

**TWOCO PETROLEUMS LTD.**

**FINANCIAL STATEMENTS**

**June 30, 2010**

**TWOCO PETROLEUMS LTD.**

**Balance Sheets**  
(unaudited)

	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
<b>Assets</b>		
Current assets		
Accounts receivable	\$ 1,204,470	\$ 909,921
Prepaid expenses and deposits	<u>240,394</u>	<u>624,105</u>
	1,444,864	1,534,026
Property, plant and equipment	<u>45,485,114</u>	<u>49,221,084</u>
	<u>\$ 46,929,978</u>	<u>\$ 50,755,110</u>
<b>Liabilities</b>		
Current liabilities		
Bank indebtedness and credit facility (note 5)	\$ 18,115,316	\$ 18,316,692
Accounts payable and accrued liabilities	1,684,565	1,326,693
Current portion of unsecured debentures (note 3)	<u>8,212,819</u>	<u>-</u>
	28,012,700	19,643,385
Unsecured debentures (note 3)	-	8,158,847
Asset retirement obligations (note 4)	3,358,948	3,252,420
Future income taxes	<u>866,000</u>	<u>1,965,000</u>
	<u>32,237,648</u>	<u>33,019,652</u>
<b>Shareholders' Equity</b>		
Share capital (note 6)	20,181,541	20,181,041
Equity portion of unsecured debentures (note 3)	20,750	20,750
Contributed surplus (note 7)	1,044,960	1,043,960
Deficit	<u>(6,554,921)</u>	<u>(3,510,293)</u>
	<u>14,692,330</u>	<u>17,735,458</u>
	<u>\$ 46,929,978</u>	<u>\$ 50,755,110</u>

Subsequent events (note 11)

Going concern (note 1)

Approved by the Board:

(signed) "Wayne A. Malinowski", Director

(signed) "Larry C. Mah", Director

See accompanying notes to these financial statements

**TWOCO PETROLEUMS LTD.**

**Statements of Operations, Comprehensive Loss And Retained Earnings (Deficit)**

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
<b>Revenue</b>				
Oil and gas sales	\$ 1,366,288	\$ 2,232,086	\$ 3,222,484	\$ 5,916,199
Less: Royalties	<u>220,778</u>	<u>(6,311)</u>	<u>230,215</u>	<u>(522,427)</u>
	1,587,066	2,225,775	3,452,699	5,393,772
Interest	<u>89</u>	<u>-</u>	<u>89</u>	<u>-</u>
	<u>1,587,155</u>	<u>2,225,775</u>	<u>3,452,788</u>	<u>5,393,772</u>
<b>Expenses</b>				
Operating costs	499,549	687,281	1,099,185	1,396,250
Transportation costs	98,370	158,044	211,718	353,359
General and administrative	336,945	375,378	671,179	590,893
Interest on bank debt	256,634	117,231	424,241	249,738
Interest on capital leases	-	27,954	-	35,977
Interest on debentures payable	351,784	351,784	699,702	587,037
Stock-based compensation	500	1,875	1,000	6,056
Amortization of debentures financing charges	2,594	23,646	5,188	42,175
Depletion, amortization and accretion	<u>2,183,644</u>	<u>2,893,992</u>	<u>4,484,203</u>	<u>6,394,880</u>
	<u>3,730,020</u>	<u>4,637,185</u>	<u>7,596,416</u>	<u>9,656,365</u>
Loss before income taxes	(2,142,865)	(2,411,410)	(4,143,628)	(4,262,593)
Income tax recovery:				
- Current	-	-	-	-
- Future	<u>(520,000)</u>	<u>(205,000)</u>	<u>(1,099,000)</u>	<u>(928,000)</u>
	<u>(520,000)</u>	<u>(205,000)</u>	<u>(1,099,000)</u>	<u>(928,000)</u>
<b>Net loss and comprehensive loss</b>	(1,622,865)	(2,206,410)	(3,044,628)	(3,334,593)
Retained earnings (deficit), beginning of period	(4,932,056)	2,113,995	(3,510,293)	3,244,674
Acquisition of shares in excess of carrying value (note 6)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,496)</u>
<b>Deficit, end of period</b>	<u>\$ (6,554,921)</u>	<u>\$ (92,415)</u>	<u>\$ (6,554,921)</u>	<u>\$ (92,415)</u>
Net loss per share:				
- Basic (note 6)	<u>\$ (0.11)</u>	<u>\$ (0.15)</u>	<u>\$ (0.20)</u>	<u>\$ (0.22)</u>
- Diluted	<u>\$ (0.11)</u>	<u>\$ (0.15)</u>	<u>\$ (0.20)</u>	<u>\$ (0.22)</u>

