

ALPHINAT INC.
FINANCIAL REPORT

AS AT AUGUST 31, 2008 AND 2007

AUDITORS' REPORT

To the Shareholders of
ALPHINAT INC.

We have audited the balance sheet of **ALPHINAT INC.** as at August 31, 2008 and the statements of loss, deficit and cash flows for the year 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 audit.

We conducted our audit 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 August 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at August 31, 2007 were audited by other auditor's who expressed an opinion without reserve on these financial statements in their report dated December 12, 2007.



Montreal, October 3, 2008

ALPHINAT INC.**BALANCE SHEETS****AS AT AUGUST 31, 2008 AND 2007**

	2008	2007
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 127,499	\$ 773,439
Accounts receivable	274,654	340
Work in progress	6,525	-
Sales taxes receivable	34,953	12,476
Prepaid expenses	17,338	3,751
Research and development tax credits receivable	105,873	116,564
	566,842	906,570
FIXED ASSETS (note 6)	12,504	11,556
INTANGIBLE ASSETS (note 7)	6,111	707
	\$ 585,457	\$ 918,833
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (note 8)	\$ 399,218	\$ 260,063
Deferred revenues	158,738	851,750
Advances from a director and persons related to a director, without interest	84,967	84,967
Loan from a company under common control (note 9)	98,391	122,391
Current portion of long-term debt (note 10)	16,700	20,040
	758,014	1,339,211
LONG-TERM DEBT (note 10)	-	16,700
	758,014	1,355,911
SHAREHOLDERS' DEFICIENCY		
Capital stock (note 11)	4,608,075	4,314,100
Stock options (note 12) a))	641,931	1,031,442
Warrants (note 12) b))	81,881	114,316
Contributed surplus (note 13)	831,826	310,957
Deficit	(6,336,270)	(6,207,893)
	(172,557)	(437,078)
	\$ 585,457	\$ 918,833

Going concern (note 1)**On behalf of the Board,**

_____, Director

_____, Director

ALPHINAT INC.

DEFICIT

FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

	2008	2007
BALANCE, BEGINNING OF YEAR	\$ (6,207,893)	\$ (5,316,924)
Loss for the year	(128,377)	(890,969)
BALANCE, END OF YEAR	\$ (6,336,270)	\$ (6,207,893)

ALPHINAT INC.**STATEMENTS OF LOSS****FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007**

	2008	2007
REVENUES	\$ 1,342,504	\$ 341,060
OPERATING EXPENSES		
Cost of services, selling and administrative expenses	1,114,716	725,002
Research and development expenses (note 16)	327,466	332,666
Stock-based compensation (notes 11 c) and 12 a))	21,542	161,766
Amortization of fixed assets	4,694	5,359
Amortization of intangible assets	1,096	471
	1,469,514	1,225,264
OPERATING LOSS	(127,010)	(884,204)
FINANCING EXPENSES (REVENUES)		
Interest and bank charges	2,420	4,930
Interest on long-term debt	3,616	5,269
Interest income	(4,669)	(3,434)
	1,367	6,765
LOSS FOR THE YEAR	\$ (128,377)	\$ (890,969)
Basic and diluted loss per share (note 17)	(0.004)	(0.029)
Weighted average number of common shares outstanding (note 11 d))	32,380,782	30,390,000

Going concern (note 1)

ALPHINAT INC.**STATEMENTS OF CASH FLOW****FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007**

	2008	2007
OPERATING ACTIVITIES		
Loss for the year	\$ (128,377)	\$ (890,969)
Adjustments for:		
Amortization of fixed assets	4,694	5,359
Amortization of intangible assets	1,096	471
Stock-based compensation expense	21,542	161,766
	(101,045)	(723,373)
Net change in non-cash working capital items (note 5)	(833,069)	1,081,153
	(934,114)	357,780
INVESTING ACTIVITIES		
Purchase of fixed assets	(5,642)	(2,400)
Purchase of intangible assets	(6,500)	-
	(12,142)	(2,400)
FINANCING ACTIVITIES		
Repayment of long-term debt	(20,040)	(10,020)
Repayment of loan from a company under common control	(24,000)	(6,609)
Issuance of capital stock and warrants	355,000	-
Share issue expenses	(10,644)	-
Loan from a director	-	80,000
Repayment of advances from a director and persons related to a director	-	(89,038)
	300,316	(25,667)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(645,940)	329,713
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	773,439	443,726
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 127,499	\$ 773,439

Cash and cash equivalents consist of cash and short term investment.

