

Village Farms International, Inc.

(formerly Village Farms Income Fund)

Interim Consolidated Financial Statements

Three Months Ended

March 31, 2010 and 2009

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying un-audited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Village Farms International, Inc.
(formerly Village Farms Income Fund)
Consolidated Balance Sheets
(In thousands of United States dollars)

Assets	<u>March 31, 2010</u> (unaudited)	<u>December 31, 2009</u>
Current assets:		
Cash and cash equivalents	\$ 4,756	\$ 2,611
Accounts receivable	10,053	9,594
Other receivables	850	592
Inventories (note 5)	15,779	11,948
Prepays and deposits	584	909
Total current assets	<u>32,022</u>	<u>25,654</u>
Property, plant and equipment (note 6)	65,243	66,599
Future income tax asset (note 14)	4,722	4,549
Intangible assets (note 7)	1,378	1,404
Other assets (note 10)	933	877
Total assets	<u>\$ 104,298</u>	<u>\$ 99,083</u>
 Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 11,429	\$ 9,564
Current maturities of long-term debt (note 8)	3,260	3,260
Current portion of obligations under capital leases (note 11)	300	283
Total current liabilities	<u>14,989</u>	<u>13,107</u>
Long-term debt (note 8)	50,654	51,472
Derivatives (note 9)	2,409	2,092
Obligations under capital leases (note 11)	194	262
Future income taxes (note 14)	3,283	3,589
Total liabilities	<u>71,529</u>	<u>70,522</u>
Shareholders' equity:		
Share capital (note 18)	24,850	24,850
Contributed surplus	9	-
Retained earnings	7,855	3,656
Accumulated other comprehensive income	55	55
Total shareholders' equity	<u>32,769</u>	<u>28,561</u>
Total liabilities and shareholders' equity	<u>\$ 104,298</u>	<u>\$ 99,083</u>

Approved by the Board of Directors

/s/ John P. Henry, Director

/s/ John R. McLernon, Director

The accompanying notes are an integral part of these consolidated financial statements.

Village Farms International, Inc.
(formerly Village Farms Income Fund)
Consolidated Statements of Accumulated Earnings
For the Period Ended December 31, 2009 and March 31, 2010
(In thousands of United States dollars, except for shares outstanding, unaudited)

	Common Shares	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance at December 31, 2009	13,440,345	\$ 24,850	\$ -	\$ 3,656	\$ 55	\$ 28,561
Share-based compensation			9			9
Net earnings period ended March 31, 2010				4,199		4,199
Balance at March 31, 2010	<u>13,440,345</u>	<u>\$ 24,850</u>	<u>\$ 9</u>	<u>\$ 7,855</u>	<u>\$ 55</u>	<u>\$ 32,769</u>

The accompanying notes are an integral part of these consolidated financial statements.

Village Farms International, Inc.
(formerly Village Farms Income Fund)
Consolidated Statements of Earnings and Comprehensive Earnings
For the Three Months Ended

n thousands of United States dollars, except for shares and units outstanding and per share/unit amounts, unaudited

	<u>March 31, 2010</u>	<u>March 31, 2009</u>
	(note 1)	(note 1)
Net sales	\$ 31,102	\$ 21,443
Cost of sales	20,866	16,572
Gross profit	<u>10,236</u>	<u>4,871</u>
Selling, general and administrative expenses	2,978	2,971
Income from Operations	<u>7,258</u>	<u>1,900</u>
Interest expense, net	709	816
Foreign exchange loss	87	132
Amortization of intangible assets	26	26
Loss (gain) on derivatives (note 9)	317	(83)
Other income, net (note 13)	(189)	(165)
Loss (Gain) on disposal/sale of asset (note 4)	329	(156)
Earnings before income taxes	<u>5,979</u>	<u>1,330</u>
Provision for income taxes (note 14)	<u>1,780</u>	<u>690</u>
Net earnings and comprehensive earnings	<u>4,199</u>	<u>640</u>
Net earnings and comprehensive earnings per share/unit - basic	<u>\$ 0.11</u>	<u>\$ 0.02</u>
Weighted average number of shares/units outstanding - basic	<u>38,707,345</u>	<u>38,707,345</u>
Net earnings and comprehensive earnings per share/unit - diluted	<u>\$ 0.11</u>	<u>\$ 0.02</u>
Weighted average number of shares/units outstanding - diluted	<u>39,057,344</u>	<u>38,707,345</u>

The accompanying notes are an integral part of these consolidated financial statements.

