

Message to shareholders

Dear shareholders,

Two words have characterized our actions in terms of product development, the team and marketing efforts for fiscal 2008: consolidation and growth.

The innovative approach of guided interactions inherent to the SmartGuide suite allows transforming complex processes and steps into an easy-to-follow and fulfilling user experience. Our software products allow our clients to better serve their constituents by cost-effectively deploying Internet services that are entirely based on their needs and expectations.

Unlike traditional approaches where the burden of finding information and fulfilling mandated procedures rests squarely on the user's shoulders, Alphinat software products allow creating people-centric applications that guide them with 100% relevance every step of the way.

This paradigm shift helps organizations greatly increase the quality and cost-effectiveness of service delivery without having to change their existing processes, systems or infrastructure by leveraging existing knowledge and assets found in different, autonomous departments.

To ensure our software products continue to serve our clients' needs and maintain their competitive edge, we will continue to invest in R&D and make further improvements incrementally using short development cycles.

Since the sale of the government license of SmartGuide to the *Ministère des Services Gouvernementaux*, the Company has focused on ensuring that various government agencies implemented its product for the implementation of citizen-facing value added services. These efforts resulted in contracts with government agencies such as *Revenu Québec*, *Commission des Normes du Travail*, and *Ministère de la Justice*. The contracts are the result of sustained sales efforts with the Quebec government as well as the consolidation of the Alphinat technical team.

We are proud of the fact that our successful implementations with the Quebec government drew international praise. The Organization for Economic Co-operation and Development ("OECD") referred to Alphinat and the Quebec government in their publication entitled « *eGovernment for better government* » in which they recognize the implementation of a single-window of government services in an impressive three-month period. This visibility led to presentations and discussions between Alphinat and the French government. In September 2008, the Company announced the signing of its first European contracts. Alphinat's international market development is strongly focused on establishing partnerships. To that effect, the Company has signed agreements with large systems integrators such as Atos Origin and Bull. These partnerships are part of the execution of the Company's strategic.

During the course of next year, we will continue to focus on commercializing our current software products through direct sales and partnerships as well as expanding our product line. In parallel, we are continuing to build and seek partnerships with leaders in the computing and consulting fields. We expect these efforts to lead to joint commercialization of our product line to various levels of government and expand our reach to more global markets.

In order to be in a stronger position to manage liquidity needs that are required to fuel corporate growth, Alphinat named Mr. Curtis Page as Executive vice-president, Chief financial officer and Chief operating officer. Mr. Page has 20 years of experience in capital markets. His experience in managing operations as well as his knowledge of institutional markets will prove invaluable to the Company. Mr. Page, who is also a Director of the Company, took a significant ownership position with a private placement during fiscal 2008.

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It is therefore with much enthusiasm and confidence that we foresee the future of the company and its ability to create value for all of its stakeholders. We would like to thank our employees, officers and directors for their contributions. Finally, we would like to thank our shareholders for their continued trust and support.

Michel Lemoine
Chairman of the board

Philippe Lecoq
Chief executive officer

Management Discussion and Analysis

Alphinat Inc. (“Alphinat” or the “Company”) (TSX Venture Exchange: NPA) has reported its results for the 12-month period ended August 31, 2008.

General

This Management Discussion and Analysis (“MD&A”) was prepared as of November 28, 2008 and should be read in conjunction with Alphinat’s audited financial statements and the notes thereto for the fiscal years ended August 31, 2008 and August 31, 2007.

These financial statements were prepared by management in accordance with Canadian generally accepted accounting principles.

All dollar amounts are expressed in Canadian dollars unless stated otherwise. This MD&A was prepared based on information available as of November 28, 2008.

Overview

Alphinat Inc. develops, markets and supports SmartGuide software suite that enables non-technical managers to configure and deploy complex Web applications and utilities to better serve clients. This solution facilitates finding information that is 100% relevant to a person or the situation as well as making it easy to complete tasks electronically easily and error-free. SmartGuide allows a experience similar to an in person help transposed over the WEB that result in greater user adoption, customer satisfaction and employee productivity.

