

Consolidated Financial Statements of

CYBERPLEX INC.

Years ended December 31, 2008 and 2007



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Cyberplex Inc. as at December 31, 2008 and 2007 and the consolidated statements of operations and comprehensive income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

March 31, 2009

CYBERPLEX INC.

Consolidated Balance Sheets

December 31, 2008 and 2007

	2008	2007
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 4,996,897	\$ 380,114
Short-term investments (note 2)	367,487	93,063
Accounts receivable, net of allowance for doubtful accounts of \$1,531,229 (2007 - \$752,015)	14,079,236	4,264,373
Prepaid expenses and other assets	668,503	338,024
	<u>20,112,123</u>	<u>5,075,574</u>
Capital assets (note 5)	993,868	1,019,496
Intangible assets (note 6)	-	187,157
Goodwill (note 7)	13,936,813	5,959,615
	<u>\$ 35,042,804</u>	<u>\$ 12,241,842</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Bank indebtedness (note 3)	\$ 3,535,264	\$ 678,967
Accounts payable and accrued liabilities	11,529,047	3,185,545
Unearned revenue	153,813	149,535
Deferred lease inducements	62,323	51,582
	<u>15,280,447</u>	<u>4,065,629</u>
Deferred lease inducements	153,774	216,097
Shareholders' equity (note 8)	19,608,583	7,960,116
Contingencies, commitments and guarantees (notes 4, 13 and 15)		
	<u>\$ 35,042,804</u>	<u>\$ 12,241,842</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Geoffrey Rotstein" _____ Director

"Vernon Lobo" _____ Director

CYBERPLEX INC.

Consolidated Statements of Operations and Comprehensive Income

Years ended December 31, 2008 and 2007

	2008	2007
Revenue	\$ 57,279,766	\$ 17,651,509
Cost of revenue	37,488,239	10,643,665
	19,791,527	7,007,844
Expenses:		
Sales and marketing	10,353,421	4,093,673
General and administrative	4,661,071	3,260,549
Foreign exchange loss (gain)	(1,539,548)	425,687
	13,474,944	7,779,909
Income (loss) before the undernoted	6,316,583	(772,065)
Amortization of capital assets	310,790	281,132
Amortization of intangible assets	187,157	418,630
Gain on disposal of capital assets	—	(68,072)
Income (loss) from operations	5,818,636	(1,403,755)
Dividend income	—	30,776
Interest income	29,285	56,243
Interest expense	(76,182)	(19,561)
Gain on sale of short-term investment	—	16,252
	(46,897)	83,710
Income (loss) before income taxes	5,771,739	(1,320,045)
Future income tax recovery (note 9)	—	(177,189)
Net income (loss) and comprehensive income (loss)	\$ 5,771,739	\$ (1,142,856)
Income (loss) per share (note 12):		
Basic	\$ 0.11	\$ (0.03)
Diluted	0.11	(0.03)
Weighted average number of shares used in income (loss) per share (note 12):		
Basic	51,525,909	42,474,497
Diluted	52,859,402	42,474,497

See accompanying notes to consolidated financial statements.

CYBERPLEX INC.

Consolidated Statements of Shareholders' Equity

Years ended December 31, 2008 and 2007

	Common shares		Escrowed common shares		Warrants and compensation options		Contributed surplus	Accumulated other comprehensive income	Retained earnings (deficit)	Total shareholders' equity
	Number	Amount	Number	Amount	Number	Amount				
Balance, December 31, 2006	42,024,392	\$ 8,583,819	59,999	\$ 27,600	4,062,500	\$ 307,522	\$ 361,174	\$ -	\$ (1,139,028)	\$ 8,141,087
Change in accounting policy for financial instruments (note 1(b))	-	-	-	-	-	-	-	44,201	-	44,201
Loss for the year	-	-	-	-	-	-	-	-	(1,142,856)	(1,142,856)
Realized gain on investment	-	-	-	-	-	-	-	(44,201)	-	(44,201)
Stock-based compensation (note 8(d))	-	-	-	-	-	-	276,874	-	-	276,874
Exercise of stock options (note 8(d))	543,334	230,558	-	-	-	-	(84,024)	-	-	146,534
Shares issued for acquisition of Eidenai Innovations Inc. (note 4(b))	347,182	230,977	-	-	-	-	-	-	-	230,977
Contingent consideration issued for acquisition of Incentaclick Media Group Inc. (note 4(a))	253,548	147,600	(59,999)	(27,600)	-	-	-	-	-	120,000
Warrants exercised from private placement (note 8(b))	312,500	211,155	-	-	(312,500)	(23,655)	-	-	-	187,500
Expiration of warrants from private placement (note 8(b))	-	-	-	-	(3,750,000)	(283,867)	283,867	-	-	-
Balance, December 31, 2007	43,480,956	9,404,109	-	-	-	-	837,891	-	(2,281,884)	7,960,116
Net income	-	-	-	-	-	-	-	-	5,771,739	5,771,739
Stock-based compensation (note 8(d))	-	-	-	-	-	-	133,979	-	-	133,979
Exercise of stock options (note 8(d))	301,000	139,814	-	-	-	-	(55,884)	-	-	83,930
Proceeds from private placement, net of issuance costs (note 8(b))	8,333,334	4,514,511	-	-	333,333	61,605	-	-	-	4,576,116
Contingent consideration issued for acquisition of Incentaclick Media Group Inc. (note 4(a))	1,508,705	1,082,703	-	-	-	-	-	-	-	1,082,703
Balance, December 31, 2008	53,623,995	\$ 15,141,137	-	\$ -	333,333	\$ 61,605	\$ 915,986	\$ -	\$ 3,489,855	\$ 19,608,583

See accompanying notes to consolidated financial statements.