Village Farms International, Inc.
(formerly Village Farms Income Fund)
Consolidated Statements of Cash Flows
For the Three Months Ended
(In thousands of United States dollars, unaudited)

	<u>March 31, 2010</u>	<u>March 31, 2009</u>
	(note 1)	(note 1)
Cash flows from operating activities:		
Net earnings	\$4,199	\$640
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,424	1,378
Loss (gain) on sale of property	329	(156)
Loss (gain) on derivatives	317	(83)
Foreign exchange loss	87	-
Share based compensation (note 19)	9	-
Future income taxes	(479)	345
Changes in non-cash working capital (note 15)	(2,363)	(6,146)
Net cash provided by operating activities	3,523	(4,022)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(372)	(772)
Proceeds from sale of property, plant and equipment	6	50
Net cash used in investing activities	(366)	(722)
Cash flows from financing activities:		
Proceeds from operating line of credit	-	4,259
Payments on long-term debt	(818)	(807)
Payments on obligations under capital leases	(51)	(78)
Dividend payments to Unitholders and PPS holders	-	(987)
Other	(56)	(41)
Net cash (used in) provided by financing activities	(925)	2,346
Foreign exchange (gain)	(87)	-
Net increase (decrease) in cash and cash equivalents	2,145	(2,398)
Cash and cash equivalents beginning of period	2,611	4,101
Cash and cash equivalents end of period	\$4,756	1,703
Supplemental cash flow information:		
Interest paid	\$694	\$839
Income taxes paid	\$8	\$0

The accompanying notes are an integral part of these consolidated financial statements.

VILLAGE FARMS INTERNATIONAL, INC.

(formerly Village Farms Income Fund)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2010 and 2009

(in thousands of United States dollars, except per unit/share amounts and unless otherwise noted, unaudited)

1 NATURE OF OPERATIONS

Village Farms International, Inc. formerly known as Village Farms Income Fund (“VFF” and, together with its subsidiaries, the “Company”) was incorporated under the *Canada Business Corporation Act* (“CBCA”). VFF’s principal operating subsidiaries at March 31, 2010 are Village Farms Canada Limited Partnership (“VFCLP”) and Village Farms, L.P. (“VFLP”).

On December 15, 2009, Village Farms Income Fund (the “Fund”) obtained a final order from the Ontario Superior Court of Justice with respect to its Plan of Arrangement under the CBCA to convert from an income fund to a corporation. On December 31, 2009, the Fund completed the conversion into VFF.

Effective December 31, 2009, all the outstanding trust units of the Fund were exchanged for common shares of VFF on a one-for-one basis and the Class A Unit of the Fund was exchanged for 25,267,000 Special Shares of VFF. As a result, there are 13,440,345 common shares and 25,267,000 special shares of VFF issued and outstanding.

The Company, through its subsidiaries VFCLP and VFLP, owns and operates sophisticated, highly intensive agricultural greenhouse facilities in British Columbia and Texas, where it produces, markets and sells premium-quality tomatoes, bell peppers and cucumbers. The Company also markets and sells third party produce through its subsidiaries.

2 SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles (“GAAP”) for annual financial statements and, accordingly, should be read in conjunction with the audited consolidated financial statements and notes included in the Company’s 2009 Annual Financial Statements. These unaudited interim consolidated financial statements follow the same accounting policies and methods of computation as used in the 2009 audited consolidated financial statements.

3 CHANGES IN ACCOUNTING POLICIES

The Company adopted the following new accounting standards in the year ended December 31, 2009:

Goodwill and intangible assets

The CICA issued Section 3064, “Goodwill and Intangible Assets”, which establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-orientated enterprises. The adoption of this new section did not have any material impact on the Company’s financial statements.

