

Consolidated Financial Statements of

CYBERPLEX INC.

Years ended December 31, 2007 and 2006



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Cyberplex Inc. as at December 31, 2007 and 2006 and the consolidated statements of operations, 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, 2007 and 2006 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 28, 2008

CYBERPLEX INC.

Consolidated Balance Sheets

December 31, 2007 and 2006

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 380,114	\$ 610,337
Short-term investments (note 2)	93,063	2,825,068
Accounts receivable, net of allowance for doubtful accounts of \$752,015 (2006 - \$272,665)	4,264,373	1,340,884
Prepaid expenses and other assets	338,024	500,254
	<u>5,075,574</u>	<u>5,276,543</u>
Capital assets (note 5)	1,019,496	841,271
Intangible assets (note 6)	187,157	490,469
Goodwill (note 7)	5,959,615	3,851,507
	<u>\$ 12,241,842</u>	<u>\$ 10,459,790</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Bank indebtedness (note 3)	\$ 678,967	\$ -
Accounts payable and accrued liabilities	3,185,545	1,717,339
Notes payable (note 4(a))	-	143,566
Unearned revenue	149,535	36,742
Future income taxes (note 9)	-	137,347
Deferred lease inducements	51,582	45,383
	<u>4,065,629</u>	<u>2,080,377</u>
Future income taxes (note 9)	-	39,842
Deferred lease inducements	216,097	198,484
Shareholders' equity (note 8)	7,960,116	8,141,087
Contingencies, commitments, guarantees and subsequent events (notes 4, 14, 16 and 17)		
	<u>\$ 12,241,842</u>	<u>\$ 10,459,790</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

/s/ Geoffrey Rotstein Director

/s/ Vernon Lobo Director

CYBERPLEX INC.

Consolidated Statements of Operations

Years ended December 31, 2007 and 2006

	2007	2006
Revenue	\$ 17,651,509	\$ 5,333,221
Cost of revenue	10,643,665	2,879,533
	7,007,844	2,453,688
Expenses:		
Sales and marketing	4,093,673	875,362
General and administrative	3,260,549	2,085,570
Foreign exchange loss (gain)	425,687	(44,390)
	7,779,909	2,916,542
Loss before the undernoted	(772,065)	(462,854)
Amortization of capital assets	281,132	1,054,613
Amortization of intangible assets	418,630	109,637
Gain on disposal of capital assets	(68,072)	—
Loss from operations	(1,403,755)	(1,627,104)
Dividend income	30,776	—
Interest income	56,243	244,498
Interest expense	(19,561)	(4,300)
Gain on sale of short-term investment	16,252	—
	83,710	240,198
Loss before income taxes	(1,320,045)	(1,386,906)
Income tax recovery (note 9):		
Current	—	(20,618)
Future	(177,189)	(76,775)
	(177,189)	(97,393)
Loss for the year and other comprehensive loss	\$ (1,142,856)	\$ (1,289,513)
Loss per share (note 13):		
Basic and diluted	\$ (0.03)	\$ (0.03)
Weighted average number of shares used in basic and diluted loss per share (note 13)	42,474,497	37,183,511

See accompanying notes to consolidated financial statements.

CYBERPLEX INC.