CYBERPLEX INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2008 and 2007

	2008	2007
Cash flows from (used in) operating activities:		
Net income (loss)	\$ 5,771,739	\$ (1,142,856)
Items not involving cash:		
Amortization of capital assets	310,790	281,132
Amortization of intangible assets	187,157	418,630
Future income taxes	—	(177,189)
Amortization of deferred lease inducements	(51,582)	(59,212)
Gain on disposal of capital assets	—	(68,072)
Stock-based compensation	155,679	255,174
Accretion of interest	—	6,434
Unrealized foreign exchange loss (gain)	(783,108)	71,532
Change in non-cash operating assets and liabilities (note 11)	(5,081,648)	(1,483,006)
	509,027	(1,897,433)
Cash flows from (used in) financing activities:		
Increase in bank indebtedness	2,856,297	678,967
Repayments of notes payable	—	(150,000)
Proceeds from exercise of stock options	83,930	146,534
Proceeds from exercise of warrants	—	187,500
Proceeds from private placement, net of issuance costs	4,576,116	—
	7,516,343	863,001
Cash flows from (used in) investing activities:		
Sale (purchase) of short-term investments	(274,424)	2,732,005
Acquisition of Incentaclick Media Group Inc., net of cash acquired (note 4(a))	(3,609,479)	(1,093,806)
Acquisition of Eidenai Innovative Inc., net of cash acquired (note 4(b))	(42,330)	(474,318)
Additions to capital assets	(265,462)	(356,212)
Proceeds from disposal of capital assets (note 5)	—	68,072
	(4,191,695)	875,741
Foreign exchange gain (loss) on cash held in foreign currency	783,108	(71,532)
Increase (decrease) in cash and cash equivalents	4,616,783	(230,223)
Cash and cash equivalents, beginning of year	380,114	610,337
Cash and cash equivalents, end of year	\$ 4,996,897	\$ 380,114

Supplemental cash flow information (note 11)

See accompanying notes to consolidated financial statements.

CYBERPLEX INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2008 and 2007

Cyberplex Inc. (the "Company") provides web advertising solutions and on-line customer acquisition strategies, as well as application expertise, to its clients. The Company, through its subsidiaries, has developed a proprietary affiliate network which, combined with advertising relationships and teams of technology consultants and design, usability and solutions specialists, assists customers with all aspects of their web-based programs as they design, develop and promote solutions that deliver results.

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of the Company and its wholly owned subsidiaries. The results of operations of acquired subsidiaries are included in these consolidated financial statements from the date of acquisition. Intercompany transactions and balances are eliminated on consolidation.

(b) Financial instruments:

The fair values of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities and bank indebtedness approximate their carrying values due to the short-term nature of these instruments.

Effective January 1, 2007, the Company adopted, retrospectively without restatement of prior periods, the following new accounting standards issued by The Canadian Institute of Chartered Accountants' ("CICA"): Section 1530, Comprehensive Income ("Section 1530"); Section 3251, Equity; Section 3855, Financial Instruments - Recognition and Measurement; Section 3861, Financial Instruments - Disclosure and Presentation; and Section 3865, Hedges.

All financial assets and liabilities on the consolidated balance sheets are recognized at fair value, except for loans and receivables, held-to-maturity investments and non-trading financial liabilities, which are carried at their amortized cost. All derivatives, including embedded derivatives that must be separately accounted for, are measured at fair value. Changes in fair value are reported in operations unless they are effective cash flow hedging instruments. The Company currently does not have any derivative instruments.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

1. Significant accounting policies (continued):

Transaction costs are expensed as incurred for financial instruments classified or designated as held-for-trading. For other financial instruments, transaction costs are capitalized on initial recognition.

Comprehensive income is defined under Section 1530 as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income. Accumulated other comprehensive income/loss ("AOCI") is a component of shareholders' equity. The only component of AOCI during the years presented was the cumulative unrealized gain/loss on the Company's available-for-sale securities. A transitional adjustment of \$44,201 was recorded to opening AOCI on January 1, 2007, to adjust the carrying value of these available-for-sale securities from historical cost to fair value. Subsequent changes in the unrealized gain/loss on available-for-sale securities are recorded in other comprehensive income/loss each period, and are reclassified to net income/loss when realized.

The following is a summary of the accounting designation the Company has applied to each of its significant categories of financial instruments as at December 31, 2008 and 2007:

Cash and cash equivalents	Designated as held-for-trading
Short-term investments	Designated as held-for-trading
Accounts receivable	Loans and receivables
Bank indebtedness	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities

(c) Revenue recognition:

The Company offers certain of its products and services as part of multiple element arrangements. Deliverables within multiple element arrangements are separately accounted for provided the delivered elements have standalone value to the customer, and the fair value of any undelivered elements can be objectively and reliably determined. Provided the separation criteria are met, total arrangement fees are measured and allocated to each element based on their relative fair value and then the Company applies its relevant revenue recognition policy to each individual element. The Company recognizes revenue once persuasive evidence of an arrangement exists, delivery has occurred or services have been provided, fees are fixed or determinable and collectability is reasonably assured.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

1. Significant accounting policies (continued):

Revenue from sales of third-party supplier products or services is recorded on a gross basis when the Company is a principal to the transaction and net of costs when the Company is acting as an agent between the customer and supplier. Several factors are considered to determine whether the Company is an agent or principal, most notably whether the Company is the primary obligor to the customer, has credit risk and adds meaningful value to the supplier's product or service. Consideration is also given to whether the Company was involved in the selection of the supplier's product or service, has latitude in establishing the sales price and has inventory risk.

The Company's Web Advertising segment recognizes revenue from advertisers based upon the execution or completion of an agreed upon action, as defined in advance by both parties, using an agreed upon rate per action. The Company recognizes revenue on a gross basis, based on the number of actions performed in the period.