Cash flow related to operating activities includes paid interest of \$3,616 (\$10,199 in 2007).

ALPHINAT INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2008 AND 2007

1. CONSTITUTION, DESCRIPTION OF BUSINESS AND GOING CONCERN

The Company was incorporated on March 12, 2004 under the Canada Business Corporation Act. Alphinat Inc. develops markets and supports software technology that enables non-technical managers to configure and deploy Web applications and utilities to better serve clients. This technology uses sophisticated data organization and processing software to automate interactions between systems, employees, clients, suppliers and partners. The software can be used ubiquitously across organizational entities and information processing platforms, permitting a high level of collaboration in delivering complex service outcomes using existing legacy systems.

The focus of the Company's commercial activities relates on the public and health care sectors and the financial institutions.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered recurring losses from operations in previous years. Cash flows are negative for the year ending August 31, 2008. They were also negative for the years 2006, 2005 and 2004, they were positive for the year ending August 31, 2007 and the Company may lack sufficient funds to meet its obligations. All of which raise substantial doubt about its ability to continue as a going concern.

The Company's focus has shifted from the development of its product suite to sales and marketing. The Company has generated more substantial income for the year ended August 31, 2008 and has deferred revenues amounting to \$158,738 which will be recognized next year. The ongoing operations of the Company will depend on management's ability to successfully execute its business plan under which it expects to increase revenues from its existing products as well as from its agreements and partnerships with third parties. There is, however, no guarantee that the measures taken by management will be successful. The financial statements do not reflect any adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than in the normal course of business. These adjustments could be significant.

2. ACCOUNTING POLICIES

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 reported amounts of assets and liabilities at the date of the financial statements and the estimates. The most significant estimates include stock-based compensation, warrants and research and development tax credits receivable.

Cash and cash equivalents

Cash and cash equivalents consist of cash, bank overdraft and highly liquid investments with original maturities of three months or less from the acquisition date.

ALPHINAT INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2008 AND 2007

2. ACCOUNTING POLICIES (continued)

Fixed assets

Fixed assets are accounted for at cost. Amortization is calculated using the declining balance method at the following rates:

	Rates
Office furniture and equipment	20%
Computer equipment	40%

Intangible assets

Intangible assets are accounted for at cost. Amortization is calculated using the following methods, the following rate and over the following period:

	Methods	Rates or periods
Computer software	Declining balance	40 %
Trade marks	Straight-line	4 years

Impairment of long-lived assets

Long-lived assets are subject to impairment tests when events or changes in circumstances indicate that the carrying amount may exceed its recoverable amount. Impairment losses are recognized if the book value of the asset exceeds the undiscounted future cash flows that should be derived from the asset. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds its fair value.

Share issue costs

Share issue costs are accounted for as a reduction of the proceeds from the issuance of capital stock.

Research and development tax credits

Research and Development tax credits are recognized when there is reasonable assurance that they will be received. Government authorities may not agree with the Company's interpretation as it relates to admissibility of its research and development tax credit demands. When research and development tax credits relate to an asset, they are recognized as a decrease in the asset acquisition cost. When they relate to an expense item, they are reported in the statement of income.

Research and development expenses

Research and development expenses are charged to expenses in the year in which they are incurred. Development costs are deferred if they meet generally accepted accounting criteria for deferral and amortization; otherwise they are expensed as incurred. As at August 31, 2008 and 2007, no development costs have been deferred.

ALPHINAT INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2008 AND 2007

2. ACCOUNTING POLICIES (continued)

Revenue recognition

Professional service revenues are recognized according to the percentage-of-completion method. Work in progress is established by taking into account services rendered that have not yet been invoiced. Any payment received before services are rendered is recorded as deferred revenue.

