

ZECOTEK PHOTONICS INC.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS
ENDED OCTOBER 31, 2010 AND 2009**

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Zecotek Photonics Inc.
Consolidated Balance Sheets
(Expressed in Canadian Dollars)
As at October 31, 2010 and July 31, 2010

	October 31, 2010 (Unaudited)	July 31, 2010 (Audited)
Assets		
Current Assets		
Cash and cash equivalents	\$ 111,208	\$ 81,010
Trade receivable	1,539	1,483
Goods and services tax recoverable	24,776	34,828
Prepaid expenses	37,402	14,790
	<hr/>	<hr/>
	174,925	132,111
Restricted short term investments	15,000	15,000
Deposits	56,727	54,950
Property and equipment	100,488	112,491
Equipment under capital lease	15,433	16,684
Patent costs	171,062	177,442
	<hr/>	<hr/>
	\$ 533,635	\$ 508,678
Liabilities And Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 2,527,542	\$ 2,206,366
Current portion of obligations under capital lease	7,282	7,282
Share subscription received (<i>note 11</i>)	1,170,000	650,000
	<hr/>	<hr/>
	3,704,824	2,863,648
Obligations under capital lease (<i>note 9</i>)	13,584	15,263
Shareholders' Equity		
Share capital (<i>note 5(b)</i>)	32,702,057	32,702,057
Contributed surplus (<i>note 5(g)</i>)	7,103,131	6,902,220
Deficit	(42,989,961)	(41,974,510)
	<hr/>	<hr/>
	(3,184,773)	(2,370,233)
Nature of Business and Going Concern		
Uncertainty (<i>note 1</i>)		
Commitments and Agreements (<i>note 7</i>)		
Total Liabilities and Shareholders' Equity	<hr/> \$ 533,635	<hr/> \$ 508,678

Approved, on behalf of the Board:

"Faouzi Zerrouk"
Director

"David Toyoda"
Director

See accompanying Notes to Consolidated Financial Statements

Zecotek Photonics Inc.
Consolidated Statements of Operations, Comprehensive Loss and Deficit
(Expressed in Canadian Dollars)
(Unaudited)
Three months ended October 31, 2010 and 2009

	2010	2009
Revenue	\$ -	\$ 39,434
Cost of Sales	-	17,895
	-	21,539
Expenses		
Operating, general and administrative	486,182	723,802
Research and development	308,119	365,311
Stock-based compensation (<i>note 5(e)</i>)	200,911	154,025
Financing costs	-	135,460
Foreign exchange loss	606	50,106
Amortization of property and equipment	13,251	59,581
Amortization of patent costs	6,382	7,000
	1,015,451	1,495,285
Net loss and comprehensive loss for the year	(1,015,451)	(1,473,746)
Deficit, beginning of period	(41,974,510)	(35,062,969)
Deficit, end of period	\$(42,989,961)	\$(36,536,715)
Net loss per common share – basic and diluted	\$(0.02)	\$(0.03)
Weighted average number of common shares outstanding – basic and diluted (<i>note 5(b)</i>)	53,405,004	52,384,171

See accompanying Notes to Consolidated Financial Statements

Zecotek Photonics Inc.
Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

For the three months ended October 31, 2010 and 2009

	2010	2009
Operating Activities:		
Net loss for the period	\$ (1,015,451)	\$ (1,473,746)
Adjustments for items not involving cash:		
Amortization of property and equipment	13,251	59,581
Amortization of patent costs	6,382	7,000
Financing costs	-	135,460
Stock-based compensation	200,911	154,025
	(794,907)	(1,117,680)
Changes in non-cash working capital:		
Accounts receivables	(56)	(34,294)
Goods and services tax recoverable	10,052	(4,304)
Prepaid expenses	(22,612)	(16,553)
Accounts payable and accrued liabilities	321,176	(217,854)
	(486,347)	(1,390,685)
Investing Activities:		
Deposits received (paid)	(1,777)	(134,883)
	(1,777)	(134,883)
Financing Activities:		
Proceeds from shares issued, net of issuance costs (note 5(b))	-	3,436,891
Share subscription received	520,000	-
Repayments of obligations under capital lease	(1,678)	(1,502)
Advances (to) from related parties	-	(3,035)
	518,322	3,432,354
Increase (decrease) in cash and cash equivalents	30,198	1,906,786
Cash and cash equivalents, beginning of period	81,010	81,430
Cash and cash equivalents, end of period	\$ 111,208	\$ 1,988,216

See accompanying Notes to Consolidated Financial Statements

Zecotek Photonics Inc.
Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

Three months ended October 31, 2010 and 2009

1. Basis of presentation

Zecotek Photonics Inc. (the “Company”) is a public company which was incorporated on November 25, 1983 under the laws of the Province of British Columbia, Canada. The Company changed its name from Zecotek Medical Systems Inc. on November 26, 2007.