See accompanying notes to these financial statements

**TWOCO PETROLEUMS LTD.**

**Statements of Cash Flows**  
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Cash provided by (used for):				
<b>Operating activities</b>				
Net loss	\$ (1,622,865)	\$ (2,206,410)	\$ (3,044,628)	\$ (3,334,593)
Add items not affecting cash				
Stock-based compensation	500	1,875	1,000	6,056
Future income tax recovery	(520,000)	(205,000)	(1,099,000)	(928,000)
Convertible debentures accretion	24,392	2,594	48,784	15,927
Amortization of debentures financing charges	2,594	23,646	5,188	42,175
Depletion, amortization and accretion	2,183,644	2,893,992	4,484,203	6,394,880
Asset retirement obligation	-	15,595	-	15,595
	<u>68,265</u>	<u>526,292</u>	<u>395,547</u>	<u>2,212,040</u>
Change in non-cash working capital (note 8(a))	<u>320,396</u>	<u>835,682</u>	<u>328,121</u>	<u>1,017,258</u>
	<u>388,661</u>	<u>1,361,974</u>	<u>723,668</u>	<u>3,229,298</u>
<b>Financing activities</b>				
Repayments of obligations under capital leases	-	(482,631)	-	(539,826)
Financing charges on debentures	-	(60,572)	-	(189,172)
Share issuance costs	500	-	500	-
Repurchase of common shares	-	-	-	(37,076)
Financing through bank indebtedness	(87,743)	(497,005)	(201,376)	2,640,418
Redemption of convertible debentures	-	-	-	(12,000,000)
Issuance of unsecured debentures	-	-	-	8,300,000
	<u>(87,243)</u>	<u>(1,040,208)</u>	<u>(200,876)</u>	<u>(1,825,656)</u>
<b>Investing activities:</b>				
Acquisition of property, plant and equipment	(367,611)	(351,796)	(643,893)	(843,919)
Proceeds on disposal of property, plant and equipment	1,094	-	2,188	-
Change in non-cash working capital (note 8(a))	<u>65,099</u>	<u>30,030</u>	<u>118,913</u>	<u>(559,723)</u>
	<u>(301,418)</u>	<u>(321,766)</u>	<u>(522,792)</u>	<u>(1,403,642)</u>
Cash inflow	-	-	-	-
Cash and cash equivalents, beginning of period	-	-	-	-
Cash and cash equivalents, end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Supplemental cash flow information				
Interest paid	<u>515,525</u>	<u>528,834</u>	<u>1,123,943</u>	<u>598,874</u>
Taxes paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes to these financial statements

# TWOCO PETROLEUMS LTD.

## Notes to Financial Statements

**June 30, 2010**  
(unaudited)

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1. Basis of presentation and going concern

The interim financial statements of Twoco Petroleum Ltd. ("the Company") have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The interim financial statements have been prepared following the same accounting policies and methods of computation as those utilized in the December 31, 2009 annual financial statements. The interim financial statements contain disclosures which are supplemental to the Company's annual financial statements. Certain disclosures which are normally required to be included in the notes to the annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2009.

In late 2008 and continuing through into 2010, the global credit market crisis, the volatility in the price of oil and natural gas, the recession in Canada and the slowdown of economic growth in the rest of the world has created a substantially more volatile business environment. Tighter credit and equity markets, especially for small companies where the access to credit and additional equity funding is limited, has and will continue to limit certain of the Company's planned business development activities and will continue to provide risk for the Company's future.