The Company recognizes software products and all related service revenues, including after-sale technical support, in accordance with Statement of Position (“SOP”) 97-2, “Software Revenue Recognition”, issued by the American Institute of Certified Public Accountants. Fees from software products, after-sales technical support and other services are normally allocated among the various elements based on vendor-specific evidence of the fair value of each element. Due to a lack of sufficient sales history, it is deemed that the Company does not have vendor-specific objective evidence of fair value of the various elements under these multiple-element arrangements. Consequently, all fees related to the software and after-sales technical support are bundled together and recognized ratably over the contractual service period. Revenues from other services are recognized as the services are rendered.

Income taxes

Income taxes are accounted for under the asset and liability method. Under this method, future income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply in years in which the temporary differences are expected to reverse.

The Company reduces future income tax assets by a valuation allowance to the extent that is more likely than not that some portion or all of the future income tax assets will not be realized.

Loss per share

Basic loss per share is determined using the weighted average number of shares outstanding during the year. Diluted loss per share is determined using the weighted average number of shares outstanding during the year plus the dilutive potential effect of the common shares outstanding during the year. The diluted result per share is calculated using the treasury stock method as if all the potential dilutive shares had been issued no later than the beginning of the year or the issuance date, and the proceeds received had been used to redeem the Company’s shares at the average market price during the year.

Stock-based compensations

The Company has granted stock options as described in note 12 a). Stock-based compensation cost is recorded using the fair value method for the options granted to directors, officers, employees and non-employees. Under this method, the stock-based compensation expense is measured at the fair value at the date of grant using an option pricing model and is recognized over the vesting period of the options.

The Company estimates the fair value of stock options using the Black-Scholes option pricing model. The Black-Scholes model was developed to estimate the fair value of traded options that have no vesting restrictions including expected stock price volatility.

All considerations paid for stock options and the amount previously included for these stock options in contributed surplus are credited to capital stock, when they are exercised.

ALPHINAT INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2008 AND 2007

3. CHANGES IN ACCOUNTING POLICIES

a) Changes in accounting policies

On September 1st, 2007, the Company adopted the new accounting standards related to: Section 1530 "Comprehensive Income", Section 3855 "Financial Instruments - Recognition and Measurement" and Section 3865 "Hedges". Figures for periods prior to September 1st, 2007 were not amended.

Financial instruments - Recognition and measurement

Under this new standard, all financial assets will be classified in one of the following four categories: 1) held to maturity 2) loans and receivables 3) held for trading and 4) available for sale. Financial liabilities will have to be classified as "held for trading" or "other". Financial assets and liabilities held for trading will be valued at their fair value, and gains and losses will be recorded in net results. Held-to-maturity financial assets, loans and receivables, and financial liabilities classified as "other" will be recognized at amortized cost using the effective interest rate method. Available-for-sale financial assets will be valued at fair value, and all the unrealized gains and losses will be recorded in other comprehensive income. The new standard will enable entities to designate all financial instruments as held for trading when they are initially recognized or when this standard is adopted, even if this financial instrument does not fall within the definition of a financial instrument held for trading. Financial instruments held for trading under the fair value option must have a reliable fair value.

All current financial assets and liabilities, being cash and cash equivalents, accounts receivable, accounts payable, advances from a director and persons related to a director, and loan from a company under common control, have been classified as held for trading. Their fair value is equivalent to their recorded cost due to their short-term nature.

Long-term debts are classified in "other" liabilities and accounted for at cost. Transaction costs related to "other" liabilities are capitalized and depreciated in accordance with the effective interest rate method and recorded in the net result.

Comprehensive income

Following the adoption of these new accounting standards, the Company must present a statement of other comprehensive income. Other comprehensive income includes the net result and the other elements of the comprehensive income. Considering that the Company has classified the whole of its financial tools as financial tools "held for trading" and its long-term debts in the category "other" liabilities, no variation element was classified in the other elements of the comprehensive income, consequently, net loss corresponds to the total of the comprehensive income.

Impact of adopting these new standards

The adjustments related to the classification of investments as financial instruments held for trading were nil and therefore no adjustment was recorded in the opening balance as at September 1st, 2007.

b) Changes in accounting estimates

During the year, the Company reviewed the amortization period for services to be rendered under its service contracts based on the maturity date of the contracts rather than the contract signing date after new evidence was obtained from a contract stakeholder. This change was applied on a prospective basis and resulted in a \$46,850 increase in income for the current year.

