

Forterra Environmental Corp.  
(Formerly “reWorks Environmental Corp.”)  
*(A Development Stage Company)*  
**THE CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2008

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Under National Instrument 51-102, Part 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, the financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these 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 auditor.

**CONSOLIDATED BALANCE SHEETS**

	30-Jun-08	31-Dec-07
	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	4,044	341,192
Amounts receivable	82,087	66,648
Inventory	50,398	12,263
Prepaid expenses and deposits	40,486	53,167
<b>TOTAL CURRENT ASSETS</b>	<b>177,015</b>	<b>473,270</b>
<b>PROPERTY AND EQUIPMENT</b> (Note 3)	<b>248,208</b>	<b>205,589</b>
<b>INTANGIBLE ASSETS</b> (Note 4)	<b>1</b>	<b>1</b>
<b>TOTAL ASSETS</b>	<b>425,224</b>	<b>678,860</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Amounts payable and accrued liabilities (Note 8)	646,398	476,622
Related party advances (Note 5)	319,038	-
Current portion of loans payable (Note 6)	50,000	50,000
Current portion of capital lease payable (Note 7)	3,080	3,080
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,018,516</b>	<b>529,702</b>
<b>LOANS PAYABLE</b> (Note 6)	<b>58,333</b>	<b>83,333</b>
<b>CAPITAL LEASE PAYABLE</b> (Note 7)	<b>2,555</b>	<b>4,155</b>
<b>LEASEHOLD INDUCEMENT</b>	<b>37,388</b>	<b>24,362</b>
<b>TOTAL LIABILITIES</b>	<b>1,116,792</b>	<b>641,552</b>
<b>CONTINGENCIES</b> (Note 10)		
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK</b> (Note 9)	<b>6,675,842</b>	<b>6,675,842</b>
<b>WARRANTS</b> (Note 9)	<b>956,318</b>	<b>965,850</b>
<b>CONTRIBUTED SURPLUS</b> (Note 9)	<b>661,297</b>	<b>494,662</b>
<b>(DEFICIT)</b>	<b>(8,985,025)</b>	<b>(8,099,046)</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>(691,568)</b>	<b>37,308</b>
<b>EQUITY</b>	<b>425,224</b>	<b>678,860</b>

APPROVED ON BEHALF OF THE BOARD:

Signed "Don Green"  
Don Green, Director

Signed "John Gamble"  
John Gamble, Director

Forterra Environmental Corp.  
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**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

	3 Months ended June 30, 2008 \$	3 Months ended June 30, 2007 \$	6 Months ended June 30, 2008 \$	6 Months ended June 30, 2007 \$
<b>SALES</b>	<b>48,012</b>	14,832	<b>52,208</b>	17,107
<b>COST OF GOODS SOLD</b>	<b>13,599</b>	6,346	<b>14,560</b>	7,210
<b>GROSS PROFIT</b>	<b>34,413</b>	8,486	<b>37,648</b>	9,897
<b>EXPENSES</b>				
General and administrative	335,525	321,304	652,671	628,684
Sales and marketing	3,005	67,451	37,358	84,550
Research and development	36,367	14,408	51,440	49,786
<b>(LOSS) before other expenses</b>	<b>(340,484)</b>	(394,677)	<b>(703,821)</b>	(753,123)
<b>OTHER EXPENSES</b>				
Stock compensation	77,699	117,000	157,105	117,000
Amortization equipment	5,033	83,835	10,068	167,669
Amortization intangibles	-	21,252	-	42,504
Interest	11,578	42,863	14,985	66,673
<b>NET (LOSS) FOR THE PERIOD</b>	<b>(434,794)</b>	(659,627)	<b>(885,979)</b>	(1,146,969)
<b>DEFICIT, beginning of period</b>	<b>(8,550,231)</b>	(3,788,519)	<b>(8,099,046)</b>	(3,301,177)
<b>DEFICIT pickup resulting from RTO</b>	-	(21,726)	-	(21,726)
<b>DEFICIT, end of period</b>	<b>(8,985,025)</b>	(4,469,872)	<b>(8,985,025)</b>	(4,469,872)

