Consolidated financial statements of

Iplayco Corporation Ltd.

September 30, 2008

Iplayco Corporation Ltd.

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Auditors' Report

The Shareholders,
Iplayco Corporation Ltd.

We have audited the consolidated balance sheets of Iplayco Corporation Ltd. as at September 30, 2008 and 2007, and the consolidated statements of income, comprehensive income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
December 12, 2008, except as to Note 16 which is as of January 14, 2009

Iplayco Corporation Ltd.

Consolidated balance sheets

September 30

	2008	2007
Assets		
Current		
Cash	**$ 1,163,028**	$ 780,288
Term deposits	**400,000**	750,833
Accounts receivable	**1,444,557**	812,742
Inventory (Note 4)	**1,370,581**	1,121,309
Income taxes receivable (Note 12)	**55,165**	-
Prepaid expenses	**154,526**	39,292
	4,587,857	3,504,464
Property, plant and equipment (Note 5)	**1,394,731**	380,812
Future income taxes (Note 12)	**92,289**	73,912
	$ 6,074,877	$ 3,959,188
Liabilities		
Current		
Accounts payable	**$ 1,459,163**	$ 724,206
Income taxes payable	**-**	304,644
Customer deposits	**899,548**	206,283
Non-hedging financial derivatives (Note 13)	**30,000**	-
Current portion of rent inducement (Note 11)	**22,817**	-
Current portion of capital lease obligations (Note 6)	**72,334**	35,429
Loan payable (Note 7)	**486,111**	-
	2,969,973	1,270,562
Rent inducement (Note 11)	**59,704**	-
Capital lease obligations (Note 6)	**247,683**	42,363
	3,277,360	1,312,925
Commitments (Note 11)		
Shareholders' equity		
Capital stock (Note 9)	**1,619,539**	1,581,475
Contributed surplus (Note 10)	**129,167**	67,585
Retained earnings	**1,048,811**	997,203
	2,797,517	2,646,263
	$ 6,074,877	$ 3,959,188

Approved by the Directors

..."Franco Aquila"............

..."Terence Forbes"..........

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Iplayco Corporation Ltd.

Consolidated statements of income comprehensive income and retained earnings
Years ended September 30

	2008	2007
Sales	**$ 9,143,192**	$ 10,692,128
Cost of sales	**5,732,265**	6,405,019
Gross profit	**3,410,927**	4,287,109
Expenses		
Accounting and legal	**180,432**	113,405
Advertising and promotion	**329,498**	349,184
Amortization	**109,420**	96,069
Bad debts	**2,824**	136,081
Bank and credit card charges	**27,250**	23,459
Foreign exchange loss (gain)		
Realized	**76,046**	136,087
Unrealized	**(17,101)**	141,896
Insurance	**228,339**	206,099
Interest on loan payable and capital leases	**10,304**	6,688
Office	**88,742**	74,708
Rent	**461,742**	309,423
Repairs and maintenance	**90,914**	109,105
Salaries, commissions, and benefits	**1,609,230**	1,614,176
Utilities	**81,264**	56,044
	3,278,904	3,372,424
Income before income taxes	**132,023**	914,685
Income taxes (Note 12) (recovery)		
Current	**98,792**	304,644
Future	**(18,377)**	16,977
	80,415	321,621
Net income and comprehensive income for the year	**51,608**	593,064
Retained earnings at beginning of the year	**997,203**	404,139
Retained earnings at end of the year	**$ 1,048,811**	$ 997,203
Earnings per share		
Basic	**$ 0.01**	$ 0.06
Diluted	**$ 0.01**	$ 0.06
Weighted average number of common shares		
Basic	**9,769,717**	9,686,687
Diluted	**10,042,494**	9,720,010

Iplayco Corporation Ltd.

Consolidated statements of cash flows
Years ended September 30

	2008	2007
Operating activities		
Net income for the year	**$ 51,608**	$ 593,064
Items not involving cash		
Amortization	**109,420**	96,069
Future income taxes (recovery)	**(18,377)**	16,977
Non-hedging financial derivatives	**30,000**	-
Rent inducement	**82,521**	-
Stock based compensation (Note 9)	**71,446**	-
Unrealized foreign exchange (gain) loss	**(47,101)**	141,896
	279,517	848,006
Change in non-cash operating working capital		
Accounts receivable	**(615,059)**	95,640
Inventory	**(249,272)**	(36,160)
Prepaid expenses	**(115,234)**	17,226
Accounts payable	**734,957**	(93,559)
Customer deposits	**693,265**	(453,380)
Income taxes	**(359,809)**	314,644
	88,848	(155,589)
	368,365	692,417
Investing activities		
Net change in term deposits	**381,283**	(862,795)
Purchase of property, plant and equipment (Note 5)	**(840,609)**	(97,370)
	(459,326)	(960,165)
Financing activites		
Proceeds from loan payable	**500,000**	-
Proceeds from exercise of stock options (Note 9)	**28,200**	-
Repayment of loan payable	**(13,889)**	-
Repayment of capital lease obligations	**(40,610)**	(27,234)
	473,701	(27,234)
Change in cash during the year	**382,740**	(294,982)
Cash at beginning of the year	**780,288**	1,075,270
Cash at end of the year	**$ 1,163,028**	$ 780,288
Supplemental information		
Income taxes paid (received)	**$ 458,601**	$ (10,000)
Interest paid	**$ 10,304**	$ 6,688
Non-cash transactions - capital leases (Note 5)	**$ 282,730**	$ 59,780

1. Business operations

The Company is incorporated under the Alberta Business Corporations Act. The Company's business is carried out through its wholly owned subsidiaries, International Play Company Inc. (IPC) and Outdoor Play Company Inc. (OPC). IPC and OPC are a major worldwide supplier of custom designed children's indoor and outdoor play structures. Both IPC and OPC conduct their design, manufacturing and marketing activities at the Company's head office located in Langley, British Columbia.

