payments.

Market Risk

Market risk is the risk that the fair value (for assets or liabilities considered to be held for trading and available for sale) or future cash flows (for assets or liabilities considered to be held-to-maturity, other financial liabilities, and loans and receivables) of a financial instrument will fluctuate because of changes in market prices. The Corporation evaluates market risk on an ongoing basis. At September 30, 2009, all of the Corporation's financial instruments were assessed to have little or no market risk.

The Corporation has cash deposits with Royal Bank of Canada and has money market investments issued by Royal Bank of Canada. As at September 30, 2009, the amount in cash and cash equivalents was $4,134,226 which was held in Royal Bank, Scotia Bank and Bank of Montreal cashable GICs, Royal Bank of Canada Premium Saving Account and cash balances with Royal Bank of Canada and Royal Bank of Scotland for Pound Sterling amounts.

At September 30, 2009, the remaining terms on investments made by the Corporation are all cashable on demand with interest fixed over the period of investment.

Accounts Receivable

The Corporation's accounts receivable are amounts due from the Canada Revenue Agency in relation to GST refunds which is considered to be risk free as for the credit standing of Canadian Government.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are comprised primarily of amounts due in respect of current administrative costs of the Corporation. Payment terms on these amounts are typically 30 days from receipt of invoice and do not bear interest. The Corporation has met its obligations in respect of these liabilities. As at September 30, 2009, accounts payable and accrued liabilities were $42,025

RELATED PARTY TRANSACTIONS

To keep maximum flexibility and keep administrative cost to a minimum, the Company does not have any permanent employees and conducts its affairs through consulting agreements with its executives. Effective June 1, 2008, the Corporation entered into a consulting agreement with Inceptum Ventures Ltd. ("Inceptum"), a company wholly-owned by Michael Frey, the President of the Corporation whereby the Corporation has agreed to pay to Inceptum $120,000 annually for consulting services. The Inceptum Consulting Agreement provides one month's severance for each six months from the commencement of the agreement.

Effective June 1, 2008, the Corporation entered into a consulting agreement with 571021 Alberta Corp. ("571021"), a private company owned 50% by Mr. Sadrehashemi, the Chief Financial Officer of the Corporation and 50% by his wife whereby the Corporation has agreed to pay to 571021 $96,000 annually for consulting services. The 571021 Consulting Agreement provides one month's severance for each six months from the commencement of the agreement.

During the three month period ended September 30, 2009, the Corporation paid consulting fees in the amount of $54,000 to Inceptum and 571021. These consulting fees were in the normal course of operations and have been valued in the financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Other than as described herein, the Corporation has not acquired any assets or services or provided any assets or services in any transaction within the twelve months prior to the date of this MD&A with any Non-arm's length party.

CHANGES IN ACCOUNTING POLICY

Newton adopted Handbook Section 3064, Goodwill and Intangible Assets ("Section 3064") effective January 1, 2009. Section 3064 will replace the existing Goodwill and Intangible Assets standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard did not have a material impact on the Company's financial statements.

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As Newton Energy Corporation will be required to report its results in accordance with IFRS starting in 2011, the corporation is currently assessing the impact of these new accounting standards on its financial statements. A preliminary diagnostic of potential areas of impact has been completed to aid in the management of this transition, with the aim to ensure successful implementation within the required timeframe. The results of this preliminary diagnostic indicate that the main impact to the Corporation's results of operations, financial position and disclosures will be on Property, Plant and Equipment, how these assets are ultimately depreciated and how impairment is determined and measured. Other areas of potential impact include stock-based compensation, asset retirement obligation and accounting for joint ventures. The Corporation continues to develop an implementation plan, including the consideration of the resources required to complete the conversion to IFRS and the impact to its financial systems.

Capital Expenditures

As at September 30, 2009, The Company consolidated working capital is approximately $4,100,000. The Company anticipates that the available fund will be expensed over the next 12 months substantially as follows

Principle Purposes	**Amount**
Expenditures related to exploration program for next 12 months	
Permits and Site preparation	$ 300,000
Drilling	1,800,000
Testing and Completion	1,200,000
	$3,300,000
Expenditures related to general operations and administration	600,000
Contingent Work Program Expenditure	134,000
Unallocated Working Capital	66,000
Total expenditures	**$4,100,000**

The Corporation is of the view that expenditure of the funds as indicated above will assist in meeting the stated business objectives. Notwithstanding the proposed uses of available funds as discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. It is difficult at this time to definitively project the total funds necessary to affect the planned activity of the Company. For these reasons, management considers it to be in the best interests of the Company and its shareholders to afford management for a reasonable degree of flexibility as to how the funds are employed among the uses identified above.