

CANADA GAS CORP.
(Formerly Wyn Developments Inc.)

Financial Statements
January 31, 2009 and 2008

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AUDITORS' REPORT

TO THE SHAREHOLDERS OF CANADA GAS CORP. (Formerly Wyn Developments Inc.)

We have audited the balance sheets of Canada Gas Corp (formerly Wyn Developments Inc.) as at January 31, 2009 and 2008 and the statements of operations 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 January 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.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
May 11, 2009

CANADA GAS CORP.
(Formerly Wyn Developments Inc.)
Balance Sheets
January 31

	2009	2008
Assets		
Current		
Cash	\$ 3,079	\$ 12,998
Accounts receivable	62,480	52,712
Prepaid expenses and deposits	3,431	36,940
	68,990	102,650
Mineral Property Interests (note 6)	-	910,463
Property and Equipment (note 5)	371,094	1,213,095
	\$ 440,084	\$ 2,226,208
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 158,617	\$ 261,863
Short-term loans (note 8)	177,000	432,000
Due to related parties (note 7)	200,956	100,000
	536,573	793,863
Asset Retirement Obligations (note 12)	4,707	18,486
	541,280	812,349
Shareholders' Equity		
Capital Stock (note 9)	22,849,130	21,867,857
Contributed Surplus (note 9(c))	1,544,809	1,246,931
Share Subscriptions Received (note 9 (b)(vi))	-	237,500
Deficit	(24,495,135)	(21,938,429)
	(101,196)	1,413,859
	\$ 440,084	\$ 2,226,208

Going Concern (note 2)
Contingency (note 11)
Subsequent Events (note 14)

Approved on behalf of the Board:

"David McMillan"
..... Director
David McMillan

"Robert Krause"
..... Director
Robert Krause

CANADA GAS CORP.
(Formerly Wyn Developments Inc.)
Statements of Operations and Deficit
Years Ended January 31

	2009	2008
Revenues		
Natural gas sales	\$ 299,967	\$ 392,870
Direct Expenses		
Operating	85,877	120,197
Royalties	35,114	87,087
Depletion and accretion	264,926	401,389
	385,917	608,673
General and Administrative Expenses		
Stock-based compensation	280,476	-
Professional fees	187,242	361,633
Management fees (note 7)	131,000	60,000
Transfer agent, listing and filing fees	43,101	28,377
Bank charges and interest	37,720	47,554
Consulting fees	37,358	37,957
Office	37,315	52,196
Communications	19,368	50,489
Rent	17,686	22,262
Bad debt	2,624	-
Travel and entertainment	2,243	30,705
Investor relations	-	69,746
Printing and reproduction	-	2,793
Amortization	5,622	3,270
	801,755	766,982
Loss Before Other Items and Income Taxes	(887,705)	(982,785)
Other Items		
Write-off of mineral properties (note 6)	-	(699,147)
Impairment of oil and gas interests – reserve decline (note 5)	-	(8,736,588)
Impairment of oil and gas interests – ceiling test (note 5)	(683,599)	(187,631)
Interest revenue	660	3,703
	(682,939)	(9,619,663)
Loss Before Income Taxes	(1,570,644)	(10,602,448)
Future Income Taxes (Recovery) (note 10)	-	(239,062)
Net Loss and Comprehensive Loss for Year	(1,570,644)	(10,363,386)
Deficit, Beginning of Year	(21,938,429)	(11,575,043)
Plan of Arrangement (note 6)	(986,062)	-
Deficit, End of Year	\$ (24,495,135)	\$ (21,938,429)
Loss Per Share, Basic and Diluted	\$ (0.08)	\$ (0.67)
Weighted Average Number of Common Shares Outstanding	19,902,367	15,567,294

CANADA GAS CORP.
(Formerly Wyn Developments Inc.)
Statements of Cash Flows
Years Ended January 31