Technology Services revenue is based on either time and materials arrangements or fixed fee arrangements. Revenue related to time and materials arrangements is recognized as services are performed.

Revenue from fixed fee arrangements is recognized using the percentage-of-completion method, based on the ratio of total labour hours incurred to date to total estimated labour hours. Changes in job performance, job conditions, estimated profitability and final settlement may result in revisions to costs and income, and are recognized in the year in which the revisions are determined. Costs include direct material and labour costs. Provisions for estimated losses on incomplete arrangements are made in the period in which such losses are determined.

Revenue from hosting services is recognized on a straight-line basis over the term of the hosting arrangement.

Amounts billed in excess of revenue recognized to date on a contract-by-contract basis are classified as unearned revenue, whereas revenue recognized in excess of amounts billed is classified as work in progress within prepaid expenses and other assets.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

1. Significant accounting policies (continued):

(d) Cash and cash equivalents and short-term investments:

Cash consists of deposits with major financial institutions. Cash equivalents are highly liquid investments with an initial maturity of less than 90 days. Short-term investments include highly liquid marketable securities and investments with an initial maturity of between 90 days and one year.

(e) Allowance for doubtful accounts:

The allowance for doubtful accounts receivable is determined based on management's assessment of the collectibility of specific customer balances, considering general and industry economic and market conditions, as well as other credit information available for the customer. Recoveries of the allowances are recorded when payment is received.

(f) Capital assets:

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	30%
Computer software	Declining balance	30% - 50%
Leasehold improvements	Straight line	Over term of lease

(g) Intangible assets:

Intangible assets, acquired individually or as part of a group of other assets, are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

1. Significant accounting policies (continued):

Intangible assets with finite useful lives are amortized on a straight-line basis over their useful lives as follows:

Technology-related intangibles	2 years
Customer-related intangibles	1 - 1.5 years

The amortization methods and estimated useful lives of intangible assets are reviewed annually.

(h) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated, as of the date of the business combination, to the Company's reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.

The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the consolidated statements of operations.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

1. Significant accounting policies (continued):

(i) Impairment of long-lived assets:

Long-lived assets, comprised of capital assets and intangible assets with finite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of an asset group to be held and used is measured by a comparison of the carrying amount of the asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of an asset group exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset group exceeds the fair value of the asset group.

(j) Income (loss) per share:

Basic income (loss) per share is computed by dividing net income (loss) by the weighted average shares outstanding during the year. Diluted income (loss) per share is computed similarly to basic income (loss) per share, except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, warrants and other similar convertible instruments, if dilutive. The number of additional shares is calculated by assuming that outstanding instruments were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the period.

(k) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

1. Significant accounting policies (continued):

(l) Foreign currency translation:

Monetary assets and liabilities of the Company and its wholly owned subsidiaries, which are integrated operations, that are denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at the historical exchange rates. Transactions included in operations are translated at the average rates for the period. Exchange gains and losses resulting from the translation of these foreign-denominated amounts are reflected in the consolidated statements of operations in the year in which they occur.

(m) Lease inducements:

Lease inducements include periods of reduced rent for leased premises, leasehold improvements paid for by the landlord and the value of rent-free periods. The benefit of lease inducements received is amortized over the term of the related lease. The unamortized portion of lease inducements received is recorded as deferred lease inducements on the consolidated balance sheets.

(n) Stock-based compensation:

The Company uses the fair value-based method of accounting for its stock-based compensation arrangements as prescribed by the CICA Section 3870, Stock-Based Compensation and Other Stock-Based Payments.

Under the fair value-based method, compensation cost is measured at fair value at the date of grant and is expensed over the award's vesting period, with a corresponding adjustment recorded within contributed surplus. The fair value of stock options is determined using the Black-Scholes-Merton option pricing model. Upon exercise of the option, the related amount recorded in contributed surplus is transferred to common shares. Forfeitures of awards are accounted for in the period they occur. Compensation cost recognized for unvested awards that are forfeited prior to vesting is reversed in the period when the forfeiture occurs.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

1. Significant accounting policies (continued):

(o) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the years. Significant items subject to such estimates and assumptions include revenue recognition, the allowance for doubtful accounts, the valuation of capital assets and goodwill, the identification and valuation of intangible assets in business acquisitions, estimates of useful lives of tangible and intangible assets, valuation of stock-based compensation and financial instruments, valuation allowance for future income taxes and accruals for income tax exposures. Actual results could differ from those estimates.

(p) Accounting changes and recently issued accounting pronouncements:

- (i) On January 1, 2008, the Company adopted Section 3862, Financial Instruments - Disclosures ("Section 3862"), and Section 3863, Financial Instruments - Presentation ("Section 3863"), which replaced Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing disclosure requirements while carrying forward its presentation requirements. Section 3862 requires companies to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the entity's financial position and its performance, and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and circumstances in which financial assets and financial liabilities are offset. The adoption of these standards did not have any impact on the classification and measurement of the Company's financial instruments (note 17).
- (ii) Effective January 1, 2008, the Company adopted Section 1535, Capital Disclosures, which requires that the entity disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences for non-compliance (note 16).

