ALBERTA OILSANDS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

FOR THE THREE MONTHS ENDED
MARCH 31, 2009

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The following management's discussion and analysis of financial condition and the results of operations (the "MD&A") dated May 28, 2009 of Alberta Oilsands Inc ("Alberta Oilsands" or the "Company") is reported in Canadian dollars and has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and incorporates all relevant information and considerations to that date, and should be read in conjunction with the unaudited consolidated interim financial statements for the three months ended March 31, 2009 and 2008 and the audited consolidated financial statements for the years ended December 31, 2008 and 2007 together with the accompanying notes. The Company operated as Platform Resources Inc. prior to May 29, 2007 when shareholders approved the name change of the Company to Alberta Oilsands Inc.

Unless the context otherwise requires, all references in this MD&A to "we", "us" or "our" means Alberta Oilsands Inc.

Additional information relating to Alberta Oilsands and its vision, strategies and operations, is available on SEDAR at www.sedar.com and on the Company's website at www.aboilsands.ca

BOE Presentation – Production information is commonly reported in units of barrel of oil equivalent ("boe"). For purposes of computing such units, natural gas is converted to equivalent barrels of oil using a conversion factor of six thousand cubic feet to one barrel of oil. This conversion ratio of 6:1 is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Such disclosure of boes may be misleading, particularly if used in isolation. Readers should be aware that historical results are not necessarily indicative of future performance.

Special Note Regarding Non-GAAP Measures – This MD&A includes references to certain financial measures, as described below, which do not have standardized meanings prescribed by GAAP, however, as these measures are commonly used in the oil and gas industry, the Company feels that their inclusion is useful to investors and they are measures that the Company uses to evaluate its performance. Investors are cautioned that these non-GAAP measures should not be construed as an alternative to the measures calculated in accordance with GAAP as, given their non-standardized meanings, they are unlikely to be comparable to similar measures presented by other issuers. The term "field net back" is defined as petroleum and natural gas sales less royalties, less production and transportation costs and the term "net back" is defined as field net back less general and administrative costs. The term "funds from (used in) operations", defined as the cash flow from operating activities, before the change in non-cash working capital and abandonment expenditures, should not be considered an alternative to, or more meaningful than, cash flow from operating activities or net income (loss) as determined in accordance with GAAP as an indicator of performance. The Company's determination of funds from operations may not be comparable to that reported by other companies.

Forward-looking Statements and Information – Certain information regarding Alberta Oilsands set forth in this report, including management's assessment of Alberta Oilsands' future plans, operations, properties, production and prospects contains forward looking information and statements that involve substantial known and unknown risks and uncertainties. In some cases, forward looking information and statements can be identified by terminology such as "may", "will", "should", "intends", "expects", "projects", "plans", "anticipates", "targets", "believes", "strives", "estimates", "continues", "designed", "objective", "maintain", "schedule" and similar expressions or statements that certain events or conditions "may" or "will" occur. In particular, this MD&A contains forward-looking statements and information with respect to: (i) possible in-situ development (including the timing of such development) on the Company's oil sands properties, including in respect of pilot projects and further development in respect of its Clearwater East and Clearwater West project areas located in its Fort McMurray properties and the joint development of its Hangingstone East project area with its pooling partner in the area; (ii) expectations regarding future developments costs and the ability to fund such costs; (iii) future values that may be attributable to the Company's oil and gas properties; (iv) the ability of the current working capital levels of the Company to maintain future capital expenditures, including required flow-through expenditures; (v) the Company's projected capital budget; (vi) successful results from the Company's 2008/2009 winter core drilling program; (vii) crude oil, natural gas and bitumen production levels; (viii) the continued economic viability of the Company's projects; (ix) a regulatory regime that will be conducive to the Company completing its projects (including environmental regulation and royalty rates); (x) the ability of the Company to meet its obligations (including future financial obligations) under the pooling agreement that it has entered into in respect of its Hangingstone East project area; (xi) projections of market prices and the demand for the commodities the Company produces or intends to produce; (xii) the exploration operations and commitment of Platform Resources Inc. ("Platform") a wholly owned subsidiary of Alberta Oilsands in the Republic of Kenya; and (xiii) the ability of the Company to enter into, and the final terms of, an agreement in respect of rights of access in relation to the Company's Clearwater West project. Such forward-looking statements and information are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements and information. Certain of these assumptions and risks are discussed in greater detail below and through-out this MD&A. The Company undertakes no obligation to update such forward-looking statements or information if circumstances or management's estimates or opinions should change, unless required by law.

With respect to forward looking statements and information contained in this MD&A, the Company has made assumptions regarding, among other things: (i) future prices for crude oil, natural gas, bitumen and refined products and that the demand for such products will continue to increase globally, especially in emerging markets; (ii) favourable future currency and interest rates; (iii) the Company's ability to generate sufficient cash flow from operations and access capital markets or strategic partners to meet its future obligations and to fund future projects; (iv) a continued favourable regulatory framework representing royalties, taxes and environmental matters where the Company conducts its business; (v) the Company's ability to obtain rights of access to its project lands on favourable terms and (vi) the Company's ability to obtain qualified staff and equipment in a timely and cost efficient manner. In addition, the Company has made certain other assumptions in respect of the timing and feasibility of certain of its oil sands projects, see "Oilsands Development Risks" in this MD&A.

Some of the risks that could affect the Company's future results and could cause results to differ materially from those expressed in the Company's forward looking statements and information include: (i) the need to obtain required approvals and permits from regulatory authorities; (ii) the impact of competition; (iii) compliance with and liabilities under environmental laws and regulations; (iv) the uncertainties of estimates by the Company's independent consultants with respect to the Company's reserves and resources; (v) the volatility of prices for crude oil, natural gas, bitumen and refined product prices; (vi) general economic conditions in Canada and globally; (vii) changes to royalty regimes and government regulations regarding royalty payments; (viii) risks associated with exploring for, developing, producing, processing, storing and transporting crude oil, bitumen and natural gas; (ix) geological, technical, drilling and processing problems; (x) the Company's ability to hire and retain staff; (xi) imprecision in estimating capital expenditures and operating expenses; (xii) imprecision in estimating the timing, costs and levels of production and drilling; (xiii) imprecision in estimates of future production capacity; (xiv) potential delays or changes in plans with respect to exploration and development projects or capital expenditures; (xv) changes to regulations and legislation applicable to the Company and the interpretation thereof including tax and environmental legislation and regulations in the jurisdictions in which the Company conducts its business; (xvi) the inability of the Company to obtain financing for it potential oil sands projects from capital markets, strategic joint partners or other sources on competitive terms, or at all (the unavailability of which could have a material adverse effect on the ability of the Company to proceed with the projects as currently planned, or at all); (xvii) unavailability of required equipment and services; (xviii) the inability of the Company to enter into a definitive agreement in respect of access rights for its Clearwater west project on the terms currently proposed, or at all; and (xiv) the other factors discussed under "Oilsands Development Risks" and "Business Risks and Uncertainties" in this MD&A. In addition, Platform's operations in Kenya may be adversely affected by political or economic developments or social instability, which are not within the control of either Platform or the Company, including, among other things, the risks of war, terrorism, abduction, expropriation, nationalization, renegotiation or nullification of existing concessions and contracts, taxation policies, economic sanctions, fluctuating exchange rates and currency controls.

Readers should be aware that historical results are not necessarily indicative of future performance. No assurance can be given that any events anticipated by the forward looking statements or information will transpire or occur, or if any of them do, what benefits Alberta Oilsands may derive therefrom.

Statements relating to "resources" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the described resources exist in the quantities predicted or estimated, and can be profitably produced in the future. There is no certainty that it will be commercially viable to produce any portion of the resources described in this MD&A. Additional information regarding the disclosure of resources and the assumptions relating to the resources of the Company are discussed under "Disclosure or Resources" in this MD&A.

Basis of Presentation

The Company was incorporated under the Business Corporations Act (Alberta) on December 5, 2003 and is listed on the TSX Venture Exchange. The Company is involved in the production, exploration and development of petroleum properties with a focus on the delineation of oil sands resources.

