



**CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**GALLIC ENERGY LTD.**

For the periods ended June 30, 2010

**Unaudited interim consolidated financial statements**

**In accordance with National Instrument 51-102 released by the Canadian Securities administrators, the Company discloses that its auditors have not reviewed these interim consolidated financial statements for the six months ended June 30, 2010 and 2009.**

# GALLIC ENERGY LTD.

## CONSOLIDATED BALANCE SHEETS

(Unaudited)

As at	Note	June 30, 2010	December 31, 2009
<b>ASSETS</b>			
Current			
Cash and cash equivalents		\$ 58,139	\$ 5,942
Accounts receivable	3	146,232	33,506
Prepaid		22,123	-
Total current assets		226,494	39,448
Property, plant and equipment	5	17,730	5,995
Evaluation and exploration assets	5	563,700	560,068
<b>Total assets</b>		<b>807,924</b>	<b>605,511</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current			
Accounts payable and accrued liabilities		608,042	751,946
Current loan from director	4	-	120,000
Total current liabilities		608,042	871,946
Going concern	1		
Commitments	9		
Subsequent events	10		
Share capital	6	5,579,494	4,144,515
Contributed surplus		2,377,177	1,663,136
Deficit		(7,756,789)	(6,074,086)
Total Shareholders' deficiency		199,882	(266,435)
<b>Total Liabilities &amp; Shareholders' deficiency</b>		<b>\$ 807,924</b>	<b>\$ 605,511</b>

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

Signed "John Garden"

Director

Signed "Richard Wadsworth"

Director

**GALLIC ENTERY LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS,**  
**COMPREHENSIVE LOSS AND DEFICIT**

**(Unaudited)**

<b>PERIODS ENDED,</b>	<b>Note</b>	<b>THREE MONTHS</b>		<b>SIX MONTHS</b>	
		<b>June 30,</b> <b>2010</b>	<b>June 30,</b> <b>2009</b>	<b>June 30,</b> <b>2010</b>	<b>June 30,</b> <b>2009</b>
<b>Revenue</b>					
Unrealized gain on marketable securities		\$ -	\$ 15,044	\$ -	\$ 13,625
Other income (loss)		-	2,428	-	(2,447)
		-	17,472	-	11,178
<b>Expenses</b>					
General and administrative		255,394	147,071	594,260	331,792
Impairment of assets	5	133,874	-	372,747	-
Stock based compensation	6	6,328	36,387	49,330	72,774
Warrants	6	-	-	664,711	-
Depreciation	5	1,034	440	1,656	880
		396,629	183,898	1,682,703	405,446
<b>Net loss and comprehensive loss</b>		<b>(396,629)</b>	<b>(166,426)</b>	<b>(1,682,703)</b>	<b>(394,268)</b>
Accumulated deficit, beginning of year		(7,360,159)	(5,722,979)	(6,074,086)	(5,495,137)
Accumulated deficit, end of year		\$ (7,756,788)	\$ (5,889,405)	\$ (7,756,789)	\$ (5,889,405)
Net loss per share - basic and diluted		\$ (0.01)	\$ (0.00)	\$ (0.05)	\$ (0.02)
Weighted average number of shares outstanding - basic and diluted		38,939,154	19,716,154	35,965,430	18,731,377

See accompanying notes to the consolidated financial statements.

**GALLIC ENERGY LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

<b>Periods ended</b>	<b>Note</b>	<b>THREE MONTHS</b>		<b>SIX MONTHS</b>	
		<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>June 30, 2010</b>	<b>June 30, 2009</b>
<b>Cash flow from operating activities</b>					
Net loss		\$ (396,629)	\$ (166,426)	\$ (1,682,703)	\$ (394,268)
Adjustments:					
Stock based compensation	6	6,328	36,387	49,330	72,774
Warrant compensation	6	-	-	664,711	-
Unrealized (gain) on marketable securities		-	(15,044)	-	(13,625)
Depreciation	5	1,034	440	1,656	880
Impairment of assets	5	41,255	-	-	-
2009 GST expense disallowed by CRA audit		2,514	-	-	-
Change in non-cash working capital					
Accounts receivable		18,107	5,520	(112,727)	2,130
Prepaid		(10,500)	-	(22,123)	-
Accounts payable and accrued liabilities		(16,769)	19,732	(143,904)	(205,127)
Cash used by continuing operation		(354,660)	(119,391)	(1,245,759)	(537,236)
Cash provided by discontinued operations		-	-	-	75,000
Cash used by operating activities		(354,660)	(119,391)	(1,245,759)	(462,236)
<b>Cash flow from financing activities</b>					
Issue of share capital, net of issue costs	6	-	-	1,434,979	420,194
Loan from director		-	-	(120,000)	120,000
Cash provided by financing activities		-	-	1,314,979	540,194
<b>Cash flow from investing activities</b>					
Acquisition of property, plant and equipment	5	(6,736)	-	(10,079)	-
Acquisition of evaluation and exploration assets	5	(13,100)	-	(3,631)	(4,375)
Cash used by investing activities		(19,836)	-	(13,710)	(4,375)
Effect of exchange rate changes on cash		(224)	-	(3,312)	-
Increase (decrease) in cash and cash equivalents		(374,719)	(119,391)	52,197	73,583
Cash and cash equivalents, beginning of period		432,858	222,265	5,942	29,291
<b>Cash and cash equivalents, end of period</b>		<b>\$ 58,139</b>	<b>\$ 102,874</b>	<b>\$ 58,139</b>	<b>\$ 102,874</b>

