CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

CV TECHNOLOGIES INC.

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of CV Technologies Inc. are the responsibility of management and have been approved by the Board of Directors. The financial statements necessarily include some amounts that are based on management's best estimates, which have been made using careful judgment. Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles. Financing and operating data elsewhere in the annual report are consistent with the information contained in the financial statements.

In fulfilling its responsibilities, management of CV Technologies Inc. maintains a system of internal control. Management continuously reviews and revises internal controls to ensure that the controls system design provides reasonable assurance that the design of the control system is appropriate for the business, and to ensure alignment with the Company's strong ethical environment.

The Board of Directors carries out its responsibility with respect to the consolidated financial statements primarily through its Audit Committee. The Audit Committee meets periodically with management and the external auditors to discuss the annual audit, accounting policies and practices, and other financial reporting matters. The most recent financial statements have been audited by Ernst &Young LLP, Chartered Accountants, who have full access to the Audit Committee, with and without the presence of management. Their report follows hereafter.

Jack Moffatt
Executive Chairman

Allan Cleiren
Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of CV Technologies Inc.

We have audited the consolidated balance sheets of CV Technologies Inc. as at September 30, 2008 and 2007 and the consolidated statements of earnings (loss) and comprehensive income (loss) and deficit and cash flows for the years then ended. These consolidated 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 consolidated 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.

Chartered Accountants

Edmonton, Canada
January 7, 2009

CONSOLIDATED BALANCE SHEETS

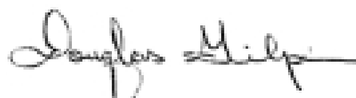
(in thousands of Canadian dollars)

	September 30, 2008	September 30, 2007
ASSETS (note 12)		
Current		
Cash and cash equivalents (note 29)	$ 4,315	$ 2,703
Short-term investment (note 3)	5,081	-
Accounts receivable (note 4 and 22)	5,788	6,442
Inventory (note 5)	9,563	8,892
Prepaid expenses and deposits	237	391
Current income taxes receivable	2,459	721
Future income taxes (note 6)	273	-
	27,716	19,149
Inventory, non-current (note 5)	116	7,351
Patents and registered trademarks (note 7)	1,028	894
Property and equipment (note 8)	12,678	11,132
Prepaid intra-group tax asset (note 9)	-	2,436
Future income taxes (note 6)	312	346
	$ 41,850	$ 41,308
LIABILITIES		
Current		
Bank indebtedness (note 10)	$ -	$ 2,039
Accounts payable and accruals	8,961	9,840
Customer deposits (note 11)	4,255	10,375
Current portion of long-term debt (note 12)	700	2,645
Future income taxes (note 6)	44	-
Current portion of obligations under capital lease (note 12)	14	7
	13,974	24,906
Long-term debt (note 12)	5,561	-
Obligations under capital lease (note 12)	746	682
Deferred revenue (note 13)	180	180
Future income taxes (note 6)	107	34
	20,568	25,802
SHAREHOLDERS' EQUITY		
Share capital (note 14)	23,720	22,876
Contributed surplus (note 15)	8,179	7,839
Deficit	(10,617)	(15,209)
	21,282	15,506
	$ 41,850	$ 41,308

Commitments and contingencies (note 26)

See accompanying notes to the consolidated financial statements

On behalf of the Board



J. Douglas Gilpin
Director

Kit Chan
Director

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS) AND DEFICIT

(in thousands of Canadian dollars except per share amounts)

Years ended	**September 30, 2008**	September 30, 2007
Revenue	**$ 49,389**	$ 42,035
Cost of goods sold	**17,044**	13,214
	32,345	28,821
Operating expenses		
Selling, general and administration	**19,975**	29,123
Research and development	**2,285**	3,094
Amortization (note 17)	**971**	746
Interest, bank charges and fees (note 18)	**759**	233
Stock-based compensation (note 14)	**641**	1,526
Loss (gain) on foreign exchange (note 20)	**496**	(1,333)
	25,127	33,389
Earnings (loss) before other revenue and income taxes	**7,218**	(4,568)
Other revenue (expenses)		
Interest revenue	**344**	296
Other items	**87**	(24)
Write down of patents, registered trademarks and deferred development costs (note 7)	**(28)**	(814)
	403	(542)
Earnings (loss) before income taxes	**7,621**	(5,110)
Income tax expense (recovery) (note 6)		
Current	**3,151**	4,381
Future	**(122)**	340
	3,029	4,721
Net earnings (loss) and comprehensive income (loss)	**4,592**	(9,831)
Deficit, beginning of year	**(15,209)**	(5,378)
Deficit, end of year	**$ (10,617)**	$ (15,209)
Earnings (loss) per share (note 16)		
Basic earnings (loss) per share	**$ 0.04**	$ (0.09)
Diluted earnings (loss) per share	**0.04**	(0.09)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOW

(in thousands of Canadian dollars)

Years ended	**September 30, 2008**	September 30, 2007
Operating activities		
Net earnings (loss) and comprehensive income (loss)	**$ 4,592**	$ (9,831)
Items not affecting cash		
Stock-based compensation (note 14)	**641**	1,526
Future income taxes (note 6)	**(122)**	340
Amortization (note 17)	**971**	746
Accreted interest on land under capital lease	**46**	43
Write down of patents, registered trademarks and deferred development costs (note 7)	**28**	814
Loss on disposal of patents and registered trademarks	**-**	46
Amortization of prepaid intra-group tax assets	**-**	207
	6,156	(6,109)
Change in non-cash operating working capital (note 23)	**(4,288)**	9,525
Change in non-current deferred revenue	**-**	30
Change in non-current inventory	**7,235**	(7,350)
Cash provided by (used in) operating activities	**9,103**	(3,904)
Investing activities		
Purchase of property and equipment	**(4,264)**	(6,109)
Purchase of patents and registered trademarks (note 7)	**(252)**	(149)
Purchase of short-term investment (note 3)	**(9,024)**	-
Redemption of short-term investment (note 3)	**3,943**	-
Cash used in investing activities	**(9,597)**	(6,258)
Financing activities		
Repayment of obligations under capital lease	**(14)**	(18)
Issuance of share capital (note 14)	**543**	286
Issuance of long-term debt (note 12)	**3,739**	2,645
Repayment of long-term debt (note 12)	**(123)**	-
(Repayment) proceeds of bank indebtedness (note 10)	**(2,039)**	2,039
Cash provided by financing activities	**2,106**	4,952
Increase (decrease) in cash and cash equivalents	**1,612**	(5,210)
Cash and cash equivalents beginning of year	**2,703**	7,913
Cash and cash equivalents end of year	**$ 4,315**	$ 2,703
Supplemental cash flow information:		
Interest paid	**$ 250**	$ 9
Interest received	**344**	296
Income taxes paid	**2,672**	10,256
Property and equipment additions		
- financed by obligations under capital lease	**39**	171
- included in accounts payable and accruals at year end	**35**	1,911