Consolidated Statements of Shareholders' Equity

Years ended December 31, 2007 and 2006

	Common shares		Escrowed common shares		Warrants		Contributed surplus	Accumulated other comprehensive income	Deficit	Total shareholders' equity
	Number	Amount	Number	Amount	Number	Amount				
Balance, December 31, 2005	32,436,249	\$ 70,334,560	–	\$ –	–	\$ –	\$ 307,067	\$ –	\$ (64,846,746)	\$ 5,794,881
Loss for the year	–	–	–	–	–	–	–	–	(1,289,513)	(1,289,513)
Stock-based compensation (note 8(d))	–	–	–	–	–	–	54,247	–	–	54,247
Exercise of stock options (note 8(d))	16,000	4,326	–	–	–	–	(140)	–	–	4,186
Deficit reduction (note 8(c))	–	(64,997,231)	–	–	–	–	–	–	64,997,231	–
Proceeds from private placement net of issuance costs (note 8(b))	8,125,000	2,675,429	–	–	4,062,500	282,676	–	–	–	2,958,105
Issuance costs for private placement paid in shares (note 8(b))	650,000	235,154	–	–	–	24,846	–	–	–	260,000
Shares issued for acquisition of WebAffairs Inc. (note 4(a))	457,143	175,756	–	–	–	–	–	–	–	175,756
Shares issued for acquisition of Incentaclick Media Group Inc. (note 4(b))	340,000	155,825	–	–	–	–	–	–	–	155,825
Shares issued and held in escrow (note 4(b))	–	–	59,999	27,600	–	–	–	–	–	27,600
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(c))	347,182	230,977	–	–	–	–	–	–	–	230,977
Contingent consideration issued for acquisition of Incentaclick Media Group Inc. (note 4(b))	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

See accompanying notes to consolidated financial statements.

CYBERPLEX INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2007 and 2006

	2007	2006
Cash flows from (used in) operating activities:		
Loss for the year	\$ (1,142,856)	\$ (1,289,513)
Items not involving cash:		
Amortization of capital assets	281,132	1,054,613
Amortization of intangible assets	418,630	109,637
Future income taxes	(177,189)	(76,775)
Amortization of deferred lease inducements	(59,212)	(4,326)
Gain on disposal of capital assets	(68,072)	(8,917)
Stock-based compensation	255,174	54,247
Accretion of interest	6,434	3,218
Unrealized foreign exchange loss (gain)	71,532	(1,039)
Change in non-cash operating assets and liabilities (note 12)	(1,483,006)	(806,424)
	(1,897,433)	(965,279)
Cash flows from (used in) financing activities:		
Increase in bank indebtedness	678,967	—
Repayments of notes payable	(150,000)	(100,000)
Proceeds from exercise of stock options	146,534	4,186
Proceeds from exercise of warrants	187,500	—
Proceeds from private placement, net of issuance costs	—	3,218,106
	863,001	3,122,292
Cash flows from (used in) investing activities:		
Net sale of short-term investments	2,732,005	2,009,576
Acquisition of WebAffairs, net of cash acquired (note 4(a))	—	(428,551)
Acquisition of IncentaClick, net of cash acquired (note 4(b))	(1,093,806)	(3,255,954)
Acquisition of Eidenai, net of cash acquired (note 4(c))	(474,318)	—
Additions to capital assets	(356,212)	(344,572)
Proceeds from disposal of capital assets (note 5)	68,072	22,000
	875,741	(1,997,501)
Foreign exchange gain (loss) on cash held in foreign currency	(71,532)	1,039
Increase (decrease) in cash and cash equivalents	(230,223)	160,551
Cash and cash equivalents, beginning of year	610,337	449,786
Cash and cash equivalents, end of year	\$ 380,114	\$ 610,337

Supplemental cash flow information (note 12)

See accompanying notes to consolidated financial statements.

CYBERPLEX INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

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 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.

Certain comparative figures have been reclassified to conform to current year presentation.

(b) Financial instruments:

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

Effective January 1, 2007, the Company adopted the following new accounting standards issued by The Canadian Institute of Chartered Accountants' ("CICA"): Section 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments - Recognition and Measurement; Section 3861, Financial Instruments - Disclosure and Presentation; and Section 3865, Hedges. These new standards are effective January 1, 2007 and have been adopted by the Company retrospectively with no restatement of prior periods.

The standards require the Company to recognize all financial assets and liabilities on the consolidated balance sheets at fair value, except for loans and receivables, held-to-maturity investments and non-trading financial liabilities, which will be carried at their amortized cost. All derivatives, including embedded derivatives that must be separately accounted for, will be measured at fair value and changes in the fair value will be 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, 2007 and 2006

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.