During the year, the Company began construction of a family entertainment centre. The centre is expected to open in fiscal 2009.

2. Change in accounting policies

Effective October 1, 2007, the Company adopted the following recommendations of the CICA Handbook:

a) Section 1535, *Capital Disclosures*. This Section describes disclosures of an entity's objectives, policies and processes for managing capital, and quantitative data about what the entity regards as capital.

b) Section 3862, *Financial Instruments – Disclosures.* This Section establishes the standards for disclosures about financial instruments and non-financial derivatives.

c) Section 3863, *Financial Instruments – Presentation.* This Section establishes the standards for presentation of financial instruments and non-financial derivatives.

Sections 3862 and 3863 replace Section 3861 of the CICA Handbook.

The adoption of these standards did not have a significant effect on the Company's consolidated financial statements beyond the additional disclosures provided in Notes 13 and 15.

d) Section 3064, *Goodwill and Intangible Assets*, which establishes the standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

Section 3064 replaces Sections 3062 and 3450 of the CICA Handbook and various changes have been made to other sections of the CICA Handbook for consistency purposes.

The adoption of this standard did not have a significant effect on the Company's consolidated financial statements except that the Company expensed $144,000 of start up costs related to the family entertainment centre when previously these costs would be capitalized.

3. Significant accounting policies

Principles of consolidation

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly-owned subsidiaries, International Play Company Inc. and Outdoor Play Company Inc. Intercompany balances and transactions have been eliminated on consolidation.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates are used for, but are not limited to, the accounting for doubtful accounts, inventory obsolescence, amortization, income taxes, accrued liabilities, stock based compensation, and contingent liabilities. Actual results could differ from those estimates.

Inventory

Raw materials are valued at the lower of cost and replacement cost. Cost is determined on a weighted average basis. Work in process is valued at the lower of cost and net realizable value. The cost of work in process and finished goods includes the cost of raw material, direct labour and an allocation of related overheads.

Foreign currency translation

Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the average rates for the year except for amortization that is translated at historical rates. Translation gains or losses are included in earnings.

Property, plant, and equipment and amortization

Property, plant and equipment are recorded at cost. Amortization is calculated using the following methods and annual rates:

Automotive	30% declining balance
Computer equipment	30% declining balance
Furniture and fixtures	20% declining balance
Machinery and equipment	20% declining balance
Moulds	30% declining balance
Leasehold improvements	12 years straight-line

Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

3. Significant accounting policies (continued)

Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized. They are measured using enacted and substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The net change in recorded future income tax assets and liabilities is recognized in income in the period in which the change occurs including any change in applicable future tax rates.

Revenue recognition

The Company recognizes revenue from contracts when persuasive evidence of an arrangement exists, the product is shipped to the customer, there is no uncertainty around acceptance, and collection is probable. Amounts received from customers prior to revenue recognition are recorded as customer deposits.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

Classification

Cash	Held for trading
Term deposits	Held for trading
Accounts receivable	Loans and receivables
Accounts payable	Other liabilities
Loan payable	Other liabilities
Non-hedging financial derivatives	Held for trading

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

3. Significant accounting policies (continued)

Financial instruments (continued)

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Transaction costs

Transaction costs related to held for trading financial assets are expensed as incurred. Transaction costs related to other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

Effective interest method

The Company uses the effective interest method to recognize interest income or expense which includes transaction costs or fees and premiums or discounts earned or incurred for financial instruments.

Derivative instruments

Derivative instruments held for trading or speculative purposes or that are not eligible for hedge accounting are recognized on the balance sheet at their fair value, with changes in fair value recognized in foreign exchange gain or loss.

Stock based compensation

The Company uses the fair value method to account for stock based compensation and other stock based payments. This method consists of expensing the fair value of stock based awards over the vesting period of the options granted. Upon exercise of the stock options, consideration received together with amounts previously recognized in contributed surplus is recorded as an increase in share capital.

Earnings per common share

Basic earnings per share is computed by dividing the net income available to common shareholders by the weighted average number of common shares outstanding for that period. The Company uses the treasury stock method in calculating diluted earnings per share.

The computation of diluted earnings per share for 2008 includes the incremental shares from 904,500 (2007 - 80,000) stock options with an exercise price of $0.225-$0.40 per share.

The computation of diluted earnings per share for 2008 excluded nil (2007 - 455,000) options because their exercise price was greater than the average market price of the underlying common shares, and so their effect would be anti-dilutive.

3. Significant accounting policies (continued)

Recent accounting pronouncements

CICA Handbook Section 1400, *General Standards of Financial Statement Presentation,* requires an entity to assess and disclose an entity's ability to continue as a going concern. This Section is applicable to financial statements relating to fiscal years beginning on or after January 1, 2008.

CICA Handbook Section 3031, *Inventories*, provides more guidance on the measurement and disclosure requirements for inventories. This Section is applicable to financial statements relating to fiscal years beginning on or after January 1, 2008.

The Company will adopt these new standards for its fiscal year beginning October 1, 2008 and is currently evaluating the impact on the adoption of these new Sections on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian Generally Accepted Accounting Principles ("GAAP") with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that the year 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2010. The Company is currently evaluating the impact the adoption of IFRS will have on its consolidated financial statements.