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

1. Significant accounting policies (continued):

- (iii) In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, which replaces Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs, and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions of International Financial Reporting Standards ("IFRS") IAS 38, Intangible Assets. The new standard is effective for the Company's interim and annual periods commencing January 1, 2009. The Company is currently assessing the impact of the new standard on its consolidated financial statements.
- (iv) In October 2008, the CICA issued Section 1582, Business Combinations ("Section 1582"), concurrently with Sections 1601, Consolidated Financial Statements ("Section 1601"), and 1602, Non-controlling Interests ("Section 1602"). Section 1582, which replaces Section 1581, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601, which replaces Section 1600, carries forward the existing guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Company's interim and annual periods commencing January 1, 2011 with earlier adoption permitted as at the beginning of a fiscal year. The Company is currently assessing the impact of the new standards on its consolidated financial statements.
- (v) IFRS: In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that significantly affects financial reporting requirements for Canadian public companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB confirmed that IFRS will be mandatory in Canada for profit-oriented publicly accountable entities for fiscal periods beginning on or after January 1, 2011. The Company's first annual IFRS financial statements will be for the year ending December 31, 2011 and will include the comparative period of 2010. Starting in the first quarter of 2011, the Company will provide unaudited consolidated financial information in accordance with IFRS including comparative figures for 2010.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

1. Significant accounting policies (continued):

The Company is in the process of completing a preliminary assessment of the accounting and reporting differences under IFRS as compared to Canadian GAAP, including the determination of the impact of these differences on the consolidated financial statements. As this assessment is finalized, the Company intends to disclose such impacts in its future consolidated financial statements. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date.

The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

2. Cash and cash equivalents and short-term investments:

The major components of cash and cash equivalents are as follows:

	2008	2007
Cash on deposit	\$ 3,649,837	\$ 380,114
Marketable securities	1,347,060	–

The major components of the Company's short-term investments are as follows:

	2008	2007
Corporate notes, at annual rates of interest of approximately 3% (2007 - 4%)	\$ 367,487	\$ 93,063

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

3. Bank indebtedness and credit facilities:

The Company has several credit facilities under credit agreements with a Canadian chartered bank to be used for general operating requirements. The aggregate of borrowings under all facilities described below cannot exceed \$7,150,000 at any time.

- (a) Revolving demand facility of up to \$5,000,000 by way of Canadian and U.S. dollar currency loans. The facility bears interest at the bank's prime rate plus 1%. Borrowings outstanding under this facility plus a \$500,000 business credit card allocation must not exceed 75% of accounts receivable, as defined in the credit agreement. Amounts outstanding are repayable upon demand.
- (b) Two separate \$1,000,000 non-revolving term facilities bearing interest at the bank's prime rate plus 2.25%. Loans under these facilities are repayable in full on the last day of a two-year term from the date of drawdown. The Company has not drawn on these facilities as at December 31, 2008.
- (c) Credit card facility to a maximum of \$650,000.

Borrowings under the credit agreements require the maintenance of certain financial and non-financial covenants and are secured by a general security interest in the Company's assets.

4. Acquisitions:

- (a) Incentaclick Media Group Inc.:

On December 1, 2006, the Company acquired all of the issued and outstanding shares of Incentaclick Media Group Inc. ("Incentaclick"), a Toronto-based firm that specializes in on-line advertising and customer acquisition. Purchase consideration consisted of \$3,000,000 in cash payable on closing, and 340,000 common shares of the Company. The shares were valued at \$155,825 based on the market price of the Company's common shares over a short period before and after the date of acquisition. The shares were issued on closing and have time-based restrictions on resale that are released in eight equal quarterly instalments over a 24-month period.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

4. Acquisitions (continued):

A further potential 660,000 shares were contingently issuable based on achievement of certain revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA") targets in November and December 2006. The Company had issued the former shareholders of Incentaclick an advance of 59,999 common shares from treasury in connection with this contingent arrangement on closing. The targets were not achieved in 2006 and these common shares were determined not to be issuable as at December 31, 2006 and were held in escrow to be released if and when future contingent consideration targets were achieved as discussed below. The value of the escrowed common shares was recorded as at December 31, 2006 using the fair value of the Company's common shares on the date of closing, with the offset recorded within prepaid expenses and other assets on the consolidated balance sheet. The escrowed common shares were released to the former shareholders in the first quarter of 2007 when contingent consideration targets were met and the balance recorded in prepaid expenses and other assets was reclassified and remeasured as additional purchase consideration of \$27,600 and an increase in goodwill.

The former shareholders of Incentaclick were eligible to an additional \$11,500,000 in cash and common shares of the Company, based on achievement of certain predetermined revenue and EBITDA targets ("Earnout"). The contingent consideration issuable was determined quarterly over a 24-month period. The Company has the right to elect that up to 30% and up to 40% of any Earnout consideration in 2007 and in 2008, respectively, be paid in either cash or common shares. For shares issued pursuant to the Earnout, there are restrictions on resale that are released on a straight-line basis over eight quarters subsequent to the shares being earned. In all other respects, the shares have the same rights as other non-restricted common shares of the Company. The Company has determined that contingent payments in shares or cash will be recorded as additional purchase consideration to goodwill and measured in the period the targets are achieved, if any.

The acquisition of Incentaclick has been accounted for using the purchase method. During 2008, purchase consideration in the amount of \$7,767,182 (2007 - \$1,797,406) has been recorded with respect to the Earnout and has been allocated to additional goodwill within the Web Advertising reporting unit. The additional purchase consideration for 2008 is comprised of \$3,060,479 (2007 - \$1,093,806) paid in cash, \$1,082,703 (2007 - \$147,600) paid in common shares and \$3,631,000 (2007 - \$556,000), which is recorded in accounts payable and accrued liabilities as at December 31, 2008, to be paid in cash and/or common shares in 2009.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

4. Acquisitions (continued):

(b) Eidenai Innovations Inc.:

On August 31, 2007, the Company acquired all of the issued and outstanding shares of Eidenai Innovations Inc. ("Eidenai"), a Toronto-based company that specializes in delivering technology solutions for public and private sector companies. Purchase consideration consisted of \$83,324 in cash payable on closing, and 347,182 common shares of the Company. Share consideration was valued based on the market price of the Company's common shares over a short period before and after the date of acquisition. The shares were issued upon closing and have time-based restrictions on resale that are released in instalments over an 18-month period. In all other respects, the restricted common shares have the same rights as non-restricted common shares of the Company. The Company incurred \$45,957 in acquisition costs related to this transaction.