These interim financial statements have been prepared in accordance with generally accepted accounting principles on a going concern basis, which presumes that the Company will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. The Company has incurred significant losses since its inception. These factors, among others, raise uncertainty about the ability of the Company to continue as a going concern. The continued operations of the Company are dependent upon the ability of the Company to obtain further equity financing, the support of its principal shareholders and achieving profitable operations sufficient to meet all obligations, the outcome of which cannot be predicted at this time.

These financial statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

Certain information and disclosure normally required to be included in notes to annual consolidated financial statements have been condensed or omitted. These interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended July 31, 2010. The consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the year ended July 31, 2010.

Certain comparative figures have been reclassified to conform to the current period’s presentation.

2. Adoption of new accounting standards

Goodwill and intangible assets

Effective August 1, 2009, the Company adopted CICA Handbook section 3064, Goodwill and Intangible Assets, which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes amended standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented companies. The adoption of this standard did not have a material impact on the financial statements of the Company.

3. New accounting pronouncements

International financial reporting standards

In January of 2006, the CICA adopted a strategic plan to converge Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards (“IFRS”) for publicly accountable and certain other types of entities, including the Company for fiscal periods beginning on or after January 1, 2011. The Company has not yet fully assessed the impact of the adoption of IFRS.

Zecotek Photonics Inc.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
(Unaudited)
Three months ended October 31, 2010 and 2009

4. Financial instruments and risks

The fair values of financial instruments are estimated at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial instruments of the Company include cash and cash equivalents, short term and restricted short term investments, trade and interest receivables, due from related parties, refundable deposits, accounts payable, obligations under capital lease, and liabilities of discontinued operations.

Credit risk

Financial instruments that potentially subject the Company to concentration of credit risks include cash and short term investments. The Company places its cash and short term investments with high credit quality financial institutions. Short term investments are generally held in fixed rate securities. Concentration of credit risks with respect to receivables is limited.

Foreign currency risk

The Company uses financial instruments to manage fluctuations in foreign currency exchange rates. In accordance with CICA Section 3855 the Company accounts for all derivative financial instruments using the fair value accounting method.

The Company is exposed to fluctuations in the exchange rates between the Canadian dollar and other currencies including Singapore dollars, United States dollars, Euros, and Swiss Francs. Most of the transactions in the Company's Singapore operations are undertaken in Singapore dollars. The Company monitors fluctuations in rates and takes action, if deemed necessary, to mitigate its risks.

At October 31, 2010, the Company had cash balances of \$4,071 United States dollars (\$4,146 Canadian dollars), \$7,474 Singapore dollars (\$5,873 Canadian dollars), 175 Swiss Francs (\$180 Canadian dollars) and Malaysian Ringgit 1,551 (\$508 Canadian dollars), and accounts payable balances of \$985,426 United States dollars (\$1,003,286 Canadian dollars), \$777,821 Singapore dollars (\$611,212 Canadian dollars), 24,299 Euros (\$24,891 Canadian dollars) and 38,696 Malaysian Ringgits (12,681 Canadian dollars), such amounts representing exposure to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Short-term investments with fixed interest rates include guaranteed investment certificates with original maturities of greater than three months, exposing the Company to interest rate risk. The Company does not use financial instruments to mitigate this interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company currently settles its financial obligations from cash and cash equivalents. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. As at October 31, 2010, the Company had insufficient cash and cash equivalents to satisfy its short term obligations.

Zecotek Photonics Inc.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
(Unaudited)
Three months ended October 31, 2010 and 2009

5. Share capital

(a) Authorized

The authorized share capital of the Company is an unlimited number of common voting shares with no par value.