	2009	2008
Operating Activities		
Net loss	\$ (1,570,644)	\$ (10,363,386)
Items not involving cash		
Amortization, depletion and accretion	270,548	404,659
Stock-based compensation	280,476	-
Issue of common shares for interest on short-term loans	9,200	30,000
Impairment of oil and gas interests – reserve decline	-	8,736,588
Write-off of mineral properties	-	699,147
Impairment of oil and gas interests – ceiling test	683,599	187,631
Future income tax recovery	-	(239,062)
	(326,821)	(544,423)
Changes in non-cash working capital		
Accounts receivable	(9,768)	(15,630)
Prepaid expenses and deposits	33,509	45,490
Accounts payable and accrued liabilities	(103,246)	247,895
Cash Used in Operating Activities	(406,326)	(266,668)
Investing Activities		
Purchase of capital assets	(10,931)	-
Plan of Arrangement costs	(34,185)	-
Exploration costs deferred – oil and gas interests	(114,994)	(1,850,732)
Exploration costs deferred (recovered)– mineral properties	(41,414)	28,407
Cash Used in Investing Activities	(201,524)	(1,822,325)
Financing Activities		
Due to related parties	100,956	100,000
Advance (repayment) of short-term loans	(255,000)	432,000
Issue of shares for cash, net of issuance costs	751,975	825,910
Share subscriptions received	-	237,500
Cash Provided by Financing Activities	597,931	1,595,410
Decrease in Cash	(9,919)	(493,583)
Cash, Beginning of Year	12,998	506,581
Cash, End of Year	\$ 3,079	\$ 12,998
Supplementary information		
Issue of common shares for mineral properties	\$ -	\$ 351,000
Issue of common shares for oil and gas interests	\$ -	\$ 36,000
Issue of common shares for interest on short-term loan	\$ 9,200	\$ 30,000
Mineral exploration tax credit receivable	\$ -	\$ 22,369
Common shares issued from proceeds of share subscriptions	\$ 237,500	\$ -
Cash received through mineral exploration tax credit	\$ -	\$ 105,133

CANADA GAS CORP.
(Formerly Wyn Developments Inc.)
Notes to Financial Statements
Years Ended January 31, 2009 and 2008

1. NATURE OF OPERATIONS

Canada Gas Corp. (formerly Wyn Developments Inc.) (the "Company") was incorporated under the *Company Act* of British Columbia on February 1, 1984. The Company is involved in the exploration for and operation of oil and gas properties in Canada. The Company presently operates in one geographical area, namely Canada. The Company is publicly traded and is listed on the TSX Venture Exchange (the "TSX-V") in Canada.

2. GOING CONCERN

These financial statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future.

The Company has incurred significant operating losses over the past several fiscal years and is currently unable to self-finance operations. The Company reported net losses of \$1,570,644 and \$10,363,386, respectively, for the years ended January 31, 2009 and 2008, and has an accumulated deficit of \$24,495,135 (2008 - \$21,938,429). The Company has a working capital deficit of \$467,583 (2008 - \$691,213), limited resources, no source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and operations on its oil and gas interests. The Company will require additional equity financing to meet its administrative overhead costs, and to continue exploration work on its oil and gas interests in 2010.

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its creditors and shareholders or raise additional equity financing. The current financial equity market conditions and the challenging funding environment make it difficult to raise funds by placement of common shares. There is no assurance that the Company will be successful with any financing ventures. Management is actively engaged in the review and due diligence on new projects, is seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost cutting measures. There can be no assurance that management's plan will be successful. Therefore a significant uncertainty exists in relation to the Company's ability to continue as a going concern.

If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary in the carrying values of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments would be material.

The business of oil and gas exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable operations. The Company has limited sources of revenue, and has significant cash requirements to meet its administrative overhead and maintain its oil and gas interests. The recoverability of amounts shown for resource properties is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of oil and gas interests.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The functional and reporting currency of the Company is the Canadian dollar. Significant accounting policies are:

(a) Financial instruments

The Company classifies its financial instruments into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income.

Transaction costs that are directly attributable to the acquisition or issuance of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

(b) Comprehensive income

Comprehensive income is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income and other comprehensive income. Other comprehensive income includes gains or losses, which generally accepted accounting principles requires to be recognized in a period but excluded from net income for that period. The Company has no items of other comprehensive income in any period presented. Therefore, net loss as presented in the Company's statements of operations and deficit equals comprehensive loss.