The former shareholders of Eidenai may earn up to an additional \$640,000 in cash and common shares of the Company, based on achievement of predetermined EBITDA targets ("EBITDA Earnout") associated with the Technology Services division of the Company. The contingent consideration is determined quarterly over a 24-month period based on achievement of the EBITDA Earnout. For shares issued pursuant to the EBITDA Earnout, there are restrictions on resale that are released on a straight-line basis in four equal semi-annual instalments following issuance of the shares. In all other respects, the shares have the same rights as other non-restricted shares of the Company. The Company has determined that contingent payments in shares or cash will be recorded as additional purchase consideration to goodwill and measured in the period the targets are achieved, if any.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

4. Acquisitions (continued):

The acquisition of Eidenai has been accounted for using the purchase method. The consideration paid has been allocated to the net assets acquired based on their respective fair values and the excess has been recorded as goodwill of the Technology Services reporting unit. The allocation of the purchase price was determined on a preliminary basis on December 31, 2007 and was finalized in 2008 with adjustments to working capital, resulting in a net increase to goodwill of \$74,356. The purchase price allocation based on the consideration paid upon acquisition and subsequent recognition of contingent consideration has been determined as follows:

Net assets acquired:	
Current assets	\$ 363,544
Capital assets	103,145
Customer-related intangible assets	115,318
Goodwill	680,495
Bank indebtedness	(345,037)
Other current liabilities	(421,547)
	<hr/>
Fair value of net assets acquired	\$ 495,918
	<hr/>
Purchase consideration consists of:	
Cash	\$ 125,654
Common shares	230,977
Acquisition costs	45,957
Accounts payable	93,330
	<hr/>
Total purchase consideration	\$ 495,918

During 2008, additional purchase consideration in the amount of \$135,660 has been recorded with respect to the EBITDA Earnout and has been allocated to additional goodwill. The additional consideration for 2008 is comprised of \$42,330 paid in cash and \$93,330 which is recorded in accounts payable and accrued liabilities as at December 31, 2008, to be paid in cash and/or common shares in 2009.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

5. Capital assets:

2008	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 809,797	\$ 628,036	\$ 181,761
Computer equipment	2,632,031	2,240,634	391,397
Computer software	1,357,184	1,159,015	198,169
Leasehold improvements	696,844	474,303	222,541
	<u>\$ 5,495,856</u>	<u>\$ 4,501,988</u>	<u>\$ 993,868</u>

2007	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 766,458	\$ 584,122	\$ 182,336
Computer equipment	2,501,068	2,098,601	402,467
Computer software	1,250,143	1,108,321	141,822
Leasehold improvements	693,025	400,154	292,871
	<u>\$ 5,210,694</u>	<u>\$ 4,191,198</u>	<u>\$ 1,019,496</u>

Proceeds from disposition of capital assets totalled nil (2007 - \$68,072) in the year.

6. Intangible assets:

2008	Cost	Accumulated amortization	Net book value
Technology-related intangibles	\$ 57,778	\$ 57,778	\$ -
Customer-related intangibles	657,646	657,646	-
	<u>\$ 715,424</u>	<u>\$ 715,424</u>	<u>\$ -</u>

2007	Cost	Accumulated amortization	Net book value
Technology-related intangibles	\$ 57,778	\$ 31,297	\$ 26,481
Customer-related intangibles	657,646	496,970	160,676
	<u>\$ 715,424</u>	<u>\$ 528,267</u>	<u>\$ 187,157</u>

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

6. Intangible assets (continued):

During 2007, the Company acquired \$115,318 in customer-related intangibles through the acquisition of Eidenai described in note 4(b). These customer-related intangibles are being amortized on a straight-line basis over one year.

7. Goodwill:

The changes in the carrying amount of goodwill by reportable segment during 2008 are as follows:

	Balance, January 1, 2008	Additions (a), (b)	Purchase price adjustments (c)	Balance, December 31, 2008
Technology Services	\$ 1,224,360	\$ 135,660	\$ 74,356	\$ 1,434,376
Web Advertising	4,735,255	7,767,182	–	12,502,437
	<u>\$ 5,959,615</u>	<u>\$ 7,902,842</u>	<u>\$ 74,356</u>	<u>\$ 13,936,813</u>

	Balance, January 1, 2007	Additions (b), (d)	Purchase price adjustments (e), (f)	Balance, December 31, 2007
Technology Services	\$ 816,953	\$ 470,479	\$ (63,072)	\$ 1,224,360
Web Advertising	3,034,554	1,797,406	(96,705)	4,735,255
	<u>\$ 3,851,507</u>	<u>\$ 2,267,885</u>	<u>\$ (159,777)</u>	<u>\$ 5,959,615</u>

(a) Additions for the Technology Services division, totalling \$135,660, represent additional purchase consideration recorded in 2008, as described in note 4(b), in connection with the acquisition of Eidenai.

(b) Additions for the Web Advertising division represents additional purchase consideration recorded in 2008 and 2007, respectively, in connection with the acquisition of Incentaclick.

(c) In 2008, the finalization of the preliminary purchase price allocation of the acquisition of Eidenai, as described in note 4(b), resulted in an increase to goodwill of \$74,356 due to working capital adjustments.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

7. Goodwill (continued):

- (d) The goodwill associated with the acquisition of Eidenai in August 2007, as described in note 4(b), was allocated to the Company's Technology Services reporting unit.
- (e) In 2007, the finalization of the preliminary purchase price allocation of the acquisition of Incentaclick, as described in note 4(a), resulted in a decrease to goodwill of \$96,705 due to working capital adjustments.
- (f) In 2007, the finalization of the preliminary purchase price allocation of the fiscal 2006 acquisition of Web Affairs relating to working capital adjustments, resulted in a decrease to goodwill of \$63,072.

