

**RuggedCom Inc.**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
2nd Quarter ended September 30, 2008

**RuggedCom Inc.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands of United States dollars)

	<b>September 30, 2008</b>	<b>March 31, 2008</b>
	<b>(unaudited)</b>	<b>(audited)</b>
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents (note 4)	45,675	8,037
Short term investments (note 4)	-	34,194
Accounts receivable (note 5)	8,123	6,602
Prepaid expenses and other	1,299	2,188
Inventories (note 6)	4,050	3,446
Income taxes recoverable	-	166
Future income taxes	644	579
	<hr/>	<hr/>
	59,791	55,212
<b>Future income taxes</b>	628	737
<b>Property and equipment</b>	2,393	2,022
<b>Other assets</b>	291	239
	<hr/>	<hr/>
	63,103	58,210
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<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	5,093	4,196
Current portion of warranty liability	580	569
Income taxes payable	615	-
Current portion of obligations under capital lease	222	269
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	6,510	5,034
<b>Warranty</b>	639	504
<b>Obligations under capital lease</b>	108	213
<b>Leasehold inducements</b>	23	39
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	7,280	5,790
	<hr/>	<hr/>
<b>Shareholders' Equity</b>		
<b>Capital stock</b> (note 7)	46,711	46,384
<b>Contributed surplus</b> (note 8)	866	684
<b>Accumulated other comprehensive income (loss)</b> (note 9)	(16)	2,018
<b>Retained earnings</b>	8,262	3,334
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	8,246	5,352
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	55,823	52,420
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	63,103	58,210
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**Contingent liabilities** (note 10)

See accompanying notes to interim consolidated financial statements.

**RuggedCom Inc.**  
**CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS (DEFICIT)**  
(in thousands of United States dollars except per share information)  
(unaudited)

	3 month period ended September 30, 2008	3 month period ended September 30, 2007	6 month period ended September 30, 2008	6 month period ended September 30, 2007
	\$	\$	\$	\$
<b>Revenue</b>	14,385	9,370	27,136	17,401
<b>Cost of goods sold</b>	5,594	4,227	10,477	7,870
<b>Gross margin</b>	8,791	5,143	16,659	9,531
<b>Operating expenses</b>				
Research and development — net of investment tax credits of \$404 (2007 - \$392, 6 month 2008 - \$499, 2007 - \$460)	752	607	1,863	1,309
Sales and marketing	2,513	1,849	5,077	3,590
General and administrative	854	1,282	2,505	2,519
Amortization	329	187	588	384
	4,448	3,925	10,033	7,802
Operating income	4,343	1,218	6,626	1,729
Net interest income	382	400	828	289
<b>Earnings before income taxes</b>	4,725	1,618	7,454	2,018
<b>Income taxes (note 15)</b>				
Current	1,523	487	2,528	738
Future	(3)	77	(2)	62
	1,520	564	2,526	800
<b>Net earnings for the period</b>	3,205	1,054	4,928	1,218
<b>Retained earning (deficit) — Beginning of period</b>	5,057	(1,366)	3,334	(1,530)
<b>Retained earnings (deficit) — End of period</b>	8,262	(312)	8,262	(312)
<b>Net earnings per share (note 11)</b>				
Basic	\$ 0.27	\$ 0.09	\$ 0.42	\$ 0.14
Diluted	\$ 0.26	\$ 0.09	\$ 0.40	\$ 0.13
Basic weighted average number of common shares	11,763,504	11,412,488	11,741,683	8,676,506
Diluted weighted average number of common shares	12,356,833	12,294,460	12,318,891	9,569,035

See accompanying notes to interim consolidated financial statements.

**RuggedCom Inc.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in thousands of United States dollars )  
(unaudited)

	<b>3 month period ended September 30, 2008</b>	<b>3 month period ended September 30, 2007</b>	<b>6 month period ended September 30, 2008</b>	<b>6 month period ended September 30, 2007</b>
	\$	\$	\$	\$
Net earnings for the period	3,205	1,054	4,928	1,218
Unrealized foreign currency translation gain (loss) (note 9)	(2,365)	3,171	(2,034)	3,740
Comprehensive income - End of period	<u>840</u>	<u>4,225</u>	<u>2,894</u>	<u>4,958</u>

See accompanying notes to interim consolidated financial statements.