Using its SmartGuide software suite, Alphinat implemented an innovative on-line government solution that is entirely centered on the needs of citizens and enterprises. This solution was adopted by the government and recognized internationally as an innovative solution for e-government solutions as a “best Internet practices”.

Fiscal 2008 shows a increase of 313% in revenue as compared to 2007 while net losses decreased from \$0.029 per share () to 0.004\$ per share. These changes are attributed to the increased sales and marketing efforts of the Company that has now moved out of the research and development stage.

Business Operations

During the year under review and to the date of this MD&A, the Company’s operations have focused on the marketing of SmartGuide, its flagship product, and related professional services. In fiscal 2008 Alphinat consolidated its activities with the Government of Québec in signing a contact with Revenu Québec for the support of the SmartGuide software experts at Alphinat for the implementation, evolution and use of this tool for the development of constituent-centric Internet services. Revenu Québec who has been awarded numerous prizes for the quality of its electronic services is currently setting up a centre of excellence for the use of all Québec ministries and quasi government organization to benefit from its knowledge. The Revenu Québec centre of excellence will offer SmartGuide as a common service offering at the disposal of 250 Government of Québec departments and agencies as a result of the governmental license acquired in June 2007. On the back of its success with the Government of Québec the company has accelerated its international marketing efforts. The first results of these efforts were made public on September 15, 2008, with the announced signing of two partnership agreements in France with Bull and Berger-Levrault for the delivery of proofs of concept to two French government ministries as well as the announced signing of a contract with the Hague Conference On Private International Law. Alphinat continues to pursue it strategic focus on the Government of Québec and prospect in new markets through partnerships.

Selected annual data (audited)

	2008	2007	2006
	\$	\$	\$
Revenue	1,342,504	341,060	111,550
Net income (loss)	(128,377)	(890,969)	(689,129)
Loss per share (basic and diluted)	(0.004)	(0.029)	(0.028)
Total assets	585,457	918,833	747,145
Total long-term financial liabilities, including current portion	16,700	36,740	46,740

Selected quarterly financial data (unaudited)

	2008 fiscal year			
	Q4	Q3	Q2	Q1
	\$	\$	\$	\$
Revenue	545,317	251,464	217,283	328,440
Net income (loss)	139,056	(214,034)	(73,206)	19,807
Earnings (loss) per share (basic and diluted)	0.004	(0.007)	(0.002)	0.001
	2007 fiscal year			
	Q4	Q3	Q2	Q1
	\$	\$	\$	\$
Revenue	225,436	38,063	38,063	39,498
Net (loss)	(333,673)	(167,946)	(228,158)	(161,189)
Loss per share (basic and diluted)	(0.012)	(0.005)	(0.007)	(0.005)

The increase in revenue and decrease in loss is attributed to the increased sales and marketing efforts of the Company that has now moved out of the research and development stage

Revenue

For the 12-month period ended August 31, 2008, the Company recorded total revenue of \$1,342,504 compared to \$341,060 for the same period in 2007.

Revenue was \$545,317 for the quarter ended August 31, 2008 compared to \$225,436 revenue for the same quarter in 2007.

The 2008 revenue results partly from revenue recognition of the SmartGuide governmental license sale and partly related services related to this license provided to the Government of Québec.

In 2007 revenues were essentially from revenue recognition of the SmartGuide governmental license sale.

The SmartGuide license sale to the Government of Québec contributes to improve transactional services. As a result of the governmental license sale SmartGuide suite is now at the disposal of all Government of Québec departments and agencies that wish to use this new tool to give their users WEB access to their broad service offerings. This offering to the ministries and agencies will be made through the centre of excellence of Revenu Québec with the support of the Alphinat team.

Operating expenses

For the period under review, operating expenses rose from \$1,225,264 to \$1,469,514. This increase is due to hiring of additional employees and to increased recourse to outsourcing to meet the growing demand of services from the Quebec government.

Salaries increased by \$284,144 for the period as a result of the hiring of new marketing, development and operational staff.

During the period subcontracting expenses increased from \$56,109 to \$420,283 as a result of an increase in the size and number of mandates the company worked on.

