



**Our business is quality of life.**

**UNAUDITED CONSOLIDATED  
FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED  
MARCH 31, 2008 AND 2007**

**(Expressed in Canadian Dollars)**

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# **MEDICAL VENTURES CORP.**

## **Notice of No Auditor Review of Interim Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the Interim Financial Statements, they must be accompanied by a notice that the financial statements had not been reviewed by an auditor.

The accompanying Unaudited Interim Consolidated Financial Statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these Interim Consolidated Financial Statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of Interim Financial Statements by an entity's auditors.

**MEDICAL VENTURES CORP.**  
Interim Consolidated Balance Sheets

	March 31, 2007	December 31, 2007
	(Unaudited)	
<b>ASSETS</b>		
CURRENT		
Cash and cash equivalents	\$ 1,428,913	\$ 3,242,404
Accounts receivable	378,883	568,964
Inventory (Note 6)	553,284	384,124
Prepaid expenses and deposits	147,900	18,755
	<b>2,508,980</b>	4,214,247
RESTRICTED CASH AND CASH EQUIVALENTS (NOTE 8)	50,000	50,000
PROPERTY AND EQUIPMENT (Note 7)	1,386,969	1,425,553
	<b>\$ 3,945,949</b>	<b>\$ 5,689,800</b>
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	\$ 722,410	\$ 735,310
Current portion of long-term debt	19,881	19,559
Current portion of repayable contribution agreement	26,384	28,112
	<b>768,675</b>	782,981
LONG-TERM DEBT (Note 8)	436,448	441,540
REPAYABLE CONTRIBUTION AGREEMENT (Note 9)	287,798	283,959
	<b>1,492,921</b>	1,508,480
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 10)	28,592,620	28,835,081
Contributed surplus (Note 10)	1,232,381	976,637
Deficit	(27,371,973)	(25,630,398)
	<b>2,453,028</b>	4,181,320
	<b>\$ 3,945,949</b>	<b>\$ 5,689,800</b>

CONTINUING OPERATIONS (Note 2)  
SUBSEQUENT EVENTS (Note 13)

APPROVED BY THE DIRECTORS:

**(Signed) Alexei Marko**

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Alexei Marko, Director

**(Signed) Daniel Nixon**

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Daniel Nixon, Director

## MEDICAL VENTURES CORP.

### Interim Consolidated Statements of Operations and Deficit

For the three months ended March 31

	2008	2007
	(Unaudited)	(Unaudited)
SALES (Note 12)		
Product sales	\$ 404,863	\$ 304,118
Consulting services	28,622	22,130
	433,485	326,248
COST OF SALES, including underutilized capacity of \$12,579	208,260	119,551
GROSS PROFIT	225,225	206,697
EXPENSES		
Selling	749,504	467,188
General and administration	538,285	509,951
Product development and clinical trials	621,745	651,920
Amortization	45,766	38,482
	1,955,300	1,667,541
LOSS BEFORE OTHER INCOME (EXPENSES)	(1,730,075)	(1,460,844)
OTHER INCOME (EXPENSES)		
Interest income	9,095	41,539
Interest on long-term debt	(7,514)	(2,878)
Accrued interest on repayable contribution agreement (Note 9)	(3,839)	-
Loss on foreign exchange	(9,242)	2,131
	(11,500)	40,792
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(1,741,575)	(1,420,052)
DEFICIT, BEGINNING OF PERIOD	(25,630,398)	(17,900,437)
DEFICIT, END OF PERIOD	\$ (27,371,973)	\$ (19,320,489)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.02)	\$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	111,209,545	68,946,886