**RuggedCom Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands of United States dollars)  
(unaudited)

	3 month period ended September 30, 2008	3 month period ended September 30, 2007	6 month period ended September 30, 2008	6 month period ended September 30, 2007
	\$	\$	\$	\$
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net earnings for the period	3,205	1,054	4,928	1,218
Non-cash items				
Amortization of property and equipment	311	178	555	333
Amortization of other assets	18	9	33	51
Gain on disposal of property and equipment	-	(8)	-	(3)
Future income taxes	(3)	77	(2)	62
Accretion and cumulative dividends on preferred shares	-	-	-	148
Stock based compensation	164	103	336	203
Warranty	89	91	191	160
Leasehold inducements	(8)	1	(16)	2
Net change in non-cash working capital (note 14)	1,299	(64)	116	(391)
	<u>5,075</u>	<u>1,441</u>	<u>6,141</u>	<u>1,783</u>
<b>Investing activities</b>				
Disposal of (additions to) short term investments	34,787	(33,359)	34,787	(33,359)
Proceeds from disposal of property and equipment	-	11	-	11
Additions to property and equipment	(572)	(210)	(1,013)	(332)
Additions to other assets	(38)	(29)	(97)	(45)
	<u>34,177</u>	<u>(33,587)</u>	<u>33,677</u>	<u>(33,725)</u>
<b>Financing activities</b>				
Repayment of obligations under capital lease	(70)	(62)	(140)	(118)
Issuance of common shares	116	5,289	173	39,603
Share issuance costs	-	(1,382)	-	(3,802)
	<u>46</u>	<u>3,845</u>	<u>33</u>	<u>35,683</u>
<b>Effect of foreign currency exchange rates on cash and cash equivalents</b>				
	<u>(2,260)</u>	<u>861</u>	<u>(2,213)</u>	<u>1,328</u>
<b>Increase (decrease) in cash and cash equivalents during the period</b>	37,038	(27,440)	37,638	5,069
<b>Cash and cash equivalents — Beginning of period</b>	8,637	35,825	8,037	3,316
<b>Cash and cash equivalents — End of period (note 14b)</b>	<u><u>45,675</u></u>	<u><u>8,385</u></u>	<u><u>45,675</u></u>	<u><u>8,385</u></u>

See accompanying notes to interim consolidated financial statements.

**RuggedCom Inc.**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")  
(unaudited)**

**1. THE COMPANY**

RuggedCom Inc. (the Company) was incorporated under the provisions of the Business Corporations Act (Ontario) on February 22, 2001. The Company designs and manufactures industrial strength network hardware.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and, accordingly, certain disclosures normally included in annual consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles are not provided. These consolidated financial statements have been prepared following accounting principles consistent with those used in the annual audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended March 31, 2008, except as disclosed in note 3. The results of the operations for the interim period are not necessarily indicative of the results of operations for any other interim period or a full fiscal period.

**New accounting pronouncements**

The Canadian Institute of Chartered Accountants (CICA) has issued Section 3064, Goodwill and Intangible Assets to replace Section 3062, Goodwill and Intangible Assets and section 3450 Research and Development Costs. It establishes standards for the recognition, measurement, and disclosure of Goodwill and Intangible Assets to converge with international financial reporting. This standard is effective for fiscal years beginning on or after October 1, 2008 and will be adopted by the Company effective April 1, 2009. The Company is in the process of evaluating the impact of the adoption of this standard on its financial statements.

**International Financial Reporting Standards**

In February 2008, The Canadian Accounting Standards Board confirmed that International Financial Reporting Standards will replace Canada's current generally accepted accounting principles for publicly accountable profit-oriented enterprises effective January 1, 2011. The Company is presently considering the effect these standards will have on its financial statements.

**3. ADOPTION OF NEW ACCOUNTING STANDARDS**

**Inventories**

Effective April 1, 2008, the Company has adopted the new recommendations from the CICA Handbook Section 3031, Inventories. The new standard clarifies the definition of "cost" to include all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. As a result, companies are required to systematically allocate fixed and variable production overhead that are incurred in converting materials into finished goods. The allocation of fixed production overhead is based on normal production capacity of the production facilities. In addition, the standard requires companies to assess the recoverability of inventory costs in comparison to net realizable value. Declines in replacement cost below carrying values for raw material inventories do not require writedowns if the finished goods in which they will be incorporated are expected to be sold at or above cost. The adoption of this standard did not result in a change from the Company's existing policy.

**RuggedCom Inc.**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")  
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**3. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)**

**Capital Disclosures**

Effective April 1, 2008, the Company has adopted CICA Handbook Section 1535, Capital Disclosures. This new guidance establishes standards for disclosing information about an entity's capital and how it is managed. This standard requires the disclosure of an entity's objectives, policies and processes for managing capital and information regarding an entity's compliance or non-compliance with any capital requirements. This standard affects disclosure only. Refer to note 16, "Capital Disclosures".

