



**Management’s Discussion and Analysis (“MD&A”)**

**April 21, 2010**

This Management’s Discussion and Analysis (“MD&A”) for Alternative Fuel Systems (2004) Inc. (“AFS” or the “Company”) and should be read in conjunction with the audited financial statements and notes contained therein for the year ended December 31, 2009.

**Operating results**

Sales revenue for the years ended December 31, 2009 and December 31, 2008 were comprised of the following:

| <b>Sales revenue</b><br>(\$ thousand, except %) | <b>2009</b>  |              |              |              | <b>Total</b>   |
|---|--------------|--------------|--------------|--------------|----------------|
|   | <b>Q1</b>    | <b>Q2</b>    | <b>Q3</b>    | <b>Q4</b>    |                |
| Pressure regulators                             | \$557        | \$90         | \$58         | \$45         | \$750          |
| Engine management systems                       | 58           | 266          | 294          | 544          | 1,162          |
| Ignition systems & other parts                  | 38           | 42           | 36           | 87           | 203            |
| <b>Subtotal product sales</b>                   | <b>\$653</b> | <b>\$398</b> | <b>\$388</b> | <b>\$676</b> | <b>\$2,115</b> |
| Engineering services                            | 9            | 259          | 41           | 16           | 325            |
| <b>Total</b>                                    | <b>\$662</b> | <b>\$657</b> | <b>\$429</b> | <b>\$692</b> | <b>\$2,440</b> |
| <b>Gross margin on product sales</b>            | <b>40%</b>   | <b>51%</b>   | <b>42%</b>   | <b>48%</b>   | <b>45%</b>     |

| <b>Sales revenue</b><br>(\$ thousand, except %) | <b>2008</b>  |              |                |                | <b>Total</b>   |
|---|--------------|--------------|----------------|----------------|----------------|
|   | <b>Q1</b>    | <b>Q2</b>    | <b>Q3</b>      | <b>Q4</b>      |                |
| Pressure regulators                             | \$462        | \$566        | \$735          | \$774          | \$2,537        |
| Engine management systems                       | 40           | 152          | 278            | 267            | 737            |
| Ignition systems & other parts                  | 73           | 97           | 116            | 122            | 408            |
| <b>Subtotal product sales</b>                   | <b>\$575</b> | <b>\$815</b> | <b>\$1,129</b> | <b>\$1,163</b> | <b>\$3,682</b> |
| Engineering services                            | 3            | 5            | 116            | 82             | 206            |
| <b>Total</b>                                    | <b>\$578</b> | <b>\$820</b> | <b>\$1,245</b> | <b>\$1,245</b> | <b>\$3,888</b> |
| <b>Gross margin on product sales</b>            | <b>48%</b>   | <b>44%</b>   | <b>47%</b>     | <b>38%</b>     | <b>44%</b>     |

Sales of engine management systems were up about 58% in 2009 versus 2008 with customers in India and Thailand increasing their purchases as sales of their CNG vehicles ramp up. In

addition, new projects using AFS engine controllers commenced for both Tata Motors and Mahindra & Mahindra during 2009. Sales of pressure regulators were down about 70% in 2009 versus 2008, due to the previously announced cessation of production of the European vehicle that used AFS products.

Sales of parts and ignition systems were down by about 50% in 2009 compared to 2008, as the company's Raven stand-alone ignition system sales were mostly replaced by more capable engine controllers which manage both ignition timing and fuel supply in order to meet the more stringent vehicle emissions standards that are being introduced.

In the fourth quarter of 2009, the Company made a small profit of about \$21,000. In the quarter, an inventory write-off of about \$55,000 was taken for obsolete electronic parts, and spares and components for projects in Mexico and Iran, which have been completed and are now no longer under warranty. Absent this write-off, margin for the fourth quarter would have been about 56% and the Company would have made a small profit for the year.