Section 1530 establishes standards for reporting and presenting comprehensive income, which 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 that are excluded from net income. Accumulated other comprehensive income/loss ("AOCI") is a new component of shareholders' equity. The only component of AOCI during the year was the cumulative unrealized gain/loss on the Company's available-for-sale securities. Prior to adoption of the new standards on January 1, 2007, available-for-sale securities were recorded at historical cost. 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, 2007:

Cash and cash equivalents	Designated as held-for-trading
Short-term investments	Designated as held-for-trading
Accounts receivables	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, 2007 and 2006

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 inventory 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 credit risk.

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 year in which such losses are determined.

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

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.

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.

(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.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(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.

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.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(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 described in the preceding paragraph, 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.

(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.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(j) Loss per share:

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

(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.

(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 year. 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.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(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 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, 2007 and 2006

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 warrants and valuation allowance for future income taxes. Actual results could differ from those estimates.

(p) Changes in accounting policies:

(i) In July 2006, the CICA revised Section 1506, Accounting Changes, which requires that: (a) voluntary changes in accounting policy can only be made if the change results in financial statements that provide reliable and more relevant information; (b) changes in estimates and changes in accounting policies will generally be applied retroactively (changes in estimates were previously recognized prospectively); and (c) prior period errors are to be corrected retrospectively. The adoption of this standard did not have a material impact on the consolidated financial statements.

(ii) Changes in accounting policies related to financial instruments and equity are included in note 1(b).

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(q) Recently issued accounting pronouncements:

- (i) In 2006, the CICA issued Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, which will replace 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 Company is currently assessing the impact of the adoption of these standards and will apply them effective January 1, 2008.
- (ii) In 2006, the CICA issued Section 1535, Capital Disclosures. Section 1535 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. Disclosures required by the new standard will be included in the Company's interim and annual consolidated financial statements commencing January 1, 2008.
- (iii) In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, which replaces Section 3062, Goodwill and 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. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2008. The Company is currently assessing the impact of the new standard.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(iv) In March 2006, the Accounting Standards Board of the CICA released its new strategic plan, which will abandon Canadian generally accepted accounting principles ("GAAP") and affect a complete convergence to IFRS. At the end of a transitional period of approximately five years, Canadian GAAP will cease to exist as a separate, distinct basis of financial reporting for public companies. The Company is closely monitoring changes arising from this proposed convergence.

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

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

	2007	2006
Cash on deposit	\$ 380,114	\$ 610,337

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

	2007		2006	
	Carrying amount	Fair market value	Carrying amount	Fair market value
Marketable securities	\$ -	\$ -	\$ 14,907	\$ 59,108
Corporate notes, at annual rates of interest of approximately 4% (2006 - 3%)	93,063	93,063	2,810,161	2,810,161
	\$ 93,063	\$ 93,063	\$ 2,825,068	\$ 2,869,269

3. Bank indebtedness:

The Company has a Canadian dollar revolving demand credit facility of \$1,200,000. The credit facility bears interest at the bank's prime rate plus 1.25%. The credit facility is secured by a general security interest in the Company's assets.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

4. Acquisitions:

(a) WebAffairs Inc.:

On June 7, 2006, the Company acquired all of the issued and outstanding shares of WebAffairs Inc. ("WebAffairs"), a Toronto-based internet solutions and services company that delivers creative and technology solutions to its clients. Purchase consideration consists of \$300,000 in cash payable on closing, \$250,000 in notes payable, and 457,143 common shares of the Company. The notes payable are non-interest bearing and mature in instalments over an 18-month period. The long-term note payable was recorded at a discounted value of \$90,348 and was accreted to its maturity amount of \$100,000 in December 2007. The notes payable were fully repaid by December 31, 2007. The carrying amount of the notes payable as at December 31, 2006, after adjusting for accretion of interest and instalment payments made, was \$143,566. 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 time-based restrictions on resale are being released over a 24-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 \$47,982 in acquisition costs related to this transaction.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