(c) Oil and gas interests

The Company follows the full cost method of accounting for petroleum and natural gas interests whereby all costs of exploration for and development of petroleum and natural gas reserves are capitalized. These costs include leasehold acquisition costs, geological and geophysical expenses, drilling costs of successful as well as unsuccessful wells and overhead charges related directly to exploration and development activities.

If the interests are sold, the proceeds of the interests will be applied against capitalized costs unless such sale significantly impacts the rate of depletion.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Oil and gas interests (Continued)

Costs associated with unproven reserves are reviewed by management to determine whether they have become impaired. The ceiling test is calculated by comparing the carrying value of oil and gas interest to the sum of undiscounted cash flows expected to result from future production of proved reserves and carrying value of unproved properties, net of any impairments. Estimates of future net revenues are based on expected future commodity prices and costs rather than those existing at the measurement date. It is possible that changes could occur that would adversely affect management's estimates resulting in further write-downs of the carrying value of the interest. If impairment occurs, the carrying value of the related interest will be reduced to reflect the estimated net realizable value.

The amounts shown for petroleum and natural gas interests represent costs incurred to date less depletion and impairment if any, and do not necessarily reflect present or future values.

(d) Depletion

Depletion of petroleum and natural gas interests is computed using the unit-of-production method whereby the ratio of current year production to estimated proved future production determines the proportion of depletable costs to be expensed. Undeveloped properties are excluded from the depletion calculation until quantities of proved reserves are found or if impairment occurs.

(e) Use of 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. Significant areas requiring the use of management estimates include determination of environment obligations, asset retirement obligation, rates for amortization, the impairment of mineral property interests, impairment of oil and gas interests, valuation allowance for future tax assets and the assumptions used in estimating the fair value of stock-based compensation. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

(f) Foreign currency translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
- (ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- (iii) Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the rate of exchange on the transaction date.

The effects of translation are credited or charged to the statement of operations as foreign exchange gain or loss.

CANADA GAS CORP.
(Formerly Wyn Developments Inc.)
Notes to Financial Statements
Years Ended January 31, 2009 and 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Amortization

Amortization of capital assets is calculated on the straight-line basis over the useful lives of the assets as follows:

Furniture and equipment	–	5 years
Leasehold improvements	–	5 years
Software license	–	2 years

(h) Asset retirement obligation (“ARO”)

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of petroleum and natural gas interests. The capitalized amount is depleted on a unit-of-production method based upon proven petroleum and natural gas reserves. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to operations in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded.

(i) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged to operations, with the offset credit to contributed surplus. For directors and employees the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to capital stock.

(j) Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. However, the calculation of diluted loss per share excludes the effects of convertible instruments that would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are excluded from the computation of loss per share until the conditions for their release are satisfied.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Income taxes

The Company uses the asset and liability method for accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis, and losses carried forward. Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(l) Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares. A future income tax liability arises from the renunciation of mineral exploration costs to investors of flow-through shares.

(m) Joint interest operations

The Company's oil and natural gas exploration and production activities are conducted jointly with others and, accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

(n) Revenue recognition

Revenue from the sale of oil and natural gas is recorded when the oil or natural gas is delivered and collectability is reasonably assured. The costs associated with the delivery including operating and production based royalties are recognized in the same period in which related revenues are earned.

(o) Adoption of new accounting standards

Effective February 1, 2008, the Company adopted the following standards of the Canadian Institute of Chartered Accountants' ("CICA") Handbook:

(i) Capital Disclosures

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. Other than the additional disclosure in note 13, the adoption of this section has had no impact on the Company's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Adoption of new accounting standards (Continued)

(ii) Financial Instruments – Disclosures and Financial Instruments – Presentation

Sections 3862 and 3863 replace Section 3861, "Financial Instruments – Disclosures and Presentation", revising its disclosure requirements and carrying forward its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Section 3862 specifies disclosures that enable users to evaluate: (i) the significance of financial instruments for the entity's financial position and performance; and (ii) the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

As a result of the adoption of these standards, additional disclosures on the risks of certain financial instruments have been included in note 4.

(p) Future accounting changes

(i) Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new section is effective for the Company for the year beginning February 1, 2009. The Company is in the process of assessing the impact of this new section on its financial statements.

