ACT360 SOLUTIONS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

SEPTEMBER 30, 2010 AND 2009

MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of ACT360 Solutions Ltd.

We have audited the consolidated balance sheets of ACT360 Solutions Ltd. as at September 30, 2010 and 2009, and the consolidated statements of operations, comprehensive loss and deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

December 16, 2010

ACT360 SOLUTIONS LTD.

CONSOLIDATED BALANCE SHEETS

AS AT SEPTEMBER 30, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 90,475	$ 101,588
Accounts receivable	32,533	86,941
Work in progress	11,744	16,897
Prepaid expenses and other assets	8,836	8,206
	143,588	213,632
EQUIPMENT (Note 4)	8,534	16,455
DEFERRED DEVELOPMENT COSTS (Note 5)	-	29,551
	$ 152,122	$ 259,638
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 58,057	$ 62,876
Unearned revenue	70,335	21,976
Current portion of capital lease obligations (Note 6)	2,713	4,923
Current portion of deferred rent inducement	520	2,244
	131,625	92,019
DEFERRED RENT INDUCEMENT	-	520
CAPITAL LEASE OBLIGATIONS (Note 6)	-	2,713
	131,625	95,252
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 7)	1,109,021	1,109,021
CONTRIBUTED SURPLUS (Note 9)	118,579	87,679
DEFICIT	(1,207,103)	(1,032,314)
	20,497	164,386
	$ 152,122	$ 259,638

Commitments (Note 13)

APPROVED ON BEHALF OF THE BOARD

/s/ "Ronald Erdman"
Ronald Erdman, Director

/s/ "Vincent Wong"
Vincent Wong, Director

ACT360 SOLUTIONS LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
SALES	$ 376,613	$ 439,142
EXPENSES		
Accounting and legal	52,673	49,315
Amortization of equipment	10,170	10,881
Amortization of deferred costs	29,551	59,300
Bad debts	(503)	6,833
Commissions	1,983	-
Consulting	11,704	25,516
Equipment rental	1,033	6,712
Foreign exchange (gain) loss	7,899	(650)
Insurance	5,595	5,595
Interest and bank charges	6,473	5,025
Office and general	11,186	13,139
Promotion and travel	45,822	37,976
Regulatory and filing fees	14,405	14,121
Rent	25,273	25,402
Stock-based compensation (Note 8)	30,900	-
Telephone and internet	34,569	30,003
Wages and benefits	263,181	287,122
	551,914	576,290
LOSS BEFORE OTHER INCOME	(175,301)	(137,148)
OTHER INCOME		
Interest and other income	512	2,832
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(174,789)	(134,316)
DEFICIT, BEGINNING OF YEAR	(1,032,314)	(897,998)
DEFICIT, END OF YEAR	$ (1,207,103)	$ (1,032,314)
Loss per share: basic and diluted (Note 2)	$ (0.01)	$ (0.01)
Weighted average number of shares outstanding	16,089,467	16,089,467

ACT360 SOLUTIONS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
CASH FROM (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	$ (174,789)	$ (134,316)
Items not involving cash		
Amortization	39,721	70,181
Bad debts	(503)	6,462
Rent inducement	(2,244)	(2,043)
Stock-based compensation	30,900	-
	(106,915)	(59,716)
Net changes in non-cash working capital balances:		
(Decrease) in accounts payable	(4,819)	(16,603)
Increase in unearned revenue	48,359	15,679
Decrease (increase) in work in progress	5,153	(15,922)
Decrease (increase) in prepaid expenses and other assets	(630)	355
Decrease in accounts receivable	54,911	21,494
	(3,941)	(54,713)
FINANCING ACTIVITIES		
Increase in (repayment of) capital lease obligations	(4,923)	3,973
INVESTING ACTIVITIES		
Increase in development costs	-	(3,242)
Purchase of equipment	(2,249)	(11,386)
	(2,249)	(14,628)
DECREASE IN CASH AND CASH EQUIVALENTS	(11,113)	(65,368)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	101,588	166,956
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 90,475	$ 101,588
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	$ 334	$ 660
Taxes paid	$ -	$ -

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

ACT360 Solutions Ltd. (the "Company") is incorporated in British Columbia and is a public company listed on the TSX Venture Exchange.

