

Consolidated Financial Statements of

VENDTEK SYSTEMS INC.

Three and six months ended April 30, 2009 and 2008

(Unaudited)

Notice to Reader

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 unaudited 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.

VENDTEK SYSTEMS INC.

Consolidated Balance Sheets
(Expressed in Canadian dollars)

	April 30, 2009 (Unaudited)	October 31, 2008 (Audited)
Assets		
Current assets:		
Cash	\$ 2,148,959	\$ 2,102,666
Accounts receivable	2,032,517	2,851,942
Income tax recoverable	618,373	183,473
Inventories (note 4)	3,259,028	2,934,249
Prepaid expenses and deposits	175,400	60,108
	<u>8,234,277</u>	<u>8,132,438</u>
Equipment	810,514	917,296
Intangible assets	275,738	321,848
Goodwill	907,342	907,342
	<u>\$ 10,227,871</u>	<u>\$ 10,278,924</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,522,246	\$ 6,376,818
Current portion of capital lease obligation	39,707	43,952
	<u>6,561,953</u>	<u>6,420,770</u>
Capital lease obligation	9,572	22,281
	<u>6,571,525</u>	<u>6,443,051</u>
Shareholders' equity:		
Share capital (note 6)	8,344,732	8,344,732
Contributed surplus (note 6)	2,191,814	2,117,835
Accumulated deficit	(6,880,200)	(6,626,694)
	<u>3,656,346</u>	<u>3,835,873</u>
	<u>\$ 10,227,871</u>	<u>\$ 10,278,924</u>

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

“signed”

Garth Albright, Director

“signed”

Shane Meyers, Director

VENDTEK SYSTEMS INC.

Consolidated Statements of Operations and Accumulated Deficit
(Unaudited)
(Expressed in Canadian dollars)

	Three months ended April 30,		Six months ended April 30,	
	2009	2008 (Restated Note 3)	2009	2008 (Restated Note 3)
Revenues:				
Prepaid telecommunication	\$ 28,935,759	\$ 28,561,355	\$ 58,859,758	\$ 57,056,420
Hardware and equipment	21,537	15,728	40,475	37,241
Software license and services	361,256	267,152	747,256	493,190
	<u>29,318,552</u>	<u>28,844,235</u>	<u>59,647,489</u>	<u>57,586,851</u>
Cost of revenues:				
Prepaid telecommunication	27,809,050	27,125,599	56,622,647	54,316,472
Hardware and equipment	9	18,529	879	37,638
	<u>27,809,059</u>	<u>27,144,128</u>	<u>56,623,526</u>	<u>54,354,110</u>
	1,509,493	1,700,107	3,023,963	3,232,741
Operating expenses:				
General and administrative	843,450	1,088,614	2,036,228	2,259,807
Selling and marketing	203,191	189,075	364,549	342,426
Research and development	191,626	136,813	395,898	261,596
Restatement costs (note 3)	265,569	-	265,569	-
Amortization	102,675	110,795	203,143	205,460
Interest expense	1,670	17,720	5,571	43,011
Foreign exchange (gain) loss	(992)	16,510	6,511	(9,547)
	<u>1,607,189</u>	<u>1,559,527</u>	<u>3,277,469</u>	<u>3,102,753</u>
Net earnings (loss) and comprehensive earnings (loss) for the period	(97,696)	140,580	(253,506)	129,988
Deficit, beginning of period	(6,782,504)	(6,861,606)	(6,626,694)	(6,851,014)
Deficit, end of period	<u>\$ (6,880,200)</u>	<u>\$ (6,721,026)</u>	<u>\$ (6,880,200)</u>	<u>\$ (6,721,026)</u>
Basic and diluted earnings (loss) per share	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ 0.00
Weighted average shares outstanding:				
Basic	45,126,826	44,524,532	45,126,826	44,524,532
Diluted	45,126,826	48,638,946	45,126,826	48,638,946

See accompanying notes to consolidated financial statements.

VENDTEK SYSTEMS INC.