(ii) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that January 1, 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The IFRS standards will be effective for interim and annual financial statements commencing January 1, 2011. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the year ended January 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

CANADA GAS CORP.
(Formerly Wyn Developments Inc.)
Notes to Financial Statements
Years Ended January 31, 2009 and 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Future accounting changes (Continued)

(iii) Business Combinations

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after February 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

4. FINANCIAL INSTRUMENTS

The Company classifies its cash as held for trading; accounts receivable as loans and receivables; and accounts payable and accrued liabilities, short term loans, and amounts due to related parties as other financial liabilities.

(a) Fair value

The carrying values of cash, accounts receivable, short term loans, amounts due to related parties, and accounts payable and accrued liabilities approximate their fair values due to the short term to maturity of these financial instruments.

(b) Interest rate risk

The Company is not exposed to significant interest rate price risk due to the short term to maturity of its monetary assets and liabilities. Future cash flows from interest income on cash will be affected by interest rate fluctuations.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk with respect to its cash; however, the risk is minimized as cash is held at a major financial institution.

CANADA GAS CORP.
(Formerly Wyn Developments Inc.)
Notes to Financial Statements
Years Ended January 31, 2009 and 2008

4. FINANCIAL INSTRUMENTS (Continued)

(d) Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The Company is not exposed to significant other price risk on its financial instruments.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to mitigating liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company normally maintains sufficient cash and cash equivalents to meet the Company's business requirements. At January 31, 2009, the Company had a cash balance of \$3,079 and accounts payable and accrued liabilities, and amounts due to related parties of \$359,573 (2008 - \$361,863). The Company will be required to raise additional debt or equity to meet its obligations in 2010.

5. PROPERTY AND EQUIPMENT

2009				
	Cost	Impairment	Accumulated Amortization and Depletion	Net
Oil and gas interests, and well equipment	\$ 10,626,767	\$ 9,607,818	\$ 666,244	\$ 352,705
Furniture and equipment	3,200	-	1,357	1,843
Leasehold improvements	14,967	-	6,346	8,621
Software license	10,930	-	3,005	7,925
	\$ 10,655,864	\$ 9,607,818	\$ 676,952	\$ 371,094
2008				
	Cost	Impairment	Accumulated Amortization and Depletion	Net
Oil and gas interests, and well equipment	\$ 10,523,942	8,924,219	\$ 399,708	\$ 1,200,015
Furniture and equipment	3,200	-	896	2,304
Leasehold improvements	14,967	-	4,191	10,776
	\$ 10,542,109	8,924,219	\$ 404,795	\$ 1,213,095

CANADA GAS CORP.
(Formerly Wyn Developments Inc.)
Notes to Financial Statements
Years Ended January 31, 2009 and 2008

5. PROPERTY AND EQUIPMENT (Continued)

The Company carries its oil and natural gas properties at the lower of net capitalized cost and net recoverable amount (the "ceiling test"). The net capitalized cost of each cost centre is calculated as the net book value of the related assets less the accumulated provisions for future income taxes and future site restoration. Net recoverable amount is limited to the sum of undiscounted future net revenues from proved properties and the cost of revenues are based on sales prices and cost prevailing at year end. The calculation was based on an independent engineering evaluation. The impairment tests were calculated using future prices ranging from \$61.80 to \$107.08 per barrel for natural gas liquids and from \$6.67 to \$8.25 per mcf for gas. The ceiling test resulted in an impairment write-down of oil and gas interests of \$683,599 (2008 - \$187,631).

At January 31, 2009, costs totalling \$nil (2008 - \$43,500) relating to unproven natural gas reserves, included in oil and natural gas interests, have been excluded from the depletion calculation. No overhead charges have been capitalized to oil and gas properties for the years ended January 31, 2009 and 2008.

During the year ended January 31, 2008, the Company had an assessment completed on its natural gas reserves by an independent engineering firm in order to determine the quantity of proven reserves before production began in February 2007. The assessment resulted in significant proven reserves on the Company's oil and gas interests. When production began, actual production levels declined significantly during the year and the Company had the same engineering firm complete additional testing. The additional testing revealed a significant decline in the proven reserves. Based on the new information, the Company completed an impairment test in order to assess the recoverable value of the oil and gas interests. As a result of the test, in the 2008 year end, the Company wrote-down the oil and gas interests by \$8,736,588, based on the percentage decrease in the reserves from the new engineering report dated January 31, 2008 and the original engineering report dated January 31, 2007.