Conversion of an Unincorporated Entity to an Incorporated Entity

EIC-170, “Conversion of an Unincorporated Entity to an Incorporated Entity”, clarified certain accounting issues related to conversions when there is no change in control. In particular, it specifies that such a transaction should be treated as a change in business form and should be accounted for as a continuity of interests; transaction costs should be treated as an expense in the period in which they are incurred; and changes in tax balances would be included in tax expense (comparative information should be that of the pre-conversion entity, as previously reported). The Company applied this EIC to account for its conversion and as the basis of presentation for these consolidated financial statements.

Future Accounting Changes

Business combinations, consolidated financial statements and non-controlling interests

For interim and annual financial statements relating to its fiscal year commencing on or after January 1, 2011, the Company will be required to adopt new CICA Section 1582, “Business Combinations”, Section 1601, “Consolidated

VILLAGE FARMS INTERNATIONAL, INC.

(formerly Village Farms Income Fund)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2010 and 2009

(in thousands of United States dollars, except per unit/share amounts and unless otherwise noted, unaudited)

Financial Statements”, and Section 1602, “Non-Controlling Interests”. Section 1582 replaces existing Section 1581, “Business Combinations”, and Sections 1601 and 1602 together replace Section 1600, “Consolidated Financial Statements”. The adoption of Sections 1582, and collectively, 1601 and 1602, provides the Canadian equivalent to International Financial Reporting Standard (“IFRS”) 3, “Business Combinations”, and International Accounting Standard IAS 27, “Consolidated and Separate Financial Statements”, respectively. The impacts of adopting these new standards are being assessed.

4 LOSS (GAIN) ON DISPOSAL AND SALE OF ASSETS HELD

For the three months ended March 31, 2010 the Company recorded a loss on the disposal of a certain production machinery of \$329. For the three months ended March 31, 2009, the Company completed the sale of its greenhouse facility in Ringgold, Pennsylvania. The Company holds a note on the property for \$228, which is recorded in other receivables and bears interest at 6% per year. The note is secured by a mortgage on the facility. The Company recorded a gain on the sale of \$156.

5 INVENTORIES

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Crop inventory	\$15,374	\$11,605
Purchased produce inventory	405	343
	<u>\$15,779</u>	<u>\$11,948</u>

The cost of inventories recognized as expense and included in cost of sales for the three months ended March 31, 2010 amounted to \$15,449 (March 31, 2009 - \$14,332).

VILLAGE FARMS INTERNATIONAL, INC.

(formerly Village Farms Income Fund)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2010 and 2009

(in thousands of United States dollars, except per unit/share amounts and unless otherwise noted, unaudited)

6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Cost		
Land	\$5,117	\$5,117
Leasehold and land improvements	2,033	2,033
Greenhouses and buildings	58,622	58,575
Greenhouse equipment	28,974	29,022
Machinery and equipment	2,898	2,880
Construction in progress	390	318
	<u>98,034</u>	<u>97,945</u>
Accumulated amortization		
Leasehold and land improvements	1,204	1,163
Greenhouses and buildings	19,208	18,459
Greenhouse equipment	10,929	10,428
Machinery and equipment	1,450	1,296
	<u>32,791</u>	<u>31,346</u>
Net book value		
Land	5,117	5,117
Leasehold and land improvements	829	870
Greenhouses and buildings	39,414	40,116
Greenhouse equipment	18,045	18,594
Machinery and equipment	1,448	1,584
Construction in progress	390	318
	<u>\$65,243</u>	<u>\$66,599</u>

Capital lease assets of \$1,133 at March 31, 2010 and December 31, 2009 and accumulated amortization on these assets of \$513 and \$480, respectively, are included within greenhouse equipment.

Amortization related to the greenhouse facilities and equipment is expensed in cost of sales.