(b) Issued and outstanding common shares:

	Number of Shares	Amount \$
Balance July 31, 2008	45,455,838	\$ 28,985,958
Private placement (i)	1,003,333	424,815
Balance July 31, 2009	46,459,171	\$ 29,410,773
Private placement (iv)	5,925,000	2,458,270
Exercise of warrants (v)	1,020,833	833,014
Balance October 31 and July 31, 2010	53,405,004	\$ 32,702,057

- (i) On January 13, 2009 the Company completed a private placement of 1,003,333 units issued at \$0.60 per unit, resulting in gross proceeds of \$602,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share for a period of eighteen months at a price of \$0.70 per share. The warrant's exercise period will automatically accelerate if the common shares of the Company trade above \$1.00 for a period of 10 consecutive days. The Company paid a finder's fee equal to 7% of the gross proceeds of the sale of the shares (\$42,140) and issued to the agent non-transferable warrants to purchase common shares equal in number to 6% of the units sold (60,200) under the private placement with the same terms. The estimated fair value of agents' warrants granted was determined to be \$9,194 (approximately \$0.15 per warrant), using the Black-Scholes option pricing model (note 5(d)). The amounts assigned to the share and warrant portions of the units have been allocated proportionately based on the share price at the issuance date and the warrant value determined using the Black Scholes option pricing model with the assumptions detailed in note 5(d).
- (ii) On February 26, 2009, the Company amended the terms of the 781,500 warrants issued to subscribers. The exercise price of the warrants was reduced from \$2.00 to \$0.75 per common share. The expiry date for the warrants was extended by twelve months from March 6, 2009 to March 6, 2010. The exercise period of the amended warrants is to be accelerated if certain conditions are met. The estimated fair value of the warrants increased by \$56,753 as a result of the modification of warrant terms, determined using the Black-Scholes option pricing model (note 5(d)). The amount was considered a financing expense and charged to operations for the 2009 year.
- (iii) On August 5, 2009, the Company amended the terms of the 1,078,150 warrants issued to subscribers of a private placement which closed on December 20, 2007. The exercise price of the warrants was reduced from \$2.10 to \$0.75 per common share with no change to the expiry date of December 20, 2009. The exercise period of the amended warrants is to be accelerated if certain conditions are met. The estimated fair value of the warrants increased by \$135,460 as a result of the modification of warrant terms, determined using the Black-Scholes option pricing model (note 5(d)). The amount was considered a financing expense and charged to operations in the first quarter of 2010.

Zecotek Photonics Inc.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
(Unaudited)
Three months ended October 31, 2010 and 2009

5. Share capital (continued)

(b) Issued and outstanding common shares (continued):

- (iv) On October 23, 2009, the Company completed a non-brokered private placement of 5,925,000 units issued at \$0.63 per unit, resulting in gross proceeds of \$3,732,750. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share for a period of twenty four months at a price of \$1.00 per common share. The exercise period of the warrants will be accelerated if certain conditions are met. The Company paid a finder's fee equal to 7% of the gross proceeds (\$261,293) and issued to the agent non-transferable warrants to purchase common shares equal in number to 6% of the units sold (355,500) under the private placement with the same terms. Legal and other costs amounted to \$34,570. The estimated fair value of agents' warrants granted was determined to be \$94,581 (approximately \$0.27 per warrant), using the Black-Scholes option pricing model (note 5(d)).

The amounts assigned to the share and warrant portions of the units have been allocated proportionately based on the share price at the issuance date and the warrant value determined using the Black-Scholes option pricing model with the assumptions detailed in note 5(d).

- (v) On February 4 and 23, 2010, 170,000 and 833,333 common share purchase warrants were exercised respectively at \$0.70 per share for total cash proceeds of \$702,333. On February 16 and March 5, 2010, 12,500 and 5,000 common share purchase warrants were exercised respectively at \$0.75 per share for total cash proceeds of \$13,125.

(c) Common share purchase warrants

	Number of warrants	Weighted average exercise price
Balance, July 31, 2008	1,859,650	2.06
Warrants granted (note 5(b)(i))	1,003,333	0.70
Warrants repriced (note 5(b)(ii))		(1.25)
Balance, July 31, 2009	2,862,983	\$ 1.24
Warrants granted (note 5(b)(iv))	5,925,000	1.00
Warrants repriced (note 5(b)(iii))		(1.35)
Warrants exercised (note 5(b)(v))	(1,020,833)	(0.70)
Warrants expired	(1,842,150)	(0.75)
Balance, October 31 and July 31, 2010	5,925,000	\$ 1.00

At October 31, 2010 the share purchase warrants outstanding and exercisable were as follows:

Number of common shares to be issued	Exercise price	Date of expiry
5,925,000	\$ 1.00	October 23, 2011

Zecotek Photonics Inc.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
(Unaudited)
Three months ended October 31, 2010 and 2009