CANADA GAS CORP.
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Years Ended January 31, 2009 and 2008

6. MINERAL PROPERTY INTERESTS

Expenditures incurred on the Company's mineral properties are as follows:

	Blustry/ Rand Project	Hearne Channel	Thrust Project	Total
Balance, January 31, 2007	\$ 38,034	\$ 696,984	\$ 574,367	\$ 1,309,385
Acquisition costs	-	-	351,000	351,000
Exploration costs				
Equipment	-	-	900	900
Geology and engineering	-	2,163	25,203	27,366
Staking	-	-	38,139	38,139
Other	-	-	10,322	10,322
Mining tax credit	-	-	(127,502)	(127,502)
Total additions during year	-	2,163	298,062	300,225
Write-off of mineral properties	-	(699,147)	-	(699,147)
	-	(696,989)	298,062	(398,922)
Balance, January 31, 2008	38,034	-	872,429	910,463
Other	-	-	41,414	41,414
Plan of Arrangement- Wyn Metals Inc.	(38,034)	-	(913,843)	(951,877)
	(38,034)	-	(872,429)	(910,463)
Balance, January 31, 2009	\$ -	\$ -	\$ -	\$ -

During the year, the Company decided to transfer its mineral properties to Wyn Metals Inc. ("Wyn Metals") and to spin out Wyn Metals.

On June 10, 2008, the Company proceeded to close the Plan of Arrangement (the "Arrangement") with Wyn Metals whereby the Company's interest in Wyn Metals was distributed to the shareholders of the Company. The Company restructured its share structure of the Company creating an unlimited number of Class A and Class B shares. Each common share was exchanged for a Class A and Class B share. The Class B shares were exchanged to Wyn Metals for Wyn Metals common share on a 11:1 basis (9,149,146 Wyn Metal shares were issued). The Class B shares were redeemed by Wyn Metals, and the redemption value was satisfied in full by the transfer of the mineral properties. The above transactions were approved by the shareholders.

The Arrangement was amongst related parties not in the normal course of operations and has been measured in these financial statements at the carrying amount of the mineral properties, and related cost involved with the Arrangement, being transferred. The Company showed a reduction to the investment in Wyn Metals in the amount of \$986,062, including legal fees of \$34,185, with a corresponding increase in deficit.

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7. RELATED PARTY TRANSACTIONS

- (a) Included in management fees is \$131,000 (2008 – \$60,000), entertainment, travel and promotion expenses of \$2,089 (2008 – \$4,653) paid to a company controlled by to directors/officers for management services. At January 31, 2009, the Company has an accounts payable balance of \$38,194 (2008 – \$nil) payable to this director/officer;
- (b) The Company paid \$40,166 (2008 – \$14,288) for rent, office expense and investor relations and accounting fees to a company controlled by a director/officer of the Company for use of shared office space. An accounts payable balance of \$162,762 (2007– \$nil) was outstanding at January 31, 2009;
- (c) The Company paid \$nil (2008 – \$668) for exploration expenditures incurred on behalf of the Company by a company controlled by a director/officer;
- (d) The Company paid a non–arms length party related to a director \$nil (2008 – \$24,500) in corporate communication, advertising and IT support and \$nil (2008 – \$4,653) in finders' fees, travel and promotion expenses;
- (e) Included in travel and promotion and telephone expenses is \$nil (2008 – \$22,173) for costs incurred on behalf of the Company by a director/officer of the Company;
- (f) During the year, the Company paid a company controlled by an officer of the Company \$39,000 (2008 – \$nil) for accounting fees; and
- (g) The Company entered into a short–term loan agreement with a company controlled by a director/officer of the Company for a principal amount of \$100,000 on March 9, 2007. The principal and interest payment of the loan was repaid on February 28, 2008.

