

*Unaudited Interim Consolidated Financial Statements of*

**Iteration Energy Ltd.**

*March 31, 2007 and 2006*

# Iteration Energy Ltd.

## Consolidated Balance Sheets (unaudited)

As at

(in thousands of dollars)

	March 31, 2007	December 31, 2006
<b>ASSETS (Note 5)</b>		
Current		
Cash	\$350	\$5,222
Accounts receivable	12,696	12,402
Future income taxes (Note 9)	-	876
Prepays and other current assets	991	1,206
	<b>14,037</b>	19,706
Property, plant and equipment (Notes 3 and 4)	<b>221,049</b>	193,550
Goodwill	<b>20,568</b>	20,568
	<b>\$255,654</b>	\$233,824
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current		
Bank indebtedness (Note 5)	\$33,960	\$28,640
Accounts payable and accrued liabilities (Note 6)	37,908	21,149
Stock based compensation payable (Note 8(d))	8,608	4,108
	<b>80,476</b>	53,897
Future income taxes (Note 9)	<b>1,467</b>	-
Leasehold inducements	<b>298</b>	331
Asset retirement obligations (Note 7)	<b>9,443</b>	9,198
	<b>91,684</b>	63,426
Commitments and contingencies (Notes 8, 10, 11, and 12)		
Shareholders' equity		
Share capital (Note 8)	172,436	175,195
Warrants outstanding (Note 8(e))	4,166	4,166
Deficit	(12,632)	(8,963)
	<b>163,970</b>	170,398
	<b>\$255,654</b>	\$ 233,824

See accompanying notes to unaudited interim consolidated financial statements.

## Iteration Energy Ltd.

### Consolidated Statements of Earnings (Loss), Comprehensive Earnings (Loss) and Deficit (unaudited)

For the three months ended March 31

<i>(in thousands of dollars, except per share amounts)</i>	2007	2006
Revenue		
Production revenue	\$23,744	\$17,317
Royalties, net of Alberta Royalty Tax Credit	(4,857)	(4,282)
	18,887	13,035
Other production revenue	19	100
Interest income	-	167
	18,906	13,302
Expenses		
Production	4,187	1,879
Transportation	729	414
General and administrative	1,091	777
Stock based compensation expense (recovery) (Note 8(d))	4,500	(1,581)
Interest on current debt	472	55
Accretion expense	140	80
Depletion and depreciation	12,856	7,617
	23,975	9,241
Earnings (loss) before income taxes	(5,069)	4,061
Income taxes (Note 9)		
Current income tax expense	-	30
Future income tax expense (recovery)	(1,400)	1,382
	(1,400)	1,412
Net earnings (loss) and Comprehensive Earnings (loss)	(3,669)	2,649
Deficit, beginning of period	(8,963)	(4,547)
Deficit, end of period	\$(12,632)	\$(1,898)
Basic and diluted net earnings (loss) per common share (Note 8(f))	\$(0.06)	\$0.05

See accompanying notes to the unaudited interim consolidated financial statements

# Iteration Energy Ltd.

## Consolidated Statements of Cash Flows (unaudited)

For the three months ended March 31

<i>(in thousands of dollars)</i>	2007	2006
<b>OPERATING ACTIVITIES</b>		
Net earnings (loss)	<b>\$(3,669)</b>	\$2,649
Add (deduct) non-cash items:		
Depletion and depreciation	<b>12,856</b>	7,617
Accretion expense	<b>140</b>	80
Future income tax expense (recovery)	<b>(1,400)</b>	1,382
Amortization of leasehold inducements	<b>(33)</b>	(40)
Stock-based compensation expense (recovery) (Note 8 (d))	<b>4,500</b>	(1,581)
Asset retirement expenditures	<b>(15)</b>	-
	<b>12,379</b>	10,107
Net change in non-cash working capital (Note 13)	<b>6,444</b>	2,127
	<b>18,823</b>	12,234
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	<b>122</b>	150
Acquisition of oil and gas properties	<b>(354)</b>	-
Additions to oil and gas properties	<b>(40,003)</b>	(30,028)
Additions to other capital assets	<b>-</b>	-
Net change in non-cash working capital (Note 13)	<b>10,235</b>	437
	<b>(30,000)</b>	(29,441)
<b>FINANCING ACTIVITIES</b>		
Increase in bank indebtedness	<b>5,320</b>	-
Common shares issued for cash	<b>998</b>	-
Share issue costs	<b>(14)</b>	-
Principal payment – capital lease obligation	<b>-</b>	(115)
Net change in non-cash working capital (Note 13)	<b>1</b>	(277)
	<b>6,305</b>	(392)
Decrease in cash	<b>(4,872)</b>	(17,599)
Cash, beginning of period	<b>5,222</b>	25,134
Cash, end of period	<b>\$350</b>	\$7,535