### Historical summary financial information for the prior 8 quarters

#### 2009

| (\$ thousand, except per share amounts) | Q1     | Q2    | Q3     | Q4    | Total   |
|---|--------|-------|--------|-------|---------|
| Gross revenue                           | \$666  | \$659 | \$429  | \$699 | \$2,453 |
| Net (loss) income                       | (107)  | 149   | (110)  | 21    | (47)    |
| Net (loss) income per share             | (0.01) | 0.01  | (0.00) | 0.00  | (0.00)  |

#### 2008

| (\$ thousand, except per share amounts) | Q1     | Q2    | Q3      | Q4      | Total   |
|---|--------|-------|---------|---------|---------|
| Gross revenue                           | \$584  | \$828 | \$1,251 | \$1,253 | \$3,916 |
| Net (loss) income                       | (20)   | 37    | 277     | 200     | 494     |
| Net (loss) income per share             | (0.00) | 0.00  | 0.02    | 0.01    | 0.03    |

The above quarterly revenue results show the effects of the significant sales of natural gas pressure regulators in the third and fourth quarters of 2008, compared to the third and fourth quarters of 2009, where regulator sales were much lower. In early 2009, the Company laid off production staff as a result of the drop in demand for pressure regulators. The staff dedicated making regulators was reduced from seven people down to one.

### Operating and administrative expenses

Operating and administrative expenses for the years ended December 31, 2009 and December 31, 2008 were comprised of the following:

#### 2009

| (\$ thousand, except % change)    | Q1           | Q2           | Q3           | Q4           | Total          |
|-----------------------------------|--------------|--------------|--------------|--------------|----------------|
| Engineering & product development | \$150        | \$144        | \$144        | \$142        | \$580          |
| Administrative & other            | 117          | 105          | 95           | 98           | 415            |
| Sales and marketing               | 50           | 51           | 46           | 47           | 194            |
| <b>Total</b>                      | <b>\$317</b> | <b>\$300</b> | <b>\$285</b> | <b>\$287</b> | <b>\$1,189</b> |

| <b>2008</b>                       |              |              |              |              |                |
|-----------------------------------|--------------|--------------|--------------|--------------|----------------|
| (\$ thousand, except % change)    | <b>Q1</b>    | <b>Q2</b>    | <b>Q3</b>    | <b>Q4</b>    | <b>Total</b>   |
| Engineering & product development | \$142        | \$139        | \$138        | \$134        | \$553          |
| Administrative & other            | 119          | 121          | 114          | 111          | 465            |
| Sales and marketing               | 48           | 45           | 49           | 47           | 189            |
| <b>Total</b>                      | <b>\$309</b> | <b>\$305</b> | <b>\$301</b> | <b>\$292</b> | <b>\$1,207</b> |

The \$27,000 increase in engineering and product development expenses in 2009 over the same period in 2008 was primarily due to increased salaries and benefits expense due to the addition of one technician during the third quarter of 2008.

The \$50,000 decrease in administrative and other expense in 2009 over 2008 was primarily due to a decrease in consulting fees of \$33,000, approximately \$6,000 in expenses associated with a major upgrade of the corporate website in 2008 that was not duplicated in 2009, and a decrease of approximately \$4,500 in general office expenses due to decreased staff in 2009 versus 2008.

Employee wages and benefits accounted for 77% or \$911,775 (2008 - 73% or \$875,691) of the \$1,189,401 (\$1,206,227 - 2008) total operating and administrative expenses recognized during the year. The increase in employee wages and benefits in the current year of 4% or \$36,084 was due to small payroll increases given to staff late in 2008. The Company currently has 11 full time employees with consultants, distributors and agents in Europe, Asia and India.

### **Compensation of Executive and Directors**

The following table sets forth all compensation and awards paid by the Company to the executive officers for the year ended December 31:

| <b>Named Executive Officer</b> <sup>(1)</sup>    | <b>December 31</b> | <b>Salary (\$)</b> | <b>Bonus (\$)</b> | <b>Other Compensation (\$)</b> |
|--|--------------------|--------------------|-------------------|--------------------------------|
| Jim Perry, President and Chief Executive Officer | 2009               | 171,000            | NIL               | (2)                            |
|  | 2008               | 165,167            | NIL               | (2)                            |

(1) The position of Chief Financial Officer was filled by Mr. Perry during 2009 and 2008.

(2) The value of perquisites and other personal benefits did not exceed the lesser of \$50,000 or 10% of the total annual salary and bonuses of the named Executive Officer.

