ALTERNATIVE FUEL SYSTEMS (2004) INC.

Financial Statements
December 31, 2009 and 2008
(expressed in Canadian dollars)

PricewaterhouseCoopers LLP
Chartered Accountants
111 5th Avenue SW, Suite 3100
Calgary, Alberta
Canada T2P 5L3
Telephone +1 (403) 509 7500
Facsimile +1 (403) 781 1825

April 20, 2010

Auditors' Report

To the Shareholders of
Alternative Fuel Systems (2004) Inc.

We have audited the balance sheets of Alternative Fuel Systems (2004) Inc. as at December 31, 2009 and 2008 and the statements of (loss) income, comprehensive (loss) income and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta

ALTERNATIVE FUEL SYSTEMS (2004) INC.
Balance Sheets
(expressed in Canadian dollars)

	December 31 2009 $	December 31 2008 $
Assets		
Current assets		
Cash and short-term investments	**1,696,115**	**1,412,535**
Accounts receivable	**76,693**	**482,716**
Prepaid expenses and deposits	**30,216**	**61,152**
Inventory	**672,455**	**906,686**
	2,475,479	**2,863,089**
Property, plant and equipment (note 4)	**166,930**	**190,169**
Intangible assets (note 5)	**1,606**	**18,045**
	2,644,015	**3,071,303**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**146,400**	**462,396**
Advances from customers	**114,036**	**279,854**
	260,436	**742,250**
Shareholders' Equity		
Capital stock (note 6 (a))	**2,512,301**	**2,453,006**
Contributed surplus (note 6 (c))	**580,040**	**537,714**
Deficit	**(708,762)**	**(661,667)**
	2,383,579	**2,329,053**
	2,644,015	**3,071,303**

Commitments and contingencies (note 10 and 11)

The accompanying notes form an integral part of these financial statements.

Approved by the Board of Directors

"Darshan Kailly" Director

"David Checkel" Director

ALTERNATIVE FUEL SYSTEMS (2004) INC.

Statements of (Loss) Income, Comprehensive (Loss) Income and Deficit

(expressed in Canadian dollars, except per share data)

	For the year ended December 31	
	2009	2008
	$	$
Product revenue	**2,114,934**	**3,682,398**
Cost of revenue	**1,161,344**	**2,081,559**
Gross margin	**953,590**	**1,600,839**
Engineering revenue	**325,099**	**206,305**
Interest and other income	**13,203**	**27,582**
	1,291,892	**1,834,726**
Expenses		
Operating and administration		
Engineering and product development	**580,446**	**552,831**
Administrative and other	**414,918**	**464,797**
Sales and marketing	**194,037**	**188,599**
Amortization of property, plant & equipment	**43,626**	**43,216**
Amortization of intangible assets	**16,439**	**20,138**
Stock-based compensation (note 6(c))	**52,771**	**36,253**
Foreign exchange loss	**18,378**	**5,467**
Repayment of research funding (note 11)	**18,372**	**29,109**
	1,338,987	**1,340,410**
(Loss) income and comprehensive (loss) income for the period	**(47,095)**	**494,316**
Deficit - beginning of period	**(661,667)**	**(1,155,983)**
Deficit - end of period	**(708,762)**	**(661,667)**
Basic and diluted (loss) income per common share	**(0.00)**	**0.03**

The accompanying notes form an integral part of these financial statements.

ALTERNATIVE FUEL SYSTEMS (2004) INC.

Statements of Cash Flows

(expressed in Canadian dollars)

	For the year ended December 31	
	2009	2008
	$	$
Cash provided by (used in)		
Operating activities		
(Loss) income for the period	**(47,095)**	**494,316**
Items not involving cash:		
Amortization	**60,065**	**63,354**
Stock-based compensation	**52,771**	**36,253**
	65,741	**593,923**
Change in non-cash working capital items (note 7)	**189,377**	**(91,935)**
Cash flow from operations	**255,118**	**501,988**
Investing activity		
Purchase of property, plant & equipment and intangible assets	**(20,388)**	**(55,994)**
Financing activity		
Proceeds from exercise of stock options	**48,850**	**1,600**
Increase in cash and short-term investments	**283,580**	**447,594**
Cash and short-term investments - beginning of period	**1,412,535**	**964,941**
Cash and short-term investments - end of period	**1,696,115**	**1,412,535**

The accompanying notes form an integral part of these financial statements.

