

**CANADA GAS CORP.**  
**(Formerly Wyn Developments Inc.)**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended January 31, 2009

**(May 27, 2009)**

**FORWARD LOOKING STATEMENTS**

Certain statements contained in the report constitute forward-looking statements. When used in this document the words “anticipate”, “believe”, “estimate”, “expect”, “plan”, “future”, “intend”, “may”, “will”, “should”, “predicts”, “potential”, “continue”, and similar expressions, as they relate to Canada Gas Corp. (formerly Wyn Developments Inc.) or its management, are intended to identify forward-looking statements. Such statements reflect current views of Canada Gas Corp. with respect to future events and are subject to certain known and unknown risks, uncertainties and assumptions. These statements should not be relied upon. Many factors could cause the actual results, performance or achievements to be materially different for many future results, performance or achievements that may be expressed or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. Canada Gas Corp. does not intend, and does not assume any obligation to update these forward looking statements.

**DESCRIPTION OF BUSINESS**

The Canada Gas Corp. (the “Company”) is engaged in the business of acquiring, exploring and, if warranted, developing natural gas resource properties. The Company currently has natural gas production in the following property groups:

1. Bougie Trutch - North Eastern British Columbia
2. Trutch East - North Eastern British Columbia

The Company is currently exploring the following property:

1. Prophet River- Northeastern British Columbia

**PLAN OF ARRANGEMENT**

**Wyn Metals Inc.**

Wyn Metals Inc. (“Wyn Metals”) was incorporated on February 2, 2007 as a wholly owned subsidiary of the Company to acquire the Thrust Property of the Company and proceed to further develop this existing and other mineral exploration projects.

Per the April 30, 2008 Annual General and Special Meeting, all resolutions to the Plan of Arrangement (the “Arrangement”) were passed by the Company’s shareholders and adopted by the Company effectively on June 10, 2008 (the “Effective Date”). The Arrangement requires Wyn Developments Inc. to transfer the Thrust mineral property to Wyn Metals and each registered shareholder as at the Effective Date will ultimately be entitled to exchange eleven (11) common shares of Wyn Developments Inc. for one (1) common share of Wyn Metals. 9,149,146 Wyn Metal shares were issued.

The Company adopted resolutions to a share consolidation of five (5) old common shares for one (1) new common share and undergone a name change to Canada Gas Corp. As at June 10, 2008, the Company had 101,157,609 common shares issued and outstanding resulting in 20,231,522 common shares outstanding after consolidation. All outstanding stock based compensation options and common share purchase warrants were re-priced to \$0.26 per share to reflect the Company’s share market price post-consolidation. The details on below are based on post consolidation.

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**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended January 31, 2009

## **OIL AND GAS PROPERTIES**

### **Bougie Trutch Area**

In 2004, the Company entered into a participation agreement (the "Agreement") with Tenaka Drilling Consortium Ltd. ("Tenaka"), wherein the Company was granted the right to 15% working interest in 26 sections (26 square miles) from the top of the Slave Point formation to the basement rock pursuant to the participation agreement. The Company has also earned its working interest under varying terms and conditions in all Producing Natural Gas ("PNG") zones from the surface to those zones shallower than the top of the Slave Point.

Due to regrouping and sale of rights to the underlying owner in the Bougie Trutch area, the Company currently have 14 Halfway sections with an additional 6 Halfway sections earned subsequent to year end. The Company also has a 24% working interest in 14 sections of deep rights (with additional 6 deep rights sections that expired in June 2008).

To date, six wells have been drilled on the Bougie Trutch property including three successfully producing Triassic Halfway wells, the C-36-A/94-G-15, B-56-A/94-G-15, and A-38-A/94-G-15. Abandonment and/or shut-in on B-86-A/96-G-15 has been completed.

Production began in February 2007 for both the C-36-A/94-G-15 and B-56-A/94-G-15 wells and January 2008 for the A-38-A/94-G-15 well. The Company's interest in total production for the three wells was 20,574 MCF, equivalent daily rate of 59.46 MCF/day for the year ended January 31, 2009 (2008- 32,181 MCF, equivalent daily rate 90.65 MCF/day).

### **The Trutch East Property**

The Trutch East is located in the prolific natural gas producing Western Canadian Sedimentary Basin in north-eastern British Columbia on trend with the East to West industry expansion of pipeline and support infrastructure. The Trutch East lands consist of 2 sections (district spacing units) which hold the potential for a total of up to 4 Triassic Halfway development wells (upon half-spacing drilling targets). The property adjoins the Company's Bougie Trutch lands.