ALPHINAT INC.

NOTES TO THE FINANCIAL STATEMENTS

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4. FUTURE CHANGES IN ACCOUNTING POLICIES

Capital disclosures

In December 2006, the Canadian Institute of Chartered Accountants ("CICA") published Section 1535, "Capital Disclosures". This new standard establishes disclosure requirements concerning capital such as: qualitative information about an entity's objectives, policies and processes for managing capital; quantitative data about what it regards as capital; whether the entity has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance. The Company will adopt the new standards for its fiscal year beginning September 1st, 2008 and the management is currently assessing the future impact of this new standard on its financial statements.

Financial instruments

In December 2006, the CICA published section 3862, "Financial Instrument - Disclosures", and Section 3863, "Financial Instruments - Presentation". These new standards replace Section 3861, "Financial Instruments - Disclosure and Presentation", revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements. The management will adopt those Sections as of September 1st, 2008.

Intangible assets

In November 2007, the CICA issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets", and section 3450, "Research and Development Costs". Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning September 1, 2009. It establishes standards for the recognition and of intangible assets by profits-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The management is currently assessing the impact of the adoption of this new Section on its financial statements.

International Financial Reporting Standards

The Accounting Standards Board of Canada has announced that accounting standards in Canada, as used by public companies will be converged to IFRS. The changeover date from current Canadian GAAP to IFRS, for the Company, is for the fiscal year beginning on September 1st, 2011. The Company will convert to these new standards according to the timetable set with these new rules. The management is currently assessing the future impact of these new standards on its financial statements.

ALPHINAT INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2008 AND 2007

5. CASH FLOWS

Net change in non-cash working capital items

	2008	2007
Accounts receivable	\$ (274,314)	\$ 42,564
Income taxes receivable	10,691	91,207
Work in progress	(6,525)	-
Prepaid expenses	(13,587)	(1,644)
Accounts payable and accrued liabilities	166,155	91,683
Sales taxes receivable	(22,477)	22,468
Deferred revenues	(693,012)	834,875
	\$ (833,069)	\$ 1,081,153

ALPHINAT INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2008 AND 2007

6. FIXED ASSETS

	2008		
	Cost	Accumulated amortization	Net value
Computer equipment	\$ 116,405	\$ 108,508	\$ 7,897
Office furniture and equipment	20,245	15,638	4,607
	\$ 136,650	\$ 124,146	\$ 12,504

	2007		
	Cost	Accumulated amortization	Net value
Computer equipment	\$ 111,521	\$ 104,871	\$ 6,650
Office furniture and equipment	19,487	14,581	4,906
	\$ 131,008	\$ 119,452	\$ 11,556

7. INTANGIBLE ASSETS

	2008		
	Cost	Accumulated amortization	Net value
Computer software	\$ 21,929	\$ 21,505	\$ 424
Trade marks	6,500	813	5,687
	\$ 28,429	\$ 23,025	\$ 6,111

	2007		
	Cost	Accumulated amortization	Net value
Computer software	\$ 21,929	\$ 21,222	\$ 707

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
Accounts payable and accrued liabilities	\$ 286,161	\$ 84,571
Liabilities payable to shareholders, without interest	84,415	72,116
Salaries and fringe benefits	28,642	103,376
	\$ 399,218	\$ 260,063

ALPHINAT INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2008 AND 2007

9. LOAN FROM A COMPANY UNDER COMMON CONTROL

The loan from a company under common control is non-interest bearing and is refundable by monthly installments of \$12,000 starting October 2007. No payments have been made since November 26, 2007.

10. LONG-TERM DEBT

	2008	2007
Loan for an original amount of \$100,000 supporting marketing expenses for technological solutions, secured by a first ranking movable hypothec over all of the Company assets, tangible and intangible present and future as well as a guarantee from the parent company, bearing interest at the basic floating rate plus 5%, payable in monthly installments of \$1,670, maturing in June 2009	\$ 16,700	\$ 36,740
Current portion of long-term debt	16,700	20,040
	\$ -	\$ 16,700

Credit facility

During the year ended August 31, 2007, two of the Company's directors extended a \$240,000 credit facility to the Company, bearing an annual interest rate of 6% and secured by accounts receivable. The terms of the credit facility provide for the granting of stock options equal to the amount loaned divided by the market price of the Company's shares as quoted at closing of the TSX Venture Exchange (with a minimum price of \$0.10 per share) the previous day to the loan. As at August 31, 2008 and 2007, no amount of this facility was in use.