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2008 and 2007. All amounts are in thousands of Canadian dollars, except share data

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

CV Technologies Inc. (CVQ or the Company) is a publicly owned company that develops and sells biopharmaceutical products. It is incorporated under the Business Corporations Act (Alberta) and trades on the Toronto Stock Exchange under the symbol "CVQ". The head office and research centre is located in Edmonton, Canada.

The Company has subsidiary companies incorporated and operating in Canada, the United States, and Switzerland. CVT Capital Inc. is incorporated under the Business Corporations Act (Alberta), COLD-fX Pharmaceuticals (USA) Inc. is incorporated in the United States, and fX Life Sciences International GmbH and fX Life Sciences AG are incorporated under the Swiss Code of Obligations. The Company also has an inactive subsidiary incorporated under the Companies Ordinance of Hong Kong.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles (GAAP). The significant accounting policies are summarized below.

Principles of consolidation

The consolidated financial statements include the assets, liabilities and results of operations, after the elimination of intercompany transactions and balances of the Company and its subsidiaries, all of which are wholly owned.

Use of estimates and measurement uncertainty

In preparing consolidated financial statements in conformity with Canadian GAAP, Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period presented. Actual results could differ from these estimates.

Significant estimates made by Management include provisions for customer discounts and incentives, allowances for uncollectible accounts, rights of return, the realizable portion of inventory during the Company's normal business cycle, inventory provisions, the realizability of future income taxes, useful lives of long-lived assets, expected future cash flows used in evaluating long-lived assets for impairment, percentage completion of contracted service expenditures and stock-based compensation fair values. On an ongoing basis, Management reviews its estimates to ensure that these values appropriately reflect changes in the Company's business and new information as it becomes available. As at September 30, 2008, Management's estimate for customer discounts and incentives totalled approximately $2,268 (2007 - $1,400), which are included primarily as a reduction in accounts receivable, or included in accounts payable and accruals and customer deposits.

Translation of foreign currencies

The consolidated financial statements of the Company's operations are reported in Canadian dollars. Certain of the Company's subsidiaries use the United States dollar as the currency of measurement. These subsidiaries are integrated foreign operations which are translated using the temporal method, whereby monetary assets and liabilities are translated at the exchange rate prevailing at the consolidated balance sheet dates and non-monetary assets and liabilities are translated at the rate in effect when the assets were acquired or liabilities were assumed. Revenues and expenses are translated in a manner that produces substantially the same reporting currency amounts that would have resulted had the underlying transactions been translated on the dates they occurred. This approach is achieved by applying the average exchange rates to revenues and expenses that occurred during the year and comparing it with the exchange rates that would have been in effect in each quarter. Amortization and non-monetary items such as inventory, prepaid expenses and deposits, property and equipment, and patents and registered trademarks are translated at the exchange rate in effect when the assets were acquired. The resulting exchange gains or losses are included in the determination of earnings.

Revenue recognition

Revenue from the sale of goods is recognized when all of the following criteria have been met:

* evidence of a sales arrangement exists;
* title of goods has passed to the customer, which is generally at the time the goods are delivered;
* sales price is fixed and determinable; and
* product returns can be reasonably estimated or the right of return has expired.

Provisions for estimated returns are made when revenue is recognized. When future returns cannot be reasonably estimated, revenue is not recognized until the risk of return has been substantially eliminated. This risk is substantially eliminated when the final customer purchases the product from the retailer or the right of return has expired or been eliminated. The Company relies on third-party information to estimate when the final customer has completed a purchase. Product shipped where the risk of return cannot be estimated is included in inventory as product shipped with right-of-return.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Years Ended September 30, 2008 and 2007. All amounts are in thousands of Canadian dollars, except share data

Customer discounts, rebates and incentive allowances which do not result in a sufficiently separable benefit from the sale are recorded as a reduction in revenue, and if they are separable they are recorded as either a cost of goods sold or as a selling, general and administration expense, depending on the nature of the expense. For discounts, rebates and incentive allowances to be sufficiently separable from the sale of the goods, the benefit must be identifiable, available from a party other than a purchaser of the Company's products and the fair value must be reasonably estimable. If discounts, rebates and/or incentive allowances result in negative revenue for a specific customer since inception of the overall relationship, the amount of the cumulative shortfall is classified as an advertising and marketing expense.

Customer discounts, rebates and incentive allowances are recognized at the later of the date on which the Company recognizes the related revenue or the date the Company offers the discount, rebate or incentive. If the related revenue is not recognized and the discount is not recoverable in the event of return, the discount is recognized at the later of the date on which the specific activity occurs or the customer recognizes the discount, rebate or incentive allowance.

Cash and cash equivalents

Cash and cash equivalents include balances with banks, net of outstanding cheques, and short-term liquid investments with maturities of less than 90 days.

Inventory

Inventories of raw materials and packaging materials are valued at the lower of cost and replacement value. Inventories of finished goods, work-in-progress and product shipped with right-of-return are valued at the lower of cost and net realizable value. Prior to July 1, 2007, work-in-progress was valued at the lower of cost and replacement value. The Company believes that the valuation of work-in-progress at the lower of cost and net realizable value is a more appropriate measure as the processed inventory has undergone significant changes utilizing the Company's intellectual property and, as such, replacement value would be inappropriate. The implementation of this change did not have an impact on the Company's consolidated financial statements.