The unaudited consolidated interim financial statements of the Company as at and for the three months ended March 31, 2009 have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Property and equipment is recognized in these interim financial statements in accordance with the accounting policies outlined in Note 2 to the audited consolidated financial statements as at December 31, 2008. Accordingly, their carrying values represent costs incurred to date, net of abandonments and write-downs, and do not necessarily reflect present or future values. The ability of the Company to continue as a going concern and the recoverability of amounts shown for the properties is dependent upon the existence of economically recoverable reserves and upon the Company's ability to obtain additional financing to continue the development of the Company's properties and generate funds therefrom and to meet current and future obligations. The unaudited consolidated interim financial statements do not reflect adjustments in the carrying values of the assets and liabilities, expenses and the balance sheet classifications that would be used if the going concern assumption were not appropriate. Such adjustments could be material.

Overall Performance

Alberta Oilsands focused its energy and resources in the first quarter of 2009 on the exploration and delineation of the most advanced property in its portfolio: Clearwater West. The drilling of 16 additional core holes at Clearwater West over the winter of 2009 increased the total number of wells on the project to 22. Alberta Oilsands has initiated the process of the pilot project application to the Alberta Energy Resources Conservation Board ("ERCB") which is expected to be submitted in late 2009.

Alberta Oilsands expects to receive project approval within one year of submitting its application to the ERCB and to achieve first pilot production at Clearwater West within two years, provided there are no delays. The objective of the pilot project is to prove up bitumen reserves sufficient to support an up to 10,000 barrel per day *in-situ* recovery project.

Subsequent to the end of the first quarter of 2009, Alberta Oilsands took a significant step to reduce the risks related to access and development at Clearwater West. On April 30, 2009, the Company announced that it had initiated the creation of a strategic economic relationship with the Fort McMurray Airport Commission (FMAC). The Fort McMurray Airport is located northwest of the Clearwater project area. The Memorandum of Understanding (the "MOU") that was signed by both the Company and FMAC provides for an arrangement and associated access rights subject to the ability of the parties to negotiate and enter into a definitive agreement and customary regulatory approvals. It is expected that a definitive agreement will be entered into sometime in the summer of 2009.

Alberta Oilsands' focus is to incubate pilot oil sands assets and cash flow from conventional assets is intended to support the Company's development of oil sands properties. Alberta Oilsands entered into a farm-in agreement in January 2009 and achieved success on its first exploration well at Ladyfern area of northwest Alberta in March 2009. As at the date of this MD&A the Company's net overall estimated production is in excess of 450 barrels of oil equivalent per day.

Recent highlights:

- Drilled eight core wells at Clearwater West during the winter of 2009, bringing the total number of core holes drilled in the area to 22. The core wells confirm high quality bitumen. Combined with positive cap rock integrity testing results, Alberta Oilsands has now gathered the necessary field data to proceed with its steam-assisted gravity drainage (SAGD) pilot project submission.

- Initiated the creation of an economic relationship with the Ft. McMurray Airport subsequent to the end of the first quarter by entering into the MOU.

- Entered into a significant farm-in agreement on conventional oil and natural gas assets in the McLeod area of Central Alberta and the Ladyfern area of northwest Alberta.

- Successfully drilled one (0.5 net) Slave Point discovery well in the Ladyfern area. The well was placed on production on April 1, 2009 at initial production rates of 5 million cubic feet per day (2.5 million cubic feet per day net to the Company).

- Produced an average of 61 barrels of oil equivalent per day of conventional production, similar to the 66 boe per day produced in the fourth quarter of 2008. With additional production from Ladyfern, current estimated company working interest production is in excess of 450 boe per day.

- Commissioned an independent mechanical update* of conventional reserves and volumetric** reserve estimate of the Hamburg 13-29-095-12W6 Slave Point well which yielded an increase in the estimated value of the Company's total proved plus probable reserves to 493 MBOE with associated aggregate future net revenue of $12.4 million (discounted at 10% and before income tax ("BFIT")) as compared to 173 MBOE and $3.8 million (10% BFIT), respectively, from the Company's December 31, 2008 reserves report.

  ** The mechanical update of the Company's conventional properties, excluding the Hamburg well, reflects the results of the December 31, 2008 annual reserve evaluation, less the first quarter's production, an updated commodity price forecast dated April 1, 2009 and the impact of the Alberta Government's new well incentive program announced on March 03, 2009.*

  *** The volumetric reserve estimate of the Hamburg 13-29-095-12W6 Slave Point (13-29) well was done in accordance to COGE Handbook guidelines, based on cased hole well logs, drill mud logs, drill sample description, 3D seismic interpretation, area analogs* and initial production flow rates and pressures information from the 13-29 well.

Alberta Oilsands continues to focus all of its oil sands efforts at its Clearwater West property. This property is closer to achieving pilot production and cash flow than any other oil sands property within the Company's extensive portfolio. Activities on the Company's other oil sands prospects and projects have been deferred until commodity prices increase or costs decrease to ensure the projects are profitable. Alberta Oilsands is committed to managing its funds prudently as it pursues the upside that awaits patient and persistent players in the oilsands.

Review of Oil Sands Operations

Due to market and economic conditions, Alberta Oilsands has focussed all of its oil sands development efforts on its Clearwater West project. All other oil sands activities have been deferred. When conditions warrant additional exploration and development, Alberta Oilsands will be able to take advantage of its depth of opportunities on 140.5 sections (121.5 net) of Alberta's Athabasca oil sands fairway. These opportunities include three potential project areas at Clearwater, one joint project at Hangingstone, one prospect at Algar Lake and one prospect at Grand Rapids.

Fort McMurray Clearwater West:

By focusing its attention on Clearwater West at the end of 2008, Alberta Oilsands has been able to make significant progress on its path to production in the oil sands. By the end of January 2009, the Company had commenced its arrangements for water sourcing and water disposal. By the end of February 2009, the Company had received the initial results of its cap rock study. Additional results are expected in May 2009. The initial cap rock results were encouraging. On a mini-fracture at the 12-22, closure pressure was achieved at 2,700 kilopascals (kPa). Assuming a 1,260 kPa safety margin, this would leave a maximum SAGD injection pressure of 1,440 kPa. Alberta Oilsands is pleased with the results of its reservoir simulations (Computer Modelling Group's STARS reservoir simulator) using SAGD technology at 1,440 kPa. Average production based on 14 well pairs at Clearwater West is projected to be 700 barrels per well pair per day for an aggregate projected production of 9,800 barrels per day, with a stabilized steam-oil ratio (SOR) of 2.5. This compares very favourably with similar projects in the area. In addition, unlike generic SAGD projects, Clearwater West is close to infrastructure, allows for low injection pressure, has no bottom water and has deeper water source and disposal zones.

As a result of coring activity in the 2007/2008 winter coring program, Ryder Scott Company of Canada, an independent petroleum consulting firm, has assigned 320 million barrels of contingent resources ("most likely case") to a portion of Alberta Oilsands' Clearwater parcel in a resource report dated June 1, 2008. With an additional 16 core holes drilled during the fall of 2008 and the winter of 2009, the Clearwater West project area was adequately delineated by the end of the first quarter of 2009 to provide the necessary data for the pilot project application, which is expected to be submitted in 2009.

Alberta Oilsands has a 100% working interest in 28 sections of Crown land at Clearwater, located just southeast of Fort McMurray. The parcel spans 24 kilometres from east to west and is close to the services and infrastructure required for a commercial steam-assisted oil sands project. The Company has three projects in this area: Clearwater West (sections 21 & 22 Twp088-R08W4), Clearwater East (sections 18, 19 & 30 Twp088-R07W4) and Clearwater North (sections 13, 25, 31 – 36 Twp088-R07W4). The Clearwater West and East projects are south of the Clearwater River while Clearwater North is on the north bank of the river. The Clearwater project areas are in the McMurray formation bitumen sand isopach (thickness) trend mapped by the Alberta Geological Survey, which indicates sand isopach ranging from 30 to 50 metres thick.