Consolidated Statement of Cash Flows
(Unaudited)

	Three months ended April 30,		Six months ended April 30,	
	2009	2008	2009	2008
	(Restated Note 3)		(Restated Note 3)	
Cash provided by (used in):				
Operations:				
Net earnings (loss) for the period	\$ (97,696)	\$ 140,580	\$ (253,506)	\$ 129,988
Items not involving cash:				
Amortization expense	102,675	110,795	203,143	205,460
Stock-based compensation	(44,545)	263,470	73,979	553,625
	(39,566)	514,485	23,616	889,073
Changes in non-cash operating working capital items	96,576	(331,910)	89,881	526,447
	57,010	182,935	113,497	1,415,520
Financing:				
Proceeds from options exercised	-	27,397	-	27,397
Repayment of debt and lease obligations	(6,408)	(25,817)	(16,954)	(72,305)
	(6,408)	1,580	(16,954)	(44,908)
Investments:				
Purchase of equipment	(37,993)	(117,317)	(50,250)	(170,786)
Increase in cash	12,609	67,198	46,293	1,199,826
Cash, beginning of period	2,136,350	1,464,059	2,102,666	331,431
Cash, end of period	\$ 2,148,959	\$ 1,531,257	\$ 2,148,959	\$ 1,531,257
Supplemental information:				
Interest paid	\$ 3,352	\$ 17,720	\$ 5,571	\$ 43,011

See accompanying notes to consolidated financial statements.

VENDTEK SYSTEMS INC.

Notes to Consolidated Financial Statements
(Unaudited)

For the three and six months ended April 30, 2009 and 2008

1. Basis of presentation:

The unaudited interim consolidated financial statements for the three and six months ended April 30, 2009, should be read in conjunction with the audited consolidated financial statements of VendTek Systems Inc. (the "Company") for the year ended October 31, 2008. These interim financial statements conform in all material respects to the requirements of Canadian generally accepted accounting principles for interim financial statements.

Certain comparative figures have been reclassified to conform to the financial presentation adopted for the current period.

2. Changes in accounting policies:

Effective November 1, 2007, the Company adopted the recommendations of Section 1535, *Capital Disclosures*, of the CICA Handbook. This section establishes standards for disclosing information about a company's capital and how it is managed in order that a user of the financial statements may evaluate the company's objectives, policies, and processes for managing capital. Beyond additional disclosure, these new standards did not have an effect on our financial position or results of operations. The new disclosures are included in note 6.

Sections 3862, *Financial Instruments - Disclosures*, and 3863, *Financial Instruments - Presentation*, of the CICA Handbook replaced Section 3861, *Financial Instruments - Disclosure and Presentation*, and were adopted by the Company effective November 1, 2007. The new standards revise and enhance the disclosure requirements on the nature and extent of risks arising from financial instruments and how a company manages those risks. Beyond additional disclosure, the adoption of these new pronouncements did not have an effect on the Company's financial position or results of operations.

Effective November 1, 2006, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, *Comprehensive Income*, CICA Handbook Section 3251, *Equity*, CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, CICA Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*, and CICA Handbook Section 3865, *Hedges*. These new Handbook Sections provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Handbook Section 1530 also establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles.

VENDTEK SYSTEMS INC.

Notes to Consolidated Financial Statements
(Unaudited)

For the three and six months ended April 30, 2009 and 2008

2. Changes in accounting policies (continued):

Under the new standards, all financial assets are classified as held for trading, held-to-maturity investments, loans and receivables or available-for-sale categories. Also, all financial liabilities must be classified as held for trading or other financial liabilities. All financial instruments are recorded on the consolidated balance sheet initially at fair value. After initial recognition, the financial instruments are measured at their fair values, except for held-to-maturity investments, loans and receivables and other financial liabilities, which are measured at amortized cost. The effective interest expense related to the financial liabilities and the gain or loss arising from a change in the fair value of a financial asset or financial liability classified as held for trading are included in net income for the period in which it arises. If a financial asset is classified as available-for-sale, the gain or loss is recognized in other comprehensive income until the financial asset is derecognized and all cumulative gain or loss is then recognized in net income.

The standards require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met, which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

CICA Handbook Section 1400, *General Standards of Financial Statement Presentation*, has been amended for new requirements relating to the assessment of an entity's ability to continue as a going concern. The Company adopted the amendments to this section beginning November 1, 2008.