In addition to the above, the President and Chief Executive Officer participates in the Company's stock-based compensation plan:

| <b>Name</b> | <b>Shares acquired on exercise (#)</b> | <b>Aggregate value realized (\$)</b> | <b>Options at year end (#)</b> |                      | <b>Value of In the Money options at year end (3) (\$)</b> |                      |
|-------------|--|--------------------------------------|--------------------------------|----------------------|---|----------------------|
|             |  |                                      | <b>Exercisable</b>             | <b>Unexercisable</b> | <b>Exercisable</b>  | <b>Unexercisable</b> |
| J. Perry    | 70,000                                 | \$15,400                             | 213,600                        | 34,400               | \$34,339  | \$1,617              |

(3) Value is calculated based upon the difference between the exercise price of the options and the 10-day average closing price of the common shares on the Exchange of \$0.297 at December 31, 2009.

The non-employee directors of the company receive a payment of \$350 per Board of Directors meeting attended in person, as well as reimbursement of expense to attend the meeting. No other cash compensation is paid to these non-employee directors. During the second quarter of 2009, the four outside non-employee directors, as a group, were paid a total of \$1,400 to attend the 2008 year-end results meeting.

### Financial Position

The following table outlines the changes in the balance sheet from December 31, 2009 to December 31, 2008:

|  | Change (\$<br>Increase<br>(decrease) | Change (%)<br>Increase<br>(decrease) | Explanation   |
|--|--------------------------------------|--------------------------------------|---|
| Cash and short-term investments        | 283,580                              | 20%                                  | See statements of cash flow.  |
| Accounts receivable                    | (406,023)                            | (84%)                                | Accounts receivable decreased in 2009 as a result of the drop in revenue that occurred due to the reduction in pressure regulator sales.  |
| Prepaid expenses and deposits          | (30,936)                             | (51%)                                | Decrease due to timing of prepayment of annual insurance at the end of Q4 in 2008 versus prepayment of the same insurance in Q1 of 2009.  |
| Inventory                              | (234,231)                            | (26%)                                | Regulator inventory at end of December 2008 was high as it contained regulators that were shipped in January 2009. During 2009, regulator inventory decreased as purchases of regulator parts were curtailed.   |
| Property, plant and equipment          | (23,239)                             | (12%)                                | Net decrease due to purchases of shop equipment and production tooling equipment of \$20,388 offset by amortization of \$43,627.  |
| Intangible assets                      | (16,439)                             | (91%)                                | Net decrease due to amortization of \$16,439.   |
| Accounts payable & accrued liabilities | (315,996)                            | (68%)                                | December 2008's payables were up 70% over prior year as a result of increased Q3 activity in 2008. Levels have normalized as at Q4 2009.  |
| Advances from customers                | (165,818)                            | (59%)                                | In order to mitigate the risk inherent in providing customized engineering and product development work, the Company generally requires a deposit on all new large orders before work commences. The decline in advances was a result of shipments being sent out to customers that had previously placed deposits. |
| Capital stock                          | 59,295                               | 2%                                   | Increase due to exercise, in Q4, of 488,500 employee stock options at \$0.10 per share for a total of \$48,850, plus \$10,445 of fair value of those options exercised charged to share capital.  |
| Contributed surplus                    | 42,326                               | 8%                                   | Change from December 31, 2008 due to impact of stock-based compensation expense of \$52,771 offset by fair value of stock options of \$10,445 exercised in Q4.  |
| Deficit                                | (47,095)                             | (7%)                                 | The decrease in the deficit is due to the impact of the net loss of (\$47,095) for the year ended December 31, 2009   |

### **Net (loss) income and cash flow**

AFS reported a net loss for the year ended December 31, 2009 of (\$47,095) or (\$0.00) per share on a basic and diluted basis. The net income for the year ended December 31, 2008 was \$494,316 or \$0.03 per share. Offsetting this net loss was an overall increase in working capital for the year of \$189,377 versus an overall decrease in working capital of (\$91,935) for 2008. The increase in working capital for the year ended December 31, 2009 was primarily due to a \$406,023 decrease in accounts receivable, \$30,936 decrease in prepaid expenses and a \$234,231 decrease in inventory, offset by a \$315,996 decrease in accounts payable and accrued liabilities and a \$165,818 decrease in advances from customers.

Cash flow from operations for the year was \$255,188 versus a cash flow from operations for the year ended December 31, 2008 of \$501,988. This change is due to the factors discussed above.