Current well density and well data indicate 10,000 barrels per day bitumen project in Clearwater East and another 10,000 barrels per day project in Clearwater West. Both locations offer year-round road access, proximity to pipeline and electricity and natural gas infrastructure. Combined, Clearwater East and West would provide synergies in terms of steam generation, separation of bitumen and water and water treatment and disposal. Based on total expenditures of $500 million, the development cost metrics would be $25,000 per flowing barrel of bitumen.

Alberta Oilsands expects its initial Clearwater pilot project to be capable of producing 2,000 barrels per day of pilot production and 10,000 barrels per day once the project is fully operational. The objectives of the *in situ* pilot are to validate reservoir performance and demonstrate operational feasibility of the recovery technology.

Subsequent to the end of the first quarter, Alberta Oilsands continued the process of reducing risks facing its Clearwater West project by announcing that it has initiated the creation of an economic relationship with the Ft. McMurray Airport Commission on April 30, 2009. The MOU that was signed by both the Company and FMAC provides for an arrangement and associated access rights subject to the ability of the parties to negotiate and enter into a definitive agreement and customary regulatory approvals. It is expected that a definitive agreement will be entered into sometime in the summer of 2009.

Review of Conventional Operations

Alberta Oilsands announced a significant conventional farm-in agreement in the first quarter of 2009. The agreement provides the right to earn a minimum 50% working interest in more than 31 sections of conventional oil and gas farm-in lands in central and northwest Alberta. As part of the agreement, Alberta Oilsands shared the costs of drilling and completing a Slave Point exploration discovery well at Ladyfern in northwest Alberta. The Company has earned a 50% working interest in this well. Testing started on April 1, 2009 with the well tied into the local gathering system. The well was placed on production at initial rates of 5 million cubic feet per day (2.5 million net to the Company). All produced gas and associated liquids are being processed and sold. This well is expected to be eligible for the Alberta Government's new well incentive program, which provides for a reduced 5% royalty for its first 500 mmcf of production. Alberta Oilsands is pleased to be partnering with the technical team of an experienced operator as it taps into valuable conventional opportunities.

The Company is very pleased with the initial production from its Ladyfern well which is currently just under 400 boe/d net to the Company. The Ladyfern well which is at an early stage of its production cycle does not have an adequate production history to be indicative of longer term flow rates which could be higher or lower than the current production rates. As such, initial production should not be construed as an indication of future production levels. For factors that could influence future production levels, the reader is referred to the section in this MD&A entitled "Business Risks and Uncertainties".

Pursuing conventional exploration plays allows Alberta Oilsands to invest capital raised through the sale of flow-through shares in 2008 and allows the Company to modestly grow its production and cash flow while pursuing its Clearwater West oil sands pilot project.

Results of Conventional Operations

Statement of Operations and Deficit	Three months ended March 31		
	2009	2008	2007
Petroleum and natural gas sales ($)	**262,027**	444,336	1,519,356
Petroleum & natural gas sales per boe ($)	**47.93**	85.74	63.30
Daily sales volumes (boe 6:1)	**61**	58	267
Net loss for the period ($)	**(1,216,570)**	(780,434)	1,315,540
Net loss per share – basic and diluted ($)	**(0.02)**	(0.01)	0.05
Statement of Cash Flows			
Funds (used in) from operations ($) [(1)]	**(1,110,316)**	(267,248)	605,332
Cash flow (used in) from operations ($)	**(636,828)**	453,149	773,935
Capital expenditures ($)	**7,263,788**	5,893,010	3,769,082
Weighted average number of shares			
- basic and diluted	**79,651,375**	59,720,853	28,755,934

Statement of Operations and Deficit	Years ended December 31		
	2008	2007	2006
Petroleum and natural gas sales ($)	**2,032,513**	2,980,974	5,766,744
Petroleum & natural gas sales per boe ($)	**91.39**	67.08	63.25
Daily sales volumes (boe 6:1)	**61**	122	250
Net loss for the period ($)	**(4,734,313)**	(2,754,755)	(1,420,409)
Net loss per share – basic and diluted ($)	**(0.07)**	(0.06)	(0.05)
Statement of Cash Flows			
Funds (used in) from operations ($) [(1)]	**(1,666,344)**	(748,317)	1,673,671
Cash flow (used in) from operations ($)	**(1,257,504)**	(581,763)	1,820,166
Capital expenditures ($)	**15,623,603**	20,221,545	4,534,398
Total assets	**56,416,889**	37,083,599	12,423,677
Total liabilities	**8,640,602**	6,002,376	5,592,008
Shareholders' equity	**47,776,287**	31,081,223	6,831,669
Weighted average number of shares			
- basic and diluted	**68,689,821**	42,765,794	25,964,131

(1) Alberta Oilsands' method of calculating funds from operations may differ from that of other corporations and, accordingly, may not be comparable to measures used by other corporations. Alberta Oilsands calculates funds from operations by taking cash flow from operating activities as determined under GAAP before the change in non-cash working capital related to operating activities and abandonment expenditures incurred. The Company uses this method as it believes the uncertainty surrounding the timing of collection, payment or incurrence of these items makes them less useful in evaluating Alberta Oilsands' operating performance. A summary of this reconciliation is as follows:

Reconciliation of Cash flow per GAAP to Funds from (used in) Operations	Three months ended March 31		
	2009	2008	2007
Cash flow (used in) from operating activities (per GAAP) ($)	**(636,828)**	453,149	773,935
Change in non-cash working capital ($)	**(473,488)**	(720,397)	(168,603)
Funds (used in) from Operations	**(1,110,316)**	(267,248)	605,332

Reconciliation of Cash flow per GAAP to Funds from (used in) Operations	Years ended December 31		
	2008	2007	2006
Cash flow (used in) from operating activities (per GAAP) ($)	**(1,257,504)**	(581,763)	1,820,166
Change in non-cash working capital ($)	**(408,840)**	(166,554)	146,495
Abandonment expenditures ($)	**-**	-	6,284
Funds (used in) from Operations	**(1,666,344)**	(748,317)	1,679,955

Production	Three months ended March 31	
	2009	2008
Oil and NGL (bbls/day)	**55**	50
Natural gas (mcf/day)	**37**	47
boe/day (6:1)	**61**	58

The production for the three months ended March 31, 2009 and 2008 were comparable. The production for the first quarter of 2009 is also comparable to the fourth quarter of 2008 of 66 boe/day.

Commodity Prices	Three months ended March 31	
	2009	2008
Oil and NGL ($/bbl)	**49.40**	91.87
Natural gas ($/mcf)	**5.82**	7.79
boe ($/boe)	**47.93**	85.74
Revenues ($)		
Oil and NGL	**242,662**	411,457
Natural gas	**19,365**	32,879
Total	**262,027**	444,336

Commodity prices for the first quarter of 2009 continued to decline from the fourth quarter of 2008. As can be seen in the above table, on a boe basis, the prices were 44% lower from the comparative 2008 quarter.

Royalties and Operating Expenses	Three months ended March 31	
	2009	2008
Royalties ($)	**37,490**	45,007
% of revenues	**14**	10
$/boe	**6.86**	8.69
Operating and transportation expenses ($)	**459,279**	216,611
$/boe	**84.01**	41.80

Royalties for the first quarter of 2009 fell to $6.86 on a per boe basis from $10.58 per boe in the fourth quarter of 2008, and from $8.69 in the first quarter of 2008. Royalties in both quarters of 2009 and 2008 included Crown royalty reductions from calculation of gas cost allowance.

Operating and transportation costs for the first quarter of 2009 were $459,279 or $84.01 per boe as compared to $179,301 or $29.34 per boe in the fourth quarter of 2008 and $216,611 or $41.80 per boe for the first quarter in 2008. The increase on a boe basis was mainly a result of a surface casing vent leak and other well and equipment repairs that arose during the unusually long, cold winter. The pump changes, battery upgrades and other maintenance and repair items on the Leduc property during the last half of 2008 should ultimately result in increased production and decreased operating expenses during 2009.