The Company, through its wholly-owned subsidiary ACT360 Media Ltd. ("ACT360 Media"), is an application service provider specializing in internet-based training applications and services.

As at September 30, 2010, the Company had accumulated losses since inception of $1,207,103. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon generating revenues sufficient to cover its operating costs, obtaining additional financing aid and the continued support of its shareholders.

The consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities at amounts different from those reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation and basis of accounting

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, ACT360 Media Ltd. The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

Work in progress

Work in progress represents costs incurred pursuant to contracts which have not been completed, and is reported at the lesser of cost and estimated net realizable value.

Equipment

Equipment is recorded at cost and amortized over its estimated useful life as follows:

Computer equipment	33% straight-line
Computer software	50% straight-line
Furniture and fixtures	20% straight-line

The Company reviews the carrying value of equipment for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset exceeds the estimate of undiscounted future cash flows from the asset. At that time, the carrying amount is written down to fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases are classified as either capital or operating leases. Leases that transfer substantially all of the benefits and risks incidental to the ownership of equipment are classified as capital leases. At the inception of a capital lease, the equipment and respective obligation are recorded at their fair value. Equipment under capital leases are amortized on a straight-line basis over the term of the lease, which approximates the equipment's estimated useful life. All other leases are classified as operating leases.

Development costs

Development costs which meet generally accepted criteria, including reasonable assurance regarding future benefits, are deferred and amortized on a product-by-product basis on the straight-line method over the remaining estimated economic life of the products, generally eighteen to twenty four months. All deferred costs are evaluated in each reporting period to determine whether they meet the criteria for continued deferral and amortization.

Revenue recognition

Revenue from the use of the Company's educational application platforms, generally sold through its marketing partners, is recognized when the Company sells usage rights to the marketing partner, provided that collection is reasonably assured.

Revenue from contracting activities involving the development and customization of educational software is recognized on the completed contract method, provided that collection is reasonably assured. Customer payments are recorded as unearned revenue until the contractual obligations have been fulfilled. Any foreseeable losses on contracts are charged to operations at the time they become evident.

Stock-based compensation

The Company has a stock option plan, which is described in Note 8. The Company follows the recommendations in CICA Handbook Section 3870, *Stock-Based Compensation and Other Stock-Based Payments*, which provides standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. In accordance with these recommendations, stock options are recorded at their fair value over their vesting period as compensation expense, and agents warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. On the exercise of stock options and agents' warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based compensation.

Earnings (loss) per share

The Company uses the treasury stock method in computing earnings (loss) per share. Under this method, basic earnings (loss) per share is computed by dividing earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated by adjusting the weighted average number of common shares outstanding using the treasury stock method, to reflect the potential dilution of securities that could result from the exercise of in-the-money stock options and warrants.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings (loss) per share (continued)

For the years presented, the existence of stock options affects the calculation of loss per share on a fully diluted basis. As the effect of this dilution is to reduce the reported loss per share, fully diluted loss per share information has not been shown.

Income taxes

The Corporation follows the liability method of accounting for income taxes under which future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates that are expected to be in effect in the periods in which assets or liabilities will be realized or settled. A valuation allowance is provided to the extent that it is not more likely than not that future income tax assets will be realized.

Translation of foreign currencies

The Company's consolidated financial statements are expressed in Canadian dollars. Monetary assets and liabilities in foreign currencies are translated at the prevailing rates of exchange at the balance sheet date. Revenues and expenses are translated at the rates of exchange in effect on the dates of the related transactions. Non-monetary assets and liabilities are translated at the historical rates in effect when the assets were acquired or liabilities incurred. Exchange gains and losses arising on translation are included in determining current earnings.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amount of expenses for that period. The more significant areas requiring the use of estimates include amortization, stock-based compensation and future income taxes. Management bases its estimates on historical experience and on other assumptions considered to be reasonable under the circumstances. However, actual results may differ from the estimates.