7 INTANGIBLE ASSETS

VFCLP has an agreement with the operator of a cogeneration facility to purchase thermal energy required for one of VFCLP's greenhouses (in excess of the thermal energy otherwise produced by the greenhouse). The contract expires on July 31, 2023. VFCLP also has a right of first refusal with respect to any excess methane gas conveyed to the cogeneration plant from an adjacent landfill. The estimated fair value of the contract was recorded as an intangible asset and is being amortized on a straight-line basis over the life of the contract.

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Carrying value	\$1,735	\$1,735
Accumulated amortization	357	331
Net book value	<u>\$1,378</u>	<u>\$1,404</u>

VILLAGE FARMS INTERNATIONAL, INC.

(formerly Village Farms Income Fund)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2010 and 2009

(in thousands of United States dollars, except per unit/share amounts and unless otherwise noted, unaudited)

8 LONG-TERM DEBT

As at March 31, 2010 and December 31, 2009, long-term debt consists of the following:

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
CAN Capital Loan	\$42,039	\$42,382
US Capital Loan	11,875	12,350
	<u>53,914</u>	<u>54,732</u>
Less current maturities	<u>(3,260)</u>	<u>(3,260)</u>
Long-term portion	<u>\$50,654</u>	<u>\$51,472</u>

The aggregate annual maturities of long-term debt as at March 31, 2010 are as follows:

Remaining 2010	\$2,454
2011	42,910
2012	1,900
2013	1,900
2014	1,900
Thereafter	<u>2,850</u>
	<u>\$53,914</u>

9 DERIVATIVES

On January 17, 2008, the Company entered into five fixed for floating interest rate swap agreements, effective from January 25, 2008 through January 25, 2013, in the notional amount of \$43,300 in order to reduce the interest rate variability on its CAN Capital Loan. The Company has effectively fixed its interest expense on its CAN Capital Loan at 5.68%. The Company recognized a loss of \$317 for the three months ended March 31, 2010 (March 31, 2009 – a gain of \$84), which represented the mark-to-market adjustment of the interest rate swap agreements. The Company could not designate the swap agreements as a hedge for accounting purposes. The fair value of the interest rate swap agreements as at March 31, 2010 was a liability of \$2,409 (December 31, 2009 – (\$2,092)). The interest rate swap agreements remaining at March 31, 2010 are as follows:

<u>Term</u>	<u>Amount</u>	<u>Interest Rate</u>
January 25, 2008 - January 28, 2011	1,200	5.32%
January 25, 2008 - January 28, 2012	1,200	5.50%
January 25, 2008 - January 28, 2013	38,500	5.70%

The interest rates in the above table include a 2% premium to LIBOR which will be adjusted downward upon satisfying certain ratio targets.

10 RELATED PARTY TRANSACTIONS AND BALANCES

Included in other assets is a \$422 promissory note from an employee of the Company in connection with a relocation at the request of the Company. The note is secured by real property. It is a partially non-interest bearing note to be paid from the proceeds of the sale of the real property that secures the note. The \$422 represents the amount the Company advanced on this employee's behalf in connection with the relocation.

VILLAGE FARMS INTERNATIONAL, INC.

(formerly Village Farms Income Fund)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2010 and 2009

(in thousands of United States dollars, except per unit/share amounts and unless otherwise noted, unaudited)

11 LEASE COMMITMENTS

Obligations Under Capital Leases

The Company leases certain equipment under capital leases. Future minimum lease payments are as follows:

Remaining 2010	\$244
2011	268
2012	14
Thereafter	-
Total minimum lease payments	<u>526</u>
Less amount representing interest	<u>(32)</u>
	494
Less current portion	<u>(300)</u>
Long-term portion	<u>\$194</u>

These leases have interest rates ranging from 6.0% to 8.5%. The Company made payments of \$71 during the three months ended March 31, 2010 (March 31, 2009 - \$57). Interest paid on capital leases amounted to \$10 during the three months ended March 31, 2010 (March 31, 2009 - \$12).