Subsequent to June 30, 2010, on August 10, 2010, the Company filed but did not close a Short Form Prospectus to raise further equity as described in note 11. Management has been working on certain strategic alternatives including, but not limited to, recapitalizing the Company through financing arrangements or merging with other companies. All these alternatives will take time and will require the continued financial support of the bank as described in note 11, the unsecured debenture holders as described in note 3 and the closing of additional financing in order to address and resolve the liquidity issues created by the current economic climate as described above. There is no assurance, however, that any or all of these alternatives will materialize or that additional funding will be available, if and when needed.

As at June 30, 2010, the Company had \$17,650,000 outstanding in bank indebtedness under credit facility # 1 as described in note 5, \$8,300,000 in unsecured debentures, a deficit of \$6,554,921 and incurred a loss of \$3,044,628 for the six month period ended June 30, 2010.

Management believes the going concern assumption is appropriate for these financial statements. Therefore, the financial statements do not reflect the adjustments that may be necessary if the going concern assumption were not appropriate. If this assumption were not appropriate, adjustments to the carrying amount of the assets and liabilities, revenue and expenses and the balance sheet classification used may be necessary and could be material.

## TWOCO PETROLEUMS LTD.

### Notes to Financial Statements

March 31, 2010

(unaudited)

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#### 2. New and revised accounting pronouncements

The Company has assessed new and revised accounting pronouncements that have been issued that are not yet effective and determined that the following may have an impact on the Company:

##### International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") for reporting periods beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

In July 2009, the International Accounting Standards Board ("IASB") issued amendments to IFRS 1 "First-time adoption of IFRS" allowing additional exemptions for first-time adopters. Under these amendments, oil and gas companies can elect to use historical cost under a previous GAAP as the deemed cost for oil and gas assets on the transition date to IFRS.

##### Business combinations

In January 2009, the CICA issued new standards for business combinations. These standards are effective January 1, 2011 and apply prospectively to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2011. Early adoption is permitted. This standard replaces Handbook Section 1581 Business Combinations, and harmonizes the Canadian standards with IFRS. This standard was amended to require additional use of fair value measurements, recognition of additional assets and liabilities, expensing of transaction costs and valuation of shares issued on closing date and increased disclosure. Adopting this standard is expected to have a significant impact on the way the Company accounts for future business combinations.

#### 3. Unsecured debentures

On March 31, 2009, the Company closed a private placement financing through the issuance of \$8.3 million of unsecured debentures ("Debentures") and warrants ("Warrants") to purchase common shares. The Debentures bear interest at a rate of 17% per annum, payable commencing June 30, 2009 and quarterly thereafter and will mature two years following the closing date. Finder's fees and commissions of \$201,113 have been netted against debentures payable.

Subscribers received one-half of one share purchase warrant, for each \$1.00 of principal amount of Debentures. Each whole share purchase warrant entitles the holder thereof to purchase a common share of the Company at a price of \$1.20 per share at any time prior to 4:00 pm (Calgary time) on March 31, 2011.

## TWOCO PETROLEUMS LTD.

### Notes to Financial Statements

**June 30, 2010**  
(unaudited)

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3. Unsecured debentures (continued)

The value of the warrants was determined to be \$20,750. The portion of the Debentures classified as debt was determined to be \$8,279,250. The debt portion of the Debentures will accrete up to the face value over the term to maturity.

Subsequent to June 30, 2010, on August 10, 2010, the Company filed a Short Form Prospectus as described in note 11. Pursuant to the terms of the Agency Agreement entered into between the Company and the Agent at least 50% of the aggregate principal amount of the Debentures are required to be exchanged for Common Shares of the Company at a price equal to the offering price of the Units (as defined in the Short Form Prospectus) on or before the Closing Date. Therefore, a minimum of \$4,150,000 of the Debentures are required to be exchanged for Common Shares at a price of \$0.23 per Common Share for an aggregate of 18,043,478 Common Shares. If the full \$8,300,000 of Debentures plus accrued interest thereon up to Closing Date are exchanged, up to 37,061,798 Common Shares may be issued pursuant to such exchange of the Debentures.