All of the above transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. SHORT-TERM LOANS

- (a) On March 9, 2007 the Company entered into a short-term loan agreement with an arm's length third party (the "Lender") for a principal amount of \$340,000. A payment on principal of \$255,000 and interest of \$7,813 was repaid to the Lender on February 28, 2008, resulting in an outstanding principal balance of \$85,000 on January 31, 2009.

The terms of the loan are as follows:

- (i) Principal is payable within six months (the "maturity date"). The maturity date was revised to November 30, 2008;
- (ii) Pay interest at a rate of 5% per annum on the portion of the loan amount that remains outstanding after the original maturity date, such interest to be calculated from the original maturity date; and
- (iii) Pay administration fees of \$5,000 (paid) and issue 60,000 common shares at a fair value of \$0.25 per share (issued) upon execution of the loan agreement. The fair value was determined using the market value at the time of issuance.

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8. SHORT-TERM LOANS (Continued)

- (b) On December 20, 2007, the Company entered into a short-term loan agreement with Score Resources Ltd. ("Score") for a principal amount of \$92,000. As at January 31, 2009 and 2008, the principal balance of \$92,000 was outstanding. The loan is unsecured and bears interest at 12% per annum. The terms of the loan agreement are as follows:
- (i) Principal and interest are due by the earlier of April 30, 2008 (the "maturity date"), event of default or completion of equity financing;
- (ii) The Company issued 18,400 common shares at a fair value of \$0.50 per share as a financing fee (reflected in interest expense).

9. CAPITAL STOCK

- (a) Authorized
 Unlimited common shares without par value
- (b) Issued and outstanding

On June 10, 2008, the Company consolidated its capital stock, warrants and options on a 5:1 basis. All share, warrant, option and per unit data in these consolidation financial statements have been adjusted to retroactively reflect this consolidation.

	Number of Shares	Amount
Balance - January 31, 2007	14,934,260	\$ 20,864,009
Issued for cash - private placements	836,400	825,910
Issued for property - Trutch East	18,462	36,000
Issued for property - Thrust Project	180,000	351,000
Debt - short-term loan agreements (note 9(b)(iii))	24,000	30,000
Income tax effect on flow-through share renoucement	-	(239,062)
Balance - January 31, 2008	15,993,122	21,867,857
Issued for cash - private placements (notes 9(b)(vi) and (vii))	4,220,000	972,073
Debt - short-term loan agreements (note 9(b)(viii))	18,400	9,200
Balance - January 31, 2009	20,231,522	\$ 22,849,130

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9. CAPITAL STOCK (Continued)

- (b) Issued and outstanding (Continued)
- (i) On June 25, 2007, the Company closed a private placement, with two tranches, for gross proceeds of \$871,400 by issuing 140,000 units at \$1.25 per unit and 696,400 units at \$1.00 per unit. Each unit consists of one common share and one common share purchase warrant with an expiry date of two years from closing date with an exercise price of \$0.26 per share. The Company paid \$45,490 in finder's fees related to this private placement.
 - (ii) On February 20, 2007, the Company issued 18,462 common shares with an fair value of \$36,000 to Tenaka Drilling Consortium Inc. pursuant to the November 20, 2006 Trutch East Participation Agreement.
 - (iii) On April 26, 2007, the Company issued 24,000 common shares with an fair value of \$30,000 to a company controlled by a director/officer of the Company and an arms length third party pursuant to the March 9, 2007 loan agreements (note 7(f)).
 - (iv) On April 25, 2007, the Company issued 180,000 common shares with an fair value of \$351,000 pursuant to the April 25, 2005 Thrust Project option agreement.
 - (v) During the year ended January 31, 2008, the Company renounced \$700,650 (2007 - \$nil) of exploration expenditures under its flow-through share program.
 - (vi) During the year ended January 31, 2008, the Company received share subscriptions of \$237,500 related to a private placement which was subsequently issued.
 - (vii) On February 20, 2008 the Company completed tranche 1 of a non-brokered private placement by issuing 2,700,000 units at \$0.25 per unit for gross proceeds of \$675,000. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the warrant holder to purchase an additional common share for two years at \$0.26 per share. The Company paid \$38,000 and issued 152,000 warrants, valued at \$12,388, with the same terms as finders' fees in connection with this private placement.
 - (viii) On March 17, 2008 the Company completed tranche 2 of a non-brokered private placement by issuing 1,520,000 units at \$0.25 per unit for gross proceeds of \$380,000. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the warrant holder to purchase an additional common share for two years at \$0.26 per share. The Company paid \$27,525 and issued 95,500 warrants, valued at \$5,014, with the same terms as finders' fees in connection with this private placement.
 - (ix) On February 22, 2008, the Company issued 18,400 common shares pursuant to the obligation to issue shares (note 8(b)(ii)).