4. Acquisitions (continued):

The acquisition of WebAffairs 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. The allocation of the purchase price was preliminary as at December 31, 2006, and was subject to finalization of the valuation of acquired intangible assets. The preliminary purchase price allocation reflected management's best estimate as at December 31, 2006. In addition, the purchase price consideration payable to the former shareholder was subject to certain working capital adjustments. The preliminary purchase price was finalized in 2007 with immaterial adjustments to the preliminary purchase price. The final purchase price allocation is as follows:

Net assets acquired:	
Current assets	\$ 77,854
Capital assets	12,493
Customer-related intangible assets	240,658
Goodwill	753,881
Bank indebtedness	(80,569)
Other current liabilities	(155,132)
Future income taxes	(85,099)
<hr/>	
Fair value of net assets acquired	<hr/> \$ 764,086
Purchase consideration consists of:	
Cash	\$ 300,000
Common shares	175,756
Notes payable	240,348
Acquisition costs	47,982
<hr/>	
Total purchase consideration	<hr/> \$ 764,086

(b) 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 consists 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, 2007 and 2006

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 may earn up 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 is 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.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

4. Acquisitions (continued):

The acquisition of IncentaClick 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. The allocation of the purchase price was determined on a preliminary basis on December 31, 2006 and was finalized in 2007 with immaterial adjustments. 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	\$ 612,815
Capital assets	73,413
Customer-related intangible assets	301,670
Technology-related intangible assets	57,778
Goodwill	4,735,255
Bank indebtedness	(197,178)
Other current liabilities	(441,881)
Future income taxes	(129,865)
Fair value of net assets acquired	\$ 5,012,007
Purchase consideration consists of:	
Cash	\$ 4,093,806
Common shares	303,425
Acquisition costs	58,776
Accounts payable	556,000
Total purchase consideration	\$ 5,012,007

During 2007, additional purchase consideration in the amount of \$1,797,406 has been recorded with respect to the Earnout and has been allocated to additional goodwill. The components of additional purchase consideration for 2007 is comprised of \$1,093,806 paid in cash, \$147,600 paid in common shares and \$556,000 which is recorded in accounts payable and accrued liabilities as at December 31, 2007, to be paid in cash and/or common shares in 2008.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

4. Acquisitions (continued):

(c) 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 consists 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 cost 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 semi-annually 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, 2007 and 2006

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. The allocation of the purchase price is preliminary and is subject to finalization in the first half of 2008. The preliminary purchase price allocation detailed below reflects management's best estimate as at the date of preparation of these consolidated financial statements:

Net asset acquired:	
Current assets	\$ 437,901
Capital assets	103,145
Customer-related intangible assets	115,318
Goodwill	470,479
Bank indebtedness	(345,037)
Other current liabilities	(421,548)
<hr/>	
Fair value of net assets acquired	<hr/> \$ 360,258

Purchase consideration consists of:	
Cash	\$ 83,324
Common shares	230,977
Acquisition costs	45,957
<hr/>	
Total purchase consideration	<hr/> \$ 360,258

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

5. Capital assets:

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>

2006	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 683,144	\$ 549,626	\$ 133,518
Computer equipment	2,279,781	1,966,669	313,112
Computer software	1,135,648	1,058,906	76,742
Leasehold improvements	652,764	334,865	317,899
	<u>\$ 4,751,337</u>	<u>\$ 3,910,066</u>	<u>\$ 841,271</u>

During 2006, the remaining net book value of the leasehold improvements related to the exited Toronto facility (note 11) of approximately \$784,000 was written down to nil as accelerated depreciation within the Company's Technology Services segment. In addition, the gross cost and accumulated depreciation of capital assets disposed of during the facility exit, most of which had been fully depreciated in prior years, was written off at the time of disposition.