4. Asset Retirement Obligations

The total future asset retirement obligation was estimated by management based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon said wells and facilities and the estimated timing of such abandonment.

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

	June 30, 2010	December 31, 2009
Balance, beginning of year	\$ 3,252,420	\$ 3,455,960
Accretion expense	106,528	192,237
Liabilities incurred	-	5,069
Reduction in liabilities on sales of assets	-	(234,244)
Changes in estimate	-	(166,602)
Balance, end of period	<u>\$ 3,358,948</u>	<u>\$ 3,252,420</u>

Total estimated future retirement costs of \$5,009,685 (2009 - \$5,318,715) have been inflated at a weighted average estimated inflation rate of 1.5% (2009 - 2.1%) and discounted using a weighted average credit adjusted risk-free rate of 8.00% (2009 - 6.78%).

**TWOCO PETROLEUMS LTD.**

**Notes to Financial Statements**

**June 30, 2010**  
(unaudited)

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5. Bank indebtedness and credit facility

As at June 30, 2010, the Company has the following credit facilities:

Facility #1 – Operating Demand Loan Facility. Revolving loan used for general operations and to assist with repayment of the Company's previously existing credit facility. The facility has a maximum principal amount of \$18 million. The interest rate is set at prime plus 3.75% per annum. At June 30, 2010, the Company had a balance of \$17,650,000 drawn on this facility.

Facility #2 – Non-Revolving reducing demand loan facility. Non-revolving loan by way of one draw of \$500,000, repayable in 48 monthly payments of \$10,417 plus interest. Interest is charged at rate of prime plus 2.00% per annum. At June 30, 2010, this facility had a balance owing of \$354,167. The future minimum principal payments are as follows:

2011	\$	125,000
2012		125,000
2013		<u>104,167</u>
Total	\$	<u>354,167</u>

The financing facilities are secured by a general security agreement granting a mortgage, pledge, charge and security interest in all of the Company's property, assets and undertakings. The facility agreement requires that the Company not allow its working capital ratio excluding bank indebtedness and unsecured debentures and including the unused portion of the operating demand loan facility to fall below 1.00:1. On February 1, 2010, a general security amending agreement was issued which provides a fixed charge on such interest of the Company in specific land and petroleum and natural gas rights, including without limitation certain Alberta Crown PNG leases.

Bank indebtedness also includes \$111,149 in bank overdrafts.

On July 29, 2010, the Company and the bank entered into an amending agreement as described in note 11.

**TWOCO PETROLEUMS LTD.**

**Notes to Financial Statements**

**June 30, 2010**  
(unaudited)

6. Share capital

(a) Authorized

Unlimited voting common shares  
Unlimited non-voting preferred shares

(b) Issued

	<u>Number</u>	<u>Stated Value</u>
Common Shares		
Balance, December 31, 2009	14,941,406	\$ 20,181,041
Share issuance costs	-	(500)
Balance, June 30, 2010	<u>14,941,406</u>	<u>\$ 20,181,541</u>

Per Share Amounts

The weighted average number of shares outstanding for the six month period ended June 30, 2010 was 14,941,406 (2009 - 14,962,414) and was 14,941,406 (2009 - 14,941,406) for the three month period ended June 30, 2010.

As the Company is in a loss position there is no potential dilutive impact from options or unsecured debentures.

	<u>Net Loss (numerator)</u>	<u>Weighted Average Shares (denominator)</u>	<u>Per Share Amount</u>
Common Shares			
Basic net loss per share	\$ (3,044,628)	14,941,406	\$ (0.20)
Dilutive securities:			
Options and unsecured debentures	-	-	-
Diluted net loss per share	<u>\$ (3,044,628)</u>	<u>14,941,406</u>	<u>\$ (0.20)</u>

(c) During the six months ended June 30, 2010, NIL (2009 - NIL) stock options were exercised.