1. Nature of operations

Alternative Fuel Systems (2004) Inc. (“AFS” or the “Company”) was incorporated on October 19, 2000 under the original name of “H2 Fuel Inc.” The Company is in the business of developing and marketing fuel management systems that enable internal combustion engines to operate on compressed natural gas.

2. Accounting policies

a) Basis of accounting principles

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

b) Revenue recognition

Product revenue from the sale of electronic fuel management systems, natural gas pressure regulators and related components are recognized at the time these items are shipped, amounts are reasonably estimatable, and collection is reasonably assured. Engineering revenue are recognized at the time services are invoiced.

c) Cash and short-term investments

Cash and short-term investments include highly liquid short-term investments that are readily convertible to cash with original maturities of less than three months.

d) Inventory

Inventory, which is primarily electronic fuel management systems, natural gas pressure regulators and related components, is valued at the lower of cost, determined on a weighted average basis, and net realizable value.

e) Property, plant and equipment

Property, plant and equipment are recorded at cost, less accumulated amortization. The amortization expense and related accumulated amortization is computed by the declining balance method as follows:

Machine and equipment	20% per annum
Computer hardware and software	33% per annum
Furniture, fixtures and office equipment	20% per annum
Vehicles	20% per annum

f) Impairment of long-lived assets

Property, plant and equipment and definite life intangible assets are reviewed for impairment on a regular basis or whenever events or changes in circumstances suggest that the carrying amount of an asset may not be recoverable. Impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted projected future net cash flows expected from its use and disposal and is measured as the amount by which the carrying amount of the asset exceeds its fair value.

g) Intangible assets

Research and development expenditures (with the exception of those which are capital in nature) are expensed as incurred unless a development project meets the criteria for deferral under Canadian generally accepted accounting principles. Patents and trademarks are amortized on a straight-line basis over five years.

h) Future income taxes

The Company uses the liability method of accounting for future incomes taxes. Under this method of tax allocation, future income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be settled or realized. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Future income tax assets are recognized to the extent that they are considered more likely than not to be realized.

i) (Loss) income per share

The (loss) income per share is calculated using the weighted average number of shares outstanding of 17,078,333(2008 - 16,998,080).

The Company follows the treasury stock method of accounting for diluted (loss) income per common share. The treasury stock method computes the number of incremental shares by assuming the outstanding stock options exercisable at exercise prices below the average market price for the applicable fiscal year are exercised and then that number of incremental shares is reduced by the number of shares that could have been repurchased from the issuance proceeds, using the average market price of the Company's shares for the applicable fiscal year.

j) Stock-based compensation

Stock options are expensed on the statement of operations using the fair value based method of accounting. For purposes of calculating the compensation costs associated with the fair value of granted options, the Company employs the straight-line method whereby compensation costs are calculated in even quarterly amounts over the Company's two year vesting period. Cumulative compensation costs at any date must be at least equal to the compensation costs associated with total options vested at that date.

k) Product warranty cost

The Company accrues product warranty costs relating to sales of fuel management systems, natural gas pressure regulators and related components. This warranty estimate, which is calculated as a percentage of sales, is adjusted periodically to reflect actual product return rates.

l) Foreign currency translation

Foreign currency transactions are initially translated into Canadian currency at the rate of exchange at the date of the transaction. At the balance sheet date, monetary items denominated in foreign currencies are translated to Canadian currency at closing rates of exchange at that date. Resulting exchange gains or losses are recognized as income or expense during the year.

m) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to valuation of inventory and assessment of net realizable value, determining the liability relating to product warranty costs, recoverability of the carrying values of property, plant and equipment and intangible assets, and assessment of recoverability of accounts receivable. Actual results could differ materially from these estimates.

n) Financial Instruments

AFS initially records all financial instruments at fair value. Measurement in subsequent periods depends 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. The classification of a financial instrument depends on its characteristics and the purpose for which it was acquired.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net (loss) earnings. Financial assets available-for-sale are measured at fair value, with changes in those fair values recognized in other comprehensive (loss) income. 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 Company has implemented the following classifications:

a) The Company's cash and short term investments are designated as held-for-trading and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments.

b) Accounts receivable are designated as loans and receivables. For the Company, the measured amount usually corresponds to fair value due to their short-term maturity.

c) Accounts payable and accrued liabilities and advances from customers are designated as other liabilities. For the Company, the fair value of the short-term liabilities corresponds to cost as a result of their short-term maturity.

3. New accounting policies

On January 1, 2009, the Company adopted the following CICA handbook sections:

a) Goodwill and intangible assets

Section 3064, "Goodwill and Intangible Assets", which dealt with the accounting treatment of internally developed intangibles and the recognition of such assets. The adoption of this standard did not have a material effect on the financial statements of the Company.

b) Credit risk

In January 2009 the Emerging Issues Committee ("EIC") issues a new abstract EIC 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This abstract concludes that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments.

(expressed in Canadian dollars, except share data)

This abstract is to apply to all financial assets and liabilities measured at fair value in interim and annual financial statements for the period ending on or after January 20, 2009. The adoption of this abstract did not impact AFS's financial statements.

c) Financial instruments disclosures

In June 2009, the CICA issued amendments to CICA Handbook Section 3862, Financial Instruments – Disclosures. The amendments include enhanced disclosure related to the fair value of financial instruments and the liquidity risk associated with financial instruments. The amendments were effective for annual financial statements for fiscal years ending after September 30, 2009 and are consistent with recent amendments to financial instrument disclosure standards in International Financial Reporting Standards (IFRS). The amendments to this standard were adopted December 31, 2009 and the adoption of this standard did not have a material effect on the note disclosures of the Company.

4. Property, plant and equipment

	2009		
	Cost	**Accumulated depreciation**	**Net book value**
Machinery and equipment	$256,747	$133,876	$122,871
Computer hardware and software	108,919	86,482	22,437
Furniture, fixtures and office equipment	40,182	23,145	17,037
Vehicles	14,730	10,145	4,585
	$420,579	$253,648	$166,930

	2008		
	Cost	**Accumulated depreciation**	**Net book value**
Machinery and equipment	$236,360	$105,708	$130,652
Computer hardware and software	108,919	75,430	33,489
Furniture, fixtures and office equipment	40,182	19,886	20,296
Vehicles	14,730	8,998	5,732
	$400,191	$210,022	$190,169

(expressed in Canadian dollars, except share data)

5. Intangible assets

	2009		
	Cost	**Accumulated depreciation**	**Net book value**
Patents and trademarks	$102,304	$100,698	$1,606

	2008		
	Cost	**Accumulated depreciation**	**Net book value**
Patents and trademarks	$102,304	$84,259	$18,045

6. Capital stock

a) Authorized

Unlimited common voting shares without nominal or par value

Issued

	Number of shares	Amount
Balance – December 31, 2007	16,982,080	$2,450,181
Shares issued on exercise of stock options	16,000	1,600
Option value transferred to share capital upon exercise of options	-	1,225
Balance – December 31, 2008	16,998,080	2,453,006
Shares issued on exercise of stock options	488,500	48,850
Option value transferred to share capital upon exercise of options	-	10,445
Balance – December 31, 2009	17,486,580	$2,512,301

b) Stock-based compensation

Under the stock option plan, the number of options granted at any time cannot exceed 10% of the issued and outstanding common shares on a non-diluted basis at time of granting. The options granted under the option plan shall not result at any time in:

i) The number of common shares reserved for issuance pursuant to options granted to insiders exceeding 10% of the issued and outstanding common shares;
ii) The grant to insiders within a twelve-month period, of a number of options exceeding 10% of the outstanding common shares; or

(expressed in Canadian dollars, except share data)

iii) The grant to any one (1) optionee within a twelve-month period, of a number of options exceeding 5% of the issued and outstanding common shares.