See accompanying notes to the consolidated financial statements.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For six months ended June 30, 2010

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### 1. Description of Business and Going Concern

These consolidated financial statements reflect the consolidated activities of Gallic Energy Ltd. (“Gallic” or the “Company”) and its wholly owned subsidiaries.

Gallic is an international exploration company with a portfolio of properties in France and Australia.

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and satisfy its liabilities in the normal course of business.

The Company incurred a loss of \$1,682,703 (June 30, 2009 - \$394,268) from continuing operations for the six months ended June 30, 2010. The Company's ability to continue its operations and to realize its assets at their carrying values and fund its commitments as disclosed in Note 8 is dependent upon the continued support of its shareholders and obtaining additional financing. The Company intends to meet the commitments from treasury by accessing the capital markets as in the past through the issuance of securities, as required and as available. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the consolidated financial statements.

### 2. Significant Accounting Policies

#### (a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances have been eliminated.

#### (b) Cash and cash equivalents

Cash and cash equivalents include investments in highly liquid instruments with original maturities of three months or less when purchased.

#### (c) Measurement uncertainty

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant accounts that require estimates as the basis for determining the stated amounts include property, plant and equipment and stock based compensation. Actual results could differ from those estimates and affect the results reported in these consolidated financial statements.

#### (d) Financial instruments

Cash and cash equivalents and marketable securities have been classified as held for trading and recorded at fair value with changes in fair value included in income. Accounts receivable are classified as loans and receivables and are initially recognized at fair value and subsequently are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities and are initially recorded at fair value and subsequently measured at amortized cost. The carrying value of the cash and cash

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For six months ended June 30, 2010

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equivalents and accounts payable and accrued liabilities approximate their fair value due to their short terms to maturity. The Company does not have significant exposure to market risk.

(e) Property and equipment

The Company follows the full cost method of accounting for exploration and development expenditures, wherein all costs related to the acquisition, exploration and development of petroleum and natural gas reserves are capitalized in country-by-country cost centres. Such costs include lease acquisition costs, geological and geophysical expenditures, lease rentals on non-producing properties, costs of drilling both productive and non-productive wells and related production equipment costs, and that portion of general and administrative expenses directly attributable to exploration and development activities.

Repairs and maintenance and operational costs that do not extend or enhance the recoverable reserves are charged to earnings. Financing and administrative costs directly attributable to specific new exploration and development projects are capitalized until commercial production has commenced.

Proceeds from the disposition of petroleum and natural gas properties are applied to reduce the capitalized costs and no gain or loss is recognized on the disposal of petroleum and natural gas properties unless such disposition would alter the depreciation rate by 20 percent or more.

Depreciation of oil and gas properties and equipment is computed using the unit-of-production method where the ratio of production to proved reserves, before royalties determines the proportion of depreciable costs to be expensed. Oil and gas reserves and production are converted into equivalent units of six thousand cubic feet of natural gas to one barrel of oil. Undeveloped properties are excluded from the depletion calculation until quantities of proved reserves are found or impairment occurs.

For each cost centre, the Company applies an annual impairment test (“ceiling test”) to determine if capitalized costs are not recoverable and exceed their fair value. The recoverability of a cost centre is assessed by comparing the carrying value of the costs centre to the sum of the undiscounted cash flows expected from the proved oil and gas reserves. If the carrying value is unrecoverable, the cost centre is written down to its fair value using the expected present value approach. This approach incorporates risk and uncertainties on the expected future cash flows from proved and probable reserves, which are discounted using a risk-free rate.

Depreciation is provided on office equipment on a straight-line basis using estimated useful lives of between one and five years.