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*, effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Section 3064, which replaces Section 3062, *Goodwill and Other Intangible Assets*, and section 3450, *Research and Development Costs*, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's fiscal year commencing November 1, 2008. The Company adopted this new standard beginning November 1, 2008.

Section 3031, *Inventory*, of the CICA Handbook replaces Section 3030 and provides guidance on the determination of inventory cost, subsequent recognition as expense, and write-downs to net realizable value. The Company adopted this new standard beginning November 1, 2008.

The adoption of these standards did not result in any material impact on the Company's financial statements.

3. Restatement of the second quarter 2008 consolidated financial statements:

Subsequent to the preparation of the Company's unaudited interim consolidated financial statements for the three and nine-months ended July 31, 2008, the Company discovered a significant discrepancy between its reported inventory balances and actual inventory balances initially dating back to October 31, 2006.

VENDTEK SYSTEMS INC.

Notes to Consolidated Financial Statements
(Unaudited)

For the three and six months ended April 30, 2009 and 2008

Following the discovery, the Audit Committee of the Company initiated an independent review of the facts and circumstances leading to the discrepancy. This review, combined with additional investigation by management, led to the identification of a number of additional errors in the Company's quarterly statements for 2008 and annual statements for 2007 and 2006 consolidated financial statements. The nature of these errors is described below.

Restatement costs consist of accounting, legal and consulting expenses incurred. The Company incurred \$265,569 of restatement costs during the three and six months ended April 30, 2008.

The following table presents the impact of the restatement on the Company's previously reported consolidated financial statements for the quarter ended April 30, 2008:

VENDTEK SYSTEMS INC.

Notes to Consolidated Financial Statements
(Unaudited)

For the three and six months ended April 30, 2009 and 2008

3. Restatement of previously issued financial statements (continued):

Consolidated Statement of Operations for the six months ended April 30, 2008:

	As previously reported	Adjustments	Restated
Revenue:			
Prepaid telecommunications	\$ 57,317,000	\$ (260,580) (a)(g)	\$ 57,056,420
Hardware and equipment	68,476	(31,235) (g)	37,241
Software license and services	492,948	242 (g)	493,190
	<u>57,878,424</u>	<u>(291,573)</u>	<u>57,586,851</u>
Cost of revenue:			
Prepaid telecommunications	54,341,575	(25,103) (a)(g)	54,316,472
Hardware and equipment	63,614	(25,976) (g)	37,638
	<u>54,405,189</u>	<u>(51,079)</u>	<u>54,354,110</u>
	3,473,235	(240,494)	3,232,741
Operating expenses:			
General and administrative	2,126,327	133,480 (b)(d)(g)	2,259,807
Selling and marketing	293,087	49,339 (g)	342,426
Research and development	261,646	(50) (g)	261,596
Amortization	245,632	(40,172) (e)	205,460
Interest expense	54,085	(11,074) (c)	43,011
Foreign exchange (gain) loss	14,278	(23,825) (g)	(9,547)
	<u>2,995,055</u>	<u>107,698</u>	<u>3,012,753</u>
Earnings before income taxes	478,180	(348,192)	
Income taxes:			
Current	162,000	(162,000) (f)	-
Net earnings	<u>\$ 316,180</u>	<u>\$ (186,192)</u>	<u>\$</u>
Basic and fully diluted earnings per share	\$ 0.01	\$ (0.01)	\$ 0.00

Consolidated Statement of Cash Flows for the six months ended April 30, 2008:

	As previously reported	Adjustments	Restated
Cash provided by (used in)			
Operations	\$ 1,377,665	\$ 37,855	\$ 1,415,520
Financing	(10,013)	(34,895) (c)	(44,908)
Investments	(165,692)	(5,094) (c)	(170,786)
Decrease in cash	<u>\$ 1,201,960</u>	<u>\$ (2,134)</u>	<u>\$ 1,199,826</u>

VENDTEK SYSTEMS INC.