Work-in-progress costs include direct materials and labour and are determined on a weighted average basis. For product shipped with right-of-return, displays and packaging materials normally included in the value of the inventory, which the Company does not expect to recover in the event of return, are expensed when the product is initially shipped to the customer. Inventory is reviewed for obsolescence at least on an annual basis, and where identified is expensed to cost of goods sold. Management's estimate of inventory not reasonably expected to be realized in cash during the normal operating cycle is classified as non-current inventory.

Patents and registered trademarks

Patents and registered trademarks are recorded at cost and are amortized on a straight-line basis over their estimated useful lives of 20 and 10 years, respectively.

Property and equipment

Property and equipment, including equipment under capital leases, are carried at cost less accumulated amortization. Gains and losses arising on the disposal of individual assets are recognized in earnings in the year of disposal.

Amortization is not recorded until an asset is available for use. Amortization is provided for using the following methods and rates:

Building	4 - 10%, straight-line
Furniture and equipment	20 - 30%, declining balance
Lab equipment	20%, declining balance
Computer software	50%, declining balance
Computer hardware	20%, declining balance
Leasehold improvements	straight-line over term of lease
Automobiles	30%, declining balance
Equipment under capital lease	20%, declining balance

The costs for periodic repairs and maintenance are expensed to the extent the expenditures serve only to restore the assets to their normal operating condition without enhancing the service potential or extending their useful lives.

Leases

Leases entered into by the Company in which substantially all of the benefits and risks of ownership are transferred to the Company are recorded as capital leases and classified as property and equipment, and obligations under capital lease. Obligations under capital lease reflect the present value of future lease payments, discounted at an appropriate interest rate, and are reduced by lease payments net of imputed interest. Assets under capital leases are amortized based on the estimated useful lives of the assets. All other leases are classified as operating leases and leasing costs are expensed in the period in which they are incurred.

Research and development costs

Research and development costs are charged to expenses as incurred unless a development project meets the Canadian GAAP criteria for deferral and amortization. Research and development costs include the following direct operating expenses: salaries and benefits, administration, occupancy and insurance, contracting, consulting and professional fees.

Development costs are capitalized for clearly defined, technically feasible technologies which Management intends on producing and promoting to an identified future market with existing or estimated future resources. The Company annually evaluates deferred development costs to consider whether these costs continue to meet criteria for deferral. Amortization of development costs commence at the start of commercial production of the product. Costs are amortized on a straight-line basis over a five-year period based on recoverability of unamortized deferred development costs.

Prepaid intra-group tax assets

When an asset is transferred between enterprises within the consolidated group of companies resulting in payment of taxes by the transferor, the resulting expenses are recorded as a prepaid intra-group tax asset.

Investment tax credits

Investment tax credits relating to qualifying scientific research and experimental development expenditures that are recoverable in the current year are accounted for as a reduction in research and development expenditures. Investment tax credits not recoverable in the current period are accrued provided there is reasonable assurance that the credits will be realized.

Comprehensive income

Comprehensive income is the change in equity (net assets) of an enterprise, during a period, from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company did not have other comprehensive income, a component of comprehensive income not included in net earnings, and accordingly total comprehensive income (loss) and net earnings (loss) are equal.

Financial instruments

On acquisition, all financial assets are classified as held-to-maturity, loans and receivables, held-for-trading or available-for-sale. The Company's financial instruments comprise and have been classified as follows: cash and cash equivalents and short-term investment as held-for-trading; accounts receivable is classified as loans and receivables; bank indebtedness, term mortgages, obligations under financing loans, and accounts payable and accruals have been classified as other liabilities.

For financial instruments that are initially classified on the consolidated balance sheet at fair value and if classified as loans and receivables or held-for-trading, changes in fair value are included in earnings. For those instruments classified as available-for-sale and for derivative financial instruments designated as hedges, changes in fair value are included in other comprehensive income. Other comprehensive income and its components, when presented, are included directly in equity as accumulated other comprehensive income.

Except for revolving debt obligations, financial assets and financial liabilities classified other than as held-for-trading are measured at amortized cost based on the effective interest method.

Transaction costs for revolving debt obligations that are directly attributable to the acquisition or issuance of the financial liability are expensed by the Company. Transaction costs for long-term debt obligations are applied against the fair value of the liability when issued and amortized to interest expense using the effective interest rate method.

Impairment of long-lived assets

The Company evaluates the carrying value of long-lived assets, including property and equipment, intangible assets and other assets subject to amortization, for potential impairment when events and circumstances warrant a review. Factors that the Company considers important which could trigger an impairment review include, but are not limited to, significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the asset or the overall strategy of the business, significant negative industry or economic trends, a significant decline in the Company's stock price for a sustained period and the Company's market capitalization relative to the net book value of its assets and liabilities. These factors could affect the expected cash flows of the related long-lived asset.

Impairment of non-monetary long-lived assets is recognized when the carrying amount of an asset may not be recoverable. Recoverability is determined by comparing the carrying amount of the asset to the undiscounted future cash flows expected from use and eventual disposition of the asset. When the carrying amount of the asset is less than the undiscounted future cash flows, the excess of carrying value over its fair value is recorded as a charge to earnings.

Earnings (loss) per share

The computation of basic earnings (loss) per share has been calculated by dividing net earnings by the weighted average number of common shares outstanding during the year.

Diluted earnings (loss) per share reflect the potential dilution that would occur if stock options and warrants were exercised. The computation of diluted earnings (loss) per share has been calculated by dividing net earnings available to common shareholders by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding arising from the exercise of potentially dilutive stock options outstanding during the year. The Company uses the treasury method for outstanding options and warrants which assumes that the use of proceeds that could be obtained upon exercise of options and warrants in computing diluted earnings per share are used to purchase the Company's common shares at the average market price during the year.