Under the terms of the Trutch East Participation Agreement (the "Participation Agreement"), the Company will have the right to earn a 15% rolling working interest in 15 sections of the Trutch East lands. This rolling interest will include all zones from the surface through to the Halfway horizon. By participating in the C-25-A/94-G-15 Triassic Halfway development well, the Company earns the right to participate in additional option wells on the property. The Company will earn each section drilled plus an additional section (of the original 15), as well as the opportunity to participate in the option well (and earning blocks) that follow. In late 2007 the balance of 13 sections of option was cancelled when the underlying owner sold the oil and gas rights and the Company did not have the funds to participate in the new well. The Company currently retains the right of first refusal on two additional sections on the property.

To date one Triassic Halfway well, the C-25-A/94-G-15 was drilled on the Trutch East property. Natural gas production began on the C-25-A/94-G-15 well in February 2007. The Company's interest in total production was 8,712 MCF, equivalent daily rate of 25.18 MCF/day for the year ended January 31, 2009 (2008- 16,578 MCF equivalent daily rate 46.70 MCF/day).

**CANADA GAS CORP.**  
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**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended January 31, 2009

**OIL AND GAS PROPERTIES (Continued)**

**Prophet River**

On January 31, 2008, the Company purchased 33.33% of the Prophet River property which included 19 square mile surface to basement and 2 square miles base of debolt to basement. This 33.33% working interest is subject to a non-convertible 2.5% overriding royalty to the 100% working interest.

The Company acquired 33.33% of the Prophet River 3-D seismic program, including data, related interpretation, and full trading rights for \$716,667 to date. The terms of the acquisition include a sublicense of the data without trading rights to the contract operator.

On May 14, 2008, the Company reported that after an Alberta Securities Commission ("ASC") review of the Company's January 31, 2007 Reserve Report, the ASC has informed the Company that in their interpretation, the drainage area applied to the Mississippian Shunda zone of the Prophet River D-60-E/94-G-15 well was overstated. Subsequently the Company had a pressure transient analysis performed specifically on this zone which indicated that the drainage area was substantially less than what was estimated in the original January 31, 2007 reserves report. A major portion of the annual developed and non-producing reserve came from the Mississippian Shunda zone. Consequently, the Company revised its January 31, 2008 Reserves Report (published on May 30, 2008) to reflect the test analysis and as a result, eliminated its share of total annual developed and non-producing reserve from 2,469 MMCF to nil.

During the year ended January 31, 2009, the Company engaged Sproule Associates Ltd., Independent Qualified Reserves Evaluator in Calgary to perform an independent exploration and development review of the Prophet River property, specifically related to the seismic and D-60-E/94-G-15 well log interpretation. As a result of this analysis, the Company plans to conduct additional testing on the D-60-E/94-G-15 well in the future dependent upon economics and the Company's ability to finance.

**Oil and Gas Properties Summary**

Gross revenue of all four producing wells from the Bougie Trutch and Trutch East properties for the year ended January 31, 2009 was \$299,967 (2008- \$392,870). Net loss from production was \$82,950 (2008- \$215,803). Direct expenses included operating expense, \$85,877 (2008- \$120,197), royalties, \$35,114 (2008- \$87,087), and depletion and accretion expense, \$264,926 (2008- \$401,389). Total production volume for the year was 29,286 MCF (2008- 48,758), equivalent to 84.64 MCF per day (2008- 137.35 MCF per day). The average natural gas price received was \$7.47 per GJ (2008- \$6.07 per GJ).

The Company engaged Sproule Associates Ltd., an Independent Qualified Reserves Evaluator or Auditor to perform reserve evaluation on the Company's Trutch properties. Total proved and probable reserve with a 10% discount was valued at \$376,000 (2008- \$646,000). Based these reserve reports, the Company impaired its oil and gas interests by \$683,599 (2008- \$8,924,219) for the year ended. Total book value of oil and gas assets at January 31, 2009 was \$352,705 (2008- \$1,200,015).

## **MINERAL PROPERTIES**

### **Thrust Project**

On April 25, 2005, the Company entered into an option agreement to acquire a 100% interest in the Polymetallic Thrust project located in North Eastern British Columbia. First explored in the late 1960's and early 1970's the Polymetallic Thrust Project encompasses more than 100,000 acres containing many recorded mineral occurrences.