(f) Foreign exchange and reporting currency

The accounts of the Company’s operations and the integrated operations of its foreign subsidiaries are translated into Canadian dollars using the temporal method whereby monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date and non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expenses are translated at the average exchange rate for the year. Depreciation and amortization are translated at the exchange rate used for those assets giving rise to the depreciation or amortization. Exchange gains and losses on translation of foreign subsidiaries are included in income in the current period.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For six months ended June 30, 2010

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(g) Joint ventures

Substantially all of the Company's exploration, development and production activities are conducted jointly with others and, accordingly, these consolidated financial statements reflect only the Company's proportionate interest in such activities.

(h) Revenue recognition

*Investment*

Revenue from marketable securities is recognized when dividends are declared and collection is reasonably assured and on revaluation to market value.

*Resource*

Oil and gas revenue is recognized at the time sales volumes are delivered to the purchasers.

(i) Income taxes

The Company uses the liability method of accounting for income taxes. Temporary differences between the tax basis of an asset or liability and the carrying amount on the balance sheet are used to calculate income tax assets and liabilities. Future income tax assets or liabilities are calculated using substantively enacted tax rates anticipated to apply in the periods in which the temporary differences are expected to reverse. Future tax assets are recognized if it is considered more likely than not that the assets will be realized.

(j) Stock based compensation

Options granted to employees, directors, consultants and others are recorded at their estimated fair value using a Black-Scholes option pricing model. The compensation cost is recognized over the vesting period of the options, net of an estimated forfeiture rate. When the options are exercised, share capital is adjusted to recognize the proceeds received and the associated non-cash compensation costs.

(k) Loss per share

The outstanding stock options to purchase common shares were excluded from the diluted loss per share calculation as the instruments were anti-dilutive.

(l) Net loss per share

Basic net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the effect of dilutive instruments.

(n) Future Accounting Policies

International Financial Reporting Standards

On February 13, 2008 the Canadian Accounting Standards Board has confirmed that effective for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, IFRS will replace Canada's current GAAP for all publicly accountable profit-oriented enterprises. The Company is currently assessing the effect the change will have on the consolidated financial statements.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For six months ended June 30, 2010

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#### 3. Accounts receivable

The Company made two payments during the first quarter of 2010 as part of the acquisition negotiations for the USA oil properties in Oklahoma. The acquisition has since been cancelled and the Company expects to receive a refund for the payments. The first payment was to the Oklahoma Commission and was for \$27,107. Notification has been received that payment should be received shortly. The second payment of \$80,340 was made to the owner of the oil properties, Energy Investment Group Ltd. ("EIG"). Gallic is monitoring the collectability of this receivable. As of June 30, 2010, the monies were considered collectible during 2010.

#### 4. Short term loan

A director of Gallic provided an unsecured loan of \$120,000 that bore interest of 7% per annum pursuant to a promissory note dated January 30, 2009. The loan was repaid in full with all accrued interest, in February 2010.

#### 5. Capital

	June 30, 2010				
	Cost	Additions	Impairment	Accumulated Depreciation and depletion	Net book value
France	330,649	59,212	-		389,861
Australia	127,411	46,428	-		173,839
USA - Oklahoma	102,008	196,013	(298,021)		-
Canada - Sahara	-	74,726	(74,726)		-
Evaluation and exploration assets	560,068	376,379	(372,747)	-	563,700
Property, plant and equipment	5,995	13,391	-	(1,656)	17,730
<b>Capital assets</b>	<b>\$566,063</b>	<b>\$389,770</b>	<b>\$(372,747)</b>	<b>\$(1,656)</b>	<b>\$581,430</b>

	December 31, 2009				
	Cost	Additions	Impairment	Accumulated Depreciation and depletion	Net book value
Property, plant and equipment	9,761	-	-	(3,766)	5,995
<b>Capital assets</b>	<b>\$9,761</b>	<b>-</b>	<b>-</b>	<b>\$(3,766)</b>	<b>\$5,995</b>

On April 1, 2010, the Company terminated the acquisition of oil assets in Oklahoma due to findings during the due diligence process. Capital expenditures of \$298,021, related to this acquisition were impaired (2009 expenditures \$114,783 and 2010 expenditures \$183,238).

On June 4, 2010, the corporate acquisition of Sahara was terminated. Capital expenditures incurred during 2010, of \$74,726, related to this acquisition were impaired.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For six months ended June 30, 2010

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#### 6. Share Capital

On January 28, 2010, the Company completed a non-brokered private placement of 18,750,000 units at a price of \$0.08 per share for gross proceeds of \$1,500,000. Each unit is comprised of one class A common share ("common share") and one warrant, with each warrant exercisable into one common share for a period of 18 months after closing at an exercise price of \$0.12 per share.