See accompanying notes to the unaudited interim consolidated financial statements

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	3 Months ended June 30, 2008	3 Months ended June 30, 2007	6 Months ended June 30, 2008	6 Months ended June 30, 2007
	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss for the period	(434,794)	(659,627)	(885,979)	(1,146,969)
Changes to income not involving cash				
Amortization	5,032	105,087	10,068	210,173
Shares issued for services	-	-	-	-
Stock-based compensation	77,696	117,000	157,103	117,000
Leasehold inducement	6,513	8,010	13,026	16,020
Accrued interest on debt	15,038	(45,256)	15,038	(28,500)
Loss (gain) on foreign exchange	-	-	-	-
	<u>(330,515)</u>	<u>(474,786)</u>	<u>(690,744)</u>	<u>(832,276)</u>
Changes in non-cash working capital balances				
(Increase) decrease in prepaid expenses	-		12,681	-
(Increase) decrease in amounts receivable	(47,953)	(20,182)	(15,439)	(21,347)
(Increase) decrease in inventory	(19,574)	357	(38,135)	(2,401)
Increase (decrease) in amounts payable	158,530	(341,808)	169,149	(281,766)
Cash flows from operating activities	<u>(239,512)</u>	<u>(836,419)</u>	<u>(562,488)</u>	<u>(1,137,790)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Loans payable	(12,500)	(127,501)	(25,000)	(140,001)
Shareholders' loans payable	290,000	(207,517)	310,000	(153,992)
Issuance of common shares	-	3,675,546	-	3,951,546
Share issue costs	-	(930,671)	-	(930,671)
Cash flow from financing activities	<u>277,500</u>	<u>2,409,857</u>	<u>285,000</u>	<u>2,726,882</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to equipment	(11,368)	(54,402)	(59,660)	(81,774)
Additions to intangible assets	-	-	-	-
Deferred public offering costs	-	-	-	-
Cash flows from investing activities	<u>(11,368)</u>	<u>(54,402)</u>	<u>(59,660)</u>	<u>(81,774)</u>
(Decrease) increase in cash	26,620	1,519,036	(337,148)	1,507,318
Cash, Beginning of period	<u>(22,576)</u>	<u>68,161</u>	<u>341,192</u>	<u>79,879</u>
Cash, End of period	<u><u>4,044</u></u>	<u><u>1,587,197</u></u>	<u><u>4,044</u></u>	<u><u>1,587,197</u></u>
<b>SUPPLEMENTAL INFORMATION</b>				
Interest paid	3,091	65,119	6,498	72,173
Income taxes paid	-	-	-	-

See accompanying notes to the unaudited interim consolidated financial statements

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Forterra Environmental Corp., (Formerly reWorks Environmental Corp), (the "Company") is a development stage enterprise as defined by the Canadian Institute of Chartered Accountants (“CICA”) Accounting Guideline 11 and is involved in the research, development and marketing of worm castings and related products.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis which presumes the realization of assets and the discharge of liabilities in the normal course of operations. The Company is dependent upon obtaining additional financing sufficient for continued operations as well as the achievement of profitable operations. These consolidated financial statements have been prepared on the basis that the Company will receive additional financing and will be able to achieve profitable operations. However, there is no assurance that these conditions will be achieved.

## **2. CHANGES IN ACCOUNTING POLICIES**

### *(a) Financial Instruments*

Effective January 1, 2007, the Company adopted CICA section 3855, “Financial Instruments – Recognition and Measurement,” section 3865, “Hedges,” section 1530, “Comprehensive Income”. These standards have been adopted retrospectively.