8. Shareholders' equity:

(a) Share capital:

(i) Authorized:

Unlimited common shares

(ii) Escrowed common shares:

Escrowed common shares do not have rights associated with common shares, such as voting rights or rights to dividend or distribution upon liquidation, until such time as they are released from escrow in accordance with the terms of their arrangement.

(b) Private placements and related warrants and compensation options:

On February 21, 2008, the Company closed a private placement (the "2008 Private Placement"), resulting in the issuance of 8,333,334 common shares of the Company (the "shares") at a price of \$0.60 per share, resulting in proceeds of \$4,576,116, net of issuance costs of \$423,884.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

8. Shareholders' equity (continued):

The Private Placement was undertaken by a syndicate of agents (the "Agents"). Various members of the Board of Directors and employees participated in the 2008 Private Placement with the purchase of 833,333 common shares. For consideration of the Agents' services, the Agents received a cash commission of 6% of the gross proceeds raised and compensation options to purchase an aggregate of 333,333 common shares of the Company (the "Compensation Shares") equal to 4% of the aggregate number of shares issued pursuant to the 2008 Private Placement. Each compensation option is exercisable to purchase one Compensation Share at a price of \$0.65 per Compensation Share at any time on or before August 21, 2009. A portion of the proceeds of the 2008 Private Placement totalling \$61,605 was allocated to the compensation options based on their fair value, determined using a Black-Scholes-Merton option pricing model with the following weighted average assumptions at the measurement date. No compensation options were exercised through December 31, 2008.

Risk-free interest rate (%)	3.15
Expected life (years)	1.50
Dividend yield (%)	—
Expected volatility (%)	61

On June 29, 2006, the Company completed a private placement (the "2006 Private Placement") in which it issued 8,125,000 units at \$0.40 per unit for gross proceeds of \$3,250,000. Each unit is comprised of one common share and one-half warrant, each whole warrant entitling the holder to acquire one additional common share at the price of \$0.60.

On December 27, 2007, 312,500 common shares were issued from the warrants exercised in association with the 2006 Private Placement for proceeds of \$187,500, plus a reallocation of the fair value of the warrants, net of issuance costs. The remaining 3,750,000 warrants expired unexercised.

(c) Normal course issuer bid:

On August 25, 2008, the Company announced a normal course issuer bid ("NCIB") under which it may purchase up to 3,438,178 of its common shares over the period ending August 27, 2009. Purchases will be made on the open market at the market price of the common shares at the time of acquisition. No purchases were made under the NCIB through December 31, 2008.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

8. Shareholders' equity (continued):

(d) Stock-based compensation:

The Company's stock option plan (the "Plan") provides for the granting of options to employees, officers, directors and consultants of the Company. The maximum number of common shares which may be set aside for issuance under the Plan is a rolling fixed maximum percentage of 10% of the common shares issued and outstanding from time to time and automatically reloaded after the exercise of an option provided the number of common shares issuable does not then exceed the maximum percentage. Options issued under the Plan typically vest annually over a three- or four-year period. The common shares issuable upon exercise of any option that is cancelled or terminated prior to its exercise will become available again for grant under the Plan. In accordance with the Plan, the exercise price of options is determined based on the fair market value per share on the day preceding the grant date.

Options granted under the Plan may be exercised during a period not exceeding five years from the date of grant, subject to earlier termination if the optionee ceases to be an employee, officer or director of the Company. Options issued under the Plan are non-transferable.

The following table summarizes the continuity of options issued under the Plan:

	2008		2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	2,407,600	\$ 0.45	1,561,334	\$ 0.29
Granted	1,007,000	0.74	1,479,100	0.55
Forfeited or cancelled	(354,000)	0.70	(89,500)	0.41
Exercised	(301,000)	0.28	(543,334)	0.27
Outstanding, end of year	2,759,600	0.54	2,407,600	0.45
Options exercisable, end of year	1,677,759	\$ 0.48	1,406,266	\$ 0.46

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

8. Shareholders' equity (continued):

A summary of the status of the Company's options under the Plan is as follows:

Range of exercise prices	2008			2007		
	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable
\$0.26	595,000	1.96	595,000	855,000	2.12	688,333
\$0.38	—	—	—	11,000	0.81	11,000
\$0.40 - \$0.46	710,000	2.96	263,330	750,000	3.79	73,333
\$0.51 - \$0.59	210,000	4.07	210,000	130,000	3.67	30,000
\$0.66 - \$0.67	110,000	4.01	—	—	—	—
\$0.70	640,100	3.56	609,429	661,600	4.56	603,600
\$0.80	494,500	4.24	—	—	—	—
	2,759,600		1,677,759	2,407,600		1,406,266

During the year ended December 31, 2008, the Company recorded compensation expense related to stock options granted to employees of \$155,679 (2007 - \$255,174).

The fair value of each stock option on the date of grant was estimated using the Black-Scholes-Merton option pricing model with the following weighted average assumptions at the measurement date:

	2008	2007
Risk-free interest rate (%)	2.97	4.16
Expected life (years)	2.50	3.10
Dividend yield (%)	—	—
Expected volatility (%)	60	61

The weighted average estimated grant date fair value of the options issued during the year was \$0.31 (2007 - \$0.25).