Operating Leases

As at March 31, 2010, the Company has entered into certain operating lease commitments for land, office space and equipment through 2022. The future minimum lease payments as at March 31, 2010 are as follows:

Remaining 2010	\$705
2011	893
2012	873
2013	704
2014	286
Thereafter	<u>90</u>
	<u>\$3,551</u>

Rent expense under the Company's various operating lease agreements totaled \$316 for the three months ended March 31, 2010 (March 31, 2009 - \$288) and is included in cost of sales and selling, general and administrative expenses.

12 FINANCIAL INSTRUMENTS

The following table summarizes the carrying value of the Company's financial instruments:

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Held-for-trading (cash and cash equivalents)	\$4,756	\$2,611
Receivables	10,053	9,594
Other receivables	1,783	1,469
Other financial liabilities	65,531	64,841

Interest income and other gains and losses from held-for-trading and held-to-maturity financial assets are recognized in interest expense and selling, general and administrative expenses. Interest income, expense and gains and losses from loans, receivables and other financial liabilities are recognized in interest expense, loss on derivatives and other income. The following table summarizes interest income and expense for the three months ended March 31, 2010 and 2009:

<u>March 31, 2010</u>	<u>March 31, 2009</u>
-----------------------	-----------------------

VILLAGE FARMS INTERNATIONAL, INC.

(formerly Village Farms Income Fund)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2010 and 2009

(in thousands of United States dollars, except per unit/share amounts and unless otherwise noted, unaudited)

Interest income from held-for-trading assets	\$5	\$4
Interest expense from other financial liabilities	714	820

13 OTHER INCOME

The Company had other income for the three months ended March 31, 2010 of \$189 (2009 - \$165). For the three ended March 31, 2010 and March 31, 2009, the income primarily consisted of bank dividends of \$139 and \$154, respectively.

14 INCOME TAXES

The provision for income taxes consists of the following components:

	<u>March 31, 2010</u>	<u>March 31, 2009</u>
Current	\$2,259	\$345
Future	(479)	345
	<u>\$1,780</u>	<u>\$690</u>

Presented in the accompanying consolidated balance sheets as at:

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Future tax assets	\$4,722	\$4,549
Non-current future tax liabilities	(3,383)	(3,589)
Net future tax asset	<u>\$1,339</u>	<u>\$960</u>

15 CHANGES IN NON-CASH WORKING CAPITAL

	For the three months ended March 31,	
	2010	2009
Accounts receivable	(\$459)	\$2,749
Inventories	(3,831)	(5,826)
Other receivables	(263)	(486)
Prepays and deposits	325	(269)
Accounts payable and accrued liabilities	1,865	(2,314)
	<u>(\$2,363)</u>	<u>(\$6,146)</u>

16 GEOGRAPHIC INFORMATION

The Company operates in one segment, where it produces, markets and sells premium quality tomatoes, bell peppers and cucumbers, with its primary operations in the United States and Canada. Revenue by the countries in which its customers are located is as follows:

	For the three months ended March 31,	
	2010	2009
Revenue		
United States	\$28,632	\$16,637
Canada	2,470	4,806
	<u>\$31,102</u>	<u>\$21,443</u>

The Company's property, plant and equipment are located as follows:

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Property, plant and equipment		
United States	\$21,417	\$22,192
Canada	43,826	44,407
	<u>\$65,243</u>	<u>\$66,599</u>

VILLAGE FARMS INTERNATIONAL, INC.

(formerly Village Farms Income Fund)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2010 and 2009

(in thousands of United States dollars, except per unit/share amounts and unless otherwise noted, unaudited)

17 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company receives notice of potential legal proceedings or is named as a defendant in legal proceedings. Management is of the opinion that the outcome of these uncertainties will not have a material adverse effect on the Company's financial position.

18 SHARE CAPITAL AND EQUITY

Plan of Arrangement:

On December 31, 2009, the Fund completed the conversion from an income fund into VFF pursuant to a plan of arrangement under the CBCA (note 1).

Effective December 31, 2009, all the outstanding trust units of the Fund were exchanged for common shares of VFF on a one-for-one basis and the Class A Unit of the Fund was exchanged for 25,267,000 Special Shares of VFF. As a result, there are 13,440,345 common shares and 25,267,000 special shares of VFF issued and outstanding.

