

ALPHINAT INC.

INTERIM FINANCIAL STATEMENTS

(unaudited)

Third quarter ended

May 31, 2008

The enclosed unaudited interim financial statements have been prepared by management and have not been reviewed by the Company's auditors. The Financial Statements should be read in conjunction with the audited annual financial statements for the year ended August 31, 2007. The financial statements contain prospective declarations based on assumptions that reflect the expectations of Alphinat Inc. at this time. With these declarations come risks and uncertainty that can affect income, and events may be noticeably different from what is expected. Other factors of uncertainty are noted in the documentation that Alphinat filed with the Canadian Securities Administration.

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

| | (unaudited) May 31, 2008 \$ | (audited) August 31, 2007 \$ |
|--|--------------------------------------|---------------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 220,011 | 773,439 |
| Accounts receivable, <i>less provision for bad debts</i> | 9,255 | 340 |
| Sales taxes receivable | 41,538 | 12,476 |
| Prepaid expenses | 1,532 | 3,751 |
| Research and development tax credits receivable | 91,320 | 116,564 |
| | 363,656 | 906,570 |
| Furniture and equipment <i>(note 4)</i> | 10,854 | 11,556 |
| Computer software , <i>less accumulated amortization of \$ 21,585 (August 31, 2007 - \$ 21,222)</i> | 344 | 707 |
| Intangible assets - trade marks , <i>less accumulated amortization of \$ 1,219</i> | 5,281 | - |
| | 380,135 | 918,833 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities <i>(note 5)</i> | 369,954 | 260,063 |
| Deferred revenues | 115,349 | 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 <i>(note 6)</i> | 98,391 | 122,391 |
| Current portion of long-term debt <i>(note 7)</i> | 20,040 | 20,040 |
| | 688,701 | 1,339,211 |
| Long-term debt <i>(note 7)</i> | 1,670 | 16,700 |
| | 690,371 | 1,355,911 |
| SHAREHOLDERS' EQUITY (DEFICIENCY) | | |
| Capital stock <i>(note 8)</i> | 4,691,333 | 4,314,100 |
| Stock options <i>(note 9 a))</i> | 840,953 | 1,031,442 |
| Warrants <i>(note 9 b))</i> | 130,478 | 114,316 |
| Contributed surplus <i>(note 10)</i> | 502,326 | 310,957 |
| Deficit | (6,475,326) | (6,207,893) |
| | (310,236) | (437,078) |
| | 380,135 | 918,833 |

Going concern *(note 1)***Approved by the Board of Directors,**

Director

Director

ALPHINAT INC.**INTERIM STATEMENTS OF DEFICIT****FOR THE THREE AND NINE MONTHS PERIOD ENDED MAY 31, 2008 AND MAY 31, 2007**

| | May 31, 2008 (3 months) (unaudited) \$ | May 31, 2007 (3 months) (unaudited) \$ | May 31, 2008 (9 months) (unaudited) \$ | May 31, 2007 (9 months) (unaudited) \$ |
|--------------------------------------|---|---|---|---|
| BALANCE - BEGINNING OF PERIOD | (6,261,292) | (5,597,656) | (6,207,893) | (5,316,924) |
| Net loss | (214,034) | (167,946) | (267,434) | (557,295) |
| BALANCE - END OF PERIOD | (6,475,326) | (5,765,602) | (6,475,327) | (5,874,219) |

Going concern (note 1)

ALPHINAT INC.**INTERIM STATEMENTS OF LOSS****FOR THE THREE AND NINE MONTHS PERIOD ENDED MAY 31, 2008 AND MAY 31, 2007**

| | May 31, 2008 (3 months) (unaudited) \$ | May 31, 2007 (3 months) (unaudited) \$ | May 31, 2008 (9 months) (unaudited) \$ | May 31, 2007 (9 months) (unaudited) \$ |
|---|---|--|---|--|
| REVENUES | 251,464 | 38,063 | 797,188 | 115,624 |
| OPERATING EXPENSES | | | | |
| Cost of services, selling and administrative | 411,086 | 123,613 | 983,242 | 341,716 |
| Amortization of furniture and equipment and computer software | 946 | 1,148 | 6,707 | 3,813 |
| Amortization of intangible assets | 203 | - | 1,219 | - |
| Stock-based compensation (notes 8 c) and 9 a)) | - | - | 21,542 | 58,600 |
| Research and development (note 13) | 51,667 | 79,754 | 51,667 | 263,021 |
| | 463,902 | 204,515 | 1,064,377 | 667,150 |
| OPERATING LOSS | (212,438) | (166,452) | (267,189) | (551,526) |
| FINANCING EXPENSES (REVENUES) | | | | |
| Interest and bank charges | 723 | 201 | 1,874 | 2,792 |
| Interest on long-term debt | 873 | 1,398 | 3,024 | 3,943 |
| Interest income | - | (105) | (4,653) | (966) |
| | 1,596 | 1,494 | 245 | 5,769 |
| LOSS FOR THE PERIOD | (214,034) | (167,946) | (267,434) | (557,295) |
| Basic and diluted loss per share (note 14) | (0.005) | (0.005) | (0.007) | (0.016) |
| Weighted average number of common shares outstanding | 39,294,167 | 34,856,667 | 39,294,167 | 34,856,667 |