The proceeds from the private placement were used for general working capital requirements. The securities issued pursuant to this private placement were subject to a four-month hold period.

The Company paid a finders' fee by way of the issuance of 473,000 common shares, 494,000 finders' warrants and \$24,380 in cash for finders' commissions and expenses. Each finders' warrant is exercisable into one common share for a period of 18 months after closing at an exercise price of \$0.10 per share.

The Company incurred an additional \$40,641 in legal and regulatory fees for total share issue costs of \$65,021.

The Company has 38,939,154 Class A Common Shares, 19,244,000 warrants and 2,156,250 stock options issued and outstanding as at June 30, 2010.

#### (a) Authorized

Unlimited number of Class A, B and C common shares.

Unlimited number of non-voting preferred shares, issuable in series, without nominal or par value.

The holders of common shares are entitled to one vote for each share on all matters submitted to a stockholder vote and are entitled to share in all dividends that the Company's board of directors, in its discretion, declares from available funds. The holders of common shares have no pre-emptive rights, no conversion rights, and there are no redemption provisions applicable to the common shares.

#### (b) Issued

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<b>Class "A" - Common Shares</b>	<b>Number of shares</b>	<b>Amount</b>
Balance December 31, 2009	19,844,498	\$4,144,515
Adjust 2009 - "Issued on private placement"	(128,344)	-
Issued on private placement	18,750,000	1,500,000
Share issue costs	-	(40,641)
Finder's fee	473,000	(24,380)
Balance June 30, 2010	38,939,154	\$5,579,494

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For six months ended June 30, 2010

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In 2009, the number of shares reported under, “Issued on private placement”, was overstated by 128,344 common shares. This correction is reflected in the number of shares outstanding as of June 30, 2010.

Issued and outstanding warrants:

	Warrant Exercise Price	Weighted Average Remaining Life	Number of Warrants	Amount
Balance, December 31, 2009	-	-	-	-
Warrants issued	\$ 0.119	0.7	19,244,000	664,711
Balance, June 30, 2010	\$ 0.119	0.7	19,244,000	\$ 664,711

(c) Options and warrants

The Company has a stock option plan (the “Plan”) available to employees, consultants, directors and officers, with grants under the Plan by the Board of Directors. Under the Plan, the Company is authorized to issue options to purchase in aggregate up to 3,377,370 common shares. The Plan was approved at the Company’s shareholder meeting held on September 9, 2008. Each option can be exercised for one common share of the Company. The options’ vesting period is determined by the Board of Directors at the date of grant. Stock options to acquire common shares are granted to employees and directors from time to time at exercise prices equal to the market value of the shares at the date of grant. A total of 2,156,250 stock options issued are outstanding at June 30, 2010.

i) Officers’ and Directors’ options

On January 29, 2010, the Company issued the Company’s directors and officers 575,000 stock options half of which vested immediately and the remaining half vested July 29, 2010. The stock options have a \$0.11 strike price and expire in 5 years. For the six months ended June 30, 2010, the stock based compensation expense associated with the officers’ and directors’ options was \$49,330 (2009 \$72,774) and was recorded as general and administrative expense with the offsetting entry to contributed surplus. The fair value of the stock options, \$0.083 per option, was estimated on the date of grant using the Black-Scholes option pricing model based on the following assumptions:

(1) Annualized volatility	83%	(3) Risk free interest rate	2.19%
(2) Dividend yield	0%	(4) Expected option life	5 years

The Company estimated that none of the directors and officer options will be forfeited.

ii) Warrants

On January 28, 2010, the Company issued 494,000 agents’ warrants. There were also 18,750,000 warrants issued with each common share. The agents’ warrants have a \$0.10 and the common share warrants have a \$0.12 exercise price and both categories expire in eighteen months. The warrant expense was \$664,711 and was recorded as general and administrative expense with the offsetting entry to warrants contributed surplus. The fair value of the warrants, \$0.034 per warrant, was estimated using the Black-Scholes option pricing model and was based on the same assumptions as the stock options.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For six months ended June 30, 2010

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The following table summarizes information regarding the stock options outstanding at June 30, 2010:

	*Options Outstanding	Option Price Range	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Balance at Dec 31, 2009	2,131,250	\$0.15 - \$1.16	\$ 0.67	2.2
Granted - January 8, 2010	750,000	\$0.15	\$ 0.15	4.5
Granted - January 29, 2010	775,000	\$0.11	\$ 0.11	4.5
Cancelled	(562,500)	\$1.12 - \$1.16	\$ 1.15	-
Expired	(937,500)	\$0.80	\$ 0.80	-
Balance at Jun 30, 2010	2,156,250	\$0.11 - \$1.16	\$ 0.16	3.2

\*On July 29, 2009, the Company concluded an 8:1 share consolidation. As a result, the stock options presented have been adjusted to reflect this change.