**Financial Instruments**

Effective April 1, 2008, the Company has adopted CICA Handbook Sections 3862, Financial Instruments: Disclosure, and 3863, Financial Instruments: Presentation. These new standards establish additional presentation and disclosure requirements including the significance of financial instruments to the Company's position and performance and discussion regarding the nature and extent of risks surrounding the Company's financial instruments. This standard affects disclosure only. Refer to note 17, "Financial Instruments".

**4. REVOLVING DEMAND FACILITY**

The Company has a \$1,000 Canadian dollar revolving demand facility with a major Canadian financial institution. Funds drawn against this facility bear interest at prime rate. The use of the revolving demand facility has been restricted by \$96 United States dollars as security for a guarantee. The bank has a first ranking on \$1,000 Canadian of term deposits and bank balances. As at September 30, 2008, there was no balance drawn against the facility.

**5. ACCOUNTS RECEIVABLE**

	<b>September 30, 2008</b>	<b>March 31, 2008</b>
	\$	\$
Trade receivable	8,171	6,659
Allowance for doubtful accounts	(48)	(57)
	<u>8,123</u>	<u>6,602</u>

**6. INVENTORIES**

	<b>September 30, 2008</b>	<b>March 31, 2008</b>
	\$	\$
Raw materials	4,015	3,371
Finished goods	35	75
	<u>4,050</u>	<u>3,446</u>

Included in cost of sales is \$52 (2007 - \$83, 6 month 2008 - \$126, 2007 - \$152) recognized as an expense in the period as a provision for the writedown of any losses of inventories.

**RuggedCom Inc.**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")  
(unaudited)

**7. CAPITAL STOCK**

**Authorized**

Unlimited number of Class A Shares

Unlimited number of common shares

<b>Issued</b>	<b>September 30, 2008</b>	<b>March 31, 2008</b>
	<b>\$</b>	<b>\$</b>
11,797,607 (March 31, 2008 - 11,717,268) common shares	46,711	46,384
	<b>Number of shares</b>	<b>Amount \$</b>
Balance, March 31, 2008	11,717,268	46,384
Issued for options exercised (a)	21,112	103
Balance, June 30, 2008	11,738,380	46,487
Issued for options exercised (b)	59,227	224
Balance, September 30, 2008	11,797,607	46,711

(a) Common shares issued for options vested and exercised in the period were 21,112 at a weighted average share price of \$2.74 (\$2.76 Canadian).

(b) Common shares issued for options vested and exercised in the period were 59,227 at a weighted average share price of \$1.96 (\$2.04 Canadian).

**8. CONTRIBUTED SURPLUS**

The following table presents the reconciliation of contributed surplus:

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Balance, March 31	684	1,344
Stock based compensation expense (note 7)	172	100
Conversion of preferred shares	-	(798)
Stock options exercised	(46)	(113)
Balance, June 30	810	533
Stock based compensation expense (note 7)	164	103
Stock options exercised	(108)	(14)
Balance, September 30	866	622

**RuggedCom Inc.**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")  
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**9. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The following table presents the reconciliation of accumulated other comprehensive income (loss):

	<b>2008</b>	<b>2007</b>
	\$	\$
Balance, March 31	2,018	(54)
Unrealized foreign currency gain for the period	331	569
Balance, June 30	2,349	515
Unrealized foreign currency gain (loss) for the period	(2,365)	3,171
Balance, September 30	(16)	3,686

**10. CONTINGENT LIABILITIES**

The Company has been named in several lawsuits. In management's view, these claims are without merit and should not have a material adverse effect on the consolidated financial position of the Company. Although no assurances can be made as to the ultimate outcome, no provision has been made for a loss in these consolidated financial statements. Losses, if any, will be recorded in the consolidated statement of earnings and retained earnings (deficit), and comprehensive income (loss) in the period such losses are determinable.

**11. EARNINGS PER COMMON SHARE**

The following is a reconciliation of basic and diluted earnings per common share:

	<b>3 month period ended September 30, 2008</b>	<b>3 month period ended September 30, 2007</b>	<b>6 month period ended September 30, 2008</b>	<b>6 month period ended September 30, 2007</b>
Net earnings attributable to common shareholders	\$ 3,205	\$ 1,054	\$ 4,928	\$ 1,218
Accretion	-	-	-	148
Dilutive net earnings attributable to common shareholders	\$ 3,205	\$ 1,054	\$ 4,928	\$ 1,366
Common shares outstanding — beginning of period	11,719,623	5,926,776	11,717,268	5,345,717
Weighted average number of common shares issued in the period	43,881	5,485,712	24,415	3,330,789
Weighted average number of common shares	11,763,504	11,412,488	11,741,683	8,676,506
Effect of dilutive securities and stock options and warrants	593,329	881,972	577,208	892,529
Weighted average diluted common shares outstanding — end of period	12,356,833	12,294,460	12,318,891	9,569,035

In the six month period ending September 30, 2007 the Class A Shares were not considered in calculating the dilutive earnings per share because they had an anti-dilutive effect.