The Company paid \$75,000 for the option and issued 450,000 shares per year for 3 years to United Exploration Group (the "Vendor"). The Vendor will retain a 2.5% net smelter royalty of which the Company may purchase 1% for \$1,000,000. The Company will pay advance royalty payments of \$15,000 per year starting on June 1<sup>st</sup>, 2006. The Company will also issue 1.6 million shares should the property attain commercial production.

Per the April 30, 2008 Annual General and Special Meeting, all resolutions to the Arrangement were passed by the Company's shareholders to transfer the Thrust Property to Wyn Metals. The Company adopted all resolutions on June 10, 2008. The value of the Thrust Property as at the Effective Date was \$872,429 was transferred to Wyn Metals.

### **Rand Project**

On October 14, 2003, the Company acquired a 100% interest in 668 mineral property units known as the Rand Property. The claims cover approximately 16,700 hectares located in the Clinton Mining Division of southwest British Columbia approximately 18 kilometres southeast of Lillooet within the Fountain-Lytton mountain ranges.

During the year ended, the Company wrote off \$38,034 of deferred exploration expenditures to the Rand property. The impairment was due to minimal exploration activity on the property resulting in the lapse of title to the property's claims.

## **CORPORATE INTERNAL CONTROLS**

The Company practices strict internal controls through proper segregation of responsibilities and internal reporting of its personnel. Agreements and commitments that involve cash and/or share capital distribution such as private placements, stock option grant, property, service, and consulting agreements require Board of Directors approval through Directors' Resolution. The Company's drilling and exploration programs and budgets are planned and approved by the Company's President & CEO, Vice President of Exploration and Director. All cash distribution requires the Company's President & CEO, and CFO approval to ensure that all expenses are accurate and aligned with the Company's budget. Approved share capital distribution is executed through Treasury Orders that requires final approval from the Company's President & CEO, and CFO. These internal control procedures are established and strictly practiced to ensure the Company's goals and best interest are effectively carried out.

Management has evaluated the effectiveness of the Company's disclosure controls and procedures as at January 31, 2009 and has concluded, based on its evaluation, that these controls and procedures provide reasonable assurance that material information relating to the Company is made known to management and reported as required.

Management is also responsible for the design of internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Management believes the design to be sufficient and appropriate to provide such reasonable assurance.

**CANADA GAS CORP.**  
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**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended January 31, 2009

**OPERATING RESULTS, FINANCIAL CONDITION, LIQUIDITY AND SOLVENCY**

**Current Economic Conditions:**

The Company has taken considerable efforts to reduce all operating and overhead costs to match revenues from natural gas production. Revenues from the Company's producing wells were not sufficient to match its direct operating cost due to sharp decline in production volumes and low gas prices. As a result, the Company's net cash flow from production could not accommodate the Company's administrative and overhead expenses, resulting in net operating loss of \$887,705 (2008- \$982,785) for the year ended January 31, 2009. The Company will require external financing to continue its operation, realize its assets and discharge its liabilities.

As at January 31, 2009, the Company has a working capital deficit of \$467,583 (2008- \$691,213) and current liabilities valued at \$536,573 (2008- \$793,863). Majority of the Company's current liabilities were made up of short term loans and amounts due to related parties. On May 26, 2009, the Company announced that it has reached an agreement with the Company's debt holders to settle \$272,000 of outstanding loans and payables. The settlement is based on a common share for debt conversion at \$0.10 per share. The Company also amended its non brokered private placement from \$540,000 (announced on April 15, 2009) to \$300,000, by issuing 3,000,000 units at \$0.10 per share.

In addition, the Company also signed Letters of Intent ("LOI") to acquire and participate in two Bakken and Nisku/Birdbear Formation oil projects in the province of Saskatchewan. The vendor of the LOI have also directly and indirectly committed to purchasing \$250,000 of the Company's private placement.

In spite of current economic volatility and market conditions, Management is confident that recent changes will provide the Company with the opportunity to continue its normal course of business, realize its assets and discharge its liabilities.

**Year Ended Summary**

Gross revenue from natural gas production from four wells located in the Bougie Trutch and Trutch East properties, for the year ended January 31, 2009 was \$299,967 (2008- \$392,870). The Company's share of total production was 29,826 MCF, equivalent daily rate of 84.64 MCF/day (2008- 48,758 MCF equivalent to 137.35 MCF/day). Total production cost including royalties, operating, depletion and accretion costs were \$385,917 (2008- \$608,673), resulting in a net loss from production of \$85,950 (2008- \$215,803).