### **Annual information**

Summary of the last three year's annual information:

|   | <b>2009</b> | <b>2008</b> | <b>2007</b> |
|---|-------------|-------------|-------------|
| Total revenue                             | \$2,453,236 | \$3,916,285 | \$1,839,074 |
| Net (loss) income                         | (\$47,095)  | \$494,316   | (\$582,411) |
| Basic and diluted (loss) income per share | (0.00)      | 0.03        | (0.03)      |
| Total assets                              | \$2,644,015 | \$3,071,303 | \$2,127,018 |

The increase in revenue in 2008 compared to the prior year was primarily due to increased sales of natural gas pressure regulators. Similarly, the decrease in 2009 revenue was due to decreased pressure regulator sales. Net income for each year followed the trend in revenue. The year to year changes in total assets primarily reflect changes in accounts receivable, inventories and deposits from customers.

### **Capital stock**

#### **a) Authorized**

Unlimited common voting shares without nominal or par value.

#### **b) Issued**

As At December 31, 2009, the Company had 17,486,580 (2008- 16,998,080) shares outstanding. The issued capital stock increased during the year by 488,500 shares due to the exercise of 488,500 stock options in the fourth quarter of 2009.

### **Commitments**

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.

AFS leases 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. Subsequent to year end, this lease was renewed for the period from July 1, 2010 through June 30, 2012 with monthly lease payments of \$5,800.

### **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%.

### **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 in 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 about \$1.7 million at the end of 2009. As part of the Company's management of liquidity and capital resources, discretionary spending is 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.

### **Future business direction**

As announced in a Press Release on January 23, 2009, AFS was informed by its European representative that the major vehicle manufacturer (the "OEM") that was purchasing the bulk of the Company's natural gas pressure regulators planned to discontinue the production of the vehicle that uses those products. The production halt occurred shortly thereafter. As a result, sales of pressure regulators are down significantly compared to prior periods.

AFS is concentrating on growing the engine management system side of its business to try and compensate for the decline in regulator sales. This growth has already been seen in the results for the third and fourth quarters of 2009. Although vehicle sales in India declined dramatically during the economic downturn in late 2008 and early 2009, sales in the light commercial vehicle market segment, where most AFS engine controllers are sold, rebounded in the third and fourth quarters of 2009. If this pattern continues, growth in engine controller revenues should result.

It should be noted that the current business environment is still uncertain. Commodity price fluctuations, credit restrictions, capital market volatility and other factors outside the Company's control have combined to make forecasting very difficult. It is not possible to determine what portion of the regulator sales decline might be offset by increased sales of other products in the coming year.

### **Significant accounting policies**

#### **a) Revenue recognition**

Revenues from the sale of electronic fuel management systems, natural gas pressure regulators and related components are recognized at the time these items are shipped and collection is reasonably assured. Other revenues are recognized at the time services are invoiced.

#### **b) 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.

#### **c) 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 |

#### **d) 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.

#### **e) 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.

#### **f) Critical accounting estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make 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.

### **Key Business Risks and Uncertainties**

The key business risks and uncertainties facing the Company include, but are not limited to the following:

- a) **Small Customer Base** – AFS has a small number of customers, some of which are major contributors to the Company’s revenue stream. If one of these major customers were to cease to use AFS products, a significant impact on sales volume would occur.
- b) **Financial Resources** – The Company has limited financial resources compared to those of its larger competitors, some of which are major multinational corporations. Although AFS has raised funds in the equity markets in times past, there is no guarantee that the Company will be able to access such markets in future if additional resources are required.
- c) **Foreign Exchange Rate Risk** - Almost all of AFS’s invoicing to customers is due and payable in Euros or US dollars. AFS is exposed to Euro to CDN and USD to Canadian dollar exchange rate risk. Fluctuations in foreign currency valuations may result in exchange losses or gains that would affect net income.
- d) **Major Competitors** – AFS has a number of competitors that are much larger in size and have considerably more resources than the Company. Although AFS has been successful in gaining business through quality products and customer service, other players in the market may develop competing technologies.
- e) **Government Regulations** – sales of AFS products in a number of jurisdictions such as India and other Southeast Asian markets are driven in part by local government regulations on vehicle emissions. If these regulations are changed so that vehicles no longer have to meet such emissions restrictions, a significant negative change in AFS sales might follow.
- f) **Fuel Pricing and Infrastructure** – Growth in the Company’s primary markets is dependent on a number of factors, including having a favorable price differential between conventional fuels and natural gas, and having sufficient fueling stations to make natural gas vehicles attractive to customers. There can be no assurance that either or both of these factors will continue to be present in any particular market.
- g) **Dependence Upon Key Personnel** – AFS depends on its senior management and its technical staff. If the Company is unable to attract and retain key personnel, it may have a material adverse effect on the business.