Proceeds from disposition of capital assets totalled \$68,072 (2006 - \$22,000) in the year.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

6. Intangible assets:

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>

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

2006	Cost	Accumulated amortization	Net book value
Technology-related intangibles	\$ 57,778	\$ 2,407	\$ 55,371
Customer-related intangibles	542,328	107,230	435,098
	<u>\$ 600,106</u>	<u>\$ 109,637</u>	<u>\$ 490,469</u>

During 2006, the Company acquired \$57,778 in technology-related intangibles and \$542,328 in customer-related intangibles, respectively, through the acquisitions of WebAffairs and Incentaclick described in notes 4(a) and (b). Technology-related intangibles are being amortized on a straight-line basis over two years and the customer-related intangibles are being amortized on a straight-line basis over 1.5 years.

7. Goodwill:

The changes in the carrying amount of goodwill by reportable segment during 2007 are as follows:

	Balance, January 1, 2007	Additions (a),(b)	Purchase price adjustments (c), (d)	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>

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

7. Goodwill (continued):

- (a) The goodwill associated with the acquisition of Eidenai in August 2007, as described in note 4(c), was allocated to the Company's Technology Services reporting unit.
- (b) In 2007, the finalization of the preliminary purchase price allocation of the acquisition of Incentaclick, as described in note 4(b) relating to working capital adjustments, resulted in a decrease to goodwill of \$96,705.
- (c) In 2007, the finalization of the preliminary purchase price allocation of the acquisition of WebAffairs, as described in note 4(a) relating to working capital adjustments, resulted in a decrease to goodwill of \$63,072.
- (d) The additions for the Web Advertising division represents additional purchase consideration recorded in 2007 in connection with the acquisition of Incentaclick.

	Balance, January 1, 2006	Additions (e), (f)	Purchase price adjustments (e)	Balance, December 31, 2006
Technology Services	\$ -	\$ 657,226	\$ 159,727	\$ 816,953
Web Advertising	-	3,034,554	-	3,034,554
	\$ -	\$ 3,691,780	\$ 159,727	\$ 3,851,507

- (e) The goodwill associated with the acquisition of WebAffairs in June 2006, as described in note 4(a), was allocated to the Company's Technology Services reporting unit.
- (f) The acquisition of Incentaclick in December 2006, as described in note 4(b), created a new reporting unit, Web Advertising, and the goodwill associated with the acquisition was fully allocated to this new reporting unit as expected synergies between the two reporting units were not considered significant.

8. Shareholders' equity:

- (a) Share capital:

- (i) Authorized:

Unlimited common shares

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

8. Shareholders' equity (continued):

(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 placement and warrants:

On June 29, 2006, the Company completed a 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 for a period ended December 29, 2007.

Warrants issued in association with the private placement totalled 4,062,500. The fair value of the warrants as of the date of the private placement was measured at \$310,570, using a Black-Scholes option pricing model and the following valuation assumptions: expected life - 1.5 years; volatility - 63%; and risk-free interest rate - 4.4%. The residual amount of the proceeds from the private placement was allocated to the common shares.

Cash issuance costs incurred in connection with the private placement totalled \$31,894. In addition, certain financial advisor fees were paid by issuance of 650,000 common shares of the Company. These common shares were valued at \$260,000 based on the market price of the Company's common shares at the time of announcement of the private placement and recorded as issuance costs. The total costs incurred in connection with the private placement were allocated between the common shares and warrants issued via the private placement units on a pro rata basis.

On December 27, 2007, 312,500 common shares were issued from the warrants exercised in association with the 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) Deficit reduction:

At the Company's Annual and Special Meeting of Shareholders on May 24, 2006, approval was obtained for a reduction in the Company's stated capital of \$64,997,231. This reduction in capital occurred effective April 1, 2006 and was applied to reduce the Company's deficit, resulting in no change to total shareholders' equity.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

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 3,600,000 shares. 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:

	2007		2006	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	1,561,334	\$ 0.29	2,038,834	\$ 0.28
Granted	1,479,100	0.55	40,000	0.41
Forfeited or cancelled	(89,500)	0.41	(501,500)	0.26
Exercised	(543,334)	0.27	(16,000)	0.26
Outstanding, end of year	2,407,600	0.45	1,561,334	0.29
Options exercisable, end of year	1,406,266	\$ 0.46	1,063,000	\$ 0.29