4. Inventory

	2008	2007
Raw materials	**$ 1,053,918**	$ 1,012,408
Finished goods	**140,542**	-
Work in progress	**176,121**	108,901
	$ 1,370,581	$ 1,121,309

5. Property, plant and equipment

2008

	Cost	Accumulated amortization	Net book value
Automotive	**$ 43,870**	**$ 30,139**	**$ 13,731**
Computer equipment	**288,374**	**123,201**	**165,173**
Furniture and fixtures	**132,715**	**36,693**	**96,022**
Machinery and equipment	**638,152**	**109,438**	**528,714**
Moulds	**191,532**	**83,013**	**108,519**
Leasehold improvements	**459,951**	**72,086**	**387,865**
Asset under construction	**94,707**	**-**	**94,707**
	$ 1,849,301	**$ 454,570**	**$ 1,394,731**

During the year ended September 30, 2008 the company acquired property, plant and equipment totalling $1,123,339, $282,730 by means of capital leases and $840,609 by means of cash. Included in property, plant and equipment at September 30, 2008 are assets under capital leases with a cost of $423,041 and a net book value of $351,424.

Included in property, plant, and equipment as at September 30, 2008 are assets with a carrying amount of $998,815 related to the Family Entertainment Centre under construction which are not being amortized. Amortization on these assets will commence when construction is completed and the Family Entertainment Centre commences operations.

2007

	Cost	Accumulated amortization	Net book value
Automotive	$ 43,870	$ 24,255	$ 19,615
Computer equipment	191,495	92,542	98,953
Furniture and fixtures	53,523	32,332	21,191
Machinery and equipment	170,081	85,265	84,816
Moulds	127,468	50,540	76,928
Leasehold improvements	139,745	60,436	79,309
	$ 726,182	$ 345,370	$ 380,812

During the year ended September 30, 2007 the company acquired property, plant and equipment totalling $157,150, $59,780 by means of capital leases and $97,370 by means of cash. Included in property, plant and equipment at September 30, 2007 are assets under capital leases with a cost of $140,532 and a net book value of $96,628.

6. Capital lease obligations

The Company leases various delivery vehicles, moulds, and equipment under capital leases. The future minimum payments under these leases are as follows:

	2008
2009	**$ 102,905**
2010	**100,550**
2011	**91,662**
2012	**76,736**
2013	**23,969**
	395,822
Less amount representing interest at 11.62%	**(75,805)**
	320,017
Less current portion	**(72,334)**
	$ 247,683

	2007
2008	$ 41,266
2009	20,837
2010	17,777
2011	8,477
	88,357
Less amount representing interest at 10.67%	(10,565)
	77,792
Less current portion	(35,429)
	$ 42,363

7. Loan payable

Loan payable consists of a Royal bank of Canada loan repayable in monthly instalments of $13,889 plus interest at prime plus 1%, secured by a general security agreement. The loan is due in August 2009 at which time the Company expects to refinance the facility.

8. Operating loan

During the year, the Company cancelled the operating loan facility with HSBC Bank Canada and entered into a new operating loan facility with the Royal Bank of Canada. The Royal Bank of Canada operating loan facility has a limit of $500,000, subject to certain margin requirements, bears interest at prime plus 0.5% and is secured by a general security agreement. No amounts were drawn on this facility at September 30, 2008 or on the HSBC Bank Canada operating loan facility at September 30, 2007.

9. Capital stock

Authorized and issued

A summary of the issued and outstanding shares of the Company follows:

	Number of shares	Amount
Authorized		
Unlimited Common shares, without par value		
Unlimited Preferred shares, without par value		
Issued, common shares		
Balance, September 30, 2006 and 2007	**9,686,687**	**$ 1,581,475**
Proceeds on exercise of stock options	**152,000**	**28,200**
Fair value of options exercised during the year	**-**	**9,864**
Balance, September 30, 2008	**9,838,687**	**$ 1,619,539**

During the year ended September 30, 2008 152,000 common shares were issued on the exercise of stock options for proceeds of $28,200. The proceeds, together with the $9,864 fair value of these options previously credited to contributed surplus, has been credited to capital stock.

Stock options and warrants

The Company has an incentive stock option plan (the "Option Plan"). Under the terms of this Option Plan the Board of Directors may grant incentive stock options to directors and employees of the Company and the exercise price is generally determined by reference to the market price of the Company's stock. Vesting and expiry of options may vary at the discretion of the committee, subject to the rules of the stock exchange. The total number of shares issuable pursuant to the Option Plan cannot exceed 10% of the issued and outstanding shares. As at September 30, 2008, the maximum number of options available to be granted under the Option Plan is 983,869 (2007 – 968,669).

9. Capital stock (continued)

A summary of stock option activity follows:

	Stock options		
		Weighted average	
	Number	Price	
Outstanding at September 30, 2006	455,000	$	0.40
Granted	80,000	$	0.15
Outstanding at September 30, 2007	535,000	$	0.40
Granted	521,500	$	0.23
Exercised	(152,000)	$	0.19
Outstanding at September 30, 2008	**904,500**	**$**	**0.31**

The following table summarizes information about director and employee stock options outstanding at September 30, 2008 and September 30, 2007:

		Options Outstanding			Options Exercisable	
Year	Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
2008	**$ 0.23-0.40**	**904,500**	**0.2 Years**	**$ 0.31**	**904,500**	**$ 0.31**
2007	$ 0.40	535,000	1.1 Years	$ 0.40	535,000	$ 0.40

The Company uses the fair value method to account for stock options and warrants granted to employees and consultants. During the year ended September 30, 2008 there were 521,500 (2007 – 80,000) stock options granted which expire one year from the date of grant. The fair value of these options was determined to be $71,446 (2007 - $nil) and was recorded as compensation expense. The fair value was estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	4.33%
Expected volatility	80.40%
Expected average life of options	1 year
Expected dividend yield	0%

9. Capital stock (continued)

Escrowed shares

During the year ended September 30, 2008 777,452 (2007 - 927,455) shares were released from escrow. At September 30, 2008 1,166,177 (2007 – 1,943,629) common shares are held in escrow. The release of the escrowed shares is governed by the underlying escrow and pooling agreements, and are eligible for release in the fiscal years ended as follows:

2009	$	777,452
2010		388,725
	$	1,166,177

10. Contributed surplus

Charges and credits to contributed surplus are related to stock options and are as follows:

		2008		2007
Opening balance	**$**	**67,585**	$	67,585
Compensation expense		**71,446**		-
Options exercised		**(9,864)**		-
Closing balance	**$**	**129,167**	$	67,585

11. Commitments

The Company leases premises and certain equipment under long-term operating lease agreements that expire at various dates. Future minimum lease payments aggregate $2,130,613 and include the following amounts payable over the next five years, including estimated occupancy costs:

2009	$	561,605
2010		596,034
2011		315,676
2012		268,732
2013		280,898
Thereafter		107,668
	$	2,130,613

During the year, the Company entered into an operating lease agreement, for the purposes of operating a Family entertainment centre, commencing on March 1, 2008 to February 29, 2014 with the first ten months of basic rent forgiven. The rent inducement of $82,521 has been recognized in these financial statements and will be recognized into income on a straight-line basis over the term of the lease.

12. Income taxes

The approximate tax effect of temporary differences and tax loss carryforwards that give rise to the Company's future income tax assets are as follows:

	2008	2007
Future income tax assets		
Tax loss carryforwards	**$ 21,082**	$ 1,125
Timing difference on expenses	**91,200**	60,216
Share issue expenses	**6,109**	22,953
	118,391	84,294
Future income tax liability		
Property, plant and equipment	**(26,102)**	(10,382)
	$ 92,289	$ 73,912

The future benefit of these temporary differences and tax loss carry forwards has been recognized in the financial statements as at September 30, 2008, as it is more likely than not they will be utilized.

The reported income tax provision differs from the amounts computed by applying the Canadian basic statutory rate to the income before income taxes. The reasons for this difference and the related tax effects are as follows:

	2008	2007
Canadian basic statutory rate	**31.91%**	34.12%
Expected income tax expense	**$ 42,129**	$ 312,091
Change in enacted tax rates	**12,500**	-
Non-deductible expenses	**25,786**	9,530
	$ 80,415	$ 321,621

13. Financial instruments and risk management

(a) Classification of financial instruments and fair value

The following table summarizes information relating to the Company's financial instruments for the years ending September 30, 2008 and 2007.

Class of Financial Instruments	Consolidated Balance Sheet Categories Included	Carrying Amount	
		2008	2007
Held for trading financial assets	Cash and term deposits	**$ 1,563,028**	$ 1,531,121
Loans and receivables	Accounts receivable	**1,444,557**	812,742
Other liabilities	Accounts payable and loan payable	**1,945,274**	724,206
Non-hedging financial derivatives designated as held for trading	Non-hedging financial derivatives - liability	**30,000**	-

The carrying values of cash, term deposits, accounts receivable and accounts payable approximate their fair market values due to their short-term maturities. The loan payable and capital lease obligations bear interest at current market rates and as a result their carrying values approximate their fair values.

The carrying value of non-hedging financial derivatives is equivalent to its fair value which was determined using observable market inputs.

13. Financial instruments and risk management (continued)

(b) Risks and risk management

Financial instruments may expose the Company to a number of financial risks, including market risk (interest rate risk and currency risk), credit risk and liquidity risk. The Company's overall risk management program seeks to mitigate these risks and reduce the volatility that may otherwise affect its financial performance.

The risks associated with the Company's financial instruments and the Company's policies for minimizing these risks are detailed below.

(i) Market risk

a) Interest rate risk

Interest rate risk refers to the risk that the fair value of a financial instrument or the future cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk arises primarily from its long-term debt which bears interest at variable rates which exposes the Company to changes in its debt servicing cash flows. The Company also has an operating loan which is subject to variable interest rates; however, no amounts were drawn on this facility during the years ended September 30, 2008 and 2007. Capital lease obligations bear interest at fixed rates.

The Company manages interest rate risk on its debt portfolio by controlling the mix of liabilities with fixed and variable interest rate obligations and attempting to ensure access to diverse sources of funding.

A sensitivity analysis for interest rate risk has not been performed for the year ending September 30, 2008 as the effect of a change in interest rates would have been minimal as the loan payable (Note 7) repayments only began in September 2008 and the Company did not use their operating line during fiscal 2008.

13. Financial instruments and risk management (continued)

b) Currency risk

Currency risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in foreign currency exchange rates.

The Company has significant sales denominated in U.S. dollars, which exceeds the natural hedge provided by the purchase of products denominated in U.S. dollars, and is therefore exposed to financial risk resulting from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company manages this risk by entering into foreign exchange forward contracts.

At September 30, 2008 the Company has a commitment to sell $1,968,316 of U.S. dollars at a weighted average rate of $1.045 at various dates up to March 31, 2009.

The fair value of these outstanding contracts at September 30, 2008 is a liability of $30,000 and is recorded as an unrealized foreign exchange loss in the consolidated statement of income.

A sensitivity analysis has been performed assuming the foreign exchange rate changes by 5% as at September 30, 2008. For every 5% weakening of the U.S. dollar against the Canadian dollar, with all other variables held constant, net income and comprehensive income would decrease by $40,000. A strengthening of the U.S. dollar against the Canadian dollar would have the opposite effect.

(ii) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The carrying amounts of cash, term deposits, and accounts receivable on the consolidated balance sheet represent the Company's maximum exposure to credit risk.

The Company's credit risk is primarily attributable to its accounts receivable. Accounts receivable is disclosed on the balance sheet net of provision for bad debts, estimated by management based on prior experience and its assessment of the current economic environment. The Company believes that the credit risk of accounts receivable is limited because of its policy to receive significant upfront deposits from customers prior to product shipment and management's ongoing credit evaluations of customers.