See accompanying Notes to the Interim Consolidated Financial Statements

## MEDICAL VENTURES CORP.

### Interim Consolidated Statements of Cash Flows

For the three months ended March 31

	2008	2007
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Net loss for the period	\$ (1,741,575)	\$ (1,420,052)
Items not affecting cash		
Amortization	45,766	38,482
Accreted Interest on repayable contribution agreement (Note 9)	3,839	-
Stock-based compensation	13,283	31,065
	(1,678,687)	(1,350,505)
Change in non-cash operating assets and liabilities		
Accounts receivable	190,081	(32,852)
Inventory	(169,160)	22,006
Prepaid expenses and deposits	(129,145)	(69,808)
Accounts payable and accrued liabilities	(12,900)	198,420
	(1,799,811)	(1,232,739)
INVESTING ACTIVITY		
Purchase of property and equipment	(7,182)	(20,818)
	(7,182)	(20,818)
FINANCING ACTIVITIES		
Repayment of long-term debt	(4,770)	(5,100)
Repayment of repayable contribution agreement	(1,728)	-
	(6,498)	(5,100)
INCREASE IN CASH	(1,813,491)	(1,258,657)
CASH AND CASH EQUIVALENTS,		
BEGINNING OF PERIOD	3,242,404	2,698,735
END OF PERIOD	\$ 1,428,913	\$ 1,440,078
REPRESENTED BY:		
Cash	(72,753)	591,078
Cashable guaranteed investment certificates	1,501,666	849,000
	\$ 1,428,913	\$ 1,440,078
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 7,514	\$ 2,920

See accompanying Notes to the Interim Consolidated Financial Statements

# **MEDICAL VENTURES CORP.**

## **Notes to the Interim Consolidated Financial Statements**

For the three months ended March 31, 2008 and 2007

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### **1. INCORPORATION AND NATURE OF BUSINESS**

The Company was incorporated under the Company Act (British Columbia) on November 2, 2000 and was continued under the Canada Business Corporations Act on April 19, 2002. The Company develops, manufactures and distributes medical devices and is focused on the development and commercialization of medical devices which address a clinical need in the cardiovascular marketplace.

The Company's products include a catheter-based technology called the Metricath System as well as products using a pericardial tissue processing technology to produce a number of patch products used in cardiac reconstruction and repair.

### **2. CONTINUING OPERATIONS**

These interim unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a basis consistent with the Company's Financial Statements for the year ended December 31, 2007. These interim unaudited consolidated financial statements should be read together with the audited consolidated financial statements as at December 31, 2007 and the accompanying notes included in those financial statements. For a full description of accounting policies, refer to the Company's Annual Report for the year ended December 31, 2007. Certain information and footnote disclosure normally included in consolidated financial statements prepared under Canadian generally accepted accounting principles have been condensed or omitted. In the opinion of management, all adjustments necessary to present fairly the financial condition, results of operations and cash flows at March 31, 2008 and for all periods presented, have been made. Interim results are not necessarily indicative of results for a full year.

These interim unaudited consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has incurred operating losses of \$1,741,576 and \$1,420,052 for the three months ended March 31, 2008 and 2007 respectively and has a deficit of \$27,371,973 as at March 31, 2008 compared to a deficit of \$25,630,398 as at December 31, 2007. The Company's ability to continue as a going concern is dependent on the profitable commercialization of its products and/or obtaining additional debt or equity financing to fund ongoing operations until profitability is achieved.

If the going concern basis was not appropriate for these Audited Consolidated Financial Statements, significant adjustments would be necessary to the carrying values of the Company's assets and liabilities, reported expenses and balance sheet classifications.

### **3. CHANGES IN ACCOUNTING POLICY**

During the quarter, the Company has adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1400, General Standards of Financial Statement Presentation, Handbook Section 1535, Capital Disclosures, Handbook Section 3862 Financial Instruments – Disclosure, and 2863, Financial Instruments – Presentation.

#### **General Standards of Financial Statement Presentation**

In June 2007, the CICA amended Handbook Section 1400, General Standards of Financial Presentation to change the guidance related to Management's responsibility to assess the ability to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least, but not limited to 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

The adoption of Handbook Section 1400 did not have an impact on the Company's financial results or position.