Going concern (note 1)

ALPHINAT INC.**INTERIM STATEMENTS OF CASH FLOW****FOR THE THREE AND NINE MONTHS PERIOD ENDED MAY 31, 2008 AND MAY 31, 2007**

| | May 31, 2008 (3 months) (unaudited) \$ | May 31, 2007 (3 months) (unaudited) \$ | May 31, 2008 (9 months) (unaudited) \$ | May 31, 2007 (9 months) (unaudited) \$ |
|---|---|---|---|---|
| Cash flows from | | | | |
| OPERATING ACTIVITIES | | | | |
| Loss for the period | (214,034) | (167,946) | (267,434) | (557,295) |
| Amortization of furniture and equipment | 908 | 95 | 363 | 319 |
| Amortization of intangible assets | 203 | - | 1,219 | - |
| Stock-based compensation expense | - | - | 48,542 | 58,600 |
| | (212,923) | (167,851) | (217,310) | (498,376) |
| Net changes in non-cash working capital items (note 3) | 36,608 | 48,198 | (637,024) | 171,427 |
| | (176,315) | (119,653) | (854,334) | (326,949) |
| INVESTING ACTIVITIES | | | | |
| Purchase of furniture and equipment | (980) | - | (5,641) | - |
| Purchase of intangible assets | - | - | (6,500) | - |
| | (980) | - | (12,141) | - |
| FINANCING ACTIVITIES | | | | |
| Repayment of long-term debt | (5,010) | - | (15,030) | (5,010) |
| Repayment of loan from a company under common control | - | - | (24,000) | - |
| Issuance of capital stock and warrants | 355,000 | - | 355,000 | - |
| Share issue costs | (7,840) | - | (9,267) | - |
| Repayment of advances from a director and persons related to a director | - | (696) | - | (8,155) |
| | 342,150 | (696) | 306,703 | (13,165) |
| DECREASE (INCREASE) IN CASH DURING THE PERIOD | 164,855 | (120,349) | (559,772) | (340,114) |
| CASH - BEGINNING OF PERIOD | 55,118 | 226,402 | 774,439 | 443,726 |
| CASH - END OF PERIOD | 219,973 | 106,053 | 214,667 | 103,612 |

Cash and cash equivalents consist of cash.**Going concern (note 1)**

NOTES TO THE FINANCIAL STATEMENTS**AS AT MAY 31, 2008 AND AUGUST 31, 2007**

1. CONSTITUTION, DESCRIPTION OF BUSINESS AND GOING CONCERN

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 is on the public and health care sectors and 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. Although cash flows are positive for the year ending August 31, 2007, they were negative for the years ending August 31, 2004, 2005 and 2006, 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, 2007 and has deferred revenues amounting to \$851,750 which will be recognized next year. For the third quarter ending May 31, 2008, the Company has net loss of \$214,034 and deferred revenues of \$115,349 that will be recognized during subsequent quarters. 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 include any adjustments that might 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 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 comprise cash, bank overdraft and highly liquid investments with original maturities of three months or less from the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS**AS AT MAY 31, 2008 AND AUGUST 31, 2007**

2. ACCOUNTING POLICIES (CONTINUED)**Furniture and equipment and computer software**

Furniture and equipment and computer software are recorded at cost, less research and development tax credits applied against them. Amortization of furniture and equipment and computer software is accounted for using the declining balance method at the following annual rates:

| | |
|--------------------------------|-----|
| Office furniture and equipment | 20% |
| Computer equipment | 40% |
| Software | 40% |

Intangible assets

Intangible assets are recorded at cost. Amortization is calculated on their respective estimated useful life using the straight-line method over a period of four 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 expense 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. At May 31, 2008 and August 31, 2007, no development costs have been deferred.