Notes to Consolidated Financial Statements
(Unaudited)

For the three and six months ended April 30, 2009 and 2008

Consolidated Statement of Operations for the three months ended April 30, 2008:

	As previously reported	Adjustments	Restated
Revenue:			
Prepaid telecommunications	\$ 28,589,269	\$ (27,914) (a)(g)	\$ 28,561,354
Hardware and equipment	28,680	(12,952) (g)	15,728
Software license and services	265,514	1,638 (g)	267,152
	<u>28,883,463</u>	<u>(39,228)</u>	<u>28,844,235</u>
Cost of revenue:			
Prepaid telecommunications	27,046,733	78,866 (a)(g)	27,125,599
Hardware and equipment	27,610	(9,081) (g)	18,529
	<u>27,074,343</u>	<u>69,785</u>	<u>27,144,128</u>
	1,809,120	(109,013)	1,700,107
Operating expenses:			
General and administrative	1,067,228	21,386 (b)(d)(g)	1,088,614
Selling and marketing	177,790	11,285 (g)	189,073
Research and development	136,900	(87) (g)	136,813
Amortization	134,048	(23,253) (e)	110,795
Interest expense	21,075	(3,355) (c)	17,720
Foreign exchange (gain) loss	21,377	(4,867) (g)	16,510
	<u>1,558,418</u>	<u>1,109</u>	<u>1,559,527</u>
Earnings before income taxes	250,702	(110,122)	140,580
Income taxes	85,000	(85,000) (f)	-
Net earnings	<u>\$ 165,702</u>	<u>\$ (25,122)</u>	<u>\$ 140,580</u>
Basic and fully diluted earnings per share	\$ 0.00	\$ (0.00)	\$ 0.00

Consolidated Statement of Operations for the three months ended April 30, 2008:

	As previously reported	Adjustments	Restated
Cash provided by (used in)			
Operations	\$ 94,820	\$ 88,115	\$ 182,935
Financing	28,947	(27,367) (c)	1,580
Investments	(53,669)	(63,648) (c)	(117,317)
Decrease in cash	<u>\$ 70,098</u>	<u>\$ (2,900)</u>	<u>\$ 67,198</u>

VENDTEK SYSTEMS INC.

Notes to Consolidated Financial Statements
(Unaudited)

For the three and six months ended April 30, 2009 and 2008

3. Restatement of previously issued financial statements (continued):

(a) Revenue recognition errors, consignment inventory and un-supported journal entries:

The Company has identified a number of errors related principally to the incorrect recording of revenue consignment inventory and errors related to un-supported journal entries. The combination of these errors impacted accounts receivable, inventory, prepaid telecommunications revenue, and prepaid telecommunications cost of revenue balances. These errors resulted in an overstatement of the Company's current assets, overstatement of gross margins and understatement of current liabilities.

Revenues arising from the sales of consignment inventory were recognized on a gross basis, but should have been recognized on a net basis, in accordance with Emerging Issues Committee ("EIC") No. 123 *Reporting Revenue Gross as Principal versus Net as an Agent*.

Consignment inventory was incorrectly recorded as purchased inventory. Since the Company did not have ownership of this inventory, it should not have been recorded on the Company's balance sheet until it was sold. Once sold, consignment inventory should have resulted in an increase to accounts payable, to reflect the liability to the supplier for this inventory.

The Company also learned that it had not been billed for consignment inventory items from one its suppliers for the three and six months ended April 30, 2008 and the years ended October 31, 2007, and 2006. The Company had not previously recorded a liability related to these unbilled items. The error increased accounts payable at April 30, 2008 and decreased prepaid telecommunications revenues. In September 2009, the Company settled all outstanding amounts due to the supplier for any unbilled consignment items up to the period ending August 2009.

The Company also discovered journal entries that did not have sufficient supporting documents.

For the three months ended April 30, 2008, the correction of all the above noted errors resulted in a reduction of prepaid telecommunications revenues by \$37,000 (six months - \$287,000) and an increase of prepaid telecommunications cost of revenues by \$141,000 (six months - \$97,000).

VENDTEK SYSTEMS INC.