Accounts receivable with two specific customers represent approximately 59% of the balance of accounts receivable as at September 30, 2008 (September 30, 2007 – two customers represented approximately 25% of accounts receivable). It is the opinion of management that these accounts do not represent a significant credit risk.

The credit risk associated with the Company's cash and term deposits is limited because these financial assets are held through large Canadian financial institutions with a high investment grade rating. The term deposits mature January 30, 2009.

13. Financial instruments and risk management (continued)

(ii) Credit risk (continued)

The Company's aging of accounts receivable is as follows:

		2008		2007
Trade receivables				
Current	$	**413,005**	$	393,372
Aged between 31 - 60 days		**800,755**		141,705
Aged between 61 - 90 days		**556**		13,541
Aged greater than 90 days		**179,734**		374,351
		1,394,050		922,969
Other receivables		**53,977**		25,976
Allowance for doubtful accounts		**(3,470)**		(136,203)
	$	**1,444,557**	$	812,742

Changes in the Company's allowance for doubtful accounts are as follows:

		2008		2007
Opening balance	**$**	**136,203**	$	16,218
Write-offs		**(133,557)**		(16,218)
Recovered		**(2,646)**		-
Increase in allowance		**3,470**		136,203
Closing balance	**$**	**3,470**	$	136,203

(iii) 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 manages its liquidity risk through maintaining cash and term deposits and access to undrawn credit facilities, and adheres to its capital management policies outlined in Note 15.

Iplayco Corporation Ltd.

Notes to consolidated financial statements

September 30, 2008 and 2007

13. Financial instruments and risk management (continued)

(iii) Liquidity risk (continued)

The Company's contractual maturities of its financial liabilities as at September 30, 2008 are as follows:

	Carrying amount	Contractual Cash Flow Obligations (1)	0 to 6 Months	6 to 12 Months	12 to 24 Months	After 24 months
Accounts payable	1,459,163	1,459,163	1,459,163	-	-	-
Capital lease obligations	320,017	395,822	53,334	49,571	100,550	192,367
Loan payable	486,111	509,201	87,292	421,909	-	-
	$ 2,265,291	$ 2,364,186	$ 1,599,789	$ 471,480	$ 100,550	$ 192,367

(1) Includes interest

14. Segmented information and concentration of sales

(a) Business segments

The Company operates in two business segments: manufacturing custom designed children's indoor and outdoor play structures and operating a family entertainment centre. No revenues have been derived from the family entertainment centre as it is still in the construction phase. During 2007, the Company operated in one business segment, the manufacturing of custom designed children's indoor and outdoor play structures.

The accounting policies of the two business segments are the same as those described in Note 3 to the consolidated financial statements. Inter-segment transactions are eliminated upon consolidation.

Information related to the two business segments operations in 2008 is as follows:

	Manufacturing	Family Entertainment Centre	Total
Revenues from external customers	$ 9,143,192	$ -	$ 9,143,192
Cost of Sales	5,732,265	-	5,732,265
Gross Profit	3,410,927	-	3,410,927
Administrative expenses	3,019,410	139,770	3,159,180
Amortization expense	109,420	-	109,420
Interest expense	5,837	4,467	10,304
Income tax expense (recovery)	124,968	(44,553)	80,415
Net income (loss)	$ 151,292	$ (99,684)	$ 51,608
Total assets	$ 4,761,112	$ 1,313,765	$ 6,074,877
Acquisition of property, plant and equipment	$ 124,303	$ 998,815	$ 1,123,118

(b) Geographic and customer information

All of the Company's assets are located in Canada.

14. Segmented information and concentration of sales (continued)

(b) Geographic and customer information (continued)

The Company attributes revenue amounts to geographical areas based on where the customer is located. Because no revenue has yet been derived from the family entertainment centre, the information below relates only to the manufacturing business segment. Information related to geographical areas is as follows:

	2008	2007
Revenues		
North America	**$ 6,817,251**	$ 7,542,087
Europe	**575,766**	635,526
Middle East	**649,203**	1,511,987
Asia Pacific	**651,639**	222,154
Latin America	**449,333**	681,478
Africa	**-**	98,896
	$ 9,143,192	$ 10,692,128

During the year ending September 30, 2008, no single customer accounted for more than 10% of the Company's total revenues. During the year ended September 30, 2007, one single customer accounted for approximately $1,450,000 of the Company's total revenues.

15. Capital disclosures

The Company's capital consists of shareholder's equity, capital lease obligations, loan payable and operating loan. The Company's objective when managing its capital is to safeguard the Company's assets while at the same time maximizing the growth of its business and the returns to its shareholders.

This objective is achieved by prudently managing the capital generated through internal growth, optimizing the use of lower cost debt and raising share capital when required to fund growth initiatives. During 2008, the Company funded its operations from internally generated cash flows and utilized new capital lease and loan facilities to fund the start up costs and capital expenditures related to the new family entertainment centre (Note 14).

The Company does not use financial ratios to manage capital and is not subject to externally imposed requirements which have an impact on its management of capital except for the margin requirements of its operating loan.

16. Subsequent events

On October 8, 2008 381,500 options were exercised for proceeds of $85,838.

On January 14, 2009, 991,500 stock options were granted to directors and employees with an exercise price of $0.255 and an expiry date of January 14, 2010.

FORM 5l-l02Fl

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE QUARTER ENDING September 30, 2008

IPLAYCO CORPORATION LTD.
20216 – 98th Avenue
Langley, BC, V1M 3G1
Telephone: 604-882-1188
Fax: 604-882-1977

The following discussion and analysis of the financial position of Iplayco Corporation Ltd. ("Iplayco" or the "Company") and results of operations of the Company for the year ended September 30, 2008 is the responsibility of management. The Board of Directors carries out its responsibility for review of the disclosure principally through its Audit Committee, which is comprised primarily of independent directors. The Audit Committee reviews this disclosure and recommends its approval by the Board of Directors. The MD&A dated January 20, 2009 is prepared in conformity with National Instrument 51-102F1 and has subsequently been approved by the Board of Directors.