# **MEDICAL VENTURES CORP.**

## **Notes to the Interim Consolidated Financial Statements**

For the three months ended March 31, 2008 and 2007

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### **3. CHANGES IN ACCOUNTING Policy (Continued)**

#### Capital Disclosures

Handbook Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial information to evaluate (i) an entity's objectives, policies and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

For new disclosures refer to Note 4. The adoption of Handbook Section 1535 did not have an impact on the Company's financial results or position.

#### Financial Instruments – Disclosure and Presentation

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements for financial instruments. Handbook Section 3862 and 3863 place increased emphasis on disclosures about the nature and extent of the risks arising from financial instruments and how the entity manages those risks.

For new disclosures refer to Note 5. The adoption of Handbook Section 3862 and 3863 did not have an impact on the Company's financial results or position.

### **4. MANAGING CAPITAL**

The Company's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to grow its businesses.

In the definition of capital the Company includes, as disclosed on its balance sheet: deficit; capital stock, and cash and cash equivalents.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue new shares, issue new debt (secured, unsecured, convertible and/or other types of available debt instruments), acquire or dispose of assets, or adjust the amount of cash or short-term investment balances.

### **5. FINANCIAL INSTRUMENTS**

#### Financial Instruments

The Company classified its cash and cash equivalents as held-for-trading. Accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities, long-term debt and repayable contribution agreement are classified as other financial liabilities. The Company had neither available-for-sale, nor held-to-maturity instruments as at March 31, 2007 or at December 31, 2007. Loans and receivables and other financial liabilities have been recorded at amortized cost using the effective interest rate method.

#### Cash Equivalents

The Company holds guaranteed investment certificates ("GIC") returning a fixed rate of interest of 4.15%. The GIC has a maturity date of one year and matures on April 24, 2008 and is renewed annually.

## MEDICAL VENTURES CORP.

### Notes to the Interim Consolidated Financial Statements

For the three months ended March 31, 2008 and 2007

#### 6. INVENTORY

	<u>March 31</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Materials	\$ 308,662	\$ 194,240
Work in progress	119,422	37,437
Finished goods	125,200	152,447
	<u>\$ 553,284</u>	<u>\$ 384,124</u>

#### 7. PROPERTY AND EQUIPMENT

	<u>March 31 ,</u> <u>2007</u>		<u>December 31,</u> <u>2007</u>	
	<u>Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Book</u> <u>Value</u>	<u>Net Book</u> <u>Value</u>
Land	\$ 207,347	\$ -	\$ 207,347	\$ 207,347
Building	1,013,633	132,171	881,462	890,366
Production equipment	456,174	345,276	110,898	111,411
Field assets	131,794	71,622	60,172	77,842
Computer hardware	154,682	93,082	61,600	67,304
Computer software	180,738	172,383	8,355	11,140
Office equipment, furniture and fixtures	155,334	98,199	57,135	60,143
	<u>\$ 2,299,702</u>	<u>\$ 912,733</u>	<u>\$ 1,386,969</u>	<u>\$ 1,425,553</u>

Included within Field assets at December 31, 2007 are \$103,790 (2006 - \$Nil) of assets that are not currently in use and are not being amortized. Amortization on these assets will begin when the assets are brought into use.

## MEDICAL VENTURES CORP.

### Notes to the Interim Consolidated Financial Statements

For the three months ended March 31, 2008 and 2007

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#### 8. LONG-TERM DEBT

	<u>March 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Bank instalment loan	\$ 456,329	\$ 461,099
Less current portion	(19,881)	(19,559)
	<u>\$ 436,448</u>	<u>\$ 441,540</u>

Repayments will consist of 180 regular blended payments of \$4,095 each month, including interest and principal, commencing on September 1, 2007 and ending on August 1, 2022. The loan is collateralized by a first charge over the Company's land and buildings, a liquid security agreement of \$50,000 to be held in cash equivalent investments and a general security agreement over all personal property of the business now owned and all personal property acquired in the future. The loan bears interest at prime.