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

9. Income taxes:

Total income tax recovery differs from the amount that would be computed by applying the statutory income tax rate to the income (loss) before income taxes for the following reasons:

	2008	2007
Statutory income tax rate	33.50%	36.10%
Income tax expense (recovery) based on statutory rate	\$ 1,933,533	\$ (476,536)
Increase (decrease) in income taxes resulting from:		
Non-taxable portion of unrealized foreign exchange gains	(10,551)	(232,768)
Change in the valuation allowance	(3,466,209)	(720,533)
Change in enacted tax rates	(262,110)	1,246,249
Difference due to tax rates in other tax jurisdictions	131,827	(35,424)
Unrecorded benefit of losses acquired on acquisition	-	(212,970)
Change in foreign exchange rates on future tax assets of foreign subsidiaries	(427,505)	330,121
Tax effect of losses expiring in 2008	1,763,619	-
Other items	337,396	(75,328)
Actual income tax recovery	\$ -	\$ (177,189)

The income tax effects of temporary differences that give rise to significant portions of the future income tax assets and future tax liabilities at December 31 are presented below:

	2008	2007
Future income tax assets:		
Non-capital loss carryforwards	\$ 1,769,702	\$ 5,718,601
Net capital loss carryforwards	3,588,291	3,590,658
Capital assets	534,546	596,218
Share issue costs	131,934	50,390
Net unrealized foreign exchange losses	1,965,712	1,074,781
Other assets	64,040	81,218
	8,054,225	11,111,866
Less valuation allowance	7,580,060	11,046,270
Total future income tax assets	474,165	65,596
Future income tax liabilities:		
Long-term portion	(474,165)	(65,596)
Net future income tax liabilities	\$ -	\$ -

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

9. Income taxes (continued):

The Company has accumulated income tax losses of approximately \$5,868,437 as at December 31, 2008 that may be used to reduce future taxable income. The benefit of these losses has not been reflected in these consolidated financial statements. The loss carryforwards expire as follows:

Canada:

2009	\$	874,173
2010		477,148
2014		14,717
2015		1,029,326
2026		5,039
2027 and beyond		2,622,472
		<hr/>
	\$	5,022,875

United States:

2020	\$	45,834
2021		402,007
2022		378,522
2023		19,199
		<hr/>
	\$	845,562

The Company's net capital loss carryforwards are available indefinitely to offset taxable capital gains realized by the entity which incurred such losses.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

10. Segment information:

(a) Operating segments:

The Chief Executive Officer, the chief operating decision maker of the Company, has reviewed its operations and determined that the Company currently has two reportable operating segments: Technology Services, providing consulting, design, development and usability expertise to manage all aspects of a client's web-based application; and Web Advertising, through its Incentaclick division, which utilizes its affiliate network to focus on helping clients with targeted customer acquisition and lead generation. Management measures segment performance based on management income (loss) from operations, defined as: income (loss) from operations, excluding amortization of capital assets, amortization of intangible assets and gain on disposal of capital assets. Information relating to these two reportable segments is outlined below:

2008	Technology Services	Web Advertising	Total
Revenue	\$ 5,043,278	\$ 52,236,488	\$ 57,279,766
Gross margin	39%	34%	35%
Management income from operations	220,548	6,096,035	6,316,583
Capital assets	669,418	324,450	993,868

2007	Technology Services	Web Advertising	Total
Revenue	\$ 4,699,517	\$ 12,951,992	\$ 17,651,509
Gross margin	35%	42%	40%
Management loss from operations	(243,829)	(528,236)	(772,065)
Capital assets	777,217	242,279	1,019,496

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

10. Segment information:

(b) Geographic segments:

The Company's assets and operations are all located in Canada; however, the Company services many customers in the United States. Information relating to the geographical locations is outlined below:

	2008	2007
Revenue by geographic location of customer:		
Canada	\$ 5,002,735	\$ 4,645,277
U.S.	52,277,031	13,006,232
	<u>\$ 57,279,766</u>	<u>\$ 17,651,509</u>

In 2008, one customer accounted for greater than 10% of revenue. In 2007, no customer accounted for greater than 10% of revenue.

11. Consolidated statements of cash flows:

	2008	2007
Change in non-cash operating assets and liabilities:		
Accounts receivable	\$ (9,814,863)	\$ (2,393,009)
Prepaid expenses and other assets	(352,179)	156,329
Accounts payable and accrued liabilities	5,081,116	557,857
Unearned revenue	4,278	112,793
Deferred lease inducements	–	83,024
	<u>\$ (5,081,648)</u>	<u>\$ (1,483,006)</u>
Supplemental cash flow information:		
Interest paid	\$ 76,182	\$ 19,561
Interest received	29,285	56,243
Supplemental disclosure relating to investing activities:		
Acquisition of Eidenai through issuance of common shares	–	230,977
Acquisition of Eidenai included in accounts payable and accrued liabilities	93,330	–
Acquisition of Incentaclick through issuance of common shares	1,082,703	147,600
Acquisition of Incentaclick included in accounts payable and accrued liabilities	3,631,000	556,000
Acquisition of capital assets included in accounts payable and accrued liabilities	19,700	–

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

12. Income (loss) per share:

The computations for basic and diluted income (loss) per share are as follows:

	2008	2007
Net income (loss)	\$ 5,771,739	\$ (1,142,856)
Weighted average number of shares outstanding:		
Basic	51,525,909	42,474,497
Diluted	52,859,402	42,474,497
Income (loss) per share:		
Basic	\$ 0.11	\$ (0.03)
Diluted	0.11	(0.03)

Due to the net loss in 2007, all dilutive securities were considered anti-dilutive.