See Note 13 for supplemental disclosure

See accompanying notes to the unaudited interim consolidated financial statements

## **Iteration Energy Ltd.**

### **Notes to the Unaudited Interim Consolidated Financial Statements Period Ended March 31, 2007 and 2006**

(Tabular amounts in thousands of dollars, unless otherwise noted)

#### **1. NATURE OF OPERATIONS**

Iteration Energy Ltd. (“Iteration” or the “Company”) is a public company that trades on the Toronto Stock Exchange and is incorporated under the Business Corporations Act (Alberta). Iteration is engaged in the exploration, development and production of petroleum and natural gas in Canada.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

The unaudited consolidated financial statements of Iteration Energy Ltd. have been prepared in accordance with Canadian generally accepted accounting principles and are consistent with those policies set out in the audited consolidated financial statements for the year ended December 31, 2006, except as disclosed below. These interim consolidated financial statements do not include all disclosures provided in the December 31 financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2006.

##### **Change in Accounting Policies**

As disclosed in the December 31, 2006 annual audited Consolidated Financial Statements, on January 1, 2007, the Company adopted four new accounting standards that were issued by the Canadian Institute of Chartered Accountants; Handbook Section 1530, *Comprehensive Income*, Handbook Section 3855, *Financial Instruments-Recognition and Measurement*, Handbook Section 3861, *Financial Instruments – Disclosure and Presentation* and Handbook Section 3865, *Hedges*. As required by the new standards, prior periods have not been restated. The adoption of these standards has had no material impact on the Company’s net earnings or cashflows. The other effects of the implementation of the new standards are discussed below.

##### Comprehensive Income

Section 1530 of the new standards introduces Comprehensive Income, which consists of net income and other comprehensive income (“OCI”). This section requires companies to present a statement of comprehensive income, defined as a change in net assets arising from transactions and other events from non-owner sources. The statement presents net income and each component recognized in other comprehensive income. For the three months ended March 31, 2007, the Company did not recognize any OCI. Should the Company recognize any OCI in the future, the cumulative changes in OCI would be recognized in Accumulated Other Comprehensive Income (“AOCI”), which would be presented as a new category within Shareholders’ Equity in the Consolidated Balance Sheet.

##### Financial Instruments – Recognition and Measurement

The Financial Instruments standard, Section 3855 establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods is dependent on whether the financial instrument has been classified as “held-for-trading”, “available-for-sale”, “held-to-maturity”, “loans and receivables”, or “other financial liabilities” as defined by the standard.

Financial assets and financial liabilities “held-for-trading” are measured at fair value with changes in those fair values recognized in net earnings. Financial assets “available-for-sale” are measured at fair value, with changes in those fair values measured in OCI. Financial assets “held-to-maturity”, “loans and receivables”, and “other financial liabilities” are measured at amortized cost using the effective interest method of

amortization. The methods used by the Company in determining the fair value of financial instruments is unchanged as a result of implementing the new standard.

Cash and bank indebtedness is designated as “held-for-trading” and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable are designated as “loans and receivables”. Bank indebtedness and accounts payable and accrued liabilities are designated as “other liabilities”.

With respect to the current fixed price contracts in place, the Company considers them to be future sales contracts at an agreed price with our current gas marketer, which will be satisfied by the future delivery of natural gas. As a result, the Company has not calculated a fair value for the instruments for purposes of recording the contracts on the balance sheet

The adoption of the financial instruments standard has resulted in no change in the previous accounting treatment or reporting by the Company.