Notes to Consolidated Financial Statements
(Unaudited)

For the three and six months ended April 30, 2009 and 2008

3. Restatement of previously issued financial statements (continued):

(b) Timing errors:

The Company did not accrue for all costs incurred prior to the end of the quarter. Errors related to the timing of the recording of invoices resulted in expenses being recorded in the incorrect period. For the three months ended April 30, 2008, correction of these timing errors resulted in a decrease in general and administration expenses by \$18,000 (six months – increase of \$52,000).

(c) Errors related to accounting for capital leases:

The Company incorrectly accounted for capital lease transactions. The Company did not correctly record assets under capital lease, did not correctly calculate the capital lease obligation, or record the associated interest expense. After correcting the error, interest expense was reduced by \$3,300 and \$11,000 for the three and six months ended April 30, 2008, respectively. Corrections of the errors also resulted in adjustment to the cash provided by financing activities and cash used in investing activities in the consolidated statement of cash flows.

(d) Errors related to stock-based compensation expenses:

The Company corrected errors related to the calculation of stock-based compensation expense. The fair value of stock options granted to employees was incorrect as the volatility assumption input into the Black-Scholes option pricing model was incorrect. The Company also did not separately identify and account for stock-based compensation issued to non-employees. The value of stock options issued to non-employees should have been re-measured at each reporting period, with the difference being recorded as stock-based compensation expense. The correction of these errors resulted in a decrease in stock-based compensation by \$20,000 and \$10,000 for the three and six months ended April 30, 2008, respectively.

(e) Acquisition of Go Prepaid error:

The calculation of fair value of the intangibles was incorrect as a result of a formula error in the working paper. Correction of the error in the formula resulted in the reduction of amortization expense by \$21,000 and \$42,000 for the three and six months ended April 30, 2008, respectively.

VENDTEK SYSTEMS INC.

Notes to Consolidated Financial Statements
(Unaudited)

For the three and six months ended April 30, 2009 and 2008

3. Restatement of previously issued financial statements (continued):

(f) Tax adjustments:

Changes in the Company's net income resulted in adjustments to the Company's current and future tax expense. The impact of the adjustments resulted in a decline in our tax expense, and taxes payable. Current income tax expense was reduced by \$85,000 and \$162,000 for the three and six months ended April 30, 2008, respectively.

(g) Miscellaneous adjustments:

The Company used incorrect foreign exchange rates to translate transactions originating in foreign denominated currencies. The correction of this error resulted in minor changes to a number of accounts in the financial statements

Certain figures have been reclassified to correspond with the basis of presentation adopted in the current fiscal period. Specifically, for the three months ended April 30, 2008, \$43,000 (six months - \$65,000) of salary and delivery costs were reclassified from prepaid telecommunications cost of revenues to cost of revenues for hardware and equipment. An additional \$18,000 (six months - \$56,000) of prepaid telecommunications costs were reclassified to selling and marketing expenses as they were not directly related to the costs associated with prepaid telecommunications revenues.

For the three months ended April 30, 2008, the Company also reclassified \$8,700 (six months - \$26,000) of rental revenues from hardware and equipment revenues to prepaid telecommunications revenues as these rentals fees were associated with the prepaid telecom business.

As well, for the three months ended April 30, 2008, the Company reclassified \$52,000 (six months - \$91,000) of costs related to salary and maintenance expenses from hardware and equipment cost of revenues to general and administrative expenses as they were not directly related to the costs associated with hardware and equipment revenues.

Other miscellaneous changes were made and are immaterial.

VENDTEK SYSTEMS INC.

Notes to Consolidated Financial Statements
(Unaudited)

For the three and six months ended April 30, 2009 and 2008

4. Inventories:

Inventories consisted of the following:

	April 30, 2009	October 31, 2008
Prepaid products	\$ 3,243,802	\$ 2,918,865
Hardware parts	15,226	15,384
	<u>\$ 3,259,028</u>	<u>\$ 2,934,249</u>

During the six months ended April 30, 2009, the Company sold inventory of approximately \$30,000 which had previously been written down as the net realizable value was considered to be nil.