#### *i) Financial Instruments*

Section 3855 establishes a framework for classifying and measuring financial instruments. Under this section all financial instruments must be initially recognized at their fair value on the balance sheet. In accordance with Section 3855, the Company has classified each financial instrument into the five categories set out in the standard: Financial assets and liabilities held for trading, financial assets held to maturity, loans and receivables, financial assets available for sale and other liabilities. Measurement of each of these items is contingent upon initial classification. Unrealized gains and losses on financial instruments classified as held for trading are recognized in earnings in the period incurred. Gains and losses on assets available for sale are recognized in other comprehensive income, and are charged to earnings when the asset is derecognized. The effective interest rate method using amortized cost is applied to the remaining categories of financial instruments. The classification of financial instruments occurred upon adoption of the standard.

#### *ii) Derivative Instruments and Hedging*

Hedge accounting ensures that all gains, losses, revenue and expenses from the derivative, and the item it hedges, are recorded in the statement of operations in the same period. The impact of the adoption of this new section on the financial statements is not material.

**2. CHANGES IN ACCOUNTING POLICIES (Continued)**

*(a) Financial Instruments (continued)*

*iii) Embedded Derivatives*

An embedded derivative is a component of a financial instrument or other contract that has a feature similar to a derivative. New accounting section 3855 requires these instruments to be identified and recorded separately from the host contract if the economic characteristics and risks of the embedded derivative are not closely related to that of the host contract, the terms of the embedded derivatives are the same as the terms of a freestanding derivative, and the hybrid instrument is not re-measured at fair value. The impact of the adoption of this new section on the financial statements is not material.

*iv) Comprehensive income*

Comprehensive income is the change in equity of the Company from net earnings and other comprehensive income (“OCI”). OCI consists of the change in the fair value of any financial instruments classified as available for sale. Amounts recognized in OCI must eventually be reclassified to operations when the related gains or losses are realized. For the period ended June 30, 2008, the Company did not have other comprehensive income or loss, therefore the comprehensive loss for the period is equal to the net loss for the period.

*(b) Accounting Changes*

Effective January 1, 2007, the Company adopted the revised CICA section 1506, “Accounting Changes.” Under the revised section, voluntary changes in accounting policy are permitted only if they result in financial statements that provide more reliable and relevant information to the reader. Changes in accounting policy must be applied retrospectively, while changes in accounting estimates are to be applied prospectively. The revised section also outlines additional disclosure required when accounting changes are applied, including the justification for the change, a complete description of the policy, the primary source of GAAP and the detailed effect of financial statement line items.

The Company has determined that the adoptions of these new policies had no material impact on its consolidated financial statements and determined that no adjustments are required for the period ended June 30, 2008.

*(c) Recent Accounting Pronouncements*

Effective January 1, 2008, the Company will adopt the following accounting standards recently issued by the CICA:

*(i) Capital Disclosures*

In December 2006, the CICA issued Section 1535, “Capital Disclosures”, which establishes guidelines for the disclosure of information on an entity’s capital and how it is managed. Effective for fiscal periods beginning on or after October 1, 2007, this enhanced disclosure enables users to evaluate the entity’s objectives, policies and processes for managing capital. This new requirement is for disclosure only and will not impact the financial results of the Company.

*(ii) Financial Instruments – Disclosure and Presentation*

In December 2006, the CICA issued Section 3862, “Financial Instruments – Disclosure”, and Section 3863, “Financial Instruments – Presentation” to replace the existing Section 3861 “Financial Instruments – Disclosure and Presentation”. Section 3862 requires enhanced disclosure on the nature and extent of financial instrument risks and how an entity manages those risks. Section 3863 carries forward the existing presentation requirements and provides additional guidance for the classification of financial instruments. These sections are effective for fiscal periods on or after October 1, 2007. This new requirement is for disclosure only and will not impact the financial results of the Company.

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**2. CHANGES IN ACCOUNTING POLICIES** (Continued)

(c) *Recent Accounting Pronouncements (continued)*

(iii) *Inventory*

In June 2007, the CICA issued Section 3031, “Inventories”, which replaces Section 3030, “Inventories” and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards. Effective for interim and annual financial statements beginning on or after January 1, 2008, this section provides more extensive guidance on the determination of cost, narrows the permitted cost formulas, requires impairment testing, and expands the disclosure requirements to increase transparency. The Company does not anticipate that the adoption of this standard will significantly impact its financial results.