VFF is authorized to issue an unlimited number of common shares, special shares and preferred shares, issuable in series.

(i) Common shares:

The common shares entitle the holders thereof, to one vote per share at all meeting of VFF (subject to certain exceptions). The holders of the common shares are entitled to receive any dividend declared by VFF on the common shares.

Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of VFF, the holders of the common shares are entitled to receive, pro rata, the remaining property or assets of VFF upon its dissolution, liquidation or winding-up.

(ii) Preferred shares:

The preferred shares may be issued in one or more series, with such rights and conditions as may be determined by resolution of the directors of VFF who shall determine the designation, rights, privileges, conditions and restrictions to be attached to the preferred shares of such series. There are no voting rights attached to the preferred shares except as prescribed by law. In the event of the liquidation, dissolution or winding-up of VFF, or any other distribution of assets of VFF among its shareholders for the purpose of winding-up its affairs, the holders of the preferred shares of each series are entitled to receive, among other things, with priority over the common shares and any other shares ranking junior to the preferred shares of VFF, an amount equal to any cumulative dividends, whether or not declared, or declared thereon but unpaid and no more. The preferred shares for each series are also entitled to such other preferences over the common shares and any other shares ranking junior to the preferred shares as may be determined as to their respective series authorized to be issued. The preferred shares of each series shall be on a parity basis with the preferred shares of every other series with respect to payment of dividends and return of capital. There are no preferred shares currently issued and outstanding.

(iii) Special shares:

Pursuant to the Plan of Agreement (note 1), special shares were issued to VF U.S. Holdings Inc. ("U.S. Holdings") for the benefit of the holders of the Participating Preferred Shares ("PPSs") of U.S. Holdings. The special shares entitle the holder to exercise voting and other rights as a shareholder of VFF as though the holder held the number of common shares that would be owned by the holders of the PPSs assuming the exercise in full of the PPS Exchange Rights; provided that in no event shall the votes attached to the special shares exceed 45% of the votes otherwise attached to the common shares and the special shares of VFF then outstanding.

The following is a summary of Share Capital:

VILLAGE FARMS INTERNATIONAL, INC.

(formerly Village Farms Income Fund)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 2010 and 2009

(in thousands of United States dollars, except per unit/share amounts and unless otherwise noted, unaudited)

	The VFF Common Shares	
	# of Shares	Amount
Share Capital – December 31, 2008	-	\$ -
Conversion of Trust Units into Shares on December 31, 2009	13,440,345	24,850
Share Capital – December 31, 2009 and March 31, 2010	13,440,345	\$24,850

19 SHARE-BASED COMPENSATION PLAN

In December 2009, the Company introduced a new share-based compensation plan. The maximum number of common shares that can be issued upon the exercise of options granted is equal to 10% of the aggregate number of common shares issued and outstanding from time-to-time. The maximum period during which an option may be exercised is ten years from the date of the grant. For the three-month period ended March 31, 2010, the Company granted 349,999 options at a weighted average price of CAD\$0.70 per option (no options were outstanding for the three-month period ended March 31, 2009). Options vest at a rate of 33% per year, beginning one year following the grant date of the options.

The following presents the assumptions used to establish the fair value assigned to the options issued using the Black-Scholes valuation model:

	<u>2010</u>
Expected volatility	53.2%
Dividend	\$nil
Risk-free interest rate	2.53%
Expected life	6.5 years
Fair value	\$0.0367

	Three Months Ended March 31,			
	2010		2009	
	Stock Options	Weighted average exercise price	Stock Options	Weighted average exercise price
Beginning of period	-	-	-	-
Granted	349,999	CAD\$0.70	-	-
End of period	349,999	CAD\$0.70	-	-

Share-based compensation expense of \$9 was recorded in selling and administrative expenses and the corresponding amount credited to Contributed Surplus.

The following table summarizes the share options outstanding at March 31, 2009:

Exercise Price	Number outstanding	Remaining contractual life (years)	Number of exercisable options
CAD\$0.70	349,999	9.8	nil