NOTES TO THE FINANCIAL STATEMENTS**AS AT MAY 31, 2008 AND AUGUST 31, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS**AS AT MAY 31, 2008 AND AUGUST 31, 2007**

2. ACCOUNTING POLICIES (CONTINUED)**Financial instruments - Recognition and measurement (continued)**

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.

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.

NOTES TO THE FINANCIAL STATEMENTS**AS AT MAY 31, 2008 AND AUGUST 31, 2007**

2. ACCOUNTING POLICIES (CONTINUED)**Stock-based compensation**

The Company has granted stock options as described in note 9 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.

3. CASH FLOWS**Net change in non-cash working capital items**

| | (unaudited) May 31, 2008 (3 months) \$ | (unaudited) May 31, 2007 (3 months) \$ | (unaudited) May 31, 2008 (9 months) \$ | (unaudited) May 31, 2007 (9 months) \$ |
|--|--|--|--|--|
| Accounts receivable | 14,746 | (1,012,000) | (8,915) | (986,189) |
| Income taxes receivable | 85,564 | 121,446 | 25,244 | 116,896 |
| Work in progress | 5,740 | - | - | - |
| Prepaid expenses | 4,377 | 678 | 2,219 | 1,231 |
| Accounts payable and accrued liabilities | 211,742 | (36,000) | 109,891 | (52,364) |
| Sales taxes receivable | (24,641) | 137 | (29,062) | 31,542 |
| Deferred revenues | (260,920) | 786,437 | (736,401) | 872,811 |
| Income provision | - | 187,500 | - | 187,500 |
| | 36,608 | 48,198 | (637,024) | 171,427 |

Cash flows from interest

| | (unaudited) May 31, 2008 (3 months) \$ | (unaudited) May 31, 2007 (3 months) \$ | (unaudited) May 31, 2008 (9 months) \$ | (unaudited) May 31, 2007 (9 months) \$ |
|---------------|--|--|--|--|
| Interest paid | 873 | 1,494 | 3,024 | 5,769 |

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

4. FURNITURE AND EQUIPMENT

| | Cost \$ | Accumulated amortization \$ | Net \$ |
|----------------------------------|----------------|-----------------------------------|---------------|
| May 31, 2008 (unaudited) | | | |
| Computer equipment | 116,405 | 109,712 | 6,693 |
| Office furniture and equipment | 20,245 | 16,084 | 4,161 |
| | 136,650 | 125,796 | 10,854 |
| August 31, 2007 (audited) | | | |
| Computer equipment | 111,521 | 104,871 | 6,650 |
| Office furniture and equipment | 19,487 | 14,581 | 4,906 |
| | 131,008 | 119,452 | 11,556 |

5. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

| | (unaudited) May 31, 2008 \$ | (audited) August 31, 2007 \$ |
|--|--------------------------------------|---------------------------------------|
| Accounts payable and accrued liabilities | 356,685 | 111,570 |
| Salaries and fringe benefits | 13,269 | 148,493 |
| | 369,954 | 260,063 |

NOTES TO THE FINANCIAL STATEMENTS**AS AT MAY 31, 2008 AND AUGUST 31, 2007**

6. LOAN FROM A COMPANY UNDER COMMON CONTROL

The loan from a company under common control is non-interest bearing and will be reimbursed by monthly installments of \$12,000 starting October 2007. During the first quarter payments of \$24,000 were made. No installment was made during the second and third quarters.

7. LONG-TERM DEBT

| | (unaudited) May 31, 2008 | (audited) August 31, 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. | 21,710 | 36,740 |
| Less: current portion: | (20,040) | (20,040) |
| | 1,670 | 16,700 |

During the financial year ended August 31, 2007, the Company benefited from a deferred capital payment on the loan for a period of six months.

Principal repayment to be made is \$20,040 and \$16,700 respectively for 2008 and 2009.

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, 2007 and May 31, 2008, no amount of this facility was in use.

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

8. CAPITAL STOCK

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

Issued

| | Number | Amount |
|--|---------------|------------------|
| | | \$ |
| <hr/> | | |
| Common shares | | |
| Balance - August 31, 2005 | 27,896,667 | 3,615,657 |
| Share issuance (note 8 b)) | 5,000,000 | 600,000 |
| Conversion of debentures (note 8 b)) | 866,667 | 130,000 |
| Conversion of a portion of a loan from a company under common control (note 8 b)) | 793,333 | 119,000 |
| Share issue costs | - | (36,241) |
| Fair value of warrants issued | - | (114,316) |
| <hr/> | | |
| Balance - August 31, 2006 and 2007 (note 8 c)) | 34,556,667 | 4,314,100 |
| Share issue costs | | (9,267) |
| Share issuance (note 8 c) d)) | 4,737,500 | 386,500 |
| <hr/> | | |
| Balance - May 31, 2008 | 39,294,167 | 4,691,333 |
| <hr/> | | |

b) In fiscal year 2006, the Company issued 5,000,000 common shares for cash proceeds of \$600,000 in a private placement. Additionally, the Company issued convertible debentures bearing interest at 6% for an amount of \$130,000. On August 23, 2006, these debentures were converted into 866,667 common shares.