In addition, 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 a significant impact on the Company:

Financial Instruments – Disclosures and Presentation

As of January 1, 2008, the Company will be required to adopt two new CICA standards. Handbook Section 3862, *Financial Instruments – Disclosures* and Handbook Section 3863, *Financial Instruments – Presentation*. These Handbook Sections will replace existing Handbook Section 3861, *Financial Instruments – Presentation and Disclosure*. The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements.

Capital Disclosures

Also as of January 1, 2008, the Company will be required to adopt Handbook Section 1535, *Capital Disclosures* which will require companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements.

Both new standards were issued in December 2006 and the Company is assessing the impact on its financial statements.

**3. ACQUISITIONS AND DISPOSITIONS**

**East Central Alberta Properties**

- 4. On June 27, 2006, with an effective date of April 1, 2006, the Company purchased five producing properties from an unrelated third party for a gross purchase price of \$42,325,000. After adjustments for operating results and capital expenditures between the effective date and the closing date, the Company paid \$41,426,000. The purchase price was initially funded from bank debt. The Company commenced reporting production from the acquisition on July 1, 2006. PROPERTY, PLANT AND EQUIPMENT**

	March 31, 2007 (\$'000's)	December 31, 2006 (\$'000's)
Oil and gas properties	\$355,810	\$ 315,455
Other	683	683
	<b>356,493</b>	316,138
Less accumulated depletion and depreciation	<b>135,444</b>	122,588
	<b>\$221,049</b>	\$ 193,550

At March 31, 2007, unproved properties and seismic expenditures amounting to \$36,498,000 (March 31, 2006: \$13,955,000) have been excluded from the depletion calculation. Future development costs on proven undeveloped reserves of \$6,305,000 (March 31, 2006: \$1,650,000) are included in the depletion calculation.

For the three months ended March 31, 2007, the Company capitalized \$515,000, (three months ended March 31, 2006: \$417,500) of overhead directly related to exploration and development activities.

## 5. BANK INDEBTEDNESS

The Bank Indebtedness represents the drawn portion of a \$65 million credit facility that the Company has established with a Canadian Chartered Bank. A general security agreement and a guarantee and postponement of claim have been provided as security. Under the terms of the Credit facility, the Company may borrow via;

- i) Prime based loans bearing interest at the lender's prime bank rate;
- ii) Bankers acceptances, bearing interest at the banker's acceptance rate plus an acceptance fee of 87.5 basis points per annum;
- iii) Libor based loans in US currency bearing interest at the Libor rate plus 87.5 basis points per annum;
- iv) Letters of guarantee and letters of credit, bearing interest on the face amount at 87.5 basis points per annum, for financial guarantees, and 58.3 basis points per annum, for non-financial guarantees.

The facility requires monthly payments of interest only, calculated in arrears. In addition, there is a standby fee, calculated at 10 basis points per annum on the undrawn balance. During 2007, the effective rate of interest on the bank indebtedness outstanding was 6% per annum.

## 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	March 31, 2007 (\$'000's)	December 31, 2006 (\$'000's)
Trade accounts payable	\$31,223	\$16,278
Joint venture accounts payable	3,252	2,491
Royalties payable	3,775	3,208
Other	(342)	(828)
<b>Total</b>	<b>\$37,908</b>	<b>\$21,149</b>

## 7. ASSET RETIREMENT OBLIGATIONS

The total future asset retirement obligations were estimated by management based on the Company's net working interest in all wells and facilities, estimated costs to reclaim and abandon wells and facilities and the estimated timing of the costs to be incurred in future periods. The Company estimates the undiscounted cash flows related to asset retirement obligations, adjusted for inflation, to be incurred over the estimated reserve life of the underlying assets (which is estimated to be from 2007 through 2036) will total approximately \$18,695,000 (December 31, 2006: \$18,490,000). The fair value at March 31, 2007 is \$9,443,000 (December 31, 2006: \$9,198,000) using a discount rate of six percent and an inflation rate of two percent. As at March 31, 2007, no funds have been set aside to settle this obligation.