Income taxes

Income taxes have been accounted for using the liability method of tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the accounting and income tax bases of an asset or liability. These are measured using the substantively enacted tax rates, regulations and laws of Canadian, United States and Swiss tax jurisdictions that are anticipated to be in effect when the differences are expected to reverse.

Stock-based compensation

The Company applies the fair value method of accounting for its stock-based compensation. The fair value at grant date of stock options is estimated using the Black-Scholes option pricing model. Stock-based compensation cost is recognized on a straight-line basis over the expected vesting period of the stock-based compensation. Any consideration paid upon exercise of stock options is recorded as an increase in share capital and the recorded fair value of the related stock option is reclassified from contributed surplus to share capital.

Accounting changes

On October 1, 2007, the Company adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 1506, Accounting Changes. This section allows an entity to change an accounting policy only if the change is required by a primary source of GAAP or results in the consolidated financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows. This standard is effective for interim and annual periods relating to fiscal years beginning on or after January 1, 2008. The adoption has not had a material impact on the Company's consolidated financial statements.

On October 1, 2007, the Company adopted CICA Handbook Section 1535, Capital Disclosures. This section establishes standards for disclosing information about an entity's capital and how it is managed. The standard is effective for interim and annual consolidated financial statements relating to fiscal years beginning on or after October 1, 2007. The adoption of this standard did not have an effect on the amounts recorded in the Company's consolidated financial statements.

Recent accounting pronouncements

The CICA, in the pursuit of aligning with that of International Financial Reporting Standards (IFRS), has issued CICA Handbook Section 3031, Inventory, which is mostly converged with International Accounting Standards 2, Inventory. This section prescribes the measurement of inventory at the lower of cost and net realizable value. The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. This section applies to interim and annual consolidated financial statements for fiscal years beginning on or after January 1, 2008. The Company will adopt this section for its fiscal year beginning October 1, 2008. The adoption of this standard is expected to result in an increase to opening inventory of $1,269, an increase in future income tax liabilities of $402 and a decrease in the deficit of $867 on the Company's consolidated financial statements at the date of adoption of this standard.

The CICA has issued new standards relating to goodwill and intangible assets as CICA Handbook Section 3064. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises and applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company plans to adopt this section for its fiscal year beginning October 1, 2008 and does not expect that the adoption of this standard will have a material impact on its consolidated financial statements.

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that Canadian public enterprises will need to adopt IFRS effective for years beginning on or after January 1, 2011. The Company has begun assessing the impact of the transition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Years Ended September 30, 2008 and 2007. All amounts are in thousands of Canadian dollars, except share data

3. SHORT-TERM INVESTMENT

Short-term investment consists of a cashable guaranteed investment certificate (GIC) purchased on June 30, 2008. The GIC matures on June 30, 2009, and carries an interest rate of 3.25% with interest being paid at maturity. The GIC can be cashed, and earn interest, after being held for a minimum of 30 days.

	2008	2007
Guaranteed investment certificate	$ 5,081	$ -

4. ACCOUNTS RECEIVABLE

	2008	2007
Trade receivables	$ 7,629	$ 8,007
Allowance for doubtful accounts	(58)	(62)
	7,571	7,945
Other receivables	1,532	33
Discount and incentive provisions	(2,207)	(1,282)
Return allowances	(1,019)	(77)
Other provisions	(89)	(177)
	$ 5,788	$ 6,442

Trade receivables are non-interest bearing and are generally on 30-day terms.

The Company identifies impairment of trade receivables through a review of specific accounts and provides an allowance for doubtful accounts based on the excess of their carrying value over their estimated realizable amount. After all efforts of collection have failed, the accounts receivable balance not collected is written off against the allowance for doubtful accounts. At September 30, 2008, trade receivables of $58 (2007 - $62) were considered to be impaired and fully provided for. The movement on the provision for impairment of trade receivables for the 12-month period ended is as follows:

	2008	2007
Balance, October 1	$ 62	$ 59
Provision for doubtful accounts	178	27
Recovery	(74)	(4)
Amounts written off as uncollectible	(108)	(20)
Balance, September 30	$ 58	$ 62

The aging analysis of trade receivables not impaired is as follows:

	Total	< 30 days	30 - 60 days	60 - 90 days	> 90 days
September 30, 2008	$ 7,571	$ 4,633	$ 2,739	$ 115	$ 84
September 30, 2007	7,945	4,559	2,122	657	607

As at September 30, 2008, four customers (September 30, 2007 - three) represented 73% (September 30, 2007 - 72%) of total accounts receivable.

5. INVENTORY

Inventory is comprised of the following:

	2008	2007
Finished goods	$ 5,222	$ 9,014
Work-in-progress	2,075	3,755
Product shipped with right-of-return	444	1,268
Raw and packaging materials	1,938	2,206
	9,679	16,243
Less non-current portion	116	7,351
	$ 9,563	$ 8,892

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Years Ended September 30, 2008 and 2007. All amounts are in thousands of Canadian dollars, except share data

6. INCOME TAXES

Income taxes differ from the amounts that would be computed by applying the federal and provincial income tax rates as follows:

	2008	2007
Income taxes and amounts in lieu of income taxes at statutory rates of 31.7% (2007 - 33.8%)	$ 2,419	$ (1,728)
Increase (decrease) resulting from:		
Income tax related to previous periods	46	58
Non-deductible amounts	91	14
Tax recovery related to intellectual property transfer	(176)	-
Tax rate differences of foreign subsidiaries	(247)	3,278
Non-deductible stock-based compensation	203	516
Change in valuation allowance	325	2,376
Portion of prepaid intra-group tax asset charged to expense	52	207
Other	316	-
Income tax expense	$ 3,029	$ 4,721

The tax effects of temporary differences that give rise to significant portions of the future income tax asset and future income tax liability are presented below:

	2008	2007
Future income tax assets:		
Non-capital losses carried forward (expiring 2013 to 2027)	$ 3,157	$ 2,389
Accounts receivable	273	-
Deferred revenue	202	331
Other tax assets	48	46
	3,680	2,766
Future income tax liabilities:		
Property and equipment	83	56
SRED ITC claim	44	-
Long-term loan	14	-
Patents and registered trademarks	10	22
	151	78
Net future tax asset	3,529	2,688
Valuation allowance	3,095	2,376
	$ 434	$ 312