Principal maturities in the next five years and thereafter are approximately as follows:

2008	\$	19,881
2009		21,221
2010		22,651
2011		24,178
2012		25,808
Thereafter		342,590
	<u>\$</u>	<u>456,329</u>

## MEDICAL VENTURES CORP.

### Notes to the Interim Consolidated Financial Statements

For the three months ended March 31, 2008 and 2007

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#### 9. REPAYABLE CONTRIBUTION AGREEMENT

In 2003, the Company entered into an Industrial Research Assistance Program (“IRAP”) Repayable Contribution Agreement with the National Research Council of Canada (“NRC”) and received funding of \$409,363. The Company agreed to repay this funding through future royalties on the gross revenues of its Metricath products at a rate of 2.1%. In the event that the Company does not generate \$409,363 in royalties before July 1, 2015, the unpaid balance of the funding contribution will be forgiven. Management has determined that it is likely that royalties in excess of \$409,363 will be generated over the period to July 1, 2015 from the sales of the Company’s Metricath products and as such has recorded a liability to reflect this royalty obligation as follows:

	<b>March 31, 2008</b>	December 31, 2007
Balance, beginning of year	\$ 312,071	\$ 403,591
Adjustment for change in accounting policy (Note 4)		\$ (100,993)
Royalties paid or accrued in the current period	(1,728)	(5,418)
Accreted interest	3,839	14,891
	<b>314,182</b>	312,071
Less: current portion	<b>(26,384)</b>	(28,112)
Balance, end of year	<b>\$ 287,798</b>	\$ 283,959

The fair value at inception of the repayable contribution agreement that does not have a market rate of interest is not equal to the cash consideration. The fair value at inception has been estimated as the present value of all future expected cash receipts discounted using the prevailing market rates of interest for a similar instrument and with a similar credit rating. Subsequent measurement of the repayable contribution agreement is at amortized net cost.

## MEDICAL VENTURES CORP.

### Notes to the Interim Consolidated Financial Statements

For the three months ended March 31, 2008 and 2007

#### 10. SHARE CAPITAL

(a) *Authorized*

Unlimited number of common shares without par value  
Unlimited number of preferred shares without par value

(b) <i>Issued and outstanding</i>	Common Shares		Contributed Surplus
	Number	Amount	
Balance, December 31, 2006	71,338,886	\$ 21,607,856	\$ 785,556
Issued for cash pursuant to a private placement (i)			
Shares	38,709,110	7,741,822	
Agents warrants		111,558	
Share issue costs		(834,269)	
Issued for cash on exercise of agent's warrants (ii)	1,161,549	232,310	
Stock-based compensation			166,885
Expiry of agent's warrants		(24,196)	24,196
Balance, December 31, 2007	111,209,545	\$ 28,835,081	\$ 976,637
Stock-based compensation			13,283
Expiry of agent's warrants		(242,461)	242,461
Balance, March 31, 2007	112,371,094	\$ 28,592,620	\$ 1,232,381

- (i) On April 24, 2007, pursuant to a public offering under a short form prospectus dated April 13, 2007, the Company issued 38,709,110 units of the Company at a price of \$0.20 per unit for aggregate gross proceeds of \$7,741,822. Each unit consisted of one common share and one-half of one non-transferable common share purchase warrant entitling the holder to purchase one additional common share for every whole warrant at a price of \$0.25 per share expiring on October 24, 2008. On closing, the Agents received non-transferable share purchase warrants to purchase up to 1,659,356 common shares at a price of \$0.20 per share exercisable until October 24, 2008.
- (ii) On May 4, 2007, the Agent exercised 1,161,549 agent warrants at \$0.20 per share for gross proceeds of \$232,310.