Total general and administrative expense for the period was \$801,755 (2008- \$766,982) predominantly made up of \$280,476 (2008- nil) from stock based compensation cost for 2,300,000 options granted during the period. The options are exercisable for a period of two years, expiring on June 30, 2010 with an exercise price of \$0.26. Professional fees including legal and accounting fees, and filing fees related to corporate restructuring.

The Company engaged Sproule Associates Ltd., an Independent Qualified Reserves Evaluator or Auditor to perform reserve evaluation on the Company's Trutch properties. Total proved and probable reserve with a 10% discount was valued at \$376,000 (2008- \$646,000). Based these reserve reports, the Company impaired its oil and gas interests by \$683,599 (2008- \$8,924,219) for the year ended. Total book value of oil and gas assets at January 31, 2009 was \$352,705 (2008- \$1,191,372). The Company's net loss for the year was \$1,570,644 (2008- \$9,619,663).

On April 27, 2007 the Company announced it has entered into a non-binding Letter of Intent with Bighorn Petroleum Ltd. (TSXV: BHP), Flying A Petroleum Ltd. (TSXV: FAB), Tenaka Drilling Consortium Ltd., collectively the "Partners," to enter into negotiations to formalize a business combination. The Partners have working interests in three natural gas properties including the Prophet River, Bougie Trutch and Trutch East properties. After committing eleven months on the amalgamation, the Company withdrew its plans to amalgamate with the Partners on March 26, 2008. As at the October 31, 2008, the Company recognized a recovery of \$167,732 for legal and professional fees the Company paid on behalf of the Partners related to due diligence expenses for the amalgamation plan. As at January 31, 2009, the Company determined that this recovery was not collectible and removed it from the Company's balance sheet.

**CANADA GAS CORP.**  
**(Formerly Wyn Developments Inc.)**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended January 31, 2009

**OPERATING RESULTS, FINANCIAL CONDITION, LIQUIDITY AND SOLVENCY- (Continued)**

**Year Ended Summary** (Continued)

Effective June 10, 2008, the Company adopted all resolutions including a 5 (five) for 1 (one) common share consolidation. As at June 10, 2008, the Company had 101,157,609 common shares issued and outstanding resulting in 20,231,522 common shares outstanding after consolidation. All outstanding stock based compensation options and common share purchase warrants were re-priced to \$0.26 per share to reflect the Company's share market price post-consolidation. The details on below are based on post consolidation.

During the period, the Company completed a 2 tranche non brokered private placement by issuing 4,220,000 units (post consolidation) at \$0.25 per unit for gross proceeds of \$1,055,000. The private placements were completed on February 20 and March 17, 2008. 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 \$0.10 per share. The exercise price to the warrants was later revised to \$0.26 post consolidation. The Company paid \$65,525 and issued 247,500 warrants with similar terms as finders' fees in connection with this private placement. The funds from the private placement were used to fund the Company's working capital and repayment of short term loans.

On February 28, 2008, the Company repaid a principal amount of \$100,000 and interest fees of \$2,349 to a company controlled by a director/officer of the Company for a short-term loan agreement dated March 9, 2007. Concurrently, the Company also repaid a principal amount of \$255,000 and interest payment of \$7,813 to an arms length third party resulting in an outstanding principal balance of \$85,000 on January 31, 2009. During the period, the Company also issued 92,000 common shares with a deemed value of \$0.10 per share to Score Resources Ltd. as a bonus payment related to a December 20, 2007 \$92,000 short term loan agreement. Total short term liability on all loan agreements at January 31, 2009 was \$177,000 (2008- \$432,000). The Company recorded interest expense of \$28,985 (2008- \$46,652) from these short term loans for the year ended.

The Company has working capital deficit of \$467,583 (2008- deficit \$691,213) from a current asset balance of \$68,990(2008- \$102,650) and current liability of \$536,573 (2008- \$793,863), with \$200,956 (2008- \$100,000) owed to related parties.

**Three Month Period Ended Summary**

Gross revenue from natural gas production of the Company's producing natural gas properties for the three month period ended January 31, 2009 was \$45,020 (2008- \$72,832). Operating expenses including general operating expenses, royalty and depletion costs were \$225,370 (2008- \$485,772), resulting in net loss \$180,330 (2008- net loss of \$412,941). Total general and administrative expense was \$140,743 (2008- \$394,304).

Based on the Company's January 31, 2008 and 2009 reserve reports, the Company impaired its oil and gas interests by \$683,599 (2008- \$8,924,219) during the period. Total net loss for the period after these items was \$1,319,802 (2008- \$9,492,276) for the three months ended January 31, 2009.