Presented in the consolidated financial statements as follows:

	2008	2007
Future tax asset - current	$ 273	$ -
Future tax asset - non-current	312	346
Future tax liability - current	(44)	-
Future tax liability - non-current	(107)	(34)
Net future tax asset	$ 434	$ 312

The Company reviews all available positive and negative evidence to evaluate the recoverability of future tax assets. This includes a review of the Company's cumulative losses in recent years, the carryforward period related to the tax losses, and the tax planning strategies available to the Company. The Company has unused tax loss carryforwards in the United States of approximately U.S.$2,581 expiring in 2027, which are available to reduce taxable income in future years. The Company has unused tax loss carryforwards in Switzerland of approximately $18,000 which are available to reduce taxable income in future years which expire between 2013 and 2015. The benefit of these losses has not been recorded in these consolidated financial statements. They have been fully offset by a valuation allowance.

During the year, the Company recorded the benefit of investment tax credits of $573 (2007 - $nil) as a reduction in research and development expenses.

Years Ended September 30, 2008 and 2007. All amounts are in thousands of Canadian dollars, except share data

7. PATENTS, REGISTERED TRADEMARKS AND DEFERRED DEVELOPMENT COSTS

	Cost	Accumulated amortization	Net book value
September 30, 2008			
Patents	**$ 1,556**	**$ 645**	**$ 911**
Registered trademarks	**223**	**106**	**117**
	$ 1,779	**$ 751**	**$ 1,028**
September 30, 2007			
Patents	$ 1,368	$ 575	$ 793
Registered trademarks	191	90	101
	$ 1,559	$ 665	$ 894

The Company recorded patents and trademarks amortization expense of $90 (2007 - $83). During the year, additions to patents and registered trademarks totalled $252 (2007 - $149).

In prior years, research and development costs were capitalized on certain projects which were under development. These expenditures consisted of all direct costs, interest on debt that is related to these assets and certain administrative expenses. Upon review of deferred development costs at September 30, 2007, Management determined that the unamortized balance no longer met the criteria for deferral and wrote off the unamortized balance of $814. Although Management believes there is future value associated with these development costs, it was uncertain as to when these benefits would be realized.

8. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	Net book value
September 30, 2008			
Building	**$ 11,307**	**$ 614**	**$ 10,693**
Land under capital lease	**616**	**-**	**616**
Furniture and equipment	**613**	**212**	**401**
Lab equipment	**517**	**185**	**332**
Computer software	**505**	**227**	**278**
Computer hardware	**461**	**199**	**262**
Leasehold improvements	**120**	**95**	**25**
Automobiles	**45**	**32**	**13**
Equipment under capital lease	**104**	**46**	**58**
	$ 14,288	**$ 1,610**	**$ 12,678**
September 30, 2007			
Building under construction	$ 9,552	$ -	$ 9,552
Land under capital lease	616	-	616
Furniture and equipment	365	156	209
Lab equipment	435	116	319
Computer software	284	171	113
Computer hardware	394	137	257
Leasehold improvements	99	91	8
Automobiles	45	26	19
Equipment under capital lease	75	36	39
	$ 11,865	$ 733	$ 11,132

During the fiscal 2007 year the Company's head office was under construction. The building was substantially complete, and occupancy commenced, in December of 2007.

During the year, the Company recorded property and equipment amortization expense of $881 (2007 - $301). Building under construction included interest capitalized of $11 (2007 - $50).

9. PREPAID INTRA-GROUP TAX ASSET

During the 2006 fiscal year, international rights and proprietary knowledge were transferred to a foreign subsidiary, resulting in prepayment of income taxes in the jurisdiction of the transferor. The prepaid intra-group tax asset was to have been expensed over the 13-year estimated useful life of the transferred asset. However, as a result of an international restructuring, this asset has been realized in 2008.

10. BANK INDEBTEDNESS

At September 30, 2008, the Company has available a $5,000 (2007 - $3,000) demand operating line of credit and had drawn $nil (2007 - $2,039). The portion of the line of credit that is available to the Company is based on 75% of accounts receivable aged less than 90 days plus 50% of finished goods inventory for the period from September to February or 65% of finished goods inventory for the period from March to August each year to a maximum limit of $2,500. Interest under the available operating line of credit is based on the bank prime lending rate plus 0.25%. The effective interest rate as at September 30, 2008 was 6.25%.

Included in the available operating line facility is the ability to issue up to $1,000 of letters of guarantee. At September 30, 2008, the Company had two standby letters of credit in the amounts of $496 and $124 which will remain in effect until December 1, 2008 and December 1, 2009, respectively. Standby letters of credit are subject to a charge of 1.5% per annum.

The operating line of credit is subject to terms and collateral requirements described in note 12.

11. CUSTOMER DEPOSITS

The Company has received customer deposits totalling $4,255 (2007 - $10,375) for product shipped with right-of-return, the majority of which relates to three customers. As at September 30, 2008, the Company has received inventory returns requiring refund of approximately $1,391 (2007 - $4,816). The Company has authorized additional inventory returns requiring refund of approximately $41 (2007 - $2,428) to be delivered subsequent to year end. Inventory returns are not considered payable until the products have passed a quality and verification process. This process had not been completed for the above returns as at September 30, 2008.

If the risk of return for the remaining product shipped with the right-of-return is substantially eliminated, the revenue from the product shipment will be recognized and the liability for the customer deposit eliminated. If the product is returned and cash payment has been made, the customer is entitled to a refund of the deposit. There is no certainty on the amount of deposits that will be recognized as revenue or require refund.