	March 31, 2007 (\$'000's)	December 31, 2006 (\$'000's)
Balance, beginning of period	<b>\$9,198</b>	\$ 4,492
Liabilities incurred on acquisition of properties (note 3)	-	2,837
Increase in liabilities from drilling activity	<b>120</b>	2,366
Decrease in liabilities from revision of estimates	-	(945)
Settlement of liabilities	<b>(15)</b>	(23)
Accretion expense	<b>140</b>	471
<b>Balance, end of period</b>	<b>\$9,443</b>	\$ 9,198

## 8. SHARE CAPITAL

### (a) Authorized

Unlimited number of voting common shares without par value.  
Unlimited number of preferred shares issuable in series

### (b) Common Shares Issued

	Three months ended March 31, 2007		Year ended December 31, 2006	
	Number of Shares	Amount (\$'000's)	Number of Shares	Amount (\$'000's)
Balance, beginning of period	57,429,847	\$ 175,195	48,895,347	\$ 139,467
Shares issued on public offering	-	-	6,200,000	25,110
Flow through shares issued on public offering	-	-	2,300,000	12,075
Shares issued on exercise of stock options	344,200	998	34,500	100
Share issue costs, net of tax effect of \$1,000 (2006: \$700,000)	-	(14)	-	(1,557)
Tax benefits renounced on prior year flow through share offering	-	(3,743)	-	-
Balance, end of period	57,774,047	\$ 172,436	57,429,847	\$ 175,195

Subsequent to period end, the Company issued 7,000,000 common shares at \$5.60 per common share through a bought deal, short form prospectus. The gross proceeds from this share issuance were \$39,200,000. The net proceeds are approximately \$36,848,000. The offering closed April 26, 2007.

### (c) Flow Through Shares

During 2006, the Company issued common shares on a flow-through basis for gross proceeds of \$12,075,000 to finance certain oil and gas expenditures to be incurred in 2007. The renouncement of these expenditures was made to the purchasers of these shares in 2007 and accordingly, share capital was reduced by the amount of the tax benefits associated with these expenditures (\$3,743,000). Under the look back provision governing flow-through shares, the Company is required to incur these eligible expenditures prior to December 31, 2007.

### (d) Stock Options

The Company has a stock option plan that provides for the issuance of options to its directors, officers, employees and non-employees to acquire up to 10% of the issued and outstanding common shares. The dates on which options vest are set by the Board of Directors at the time of grant. The exercise price of an option granted is the closing price of the Company's stock on the last trading date prior to the grant date. The dates on which options expire are also set by the Board of Directors at the time of grant and cannot exceed ten years.

Outstanding stock options to acquire common shares through the stock option plan, including conditional options as discussed further below, are as follows:

	Three months ended March 31, 2007		Year ended December 31, 2006	
	Number of Options	Weighted average exercise price \$	Number of Options	Weighted average exercise price \$
Outstanding, beginning of period	5,884,222	3.22	4,798,122	2.98
Granted	207,500	4.76	1,234,600	4.38
Exercised for shares	(344,200)	(2.90)	(34,500)	(2.90)
Forfeited	(16,333)	(4.49)	(114,000)	(5.72)
Outstanding, end of period	5,731,189	3.29	5,884,222	3.22
Options exercisable, end of period	2,902,320	2.97	1,617,096	2.98

The following table summarizes information about the stock options outstanding at March 31, 2007:

Range of exercise prices	Number outstanding March 31, 2007	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number exercisable March 31, 2007	Weighted average exercise price \$
\$2.90 to \$4.00	4,327,298	2.92	2.92	2,816,309	2.92
\$4.01 to \$5.00	1,249,266	3.76	4.35	61,986	4.23
\$5.01 to \$9.00	154,625	3.77	5.13	24,025	5.32
	5,731,189	3.13	3.29	2,902,320	2.97

The Company's stock option plan was amended by shareholders effective April 1, 2004 to provide stock option holders the choice, upon exercise, to receive a cash payment in exchange for surrendering the option. The cash payment is equal to the appreciated value of the stock option as determined based on the difference between the option's exercise price and the Company's share price at the time of exercise. For the period ended March 31, 2007, stock based compensation expense of \$4,500,000 (2006: expense recovery of \$1,581,000), was recognized based on the change in value of the outstanding stock options. This was determined using the March 31, 2007 closing share price, as compared to the closing share price at December 31, 2006 respectively. Future fluctuations in the stock based compensation expense or recoveries are dependent on the movement of the Company's share price and the number of options outstanding. Based on the March 31, 2007 share price of \$5.75, had all of the 5,731,189 stock options outstanding been vested, aggregate stock based compensation expense and a corresponding liability of \$14,103,000 would have been recognized. Of this amount, \$8,608,000 has been recognized as a liability at March 31, 2007.