Additionally, a portion of a loan from a company under common control in the amount of \$119,000 was cancelled and converted into 793,333 common shares.

c) In November 2006, the Company authorized the issuance of 300,000 common shares as additional compensation to one of its officers. 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.

d) During the third quarter of the financial year ended August 31, 2008, the Company has issued 4,437,500 common shares for cash proceeds of \$355,000 in private placements.

NOTES TO THE FINANCIAL STATEMENTS**AS AT MAY 31, 2008 AND AUGUST 31, 2007**

9. STOCK OPTIONS AND WARRANTS

- a) 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 May 31, 2008 and August 31, 2007 and 2006 (these options are vested and granted).

| | Number of options | Weighted average exercise price per share | Weighted average contractual life in (months) |
|---------------------------|------------------------------|--|--|
| | | \$ | |
| Balance - August 31, 2005 | 5,221,144 | 0.26 | 44 |
| Expired | (925,000) | 0.20 | - |
| 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 | 56 |
| Expired | (860,000) | 0.20 | - |
| Balance - May 31, 2008 | 5,146,144 | 0.21 | 32 |

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

9. STOCK OPTIONS AND WARRANTS (CONTINUED)

The estimated fair value of the options granted during the year ended August 31, 2007 was \$134,766, and \$17,042 during the first quarter ended November 30, 2007, using the Black-Scholes option pricing model with the following assumptions:

| | Directors and employees |
|-------------------------|------------------------------------|
| Risk-free interest rate | 3,85 % and 4,5 % |
| Expected volatility | 100% |
| Dividend yield | nil |
| Expected life | 5 years |

The following table summarizes information about outstanding stock options granted by the Company as at May 31, 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 | 2,135,000 | 48 | 0.10 | 2,135,000 | 0.10 |
| 0.20 | 215,000 | 14 | 0.20 | 215,000 | 0.20 |
| 0.30 | 2,796,144 | 22 | 0.30 | 2,796,144 | 0.30 |
| | 5,146,144 | 32 | 0.21 | 5,146,144 | 0.21 |

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

9. STOCK OPTIONS AND WARRANTS (CONTINUED)

- b) During the third quarter ended May 31, 2008, the Company has issued 4,437,500 warrants and the estimated fair value is \$130,478, using the Black-Scholdes pricing model with the following assumptions:

| | Directors and employees |
|--------------------------|------------------------------------|
| Risk-free interest rate | 4.06% |
| Expected volatility | 100% |
| Dividend yield | nil |
| Expected life | 1.5 years |
| Issuance date fair value | \$ 0.08 |

The following table presents a reconciliation and information concerning outstanding warrants granted by the Company as at May 31, 2008 and August 31, 2007, 2006 and 2005:

| | Number | Weighted average exercise price per share \$ | Weighted average contractual life in (months) |
|---------------------------|---------------|---|--|
| Balance - August 31, 2005 | 200,000 | 0.30 | 8 |
| Issued | 3,366,667 | 0.18 | 18 |
| <hr/> | | | |
| Balance - August 31, 2006 | 3,566,667 | 0.19 | 16 |
| Expired | (200,000) | 0.30 | - |
| <hr/> | | | |
| Balance - August 31, 2007 | 3,366,667 | 0.18 | 4 |
| Expired | (3,366,667) | 0.18 | - |
| Issued | 4,437,500 | 0.12 | 23 |
| <hr/> | | | |
| Balance - May 31, 2008 | 4,437,500 | 0.12 | 23 |

10. CONTRIBUTED SURPLUS

| | (unaudited) May 31, 2008 \$ | (audited) August 31, 2007 \$ |
|------------------------------------|--|---|
| Balance - Beginning of period | 310,957 | 182,020 |
| Forfeited or expired stock options | 207,531 | 96,861 |
| Expired warrants | 114,316 | 32,076 |
| Issuance of warrants | (130,478) | - |
| <hr/> | | |
| Balance - End of period | 502,326 | 310,957 |

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

11. COMMITMENTS

The minimum future payments under the terms of a vehicle lease maturing in September 2010 total \$16,308. The minimum payments related to the leases of the Company's premises in Montreal and Quebec City, maturing in March 2010 and August 2008, total \$107,525 and \$7,800 respectively.

