BIOASIS TECHNOLOGIES INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

August 31, 2009

(UNAUDITED)

(The accompanying interim consolidated financial statements have been prepared by management and have not been reviewed by the Company's auditors)

BIOASIS TECHNOLOGIES INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited-Prepared by Management)

	August 31, 2009 (unaudited)	February 28, 2009 (audited)
ASSETS		
CURRENT		
Cash and cash equivalents	$2,220,013	$ 877,330
GST receivable	27,496	29,896
Prepaid expenses and deposits	446,579	18,830
	2,694,098	926,056
Capital assets (Note 4)	5,798	4,508
Intangible assets (Note 5)	1,108,852	1,162,006
	$ 3,808,738	$ 2,092,570
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 18,730	$ 14,515
Due to related parties (Note 7)	2,913	6,516
	21,643	21,031
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 6)	4,991,155	2,377,817
CONTRIBUTED SURPLUS (Note 6)	1,070,068	979,638
DEFICIT	(2,274,128)	(1,285,916)
	3,786,995	2,071,539
	$ 3,808,638	$ 2,092,570

See accompanying notes

Approved on behalf of the Board:

/s/ David J. Clark
David J. Clark, Director

/s/ Robin B. Hutchison
Robin B. Hutchison, Director

BIOASIS TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS AND DEFICIT
(Unaudited-Prepared by Management)

	Three Months Ended August 31, 2009 (unaudited)	Three Months Ended August 31, 2008 (unaudited)	Six Months Ended August 31, 2009 (unaudited)	Six Months Ended August 31, 2008 (unaudited)
EXPENSES				
Amortization	$ 26,996	$ 27,577	$ 53,933	$ 45,964
General and Administrative	156,764	67,609	318,009	130,261
Research and Development	87,472	38,098	136,086	56,852
Stock-based Compensation	274,157	22,062	483,637	592,425
	545,389	155,346	991,665	825,502
OTHER ITEMS				
Interest income	(2,263)	(6,805)	(3,453)	(13,448)
NET AND COMPREHENSIVE LOSS FOR THE PERIOD	543,126	148,541	988,212	812,054
DEFICIT, BEGINNING OF PERIOD	1,731,002	799,644	1,285,916	136,131
DEFICIT, END OF PERIOD	$2,274,128	$948,185	$2,274,128	$ 948,185
LOSS PER SHARE – Basic	$ (0.02)	$ (0.01)	$ (0.04)	$ (0.05)
Weighted average number of common shares outstanding	27,435,774	18,168,225	25,697,434	15,940,444

See accompanying notes

BIOASIS TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited-Prepared by Management)

	Three Months Ended August 31, 2009 (unaudited)	Three Months Ended August 31, 2008 (unaudited)	Six Months Ended August 31, 2009 (unaudited)	Six Months Ended August 31, 2008 (unaudited)
CASH FLOWS PROVIDED BY (USED FOR):				
OPERATING ACTIVITIES				
Net loss for the period	$ (543,126)	$ (148,541)	$ (988,212)	$ (812,054)
Adjusted for items not affecting cash:				
Amortization	26,996	27,577	53,933	45,964
Stock based compensation	274,157	22,062	483,637	592,425
	(241,973)	(98,902)	(450,642)	(173,665)
Net changes in non-cash working capital item:				
GST receivable	(7,281)	523	2,401	(10,190)
Prepaid expenses and deposits	9,850	(8,933)	(427,750)	1,839
Accounts payable and accrued liabilities	(80,717)	(51,252)	4,215	(84,735)
Due to related parties	(4,200)	31,693	(3,603)	(6,329)
Notes payable to related parties	-	(7,242)	-	(25,742)
	(324,321)	(134,113)	(875,379)	(298,822)
INVESTING ACTIVITIES				
Acquisition of capital assets	-	-	(2,069)	(3,152)
Deferred costs	-	-	-	60,773
Acquisition of biOasis Advanced, net of cash acquired of $2,497	-	-	-	(153,784)
Short term investment	-	-	-	479,710
	-	-	(2,069)	383,547
FINANCING ACTIVITIES				
Proceeds from issuance of common shares	71,776	27,876	2,220,131	896,473
	71,776	27,876	2,220,131	896,473
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(252,545)	(106,237)	1,342,683	981,198
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	2,472,558	1,088,712	877,330	1,277
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$2,220,013	$ 982,475	$2,220,013	$ 982,475
Cash consists of:				
Cash	$ 270,013	$ 112,475	$ 270,013	$ 112,475
Term deposits	1,950,000	870,000	1,950,000	870,000
	$2,220,013	$ 982,475	$2,220,013	$ 982,475