Netbacks ($/boe)	Three months ended March 31	
	2009	2008
Revenue	**47.93**	85.74
Royalties	**6.86**	8.69
Operating expenses	**84.01**	41.80
Field netbacks	**(42.94)**	35.25
General and administrative *(i)*	**132.31**	74.55
Netbacks	**(175.25)**	(39.30)

(i) Note: The Company's per boe general and administrative expenses are generally higher than companies with comparable production levels as Alberta Oilsands is primarily focussed on non-conventional oil sands exploration for which there are no immediate production increases. See "Special Note Regarding Non-GAAP measures".

General and administrative expense

General and administrative expenditures for the three months ended March 31, 2009 were $723,327 ($132.31 per boe) versus $386,308 ($74.55 per boe) in the same quarter in 2008. Salaries in the amount of $70,969 related to individuals specifically involved in the oil sands properties were capitalized to such properties in the three months ended March 31, 2009 versus $38,752 for the same quarter in 2008. Increases in personnel, office, travel and other promotional costs in the quarter ended March 31, 2009 were partially offset by capital overhead recoveries.

Business development expenses and international operations

During the three months ended March 31, 2009, the Company incurred $152,798 as compared to $105,910 for the comparative 2008 period, in business development expenses related to the pursuit of projects outside of conventional Canadian oil and gas exploration and development, principally in Kenya. The majority of the expenditures in the first quarter of 2009 were primarily one-time commitments in regards to training and administration fees relating to the Kenya prospect.

On September 17, 2008 Platform Resources Ltd., a wholly-owned subsidiary of Alberta Oilsands, signed two Production Sharing Contracts ("PSC's") with the Government of the Republic of Kenya on commercial terms that Platform considers to be attractive to it. The two exploration blocks are located in the eastern branch of the East Africa Rift Basin, southwest of Lake Turkana, in Kenya. Platform believes that recent discoveries in the western branches of the Rift Basin, near Uganda's Lake Albert and adjacent to western Kenya, highlight the under-explored nature and potential of this geological trend.

Under the terms of the PSC's, Platform is authorized to conduct exploration operations in two contract areas (Block 12A - 15,389 sq. km. and Block 13T - 8,429 sq. km.) for three years after the effective date of December 17, 2008, extendible at Platform's option for two additional terms of two years each. During the initial three year exploration period for each block, Platform has minimum total expenditure obligations of U.S. $3,600,000 for Block 12A and U.S. $3,650,000 for Block 13T. Platform is required to provide security for its minimum work obligations in the form of a bank letter of credit in the amount of 15%, and a guarantee of its parent (Alberta Oilsands) in the amount of 85%.

Platform is entitled to opt out of the PSC's at its sole discretion after 18 months, in the case of Block 12A, and 12 months in the case of Block 13T. Subsequent correspondence between Platform and representatives of the Government state the Government's expectations that Platform is to submit to the Government its proposed minimum work program and corresponding budgets for the initial 12 and 18 month opt-out periods, for both Blocks. Platform is working towards completion of these submissions which will identify the minimum work obligations for Block 12A and Block 13T. The Government has confirmed that upon their approval and the Company's completion of these minimum work commitments during the opt-out periods, that Platform is entitled to exercise its opt-out rights after 18 and 12 months, respectively, for Blocks 12A and 13T, with no further obligations under the PSC's if it does so.

Platform has not yet submitted its work programs to the Government, nor the bank letters of credit or parent guarantees, the first of which was due on or before March 17, 2009, and the latter two of which were due on or before the commencement of the initial exploration period. The Government may be entitled to terminate the PSC's in respect of these omissions by giving a notice of default to Platform, but the PSC's provide that if Platform remedies the breaches within the period of notice (a minimum of one month), the Government is required to withdraw the notice of termination.

As at March 31, 2009 Platform has purchased 50 lines of 2D seismic and has access to a total of 3,000 line kilometers of 2D seismic. Platform has paid a signing bonus of U.S.$125,000 pursuant to the PSC's and has incurred approximately U.S.$50,000 on seismic and on producing a work program to present to the Government of Kenya.

Readers should be aware that there are certain risks associated with Platform's international operations. See "Forward-looking Statements and Information" and "Business Risks and Uncertainties".

Stock-based compensation

Stock-based compensation for the three months ended March 31, 2009 was $293,646 compared to $364,299 in the same period in 2008. In addition, $93,557 of stock-based compensation and $31,186 of related future income taxes was capitalized to property and equipment in the three months ended March 31, 2009 versus $103,059 of stock-based compensation and $34,353 of related future income taxes was capitalized in the comparative period in 2008. Stock-based compensation for options granted to consultants is based on the estimated fair value recalculated at each balance sheet date until the related options are fully vested. Stock-based compensation expense related to options granted to individuals whose salary and or consulting fees are capitalized is included in property and equipment.

Interest and financing fee expenses

Total interest expense of $32,509 was incurred for the quarter ended March 31, 2009 relating to Part XII.VI interest from the Company's 2008 flow-through common share financings. The tax benefits of the flow-through financings were renounced to investors effective December 31, 2008 and interest accrues on a monthly basis on the unspent portion of the qualifying expenditures until all of the requirements have been met. This compares to interest expense in the quarter ended March 31, 2008 of $76,717 which was comprised primarily of interest related to the 2007 flow-through financings.

Depletion, depreciation and accretion	Three months ended March 31	
	2009	2008
Depletion and depreciation ($)	**110,375**	223,175
$/boe	**20.19**	43.07
Accretion ($)	**8,302**	15,190
$/boe	**1.52**	2.93

The total depletion, depreciation and accretion charge for the three months ended March 31, 2009 is $118,677 ($21.71 per boe) compared to $238,365 ($46.00 per boe) for the three months ended March 31, 2008. A significant increase in reserves was assigned in the 2009 quarter from the Ladyfern well which resulted in a decrease in the boe depletion rate. The Company applied the ceiling test to its property and equipment at the end of the quarter and determined that there was no impairment.

In performing the ceiling test, the Company excludes the $36.4 million spent to date on its oil sands properties.

Capital Expenditures

	Three months ended March 31	
	2009	2008
Oil sand properties	**$**	$
Land and lease rentals	**11,200**	-
Seismic	**675,381**	550,263
Drilling	**4,224,785**	6,767,290
Tangible	**556**	-
Capital expenditure recovery from joint venture partner	**-**	(1,983,234)
	4, 911,922	5,334,319
Conventional properties		
Lease rentals and seismic	**36,574**	22,542
Drilling and completion	**2,262,898**	230,534
Tangible	**51,660**	303,234
	2,351,132	556,310
Office	**734**	2,381
Total	**7,263,788**	5,893,010

Stock-based compensation expense in the amount of $93,557 and related future tax liability of $31,186 has been added to the Company's oil sands property expenditures for the three months ended March 31, 2009. During the comparable period in 2008, $103,059 of stock based compensation and $34,353 of related future income taxes were capitalized.

The main focus for the Company during the first quarter of 2009 was the completion of the coring program at Clearwater in the Oilsands area and the drilling and completion of a conventional gas well at Ladyfern. This well has been placed on production commencing April 1, 2009.

Liquidity and Financial Position

The Company commenced 2009 with working capital of $14,560,866.

During the three months ended March 31, 2009, a total of $1,110,316 was spent on operating activities, $7,263,788 was incurred on capital expenditures and $123,101 for an increase in the reclamation deposit with the ERCB. The Company exited the quarter with a working capital of $6,063,661.

From the August 2008 financing, the Company raised $11.8 million from flow-through common shares. Approximately $8.8 million of qualifying expenditures had been spent by March 31, 2009 and the remaining $3.0 million will be required to be spent on qualifying expenditures by December 31, 2009.

The working capital as at March 31, 2009 of $6.1 million will be utilized to fund the balance of the flow-through expenditures and provide funds for operating activities in 2009. While the Company does not have any financing in place as at March 31, 2009, it will require financing in order to continue with both development and exploration efforts in the oil sands and conventional assets. The Company through its subsidiary Platform, is seeking alternate financing or a joint venture to fund the Kenya project. See "Contractual Obligations and Commitments"

The Company continues to pursue alternate arrangements either from financings, joint ventures or asset rationalizations to provide the funding required to continue the Oilsands development.