5. Share capital (continued)

(d) Agent's warrants and options

	Number of warrants	Weighted average exercise price
Balance, July 31, 2008	442,134	\$1.33
Agents' warrants granted in private placement	60,200	0.70
Agents' warrants expired	(291,193)	1.20
Balance, July 31, 2009	211,141	\$1.34
Agents' warrants granted in private placement	355,500	1.00
Agents' warrants expired	(150,941)	(1.60)
Agents' warrants expired	(60,200)	(0.70)
Balance October 31 and July 31, 2010	355,500	\$1.00

At October 31, 2010 the agents' warrants outstanding and exercisable were as follows:

Number of common shares to be issued	Exercise price	Date of expiry
355,500	\$ 1.00	October 23, 2011

The fair value of agents' and common share purchase warrants has been estimated at the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions:

	2010
Annualized stock volatility	81.77%
Risk-free interest rate	1.3%
Expected option/warrant life	1.5 years
Dividend payments	0.0%

(e) Stock options

On December 28, 2007, the Board of Directors approved a new stock option plan. Under the plan, the Company may grant options to purchase common shares in the Company to employees, directors, officers, and consultants of the Company. The exercise price of the options is to be determined by the Board of Directors but generally will be equal to or greater than the market price of the shares at the grant date. Options will vest according to the following schedule:

- 25% - on grant date
- 25% - six months after grant date
- 25% - twelve months after grant date
- 25% - eighteen months after grant date

As of October 31, 2010 the Company has reserved 8,340,000 common shares for issuance of stock options to employees, directors, officers and consultants of the Company of which 1,540,000 were available for future issuance.

Zecotek Photonics Inc.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
(Unaudited)
Three months ended October 31, 2010 and 2009

5. Share capital (continued)

(e) Stock options (continued)

Stock option transactions and numbers outstanding are summarized below:

	Number of options	Weighted average exercise price
Balance, July 31, 2008	4,609,000	\$ 1.25
Options granted	2,925,000	0.65
Balance, July 31, 2009	7,534,000	\$ 1.02
Options granted	820,000	0.71
Options expired	(1,025,000)	(0.67)
Balance, July 31, 2010	7,329,000	\$ 1.03
Options expired	(529,000)	(0.75)
Balance, October 31, 2010	6,800,000	\$ 1.05

At October 31, 2010 6,378,750 options had vested, which have a weighted average exercise price of \$1.08. The estimated fair value of options granted to employees, directors, officers and consultants is amortized to expense over the vesting period of the options, resulting in compensation expense and addition to contributed surplus of \$200,911 for the period ended October 31, 2010 (2009 – \$154,025). The weighted average fair value of stock options granted during the year ended July 31, 2010 has been estimated at the date of grant using the Black-Scholes option pricing model as \$0.46 (2009 - \$0.42) per share using the following weighted average assumptions:

	2010
Annualized stock volatility	79.0%
Risk-free interest rate	2.3%
Expected option life	5 years
Dividend payments	0.00%

Options outstanding at October 31, 2010 are summarized as follows:

Zecotek Photonics Inc.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
(Unaudited)
Three months ended October 31, 2010 and 2009

5. Share capital (continued)

(e) Stock options (continued)

Exercise price	Number of options	Number of options exercisable	Weighted average remaining life (years)
\$0.65	2,850,000	2,850,000	3.49
\$0.65	45,000	33,750	3.49
\$0.71	820,000	410,000	4.22
\$0.72	100,000	100,000	0.23
\$0.80	60,000	60,000	1.21
\$0.93	140,000	140,000	0.39
\$1.05	160,000	160,000	0.77
\$1.10	300,000	300,000	1.23
\$1.20	100,000	100,000	1.25
\$1.30	100,000	100,000	1.94
\$1.55	240,000	240,000	0.59
\$1.76	1,725,000	1,725,000	0.53
\$1.79	160,000	160,000	2.07
	6,800,000	6,378,750	2.33

The Black-Scholes model, used by the Company to calculate option values, was developed to estimate fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differs from the Company's stock option awards. This model also requires highly subjective assumptions, including future stock price, volatility, and expected time until exercise, which greatly affect the calculated values.

(f) Escrow shares

As at October 31, 2010 a total of 240,000 (2009 - 720,000) of the issued shares were held in escrow, the release of which is subject to a pre-determined schedule through January of 2011 as indicated below.

January 2011 240,000

The escrowed shares are included in the computation of the weighted-average number of common shares outstanding.