See accompanying notes

BIOASIS TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2009

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the British Columbia Business Corporations Act on November 3, 2006.

The Company obtained a listing on the TSX Venture Exchange (the "Exchange") on July 24, 2007 as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the Exchange. As a CPC, the Company's business objective was to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction ("QT").

On March 27, 2008 the Company acquired 100% of the shares of biOasis Advanced Technologies Inc. (formerly biOasis Technologies Inc.) and changed its name to biOasis Technologies Inc. On March 31, 2008, the Company completed a private placement for gross proceeds of $975,000. As a result of the acquisition, name change and financing effective April 3, 2008 the Company was deemed to have completed its QT and was classified as a research and development company.

The Company is focused on the research, development and commercialization of a protein called melanotransferrin ("P97"), for use as a biomarker diagnostic for Alzheimer's and for possible therapeutic uses, including as a possible carrier of effector molecules across the blood brain barrier.

The ability of the Company to fund its future operations and commitments is dependent upon its ability to obtain additional financing to support research, development and commercialization of its products, to obtain regulatory approval for use of its products, and to license the use of its technology to third parties.

These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a forced liquidation. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern.

The Company has neither a history of earnings nor has it paid any dividends and it is unlikely to pay dividends or enjoy earnings in the immediate or foreseeable future

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation:

These interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The notes presented in these interim consolidated financial statements include only significant events and transactions occurring since the Company's fiscal year end and are not fully inclusive of all matters required to be disclosed in the Company's annual audited financial statements. Accordingly these interim consolidated financial statements should be read in conjunction with the Company's most recent annual audited financial statements as at and for the year ended February 28, 2009.

The accounting policies used in the preparation of these interim consolidated financial statements conform to those used in our most recent audited annual financial statements, except as disclosed below.

Certain comparative figures have been reclassified to the presentation adopted in the current year.

b) Changes in Accounting Policies

Goodwill and Intangible Assets

On March 1, 2009 the Company adopted the recommendations of the Canadian Institute of Chartered Accountant ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets" ("CICA 3064"), which replaces CICA Handbook Section 3062, "Goodwill and Intangible Assets", and CICA Handbook Section 3450, "Research and Development Costs". CICA 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The adoption of this standard did not have a material impact on these interim consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

On March 1, 2009 the Company adopted the Emerging Issues Committee ("EIC") of the Accounting Standards Board EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" which was issued on January 20, 2009. Under EIC-173, an entity is required to take into account its own credit risk as well as the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities. EIC-173 is applicable to interim and annual financial statements for periods ending after January 20, 2009. The adoption of EIC-173 did not have a material impact on these interim consolidated financial statements.

c) Future Changes in Accounting Policies

International Financial Reporting Standards

In 2006, the Canadian Institute of Chartered Accountants (the "CICA") announced that accounting standards in Canada will converge with International Financial Reporting Standards ("IFRS"). IFRS uses a conceptual framework similar to Canadian GAAP, but there could be significant differences on recognition, measurement and disclosures that will need to be addressed. In April 2008, the Accounting Standards Board in Canada published the exposure draft "Adopting IFRSs in Canada". The exposure draft proposes to incorporate IFRS into the CICA Accounting Handbook effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. At this date, publicly accountable enterprises will be required to prepare financial statements in accordance with IFRS on a retrospective basis. The exposure draft makes possible the early adoption of IFRS by Canadian entities. The Company is currently assessing the impact of these standards and has not yet determined the impact on these interim consolidated financial statements.

Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These Sections replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for the accounting of non-controlling interests in a subsidiary in the consolidated financial statements subsequent to a business combination. These Sections will apply to the Company's financial statements beginning on January 1, 2011. The Company is currently evaluating the implications of these new Sections on the consolidated financial statements.

Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations. This Section replaces Section 1581, Business Combinations. Section 1582 establishes standards for the recognition of business combination. This Section will apply to financial statements relating to the Company beginning on January 1, 2011. The Company is currently evaluating the implications of this new Section on the consolidated financial statements.

3. BUSINESS ACQUISITION

On March 27, 2008 the Company acquired all of the issued common shares of biOasis Advanced for equity consideration of 6,086,000 common shares of the Company, issued at a fair market value of $0.15 per share. During the year ended February 29, 2008, the Company advanced $20,325 to biOasis Advanced to be used towards the development of the technology. The advance would have been non refundable if the transaction had not closed. The acquisition has been accounted for using the purchase method, with the Company identified as the acquirer, and the assets and liabilities of biOasis Advanced recorded at their fair values. The results of operations of biOasis Advanced are included in these consolidated financial statements from March 27, 2008.

2. BUSINESS ACQUISITION (continued)

As management does not consider the resulting future income tax asset resulting from the allocation of the purchase price to be more likely than not to be recoverable, a valuation allowance has been provided for the full amount.

Fair values of net assets acquired:

Cash	$ 2,497
Other current assets	1,967
Capital assets	2,935
Intangible assets	1,209,454
Accounts payable and accrued liabilities	(62,075)
Other current liabilities	(53,427)
Due to related parties	(32,071)
	$ 1,069,280

Consideration paid:

Issuance of 6,086,660 common shares of biOasis Technologies Inc.	$ 912,999
Transaction Costs	156,281
	$ 1,069,280

4. CAPITAL ASSETS

			August 31, 2009	February 28, 2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computers	$ 5,016	$ 1,943	$ 3,073	$ 3,616
Office equipment	3,140	415	2,725	892
	$ 8,156	$ 2,358	$ 5,798	$ 4,508

5. INTANGIBLE ASSETS

		August 31, 2009		February 28, 2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
UBC Patents	$ 669,845	94,916	$ 574,929	$ 608,429
Jefferies Patents	589,609	55,686	533,923	553,577
	$ 1,259,454	$ 150,602	$ 1,108,852	$ 1,162,006

The University of British Columbia ("UBC") Patents comprise the biomarker diagnostic for Alzheimer's disease patents, licenses and intellectual property. The Jefferies Patents comprise the therapeutic uses of p97 patents, licenses and intellectual property.

Upon completion of the acquisition described in Note 3, 200,000 options (the "UBC Options") with a fair value of $50,000 were issued to UBC and various other patent holders who had transferred their patents to biOasis Advanced.

6. SHARE CAPITAL

Authorized share capital consists of an unlimited number of common shares without par value.

Issued:

	Number of Shares	Value	Contributed Surplus
Issued at February 29, 2008	5,401,674	571,901	138,400
Issued during the period:			
-for cash at $0.15	6,751,500	1,012,725	-
-for cash at $0.25	520,000	130,000	-
-for cash at $0.30	75,000	22,500	-
Options exercised	-	39,050	(39,050)
Agents warrants exercised	-	18,545	(18,545)
Acquisition of biOasis Advanced Technologies Inc.	6,086,660	912,999	
Agent's commission	-	(97,500)	-
Agent warrants	-	(204,750)	204,750
Share issue cost	-	(27,653)	-
UBC options	-	-	50,000
Stock-based compensation	-	-	644,083
Issued at February 28, 2009	18,834,834	$ 2,377,817	$ 979,638
Issued during the period:			
-for cash at $0.15	1,878,507	281,776	-
-for cash at $0.25	5,980,000	1,495,000	-
-for cash at $0.50	1,000,000	500,000	-
Options exercised	-	155,002	(155,002)
Agents warrants exercised	-	238,205	(238,205)
Finders Fees	-	(50,000)	-
Share issue cost	-	(6,645)	-
Stock-based compensation	-	-	483,637
Issued at August 31, 2009	27,693,341	$ 4,991,155	$1,070,068

