

Unaudited Interim Consolidated Financial Statements of

## **CYBERPLEX INC.**

Three and six months ended June 30, 2008 and 2007

### Notice to Reader

The accompanying unaudited interim financial statements of Cyberplex Inc. for the quarter ended June 30, 2008 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Corporation. These statements have not been reviewed by the Corporation's external auditors.

Dated August 7, 2008

/s/ Geoffrey Rotstein President and Chief Executive Officer

/s/ Isaac Osiel Chief Financial Officer

# CYBERPLEX INC.

Unaudited Interim Consolidated Balance Sheets

June 30, 2008 and December 31, 2007

	2008 (Unaudited)	2007 (Unaudited)
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents (note 2)	\$ 798,667	\$ 380,114
Short-term investments (note 2)	1,134,108	93,063
Accounts receivable, net of allowance for doubtful accounts of \$827,954 (2007 - \$752,015)	4,683,094	4,264,373
Prepaid expenses and other assets	640,284	338,024
	<u>7,256,153</u>	<u>5,075,574</u>
Capital assets (note 4)	1,000,406	1,019,496
Intangible assets (note 5)	31,256	187,157
Goodwill (note 6)	8,637,015	5,959,615
	<u>\$ 16,924,830</u>	<u>\$ 12,241,842</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Bank indebtedness	\$ -	\$ 678,967
Accounts payable and accrued liabilities	3,190,188	3,185,545
Unearned revenue	72,756	149,535
Deferred lease inducements	25,791	51,582
	<u>3,288,735</u>	<u>4,065,629</u>
Deferred lease inducements	216,097	216,097
Shareholders' equity (note 7)	13,419,998	7,960,116
	<u>\$ 16,924,830</u>	<u>\$ 12,241,842</u>

See accompanying notes to unaudited interim consolidated financial statements.

## CYBERPLEX INC.

Unaudited Interim Consolidated Statements of Operations  
Three and Six Months ended June 30, 2008 and 2007

	Three Months Period Ended		Six Months Period Ended	
	June 30, 2008 (unaudited)	June 30, 2007 (unaudited)	June 30, 2008 (unaudited)	June 30, 2007 (unaudited)
Revenue	\$ 9,471,604	\$ 4,435,563	\$ 17,368,484	\$ 7,474,479
Cost of revenue	6,255,891	2,591,266	11,592,837	4,530,582
	3,215,713	1,844,297	5,775,647	2,943,897
Expenses:				
Sales and marketing	1,835,838	986,742	3,329,153	1,476,799
General and administrative	999,972	731,324	1,919,775	1,481,628
Foreign Exchange (gain) loss	29,775	129,735	(44,588)	142,231
	2,865,585	1,847,801	5,204,340	3,100,658
Income (loss) before the undernoted	350,128	(3,504)	571,307	(156,761)
Amortization of capital assets	74,833	61,151	149,030	116,275
Amortization of intangible assets	69,571	97,611	155,901	195,222
Income (loss) from operations	205,724	(162,266)	266,376	(468,258)
Interest income	12,237	15,478	24,821	41,893
Interest expense	(11,439)	-	(32,818)	-
Income (loss) before income taxes	206,522	(146,788)	258,379	(426,365)
Income tax recovery:				
Future	-	(35,257)	-	(70,514)
Income (loss)	206,522	(111,531)	258,379	(355,851)
Unrealized gain on marketable securities	-	(13,923)	-	2,216
Income (loss) and other comprehensive income (loss)	\$ 206,522	\$ (125,454)	\$ 258,379	\$ (353,635)
Income (loss) per share (note 10)				
Basic and diluted	\$ 0.00	\$ (0.00)	\$ 0.01	\$ (0.01)
Weighted average number of common shares used in:				
Basic	52,286,535	42,130,545	49,703,691	42,107,595
Diluted	53,399,226	42,130,545	50,807,817	42,107,595

See accompanying notes to unaudited interim consolidated financial statements.