(g) Contributed surplus

	October 31, 2010	July 31, 2010
Balance, beginning of period	\$ 6,902,220	\$ 5,099,237
Stock-based compensation expense	200,911	811,458
Agents' warrants granted (notes 5(b)(i) and (iv))	-	94,581
Warrants issued (notes 5(b)(i) and (iv))	-	884,040
Warrants amended (notes 5(b)(ii) and (iii))	-	135,460
Warrants exercised (note 5(b)(v))	-	(122,556)
Balance, end of period	\$ 7,103,131	\$ 6,902,220

Zecotek Photonics Inc.
Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

Three months ended October 31, 2010 and 2009

6. Capital disclosures

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The Company includes shareholders' equity and long-term debt in the definition of capital. At October 31, 2010, the Company had a capital balance of \$(3,171,189).

The Company manages its capital structure and makes adjustments to it in light of economic conditions. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or undertake other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended July 31, 2010.

7. Commitments

	Rental Leases	Research Contracts	Total
2012	\$ 177,141	\$ 771,543	\$ 948,684
2013	24,100	16,000	40,100
2014	-	31,000	31,000
2015	-	41,000	41,000
2016	-	41,000	41,000
	\$ 201,241	\$ 900,543	\$ 1,101,784

Rental leases relate to the Company and its subsidiaries commitments under operating leases for rental of properties. Research Contract commitments relate to contractual obligations entered into by the Company and its subsidiaries for research and development.

8. Segmented information

The Company has principal operations in Canada and Singapore (Asia) and is organized into three sales geographic areas consisting of Asia, Europe, and North America. Reporting information by geographic area is as follows:

Zecotek Photonics Inc.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
(Unaudited)
Three months ended October 31, 2010 and 2009

8. Segmented information (continued)

2011	Asia	Europe	North America	Total
Revenue	\$ -	\$ -	\$ -	\$ -
Property and equipment	\$ 81,831	\$ 6,612	\$ 12,045	\$ 100,488
Equipment under capital lease	\$ 15,433	\$ -	\$ -	\$ 15,433
Patent costs	\$ 171,062	\$ -	\$ -	\$ 171,062

2010	Asia	Europe	North America	Total
Revenue	\$ 20,774	\$ 47,074	\$ -	\$ 67,848
Property and equipment	\$ 92,597	\$ 6,960	\$ 12,934	\$ 112,491
Equipment under capital lease	\$ 16,684	\$ -	\$ -	\$ 16,684
Patent costs	\$ 177,442	\$ -	\$ -	\$ 177,442

9. Obligations under capital leases:

Future minimum lease payments for obligations under capital leases as at October 31, 2010 are as follows:

2011	\$ 10,761
2012	10,761
2013	7,757
	<hr/> 29,279
Less: interest at a rate of 6.45% per annum	(8,413)
Less: current portion of principal payments	(7,282)
	<hr/> \$ 13,584
Long term portion	<hr/> \$ 13,584

Zecotek Photonics Inc.
Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

Three months ended October 31, 2010 and 2009

10. Related party transactions

The Company undertook the following transactions with related parties. These transactions were measured at the exchange amounts which are the amounts of consideration established and agreed upon by the related parties.

- (a) The Company paid \$45,000 (2009 - \$45,000) for consulting services to Dr. Zerrouk and a company controlled by Dr. Zerrouk. The Company also provided Dr. Zerrouk, as part of his compensation package, housing allowance amounting to \$34,852 (2009 - \$22,700) for the quarter.
- (b) The Company owed \$5,234 to Boughton Law Corporation, legal counsel to the Company, for legal services rendered. A director of the Company is an Associate Counsel of Boughton Law Corporation. The Company did not pay or accrue any legal fees from Boughton Law Corporation during the quarter.
- (c) During the quarter, the Company accrued \$22,500 for accounting and related services to a company controlled by the Acting Chief Financial Officer of the Company.

11. Subsequent event

- (a) On November 3, 2010, the Company completed a non-brokered private placement of 2,773,584 units at a price of \$0.53 per unit for gross proceeds of \$1,470,000. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of \$0.70 per share at anytime on or before the 24 month anniversary of the closing of the offering. The warrants' exercise period will automatically accelerate if the common shares of the Company trade above \$1.25 for a period of 10 consecutive trading days.

Pursuant to the financing, the Company will pay a finder's fee, equal to 5% of a portion of the gross proceeds of the sale of the shares and issue 124,811 non-transferable finder's warrants. Each finder's warrants will entitle the holder to purchase one share at \$0.70 for a period of 24 months after the date the private placement closes. All shares and warrants are subject to a four-month hold period expiring on March 3, 2011.

A total of \$1,170,000 has been received from the above financing as of October 31, 2010.

- (b) The Company received \$673,100 CAD in November and December 2010 towards a private placement which is expected to close in the beginning of 2011.