The accompanying audited financial statements and related notes have been in accordance with Canadian generally accepted accounting principles. These statements, together with the following management's discussion and analysis dated December 31, 2008 are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to the potential future performance. The information in the MD&A may contain forward-looking statements. These statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth below.

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

The following is a discussion of the consolidated financial condition and results of operations of Iplayco Corporation Ltd. (the "Company"). The analytical comments are current as of January 20, 2009 and should be read in conjunction with the Company's audited consolidated financial statements. Additional information regarding the Company can be found on SEDAR at www.sedar.com. All amounts are stated in CDN dollars.

Forward – Looking Statements

The Company's Annual Report, which includes this analysis, contains certain forward-looking statements which reflect the Company's current assessment of future events, business outlook, and expected financial performance. Such statements are subject to assumptions which may be incorrect, and to uncertainties and risks which are difficult to forecast. The future events and financial performance may differ materially from those predicted in these statements.

Change in Accounting Policy

Effective October 1, 2007 the Company adopted changes in accounting policies, in accordance with recommendations of the CICA Handbook. The changes, together with significant accounting policies followed by the Company are described in notes 2 and 3 of the accompanying Notes to consolidated financial statements September 30, 2008 and 2007.

RESULTS OF OPERATIONS

Fiscal years ended September 30, 2008 and 2007

Revenue

Iplayco's revenue is derived from the sales of its wholly owned operating subsidiaries International Play Company Inc. ("IPC") and Outdoor Play Company Inc. ("OPC").

IPC and OPC design, manufacture, and market children's modular playground equipment from the Company's factory and head office in Langley, British Columbia. The size and complexity of the play structures dictates the time required to manufacture, ship, and install individual playgrounds; diverse factors such as customer locations, capital budgets, exotic theme requirements, may cause project completion timelines to vary from a few weeks to several months. The Company's products are sold and installed on a world wide basis; typical markets include family entertainment centers, theme parks, malls, day care centers, fitness clubs, and playground facilities sponsored by municipalities and various non profit organizations. Over the past several years, there has been an increasing customer demand for significantly larger, more complex and more costly structures.

Sales for the year ended September 30, 2008 were $9,143,192, a decrease of $1,548,936 from the prior year.

The decrease during 2008 was attributable primarily to lower Middle Eastern sales (down by $862,784) and lower North American sales (down by $724,836), reflecting the effects of stronger Middle East markets in 2007, and a general weakening of global economic conditions during 2008.

Gross Profit

Gross profit during the year decreased to $3,410,927 from $4,287,109 last year. Gross profits during 2008 were 37% of sales, as compared with 40% in 2007. The higher gross margin in 2007 was the result of higher total sales volume, and the favorable profit margin realized on a large sale (approximately $1,450,000) to one customer; larger projects generally provide a greater opportunity for the Company to realize higher gross margins.

Operating Expenses

Year end operating costs of $3,278,904 were $93,520 (3%) lower than the prior year, due primarily to lower foreign exchange losses (improved by $219,038) and reduced bad debt write downs (lower by $133,257), offset partially by increased rent (higher by $152,319). A substantial portion of the Company's sales are settled in US dollars; the weakening of the Canadian dollar versus the US dollar has been a major contributor to the lower foreign exchange losses. The improvement in bad debt performance during 2008 was due to tighter accounts receivable policies, and the business failure during 2007 of a single UK customer. The increase in rent was due mainly to the addition of the first location of a new retail family entertainment division ("The Great Escape"), which opened in December, 2008.

Insurance expense of $228,339 for the year ended September 30, 2008 included the premium costs for product liability, property loss, directors and officers' liability coverage, and key man insurance. The major portion of insurance costs result from product liability premiums because of the volume of the Company's sales into the US and the generally litigious nature of doing business in the US.

Income before Income Taxes

Income before taxes for the year ended September 30, 2008 of $132,023 decreased by $782,662 over last year. The decline in operating results for the year is due mainly to a weakening global market resulting in lower sales.

Income Taxes

The income statement provided for a $98,792 current income tax expense, and $18,377 future recovery of income tax expense. The company's accounting policies with respect to income taxes are described in Notes 3 and 12 in the accompanying notes to the consolidated financial statements.

Net Income

Net income for the year was $51,608 ($0.01 earnings per share), as compared to $593,064 ($0.06 earnings per share) last year.

Selected Annual information

($000 except per share data)

	Fiscal Years Ended September 30		
	2008	2007	2006
Sales	**$ 9,143**	$ 10,692	$ 10,401
Net Income	**$ 52**	$ 593	$ 199
Earnings per share - basic and diluted	**0.01**	0.06	0.02
Total Assets	**$ 6,075**	$ 3,959	$ 3,576
Capital Lease Obligations-long term portion	**$ 248**	$ 42	$ 25

The following table reflects the financial highlights for the Company for the last eight quarterly periods. Changes from fiscal 2008 to 2007 are discussed under the preceding "Results of Operations" section.

Summary of Quarterly Results
($000 except earnings per share)

	Sep 30 2008	Jun 30 2008	Mar 31 2008	Dec 31 2007	Sep 30 2007	Jun 30 2007	Mar 31 2007	Dec 31 2006
Sales	$ 3,838	$ 1,334	$ 2,167	$ 1,804	$ 2,306	$ 2,897	$ 3,131	$ 2,358
Net income (loss)	$ 539	$ (459)	$ 255	$ (283)	$ (43)	$ 331	$ 214	$ 91
Earnings (loss) per share								
Basic	$ 0.06	$ (0.05)	$ 0.03	$ (0.03)	$0.00	$ 0.03	$ 0.02	$ 0.01
Diluted	$ 0.06	$ (0.05)	$ 0.03	$ (0.03)	$0.00	$ 0.03	$ 0.02	$ 0.01

Fourth Quarter Ended September 30, 2008 Compared to the Previous Year

Total sales of $3,838,358 during the three month period ended September 30, 2008 increased by $1,531,985 (66%) over the comparable period in 2007. The increase was attributable mainly to shipments into the US, as a backlog of client requested shipment delays was cleared.