(c) Stock-based compensation

The Company adopted a stock option plan under which the directors of the Company may grant options to purchase common shares to directors, officers, employees and service providers (the "optionees") of the Company on terms that the directors of the Company may determine within the limitations set forth in the Stock Option Plan. Effective November 22, 2005, the board of directors of the Company approved an amendment to the Company's incentive Stock Option Plan to increase the number of options available for grant under the plan to 10% of the number of common shares of the Company outstanding from time to time.

Options under the Company's Stock Option Plan granted to directors and officers vest immediately and options granted to employees vest over a three year term. The directors of the Company have discretion within the limitations set forth in the Stock Option Plan to determine other vesting terms on options granted to directors, officers, employees and others. The minimum exercise price of a stock option cannot be less than the applicable market price of the common shares on the date of the grant and the options have a maximum exercise period of five years.

In addition, outside of the Plan, during the year ended December 31, 2000, the Company issued options to acquire 520,000 common shares at a price of \$0.15 per common share. All of these options have been exercised in prior periods.

## MEDICAL VENTURES CORP.

### Notes to the Interim Consolidated Financial Statements

For the three months ended March 31, 2008 and 2007

#### 10. SHARE CAPITAL (Continued)

The following table summarizes stock option activity for the respective periods as follows:

	Number of Options	Weighted Average Exercise Price	Average Remaining Contractual Life (years)
Options outstanding, December 31, 2005	3,255,543	\$ 0.48	1.89
Granted	922,634	0.35	3.75
Exercised	(360,000)	0.15	-
Cancelled	(1,025,603)	0.54	-
<b>Options outstanding, December 31, 2006</b>	<b>2,792,574</b>	<b>\$ 0.45</b>	<b>2.40</b>
Granted	1,928,754	0.17	4.51
Cancelled	(375,000)	0.51	-
<b>Options outstanding, December 31, 2007</b>	<b>4,346,328</b>	<b>\$ 0.32</b>	<b>3.29</b>
Granted	50,000	0.10	4.81
Cancelled	(200,000)	0.35	-
<b>Options outstanding, March 31, 2008</b>	<b>4,196,328</b>	<b>\$ 0.30</b>	<b>3.15</b>
<b>Options exercisable, March 31, 2008</b>	<b>2,838,698</b>	<b>\$ 0.35</b>	<b>2.67</b>
Weighted average fair value of stock options granted during the year	\$ 0.06		

The stock options expire at various dates from May 14, 2008 to January 30, 2012.

During the three months ended March 31, 2008, the Company recorded \$13,283 (2007 – \$31,065) compensation expense for stock-based compensation awarded to employees. The Company used the Black-Scholes option-pricing model to estimate the value of the options at each grant date using the following weighted average assumptions:

	2007	2006
Dividend yield	nil	nil
Annualized volatility	82%	81%
Risk-free interest rate	4.00%	4.05%
Expected life	5 years	5 years

# MEDICAL VENTURES CORP.

## Notes to the Interim Consolidated Financial Statements

For the three months ended March 31, 2008 and 2007

### 11. RELATED PARTY TRANSACTIONS

Related party transactions are entered into in the normal course of operations and are recorded at amounts established and agreed on between the related parties.

	For the three months ended,	
	March 31,	2007
	<u>2008</u>	<u>2007</u>
<b>Income</b>		
Contract Manufacturing	40,000	-
<b>Expenses</b>		
Services of the CEO	\$ 45,843	\$ 48,598
Financial Services	-	6,332
Legal Services		
General and administrative expenses	5,153	5,723
Costs related to the transaction	24,236	-
Consulting Services	43,157	-
	As at	
	<u>March 31,</u>	<u>December 31,</u>
	<u>2008</u>	<u>2007</u>
<b>Accounts Receivable</b>		
Contract Manufacturing	-	20,498
<b>Accounts Payable</b>		
Service of the CEO	17,726	11,925
Legal Services	1,385	-
Consulting Services	22,614	10,000

(i) Contract Manufacturing

The Company performs contract manufacturing services for a related corporation. One of the directors of this corporation is a significant shareholder in the Company.