An amount of \$21,542 in the form of stock-based compensation represents the fair market value of the 220,000 stock options granted to Company key senior management and the 150,000 options granted to a Company director on October 24, 2007 in addition to the adjustments made the valuation of shares issued to an officer during the previous period.

For the year under review, research and development expenses, net of research and development tax credits remained essentially the same as in 2007.

Financial expenses

Financial expenses amounted to a net expense of \$1,367 for fiscal 2008 compared to net expense of \$6,765 for fiscal 2007. The difference is due to an increase in investment income on temporary investments.

Loss for the period

The net loss for fiscal 2008 was \$128,377 or \$0.004 per share (weighted average number of common shares outstanding) compared to \$890,969 or \$0.029 per share (weighted average number of common shares outstanding) in fiscal 2007. It should be noted that, the increase in license revenues and related service mandates help reduce the losses reported.

For the quarter ended August 31, 2008, the net income was \$139,056 or \$0.004 per share (weighted average number of common shares outstanding) compared to a net loss of \$333,673 or \$0.012 per outstanding common share for the same period of 2007.

The annual results show a reduction in loss and a fourth quarter profit as the Company has moved to the marketing stage.

Assets

Cash and cash equivalents amounted to \$127,499 as at August 31, 2008 compared to \$773,439 as at August 31, 2007. This change is due to additional expenses incurred to meet the growing demand for services from the Quebec government as well as increased sales and marketing activities.

Accounts receivable were \$274,654 compared to \$340 in 2007. The increase is due to the fact that the Company has moved from the research and development stage to the sales and marketing of its products and services.

Sales taxes receivable increased from \$12,476 in 2007 to \$34,953 in 2008. The increase is due to the fact that the Company has paid more sub-contractors due to increasing services demand from the Quebec government.

R&D tax credits receivable remained essentially the same down from \$116,564 in 2007 to \$105,873 in 2008.

Liabilities

Accounts payable and accrued charges rose from \$260,063 in 2007 to \$399,218 in 2008. This is due to an increase in trade accounts payable.

Deferred revenue decreased from \$851,750 in 2007 to \$158,738 in 2008 due to the fact that the government license sold in 2007 was fully recognized by the end of the third quarter of the fiscal year under review in accordance with Emerging Issues Committee Abstracts EIC-141 to EIC-143 on software sales revenue recognition and the American Institute of Certified Public Accountants' ("AICPA") Statement of Position (SOP) 97-2, "Software Revenue Recognition". Accordingly the renewal of the maintenance in February will be recognized in a linear fashion over a 12-month period.

Advances in the amount of \$84,967 made to the Company by a director and non-arm's length parties remained the same as in 2007.

The current portion of the loan from a company under common control decreased from \$122,391 in 2007 to \$98,391 in 2008 due to a partial repayment of this loan. This non-interest-bearing loan will be repaid in monthly installments of \$12,000 beginning in October 2007. It is to be noted that only two installments were made in fiscal 2008.

Long-term debt current portion of \$16,700 relate to a loan from the Business Development Bank of Canada.

Shareholders' equity

During the fiscal year ended August 31, 2008, the Company proceeded with a private placement to raise \$355,000 and issued 4,437,500 share units.

In accordance to an escrow agreement dating back to the qualifying transaction between Surfshop E-Commerce Inc. and Alphinat Inc. on April 20, 2005, 4,166,667 performance shares were to be released from escrow according to attainment of specified sales objectives. These objectives having only been partially met, 363,612 performance shares were eligible for release, the balance of the performance shares are to be cancelled.

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.

As at the date of this report, 35,491,112 common shares of the Company were outstanding.

Options and warrants

In October 2007, the Company agreed to grant 220,000 options at an exercise price of \$0.10 per share as additional compensation to key employees. The options expire on October 24, 2012.

Also in October 2007, the Company's board of directors granted 150,000 options to a Director at an exercise price of \$0.10 per share with an expiry date of October 24, 2012.

During the fiscal period 860,000 options expired and 873,256 were canceled in accordance with Alphinat's option plan.