ALPHINAT INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2008 AND 2007

11. CAPITAL STOCK

a) Authorized : an unlimited number of participating and voting common shares.

b) Issued

Common shares	Number	Amount
Balance - August 31, 2006 and 2007 previously reported	34,556,667	\$ 4,314,100
Restatement of performance shares (note 11 d))	(4,166,667)	-
Adjusted balance	30,390,000	4,314,100
Share issuance	4,737,500	304,619
Share issue costs	-	(10,644)
Release of performance shares (note 11 d))	363,612	
Balance - August 31, 2008	35,491,112	\$ 4,608,075

c) 2008 financial year transactions

In November 2006, the Company authorized the issuance of 300,000 common shares as additional compensation to one of its officer. As at August 31, 2007, these shares had not yet been issued and they were accounted for an approximate value of \$27,000 which was accounted for in accounts payable and accrued liabilities. The shares were issued January 16, 2008 for a value of \$31,500.

During the financial year ended August 31, 2008, the Company has issued 4,437,500 units including a common share and a warrant at the unit price of \$0.08, for cash proceeds of \$355,000 which \$81,881 were assigned to warrants considering a discount of 25% on the stock price. Each warrant will allow the holder to acquire an additional common share at the exercise price of \$0.12 for a two years period following the issue date.

d) Escrowed shares

Under an escrow agreement, 7,118,642 common shares issued as part of the eligible transaction are held in escrow as at August 31, 2008 (9,491,522 in 2007). Pursuant to the agreement terms, 5% of the 11,864,402 common shares initially held in escrow were released on April 20, 2005, the date on which the Final Exchange Bulletin was issued, and 5% were released every six months between October 20, 2005 and April 20, 2007. Finally, 10% will be released every six months beginning on October 20, 2007 until the final release in April 2011. Moreover, under this escrow agreement, 4,166,667 common shares were subject to a special escrow agreement since they are so-called performance shares. Under the terms of the agreement, these shares will be released from the special escrow agreement in proportion to the degree to which performance objectives are achieved in the three years following the eligible transaction. As at April 20, 2008, a total of 363,612 of the 4,166,667 so-called performance common shares were eligible for release from the special escrow agreement. The balance must be cancelled since not all of the performance objectives have been achieved.

Given that the so-called performance shares were issued shares that must be returned in whole or in part if specified conditions were not met, they should not have been taken into consideration in determining the number of issued common shares and earnings per share before the date on which all the conditions for their release were met. Accordingly, the number of outstanding shares and earnings per share for 2007 and 2008 have been restated.

ALPHINAT INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2008 AND 2007

12. STOCK OPTIONS AND WARRANTS

a) Stock options

Subsequent to the reverse takeover on April 27, 2005, the Company introduced a stock option plan. This plan replaced the stock option plan that existed in the capital pool company prior to the reverse takeover transaction. Pursuant to the terms of the new plan, the Board of Directors is authorized to grant directors, officers, employees and consultants of the Company options to acquire common shares of the Company. Options granted under this plan have a maximum term of five years and will be granted at a price and for other conditions determined by the directors in order to achieve the objective of the new plan, the whole in accordance with the applicable regulatory policies. The maximum number of options that can be granted under this plan is 3,937,955.

The maximum number of options that may be granted to a beneficiary of the Company cannot exceed 5% of the total outstanding common shares. The maximum number of options that may be granted to consultants cannot exceed 2% of the total outstanding common shares.

The 2,000,000 options granted under the old plan are still valid but are now subject to the terms and conditions of the new plan.

The following table presents information concerning outstanding stock options granted by the Company as at August 31, 2007 and 2008 (these options are vested and granted).