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9. CAPITAL STOCK (Continued)

(c) Contributed surplus

	2009	2008
Contributed surplus, beginning of year	\$ 1,246,931	\$ 1,246,931
Finder's fees	17,402	-
Stock-based compensation for year	280,476	-
Contributed surplus, end of year	\$ 1,544,809	\$ 1,246,931

(d) Stock options

The Company has established a stock option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than five years from the date of grant or such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price of the stock on the last trading day preceding the grant date. The maximum number of options to be granted under this plan is 4,046,304 options.

	2009		2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding and exercisable, beginning of year	300,000	\$ 1.95	1,020,000	\$ 2.10
Granted	2,300,000	\$ 0.26	-	-
Forfeited	(300,000)	\$ 1.95	(720,000)	\$ 1.95
Options outstanding and exercisable, end of the year	2,300,000	\$ 0.26	300,000	\$ 1.95

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for stock options. During the year ended January 31, 2009, the Company granted 2,300,000 (2008 - nil) stock options, vesting immediately, expiring June 30, 2010 at an exercise price of \$0.26. Stock-based compensation cost for the options granted and vested was \$280,476 (2008 - \$nil) and would be allocated \$36,584 to consulting fees and \$243,892 to directors' fees.

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9. CAPITAL STOCK (Continued)

(d) Stock options (Continued)

The fair value of each option grant is calculated using the following weighted average assumptions:

	2009	2008
Expected life (years)	2	N/A
Interest rate	3.25%	N/A
Volatility	167.00%	N/A
Dividend yield	0.00%	N/A

As at January 31, the following share purchase options were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Options	
		2009	2008
March 30, 2008	\$ 0.39	-	70,000
June 21, 2008	\$ 0.39	-	230,000
June 30, 2010	\$ 0.26	2,300,000	-
		2,300,000	300,000

The weighted average remaining contractual life of stock options outstanding at January 31, 2009 is 1.4 years (2008 – 0.3 years).

(e) Share purchase warrants

	2009		2008	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding and exercisable, beginning of year	3,522,346	\$0.26	2,685,946	\$ 0.26
Issued	4,467,500	\$0.26	836,400	\$ 0.26
Expired	(2,685,946)	\$0.26	-	-
Warrants outstanding and exercisable, end of year	5,303,900	\$0.26	3,522,346	\$ 0.26

During the year ended January 31, 2009, 247,500 warrants at an exercise price of \$0.26 were issued as finder's fees in conjunction with a private placement. These warrants were valued at \$17,401 using the Black-Scholes option pricing model.

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9. CAPITAL STOCK (Continued)

(e) Share purchase warrants (Continued)

As at January 31, the following share purchase warrants were outstanding and exercisable:

Expiry Date	Exercise Price Per Warrant	Number of Warrants	
		2009	2008
May 25, 2008	\$ 0.26	-	105,600
May 25, 2008	\$ 0.26	-	391,432
September 28, 2008	\$ 0.26	-	549,714
November 29, 2008	\$ 0.26	-	1,539,000
November 29, 2008	\$ 0.26	-	100,200
April 26, 2009 *	\$ 0.26	140,000	140,000
June 25, 2009	\$ 0.26	696,400	696,400
February 20, 2010	\$ 0.26	2,852,000	-
March 17, 2010	\$ 0.26	1,615,500	-
		5,303,900	3,522,346

*Expired unexercised

10. INCOME TAXES

The components of the Company's future tax assets and liabilities are as follows. The tax rate expected to apply when the temporary differences reverse is 26% (2008 - 26%):

	2009	2008
Future income tax assets		
Non-capital tax losses carried-forward	\$ 909,843	\$ 818,405
Net capital tax losses carried-forward	356,436	356,436
Tax value over book value of mineral interest, properties and capital assets	2,929,752	2,746,139
Future income tax asset arising from share issuance costs	73,732	92,576
Other	15,966	-
Valuation allowance for future income tax asset	(4,285,729)	(4,013,556)
Future income tax assets	\$ -	\$ -

The valuation allowance reflects the Company's estimate that the tax assets, more likely than not, will not be realized.