(d) *International Financial Reporting Standards (“IFRS”)*

In January 2006, the CICA Accounting Standards Board (“ACSB”) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with IFRS by the end of 2011. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

**3. PROPERTY AND EQUIPMENT**

	Cost \$	Accumulated Amortization \$	June 30, 2008 Net \$
Computer equipment	22,630	9,482	13,148
Computer software	16,702	13,723	2,979
Office equipment and furnishings	30,219	16,795	19,029
Warehouse equipment	20,631	6,494	14,137
Warehouse equipment - under capital lease	10,416	3,667	6,749
Reusable packaging	2,156	837	1,319
Leasehold improvements	4,925	2,708	2,217
Worms	118,075	-	118,075
Construction in progress	78,711	2,551	76,160
	<b>304,465</b>	<b>56,257</b>	<b>248,208</b>

Net Book Value December 31, 2007 \$205,589

**4. INTANGIBLE ASSETS**

	Cost \$	Accumulated Amortization \$	June 30, 2008 Net \$
Licence	<b>1</b>	-	<b>1</b>

Net Book Value December 31, 2007 \$ 1.00

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**5. RELATED PARTY TRANSACTIONS**

Advances from related parties were part of secured debentures and bridge loan. The debentures were \$260,000, including \$250,000 from four directors and \$10,000 from one shareholder. The debentures are due on September 30, 2008 with interest calculated monthly at 16% per annum. Four bonus shares were issued to the debenture holders for every \$1.00 of debenture principal. The bridge loan \$50,000 from one director is due on July 15<sup>th</sup>, 2008 with interest calculated at 16% per annum. 70,715 bonus shares were issued to the lender.

The above transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**6. LOANS PAYABLE**

	June 30, 2008 \$	2007 \$
Bank loan payable		
Repayable in fixed monthly principal payments of \$4,167, plus interest at prime plus 3%, due November 17, 2009, partially guaranteed by the Government of Canada and partially guaranteed by a shareholder of the Company, secured by certain equipment	<b>108,333</b>	133,333
	<b>108,333</b>	133,333
Less: Current portion		
License fee payable	-	-
Bank loan payable	<b>50,000</b>	50,000
Convertible debenture	-	-
	<b>50,000</b>	50,000
	<b>58,333</b>	83,333

**7. CAPITAL LEASE PAYABLE**

	June 30, 2008 \$	2007 \$
Payable in fixed monthly payments of \$348 including interest at 15.72% due October 2009. Leasecor holds security on the equipment until paid in full.	<b>5,635</b>	7235
Less: Current portion	<b>3,080</b>	3,080
	<b>2,555</b>	4155

**8. OTHER PAYABLE**

During the year ended December 31, 2006, one shareholder of the Company exercised his right, in accordance with Section 190 of the Canada Business Corporations Act (“CBCA”), to dissent to the Reverse Takeover Transaction (Note 4). Due to the dissent, the Company was required by the CBCA to buy back the shares of the Company

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held by this shareholder at their fair value. The fair value, as determined for each common share, was \$0.20. The dissenting shareholder was the owner of 1,000,000 common shares of the Company. The Company has cancelled these common shares and has accounted for this matter as detailed below:

- Increase in amounts payable and accrued liabilities of \$200,000 (1,000,000 common shares with a fair value of \$0.20 per common share).
- Decrease in capital stock of \$130,000 (1,000,000 common shares at the average price per common share of \$0.13 on the date of dissention).
- Decrease in contributed surplus of \$1,666.
- Increase in deficit of \$68,334.
- 1,000,000 common shares returned to treasury and cancelled.

The principal shall become due and be paid on April 1, 2008. No interest shall be paid upon the principal except in case of default in which case such principal shall bear interest at the rate of twelve (12%) percent per annum, calculated and payable monthly from and after the date of such default.