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

8. Shareholders' equity (continued):

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

Range of exercise prices	2007			2006		
	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	855,000	2.12	688,333	1,390,334	2.25	932,000
\$0.33 - \$0.38	11,000	0.81	11,000	31,000	0.98	31,000
\$0.40 - \$0.46	750,000	3.79	73,333	100,000	2.99	60,000
\$0.51 - \$0.59	130,000	3.67	30,000	30,000	2.72	30,000
\$0.70	661,600	4.56	603,600	10,000	2.58	10,000
	2,407,600		1,406,266	1,561,334		1,063,000

During the year ended December 31, 2007, the Company recorded compensation expense related to stock options granted to employees of \$255,174 (2006 - \$54,247). Compensation cost totalling \$21,700 has been capitalized within prepaid expenses and other assets as at December 31, 2007.

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:

	2007	2006
Risk-free interest rate (%)	4.16	4.23
Expected life (years)	3.10	2.60
Dividend yield (%)	—	—
Expected volatility (%)	61	64

The weighted average estimated grant date fair value of the options issued during the year was \$0.25 (2006 - \$0.16).

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

9. Income taxes:

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

	2007	2006
Statutory income tax rate	36.10%	36.10%
Income tax recovery based on statutory rate	\$ (476,536)	\$ (500,673)
Increase (decrease) in income taxes resulting from:		
Non-taxable portion of unrealized foreign exchange gains	(232,768)	98,570
Change in the valuation allowance	(720,533)	(222,866)
Change in enacted tax rates	1,246,249	581,047
Difference due to tax rates in other tax jurisdictions	(35,424)	(33,724)
Unrecorded benefit of losses acquired on acquisition	(212,970)	—
Change in foreign exchange rates on future tax assets of foreign subsidiaries	330,121	—
Other items	(75,328)	(19,747)
Actual income tax recovery	\$ (177,189)	\$ (97,393)

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:

	2007	2006
Future income tax assets:		
Non-capital loss carryforwards	\$ 5,718,601	\$ 5,138,099
Net capital loss carryforwards	3,590,658	4,111,590
Capital assets	596,218	819,577
Share issue costs	50,390	78,770
Net unrealized foreign exchange losses	1,074,781	1,343,222
Other assets	81,218	275,545
	11,111,866	11,766,803
Less valuation allowance	11,046,270	11,766,803
Total future income tax assets	65,596	—
Future income tax liabilities:		
Current portion	—	(137,347)
Long-term portion	(65,596)	(39,842)
Total future income tax liabilities	(65,596)	(177,189)
Net future income tax liabilities	\$ —	\$ (177,189)

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

9. Income taxes (continued):

The Company has accumulated income tax losses of approximately \$16,398,896 as at December 31, 2007 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:

2008	\$ 8,807,379
2009	1,100,371
2010	633,710
2014	74,420
2015	1,103,179
2026	1,426,145
2027	2,571,280
	<hr/>
	\$ 15,716,484

United States:

2020	\$ 36,991
2021	324,440
2022	305,486
2023	15,495
	<hr/>
	\$ 682,412

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, 2007 and 2006

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. The Web Advertising segment originated in December 2006 with the acquisition of Incentaclick described in note 4(b). Prior to the Incentaclick acquisition in 2006, the Company operated in a single reportable operating segment, Technology Services. Management measures segment performance based on management loss from operations, defined as: 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:

	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, 2007 and 2006

10. Segment information (continued):

(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:

	2007	2006
Revenue by geographic location of customer:		
Canada	\$ 4,645,277	\$ 3,289,921
U.S.	13,006,232	2,043,300
	<u>\$ 17,651,509</u>	<u>\$ 5,333,221</u>

In 2007, no customers accounted for greater than 10% of revenue. One customer accounted for 18% of accounts receivable as at December 31, 2007.

In 2006, two customers accounted for 19% and 13% of revenue, respectively. Accounts receivable related to these two customers comprised 15% and 25%, respectively, of accounts receivable as at December 31, 2006.