(ii) Services of the CEO

The services of the CEO are provided to the Company by a corporation controlled by the CEO. The Company and the corporation have a director in common. These fees are included in general and administration expenses.

(iii) Financial Services

The Company contracted for the services of the CFO and some accounting functions from an accounting firm. A partner of that firm acted as the CFO of the Company. The agreement was terminated on September 30, 2007 and the partner resigned as CFO.

(iv) Legal Services

Legal and corporate secretarial services were provided by a legal firm. A partner of that firm is a director of the Company.

(iv) Consulting Services

Sales and marketing consulting services are provided by a director of the Company.

## MEDICAL VENTURES CORP.

### Notes to the Interim Consolidated Financial Statements

For the three months ended March 31, 2008 and 2007

#### 12. SEGMENT INFORMATION

The Company's operations are in one business segment; the development, manufacture and marketing of medical devices. Each of the Company's product lines has similar characteristics, customers, distribution and marketing strategies, and are subject to similar regulatory requirements.

All of the Company's long-lived assets are located in Canada. The Company carries on business only in Canada, but earns revenue from sales to customers in the following geographic locations:

	For the three months ended	
	March 31,	
	2008	2007
SALES		
Canada	\$ 67,437	\$ 32,805
United States	298,008	237,361
Other	68,040	56,082
	<b>433,485</b>	<b>326,248</b>

#### 13. SUBSEQUENT EVENTS

Subsequent to quarter-end on April 15, the Company received an interim response to our pre-market approval (PMA) application for the Gemini from the U.S. Food & Drug Administration. The response requests additional information related to clinical and non-clinical aspects of the application submitted in the fourth quarter of 2007. We are assembling the requested information with the assistance of the investigational sites that participated in the GAAME (Gemini Angioplasty and Arterial Measurement Evaluation) clinical trial. Furthermore, the FDA has successfully completed scheduled field audits of select GAAME trial sites: the Thoraxcenter in Rotterdam, Netherlands, the study's principal investigative site; and the University of Oklahoma Medical Center, the trial's highest enrolling U.S.-based site. The FDA has also scheduled an inspection of Medical Ventures' manufacturing and sterilization facility as part of the PMA application process. The FDA inspection is scheduled to take place at the beginning of June. Earlier in Q1, the Company completed an annual quality manufacturing system audit and we were granted renewal of our ISO 13485:2003 approval standard.

In addition, on April 21, 2008 the Company made an offer to repurchase the outstanding warrants for common shares and to amend the outstanding options by substantially reducing their number in consideration of amending their exercise price to a nominal amount. The intention of the Offer is to reduce the fully diluted capitalization of the Company, pending completion of a previously announced transaction involving the proposed acquisitions of two Israeli medical device companies: Neovasc Medical Ltd. and B-Balloon Ltd. The proposed acquisitions (the Acquisitions) were announced in a company news release dated January 30, 2008 and the Annual and Special General Meeting of the Shareholders of the Company to approve the transaction will be held on June 3, 2008. Consideration for the Acquisitions is based on the fully diluted number of shares, options and warrants of the Company outstanding on the date of closing. At present, the outstanding warrants and options account for approximately 18 per cent of the Company's fully diluted number of securities.

The Offer to repurchase the warrants and to amend the options is based on the value of the warrants calculated by the Company's board of directors using a modified (discounted) Black Scholes valuation. All Insiders of the Company are expected to accept the Offer. Insiders' holdings represent approximately 13 per cent of the Company's outstanding warrants and 56 per cent of the options. If all warrants are repurchased and all options are amended, the aggregate number of dilutive securities will be reduced by approximately 19.0 million before consolidation. Percentage ownership of current shareholders will thereby increase by approximately 3.5 per cent of the combined companies.

The Offer is conditional upon completion of the Acquisitions. If the Acquisitions are completed successfully, the repurchase and amendment will occur on the closing date of the transaction (targeted for July 1, 2008).