**RuggedCom Inc.**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")  
(unaudited)

**12. SEGMENTED INFORMATION**

The Company manages its operations and determines its sales segments on a geographic and industry basis. Segments are defined as components for which information is available and is regularly evaluated by the chief operating decision maker or decision making group.

	<b>3 month period ended September 30, 2008</b>	<b>3 month period ended September 30, 2007</b>	<b>6 month period ended September 30, 2008</b>	<b>6 month period ended September 30, 2007</b>
<b>Sales by region</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
North America	5,885	4,348	12,500	7,830
Latin America	717	712	1,312	1,322
Asia Pacific	3,695	890	5,808	1,949
Europe, Middle East and Africa	4,088	3,420	7,516	6,300
Total	<u>14,385</u>	<u>9,370</u>	<u>27,136</u>	<u>17,401</u>

	<b>3 month period ended September 30, 2008</b>	<b>3 month period ended September 30, 2007</b>	<b>6 month period ended September 30, 2008</b>	<b>6 month period ended September 30, 2007</b>
<b>Sales by industry</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Electric Power (Utilities)	9,529	6,783	17,964	11,763
Transportation Systems	1,657	1,331	3,886	2,662
Industrial Processes	2,374	740	3,741	1,723
Military	799	469	1,479	1,079
Other	26	47	66	174
Total	<u>14,385</u>	<u>9,370</u>	<u>27,136</u>	<u>17,401</u>

The following table details our sales allocated by region among countries exceeding 10%:

	<b>3 month period ended September 30, 2008</b>	<b>3 month period ended September 30, 2007</b>	<b>6 month period ended September 30, 2008</b>	<b>6 month period ended September 30, 2007</b>
Canada	10.5%	6.2%	11.1%	7.0%
United States of America	30.4%	40.8%	34.9%	38.9%

All material assets are held in Canada.

**RuggedCom Inc.**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")

(unaudited)

**13. ECONOMIC DEPENDENCY AND CONCENTRATION OF CREDIT RISK**

In the three month period ended September 30, 2008, the Company had sales to two customers which accounted for 24% of total sales (2007 - 20%). In the six month period ended September 30, 2008, the Company had sales to two customers which accounted for 23% of total sales (2007 - 23%). These two customers represent 29% (2007 - 33%) of the accounts receivable.

**14. SUPPLEMENTAL CASH FLOW INFORMATION**

(a) Net change in non-cash working capital

	3 month period ended September 30, 2008	3 month period ended September 30, 2007	6 month period ended September 30, 2008	6 month period ended September 30, 2007
	\$	\$	\$	\$
Accounts receivable	(1,474)	278	(1,804)	81
Prepaid expenses and other	1,519	6	807	69
Inventories	109	325	(769)	(173)
Accounts payable and accrued liabilities	591	-	1,083	1,076
Income taxes payable	554	(673)	799	(1,444)
	1,299	(64)	116	(391)
	1,299	(64)	116	(391)

(b) Cash and cash equivalents

	September 30, 2008	September 30, 2007
	\$	\$
Cash	4,204	3,209
Cash equivalents	41,471	5,176
	45,675	8,385
	45,675	8,385

(c) Supplemental disclosures

	3 month period ended September 30, 2008	3 month period ended September 30, 2007	6 month period ended September 30, 2008	6 month period ended September 30, 2007
	\$	\$	\$	\$
Interest paid	13	23	29	23
Income taxes paid	786	996	1,439	996

**RuggedCom Inc.**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")

(unaudited)

**15. INCOME TAXES**

	<b>3 month period ended September 30, 2008</b>	<b>3 month period ended September 30, 2007</b>	<b>6 month period ended September 30, 2008</b>	<b>6 month period ended September 30, 2007</b>
	\$	\$	\$	\$
Earnings before income taxes	4,725	1,618	7,454	2,018
Income tax at statutory rate (34.5% (2007 - 35.7%))	1,629	578	2,570	721
Manufacturing and processing deduction	(126)	-	(195)	-
Permanent differences	57	48	120	143
Effect of rate changes	-	-	67	-
Other	(40)	(62)	(36)	(64)
	1,520	564	2,526	800

**16. CAPITAL DISCLOSURES**

In the management of capital, the Company includes shareholders' equity, excluding accumulated other comprehensive income. The Company manages its capital to ensure that financial flexibility is present to increase shareholder value through organic growth and selective acquisitions, as well as to allow the Company to respond to changes in economic or marketplace conditions. At this time the Company is not utilizing its debt facility as part of its capital management program nor has it paid dividends to its shareholders. The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.