The Company's policy is to ensure that its cash investments are liquid and are not invested in asset backed commercial paper products.

Share Capital

Common shares

The Company commenced 2009 with 79,651,375 common shares outstanding. There were no changes to March 31, 2009 and as at the date of this MD&A.

Stock Options

The Company commenced 2009 with a total of 7,622,856 stock options outstanding. During the first quarter of 2009, a total of 200,000 options were granted, and 154,700 were forfeited, resulting in 7,668,156 options outstanding as at March 31, 2009. Subsequent to March 31, 2009, 249,000 options were cancelled and 101,000 stock options were granted resulting in 7,520,156 options outstanding as at the date of this MD&A.

Contractual Obligations and Commitments

Flow-through expenditures

During August 2008 the Company raised an additional $11.8 million of flow-through proceeds. The Company renounced the tax benefits of these proceeds to the investors effective December 31, 2008. As at March 31, 2009, approximately $8.8 million of expenditures had been incurred. The remaining $3.0 million of qualifying expenditures must be incurred by December 31, 2009.

International obligations

Upon the PSC's becoming effective, Platform will have an obligation to spend an aggregate minimum of US $7.25 million before December 17, 2011 (US$ 3.65 million on Block 13T and US $3.6 million on Block 12A). The PSCs provide that Platform has the right to opt out of the PSC's in Platform's sole discretion after a 12 month evaluation period in the case of Block 13T, and an 18 month evaluation period in the case of Block 12A. Platform is evaluating the minimum work program and expenditures that would be required to be spent on the two Exploration Blocks during the periods of the opt out clauses. The majority of this expenditure would be directed to prospect evaluation. See "Business development expenses and international operations".

Other commitments

The Company granted a two percent gross overriding royalty, which is subject to certain adjustments, on the Company's Hangingstone East property to Dr. Greg Hu, a consultant who was an employee and officer of the Company from September 2007 to August 2008. The carrying amount of the respective lands is $3.2 million. In addition, Dr. Hu had been allocated an amount equal to 10% of all future stock options which become capable of being granted by the Company as a result of an increase in the number of issued and outstanding common shares resulting from future equity financings. A total of 497,656 options have been granted to date at a weighted average exercise price of $0.87. If the Company is unable to grant such stock options, the gross overriding royalty on the Company's Hangingstone East property, increases to three percent.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

Except as disclosed elsewhere in the financial statements, the Company had the following related party transactions for which the expenses are included in general and administrative expenses, business development expenses and share issue costs:

a) During the quarter ended March 31, 2009, the Company was charged $55,342 (March 31, 2008 - $53,266) in legal fees by legal firms in which directors and officers of the Company are partners. Included in accounts payable at March 31, 2009 is $97,804 (December 31, 2008 – $42,223) due to the legal firms.

b) During the three months ended March 31, 2009, the Company was charged $194,282 (March 31, 2008 - $122,050) for geological expenses from a corporation controlled by Dr. Greg Hu. Other than in respect of the agreement providing for a gross-overriding royalty on certain of the Company's oil sands lands, and the allocation of an amount equal to 10% of all future stock options which become capable of being granted by the Company as a result of an increase in the number of issued and outstanding common shares resulting from future equity financings, as described earlier in this MD&A, there are no ongoing contractual obligations or other commitments outstanding as a result of the consulting arrangement with Dr. Hu. Dr. Hu resigned as an employee effective August 31, 2008.

These transactions were in the normal course of operations. All transactions were recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties and represents fair market value.

Selected Historical Financial Information

	2009	2008		
	1ST QUARTER	4TH QUARTER	3RD QUARTER	2ND QUARTER
Petroleum and natural gas revenue	262,027	366,542	666,302	555,333
Net loss	(1,216,570)	(1,985,137)	(799,495)	(1,169,247)
Net loss per share – basic and diluted	(0.02)	(0.02)	(0.01)	(0.02)
Funds used in operations	(1,110,316)	(485,453)	(282,302)	(631,341)
Cash flow (used in) from operations	(636,828)	(397,166)	(270,430)	(1,043,057)
Capital expenditures	7,263,788	4,990,133	952,090	1,805,135

	2008	2007		
	1ST QUARTER	4TH QUARTER	3RD QUARTER	2ND **QUARTER**
Petroleum and natural gas revenue	444,336	475,589	507,374	487,642
Net loss	(780,434)	(1,002,898)	(1,688,739)	(1,378,661)
Net loss per share – basic and diluted	(0.01)	(0.02)	(0.03)	(0.02)
Funds used in operations	(267,248)	(418,165)	(231,667)	(703,819)
Cash flow (used in) from operations	453,149	(508,542)	(462,248)	(384,908)
Capital expenditures	5,893,010	4,681,196	7,658,343	4,112,925

Outlook

Alberta Oilsands current focus is to submit a pilot project application for its Clearwater West property in late 2009. The Company believes its size, scale, diversity, autonomy, technologies and execution are all reasons to be optimistic about its future.

The Company offers valuation upside with expected conventional production from its new well in the Ladyfern area to provide increased cash flow and reserve values.

The Company intends to incur approximately $2.5 million on drilling conventional exploratory wells. These expenditures will be utilized to fulfill the flow-through obligations by the end of December 31, 2009. It is anticipated that not only by completing the expenditure obligations, success will be achieved resulting in additional production and cash flow to preserve future cash which will be used to focus on the Oilsands area.

Alberta Oilsands believes it is well positioned for success thanks to its agile corporate philosophy. The Company has shown that it is able to pursue and seize accretive growth opportunities. Equally important is management's fiscal restraint demonstrated during this time of economic uncertainty. Finally, the Company believes it has a strong portfolio of assets, conventional drilling opportunities in Canada and the identification of six potential oil sands projects.

Oilsands Development Risks

In assessing the feasibility of potential oil sands projects and in estimating the value of and the projected start-up dates for pilot projects and commercial *in-situ* operations in the Company's Clearwater East and West project areas, management has made numerous assumptions that the Company will be able to obtain regulatory (including in respect of applicable environmental matters) and other required third party approvals in a timely manner; that the regulatory framework representing royalties, taxes and environmental matters will continue to support such projects; that the Company will be able to generate sufficient cash flow, access capital markets on competitive terms or find strategic partners in order to enable it to fund such projects; that future prices for crude oil, bitumen and refined products will continue to be at levels which support such projects; that the results from the Company's 2008/2009 winter core drilling program will be favourable; that the Company's independent resource estimates are accurate; and that the Company will be able to obtain qualified staff and equipment in a timely and cost efficient manner. In the event such assumptions are not accurate, this could have an adverse effect on the ability of the Company to commence such projects within the noted timelines, or at all. Please see the section entitled "Forward-looking Statements and Information" in this MD&A. There is no certainty that it will be commercially viable to produce any portion of the resources described in this MD&A. For important information regarding the disclosure of resource estimates, including the definitions of "Contingent Resources", please see the section entitled "Disclosure of Resources" in this MD&A.

Business Risks and Uncertainties

The risks and uncertainties below are not the only ones facing the Company. For an overview of the risks and uncertainties which may affect the Company and its business and operations, readers are referred to the section entitled "Forward-looking Statements and Information" in this MD&A and to the Company's December 31, 2008 MD&A which can be found under the Company's profile at www.sedar.com. The risks and uncertainties as contained in such documents are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the business and operations of the Company and cause the price of the securities of the Company to decline. If any of these risks actually occur, the Company's business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the shares could decline and shareholders may lose all or part of their investment. Prospective investors should review the risks with their legal and financial advisors and should consider, in addition to the matters set forth elsewhere in this prospectus, the following risks of purchasing shares.

An investment in the securities of the Company is suitable only for purchasers who are aware of such risks and who have the ability and willingness to accept the risk of total loss of their invested capital.

Disclosure of Resources

"Resources" are quantities of petroleum that are estimated to exist originally in naturally occurring accumulations, including the quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered.