During the year, 3,366,667 warrants expired and 4,437,500 were issued as part of a private placement financing of \$355,000.

Note 12 to the financial statements provides details on the amount of options and warrants outstanding as at August 31, 2008 that relates respectively to:

- 4,272,888 options with an average exercise price of \$0.21, a weighted contractual life of 29 months and a fair market value of \$641,931;
- 4,437,500 warrants with an average exercise price of \$0.12, a contractual life of 20 months and a fair market value of \$81,881.

Liquidity and solvency

As at August 31, 2008, the Company had cash and equivalents totaling \$127,499 compared to \$773,439 as at August 31, 2007. In order to finance its operations, the Company can count on its accounts receivables and it anticipates that it will, in the near future, enter into significant licensing agreements for Alphinat products and professional services contracts relating to its products as a result of marketing initiatives under way.

The Company believes that the funds currently available and those it will obtain upon entering into contracts resulting from initiatives under way will enable it to recruit the additional personnel required to ensure its growth and to meet its financial obligations as they become due.

Long-term commitments

As at August 31, 2008, the Company is responsible for the following long-term commitments:

- current lease for the Montreal offices with monthly payments of \$4,647.50 until March 31, 2009 and monthly payments of \$4,736.88 from April 1, 2009 to March 31, 2010;
- current lease for the Quebec City offices with monthly payments of \$927 until August 31, 2009; and
- monthly payments of \$604 until September 27, 2010 on its vehicle lease contract.

Related party transactions

During the period under review, one of the Company's directors provided the Company with a credit facility of \$240,000 that bears interest at a rate of 6%. Under the terms of the credit facility, the Company is to grant stock options equivalent to the amount of the loan divided by the closing price of the Company's common shares on the TSX Venture Exchange on the day preceding the loan (subject to a minimum price of \$0.10 per share). Certain accounts receivable have been pledged as security for the loan. As at August 31, 2008, no amount is drawn on this credit facility. As of the date of this report, this credit facility is no longer available to the Company following the resignation of director on September 30, 2008.

No other transaction was entered into with related parties, except for a partial repayment of advances due to an affiliate.

Financial instruments

Information on financial instruments is presented in note 15 to the financial statements.

Subsequent events

In September 2008 the company announced the signing of two partnership agreements in France for the completion of proofs of concepts for French government ministries. These agreements align perfectly with Alphinat strategic plan of penetrating new markets through partnerships.

Off balance sheet arrangements

There were no below-the-line arrangements or arrangements likely to have an impact on our operating results or our financial situation.

Risks and uncertainties

The main uncertainty relates to the length of the sales cycle in the public and health care sectors where the Company has thus far concentrated the bulk of its efforts.

Several factors could impact actual results and cause them to be different from expected results. These factors include the Company's ability to develop new markets and partnerships and its dependence on a limited number of customers.

Alphinat has limited financial resources and could require additional cash resources that may not be available or be available under conditions deemed unacceptable to the Company.

The significant value of Alphinat's Internet tools and solutions could draw attention from players who are capable of deploying considerable means to develop competing products, which would affect Alphinat's business potential.

The Company uses and intends to continue to use various measures such as copyrights, trademarks, trade secrets legislation, confidentiality agreements and other contractual terms in order to establish, to maintain and to protect its intellectual property rights. Unauthorized parties could attempt to copy certain of the Company's products or portions of its products or to obtain what is considered as proprietary information. With increased competition, there is a greater risk that other companies will attempt to produce new substitute products or technologies.

Accounting policies and estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the period. Critical accounting estimates relate to the valuation of warrants and stock options and to the valuation allowance for future income taxes.

These financial statements have been prepared in accordance with Canadian GAAP.

Revenue recognition

The Company recognizes revenue from the sale of software user licenses and related customer technical support services as well as other related services in accordance with AICPA's Statement of Position (SOP) 97-2, "Software Revenue Recognition." Fees earned from license agreements, technical support service and other related service agreements are generally allocated to the various activities or deliverables based on objective and supplier-specific evidence of the fair value of each deliverable or activity. As the Company does not have a long sales history, it is considered to not have sufficient objective and supplier-specific evidence required to support the fair value for each item of these

agreements. Consequently, revenue from sales of licenses and related technical support service activities is recognized ratably over the contract term. Revenue from other related services is recognized as the services are provided.