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10. INCOME TAXES (Continued)

The Company has available non-capital losses that may be carried-forward to apply against future years' income for Canadian income tax purposes. The losses expire as follows:

Available to	Amount
2009	\$ 110,700
2010	343,800
2014	649,640
2015	590,370
2016	726,100
2027	695,970
2028	382,740
	\$ 3,499,320

The Company has approximately \$2,741,800 of net capital losses that can be applied against future taxable capital gains in Canada, which carry-forward indefinitely.

In addition, the Company has resource tax pool deductions of approximately \$11,610,000, which may be carried forward indefinitely to apply against future income for Canadian tax purposes.

The reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is as follows:

	2009	2008
Income tax benefit computed at Canadian statutory rates	\$ 485,000	\$ 3,510,000
Income tax recovery resulting from renunciation of flow-through share expenditures	-	239,062
Deferred financing fees	43,000	43,000
Write-down of mineral and oil and gas properties	(34,000)	(3,258,000)
Depletion of oil and gas properties	82,000	(237,000)
Other	(89,000)	(2,000)
Non-deductible stock-based compensation	(87,000)	-
Effect of rate reduction	(43,000)	(1,200,000)
Change in valuation allowance	(357,000)	1,144,000
Income tax provision	\$ -	\$ 239,062

11. CONTINGENCY

Commencing in March 2005, the Company received letters from the operators of the Bougie Trutch Oil and Gas property requesting additional funding in the amount of \$137,326 for payment of expenditures. In 2007, the Company requested an external audit of the Bougie Trutch Oil and Gas property from the operators. One week prior to the commencement of the audit, the operators requested payment of these expenditures. It is the Company's position that the operators' request is without merit. The Company believes it has not received sufficient documentation from the operators to justify payment of the expenditures. The Company believes the operators should not be incurring these expenditures on the premise that the well has been abandoned by the operators for a significant period of time. No amounts have been accrued for as the Company is awaiting the results of the audit. The audit is still ongoing as at January 31, 2009.

12. ASSET RETIREMENT OBLIGATIONS

The Company's AROs result from net ownership interest in oil and gas interests including well sites, gathering systems and processing facilities. The Company's future cash flows have decreased which has resulted in a decrease in AROs. The Company estimates the total undiscounted amount of cash flows required to settle its AROs is approximately \$14,000 at January 31, 2009 (2008 - \$31,042). These costs will be incurred between 2016 and 2024. A credit-adjusted, risk-free rate of 10% was used to calculate the fair value of the AROs. The discounted amount of \$4,707 is included in the Company's oil and gas interests.

13. CAPITAL MANAGEMENT

The Company manages its capital structure, being its capital stock, and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. The Board of Directors does not establish quantitative returns on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company currently has limited revenues and is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended January 31, 2009. The Company is not subject to externally imposed capital requirements.

14. SUBSEQUENT EVENTS

On May 26, 2009, the Company:

- (a) announced a non-brokered private placement financing, issuing up to 3,000,000 units for gross proceeds of up to \$300,000. Each unit is priced at \$0.10 and will include one common share and one common share purchase warrant exercisable for a period of two years; at \$0.15 in the first year, and \$0.26 in the second year.
- (b) signed a Letter of Intent to acquire 100% of Bakken Formation light oil prospects, and reserves the right to pursue 100% ownership of any prospective lands within the seismic area. In consideration, the Company will pay \$25,000 cash and \$125,000 in shares of the Company, to be issued at a deemed price of \$.10 per share, subject to the approval of the TSX Venture Exchange.
- (c) announced a share for debt arrangement with existing debt holders. Creditors holding short-term debt of \$272,000 have agreed to convert their debt into shares of the Company at a conversion price of \$0.10 per share, subject to TSX Venture Exchange approval.