12. LONG-TERM DEBT AND OBLIGATIONS UNDER CAPITAL LEASE

Long-term debt

		2008		2007
Term mortgage with interest at the bank prime lending rate plus 1.0% repayable in monthly amounts of $51 plus interest. No terms of repayment beyond July 2011 have been negotiated. The financing costs related to this loan is $53 (2007 - $30). Using the effective interest method to determine the carrying value, the effective interest rate is 5.92%. Repayments were interest only until July 31, 2008.	$	6,072	$	2,675
Financing loan with interest at 6.99% payable in blended monthly payments of $8, for 36 months ending in May 2011. The finance costs related to this loan is $2. Using the effective interest rate method to determine the carrying value, the effective interest rate is 7.24%.		244		-
		6,316		2,675
Less: financing charge		55		30
		6,261		2,645
Less: current portion		700		2,645
Long-term balance of long-term debt	$	5,561	$	-

Terms and collateral

Term mortgage - The Company may prepay the mortgage without penalty at any time in whole or in part. Such payments would be applied to the principal in the inverse order of maturities of the repayments. The term mortgage was classified as current at September 30, 2007 due to certain bank covenants not being met at that year end. The breach in covenants was rectified subsequent to the September 30, 2007 year end. The Company's mortgage and demand operating line of credit (note 10) facilities are subject to certain financial covenants. The facilities agreement contains repayment acceleration clauses that may cause the debt to become due and payable, or the collateral to become immediately enforceable, if certain events of default occur. The acceleration clauses include subjective default events such as any adverse change occurring in the financial condition of the Company, its subsidiaries or its property, equipment or business activities. Management of the Company is not aware of any pending condition that would require accelerated repayment of the bank financing. The Company has pledged as collateral a General Security Agreement constituting a first ranking security interest in all personal property of the Company, a collateral mortgage constituting a first fixed charge on the Company's headquarters and research centre situated on the subleased land.

Financing loan - The loan is unsecured and is not subject to any covenants. The loan can be called by the lender if scheduled repayments are not received within 10 days of their due date.

Absent any demand for partial or full repayment of the obligations, required principal repayments of long-term debt are as follows:

2009	$	700
2010		707
2011		4,909
2012		-
2013 and thereafter		-
Total long-term debt		6,316
Less: amounts representing interest at imputed amounts		55
Carrying value of long-term debt	$	6,261

Obligations under capital lease

		2008		2007
Land under capital lease at an imputed interest rate of 6.75%. The Company plans to purchase the land on November 30, 2015 for the stated amount of $1,155. Imputed interest charges for this lease are $445 (2007 - $493).	$	1,155	$	1,155
Capital leases, collateralized by various pieces of equipment with an aggregate value of $132, interest varying from 1.3% to 14.0%, with terms varying up to 56 months. Interest expense on obligations under capital lease for the year totaled $3 (2007 - $3).		55		27
		1,210		1,182
Less: imputed interest charges		450		493
		760		689
Less: current portion		14		7
Long-term portion of obligations under capital lease	$	746	$	682

Future minimum lease payments for the obligations under capital lease are as follows:

2009	$	23
2010		16
2011		10
2012		3
2013 and thereafter		1,158
Total obligations under capital lease		1,210
Less: amounts representing interest at imputed amounts		450
Carrying value of obligations under capital lease	$	760

13. DEFERRED REVENUE

Deferred revenue relates to long-term deposits as at September 30, 2008 totalling $180 (2007 - $180). These deposits require a guaranteed volume of inventory to be available to the customer throughout the duration of the agreement. Revenue may be recognized upon depletion of the inventory. The deposit may be refundable to the customer.

14. SHARE CAPITAL

Authorized:

Unlimited number of voting common shares with no par value

Unlimited number of preferred shares with no par value, voting rights to be determined prior to first issue

(a) Issued and outstanding:

	Number of shares	Share capital
Voting common shares:		
Balance, September 30, 2006	102,773,340	$ 22,433
Exercise of options	1,327,666	286
Recognition of fair value of options exercised	-	157
Balance, September 30, 2007	104,101,006	22,876
Exercise of options	**3,622,492**	**543**
Recognition of fair value of options exercised	**-**	**301**
Balance, September 30, 2008	**107,723,498**	**$ 23,720**

(b) Stock-based compensation plan

The Company has an incentive stock option plan for certain employees, contractors, officers and directors. Options issued under the plan vest over a period which generally extends between four and five years. Options vest annually proportional to the number of vesting periods, based either on the anniversary date of the options granted or, in the case of options with performance criteria attached, upon meeting the performance criteria. The performance criteria consists of revenue and net income tests which are required to be met, in addition to time vesting provisions, before they can vest. The continuity of the Company's outstanding and exercisable options are as follows:

	2008		2007	
	Number of options outstanding	**Weighted average exercise price**	Number of options outstanding	Weighted average exercise price
Outstanding, beginning of year	**10,952,935**	**$ 0.89**	14,770,601	$ 1.26
Exercised	**(3,622,492)**	**0.15**	(1,327,666)	0.22
Granted	**1,910,000**	**0.62**	1,010,000	1.41
Expired, cancelled and forfeited	**(655,000)**	**2.69**	(3,500,000)	2.84
Outstanding, end of year	**8,585,443**	**$ 1.01**	10,952,935	$ 0.89
Exercisable, end of year	**5,543,443**	**$ 0.93**	8,752,335	$ 0.55

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

Exercise prices	Number outstanding	Weighted average remaining term (in years)	Options currently exercisable (vested)	Options subject to time vesting only (not vested)	Options subject to performance and time vesting (not vested)
$0.25	33,000	0.1	33,000	-	-
$0.48	600,000	5.9	-	-	600,000
$0.50	250,000	0.7	250,000	-	-
$0.57	143,000	0.8	143,000	-	-
$0.68	1,260,000	5.3	-	-	1,260,000
$0.71	813,916	0.3	813,916	-	-
$0.74	3,600,527	0.6	3,600,527	-	-
$1.24	830,000	4.7	196,000	450,000	184,000
$1.25	80,000	4.9	16,000	64,000	-
$2.62	250,000	1.8	150,000	100,000	-
$2.84	355,000	1.4	213,000	142,000	-
$2.98	100,000	3.2	20,000	80,000	-
$3.29	200,000	2.7	80,000	120,000	-
$3.42	10,000	2.4	4,000	6,000	-
$4.04	30,000	2.9	12,000	18,000	-
$4.32	30,000	2.2	12,000	18,000	-
	8,585,443		5,543,443	998,000	2,044,000

