

Day4 Energy Inc.

Consolidated Balance Sheets

As at March 31, 2010 and December 31, 2009

	March 31 2010 \$ (unaudited)	December 31 2009 \$
Assets		
Current assets		
Cash and cash equivalents	7,120,400	17,804,941
Restricted cash	185,000	335,000
Short-term investments	9,037,534	9,067,397
Accounts receivable	5,010,416	3,598,384
Investment tax credits receivable	600,000	600,000
Other receivables	7,197,709	8,447,806
Inventory	18,409,002	11,078,173
Prepaid expenses	467,065	564,336
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	48,027,126	51,496,037
Property, plant and equipment		
	19,634,845	21,679,300
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	67,661,971	73,175,337
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	14,215,661	13,321,691
Taxes payable	830,000	830,000
Short-term debt	1,152,858	1,143,521
Deferred revenue	410,516	322,331
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	16,609,035	15,617,543
Shareholders' Equity		
Share capital		
Authorized		
Unlimited number of common shares		
Unlimited number of preferred shares		
Issued and outstanding		
36,739,366 (2009 - 36,739,366) common shares	130,972,498	130,972,498
Contributed surplus	2,681,501	2,581,508
Warrants	2,279,890	2,279,890
Accumulated other comprehensive income	(7,941,053)	(3,201,330)
Deficit	(76,939,900)	(75,074,772)
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	51,052,936	57,557,794
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	67,661,971	73,175,337
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Day4 Energy Inc.

Consolidated Statements of Operations and Deficit

For the three months ended March 31, 2010 and 2009 (unaudited)

	2010 \$	2009 \$
Revenues	22,924,148	4,344,545
Cost of revenues	21,238,879	4,808,157
Gross margin (loss)	1,685,269	(463,612)
Expenses		
General and administrative	2,520,073	3,004,701
Research and development	850,714	515,707
Less: Government assistance	(77,019)	-
Selling and marketing	751,071	650,858
Depreciation	479,359	3,417
	4,524,198	4,174,683
Loss before undernoted	2,838,929	4,638,295
Foreign exchange gain	947,268	1,923,033
Interest and other income	47,999	65,721
Interest expense	(21,466)	(31,132)
Gain (loss) on disposal of property, plant and equipment	-	26,730
Gain on disposition of subsidiary	-	24,677
Accretion expense	-	(6,334)
	973,801	2,002,695
Loss before non-controlling interest	1,865,128	2,635,600
Non-controlling interest	-	11,323
Loss for the period	1,865,128	2,624,277
Deficit - Beginning of period	75,074,772	54,691,384
Deficit - End of period	76,939,900	57,315,661
Net loss per share - basic and diluted	0.05	0.07
Weighted average number of shares outstanding - basic and diluted	36,739,366	36,679,366

Day4 Energy Inc.

Consolidated Statements of Cash Flows

For the three months ended March 31, 2010 and 2009 (unaudited)

	2010 \$	2009 \$
Cash flows from operating activities		
Loss for the period	(1,865,128)	(2,624,277)
Items not affecting cash		
Stock-based compensation	99,993	149,633
Depreciation and amortization	740,905	416,933
Loss (gain) on sale of property, plant and equipment	-	(26,730)
Gain on disposal of subsidiary	-	(24,677)
Unrealized foreign exchange (gain) loss	(1,014,442)	(197,094)
Change in value of derivative instruments	-	(2,157,218)
Non-controlling interest	-	(11,323)
Changes in non-cash working capital items		
Accounts receivable	(1,805,835)	1,233,612
Other receivables	601,891	(3,446,579)
Inventory	(8,766,539)	(7,414,220)
Prepaid expenses	52,810	(5,536)
Accounts payable and accrued liabilities	1,958,670	3,578,464
Deferred revenue	122,335	(17,443)
	<u>(9,875,340)</u>	<u>(10,546,455)</u>
Cash flows from investing activities		
Purchase of short-term investments	-	(4,000,000)
Change in restricted cash	150,000	6,001,680
Purchase of property, plant and equipment	(526,597)	(1,587,187)
Proceeds from sale of property, plant and equipment	-	8,213,638
Proceeds from sale of subsidiary - net of cash included in sale of 29,098	-	9,590
	<u>(376,597)</u>	<u>8,637,721</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
	-	-
Impact of foreign exchange on cash flows	<u>(432,604)</u>	<u>133,381</u>
Increase (decrease) in cash and cash equivalents	<u>(10,684,541)</u>	<u>(1,775,353)</u>
Cash and cash equivalents - Beginning of period	<u>17,804,941</u>	<u>14,730,294</u>
Cash and cash equivalents - End of period	<u>7,120,400</u>	<u>12,954,941</u>
Supplemental cash flow information		
Cash paid for interest	1,177	1,782
Cash received for interest	44	15,359

Day4 Energy Inc.

Consolidated Statements of Comprehensive Loss and Accumulated Other Comprehensive Loss For the three months ended March 31, 2010 and 2009 (unaudited)

	2010	2009
	\$	\$
Loss for the period	1,865,128	2,624,277
Unrealized foreign exchange losses on translation of consolidated financial statements to the presentation currency	4,739,723	-
Other Comprehensive Loss	<u>4,739,723</u>	<u>-</u>
Comprehensive Loss	<u>6,604,851</u>	<u>2,624,277</u>

	2010	2009
	\$	\$
Accumulated Other Comprehensive Loss – Beginning of period	3,201,330	-
Unrealized foreign exchange losses on translation of consolidated financial statements to the presentation currency	4,739,723	-
Accumulated Other Comprehensive Loss – End of period	<u>7,941,053</u>	<u>-</u>