The income during the fourth quarter of 2008 was $539,000, an increase of $582,000 from the previous year. The 2008 fourth quarter gain was mainly a result of increased sales, lower foreign exchange losses, the absence of significant bad debt expenses, and offset by an increase in rent expense related to the new retail operations.

The 2007 fourth quarter foreign exchange losses resulted mainly from recognition in the Company's accounts, of an unrealized loss on conversion of US cash and term deposits held on deposit at September 30, 2007. During the year, the Company expanded its foreign exchange risk management policies; current practices include using forward foreign exchange contracts.

Third Quarter Ended June 30, 2008 Compared to the Previous Year

For the three month period ended June 30, 2008 total sales of $1,333,742 decreased by 54% in comparison to $2,896,885 for the same three month period in 2007. Decreased sales into North America related to a backlog of customer orders where customers requested shipment delays and the effects of a downturn in the United States economy. The gross profit was respectively lower and partially offset by decreased salary expenses and reduced foreign exchange losses.

Second Quarter Ended March 31, 2008 Compared to the Previous Year

Sales for three months ended March 31, 2008 were $2,167,310, a decrease of $963,562 (31%) over the prior year, due to an absence of sales in the Mid East. The Company earned a profit of $324,025 for the comparable period in 2007; the $68,794 decrease was due to lower sales and gross profit in 2008 offset largely by lower operating expenses.

First Quarter Ended December 31, 2007 Compared to the Previous Year

Sales for three months ended December 31, 2007 were $1,803,782, a decrease of $554,206 or 24% over 2006. The decrease was attributable primarily to an absence of European sales, and lower North America sales sparked by the downturn in the United States economy. During the three months ended December 1, 2007, the Company experienced a loss on operations before taxes of $288,184, as compared with a profit of $138,311 for the comparable period in 2006; the change was attributable primarily to the decrease in the European market, additional employee compensation, and a weaker US dollar.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

Cash provided by operating activities totaled $368,365 compared to $692,417 in 2007. The decrease during 2008 was attributable mainly to the increases in accounts receivable, increases in inventory and decreases in income taxes payable, partially offset by increased accounts payable and customer deposits.

Cash provided by financing activities in the form of a $500,000 bank loan and the redemption of $381,283 term deposits, was offset by the $840,609 purchase of property, plant and equipment, primarily for the new family entertainment centre retail location.

As a normal course of business, IPC and OPC collect advance payments when sales contracts are entered into; upon factory completion of equipment fabrication and shipment, the amounts of the sales contracts are invoiced and recognized as revenue, and the advance payments are applied to the sales as collections on account. The balance of advance payments received from customers which have not been applied to accounts receivable, are described as "Customer deposits" on the balance sheet; the terms of payment in customer contracts stipulate that deposits received are non-refundable.

The cash advances and payments from customers, together with credit from suppliers and investments from shareholders, have historically provided the required working capital for day to day operations.

The Company's future plans include the development of 100% owned and operated Family Entertainment Centers ("FEC's"). In December 2008, the first owned and operated FEC was opened in Langley B.C, at a location near the Company's head office and factory. This location will provide a showcase for the Company's products, and the additional revenues are expected to generate increased Company profits and cash flow.

The Company has entered into the following two loan facilities with the Royal Bank of Canada:

An operating line of credit with a limit of $500,000, bearing interest at prime plus 0.5%; this facility was arranged accommodate the short term revolving cash requirements of the Company's day to day operations; as at this report date this line of credit has not been utilized.

A non-revolving loan in the amount of $500,000, repayable over 36 months, bearing interest at prime plus 1% was arranged to assist the start up costs related to the new retail location. As at this report date, the Company has found it necessary to use this facility to purchase capital assets for the new retail location. The loan is due in full in August 2009, at which time the Company expects to refinance it.

Management expects to meet its operating cash requirements through fiscal 2009, including required working capital investments, capital expenditures, and currently scheduled repayments of debt, from cash on hand, committed borrowing capacity, and positive cash flows from both manufacturing and the new retail operations.

Foreign Currency Translation

The Company's activities are primarily conducted in international markets and consequently its financial results and competitiveness are subject to the effects of fluctuations in foreign currency exchange rates. A large portion of the Company's expenses are incurred in Canadian dollars whereas a substantial percentage its sales are denominated in U.S.dollars, and converted to Canadian dollars for financial statement reporting. As a consequence, operating results are subject to the effects of foreign exchange gains and losses arising from the movement of the U.S. dollar in relation to the Canadian dollar.

For reporting purposes, the Company converts all non-Canadian dollar monetary balances to balances on hand at the fiscal period ends, at the prevailing exchange rates. The resulting conversion gives rise to unrealized foreign exchange gains or losses, depending on the exchanges rate in effect.

To minimize exposure to foreign exchange fluctuations, the Company utilizes forward foreign exchange contracts, and monitoring of exchange rates for the negotiation of currency spot rates.

OUTLOOK

The Company's sales group is continuously enhancing its marketing activities through increased attendance at trade shows, website upgrades, and monitoring of the effectiveness of product advertising.

The majority of the Company's sales are made in foreign markets. Despite encouraging progress in the Company's business development, factors that could have a negative impact during the coming year are an uncertain global economy and a more challenging competitive environment. These factors combined will require the Company to effectively manage operating costs while growing its overall business. The Company will continue to focus on execution of a strategy of profitable growth. Management will concentrate on increased market focus and on differentiating the Company competitively, by meeting the unique requirements of its customers in both its manufacturing and retail divisions.