**TWOCO PETROLEUMS LTD.**

**Notes to Financial Statements**

**June 30, 2010**  
(unaudited)

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6. Share capital (continued)

(d) On October 16, 2008, the Company commenced a normal course issuer bid under which it could repurchase up to 750,000 of its common shares until October 16, 2009. All common shares purchased by the Company would be returned to treasury and cancelled. Although the Company had the intention to acquire common shares, it is not obliged to make any purchases pursuant to this 2008 issuer bid. For the period ended June 30, 2010, the Company acquired NIL (2009 – 25,600) common shares at an average price of NIL (2009 – \$1.37). The excess cost of re-acquisition over stated value in the amount of NIL (2009 - \$2,496) was charged to retained earnings.

7. Contributed Surplus

The following table reconciles the Company's contributed surplus:

	June 30, 2010	December 31, 2009
Balance, beginning of period	\$ 1,043,960	\$ 874,904
Stock-based compensation expense	1,000	9,056
Reclassification due to redemption of debentures	<u>-</u>	<u>160,000</u>
Balance, end of period	<u>\$ 1,044,960</u>	<u>\$ 1,043,960</u>

Redemption of convertible debentures

On March 31, 2009, all convertible debentures were fully redeemed. The equity portion of these debentures was reclassified to contributed surplus as the conditions to trigger conversion was not met.

## TWOCO PETROLEUMS LTD.

### Notes to Financial Statements

**June 30, 2010**  
(unaudited)

#### 8. Supplemental Cash Flow Information

##### (a) Changes in Non-cash Working Capital

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Accounts receivable	\$ (525,509)	\$ 363,072	\$ (294,549)	\$ 1,227,480
Prepaid expenses and deposits	355,463	(17,264)	383,711	(88)
Accounts payable and accrued liabilities	<u>555,541</u>	<u>519,904</u>	<u>357,872</u>	<u>(769,857)</u>
	<u>\$ 385,495</u>	<u>\$ 865,712</u>	<u>\$ 447,034</u>	<u>\$ 457,535</u>
Change in non-cash working capital relating to:				
Operating activities	320,396	835,682	328,121	1,017,258
Investing activities	<u>65,099</u>	<u>30,030</u>	<u>118,913</u>	<u>(559,723)</u>
	<u>\$ 320,495</u>	<u>\$ 865,712</u>	<u>\$ 447,034</u>	<u>\$ 457,535</u>

#### 9. Capital disclosure

The Company's objectives when managing capital are: (i) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and (ii) to maintain investor, creditor and market confidence to sustain the future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company considers its capital structure to include shareholders' equity, debt and working capital. To maintain or adjust the capital structure, the Company may from time to time, issue shares, raise debt and/or adjust its capital spending to manage its current and projected debt levels.

# TWOCO PETROLEUMS LTD.

## Notes to Financial Statements

**June 30, 2010**  
(unaudited)

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9. Capital disclosure (continued)

The Company monitors capital based on the current and projected ratios of debt to cash flow and debt to capital employed. The Company's objective is to maintain a debt to cash flow from operations ratio of less than two times. The ratio may increase at certain times as a result of acquisitions. To facilitate the management of this ratio, the Company prepares annual budgets, which are updated depending on varying factors such as general market conditions and successful capital deployment. The annual budget is approved by the Board of Directors.

Due to the major acquisition of certain properties in late 2008 with debt financing, coupled with the subsequent decline in the natural gas market and pricing for the ensuing year as well as the collapse of the credit and equity markets in late 2008 and continuing into 2009 and 2010, the Company has not been able to maintain its objective and ratios as described above.

The Company's share capital is not subject to external restrictions. See note 5 for a description of external bank covenants.

There were no changes in the Company's approach to capital management from the previous year.

10. Financial instruments and risk management

The Company has exposure to the following risks from its use of financial instruments: credit, liquidity, market, interest rate and commodity price. There have been no significant changes to exposure to risks or objectives in policies relating to these risks except as follows:

(a) Liquidity risk

Liquidity risk relates to the risk the Company will encounter difficulty in meeting obligations associated with financial liabilities. The financial liabilities on its balance sheet consist of accounts payable and accrued liabilities, unsecured debentures payable and bank indebtedness and credit facility. Management closely monitors cash flow requirements to ensure that the Company has sufficient cash or borrowing capacity to meet operational and financial obligations as described in note 1.