**CANADA GAS CORP.**  
**(Formerly Wyn Developments Inc.)**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended January 31, 2009

**OPERATING RESULTS, FINANCIAL CONDITION, LIQUIDITY AND SOLVENCY- (Continued)**

Table 1. General and Administrative Expenses Summary

	Year Ended January 31, 2009	Year Ended January 31, 2008
Stock-based compensation	\$ 280,476	\$ -
Professional fees	187,242	361,633
Management fees	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
<b>Total Administrative Expenses</b>	<b>\$ 801,755</b>	<b>\$ 766,982</b>

**CORPORATE ACTIVITIES**

The Board of Directors and Officers of the Company include – Chad McMillan, President and C.E.O., David McMillan, Robert Krause, and Marc Tran.

Chad McMillan was appointed President & CEO effective January 19, 2009.

The officers and directors as at the date of this report are as follows:

Chad McMillan*	President, CEO, Audit Committee Member
David McMillan*	Chairman of the Board, Audit Committee Member
Robert Krause*	Audit Committee Member
Marc Tran*	CFO

\*Director

**RELATED PARTY TRANSACTION**

Related party transactions for the year ended January 31, 2009 are as follows:

- (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;

**CANADA GAS CORP.**  
**(Formerly Wyn Developments Inc.)**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended January 31, 2009

**RELATED PARTY TRANSACTION- (Continued)**

- (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.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)**

The Accounting Standards Board of Canada (“AcSB”) plans to converge Canadian GAAP for publicly accountable enterprises with IFRS over a transition period that will end January 1, 2011 with the adoption of IFRS. The AcSB announced on February 13, 2008 that IFRS will be required in 2011 for publicly accountable profits oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will present its first set of IFRS compliant financial statements for the year ending January 31, 2011. The Company is currently working on its IFRS conversion project which consists of four phases: diagnosis, design and planning, solution development and implementation. The plan addresses the impact of IFRS on accounting policies and implementation decisions, business activities and control activities. The Company plans to complete in a near future the first phase of its IFRS conversion, consisting in a preliminary study of the existing financial information and identifying the main areas where IFRS might have an impact. The IFRS conversion is a major initiative for the Company and all the necessary resources are being allocated to ensure the project's smooth transition. Throughout the 2010 fiscal year, the Company will be reporting on the progress of its IFRS implementation plan in its MD&A.

**CANADA GAS CORP.**  
**(Formerly Wyn Developments Inc.)**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended January 31, 2009

**SELECTED ANNUAL FINANCIAL INFORMATION**

The Company's year end is January 31. Please refer to Notes to the Financial Statements for accounting policies. Unless otherwise indicated all dollar amounts refer to Canadian dollars.

	<b>Year ended January 31, 2009</b>	<b>Year ended January 31, 2008</b>	<b>Year ended January 31, 2007</b>
Revenues	299,967	392,870	-
G&A Expenses	801,755	766,982	969,243
Net Loss(Gain)	1,570,644	10,363,386	1,096,005
-per share basic & diluted	0.08	0.13	0.02
Working Capital (Deficiency)	(467,583)	(691,213)	589,756
Total Assets	440,084	2,226,208	10,549,865
Deferred Mineral and Oil and Gas Property Expenditures	352,705	1,200,015	9,974,791
Liabilities(L.T.)	-	-	-
Cash Dividends	-	-	-

**CANADA GAS CORP.**  
**(Formerly Wyn Developments Inc.)**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended January 31, 2009

**SELECTED QUARTERLY FINANCIAL INFORMATION**

	4 <sup>th</sup> Quarter Ended January 31, 2009	3 <sup>rd</sup> Quarter Ended October 31, 2008	2 <sup>nd</sup> Quarter Ended July 31, 2008	1 <sup>st</sup> Quarter Ended April 30, 2008
(a) Revenue	45,040	65,575	94,760	94,592
(b) Loss (Gain) for period	1,319,802	(93,626)	184,369	160,099
(c) Loss (Gain) per share	0.06	(0.005)	\$0.01	\$0.01
(d) Natural gas production (MCF)	2,196	8,287	9,004	10,339
	4 <sup>th</sup> Quarter Ended January 31, 2008	3 <sup>rd</sup> Quarter Ended October 31, 2007	2 <sup>nd</sup> Quarter Ended July 31, 2007	1 <sup>st</sup> Quarter Ended April 30, 2007
(a) Revenue	72,832	76,017	142,327	101,694
(b) Loss for period	9,492,276	25,025	722,189	123,896
(c) Loss per share	0.1220	0.0003	0.0100	0.0020
(d) Natural gas production (MCF)	8,125	9,276	12,379	19,166
	4 <sup>th</sup> Quarter Ended January 31, 2007	3 <sup>rd</sup> Quarter Ended October 31, 2006	2 <sup>nd</sup> Quarter Ended July 31, 2006	1 <sup>st</sup> Quarter Ended April 30, 2006
(a) Revenue	Nil	Nil	Nil	Nil
(b) Loss for period	584,336	168,872	231,778	111,019
(c) Loss per share	0.0090	0.0030	0.0040	0.0010
(d) Natural gas production (MCF)	N/A	N/A	N/A	N/A