The option period is determined by the Board of Directors and is not to exceed the maximum period permitted by the Exchange, which maximum period is five (5) years from the date the option is granted based on the Company being a Tier II issuer. Subject to Exchange Policies, the Board of Directors may, in its sole discretion, determine the timing during which an option shall vest and the method of vesting, or that no vesting restriction shall exist. Subject to Exchange Policies and any limitations imposed by any other regulatory authority having jurisdiction over the Company, the exercise price of an opinion granted under the Option Plan shall be as determined by the Board of Directions when such option is granted and shall be an amount at least equal to the allowable discounted market price of the common shares. Summary of the Company's stock-based compensation plan as at December 31, 2009 and 2008 and the changes for the years then ended, is presented below:

	2009		**2008**	
	Number of options	**Weighted average exercise price ($)**	**Number of options**	**Weighted average exercise price ($)**
Outstanding - beginning of year	1,318,500	$0.10	924,500	$0.10
Granted during the year	-	-	422,000	0.25
Exercised during the year	(488,500)	(0.10)	(16,000)	(0.10)
Forfeited during the year	(6,000)	(0.10)	(12,000)	(0.10)
Outstanding - end of year	824,000	0.18	1,318,500	0.15
Options exercisable - end of year	656,800	$0.16	959,300	$0.11

The Black-Scholes model was used to calculate the fair value of stock options granted. Significant assumptions used in this model were as follows:

	2009	**2008**
Valuation assumptions:		
Option term (years)	-	5
Expected volatility	-	156%
Expected dividend yield	-	Nil
Risk-free interest rate	-	2.9%
Calculated fair value of options granted	-	$0.27

(expressed in Canadian dollars, except share data)

These options have a five year term, vest at 20% on the date of grant and 20% every six months thereafter (with full vesting after two years) and are each exercisable into one common share.

As at December 31, 2009:

Exercise price ($)	Options outstanding	Weighted average remaining term (in years)	Weighted average exercise price ($)	Options exercisable	Weighted average exercise price ($)
$0.10	157,000	.92	$0.10	157,000	$0.10
0.10	195,000	1.92	0.10	195,000	0.10
0.10	54,000	2.67	0.10	54,000	0.10
$0.25	418,000	3.75	$0.25	250,800	$0.25
	824,000	2.71	$0.18	656,800	$0.16

c) Contributed surplus

The balance of contributed surplus is comprised of the following:

Balance - December 31, 2007	$502,686
Benefit on options exercised charged to share capital	(1,225)
Stock-based compensation expense for the year ended December 31, 2008	36,253
Balance - December 31, 2008	$537,714
Benefit on options exercised charged to share capital	(10,445)
Stock-based compensation expense for the year ended December 31, 2009	52,771
Balance - December 31, 2009	$580,040

7. Change in non-cash working capital items:

	2009	2008
Accounts receivable	($406,024)	($253,656)
Prepaid expenses and deposits	(30,936)	(49,306)
Inventory	(234,231)	(201,089)
Accounts payable and accrued liabilities	315,996	190,631
Advances from customers	165,818	221,485
	$189,377	($91,935)

(expressed in Canadian dollars, except share data)

8. Income Taxes

a) Future income taxes

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of the Company's future tax assets are as follows:

	2009	**2008**
Future income tax assets		
Non-capital losses	$164,904	$163,951
Capital assets	27,095	11,146
Warranty	11,238	14,970
Share issue costs	0	13,558
Total future income tax assets	203,237	203,625
Less: valuation allowance	($203,237)	($203,625)
	-	-