"Contingent resources" are defined as those quantities of petroleum estimated, on a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. It is also appropriate to classify as "contingent resources" the estimated discovered recoverable quantities associated with a project in the early project stage.

"Undiscovered resources" are defined as that portion of undiscovered petroleum initially-in-place which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

There is no certainty that it will be commercially viable for the Company to produce any portion of the bitumen resources detailed in this MD&A. The estimated future net revenues contained in this MD&A do not necessarily represent the market value of such resources. The high level of uncertainty associated with the Company's possible recovery of any of these resources is the result of various risks and uncertainties including: current uncertainties around the specific scope and timing of the development of the Company's Fort-McMurray properties; the ability of the Company to finance any potential oil sands projects at its Fort-McMurray properties; proposed reliance on technologies that have not yet been demonstrated to be commercially applicable in oil sands applications; lack of regulatory approvals; the uncertainty regarding marketing plans for production from the subject areas; and improved estimation of project costs. There are a number of inherent risks and contingencies associated with such development, including commodity price fluctuations, project costs and those other risks and contingencies discussed in more detail in the sections entitled "Business Risks and Uncertainties" and "Forward-looking Statements and Information" in this MD&A.

Resources, undiscovered resources and contingent resources do not constitute, and should not be confused with, reserves.

Critical Accounting Estimates

The Company's unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles. A comprehensive discussion of the Company's significant accounting policies is contained in Note 2 to the audited consolidated financial statements for the year ended December 31, 2008. The Company's significant accounting policies are subject to estimates and key judgments about future events, many of which are beyond management's control.

Change in Accounting Policies

On January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants Handbook Section:

Section 3064 Goodwill and Intangible Assets which replaces the previous goodwill and intangible asset standard and revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard had no impact on the Company's unaudited interim financial statements.

Alberta Oilsands Inc.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2009

Notice of No Auditor Review of Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited interim financial statements as at and for the three months ended March 31, 2009 and 2008.

Alberta Oilsands Inc.
Interim Consolidated Balance Sheets
(unaudited)

Assets		March 31, 2009		December 31, 2008
Current				
Cash and cash equivalents *(note 3)*	$	**10,787,121**	$	17,371,816
Short-term investments		**-**		1,994,246
Accounts receivable		**265,262**		339,700
Prepaid expenses		**61,907**		125,005
		11,114,290		19,830,767
Reclamation deposit		**248,426**		125,325
Property and equipment *(note 4)*		**43,748,834**		36,460,797
	$	**55,111,550**	$	56,416,889
Liabilities				
Current				
Accounts payable and accrued liabilities	$	**5,050,629**	$	5,269,901
Asset retirement obligation *(note 5)*		**953,883**		935,700
Future income taxes *(note 8)*		**5,114,689**		2,435,001
		11,119,201		8,640,602
Shareholders' Equity				
Share capital *(note 6)*		**49,283,249**		52,237,820
Contributed surplus *(note 7)*		**5,546,200**		5,158,997
Deficit		**(10,837,100)**		(9,620,530)
		43,992,349		47,776,287
	$	**55,111,550**	$	56,416,889

Basis of presentation *(note 1)*
Commitments *(note 12)*
Subsequent events *(note 15)*

See accompanying notes to the unaudited interim consolidated financial statements.

Alberta Oilsands Inc.

Consolidated Interim Statements of Operations, Comprehensive Loss, and Deficit
For the three months ended March 31
(unaudited)

		2009		2008
Revenue				
Petroleum and natural gas sales	$	**262,027**	$	444,336
Royalties		**(37,490)**		(45,007)
		224,537		399,329
Interest income		**33,060**		118,969
		257,597		518,298
Expenses				
Production		**453,791**		205,966
Transportation		**5,488**		10,645
General and administrative		**723,327**		386,308
Business development *(note 9)*		**152,798**		105,910
Stock-based compensation *(note 6)*		**293,646**		364,299
Interest		**32,509**		76,717
Accretion		**8,302**		15,190
Depletion and depreciation *(note 4)*		**110,375**		223,175
		1,780,236		1,388,210
Loss before income taxes		**(1,522,639)**		(869,912)
Future income tax reduction *(note 8)*		**306,069**		89,478
Net loss and comprehensive loss for the period		**(1,216,570)**		(780,434)
Deficit, beginning of period		**(9,620,530)**		(4,886,217)
Deficit, end of period	$	**(10,837,100)**	$	(5,666,651)
Net loss per share Basic and diluted *(note 6)*	$	**(0.02)**	$	(0.01)

See accompanying notes to the unaudited interim consolidated financial statements.

Alberta Oilsands Inc.
Consolidated Interim Statements of Cash Flows
For the three months ended March 31
(unaudited)

		2009		2008
Operating				
Net loss for the period	$	**(1,216,570)**	$	(780,434)
Non-cash items:				
Stock-based compensation		**293,646**		364,299
Accretion		**8,302**		15,190
Depletion and depreciation		**110,375**		223,175
Future income tax reduction		**(306,069)**		(89,478)
		(1,110,316)		(267,248)
Change in non-cash working capital *(note 10)*		**473,488**		720,397
		(636,828)		453,149
Financing				
Issuance of shares, net of costs		**-**		7,984,674
Change in non-cash working capital *(note 10)*		**(136,871)**		50,655
		(136,871)		8,035,329
Investing				
Short-term investments		**1,994,246**		-
Expenditures on property and equipment		**(7,263,788)**		(7,876,244)
Reclamation deposit		**(123,101)**		-
Proceeds from joint operations		**-**		1,983,234
Change in non-cash working capital *(note 10)*		**(418,353)**		(1,594,866)
		(5,810,996)		(7,487,876)
(Decrease) increase in cash and cash equivalents		**(6,584,695)**		1,000,602
Cash and cash equivalents, beginning of period		**17,371,816**		11,445,658
Cash and cash equivalents, end of period	$	**10,787,121**	$	12,446,260

Supplemental cash flow information:

Interest paid	$	**169,380**	$	76,062

See accompanying notes to the unaudited interim consolidated financial statements.

1. Basis of presentation and future operations

Alberta Oilsands Inc. (“the Company”) is incorporated under the Business Corporations Act (Alberta) and is listed on the TSX Venture Exchange. The Company is involved in the production, exploration and development of resource properties. These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Platform Resources Inc. after the elimination of all intercompany transactions and balances.

These unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and on a basis consistent with the audited December 31, 2008 consolidated financial statements except certain disclosures have been condensed or omitted. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the notes contained in the Company’s audited December 31, 2008 consolidated financial statements. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. Accordingly, actual results could differ from those estimates.

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Property and equipment is recognized in these financial statements in accordance with the accounting policies outlined in note 2 of the audited December 31, 2008 consolidated financial statements. Accordingly, their carrying amounts represent costs incurred to date, net of abandonments and write-downs, and do not necessarily reflect present or future values. In addition, the Company has incurred operating losses over the past two years. The ability of the Company to continue as a going concern and the recoverability of amounts shown for the properties is dependent upon the existence of economically recoverable reserves and upon the Company’s ability to obtain additional financing to continue the development of the Company’s properties and generate funds therefrom and to meet current and future obligations. The consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, expenses and the balance sheet classifications that would be used if the going concern assumption were not appropriate. Such adjustments could be material.

2. Changes in accounting policies

On January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants Handbook Section:

Section 3064 Goodwill and Intangible Assets which replaces the previous goodwill and intangible asset standard and revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard had no impact on the Company’s unaudited interim financial statements.

3. Cash and cash equivalents

	March 31, 2009	December 31, 2008
Cash in bank	$ 10,787,121	$ 3,898,794
Term deposits	-	13,473,022
	$ 10,787,121	$ 17,371,816

The term deposits outstanding as at December 31, 2008 earned interest at rates ranging from 1.83% to 2.00% and matured during January to March 2009. Included in the cash in bank balance is $4,190 (December 31, 2008 - $ 218,845) of restricted cash subject to the authorization of a joint operating partner.