12. 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.

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 |

13. RESEARCH AND DEVELOPMENT EXPENSES

| | (unaudited) May 31, 2008 (3 months) \$ | (audited) August 31, 2007 (12 months) \$ |
|--|---|---|
| Research and development expenses | 82,667 | 447,806 |
| Less: Research and development tax credits | (31,000) | (115,140) |
| | 51,667 | 332,666 |

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

14. LOSS PER SHARE

For the period ended May 31, 2008 and the year ended August 31, 2007, there was no difference between the basic and diluted loss per share due to the fact that all stock options and warrants issued have an anti-dilutive 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.

Options with acquisition rights to 2,796,144 common shares with an exercise price of \$0.30 per share, 1,075,000 common shares with an exercise price of \$0.20 per share and 2,135,000 common shares (1,765,000 - August 31, 2007) with an exercise price of \$0.10 per share were outstanding as at May 31, 2008. However, those options were not used in calculating the diluted loss per share due to the fact that the exercise price of the options was greater than the average market value of the common shares.

15. 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 31.68% as at August 31, 2007 for the following reasons:

| | (unaudited) May 31, 2008 \$ | (audited) August 31, 2007 \$ |
|---|---|---------------------------------------|
| Income tax recovery using the statutory income tax rate | (282,259) | (282,259) |
| Permanent differences and other | 72,979 | 72,979 |
| Unrecognized tax benefits from non-capital loss | (53,629) | (53,629) |
| Unrecognized tax benefits from temporary differences | 262,909 | 262,909 |
| | - | - |

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

15. INCOME TAXES (CONTINUED)

b) Future income taxes comprise the following items:

| | (unaudited) May 31, 2008 \$ | (audited) August 31, 2007 \$ |
|---|--------------------------------------|---------------------------------------|
| Future income tax assets | | |
| Non-capital loss | 485,230 | 485,230 |
| Research and development expenses | 551,647 | 551,647 |
| Intellectual properties | 68,186 | 68,186 |
| Deferred revenues | 259,784 | 259,784 |
| Furniture and equipment and computer software | 175 | 175 |
| Share issue costs | 94,625 | 94,625 |
| | 1,459,647 | 1,459,647 |
| Future income tax liabilities | | |
| Furniture and equipment and computer software | - | - |
| Research and development tax credits | 62,404 | 62,404 |
| | 62,404 | 62,404 |
| | 1,397,243 | 1,397,243 |
| Valuation allowance | (1,397,243) | (1,397,243) |
| | - | - |

As at August 31, 2007, the Company had non-capital loss of approximately \$1,670,208 at the federal level and \$1,410,843 at the provincial level. These losses will expire during the following financial years:

| | Federal \$ | Provincial \$ |
|------|------------------|------------------|
| 2008 | 169,462 | 137,789 |
| 2013 | 506,139 | 423,066 |
| 2014 | 165,836 | 132,200 |
| 2015 | 43,753 | 7,597 |
| 2026 | 785,018 | 710,191 |
| | 1,670,208 | 1,410,843 |

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

15. INCOME TAXES (CONTINUED)

The Company has unused research and development expenses totalling approximately \$1,076,574 at the federal level and \$2,916,788 at the provincial level that may be carried forward indefinitely.

The Company has unused share issue costs that will gradually expire by August 31, 2010 totalling approximately \$306,229 at both the federal and provincial levels.

In addition, the Company has research and development tax credits totalling approximately \$201,956 at the federal level that it may use to offset future taxable income. These tax credits expire as follows:

| | \$ |
|------|---------|
| 2008 | 5,578 |
| 2009 | 13,988 |
| 2010 | 3,143 |
| 2011 | 123 |
| 2015 | 32,101 |
| 2026 | 83,657 |
| 2027 | 63,366 |
| | <hr/> |
| | 201,956 |
| | <hr/> |

16. SEGMENTED INFORMATION AND ECONOMIC DEPENDENCE

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

| | (unaudited) May 31, 2008 % | (audited) August 31, 2007 % |
|--------------------------------------|-------------------------------------|--------------------------------------|
| Revenues realized from major clients | | |
| Client A | 3 | - |
| Client B | - | 45 |
| Client C | 97 | 55 |

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