a) Private Placements

(i) On March 31, 2008 the Company completed a brokered and non-brokered private placement for 6,500,000 units at $0.15 per unit for gross proceeds of $975,000. Each unit consisted of one common share (a "Share") of the Company and one transferable common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one additional Share of the Company at a price of $0.25 until March 31, 2009, subject to an exercise acceleration clause. The Agent received a cash payment of $97,500 and 975,000 Agent's Warrants with a fair value of $204,750, whereby each Agent's Warrant is exercisable into one common share of the Company at $0.15 until March 31, 2009. The Agent was also paid an administration fee of $5,000 and the Company incurred other share issue costs of $22,653.

(ii) On May 29, 2009, the Company completed a private placement of 1,000,000 units at $0.50 per unit for gross proceeds of $500,000. Each unit consisted of one common share and one share purchase warrant entitling the investor to purchase an additional common share at a price of $0.60 per share until May 29, 2010. The Company paid a finder's fee of 10% of gross proceeds and incurred other share issue costs of $6,645 in connection with this financing. All securities issued are subject to a hold period expiring September 30, 2009.

b) Acquisition of biOasis Advanced Technologies Inc.

On March 27, 2008 the Company acquired 100% of the outstanding shares of biOasis Advanced Technologies Inc. in consideration for 6,086,660 common shares at a fair value of $0.15 per share.

BIOASIS TECHNOLOGIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2009

6. SHARE CAPITAL (continued)

c) Exercise of Options

During the period ended August 31, 2009, the Company issued 600,007 common shares at $0.15 per share for proceeds of $90,001 pursuant to the exercise of stock options.

d) Exercise of Warrants

During the period ended August 31, 2009, the Company issued 1,278,500 common shares at $0.15 per share for proceeds of $191,775 and 5,980,000 common shares at $0.25 per share for proceeds of $1,495,000 pursuant to the exercise of warrants.

e) Shares Held in Escrow

At August 31, 2009, 4,493,000 shares of the Company are subject to an Escrow Agreement pursuant to policies of the Exchange. Under the terms of the Escrow Agreement, 1,123,250 shares were released on October 2, 2009; 1,123,250 will be released on April 2, 2010; 1,123,250 on October 2, 2010; and 1,123,250 on April 2, 2011.

f) Stock Options

At the Company’s 2009 Annual General and special Meeting of Shareholder’s held July 20, 2009 Disinterested Shareholders approved a resolution to amend the Company’s fixed stock option plan. Under the Amended Plan the number of common shares that could be reserved for issuance was increased from an aggregate of 3,597,667 to 5,442,967, representing 20% of the Corporation’s issued and outstanding share capital as at that date of the Management Information Circular. The plan provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares.

In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for the issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised after four months after grant of option.
A summary of the status of the Company’s stock option plan and UBC Options is presented below:

	August 31, 2009		February 28, 2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning balance	3,125,000	$ 0.20	540,000	$ 0.15
Granted	1,800,000	0.47	2,940,000	0.22
Exercised	(600,007)	0.15	(230,000)	0.20
Cancelled	(100,000)	0.30	(125,000)	0.30
Outstanding, ending balance	4,224,993	$ 0.31	3,125,000	$ 0.20
Exercisable, ending balance	2,947,493	$ 0.25	2,887,500	$ 0.20