Included in the options disclosed above are 784,500 conditional stock options granted during the period from August 2006 to March 2007 to employees, none of whom are officers or directors, at a weighted average exercise price of \$4.40 per share. The options have a three year vesting period and a term of four years. These options are conditional because the granting of these options has resulted in the number of common shares available to be issued under the stock option plan exceeding the maximum number allowed (currently 10% of issued and outstanding common shares). The conditional nature of these options can only be removed by ratification of the granting of the options to the employees by the shareholders of the Company at the 2007 annual general meeting. In the event that the shareholders do not ratify the Shareholder Proposal with respect to these conditional options, all of the conditional options granted will immediately and automatically terminate without payment.

Concurrent with the granting of the options, the Board adopted a stock appreciation rights (“SAR”) plan and granted 784,500 SARs to the employees who were granted the conditional options, with the same exercise price, vesting conditions and term as the options. Upon the exercise of each SAR, the employee will be entitled to receive a cash payment equal to the difference between the closing price of the common shares on the date immediately preceding the date of exercise, and the exercise price of the SAR they were awarded. In the event that the shareholders ratify the Shareholder proposal with respect to the conditional options, all SARs granted will immediately and automatically terminate without payment and the options granted will remain in effect.

**(e) Warrants**

On March 21, 2005, warrants to purchase 5,000,000 common shares at \$2.90 were issued to Iteration Energy Inc. shareholders. On May 7, 2005, all of the warrants vested. The warrants expire on September 21, 2008.

**(f) Per Share Amounts**

	<b>Three months ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
Weighted average common shares outstanding	<b>57,548,405</b>	48,895,347
Effect of dilutive warrants	-	2,410,714
Effect of dilutive options	-	1,374,215
Weighted average diluted common shares outstanding	<b>57,548,405</b>	52,680,276

The options and warrants outstanding for the period ended March 31, 2007 are not included in the computation of diluted common shares outstanding as the Company realized a net loss during this period.

**9. INCOME TAXES**

The provision for future income taxes recorded in the financial statements differs from the amount that would be obtained by applying the statutory income tax rate to the earnings (loss) before tax as follows:

	<b>Three months ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
	<b>(\$'000's)</b>	<b>(\$'000's)</b>
Earnings (loss) before tax	<b>(5,069)</b>	4,061
Statutory Canadian corporate tax rate	<b>32.12 %</b>	35.62%
Anticipated tax expense (recovery)	<b>(1,628)</b>	1,447
Non-deductible Crown payments	-	486
Alberta Royalty Tax Credit	-	(16)
Resource allowance	-	(445)
Rate adjustment	<b>57</b>	(188)
Other	<b>171</b>	98
Future income tax expense (recovery)	<b>(1,400)</b>	1,382

The rate adjustment of \$57,000 represents the impact change between the current income tax rate of 32.12% and the future income tax rate of 31.00% used to calculate the provision.

The Company's future income tax liability at March 31, 2007 and December 31, 2006 is comprised of the following:

	<b>March 31, 2007</b> (\$'000's)	December 31, 2006 (\$'000's)
Income tax rate (%)	<b>31.00</b>	31.00
Property plant and equipment, having different income tax and accounting basis	<b>4,347</b>	429
Deferred partnership income	<b>9,851</b>	9,496
Scientific research pools	<b>(5,922)</b>	(5,292)
Share issue costs	<b>(1,122)</b>	(1,282)
Accrued stock based compensation	<b>(2,668)</b>	(1,273)
Asset retirement obligation	<b>(2,927)</b>	(2,851)
Unamortized leasehold inducements	<b>(92)</b>	(103)
Future income taxes (asset)	<b>1,467</b>	(876)

The current income tax recovery of \$ nil for the period ended March 31, 2007 (2006: expense of \$30,000) consists of the following:

	<b>2007</b> (\$'000's)	2006 (\$'000's)
Capital tax	-	30
Current tax expense	-	30

The Company also has approximately \$2,952,000 of unclaimed investment tax credits available to reduce future years' income taxes payable, the benefit of which has not been reflected in these financial statements. The investment tax credits ('000's) expire as follows:

2007	1,132
2008	964
2009	856

## **10. OPERATING LEASES**

The Company has entered into various operating leases with respect to its premises. The leases expire June 30, 2009 and require the following future minimum lease payments, by calendar year ('000's);

2007	515
2008	687
2009	344

## 11. FINANCIAL INSTRUMENTS

### a) Fair Value

Financial instruments consist of cash, accounts receivable, accounts payable, income taxes payable and bank indebtedness. The carrying value of these instruments approximates fair value unless otherwise stated.

### b) Fixed Price Contracts

As a means of managing commodity price volatility, the Company has entered into three fixed price contracts for the future physical delivery of natural gas as follows:

Term	Volume (mcf/d)	Contract Price (mcf)	Price Basis
April 1, 2007 – October 31, 2007	5,270	7.91 floor, 8.54 ceiling	AECO monthly
April 1, 2007 – October 31, 2007	5,270	7.44	Station 2
April 1, 2007 – October 31, 2007	2,630	7.44	Station 2

As previously discussed, effective January 1, 2007, new accounting standards issued by the Canadian Institute of Chartered Accountants became effective, and were implemented by the Company. One of the new standards dealt with Hedges and the criteria needed to qualify for hedge accounting, as well as the timing for recognition of applicable hedge gains and losses. As the Company had no material fixed price contracts in place at December 31, 2006, there was no effect on the financial reporting of the Company as a result of the implementation of the new standard. With respect to the current fixed price contracts in place, the Company considers them to be future sales contracts at an agreed price with our current gas marketer, which will be satisfied by the future delivery of natural gas. As a result, the Company has not calculated a fair value for the instruments for purposes of recording the contracts on the balance sheet.

### c) Credit Risk

Substantial portions of the Company's accounts receivable are with entities in the oil and gas industry. The Company generally extends unsecured credit to these companies, and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions and may accordingly impact the Company's overall credit risk. Management believes the risk is mitigated by the size, reputation and diversified nature of the companies to which they extend credit. The Company has not previously experienced any material credit losses on the collection of receivables.

### d) Interest Rate Risk

The Company is exposed to changes in the prime interest rate on its bank debt.

## 12. CONTINGENCIES

The Company is party to various lawsuits as at March 31, 2007. It is management's opinion that, based on the best currently available information, the amount of any potential exposure and the outcome of these lawsuits is not determinable at this time. As a result, no provisions for these items have been recorded in these financial statements.

Pursuant to a purchase and sale agreement, the Company has indemnified the purchaser of a former subsidiary company for up to \$1,000,000 of income tax and legal expenses incurred with respect to specifically identified income tax returns. Any obligation pursuant to the terms of this indemnification will be recorded in the period in which the obligation is incurred.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for its directors and officers.

### 13. SUPPLEMENTAL DISCLOSURE ON CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in non-cash working capital were comprised of the following:

	<b>Three months ended March 31,</b>	
	<b>2007</b>	2006
	(\$'000's)	(\$'000's)
Accounts receivable	\$(294)	\$2,840
Prepays and other current assets	215	64
Accounts payable and accrued liabilities	16,759	(571)
Income taxes payable	-	(46)
<b>Net change</b>	<b>\$16,680</b>	<b>\$2,287</b>

	<b>Three months ended March 31,</b>	
	<b>2007</b>	2006
	(\$'000's)	(\$'000's)
Net change by activity:		
Operating	\$6,444	\$2,127
Investing	10,235	437
Financing	1	(277)
<b>Net change</b>	<b>\$16,680</b>	<b>\$2,287</b>

Additional information:

	<b>Three months ended March 31,</b>	
	<b>2007</b>	2006
	(\$'000's)	(\$'000's)
Cash interest paid	\$472	\$55
Cash taxes paid	-	30

### 14. COMPARATIVE FIGURES

Certain figures provided for 2006 have been reclassified to conform to the presentation adopted in 2007.