All outstanding options and warrants were exercisable at June 30, 2010.

(d) Contributed Surplus

## 7. Risk Management

### Concentration risk

A majority of the Company's cash and cash equivalents are held by one major Canadian banking institution. Deposits held with this bank on occasion exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and bear minimal risk.

### Credit risk

The Company's accounts receivable is comprised of monies due from the following:

1. Canada Revenue Agency (GST) – considered 100% collectible
2. Oklahoma Commission – considered 100% collectible
3. Energy Investment Group Ltd. – considered collectible as of June 30, 2010, but at risk of becoming uncollectible.

### Commodity price risk

The Company's operations and financial results may be affected by fluctuations in commodity prices and exchange rates.

### Foreign exchange risk

The Company operates internationally and is therefore exposed to foreign exchange risk. Primary exposures are from fluctuations in the Euro, Australian dollar and the US dollar.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For six months ended June 30, 2010

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The Company holds its cash in Canadian dollars and pays its foreign denominated liabilities by converting Canadian funds to the foreign currency. Approximately 25% of payments are paid in currencies other than the Canadian dollar. The Company's reporting currency is the Canadian dollar. The gain and losses are reported on the income statement.

#### Liquidity Risk

The Company is exposed to liquidity risk, which is the risk that the Company may be unable to generate or obtain sufficient cash to meet its commitments as they come due. The Company intends to mitigate this risk from treasury, by accessing the capital markets as in the past through the issuance of securities as required and as available.

#### Capital Risk

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns to shareholders and benefits for other stakeholders in the future. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company defines capital as total equity plus debt, net of cash. The Company is not subject to any externally imposed cash flow requirements.

#### Financial Instruments

Assets and liabilities at December 31, 2009 that are measured at fair value are classified into the following levels reflecting the method used to make the measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The company's cash and cash equivalents have been assessed on the fair value hierarchy, and were classified as Level 1.

### 8. Related Party Transactions

Gallic paid legal fees to a law firm of which one of the Company's officers, formerly a director, is a partner:

<b>For the period ended June 30,</b>	<b>2010</b>	<b>2009</b>
Total legal expenses	\$141,000	\$28,100

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related party.

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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **For six months ended June 30, 2010**

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As described in Note 3, pursuant to a promissory note dated January 30, 2009, a director of Gallic provided an unsecured loan of \$120,000 that bore interest of 7% per annum with no specific date of repayment. The loan plus interest was repaid in February 2010.

#### **9. Commitments**

In early 2008, the Company received final approval from the French Ministry of Industry for the assignment of a permit for exploration rights in the Aquitaine basin of France (the “Ger” Permit). Gallic committed to spend up to \$1,800,000 on the property over a five year period beginning April 3, 2008. When the original acreage size and commitments were reduced due to the competition of the bidding process, the commitment of funds was reduced and no specific work program was submitted at that time. There were no capital expenditures made in 2009 on the “Ger” permit.

During 2008, Gallic was granted a second exploration permit, the “Ledeux” permit, an area in the Aquitaine basin. The Company is committed to spend \$2,200,000 on the property over a five year period beginning August 8, 2008. As at the six months ended June 30, 2010 and 2009, the Company had spent \$389,861 and \$nil in qualifying expenditures.

In early 2009, the Company was awarded the exploration rights for its Block EP 464 in the Canning Basin, in Western Australia. The Company was committed to spend \$5,500,000 over a period of six years. On March 23, 2010, the Company received approval to modify the commitment schedule to \$5,200,000 over the commitment period. As of the six months ended June 30, 2010 and 2009, the Company had spent \$173,839 and \$nil respectively, in qualifying expenditures.

#### **10. Subsequent Events**

On July 19, 2010, the Company’s Board of Directors approved the Private Placement of up to 44,000,000 Units at a price of \$0.05 per Unit for gross proceeds of up to \$2,200,000. Each Unit is comprised of one Common Share and one Warrant, with each Warrant exercisable into one Common Share for a period of 24 months after closing of the Private Placement at an exercise price of \$0.10 per Common Share. The Brokered Portion of up to \$1,900,000 is being brokered with Macquarie Private Wealth Inc. as agent and the remainder of up to \$300,000 of the Private Placement is non-brokered. The Private Placement is expected to close on approximately August 27, 2010.