4. Property and equipment

	March 31, 2009		
	Cost	Accumulated depletion and depreciation	Net
Petroleum and natural gas properties			
Oil sands properties	$ 36,420,094	-	36,420,094
Conventional properties	16,016,284	8,766,600	7,249,684
Office equipment	188,188	109,132	79,056
	$ 52,624,566	8,875,732	43,748,834

During the three months ended March 31, 2009, the Company capitalized $70,969 (2008 - $38,752) of general and administrative costs, $93,557 (2008 - $103,059) of stock-based compensation, and $31,186 (2008 - $34,353) of related future incomes taxes. At March 31, 2009, the Company excluded $36,496,703 (December 31, 2008 - $31,499,211) of petroleum and natural gas property costs relating to unproved properties from the depletion and ceiling test calculations. In addition, $464,982 (2008 - $229,400) of future development costs have been included in the depletion calculation.

The Company applied the ceiling test to its conventional property and equipment at March 31, 2009 and determined that there was no impairment (December 31, 2008 – impairment of $1,475,000) which has been included in depletion and depreciation expense.

For the purposes of the March 31, 2009 impairment test, the following benchmark prices were used:

	Edmonton Light Cdn$/bbl	AECO Spot $/MMbtu
2009 - remaining	65.00	4.50
2010	75.00	6.00
2011	80.00	6.75
2012	85.00	7.50
2013	90.00	8.25
Escalation rate thereafter - 2%		

5. Asset retirement obligation

The following table presents the reconciliation of the carrying amount of the obligation associated with the retirement of the property and equipment:

	March 31, 2009
Balance, beginning of period	$ 935,700
Liabilities incurred	9,881
Accretion	8,302
Balance, end of period	$ 953,883

5. Asset retirement obligation *(continued)*

The following significant assumptions were used to estimate the asset retirement obligation:

	March 31, 2009
Undiscounted abandonment costs	$ 1,236,620
Credit adjusted risk-free rate	8 - 10%
Inflation rate	2%
Weighted average expected timing of cash flows	4 years

6. Share capital

a) Common shares issued

	Number of Shares	Amount
Balance, December 31, 2008	79,651,375	$ 52,237,820
Tax effect of flow-through shares issued in 2008 *(i)*	–	(2,954,571)
Balance, March 31, 2009	79,651,375	$ 49,283,249

(i) In August 2008 a private placement was completed for 12,440,300 flow-through common shares for gross proceeds of $11,818,285. The renouncement documents were filed with the tax authorities in February 2009 at which time the tax effect of the qualifying expenditures in the amount of $2,954,571 was recognized. The Company is required to spend $11,818,285 in qualifying expenditures by December 31, 2009, of which approximately $8,801,019 had been incurred at March 31, 2009.

b) Stock options

During the three months ended March 31, 2009, the Company granted a total of 200,000 stock options which vested one-third upon grant date and one-third on the first and second anniversaries of the grant date and expire five years from grant date. The initial total fair value of the options granted was estimated to be $19,867. The Black-Scholes pricing model was used to estimate the fair value of the options granted using a forfeiture rate of 0%, a dividend yield of nil, weighted average risk-free interest rate of 2.11%, weighted average volatility of 103% and an expected life of 5 years.

The following is a continuity of stock options as at March 31, 2009:

	Options	Weighted average exercise price
Opening	7,622,856	$ 0.85
Granted	200,000	0.13
Forfeited/ cancelled	(154,700)	(1.14)
Closing	7,668,156	$ 0.82

6. Share capital *(continued)*

b) Stock options *(continued)*

The following summarizes information about stock options outstanding as at March 31, 2009:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Options outstanding weighted average exercise price	Number exercisable	Options exercisable weighted average exercise price
$ 0.13	2,357,000	4.72	$ 0.13	785,667	$ 0.13
$ 0.29 – $ 0.30	667,000	0.93	0.30	667,000	0.30
$ 0.37 – $ 0.40	914,000	2.47	0.37	914,000	0.37
$ 0.45 – $ 0.67	1,189,686	3.94	0.61	478,562	0.61
$ 0.85 – $ 1.30	527,097	3.47	1.23	351,398	1.26
$ 1.47 – $ 1.91	974,373	3.20	1.85	649,582	1.85
$ 1.92 – $ 2.21	1,039,000	3.30	2.21	692,666	2.21
	7,668,156	3.53	$ 0.82	4,538,875	$ 0.90

The Company recognized stock-based compensation expense in the three months ended March 31, 2009 and 2008 for the following option grants:

Year of option grant	2009	2008
2006	$ –	$ 27,782
2007	321,230	411,123
2008	58,523	28,453
2009	7,450	–
	387,203	467,358
Capitalized to property and equipment *(note 6)*	(93,557)	(103,059)
Expensed	$ 293,646	$ 364,299

c) Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding for the three months ended March 31, 2009 of 79,651,375 (2008 - 59,720,853). In computing diluted per share amounts for the three months ended March 31, 2009 and 2008 all of the Company's outstanding options were excluded as they were considered to be anti-dilutive.

7. Contributed surplus

Balance, December 31, 2008	$ 5,158,997
Stock-based compensation expense	293,646
Capitalized stock-based compensation	93,557
Balance, March 31, 2009	$ 5,546,200

8. Income taxes

The Company's computation of income taxes are as follows:

	Three months ended March 31 2009	2008
Expected income tax reduction at 29.05% (2008 – 29.70%)	$ (442,327)	$ (258,016)
Stock-based compensation expense	86,675	109,593
Changes in enacted tax rates and other	49,583	58,945
Future income tax reduction	$ (306,069)	$ (89,478)

The components of the net future income tax liability are as follows:

	March 31, 2009	December 31, 2008
Non-capital loss carryforwards	$ 1,240,796	$ 928,316
Asset retirement obligation	238,471	233,925
Share issue costs	469,210	508,013
Property and equipment	(7,063,166)	(4,105,255)
Future income tax liability	$ (5,114,689)	$ (2,435,001)

9. Business development expenses

During the three months ended March 31, 2009 the Company incurred $152,798 (2008 - $105,910) of business development expenses related to the pursuit of projects outside of the conventional Canadian oil and gas exploration and development business. These expenses include consulting and related costs as well as costs associated with the on-going pursuit of additional financing to support any potential transactions (note 14).

10. Change in non-cash working capital

	Three months ended March 31 2009	2008
Accounts receivable	$ 74,438	$ (4,850,801)
Prepaid expenses	63,098	210,320
Accounts payable and accrued liabilities	(219,272)	3,816,667
	$ (81,736)	$ (823,814)

The change in non-cash working capital has been allocated to the following activities:

	2009	2008
Operating	$ 473,488	$ 720,397
Financing	(136,871)	50,655
Investing	(418,353)	(1,594,866)
	$ (81,736)	$ (823,814)

11. Related parties

Except as disclosed elsewhere in the financial statements the Company had the following related party transactions for which the expenses are included in general and administrative expenses, business development expenses and share issue costs:

a) During the three months ended March 31, 2009, the Company was charged $55,342 (2008 - $53,266) in legal fees by legal firms in which directors and officers of the Company are partners. These costs are included in general and administrative expense, business development and share issue costs. Included in accounts payable at March 31, 2009 is $97,804 (December 31, 2008 - $42,223) due to the legal firms.

b) During the three months ended March 31, 2009, the Company was charged $194,282 (March 31, 2008 - $122,050) for geological expenses from a corporation controlled by Dr. Greg Hu. Other than in respect of the agreement providing for a gross-overriding royalty on certain of the Company's oil sands lands, and the allocation of an amount equal to 10% of all future stock options which become capable of being granted by the Company as a result of an increase in the number of issued and outstanding common shares resulting from future equity financings, there are no ongoing contractual obligations or other commitments outstanding as a result of the consulting arrangement with Dr. Hu. Dr. Hu resigned as an employee effective August 31, 2008.