The first retail Family Entertainment Center location opened in December 2008. This expansion is a logical extension of the Company's core business, and is expected to enhance and stabilize earnings and cash flow. Management is confident that the ability to provide potential customers with ready access to a fully operating, well planned and imaginatively themed entertainment centre will prove to be a powerful marketing tool and increase profitability. The Langley center is planned to be the first in a series of operational turn-key facilities in North America.

Management continues to be enthusiastic about the progress in introducing the installation of "Solid Works", a three dimensional modeling software program with the capacity to produce detailed fabrication instructions and materials lists for the play structures. During the Company's early development and growth manufacturing period, the custom manufactured nature of the play structures required the partial pre assembly of the play structures in the factory prior to shipping and final assembly at customer sites. This practice resulted in duplication of direct labor costs. Following successful preliminary factory fabrication and on site installation testing of the program, the

Company's production group has continued to integrate the software into the normal planning documentation and assembly routines with encouraging productivity improvements. It is management's expectation, that further implementation of the new software will continue to reduce the need for factory pre assembly, and will result in increasing efficiency.

Commitments

The Company leases premises and certain equipment under long-term operating lease agreements that expire at various dates. Future minimum lease payments over the next five years, including estimated occupancy costs, are as follows:

On February 6, 2008, the Company entered into a new operating lease agreement for the family entertainment center, commencing on March 1, 2008 to February 29, 2014 with the first ten months of basic rent forgiven during the construction period.

OFF-BALANCE SHEET ARRANGEMENTS

There are currently no off balance sheet arrangements.

LEGAL PROCEEDINGS

There are several unsettled claims arising from injuries sustained at U.S. customer sites, for which at September 30, 2008, the Company made a possible loss provision in the financial statements. The provision is not material, and is considered adequate as at the date of this report.

Segmented Information

The Company operates in two business segments; the manufacture of custom designed children's playground equipment, and the operations of a family entertainment center, which opened for business in December 2008. Additional information relating to the two segments is contained in note 14 of the of the accompanying Notes to consolidated financial statements September 30, 2008 and 2007

EXECUTIVE COMPENSATION

Summary Compensation Table

Name and principal position	Year	Salary	Option-based awards ($)	Annual incentive plans	Other Compensation ($)	Total Compensation ($)
Franco Aquila -CEO	2007	161,503	nil	90,734		252,237
	2008	169,575	8,400	69,781		247,756
Scott Forbes -President	2007	161,503	nil	90,734		252,237
	2008	169,575	8,400	69,781		247,756
Robert Adanac -CEO	2007	104,593	nil			104,593
	2008	115,052	1,400			116,452
Terrence Forbes - Exec VP	2007	52,714	nil			52,714
	2008	55,351	1,400			56,751
Mark Neal -Director	2007		nil			
	2008		11,200		2,400	13,600
David Perkins - Director	2007		nil			
	2008		22,400		2,400	24,800
David Wood - Director and chairman	2007		nil			
	2008		$ 11,200		$ 2,400	$ 13,600

CONTINGENT LIABILITIES

With the exception of the unsettled injury claims, the Company is unaware of any contingent liabilities.

FINANCIAL INSTRUMENTS

The Company's utilization of financial instruments are described in note 13 of the of the accompanying Notes to consolidated financial statements September 30, 2008 and 2007.

RISKS AND UNCERTAINTIES

The global nature of this business involves a high degree of risk with global markets weakening and the onset of a recession. The Company has attempted to limit this risk by targeting an additional segment of the retail market in an effort to tap additional sales and showcase the Company's products.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined by

NI 52-109 may result in additional risks to the quality, transparency and timeliness of filings and other reports provided under securities legislation.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. In July 2008 AcSB announced that early adoption will be allowed in 2009 subject to seeking exemptive relief.

SHARE DATA

1. Summary of securities issued and options granted.

(a) Summary of securities issued during the period: during the year ended September 30, 2008 the Company issued the following securities:

152,000 common shares on the exercise of stock options

(b) Summary of options granted during the period:

During the year ended September 30, 2008, 521,500 stock options were granted to directors and employees to purchase common shares at $0.225 per share

2. Summary of Securities as at the end of the Reporting Period:

(a) Authorized share capital: The Corporation is authorized to issue an unlimited number of common shares. The Corporation is authorized to issue an unlimited number of preferred shares.

(b) Number of Shares Issued and Outstanding: 9,838,687

(c) Summary of Options, Warrants and Securities outstanding

As at September 30, 2008 there were 455,000 outstanding stock options, exercisable at $0.40 per share, expiring on November 28, 2008, and 449,500 outstanding stock options exercisable at $0.225 per share, expiring on October 5, 2008.
Subsequent to September 30, 2008, as at the date of this report an additional

381,500 options were exercised at $0.225 per share, and the Directors approved the issue of 991,500 stock options, exercisable at $0.255 per share, expiring on January 14, 2010.

(d) Number of shares in each class of shares subject to escrow or pooling agreements:

The total number of securities of the Company held in escrow as at September 30, 2008 is 1,166,177 common shares, representing approximately 12 % of the class.

LIST OF DIRECTORS AND OFFICERS

As at the date of this report, the following are the directors and officers of the Company:

Franco Aquila Director and Chief Executive Officer
Robert Adanac Chief Financial Officer
Scott C. Forbes Director and President
Terence E. Forbes Director and Executive Vice-President
Mark Neale Independent Director
David Perkins Independent Director
David L. Wood Independent Director and Chairman

Approved on behalf of the Board

"Scott Forbes"
Scott Forbes, President and Director

"Franco Aquila"
Franco Aquila, CEO and Director