Details of potentially dilutive securities as at each year end that were excluded from diluted income (loss) per share because their inclusion would have been anti-dilutive, but could be dilutive in future periods, are as follows:

	2008	2007
Stock options	2,164,600	2,407,600
Warrants and compensation options	333,333	—
	2,497,933	2,407,600

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

13. Commitments:

The Company is required to make minimum payments under the terms of operating leases for premises and equipment expiring on various dates to April 2014. Minimum commitments are as follows:

2009	\$ 678,584
2010	621,306
2011	415,096
2012	427,670
2013	437,793
Thereafter	148,957
	<hr/>
	\$ 2,729,406

14. Related party transactions and balances:

Certain of the Company's customers are considered related parties due to their relationship with directors of the Company. Arrangements with these customers were entered into during the normal course of operations at negotiated exchange amounts consistent with similar transactions with unrelated customers. Total revenue in 2008, while these customers were related parties, totalled \$4,932 (2007 - \$7,518). Accounts receivable from these customers at December 31, 2008 was \$1,528 (2007 - nil).

A partner of an external legal firm used by the Company is a director of the Company. Fees incurred with this external legal firm at negotiated exchange amounts during 2008 and 2007 totalled \$149,786 (2007 - \$67,510), of which \$21,910 (2007 - \$3,674) was included in accounts payable and accrued liabilities as at December 31, 2008.

As disclosed in note 8(b), the Company completed a private placement in 2008, of which various members of the Board of Directors participated.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

15. Guarantees and contingencies:

The Company has entered into agreements that contain features which meet the definition of a guarantee under GAAP. A description of the major types of such agreements is provided below:

(a) Business or asset purchase/sale agreements:

As part of transactions involving business combinations or dispositions or other sales of assets, the Company may be required to pay counterparties for costs and losses incurred as a result of breaches of representations and warranties, intellectual property right infringement, loss or damages to property, environmental liabilities, changes in laws and regulations (including tax legislation), litigation against the counterparties, contingent liabilities of a disposed business or reassessments of previous tax filings of the corporation that carries on the business.

The Company is unable to make a reasonable estimate of the maximum potential amount it could be required to pay counterparties. The amount also depends on the outcome of future events and conditions, which cannot be predicted. Historically, the Company has not made any significant payments under these indemnifications or guarantees, and no amount has been accrued in the consolidated financial statements relating to these types of indemnifications or guarantees.

(b) Other indemnifications:

The Company indemnifies its directors, officers and employees and certain advisors against claims reasonably incurred and resulting from the performance of their services to the Company, and maintains liability insurance for its directors and officers, as well as those of its subsidiaries. Historically, the Company has not made any significant payments under these indemnifications, and no amount has been accrued in the consolidated financial statements relating to these types of indemnifications.

(c) Litigation and claims:

In the normal course of operations, the Company may be subject to litigations and claims. Management believes that adequate provision has been recorded in the accounts where required. Although it is not possible to estimate the extent of potential costs, if any, management believes that ultimate resolution of such contingencies would not have a material adverse effect on the financial position of the Company.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

16. Capital risk management:

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital that it manages as the aggregate of its shareholders' equity, which is comprised of issued capital, contributed surplus, warrants and compensation options, accumulated other comprehensive income and retained earnings. The Company manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue shares, repurchase shares, pay dividends or undertake other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements for the years ended December 31, 2008 and 2007.

17. Financial risk management:

(a) Overview:

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee reviews the Company's risk management policies on an annual basis. The finance department identifies and evaluates financial risks and is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

17. Financial risk management (continued):

(b) 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 and arises from the Company's accounts receivable, short-term investments and cash and cash equivalents. The Company believes that the concentration of credit risk of accounts receivable is limited due to its broad customer base dispersed across varying industries and geographic locations throughout Canada and the United States. The majority of the Company's customers are located in the United States and Canada. At December 31, 2008, the gross accounts receivable balance was \$15,610,465. At December 31, 2008 and 2007, one customer represented 21% and 18% of the accounts receivable balance, respectively. No other individual customers represented more than 10% of accounts receivable. The Company invests its excess cash in cash equivalents and other short-term investments with the objective of maintaining safety of principal and providing adequate liquidity to meet current payment obligations and future planned capital expenditures and with the secondary objective of maximizing the overall yield of the portfolio. The Company's cash is not subject to external restrictions. Investments must be rated at least investment grade by recognized rating agencies. Given these high credit ratings, the Company does not expect any counterparties to these investments to fail to meet their obligations.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages its liquidity risk by continually monitoring forecast and actual revenues and expenditures and cash flows from operations. Management is also actively involved in the review and approval of planned expenditures. All of the Company's financial liabilities have contracted maturities of less than one year.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

17. Financial risk management (continued):

(d) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and the Company's share price, will affect the Company's income or the value of its financial instruments.

(i) Interest rate risk:

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be significantly affected by interest rate risk. Interest rate risk is insignificant as interest rates on the Company's short-term investments are fixed with maturity dates of less than one year. A change of 1% in interest rates at December 31, 2008 would not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

(ii) Currency risk:

The Company operates internationally with the Canadian dollar as its functional currency and therefore is exposed to foreign exchange risk from various currencies, primarily the U.S. dollar. Foreign exchange risk arises from purchase transactions as well as recognized financial assets and liabilities denominated in foreign currencies. The Company's main objective in managing its foreign exchange risk is to maintain Canadian cash on hand to support Canadian forecasted obligations and cash flows. To achieve this objective, the Company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the nature of cash and cash equivalents held. During fiscal 2008 and 2007, the Company maintained a portion of its cash resources in both U.S. and Canadian dollar cash and cash equivalents. The Company does not have any foreign currency derivative instruments outstanding as at December 31, 2008.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2008 and 2007

17. Financial risk management (continued):

Balances in foreign currencies at December 31, 2008 are as follows:

U.S. dollar cash and cash equivalents of \$4,718,986, U.S. dollar accounts payable and accrued liabilities of \$3,991,365, and U.S. dollar accounts receivable of \$11,007,908.

Fluctuations in the U.S. dollar exchange rate could have a potentially significant impact on the Company's results from operations. However, they would not impair or enhance the ability of the Company to pay its foreign currency-denominated expenses as such items would be similarly affected.