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**9. CAPITAL STOCK**

**(a) Authorized**

Unlimited number of common shares

**(b) Issued**

62,619,809 common shares

\$ 6,675,842

Transactions are as follows:

	<u>Shares</u>	<u>Amount</u>
	#	\$
Balance December 31, 2005	31,141,802	3,432,678
Employee stock-based compensation (i)	10,000	2,200
Private placements (ii)	4,645,570	939,114
Common shares issued for services	853,932	180,786
Common shares issued for debt settlement and interest	1,483,603	281,721
Common shares issued for equipment	299,889	72,768
Common shares issued for share issue costs	140,000	28,000
Going public commitment (ii)	1,000,000	-
Share issue costs	-	(35,750)
	<u>39,574,796</u>	<u>4,901,517</u>
Common shares repurchased and cancelled	(1,000,000)	(130,000)
Balance December 31, 2006	38,574,796	4,771,517
Private placements (iii)	1,380,000	276,000
Private placement (iv)	16,938,000	3,675,547
Warrants valuation (iv)	-	(753,362)
Common shares issued in reverse takeover	4,616,298	-
Share issue costs and public offering costs	-	(1,293,860)
<u>Balance December 31, 2007</u>	<u>61,509,094</u>	<u>6,675,842</u>
Bonus shares to debenture holders and bridge-loan lender (Note 5)	1,110,715	-
<u>Balance June 30, 2008</u>	<u>62,619,809</u>	<u>6,675,842</u>

- (i) In May and November 2006 the Company issued 10,000 common shares to employees with an estimated value of \$2,200 based on the approximate fair value of these shares on the date of issue.
- (ii) In January, February and March 2006, the Company, as part of a private placement, issued 100,000 units at \$0.30 per unit for gross proceeds of \$30,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for \$0.30 per share until January 1, 2007. On November 23, 2006 the Company extended these warrants to expire on December 31, 2007. No value has been allocated to these warrants.

In April, May and June 2006, the Company, as part of various private placements, issued 935,000 units at \$0.20 per unit for gross proceeds of \$187,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for \$0.30 per share until June 30, 2007.

**9. CAPITAL STOCK** (Continued)

**(b) Issued** (continued)

In June 2006 the Company, as part of a private placement, issued 1,000,000 units at \$0.20 per unit for gross proceeds of \$200,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for \$0.30 per share until December 31, 2007. Included in this private placement the Company made a commitment that if the Company’s shares were not listed or approved for trading on the TSX Venture Exchange by December 1, 2006 the Company would issue 1,000,000 additional common shares of the Company for no additional consideration and that 1,000,000 common share warrants initially issued as part of each original unit will be exchanged for 1,000,000 common share warrants exercisable at \$0.20 until December 31, 2007. As the TSX Ventures Exchange listing had not been completed by December 1, 2006, the additional shares were granted and warrants were exchanged.

In July, August and September 2006, the Company, as part of a private placement, issued 1,357,500 units at \$0.20 per unit for gross proceeds of \$271,500. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for \$0.30 per share until June 30, 2007.

In October, November and December 2006, the Company, as part of a private placement, issued 753,070 units at \$0.20 per unit for gross proceeds of \$150,614. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for \$0.30 per share until June 30, 2007.

In November 2006, the Company, as part of a private placement, issued 500,000 units at \$0.20 per unit for gross proceeds of \$100,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for \$0.30 per share until December 31, 2007.

(iii) In January, February and March 2007, the Company, as part of various private placements, issued 1,380,000 units at \$0.20 per unit for gross proceeds of \$276,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for \$0.30 per share until June 30, 2007.