	Number of options	Weighted average exercise price per share \$	Weighted average contractual life in (months)
Balance - August 31, 2006	4,296,144	0.27	42
Granted	1,765,000	0.10	56
Forfeited	(425,000)	0.30	-
Balance - August 31, 2007	5,636,144	0.22	38
Granted	370,000	0.10	50
Expired	(860,000)	0.20	-
Cancelled	(873,256)	0.30	-
Balance - August 31, 2008	4,272,888	0.20	32

ALPHINAT INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2008 AND 2007

12. STOCK OPTIONS AND WARRANTS (continued)

The estimated fair value of the options granted during the year ended August 31, 2008 was \$17,042 (\$134,766 in 2007), using the Black-Scholes option pricing model with the following assumptions:

	Directors and employees 2008	Directors and employees 2007
Risk-free interest rate	3.85% and 4.50%	3.85% and 4.50%
Expected volatility	100%	100%
Dividend yield	nil	nil
Expected life	5 years	5 years

The following table summarizes information about outstanding stock options granted by the Company as at August 31, 2007 and 2008:

Options outstanding				Options exercisable	
Range of exercise price	Number of options	Weighted average remaining contractual life (months)	Weighted average exercise price	Number of options	Weighted average exercise price
\$			\$		\$
0.10	1,765,000	56	0.10	1,765,000	0.10
0.20	1,075,000	23	0.20	1,075,000	0.20
0.30	2,796,144	31	0.30	2,796,144	0.30
As at August 31, 2007	5,636,144	38	0.22	5,636,144	0.22
0.10	2,135,000	45	0.10	2,135,000	0.10
0.20	215,000	11	0.20	215,000	0.20
0.30	1,922,888	19	0.30	1,922,888	0.30
As at August 31, 2008	4,272,888	29	0.21	4,272,888	0.21

ALPHINAT INC.**NOTES TO THE FINANCIAL STATEMENTS****AUGUST 31, 2008 AND 2007**

12. STOCK OPTIONS AND WARRANTS (continued)**b) Warrants**

During the year ended August 31, 2008, the Company has issued 4,437,500 warrants (none in 2007) at the estimated fair value of \$81,881, by allocating to warrants a value representing the difference between the unit price and the market value discounted by 25%.

The following table presents a reconciliation and information concerning outstanding warrants granted by the Company as at August 31, 2008 and 2007:

	Number	Weighted average exercise price per share \$	Weighted average contractual life in (months)
Balance - August 31, 2006	3,566,667	0.19	16
Expired	(200,000)	0.30	-
Balance - August 31, 2007	3,366,667	0.18	4
Expired	(3,366,667)	0.18	-
Issued	4,437,500	0.12	20
Balance - August 31, 2008	4,437,500	0.12	20

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NOTES TO THE FINANCIAL STATEMENTS

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12. STOCK OPTIONS AND WARRANTS (continued)

The following table summarizes information about outstanding warrants granted by the Company as at August 31, 2007 and 2008:

Warrants outstanding				Warrants exercisable	
Range of exercise price	Number of warrants	Weighted average remaining contractual life (months)	Weighted average exercise price	Number of warrants	Weighted average exercise price
\$			\$		\$
As at August 31, 2007					
0.18	3,366,667	4	0.18	3,366,667	0.18
As at August 31, 2008					
0.12	4,437,500	20	0.12	4,437,500	0.12

13. CONTRIBUTED SURPLUS

	2008	2007
Balance - beginning of year	\$ 310,957	\$ 182,020
Forfeited or expired stock options	406,553	96,861
Expired warrants	114,316	32,076
Balance - end of year	\$ 831,826	\$ 310,957

ALPHINAT INC.

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14. COMMITMENTS

The commitments of the Company under leases agreements aggregate to \$115,599. The instalments over the next three years are the following:

2009	\$	74,589
2010	\$	40,406
2011	\$	604

15. FINANCIAL INSTRUMENTS

Credit risk

Financial instruments that potentially expose the Company to credit risk consist of cash, temporary investments and accounts receivable. The Company maintains its cash balance and temporary investments with a large financial institution, and an allowance for doubtful accounts receivable is established when collection of amounts due from clients is deemed improbable. Management therefore believes that the credit risk is limited. As at August 31, 2008, the Company had a credit concentration since more than 95% of accounts receivable were from a single customer. Due to this customer's excellent financial situation, the Company is of the opinion that this credit risk is limited.