Professional service fees are generally billed on the basis of the hours worked to provide the services. Revenue from these services is recognized as the services are provided. Work in process is determined on the basis of services provided but not yet billed. Amounts received for services not yet provided are recorded in deferred revenue and are recognized in revenue when the services are provided.

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.

Future changes in accounting standards

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.

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.

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 statement 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.

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.

Stock option agreements

The Company provides stock option and stock-based compensation plan that is described in note 12 to the financial statements.

Continuous disclosure process and disclosure controls

The Company files its financial statements, management discussions and analyses, press releases and other required documents in the Sedar database at www.sedar.com.

The Company's shares are listed on the TSX Venture Exchange under stock symbol NPA.

At the date of this report, the Company issued a governance document detailing its risk control and analysis procedures based on the COSO framework, "Internal Control over Financial Reporting – Guidance for Smaller Public Companies." This requirement is included in the provisions of Certification of Disclosure in Issuers' Annual and Interim Filings ("Regulation 52-109") on internal control over financial reporting issued by the Autorité des marchés financiers.

In conformity with Regulation 52-109, the effectiveness of the Company's controls and financial reporting procedures was assessed. Based on this assessment, the President and Chief Executive Officer and the Chief Financial Officer have reached the conclusion that the controls and financial reporting procedures were effective at the end of the year ended August 31, 2008. They also reached the conclusion that the design of these controls and procedures provides reasonable assurance that material information relating to the Company is made known to them by others within those entities,

particularly during the period in which the interim and annual filings are being prepared. The purpose of the Company's internal control over financial reporting is to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in accordance with GAAP. No change to an internal control mechanism that has had or could likely have a material impact on internal control was reported by others within those entities or was identified by management for the year ended August 31, 2008.

In addition, the Company issued its code of ethics that was sent to all employees by the Chief Executive Officer. The company instructs all employees invited to contact the audit committee directly if they are aware of information that could potentially impact the Company's financial statements.

Given Alphinat's current size, it is difficult to ensure segregation of all management duties. However, the Chief Executive Officer's direct involvement in the business on a daily basis compensates for this weakness, as he is able to exercise more effective oversight than in a larger entity as well as by the hiring of a chief financial officer.

Outlook

Alphinat specializes in the development and marketing of service-oriented architecture (SOA) products that simplify and accelerate the implementation of applications, sites and portals designed to meet specific user needs while ensuring reuse of computer resources and experience within an organization. The Company's products respond to a real need in the market, which is definitely moving toward the deployment of reusable services and the use of organizations' internal expertise.

The Company's SmartGuide suite is the result of years of experience with customers who saw the need to customize access to their data and processes based on users' needs and situation regardless of where the computer systems were located. This capability is crucial for making it easier for citizens and businesses to deal with the government, whose operations lead to many complex procedures. Alphinat's unified access layer is part of the Government of Quebec's new generation of service portals that are currently being deployed. The Company is actively working to build on this added value and to establish an integrated support, training and service delivery plan for its software solution.

There is a strong potential for Alphinat's "turnkey" solution in the public sector market. Indeed, in most public administrations, the large number of retirements anticipated over the coming decade, the increasing number of procedures and their increasing complexity, and the reduction of operating budgets require an improvement in the public sector's productivity while users press for a radical simplification of the administrative burden. This need is equally felt in Quebec where Alphinat has been active as well internationally as illustrated by the partnership deals in France concluded in September.

Forward-looking statements

This MD&A contains forward-looking statements regarding the Company. These forward-looking statements are inherently subject to certain risks and uncertainties that could cause actual results to be materially different from those suggested by these statements.

The Company believes that these forward-looking statements were based on premises that were reasonable at the time they were made. However, readers are warned that future assumptions, several of which are beyond management's control, could otherwise prove to be incorrect.

Readers are invited to refer to Sedar (www.sedar.com) for additional information on the Company.