(i) On March 18, 2009, the Company granted 400,000 incentive stock options to a consultant exercisable at $0.35 per share, expiring after five years, subject to vesting as follows: 100,000 options upon grant and 100,000 options each quarter thereafter. In addition the Company price reserved 450,000 incentive stock options at $0.35, to be granted to the consultant upon receipt of shareholder approval, which was given on July 20, 2009. These options expire July 20, 2014 and are subject to vesting as follows: 112,500 options on July 20, 2009 and 112,500 options each quarter thereafter**.**

6. SHARE CAPITAL (continued)

(ii) On March 18, 2009, the Company cancelled 100,000 unvested incentive stock options to a consultant exercisable at $0.30 per share expiring August 4, 2010.

(iii) On March 26, 2009, the Company granted 200,000 incentive stock options to a consultant exercisable at $0.35 per share, expiring after five years, subject to vesting as follows: 40,000 options upon grant and 40,000 each quarter thereafter. 57,333 of these options were subject to shareholder approval, which was given on July 20, 2009.

(iv) On April 24, 2009, the Company granted 250,000 incentive stock options to a consultant exercisable at $0.64 per share, expiring after three years, subject to shareholder approval, which was given on July 20, 2009. These options subject to vesting as follows: 50,000 options on April 24, 2009 and 50,000 options each quarter thereafter.

(v) On April 24, 2009, the Company granted 200,000 incentive stock options to a consultant exercisable at $0.64 per share, expiring after three years, subject to shareholder approval, which was given on July 20, 2009. These options subject to vesting as follows: 50,000 options on July 24, 2009 and 50,000 options each quarter thereafter.

(vi) On August 12, 2009, the Company granted 150,000 incentive stock options to a consultant exercisable at $0.63 per share, expiring after three years. These options subject to vesting as follows: 30,000 options on August 12, 2009 and 30,000 options each quarter thereafter.

(vii) On August 24, 2009, the Company granted 150,000 incentive stock options to a consultant exercisable at $0.58 per share, expiring after four years. These options subject to vesting as follows: 37,500 options on November 24, 2009 and 37,500 options each quarter thereafter.

At August 31, 2009, 4,224,993 share purchase options were outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Options	Exercise Price	Expiry Date
100,000	$ 0.50	9-Sep-09
99,993	0.15	27-Mar-10
110,000	0.58	21-May-10
100,000	0.30	4-Aug-10
1,480,000	0.15	2-Apr-11
200,000	0.64	24-Apr-11
150,000	0.58	24-Aug-11
250,000	0.64	24-Apr-12
385,000	0.15	24-Jul-12
150,000	0.63	12-Aug-12
150,000	0.36	28-Apr-13
542,667	0.35	26-Mar-14
57,333	0.35	26-Mar-14
450,000	0.35	20-Jul-14

The weighted average life of outstanding options is 3.60 years. The fair value of stock options granted pursuant to the incentive stock option plan was $485,401 (2009: $592,425) and the weighted average grant date fair value was $0.20 (2009: $0.27) per share. This has been determined using the Black-Scholes option pricing model with the following assumptions:

	August 31, 2009
Risk free interest rate	0.92% ~ 2.52%
Dividend yield	0.00%
Expected life	0.02 ~ 5.02 years
Expected volatility	51% ~ 139%

6. SHARE CAPITAL (continued)

g) Warrants

A summary of the status of the Company's warrants is presented below:

	August 31, 2009	
	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning balance	7,258,500	$ 0.23
Issued	1,000,000	0.60
Exercised	(7,258,500)	0.23
Outstanding, ending balance	1,000,000	$ 0.60

At August 31, 2009, 1,000,000 share purchase warrants were outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Warrants	Exercise Price	Expiry Date
1,000,000	$ 0.60	29-May-10

Option and warrant pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option and warrant grants.

Share Purchase Warrants

On May 29, 2009 the Company issued 1,000,000 share purchase warrants pursuant to a private placement whereby each warrant entitles the holder to purchase one additional common share at a price of $0.60 per share until May 29, 2010.