Years Ended September 30, 2008 and 2007. All amounts are in thousands of Canadian dollars, except share data

The actual weighted average fair value of the options issued during the year ended September 30, 2008 was $0.45 (September 30, 2007 - $1.16) as determined using the Black-Scholes option pricing model. The following weighted average assumptions were utilized to calculate the fair value:

	2008	2007
Risk-free interest rate	3.5%	4%
Expected life	5 years	6 years
Expected volatility	89%	105%
Dividend yield	-	-

15. CONTRIBUTED SURPLUS

During the year, contributed surplus has changed as follows:

		2008		2007
Balance, beginning of year	$	7,839	$	6,470
Stock-based compensation recognition of fair value of stock options granted to:				
Employees, officers and directors		609		1,388
Non-employees		32		138
Recognition of fair value of stock options exercised		(301)		(157)
Balance, end of year	$	8,179	$	7,839

16. EARNINGS (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted earnings (loss) per share:

		2008		2007
Numerator for basic earnings (loss) per share	$	4,592	$	(9,831)
Denominator:				
Weighted average number of common shares		106,268,024		103,576,690
Dilutive effect of stock options		1,189,863		-
Denominator for diluted earnings (loss) per share		107,457,887		103,576,690
Earnings (loss) per share				
Basic	$	0.04	$	(0.09)
Diluted		0.04		(0.09)

For the year ended September 30, 2007, all outstanding options were considered anti-dilutive when earnings available to common shareholders are in a loss position.

17. AMORTIZATION

		2008		2007
Patents and registered trademarks (note 7)	$	90	$	83
Property and equipment (note 8)		881		301
Deferred development costs		-		362
	$	971	$	746

18. INTEREST, BANK CHARGES AND FEES

Interest, bank charges and fees consists of:

		2008		2007
Guarantee fees (note 19)	$	244	$	63
Interest on mortgage and long-term debt		255		-
Other interest and bank charges		260		170
	$	759	$	233

19. RELATED PARTY TRANSACTIONS

From July 16, 2007 to July 23, 2008, a shareholder, who was also a director, was provided a fee of 0.5% per month related to a $5,000 personal guarantee that was given to the Company's lender as part of the security position provided under the Company's credit agreement. During the year ended September 30, 2008, the Company has expensed, in interest, bank charges and fees of $244 (2007 - $63) related to the fee on this guarantee. The Company's credit agreement was amended on July 23, 2008, whereby the requirement for this personal guarantee was eliminated.

During fiscal 2008, the Company had as part of its Management team an individual who was also related to the principal owners of a vendor. During the year, $555 (2007 - $567) was expensed as advertising and marketing costs provided by this vendor. As at September 30, 2008, $298 (2007 - $288) is payable to the related vendor.

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

20. LOSS (GAIN) ON FOREIGN EXCHANGE

		2008		2007
Realized (gain) loss on foreign currency transactions	**$**	**(146)**	$	149
Unrealized loss (gain) on foreign currency translation of foreign operations		**642**		(1,482)
	$	**496**	$	(1,333)

The foreign currency translation gains and losses primarily represent net gains or losses on the translation of the net assets and liabilities of integrated foreign operations.

21. CAPITAL DISCLOSURES

The Company's objective to manage capital is to safeguard the entity's ability to continue as a going concern so that it can continue to develop and commercialize evidence-based natural health products to increase shareholder value. Capital is defined by the Company as shareholders' equity, long-term debt and obligations under capital lease.

The Company has externally imposed capital requirements as governed through its financing facilities. These requirements are to ensure the Company continues to operate in the normal course of business and to ensure the Company manages its debt relative to tangible net worth. These capital requirements are congruent with the Company's management of capital. The Company met all externally imposed capital requirements at the end of the year.

The Company monitors capital on the basis of the current and debt to tangible net worth ratios which are both financial covenants of its lending agreement. The current ratio is calculated as current assets (as shown on the balance sheet) over current liabilities (as shown on the balance sheet) and is to be maintained above 1.00:1. As at September 30, 2008 this ratio is 1.98:1 (2007 - 0.77:1). The increase in this ratio from September 30, 2007 is primarily the result of selling inventory and collecting the related accounts receivable, offset by a reduction in customer deposits. The increase in this ratio was also due to the classification of the Company's term mortgage as long-term debt at September 30, 2008.

Debt to tangible net worth is calculated as total liabilities (as shown on the balance sheet) over tangible net worth. Tangible net worth is defined as the sum of share capital, contributed surplus and retained earnings (deficit) less intangible assets. This ratio is to be maintained below 2.00:1. At September 30, 2008, this ratio was 1.02:1 (2007 - 1.78:1). The decrease in this ratio is primarily due to a profitable year in fiscal 2008 and the reduction in customer deposits.

22. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The fair value of financial instruments represents the amounts that would have been received from or paid to counterparties, calculated at the reporting date, to settle these instruments. Cash and cash equivalents, short-term investment, accounts receivable, bank indebtedness, and accounts payable and accruals are assets and liabilities that have short periods to maturity and the carrying values contained in the consolidated balance sheets approximate their estimated fair value. The fair values of other financial instruments reflect the Company's best estimate based upon estimated interest rates at which the Company believes it could enter into similar instruments at the consolidated balance sheet dates. These estimates match the fair values of the underlying liabilities.

Management of risks arising from financial instruments

The Company does not use financial derivatives. There has been no change with respect to the Company's overall risk exposure during the year ended September 30, 2008.