# CYBERPLEX INC.

## Unaudited Interim Consolidated Statements of Shareholders' Equity

June 30, 2008 and December 31, 2007

	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, 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	-	-	-	-	-	-	-	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	-	-	-	-	-	-	276,874	-	-	276,874
Exercise of stock options	543,334	230,558	-	-	-	-	(84,024)	-	-	146,534
Shares issued for acquisition of Eidenai Innovations Inc.	347,182	230,977	-	-	-	-	-	-	-	230,977
Contingent consideration issued for acquisition of Incentaclick Media Group Inc.	253,548	147,600	(59,999)	(27,600)	-	-	-	-	-	120,000
Warrants exercised from private placement	312,500	211,155	-	-	(312,500)	(23,655)	-	-	-	187,500
Expiration of warrants from private placement	-	-	-	-	(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
Income for the quarter ended March 31, 2008									51,858	51,858
Stock-based compensation			-	-	-	-	27,238	-	-	27,238
Exercise of stock options	260,000	113,008	-	-	-	-	(45,408)	-	-	67,600
Proceeds from private placement net of issuance cost	8,333,334	4,576,116	-	-	-	-	-	-	-	4,576,116
Balance, March 31, 2008	52,074,290	\$ 14,093,233	-	\$ -	-	\$ -	\$ 819,721	\$ -	\$ (2,230,026)	\$ 12,682,928
Income for the quarter ended June 30, 2008									206,522	206,522
Stock-based compensation			-	-	-	-	59,674	-	-	59,674
Exercise of stock options	1,000	630	-	-	-	-	(300)	-	-	330
Proceeds from private placement			-	-	-	-	-	-	-	-
Contingent consideration fox CXD	566,920	470,544	-	-	-	-	-	-	-	470,544
Balance, June 30, 2008	52,642,210	\$ 14,564,407	-	\$ -	-	\$ -	\$ 879,095	\$ -	\$ (2,023,504)	\$ 13,419,998

# CYBERPLEX INC.

## Unaudited Interim Consolidated Statements of Cash Flows

Three and Six Months Ended June 30, 2008, 2007

	Three Months Period Ended		Six Months Period Ended	
	June 30, 2008 (unaudited)	June 30, 2007 (unaudited)	June 30, 2008 (unaudited)	June 30, 2007 (unaudited)
Cash flows from (used in) operating activities				
Income (loss) for the quarter	\$ 206,522	\$ (111,531)	258,379	\$ (355,851)
Items not involving cash:				
Amortization of capital assets	74,833	61,151	149,031	116,275
Amortization of intangible assets	69,571	97,611	155,901	195,222
Future income taxes	-	(35,257)	0	(70,514)
Amortization of deferred lease inducements	(12,896)	(12,977)	(25,792)	(25,954)
Stock-based compensation	65,099	29,966	108,612	49,632
Accretion of interest	-	1,608	-	3,217
Unrealized foreign exchange loss (gain)	9,962	66,719	(26,862)	70,700
Changes in non-cash operating assets and liabilities (note 9)	(465,583)	(1,074,856)	(1,746,855)	(1,277,613)
	(52,492)	(977,566)	(1,127,586)	(1,294,886)
Cash flows from (used in) financing activities:				
Decrease in bank indebtedness	-	-	(678,967)	-
Proceeds from exercise of stock options	330	94,400	67,930	94,400
Proceeds from private placement, net of issuance cost	-	-	4,576,116	-
	330	94,400	3,965,079	94,400
Cash flows from (used in) investing activities				
Net sale of short-term investments	1,274,355	974,132	(1,041,045)	1,450,355
Acquisition of CX Digital, net of cash acquired	(1,254,816)	-	(1,254,816)	-
Acquisition of Eidenai, net of cash acquired	-	-	(20,000)	-
Additions to capital assets	(30,673)	(132,746)	(129,941)	(189,315)
	(11,134)	841,386	(2,445,802)	1,261,040
Foreign exchange gain (loss) on cash held in foreign currency	(9,962)	(66,719)	26,862	(70,700)
Change in cash and cash equivalents	(73,258)	(108,498)	418,553	(10,146)
Cash and cash equivalents, beginning of period	871,925	708,688	380,114	610,336
Cash and cash equivalents, end of period	\$ 798,667	\$ 600,190	798,667	\$ 600,190

See accompanying notes to unaudited interim consolidated financial statements.

# CYBERPLEX INC.

## Notes to Unaudited Interim Consolidated Financial Statements

Three and six months ended June 30, 2008 and 2007

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Cyberplex Inc. (the "Company") provides web advertising solutions and online 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 unaudited interim 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 unaudited interim consolidated financial statements from the date of acquisition. Intercompany transactions and balances are eliminated on consolidation. These unaudited interim consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements of the Company for the year ended December 31, 2007.

The presentation of these unaudited interim consolidated financial statements requires management to make assumptions and estimates that affect the figures herein these unaudited interim consolidated financial statements and notes. Actual results could differ significantly from those assumptions and estimates. Furthermore, the results could differ from those estimates and the operating results for the interim periods presented are not necessarily indicative of the results anticipated for the full year. In the opinion of the management, these unaudited interim consolidated financial statements reflect adjustments necessary to state fairly the results of the period presented.