**17. FINANCIAL INSTRUMENTS**

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following categories: held for trading, held-to-maturity, available-for-sale, loans and receivables and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments.

<b>Classification</b>	<b>September 30, 2008</b>	<b>March 31, 2008</b>
	\$	\$
Held to maturity (1)	41,471	40,690
Loans and receivables (2)	8,123	6,602
Other financial liabilities (3)	5,093	4,196

(1) Includes cash equivalents and short term investments

(2) Includes accounts receivable

(3) Includes accounts payable and accrued liabilities

**RuggedCom Inc.**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")  
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**17. FINANCIAL INSTRUMENTS (continued)**

Fair value

The carrying value of cash equivalents, short term investments, accounts receivable and accounts payable approximates their fair values due to the immediate or short-term maturity of these financial instruments.

Interest rate risk

The Company is exposed to interest rate risk arising from fluctuations in interest rates on its cash equivalents and short-term investments. The Company is also exposed to interest rate fluctuations with respect to the use of its bank revolving credit facility which bears interest at floating rates. Management does not believe the impact from the interest rate risk would be significant. Recognized interest income for the Company's cash equivalents and short-term investments for the three month period ended September 30, 2008 was \$395 (2007 - \$457), and for the six month period ended September 30, 2008 was \$856 (2007 - \$517).

Credit risk

Financial instruments that subject the Company to concentrations of credit risk principally consist of cash equivalents, short-term investments and accounts receivable.

The Company minimizes the credit risk of cash equivalents and short-term investments by depositing with only reputable financial institutions and investing only in securities that meet minimum credit ratings as stipulated by the Company's investment policy.

Credit risk associated with accounts receivable is minimized by the Company's program of credit evaluations of customers with limits on the amount of credit extended. Credit risk is further minimized through the large diversified customer base, which is engaged in various industry segments and geographical regions as outlined in note 12. These specific industry segments and geographical regions may be affected by economic factors, which may impact accounts receivable. Management does not believe that any single industry segment or geographical region represents significant credit risk. Provisions against losses from bad debts are estimated according to credit risk, historical trends and other information. Credit risk concentration is disclosed in note 13. Credit terms with customers normally range between 30 to 90 days. As at September 30, 2008, \$424 was over 90 days and of this amount, \$48 was allowed for and \$338 was collected after the period end. None of the amounts outstanding have been challenged by the customers and the Company continues to conduct business with them. Accordingly, management has no reason to believe that this balance is not fully collectible in the future.

Currency risk

The Company enters into transactions in multiple currencies and is subject to gains and losses due to fluctuations between those currencies. A substantial portion of the Company's revenue is earned in US dollars, but a substantial portion of its operating expenses are incurred in Canadian dollars. Fluctuations in the exchange rate between the US dollar and other currencies, such as the Canadian dollar, may have a material adverse effect on the Company's business, financial condition and operating results. The Company intends to continue to expand operations internationally so it may be subject to additional gains and losses against additional currencies. The Company does not currently have a foreign exchange hedging program in place.

**RuggedCom Inc.**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")  
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**17. FINANCIAL INSTRUMENTS (continued)**

If the Canadian dollar had depreciated 5 percent against the United States dollar at September 30, 2008, with all other variables held constant, the impact of the foreign currency change on our United States denominated financial instruments would lead to an additional after tax net income of \$196 for the three months ended September 30, 2008. If the Canadian dollar had appreciated 5 percent against the United States dollar at September 30, 2008, with all other variables held constant, the impact of the foreign currency change on our United States denominated financial instruments would lead to a decrease of after tax net income of \$196 for the three months ended September 30, 2008.

For the three month period ended September 30, 2008, general and administrative expenses included a foreign exchange gain of \$385 (2007 - loss of \$177). For the six month period ended September 30, 2008, general and administrative expenses included a foreign exchange gain of \$194 (2007 - loss of \$228).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash and cash equivalents. The ability to do this relies on the Company collecting its accounts receivables in a timely manner and by maintaining sufficient cash and cash equivalents in excess of anticipated needs.