Market risk

a) Interest rate risk

Bank indebtedness and mortgage are subject to interest rate cash flow risk as the required cash flow to service the debt will fluctuate as a result of the changing bank prime lending rate. The sensitivity of the mortgage to a 100 basis point change in the interest rate, with all other variables held constant, would result in a change in the earnings before tax of approximately $51 for the year ended September 30, 2008. The Company did not employ interest rate hedging activities during the year. The Company has the option to fix the interest rate on its mortgage for the balance of the term.

b) Foreign exchange risk

The Company has assets and liabilities that are denominated in foreign currencies and thus are exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The sensitivity of these monetary assets and liabilities to a 10% change in the United States dollar, with all other variables held constant, would result in a change in the Company's earnings before tax of approximately $400. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Credit risk

The maximum exposure to credit risk of the Company as at September 30, 2008 is the carrying value of its financial assets. The Company manages credit risk by maintaining bank accounts with reputable financial institutions and only investing in securities that are highly rated, traded in active markets and capable of prompt liquidation.

The Company's exposure to credit risk related to accounts receivable arises from the possibility that a customer does not fulfil its obligations. This is minimized through a customer base predominantly comprised of well established retailers and wholesalers, a program of credit evaluation of new customers and limits on the amount of credit extended as deemed necessary. The Company performs continuous evaluation of its accounts receivable and records an allowance for doubtful accounts. The failure of a large customer would have a significant effect on the Company. As at September 30, 2008, four customers (2007 - three) represented 73% of total accounts receivable (2007 - 72%). Included in accounts receivable is an allowance for doubtful accounts of $58 (2007 - $62). At September 30, 2008, two customers made up $41 or 71% (2007 - three customers at $58 or 94%) of the allowance for doubtful accounts.

Liquidity risk

The Company's exposure to liquidity risk is dependent on the sale of inventory, collection of accounts receivable, purchasing commitments and obligations or raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital, cash flows and the availability of borrowing facilities.

23. CHANGE IN NON-CASH BALANCES RELATING TO OPERATIONS

		2008		2007
Accounts receivable	$	**654**	$	265
Inventory		**(671)**		9,534
Prepaid expenses and deposits		**154**		808
Accounts payable and accruals		**997**		(3,728)
Current income taxes receivable		**698**		(5,955)
Customer deposits		**(6,120)**		8,601
	$	**(4,288)**	$	9,525

24. SEGMENTED INFORMATION

The Company operates in one operating segment - biopharmaceutical products. Management assesses performance and makes resource decisions based on the consolidated results of operations of this operating segment. Substantially all of the operations of the Company are directly engaged in or support this operating segment. Other operations are not material and share many of the same economic and operating characteristics as biopharmaceutical products and, accordingly, they are included with biopharmaceutical products for purposes of segment reporting.

The accounting policies of the Company's operating segments are the same as those described in note 2. Inter-segment transactions are eliminated upon consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Years Ended September 30, 2008 and 2007. All amounts are in thousands of Canadian dollars, except share data

The Company's operations are carried on in the following geographic locations:

	2008	2007
Revenue		
Canada	$ 47,291	$ 40,955
United States	2,098	1,080

Substantially all of the Company's property and equipment is located in Canada.

Geographic information about the Company's revenue is based on the location of the contracting organization.

The Company derives significant revenue from certain customers. During the year, four major Canadian customers (2007 - four) accounted for $37,020 or 75% (2007 - $29,455 or 70%) of the Company's consolidated revenue.

25. EMPLOYEE SAVINGS PLAN

The Company and its subsidiaries match voluntary contributions made by employees to their Registered Retirement Savings Plans to a maximum of 3% of earnings for each employee. Contributions made by the Company during the year ended September 30, 2008 were $179 (2007 - $145).

26. COMMITMENTS AND CONTINGENCIES

Commitments

	Fiscal Year			
	2009	2010	2011	Total
Leased premises	$ 216	$ 141	$ 19	$ 376
Raw materials	2,181	546	-	2,727
Other operating lease payments and other	868	-	-	868
	$ 3,265	$ 687	$ 19	$ 3,971

The Company has entered into agreements to lease premises in Edmonton, Alberta, Canada; Toronto, Ontario, Canada; and Montreal, Quebec, Canada. These leases expire at various dates ranging up to September 30, 2011.

In the normal course of business, the Company purchases raw materials for use in its operations. As at September 30, 2008 the Company had committed to receive $2,727 of raw materials from one of its suppliers in fiscal 2009, representing approximately one third of the Company's requirements for fiscal 2009.

Contingencies

The Company and certain of its officers and directors were named as defendants in two concurrent class action lawsuits. These two actions were filed in the Ontario Superior Court of Justice and Alberta. The lawsuits, brought on behalf of shareholders who purchased the Company's common stock between December 11, 2006 and March 23, 2007, allege primarily that the audited consolidated financial statements for the year ended September 30, 2006 and unaudited consolidated financial statements for the quarter ended December 31, 2006 were false and misleading and claim damages of $110,000. A national law firm, Stikeman Elliott LLP, has been retained to represent the Company and certain officers and directors. The matters raised in the lawsuits contain unproven allegations that will be vigorously defended, although no assurances can be given with respect to the outcome of such proceedings. The lawsuits are at an early stage. The Company has not recorded any liability relating to these matters. Management believes that the Company's directors and officers insurance policy provides for reimbursement for costs and expenses incurred in connection with this lawsuit as well as potential damages awarded, if any, subject to certain policy limits.

27. CYCLICAL NATURE OF BUSINESS

Revenue from the Company's lead products is greater in the first, second and fourth quarters of the fiscal year.

28. COMPARATIVE FIGURES

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current year consolidated financial statements.

29. CORPORATE RESTRUCTURING

In November 2007, the Board of Directors approved Management's proposal to modify the Company's international structure. In 2008, Management simplified the corporate structure with the formation of a new foreign company that will result in dissolving fX Life Sciences International GmbH. As a result of the Company's international restructuring, on September 30, 2008, $1,930 was held in a foreign bank account and was not available for use. These funds became available for use on October 9, 2008.

30. SUBSEQUENT EVENT

The Toronto Stock Exchange has accepted the Company's notice of intention to make a normal course issuer bid for its common shares between October 16, 2008 and October 15, 2009. Under the normal course issuer bid, the Company may acquire up to 5,386,175 common shares, which is 5% of the total issued and outstanding common shares. Daily repurchases by the Company will be limited to a maximum of 20,235 common shares other than block purchase exceptions. Any shares acquired by the Company will be cancelled.