(iv) In May 2007, the Company completed a brokered private placement with the issuance of 16,938,000 units of the Company at \$0.217 per unit for gross proceeds of \$3,675,547. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.40 per share until May 2, 2009. In connection with the private placement, the underwriters received a cash commission equal to 8% of the gross proceeds. In addition, 1,691,300 broker warrants were issued. Each broker warrant entitles the holder to acquire one unit of the Company for \$0.217 per share until May 2, 2009. Each unit consists of one common share and one common share purchase warrant with the same terms as those included in the private placement.

The fair value of the warrants, an amount of \$753,362, was estimated on the date of grant using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 100%, risk-free interest rate of 4.18% and an expected life of 2 years.

The fair value of broker warrants, an amount of \$202,956, was estimated on the date of grant using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 100%, risk free interest rate of 4.18% and an expected life of 2 years.

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**9. CAPITAL STOCK** (Continued)

**(c) Warrants**

Summary of warrant activity:

	June 2008		2007	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of year	19,129,300	\$0.380	10,757,505	\$ 0.300
Granted or re-issued			18,629,300,	0.383
Expired or cancelled	(500,000)	\$0.30	(10,257,505)	0.303
<b>Balance, end of period</b>	<b>18,629,300</b>	<b>\$0.383</b>	<b>19,129,300</b>	<b>\$ 0.380</b>

Summary of warrants and broker warrants outstanding at June 30, 2008:

	Exercise Price	Warrants	Grant Date Fair Value	Expiry Date
	\$	#	of Warrants	
Series 9	0.400	5,417,000	512,427	May 2, 2009
Series 10	0.400	11,521,000	240,935	May 2, 2009
Series 11	0.217	1,691,300	202,956	May 2, 2009
		<b>18,629,300</b>	<b>956,318</b>	

**(d) Stock-Based Compensation**

Summary of stock option activity:

	June 2008		2007	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Balance, beginning of year	4,550,000	\$ 0.229	720,000	\$ 0.333
Granted	350,000	\$0.15	4,200,000	0.217
Expired or cancelled	(350,000)	\$0.217	(370,000)	0.302
<b>Balance, end of period</b>	<b>4,550,000</b>	<b>\$ 0.223</b>	<b>4,550,000</b>	<b>\$ 0.229</b>

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**9. CAPITAL STOCK** (Continued)  
**(d) Stock-Based Compensation** (Continued)

As of June 30, 2008 the following options have been issued:

Number of Options	Exercise Price \$	Vesting Date	Expiry Date
150,000	0.200	July 4, 2006	July 24, 2011
150,000	0.300	January 1, 2007	July 24, 2011
150,000	0.500	July 1, 2007	July 24, 2011
1,216,667	0.217	June 25, 2007	June 25, 2012
1,216,667	0.217	June 25, 2008	June 25, 2012
1,216,666	0.217	June 25, 2009	June 25, 2012
33,333	0.217	August 9, 2007	August 9, 2012
33,333	0.217	August 9, 2008	August 9, 2012
33,333	0.217	August 9, 2009	August 9, 2012
100,000	0.150	June 22, 2008	June 22, 2013
<u>250,000</u>	0.150	June 4, 2008	June 4, 2013
<b><u>4,550,000</u></b>			

**10. CONTINGENCIES**

The Company is party to various legal actions and complaints arising in the ordinary course of business. It is the opinion of the Company that the ultimate resolutions of such matters will not materially affect the Company’s financial condition or earnings.

**11. SUBSEQUENT EVENTS**

- a) On July 28, 2008, the Company closed a private placement. In the private placement, the company issued 16,800,000 units at \$0.15 per unit. Each unit consists of one common shares and one half of one common share purchase warrant exercisable at \$0.25 per share. The gross proceeds of \$2,502,000 were raised and share issue cost was \$150,570 paid to Euroglobal Capital Partners Inc.
- b) On August 5, 2008, Company paid off the \$208,263 to dissenting shareholders (see note 8)
- c) On July 28, 2008 the company paid back the bridge loan with interest in total amount of \$50,777.77 (see note 5). On August 15<sup>th</sup>, 2008 the company paid back the debenture holders with interest in total amount of \$273,670,98 (see note 5).