Interest rate risk

The following table presents the Company's exposure to interest rate risk:

Cash and cash equivalents	Non-interest bearing
Accounts receivable	Non-interest bearing
Sales taxes receivable	Non-interest bearing
Research and development tax credits receivable	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Advances from a director and persons related to a director	Non-interest bearing
Loan from a Company under common control	Non-interest bearing
Long-term debt	Variable rate

Fair value

The Company has estimated the fair value of its financial instruments based on actual interest rate, market value and the actual price for a similar financial instrument with similar conditions. Unless otherwise specified, book value is considered approximately equal to the fair value.

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16. RESEARCH AND DEVELOPMENT EXPENSES

	2008	2007
Research and development expenses	\$ 433,339	\$ 447,806
Less: research and development tax credits	(105,873)	(115,140)
	\$ 327,466	\$ 332,666

17. LOSS PER SHARE

For the years ended August 31, 2008 and 2007, there was no difference between the basic and diluted loss per share due to the fact that all stock options, warrants and escrowed performance shares released under certain conditions that are issued have an antidilutive effect and consequently were not included in the calculation. The diluted loss per share was calculated using the weighted average number of common shares outstanding.

18. INCOME TAXES

a) Income tax expense (recovery) on benefits vary from the amount that would have been calculated using the statutory income tax rate of 31,27% (31,68% in 2007) for the following reasons:

	2008	2007
Income tax recovery using the statutory income tax rate	\$ (40,143)	\$ (282,259)
Permanent differences and other	11,066	72,979
Unrecognized tax benefits from non-capital loss	243,633	(53,629)
Unrecognized tax benefits from temporary differences	(214,556)	262,909
	\$ -	\$ -

ALPHINAT INC.

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18. INCOME TAXES (continued)

b) Future income taxes include the following items:

	2008	2007
Future income tax assets		
Non-capital loss	\$ 612,115	\$ 485,230
Research and development expenses	\$ 605,207	\$ 551,647
Research and development tax credits	\$ 258,472	\$ 201,956
Intangible assets	\$ 66,835	\$ 68,186
Unpaid salaries	\$ 46,905	\$ -
Deferred revenues	\$ 48,256	\$ 259,784
Fixed assets	\$ 1,871	\$ 175
Share issue expenses	\$ 50,941	\$ 94,625
	\$ 1,690,602	\$ 1,661,603
Future income tax liabilities		
Work in progress	\$ 1,984	\$ -
Research and development tax credits	\$ 78,575	\$ 62,404
	\$ 80,559	\$ 62,404
	\$ 1,610,043	\$ 1,724,007
Valuation allowance	\$ (1,610,043)	\$ (1,724,007)
	-	-

As at August 31, 2008, the Company had non-capital loss of approximately \$1,912,733 at the federal level and \$2,170,426 at the provincial level. These losses will expire during the following financial years:

	Federal	Provincial
2009	\$ 169,462	\$ 137,789
2014	141,527	423,066
2025	27,143	139,797
2026	785,018	710,191
2028	789,583	759,583
	\$ 1,912,733	\$ 2,170,426

The Company has unused research and development expenses totalling approximately \$1,223,030 at the federal level and of \$3,184,427 at the provincial level that may be carried forward indefinitely.

The Company has unused share issue costs that will gradually expire by August 31, 2013 totalling approximately \$167,570 at the federal level and at the provincial level.

ALPHINAT INC.

NOTES TO THE FINANCIAL STATEMENTS

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18. INCOME TAXES (continued)

In addition, the Company has research and development tax credits totalling approximately \$258,472 at the federal level that it may use to offset future taxable income. These tax credits expire as follows:

	\$
2009	13,988
2010	3,143
2011	123
2015	32,101
2026	83,657
2027	63,366
2028	62,094
	<hr/> 258,472 <hr/>

19. SEGMENTED INFORMATION AND ECONOMIC DEPENDENCE

The Company operates under one reportable segment and all of its long-term assets are located in Canada.

Revenues realized from major clients:

	2008	2008
	%	%
Ministères et organismes du gouvernement du Québec	98	55
Other	2	45

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

20. COMPARATIVE FIGURES

Certain figures for 2007 have been reclassified to make their presentation identical to that adopted in 2008.