The notes presented in these unaudited interim consolidated financials statements include only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures and notes required by Canadian GAAP for annual financial statements. Accordingly, these unaudited interim consolidated financial statements and notes should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2007.

These unaudited interim consolidated financial statements follow the same accounting policies and methods of applications as the 2007 annual consolidated financial statements except for the adoption of new accounting policies described in (b) below.

# CYBERPLEX INC.

Notes to Unaudited Interim Consolidated Financial Statements (continued)

Three and six months ended June 30, 2008 and 2007

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## 1. Significant accounting policies (continued):

### (b) Changes in accounting policy:

- (i) In 2006, the CICA issued Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, 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.
- (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. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2007.
- (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.

# CYBERPLEX INC.

Notes to Unaudited Interim Consolidated Financial Statements (continued)

Three and six months ended June 30, 2008 and 2007

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

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

	June 30, 2008	December 31, 2007
Cash on deposit	\$ 798,667	\$ 380,114

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

	June 30, 2008		December 31, 2007	
	Carrying amount	Fair market value	Carrying amount	Fair market value
Corporate notes, at annual rates of interest of approximately 3.5% (2007 - 4%)	\$ 1,134,108	\$ 1,134,108	\$ 93,063	\$ 93,063
	\$ 1,134,108	\$ 1,134,108	\$ 93,063	\$ 93,063

## 3. 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.

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 Unaudited Interim Consolidated Financial Statements (continued)

Three and six months ended June 30, 2008 and 2007

### 3. 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 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	7,392,656
Bank indebtedness	(197,178)
Other current liabilities	(441,881)
Future income taxes	(129,865)
<b>Fair value of net assets acquired</b>	<b>\$ 7,669,408</b>
Purchase consideration consists of:	
Cash	\$ 5,348,622
Common shares	773,968
Acquisition costs	58,776
Accounts payable	1,488,042
<b>Total purchase consideration</b>	<b>\$ 7,669,408</b>

For the quarter ended June 30, 2008, additional purchase consideration in the amount of \$1,589,401 was recorded with respect to the Earnout and has been allocated to additional goodwill, the components of which is recorded in accounts payable and accrued liabilities as at June 30, 2008, to be paid in cash and/or common shares in 2008.

#### 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

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

# CYBERPLEX INC.

Notes to Unaudited Interim Consolidated Financial Statements (continued)

Three and six months ended June 30, 2008 and 2007

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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. The Shareholders qualified for additional consideration of \$20,000 which was paid out in cash in January 2008. 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.

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:

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Net asset acquired:	
Current assets	\$ 437,901
Capital assets	103,145
Customer-related intangible assets	115,318
Goodwill	490,479
Bank indebtedness	(345,037)
Other current liabilities	(421,548)
<b>Fair value of net assets acquired</b>	<b>\$ 380,258</b>

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Purchase consideration consists of:	
Cash	\$ 103,324
Common shares	230,977
Acquisition costs	45,957
<b>Total purchase consideration</b>	<b>\$ 380,258</b>

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# CYBERPLEX INC.

Notes to Unaudited Interim Consolidated Financial Statements (continued)

Three and six months ended June 30, 2008 and 2007

## 4. Capital assets:

June 30, 2008	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 807,688	\$ 606,238	\$ 201,450
Computer equipment	2,564,290	2,165,076	399,214
Computer software	1,271,812	1,131,905	139,907
Leasehold improvements	696,845	437,010	259,835
	<u>\$ 5,340,635</u>	<u>\$ 4,340,229</u>	<u>\$ 1,000,406</u>

December 31, 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>

## 5. Intangible assets:

June 30, 2008	Cost	Accumulated amortization	Net book value
Technology-related intangibles	\$ 57,778	\$ 45,742	\$ 12,036
Customer-related intangibles	657,646	638,426	19,220
	<u>\$ 715,424</u>	<u>\$ 684,168</u>	<u>\$ 31,256</u>

December 31, 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 Unaudited Interim Consolidated Financial Statements (continued)

Three and six months ended June 30, 2008 and 2007

## 6. Goodwill:

The changes in the carrying amount of goodwill by reportable segment during June 30, 2008 are as follows:

	Balance, January 1, 2008	Additions (a)	Purchase price adjustments	Balance, June 30, 2008
Technology Services	\$ 1,224,360	\$ 20,000	\$ -	\$ 1,244,360
Web Advertising	4,735,255	2,657,400	-	7,392,655
	<u>\$ 5,959,615</u>	<u>\$ 2,677,400</u>	<u>\$ -</u>	<u>\$ 8,637,015</u>

(a) The additions represents additional purchase consideration recorded in 2008 in connection with the acquisition of Incentaclick and Eidenai.