**SUBSEQUENT EVENTS**

- a) On January 19, 2009, Chad McMillan was appointed President and CEO of the Company. David McMillan remains Director and Chairman of the Board;
- b) On April 9, 2009, the Company announced intentions to monetize the Trutch Properties. Sproule Associates Ltd. have been engaged to prepare the Company's reserves estimates;
- c) On April 15, 2009, announced a non-brokered private placement financing, issuing up to 18,000,000 units for gross proceeds of up to CAD \$540,000. This private placement was subsequently cancelled and replaced per the Company's May 26, 2009 news release; and
- d) May 26, 2009, the Company announced that it executed Letters of Intent ("LOI") to acquire and participate in two Bakken and Nisku/Birdbear Formation oil projects in the province of Saskatchewan. In the first transaction, the LOI acquire 100% of a licensed copy of approximately 450 miles of 2D seismic data in South Western Saskatchewan. In consideration, the Company will pay the Vendor \$25,000 cash and \$125,000 in common shares of the Company, to be issued at a deemed price of \$0.10 per share (aggregate 1,250,000 shares), subject to the approval of the TSX Venture Exchange (the "Exchange").

In the second transaction, an LOI with Kinetex Multi Component Services Inc., ("Kinetex") to participate, with Kinetex or one of its affiliate or subsidiary companies, in approximately 84 square miles of 3D seismic survey over prospective Bakken and Nisku/Birdbear Formation targets in southwestern Saskatchewan. The Company will pay 25% of the agreed upon turnkey cost to earn a 25% interest in the data, receive a licensed copy of the data, and earn the right to participate for a 50% participation interest in any land acquisitions within the 84 square mile seismic area for a period of two years.

After completing the 3D seismic program, the Company will also have the option to drill an approximately 2,000 meter test well targeting these prospective Bakken and Nisku/Birdbear Formation targets. Within this 10 square miles of existing acreage, the Company will pay 90% and an affiliated

**CANADA GAS CORP.**  
**(Formerly Wyn Developments Inc.)**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
For the Year Ended January 31, 2009

**SUBSEQUENT EVENTS - (Continued)**

company will pay 10% of the cost of this well, where, upon drilling to a depth sufficient to penetrate the Nisku/Birdbear Formation, the Company will earn a 75% working interest before payout and a 50% working interest after payout in the drilled lease block. There are four earning lease blocks within these 10 square miles, and upon completion of the test well, the Company will have 60 day rolling options to drill additional earning wells on this acreage on the same terms.

The transactions are subject to a finders fee of \$20,000 payable in common shares of the Company at an ascribed price of \$0.10 per share (aggregate 200,000 shares).

The Company also announces that it is cancelling the previously announced private placement financing (April 15<sup>th</sup>, 2009), and instead announces a private placement financing for 3,000,000 units priced at \$0.10 per unit for gross proceeds of \$300,000. The Vendor has agreed to personally subscribe for a minimum of \$150,000 of this private placement, and will arrange for his associates and/or affiliated companies to participate for up to \$100,000 at a price of \$0.10 per unit. Each unit will consist of one share and one share purchase warrant, each warrant being exercisable into one common share at a price of \$0.15 in the first year and \$0.26 in the second year. Proceeds of the private placement will be used for working capital purposes and finders fees may be payable on this transaction, subject to Exchange approval.

In addition, the Company announces shares for debt arrangements with a majority of its existing debt holders. Creditors holding payables of \$272,000 have agreed to convert their debt into shares of the Company at a conversion price of \$0.10 per share (aggregate 2,720,000), subject to Exchange approval. These shares will be subject to a 4 month hold period from the date of closing.

**Chad McMillan**  
**CEO**  
**Canada Gas Corp.**  
May 27, 2009