A full valuation allowance has been recorded against the Company's net future tax asset until such time as it is more likely than not that the Company will realize its future tax assets. Realization of the future tax benefits is dependent upon many factors, including the Company's ability to generate taxable income in the future.

b) Income tax rate reconciliation

	2009	**2008**
(Loss) income for the year	($47,095)	$494,316
Statutory income tax rate	29.00%	29.50%
Expected income tax recovery at statutory rate	(13,658)	145,823
Stock option compensation and other non-deductible items	15,772	11,106
Effect of change in tax rate and other	(255)	(21,621)
Income tax expense not recognized	($1,859)	($135,308)
Income tax	-	-

As of December 31, 2009, the Company has non-capital loss carryforwards of approximately $646,684 (2008-$655,802) available to be applied against future taxable income. These losses expire as to $76,089 in 2026 and $570,595 in 2027

(expressed in Canadian dollars, except share data)

9. Segmented Information

The Company operates in a single business segment, which is the development and marketing of fuel management systems and related components that enable internal combustion engines to operate on compressed natural gas. Enterprise wide disclosures as follows:

a) Geographic information

Revenues by region (including product and engineering revenue):

	2009	2008
India	$1,129,182	$564,996
Europe	710,140	2,386,976
U.S.A.	520,528	422,100
Asia	50,378	133,676
China	17,904	206,620
Mexico	-	11,335
Canada and other	11,901	163,000
	$2,440,033	$3,888,703

All of the Company's assets are located in Canada.

b) Major customers

For the year ended December 31, 2009, 2 individual customers accounted for 46.3% and 24.8% of revenue respectively. For the year ended December 31, 2008 two individual customers accounted for 59.5% and 14.21% of revenue respectively.

As at December 31, 2009, one individual customer accounted for 46.6% of accounts receivable. As at December 31, 2008, one individual customer accounted for 65% of accounts receivable.

10. Commitments

a) In November 2005, the Company entered into a license agreement effective July 1, 2006 to June 30, 2011. Under the terms of this license the Company is required to pay a royalty to the licensor for each regulator sold. During the year ended December 31, 2009, the Company paid $39,195 (2008 - $152,700) to the licensor.

b) AFS has leased 5,800 square feet of warehouse, shop and office space, which currently house all of its operations. The lease agreement is for a two-year period from July 1, 2008 to June 30, 2010 with monthly lease payments of $6,283.

11. Contingent liabilities

The Company has a contingent liability to repay funding from the National Research Council of Canada (the "NRC"). The original funding amount was $310,000 repayable on a quarterly basis at a rate of 0.75% of gross sales recognized in the related period. During the year ended December 31, 2009, the Company repaid $18,372 (2008 - $29,109) to the NRC in respect of this funding bringing the total repayments to date to approximately $217,608 (2008 - $199,236).

The Company will continue to make repayments to the NRC until the earlier of the full repayment or December 31, 2011. The repayment rate of 0.75% is subject to periodic review by the NRC, which has the discretion to increase the rate to 1.5%.

12. Capital management strategy

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and maintain an optimal structure to reduce the cost of capital and to facilitate the growth strategy of the Company.

The Company monitors its capital management through analysis of near-term and mid-term cash flow expectations to ensure an adequate amount of liquidity and through the monthly review of financial results and business expectations. The Company considers the shareholders' equity to be the capital of the Company. As at December 31, 2009, capital stock totaled $2,512,301.

Based upon the dynamic nature of the technology markets that the Company engages in, and the low level of tangible assets required, the capital strategy is to carry a very low level of debt (including capital leases and notes payable). Although no formal debt to equity ratio has been established by the Company, the ratio of debt to equity has not exceeded 10%.

Where considered appropriate by Management and/or the Board of Directors, the Company may incur and carry long-term debt from time to time as a result of expansion activities or cash flow expectations.