5. Capital disclosures:

The Company manages capital in order to safeguard its ability to continue as a going concern, to help ensure that returns are provided to shareholders, and to maintain an appropriate balance of risk and return. The Company strives to accomplish these objectives with the least dilution to its shareholders. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may incur or repay debt, purchase shares for cancellation pursuant to normal course issuer bids, and issue new shares. The Board of Directors reviews and approves capital and operating budgets and any material transactions outside of the ordinary course of business, including proposals on acquisitions. Total capital managed is determined as follows:

	April 30, 2009	October 31, 2008
Line of credit	\$ 1,000,000	\$ 1,000,000
Shareholders' equity	3,656,346	3,835,873
	<u>\$ 4,656,346</u>	<u>\$ 4,835,873</u>

The Company has provided a general security agreement covering all of its assets as security for the line of credit. The line of credit is subject to certain restrictive covenants, including, but not limited to, incurring additional secured debt and selling assets. The Company is also required to meet certain financial covenants under the line of credit agreement. The Company was not in compliance with all reporting requirements under the line of credit agreement as at January 11, 2010, as the Company did not complete the audit of its 2008 financial statements on time. However, the Company did not use any of the line of credit as at January 31, 2009.

VENDTEK SYSTEMS INC.

Notes to Consolidated Financial Statements
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6. Share capital:

(a) Issued and outstanding:

	Six months ended April 30, 2009		Six months ended April 30, 2008	
	Number of shares	Amount	Number of shares	Amount
100,000,000 authorized:				
Common shares issued:				
Balance, beginning of period	45,250,461	\$ 8,344,732	44,441,175	\$ 8,076,105
Stock options exercised	-	-	136,986	27,397
Transfer from contributed surplus	-	-	-	5,037
Balance, end of period	45,250,461	\$ 8,344,732	44,578,161	\$ 8,108,539

(b) Contributed surplus:

A summary of contributed surplus is as follows:

	2009	2008
Balance, beginning of period	\$ 2,117,835	\$ 1,286,425
Stock-based compensation	73,979	938,180
Transfer to share capital from options exercised	-	(106,770)
Balance, end of period	\$ 2,191,814	\$ 2,117,835

(c) Stock options:

The Company has a stock option plan (the "Plan") whereby it may grant up to 8,671,184 options to its directors, officers and employees. The terms and conditions of options granted under the Plan are determined solely by the Board of Directors. Options are generally granted with a term of five years and vest over eighteen months.

The following table summarizes the continuity of the Company's stock options:

	Number of shares	Weighted average exercise price
Balance, October 31, 2008	6,713,000	\$ 0.54
Granted	-	-
Forfeited	(30,000)	0.20
Cancelled	(250,000)	0.98
Exercised	-	-
Balance, April 30, 2009	6,433,000	\$ 0.52

VENDTEK SYSTEMS INC.

Notes to Consolidated Financial Statements
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For the three and six months ended April 30, 2009 and 2008

6. Share capital (continued):

The following table summarizes information about share options outstanding at April 30, 2009:

Range of exercise prices	Options outstanding			Options exercisable	
	Number of shares	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$0.20 - \$0.40	2,154,000	0.97	\$0.20	2,154,000	\$0.20
\$0.41 - \$0.60	2,000,000	2.57	0.53	2,000,000	0.53
\$0.61 - \$0.89	2,279,000	3.05	0.81	2,201,143	0.81
\$0.20 - \$0.89	6,433,000	2.25	\$0.52	6,355,143	\$0.52

The fair value of each option is estimated as at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Risk-free interest rate	3.10%
Expected life	5 years
Expected volatility	79.75%
Expected dividends	-
Fair value per share option granted	0.59

7. Related party transactions:

During the six months ended April 30, 2009, the Company paid rent of \$24,894 (2008 - \$22,635) to a company in which a director has a minority equity interest. On November 1, 2008, the Company signed a three-year lease which expires on October 31, 2011. In addition to minimum lease payments of \$4,149 per month, the facility lease requires payment of a proportionate share of taxes and strata fees. This transaction was in the normal course of operations and, in management's opinion, undertaken with the same terms and conditions as a transaction with unrelated parties.

8. Segmented Disclosure:

The Company has determined that it operates as a single segment. Substantially all of the Company's sales are within Canada and its assets are also primarily based in Canada