Agent's Warrants

On March 31, 2008 the Company issued 975,000 Agent's Warrants whereby each Agent's Warrant is exercisable into one common share of the Company at $0.15 per share until March 31, 2009. The fair value of 975,000 Agent Warrants granted pursuant to the private placement was $204,750. This has been determined using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate of 2.62%; expected life of 1 year; and expected volatility of 69%.

During the period ended August 31, 2009, the Company issued 1,278,500 common shares at $0.15 per share pursuant to the exercise of Agent's Warrants for proceeds of $191,775.

.

7. RELATED PARTY TRANSACTIONS

a) During the period ended August 31, 2009 the Company paid fees of $78,000 (2009: $65,000), pursuant to management contracts, to a company controlled by a director and officer of the Company, and to a director and officer of the Company, for consulting services in their capacities as President and Chief Executive Officer ("CEO") and Chief Financial Officer of the Company.

b) During the period ended August 31, 2009 the Company paid fees of $50,000 (2009: $30,000) pursuant to an amended management contract, whereby fees were increase from $5,000 per month to $10,000 per month effctive May 1, 2009, to a company controlled by Dr. Jefferies for consulting services in his capacity as Scientific Consultant of the Company.

c) As at August 31, 2009 there was $2,913 due to related party payable to a law firm, a partner of who is a director of the Company, for legal work incurred before the partner was a director of the Company.

d) During the period ended August 31, 2009 the Company paid $5,000 (2009:$nil) to a director for research and development consulting services.

e) During the period ended August 31, 2009 the Company paid legal expense of $572 (2009: $6,516) and repaid $6,516 of due to related party payable to a relative of the CEO of the Company.

These transactions were in the normal course of operations and have been recorded at their exchange amounts, which is the consideration agreed upon between the related parties.

8. FINANCIAL INSTRUMENTS

The Company's financial instruments as at August 31, 2009 consist of cash and cash equivalents, GST receivable, accounts payable and due to related parties. As at this date there are no significant differences between the carrying value of these amounts and their estimated market values. Unless otherwise noted it is managements opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk on its cash and cash equivalents in the event of non-performance by counterparties, but does not anticipate such non-performance. The maximum exposure to credit risk of the Company at the end of the period is the carrying value of its cash and cash equivalents.

The Company mitigates its exposure to such credit risk by maintaining its bank operating accounts and investments in General Investment Certificates or Bankers Acceptance with Schedule I banks in Canada

As well the Company mitigates its exposure to credit risk by investing in cash and equivalents and in short term investments and by monitoring the credit risk and credit standing of counterparties.

8. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk through its cash and cash equivalents. The Company mitigates interest rate risk by investing in cashable or short term cash and cash equivalents and short term investments in Banker's Acceptance or General Investment Certificates of Schedule 1 banks in Canada while matching maturities with the Company's operational requirements.

Fluctuations in market rates of interest do not have a significant impact on the Company's results of operations due to the short term to maturity of the cash and equivalents held.

Currency risk

Currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has exposure to currency risk from the purchase of goods and services primarily from the US. The Company mitigates its foreign exchange risk through the purchase of US currency in sufficient amounts to settle our foreign accounts payable.

Balances in foreign currencies as at August 31, 2009 are as follows:

	US Dollars $
Cash and cash equivalents	54,891
Accounts payable	(10,500)
	44,391

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure.

Accounts payable are all due within the current operating period.

9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

10. SUBSEQUENT EVENTS

(i) On October 23, 3009 the Company granted 100,000 incentive stock options to a consultant exercisable at $0.55 per share expiring after two years, subject to vesting as follows: 25,000 options one quarter after grant and 25,000 options each quarter thereafter.

(ii) On October 23, 2009 the Company issued 100,000 common shares at $0.30 per share pursuant to the exercise of incentive stock options for aggregate gross proceeds of $30,000.