13. Financial instruments

The Company considers its risk in relation to financial instruments in the following categories:

Credit risk
Credit risk is the risk that a counterparty to a financial instrument will not discharge its obligations, resulting in a financial loss to the Company. The Company has policies and procedures in place that govern the credit risk it will assume. The Company evaluates credit risks on an ongoing basis including an evaluation of counterparty credit

rating and counterparty concentrations measured by amount and percentage. When deemed appropriate, the Company requires that deposits be provided in advance of any work or shipments. The Company's objective is to have no credit losses.

The primary sources of credit risk for the Company arise from the following financial assets: cash and short-term investments and accounts receivable. The Company has not had any material credit losses in the past and the risk of financial loss is considered to be low. As at December 31, 2009, the Company has no financial assets that are impaired due to credit risk related defaults.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. Financial liabilities are primarily comprised of accounts payable ands accrued liabilities. The Company frequently assesses its liquidity position and obligations under its financial liabilities. The Company mitigates liquidity risk by maintaining a sufficient cash balance as well as a sufficient current and projected liquidity cushion to meet expected future payments. Financial liabilities arose primarily from the purchase of inventory to meet production demand. As at December 31, 2009, the Company has met of all the obligations associated with its financial liabilities.

Market risk
Market risk is the risk the fair value (for assets and liabilities considered to be held for trading and available for sale) or future cash flows (for assets and liabilities considered to be held-to-maturity, other financial liabilities and receivables) of a financial instrument will fluctuate because of changes in market prices. The Company evaluates market risk on an ongoing basis and assesses the impact of variability in identified market risks on our medium-term cash requirements.

The following sections describe these risks in relation to the Company's key financial instruments:

a) Cash and short-term investments
The Company has cash deposits with Canadian banks and has money market investments. The Company's Treasury Policy requires that cash not required for short-term needs be invested in instruments issued and backed by a major Canadian chartered bank.

Maturity dates for investments are established to ensure cash availability for operating expenses as they come due. Cash balances are currently invested in money market instruments with major Canadian banks in the form of term deposits. As at December 31, 2009, the amount in cash and short-term deposits was $1,696,115.

b) Accounts receivable
Accounts receivable primarily consists of amounts due from our primary customers, as well as amounts due from Canada Revenue Agency in respect of GST. The

Company's credit risk in regards to accounts receivable therefore relates primarily to the risk of default by our customers. The Company has purchased insurance from the Export Development Corporation in the amount of $150,000 to partially mitigate this credit risk. Therefore, the Company estimates the risk of credit loss as low.

As at December 31, 2009, one customer accounted for 46.6% of the accounts receivable balance.

c) Accounts payable and accrued liabilities
Accounts payable and accrued liabilities are comprised primarily of amounts payable for inventory purchased and for typical operating expenses. Payment terms on these amounts are typically 30 to 60 days from receipt of invoice but do not bear interest. The Company has met all its obligations in respect of these liabilities.

14. Liquidity and capital resources

For the twelve months ended December 31, 2009 there was a total increase in cash of $283,580 from the December 31, 2008 balance. Excluding non-cash transactions such as amortization and stock-based compensation expense of $112,836 this increase was primarily due to an increase in working capital of $189,377 and proceeds from exercise of stock options of $48,850 offset by a net loss from operations of ($47,095) and purchase of equipment of ($20,388).

At December 31, 2008, the Company's capital resources included total working capital of $2,215,043. This is comprised of cash and short- term investments of $1,696,115, $672,455 inventory, accounts receivable of $76,693 and prepaid expenses of $30,216 offset by accounts payable and accrued liabilities of $146,400 and advances from customers of $114,036.

The current business environment is very uncertain. Commodity price fluctuations, credit restrictions and capital market volatility have combined to make forecasting very difficult. As a result, the Company is focusing on controlling costs and preserving capital, while working with its customers to bring new projects into production. Currently, the Company has no outstanding debt and had a cash balance of more than $1.6 million at the end of 2009. As part of the Company's management of liquidity and capital resources, discretionary spending and the cash burn rate are monitored to proactively manage the cash and working capital position of the Company. Management anticipates that this level of resources will be sufficient to allow the Company to continue to grow the business without having to finance or incur debt.