11. Other long-term liabilities:

During 2001, the Company recorded charges relating to estimated costs to exit certain leased premises. The charges were based on management's best estimates of net cash flows for the affected premises, including lease and operating payments, estimated sublease income, lease termination fees and the anticipated time to sublease and/or terminate the lease. During 2006, a lease termination settlement agreement was reached with the landlord. Total lease settlement costs were \$1,485,357. The difference between the carrying amount of the lease exit cost accrual on the date of settlement and the total settlement costs of \$56,770 was recorded as a credit to general and administrative expenses during 2006.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

12. Consolidated statements of cash flows:

	2007	2006
Change in non-cash operating assets and liabilities:		
Accounts receivable	\$ (2,393,009)	\$ 708,792
Prepaid expenses and other assets	156,329	(54,080)
Accounts payable and accrued liabilities	557,857	(196,113)
Unearned revenue	112,793	27,775
Other long-term liabilities	–	(1,292,798)
Deferred lease inducements	83,024	–
	<u>\$ (1,483,006)</u>	<u>\$ (806,424)</u>
Supplemental cash flow information:		
Interest paid	\$ 19,561	\$ 391
Interest received	56,243	240,197
Income taxes paid	–	4,965
Supplemental disclosure relating to investing activities:		
Acquisition of Eidenai through issuance of common shares	230,977	–
Acquisition of WebAffairs through issuance of common shares	–	175,756
Acquisition of WebAffairs through issuance of notes payable	–	240,348
Acquisition of Incentaclick through issuance of common shares	147,600	155,825
Issuance of escrowed common shares	–	27,600
Issuance costs of private placement paid through issuance of common shares	–	260,000

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

13. Loss per share:

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

	2007	2006
Loss for the year	\$ (1,142,856)	\$ (1,289,513)
Weighted average number of shares outstanding: Basic and diluted	42,474,497	37,183,511
Loss per share: Basic and diluted	\$ (0.03)	\$ (0.03)

Due to the net loss in 2007 and 2006, all dilutive securities were considered anti-dilutive.

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

	2007	2006
Options	2,407,600	1,561,334
Warrants	—	4,062,500
	2,407,600	5,623,834

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

14. Commitments:

The Company is required to make minimum payments under the terms of operating leases for premises and equipment expiring on various dates to September 2012. Minimum commitments are as follows:

2008	\$	513,190
2009		520,090
2010		439,259
2011		282,990
2012		96,283
		<hr/>
	\$	1,851,812

15. 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 fair value amounts consistent with similar transactions with unrelated customers. Total revenue in 2007, while these customers were related parties, totalled \$7,518 (2006 - \$8,325). Accounts receivable from these customers at December 31, 2007 was nil (2006 - \$2,263).

A partner of an external legal firm used by the Company is a director of the Company. Fees incurred with this external legal firm during 2007 and 2006 totalled \$67,510 (2006 - \$133,878), of which \$3,674 (2006 - \$62,029) was included in accounts payable and accrued liabilities as at December 31, 2007.

As disclosed in note 8(b), the Company completed a private placement in 2006, of which various members of the Board of Directors participated. In addition, as a result of the private placement, an arm's length party that negotiated the terms of the transaction became a significant shareholder and related party of the Company.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

15. Related party transactions and balances (continued):

In 2006, a significant shareholder of the Company purchased certain capital asset items for total consideration of \$20,000, all of which had been collected by year end. The terms of this purchase were negotiated by the parties and were consistent with prices charged in similar transactions with unrelated parties.

16. Guarantees:

The Company has entered into agreements that contain features which meet the definition of a guarantee under generally accepted accounting principles. 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.

CYBERPLEX INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

17. Subsequent events:

On February 21, 2008, the Company closed a private placement (the "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 \$4,640,000, net of issuance costs of \$360,000.

The Private Placement was undertaken by a syndicate of agents (the "Agents"). 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 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.

The Shares and Compensation Shares will be subject to a four-month hold period following closing of the Private Placement, expiring June 22, 2008.