These transactions are in the normal course of operations and were recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. Commitments

a) The Company is committed to an agreement for office premises on a month to month basis at a rate of $12,500 per month.

b) The Company has granted a two percent gross overriding royalty on specific properties to Dr. Greg Hu, a former officer of the Company. The carrying amount of such properties is $3.2 million. In addition, the individual has also been allocated an amount equal to 10% of all future stock options which become capable of being granted by the Company as a result of an increase in the number of issued and outstanding common shares resulting from future equity financings. If the Company is unable to grant such stock options, the gross overriding royalty increases to three percent.

c) Pursuant to flow-through private placements, the Company is required to incur approximately $3.0 million on qualifying expenditures by December 31, 2009.

d) On September 17, 2008 Platform Resources Ltd., a wholly-owned subsidiary of Alberta Oilsands, signed two Production Sharing Contracts ("PSC's") with the Government of the Republic of Kenya on commercial terms that Platform considers to be attractive to it. The two exploration blocks are located in the eastern branch of the East Africa Rift Basin, southwest of Lake Turkana, in Kenya. Platform believes that recent discoveries in the western branches of the Rift Basin, near Uganda's Lake Albert and adjacent to western Kenya, highlight the under-explored nature and potential of this geological trend.

12. Commitments *(continued)*

Under the terms of the PSC's, Platform is authorized to conduct exploration operations in two contract areas (Block 12A - 15,389 sq. km. and Block 13T - 8,429 sq. km.) for three years after the effective date of December 17, 2008, extendible at Platform's option for two additional terms of two years each. During the initial three year exploration period for each block, Platform has minimum total expenditure obligations of U.S. $3.6 million for Block 12A and U.S. $3.65 million for Block 13T. Platform is required to provide security for its minimum work obligations in the form of a bank letter of credit in the amount of 15%, and a guarantee of its parent (Alberta Oilsands) in the amount of 85%.

However, Platform is entitled to opt out of the PSC's at its sole discretion after 18 months, in the case of Block 12A, and 12 months in the case of Block 13T. Subsequent correspondence between Platform and representatives of the Government state the Government's expectations that Platform is to submit to the Government its proposed minimum work program and corresponding budgets for the initial 12 and 18 month opt-out periods, for both Blocks.

13. Financial instruments and financial risk management

The Company's financial instruments include cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein.

a) 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 term deposits in place as at March 31, 2009 are redeemable at any time and are with a Schedule I bank. The Company's policy is to ensure that its investments are liquid and not invested in asset-backed commercial paper products.

A substantial portion of the Company's accounts receivable is with a joint venture partner in the oil sands area. Purchasers of the Company's petroleum and natural gas are subject to credit review to minimize the risk of non-payment. As at March 31, 2009, the maximum credit exposure is the carrying amount of the accounts receivable and accruals of $265,262 (December 31, 2008 – $339,700) plus cash and cash equivalents and short-term investments of $10,787,121 (December 31, 2008 – $19,366,062). Accounts receivable is comprised primarily of petroleum and natural gas marketers, Goods and Services Tax input tax credits and joint venture partners.

13. Financial instruments and financial risk management *(continued)*

a) Credit risk *(continued)*

Receivables from petroleum and natural gas marketers are typically collected on the 25th day of the month following production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers. The Company historically has not experienced any significant collection issues with its petroleum and natural gas marketers.

Joint venture receivables are typically collected within one to two months of the joint venture bill being issued to the partner. The Company mitigates the risk from joint venture receivables by obtaining partner approval of capital expenditures prior to starting a project. However, the receivables are from participants in the petroleum and natural gas sector, and collection is dependent on typical industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling.

Further risk exists with joint venture partners as disagreements occasionally arise which increases the potential for non-collection. For properties that are operated by the Company, production can be withheld from joint venture partners who are in default of amounts owing. In addition, the Company often has offsetting amounts payable to joint venture partners from which it can net receivable balances.

The Company provided an allowance for a doubtful account in the amount of $521 during the three months ended March 31, 2009 (December 31, 2008 – $23,576). The Company would only choose to write-off a receivable balance (as opposed to providing an allowance) after all reasonable avenues of collection had been exhausted.

As at March 31, 2009 the Company's receivables were comprised of the following:

Nature of receivable		Amount	Actual or expected collection	Aging
Petroleum and natural gas marketer	$	129,800	April 2009	Not past due
Goods and Services Tax credits		112,862	May 2009	30 to 60 days
Other joint venture partners and receivables		22,600	Apr – June 2009	30 to 90 days
	$	265,262		

As the Company has not entered into any hedging arrangements, it is not exposed to credit risk associated with possible non-performance by counterparties to any such derivative financial instrument contracts.

b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its current and future financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. The Company uses authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures.

13. Financial instruments and financial risk management *(continued)*

b) Liquidity risk *(continued)*

The Company anticipates it will have adequate liquidity to fund its financial liabilities through its existing working capital. The Company's financial liabilities are comprised of accounts payable and accrued liabilities which have expected maturities of less than one year resulting in their current classification on the balance sheet.

c) Market risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The Company may use both financial derivatives and physical delivery sales contracts to manage market risks.

All such transactions are conducted in accordance with a risk management policy as set out herein.

i) Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. All of the Company's petroleum and natural gas sales are denominated in Canadian dollars; however, the underlying market prices in Canada for petroleum and natural gas are impacted by changes in the exchange rate between the Canadian and United States dollar. The Company had no outstanding forward exchange rate contracts in place at March 31, 2009.

ii) Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. Should the Company choose to mitigate commodity price risk through the use of financial derivatives and physical delivery fixed price sales contracts, all such contracts would require approval of the Board of Directors. There were no commodity price risk contracts outstanding at March 31, 2009.

iii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk primarily through its variable interest rate on its cash and cash equivalents and short-term investments. For the three months ended March 31, 2009, if interest rates had been 1% higher with all other variables held constant, the loss for the periods would have been $18,100 (2008 – $11,900) lower due to increased interest income. An equal and opposite impact would have occurred had interest rates been lower by the same amounts. The Company had no interest rate contracts outstanding at March 31, 2009.

14. Capital management

The Company's objective when managing capital is to maintain a flexible capital structure which will allow it to execute on its capital expenditure program, which includes expenditures primarily in the oilsand properties, which may or may not be successful. Therefore, the Company monitors the level of risk incurred in its capital expenditures to balance the proportion of debt and equity in its capital structure.

Consideration must also be given to the seasonality of the Company's operations. The majority of the capital expenditures are carried on in the oilsand properties which are dependent on weather conditions. Lease and road preparation for the delineation drilling is dependent upon the roads being dry to support the equipment being moved. The typical "spring break-up" curtails the Company's activity levels.

The Company considers its capital structure to include working capital of $6,063,661 (December 31, 2008 – $14,560,866) and shareholders' equity of $43,992,349 (December 31, 2008 – $47,776,287). The Company monitors capital based on annual funds from operations from its conventional oil and gas properties which are utilized to partially fund the general and administrative expenses.

The Company prepares budgets for its capital expenditures, which are updated as necessary and are reviewed and periodically approved by the Company's Board of Directors.

The Company manages its capital structure and makes adjustments by continually monitoring its business conditions including the current economic conditions, the risk characteristics of the Company's petroleum and natural gas assets, the depth of its investment opportunities, current and forecasted net debt levels, current and forecasted commodity prices and other facts that influence commodity prices and funds from operations such as quality and basis differentials, royalties, operating costs and transportation costs.

In order to maintain or adjust the capital structure, the Company will consider the potential level of credit facilities that may be attainable as a result of the potential value of the oil sands properties, availability of other sources of debt with different characteristics than conventional debt, the sale of assets, limiting the size of the capital expenditure program and new equity if available on favorable terms.

There has been no change in the Company's approach to capital management during the three months ended March 31, 2009. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future.

15. Subsequent events

a) The Company has signed a Memorandum of Understanding ("MOU") with the municipal Ft. McMurray Airport through its governing body, the Fort McMurray Airport Commission (or "FMAC"). This MOU provides for an arrangement and associated access rights subject to the ability of the parties to negotiate and enter into a definitive agreement and customary regulatory approvals. It is expected that a definitive agreement will be entered into sometime in the summer of 2009.

b) Subsequent to March 31, 2009, the Company has cancelled 249,000 and granted 101,000 stock options.