	Balance, January 1, 2006	Additions	Purchase price adjustments	Balance, December 31, 2007
Technology Services	\$ -	\$ 1,287,432	\$ (63,072)	\$ 1,224,360
Web Advertising	-	4,831,960	(96,705)	4,735,255
	<u>\$ -</u>	<u>\$ 6,119,392</u>	<u>\$ (159,777)</u>	<u>\$ 5,959,615</u>

## 7. 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.

# CYBERPLEX INC.

Notes to Unaudited Interim Consolidated Financial Statements (continued)

Three and six months ended June 30, 2008 and 2007

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## 7. Shareholders' equity (continued):

### (b) Private placement and warrants:

On February 21, 2008, the Company closed a private placement (the "Private Placement") resulting in the issuance of 8,333,334 common shares of 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.

The Private Placement was undertaken by a syndicate of agents (the "Agents"). Various members of the Board of Directors and employees participated in the 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 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.

### (c) Exercise of stock-options:

During the second quarter one employee exercised a total of 1,000 options into common shares at \$0.33 cents for the total gross proceeds of \$330 and during first quarter, various members of the Board of Directors exercised a total of 260,000 stock options into common shares at \$0.26 cents for total gross proceeds of \$67,600.

### (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 fixed maximum percentage "rolling" 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.

# CYBERPLEX INC.

Notes to Unaudited Interim Consolidated Financial Statements (continued)

Three and six months ended June 30, 2008 and 2007

## 7. Shareholders' equity (continued):

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:

	Number of options		Weighted average exercise price
Outstanding, December 31, 2007	2,407,600	\$	0.45
Granted	-		-
Forfeited or cancelled	-		-
Exercised	(260,000)		0.26
<b>Outstanding, March 31, 2008</b>	<b>2,147,600</b>		<b>0.47</b>
Options exercisable, end of quarter	1,360,930	\$	0.50

  

	Number of options		Weighted average exercise price
Outstanding, March 31, 2008	2,147,600	\$	0.47
Granted	827,000		0.78
Forfeited or cancelled	(4,000)		0.70
Exercised	(1,000)		0.33
<b>Outstanding, June 30, 2008</b>	<b>2,969,600</b>		<b>0.56</b>
Options exercisable, end of quarter	1,406,596	\$	0.50

# CYBERPLEX INC.

Notes to Unaudited Interim Consolidated Financial Statements (continued)

Three and six months ended June 30, 2008 and 2007

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

Range of exercise prices	June 30, 2008			December 31, 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	2.46	428,333	855,000	2.12	688,333
\$0.33 - \$0.38	10,000	0.33	10,000	11,000	0.81	11,000
\$0.40 - \$0.46	750,000	3.29	303,330	750,000	3.79	73,333
\$0.51 - \$0.59	130,000	3.17	63,333	130,000	3.67	30,000
\$0.66 - \$0.67	110,000	4.52	0			
\$0.70	657,600	4.06	601,600	661,600	4.56	603,600
\$0.80	717,000	4.75	0			
	2,969,600		1,406,596	2,407,600		1,406,266

## 7. Shareholders' equity (continued):

On May 22, 2008, the Board of Directors granted an aggregate of 827,000 options to officers and employees of the Corporation and its subsidiaries, (collectively, the "Prior Options"). The Prior Options were granted at an exercise price of \$0.80 per common share. During the quarter ended June 30, 2008, the Company recorded a stock-based compensation expense of \$65,099 (2007 - \$29,966). For the first six months ended June 30, 2008, the Company recorded a stock-based compensation expense of \$108,612 (2007 - \$49,632).