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net earnings or the value of financial instruments. These risks are generally outside the control of the Company. The objective of the Company is to mitigate market risk exposures within acceptable limits, while maximizing returns.

## TWOCO PETROLEUMS LTD.

### Notes to Financial Statements

**June 30, 2010**  
(unaudited)

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#### 10. Financial instruments and risk management (continued)

##### (c) Interest rate risk

The Company is exposed to interest rate cash flow risk on its outstanding bank indebtedness which has a floating interest rate and would impact the Company's future cash flows. The Company had no interest rate swaps or hedges at June 30, 2010.

In regards to interest rate cash flow risk, an increase or decrease of one percent to the effective interest rate for the Company would have impacted net earnings by \$92,555 for the six months ended June 30, 2010.

##### (d) Commodity price risk

The nature of the Company's operations results in exposure to fluctuations in commodity prices. As at June 30, 2010, the Company had the following physical delivery contracts in place:

<b>Commodity</b>	<b>Contract Type</b>	<b>Contract Period</b>	<b>Notional Contract Amounts</b>	<b>Price Range</b>
Natural Gas	Collar	April 1 – October 31, 2010	500 GJ/d	\$3.40 - \$4.15 (\$Cdn/GJ) at AECO
Natural Gas	Collar	April 1 – October 31, 2010	500 GJ/d	\$3.35 - \$4.25 (\$Cdn/GJ) at AECO

#### 11. Subsequent events

Subsequent to June 30, 2010, the Company filed a Short Form Prospectus dated August 10, 2010 (the "Prospectus") qualifying the distribution of up to 8,695,650 units ("Units") and up to 16,000,000 flow-through units ("Flow-Through Units") of the Company at a price of \$0.23 per Unit and \$0.25 per Flow-Through Unit. The Offering is subject to a minimum aggregate offering of \$3,000,000 and a maximum aggregate offering of \$6,000,000. The Company will incur in the period following closing of the Offering until December 31, 2011 and renounce to each subscriber of Flow-Through Units, effective on or before December 31, 2010, Canadian Exploration Expense as such term is defined in the Income Tax Act (Canada) in an amount equal to the portion of the aggregate purchase price for Flow-Through Units paid by such subscriber which is allocated to the Flow-Through Shares. There can be no assurance that the transaction described above will close.

**TWOCO PETROLEUMS LTD.**

**Notes to Financial Statements**

**June 30, 2010**  
(unaudited)

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11. Subsequent events (continued)

On July 29, 2010, the Company and its bank entered into an amending agreement further amending the terms of the Revolving Credit Facility. In particular, among other things, the repayments of the Revolving Credit Facility are to be made from net proceeds of any additional borrowings, proceeds on sale of property, proceeds from insurance and proceeds from equity issuances other than the offering of Units and Flow-Through Units pursuant to the Prospectus. In addition, the Company is required to complete an equity issuance for a minimum of \$3,000,000 in gross proceeds on or before September 15, 2010 as contemplated in the prospectus as described above. The next review date of the credit facilities was also extended in connection with the Amending Agreement, to March 31, 2011 but may be changed at any time at the sole discretion of the Bank.

In connection with the Amending Agreement, the Company paid the bank \$50,000 at the date thereof and is required to pay an additional \$450,000 to the Bank no later than September 1, 2010. The bank requires that a minimum of \$300,000 of the \$450,000 fee payable be paid in the form of Common Share purchase warrants at a deemed price of \$0.30 per warrant being exercisable into one Common Share for a period of twenty-four months at a price of \$0.30 per Common Share. The Company has the option to pay the remainder of the \$450,000 fee in the form of warrants. Therefore, a minimum of 1,000,000 warrants and a maximum of 1,500,000 warrants may be issued pursuant to the Amending Agreement.