## **New accounting policies**

### **Adopted in current year**

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

#### **a) Goodwill and Intangible Assets**

The Company adopted 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.

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.

### **Adoption of International Financial Reporting Standards**

In February 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed that International Financial Reporting Standards (“IFRS”) will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. AFS will transition to IFRS effective January 1, 2011 and intends to issue its first interim financial statements using these standards for the period ending March 31, 2011. The Company has developed a project plan for the transition to IFRS which includes the following three phases:

*Diagnostic phase* which includes the identification of significant differences between IFRS and Canadian GAAP at a high level as relevant to the Company;

*Detailed assessment and design phase* which includes the identification, evaluation and selection of accounting policies necessary for the Company to transition to IFRS: the assessment of IFRS 1, *First-Time Adoption of IFRS*, elections; the identification of any business impacts resulting from the identified accounting differences; and training analysis and information systems analysis.

*Implementation phase* which includes implementing all of the required changes necessary for IFRS compliance.

#### *Diagnostic Phase*

During the fourth quarter of 2009, the Company completed its initial diagnostic phase to identify differences between IFRS and Canadian GAAP. This diagnostic indicated that the areas of accounting difference of the highest potential impact to the Company include property, plant and equipment, impairment of assets, the requirements of IFRS 1 dealing with first time adoption choices and presentations and disclosures. There are other areas of IFRS that will impact the Company but to a lesser extent.

Under IFRS 1, the Company will have the option to value the property, plant and equipment assets at their deemed cost, that being the Canadian GAAP net book value assigned to these assets at the date of transition, providing that all assets are tested for impairment on adoption. AFS expects that it will use this option.

#### *Detailed Assessment and Design Phase*

The Company has begun the second phase which is expected to be completed by the end of the second quarter of 2010. The Company is currently analyzing accounting policy alternatives for the areas of greatest potential impact to the Company's financial statements. At this time the Company does not anticipate that the transition to IFRS will have a significant impact on its information systems or internal controls.

#### *Implementation Phase*

The Company anticipates the implementation phase will be conducted during the fourth quarter of 2010.

The Company is monitoring the IASB's active projects and any changes to IFRS prior to January 1, 2011 will be addressed as required. At this time, the impact of the transition to IFRS on the Company's financial statements cannot be reasonably determined.

### **Forward-looking statements**

Certain statements in this MD&A including but not limited to (i) statements that may contain words such as "anticipate", "could", "expect", "seek", "may", "might", "intend", "will", "believe", "should", "project", "forecast", "plan" and similar expressions, including the negatives thereof, (ii) statements that are based on current expectations and estimates about the markets in which the Company operates and (iii) statements of belief, intentions and expectations about developments, results and events that will or may occur in the future, constitute "forward-looking statements" and are based on certain assumptions and analysis made by the Company. Forward-looking statements in this MD&A specifically include, but are not limited to, statements with respect to future business opportunities, nature and timing thereof; business strategy; expansion

and growth of the Company's business and operations and other such matters as the case may be. Such forward-looking statements are subject to important risks, uncertainties and assumptions which are difficult to predict and that may affect the Company's operations, including, but not limited to: the impact of general economic conditions; industry conditions; customer base changes; financial market conditions; government and regulatory developments; oil and natural gas product supply, demand and pricing; foreign exchange rates; competition; market conditions in the countries where the Company operates; and the Company's ability to attract and retain qualified personnel. The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do transpire or occur, what benefits or disadvantage the Company may derive there from. Except as required by applicable securities laws, the Company undertakes no intention or obligation to update or revise any forward-looking statements.

All forward-looking statements contained in this document are expressly qualified by this cautionary statement. Further information about the factors affecting forward-looking statements is available in the Company's current financial statements and other documents that the Company files from time to time with securities regulatory authorities. Copies of these documents are available without charge from the Company or electronically on the internet on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

For further information please contact Jim Perry, President and CEO Phone: (403) 516-6632  
E-mail [jperry@afsglobal.com](mailto:jperry@afsglobal.com).

**Visit our website at: [www.afsglobal.com](http://www.afsglobal.com)**