## 8. 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, which utilizes its affiliate network to focus on helping clients with targeted customer acquisition and lead generation. Management income/(loss) 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 for the quarter ended June 30, 2008 relating to these two reportable segments is outlined below:

# CYBERPLEX INC.

Notes to Unaudited Interim Consolidated Financial Statements (continued)

Three and six months ended June 30, 2008 and 2007

Three months ended June 30, 2008

	Technology Services	Web Advertising	Total
Revenue	\$ 975,652	\$ 8,495,952	\$ 9,471,604
Gross margin	22%	35%	34%

Three months ended June 30, 2007

	Technology Services	Web Advertising	Total
Revenue	\$ 1,048,497	\$ 3,387,066	\$ 4,435,563
Gross margin	43%	41%	42%

Six months ended June 30, 2008

	Technology Services	Web Advertising	Total
Revenue	\$ 2,330,656	\$ 15,037,828	\$ 17,368,484
Gross margin	29%	34%	33%

Six months ended June 30, 2007

	Technology Services	Web Advertising	Total
Revenue	\$ 2,049,895	\$ 5,424,584	\$ 7,474,479
Gross margin	41%	39%	39%

# CYBERPLEX INC.

Notes to Unaudited Interim Consolidated Financial Statements (continued)

Three and six months ended June 30, 2008 and 2007

## 8. 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:

	Three months ended	
	June 30, 2008	June 30, 2007
Revenue by geographic location of customer:		
Canada	\$ 964,833	\$ 976,322
U.S.	8,506,771	3,459,241
	<u>\$ 9,471,604</u>	<u>\$ 4,435,563</u>

	Six months ended	
	June 30, 2008	June 30, 2007
Revenue by geographic location of customer:		
Canada	\$ 2,282,635	\$ 1,887,997
U.S.	15,085,849	5,586,482
	<u>\$ 17,368,484</u>	<u>\$ 7,474,479</u>

For the quarter ended June 30, 2008, there were no clients that exceeded 10% of the total revenue. Three customers accounted for 35% of accounts receivable as at June 30, 2008.

For the quarter ended June 30, 2007, one client accounted for greater than 10% of revenue. Three customers accounted for 30% of accounts receivable as at June 30, 2007.

## 9. Interim consolidated statements of cash flows:

	Three months ended	
	June 30, 2008	June 30, 2007
Change in non-cash operating assets and liabilities:		
Accounts receivable	\$ 376,337	\$ (1,077,270)
Prepaid expenses and other assets	26,981	144,160
Accounts payable and accrued liabilities	(836,600)	(148,839)
Unearned revenue	(32,301)	7,093
	<u>\$ (465,583)</u>	<u>\$ (1,074,856)</u>

# CYBERPLEX INC.

Notes to Unaudited Interim Consolidated Financial Statements (continued)

Three and six months ended June 30, 2008 and 2007

	Six months ended	
	June 30, 2008	June 30, 2007
Change in non-cash operating assets and liabilities:		
Accounts receivable	\$ (418,721)	\$ (1,576,226)
Prepaid expenses and other assets	(323,958)	327,975
Accounts payable and accrued liabilities	(927,397)	(41,949)
Unearned revenue	(76,779)	12,587
	<u>\$ (1,746,855)</u>	<u>\$ (1,277,613)</u>

## 10. Income (loss) per share:

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

	Three months ended	
	June 30, 2008	June 30, 2007
Income (loss) and other comprehensive income (loss)	\$ 206,522	\$ (125,454)
Weighted average number of shares outstanding:		
Basic	52,286,535	42,130,545
Diluted	53,399,226	42,130,545
Income (Loss) per share:		
Basic and diluted	\$ 0.00	\$ (0.00)

	Six months ended	
	June 30, 2008	June 30, 2007
Income (loss) and other comprehensive income (loss)	\$ 258,379	\$ (353,635)
Weighted average number of shares outstanding:		
Basic	49,703,691	42,107,595
Diluted	50,807,817	42,107,595
Income (loss) per share:		
Basic and diluted	\$ 0.01	\$ (0.01)

Due to the net loss for the three and six months ended June 30, 2007, all potentially dilutive securities were considered anti-dilutive.

# CYBERPLEX INC.

Notes to Unaudited Interim Consolidated Financial Statements (continued)

Three and six months ended June 30, 2008 and 2007

Details of potentially dilutive securities as at each quarter 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:

	June 30, 2008	June 30, 2007
Options	1,484,600	2,020,334
Warrants	-	4,062,500
	1,484,600	6,348,834

## 11. 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	\$	195,866
2009		520,090
2010		439,259
2011		282,990
2012		96,283
	\$	1,534,487

## 12. 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 for the three and six months ended June 30, 2008, while these customers were related parties, totalled \$ 1,515 and \$4,151 (2007 - \$549 and \$8,067). Accounts receivable from these customers at June 30, 2008 was \$ 1,528 (2007 - \$ 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 the three and six months ended June 30, 2008 totalled \$31,339 and \$90,077 (2007 - \$22,405 and 89,915), of which \$11,995 and \$3,674 was included in accounts payable and accrued liabilities as at June 30, 2008 and 2007 respectively.