Comprehensive Income

Comprehensive income is comprised of the sum of the net income and other comprehensive income which includes unrealized gains or losses from changes in the fair market value of available-for-sale investments, changes in the fair market value of derivative instruments designated as cash flow hedges and currency translation adjustments on self-sustaining foreign operations. The Company's comprehensive income is the same as the net income, as the Company does not have items comprising other accumulated comprehensive income.

3. NEW ACCOUNTING STANDARDS

In June 2009, the CICA amended Section 3862, *Financial Instruments - Disclosures*, to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. These disclosures are reflected in Note 14.

3. NEW ACCOUNTING STANDARDS (continued)

The recent accounting pronouncements that have been issued as new sources of GAAP but are not yet effective are described below:

Recent Accounting Pronouncements

In January 2009, the Accounting Standards Board ("AcSB") issued CICA Handbook Section 1582, Business Combinations, which replaces Section 1581, *Business Combinations*. The AcSB also issued Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*, which replace Section 1600, *Consolidated Financial Statements*. These new sections are based on the International Accounting Standards Board's ("IASB") International Financial Reporting Standard 3, *Business Combinations*. These new standards replace the existing guidance on business combinations and consolidated financial statements. These new standards require that most assets acquired and liabilities assumed, including contingent liabilities, to be measured at fair value and all acquisition costs to be expensed. These new standards also require non-controlling interests to be recognized as a separate component of equity and net earnings to be calculated without a deduction for non-controlling interests.

The objective of these new standards is to harmonize Canadian accounting for business combinations with the international and U.S. accounting standards. The new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards will not be adjusted upon application of these new standards.

The *Non-Controlling Interests* standard should be applied retrospectively except for certain items. The Company does not expect that the adoption of these standards will have a material impact on its financial statements.

In February 2008, the CICA Accounting Standards Board confirmed that public companies will be required to prepare interim and annual financial statements under International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Management is currently assessing the impact of adopting IFRS and it has not yet determined its affect on the Company's financial statements.

4. EQUIPMENT

	Cost $	Accumulated Amortization $	2010 Net Carrying Value $	2009 Net Carrying Value $
Computer equipment	127,375	120,257	7,118	13,256
Computer software	50,540	49,461	1,079	2,098
Furniture and equipment	14,930	14,593	337	1,101
	192,845	184,311	8,534	16,455

The carrying value of computer equipment under capital leases is $5,091 (2009 - $8,062).

5. DEFERRED DEVELOPMENT COSTS

	2010	2009
Balance, beginning of year	$ 29,551	$ 85,609
Development costs incurred	-	3,242
Amortization for the year	(29,551)	(59,300)
Balance, end of year	$ -	$ 29,551

6. CAPITAL LEASE OBLIGATIONS

The Company has leased certain computer equipment under capital leases. Future minimum lease payments required under the capital leases are as follows:

Total future minimum lease payments	$ 2,766
Less: imputed interest	(53)
Present value of future minimum lease payments in 2011	2,713
Less: current portion	(2,713)
Long-term portion	$ -

7. SHARE CAPITAL

The Company has authorized share capital of 100,000,000 common shares without par value and 100,000,000 preferred shares without par value. The issued share capital consists only of common shares, as follows:

	2010		2009	
	Number	Amount	Number	Amount
Balance, beginning of year	16,089,467	$ 1,109,021	16,089,467	$ 1,109,021
Shares issued	-	-	-	-
Share issuance costs	-	-	-	-
Balance, end of year	16,089,467	$ 1,109,021	16,089,467	$ 1,109,021

8. STOCK OPTIONS

The Company has a stock option plan for directors, employees, and consultants. The aggregate number of shares issuable pursuant to options granted under the plan is limited to 10% of the Company's issued and outstanding shares at the time the options are granted. The exercise price of each option is determined by the Board, subject to the pricing policies of the TSX Venture Exchange.

8. STOCK OPTIONS (continued)

On August 24, 2010, the Company granted 825,000 stock options exercisable at $0.10 to directors and employees vesting immediately upon grant. The stock options expire on August 24, 2015. On grant date the fair value of the options was determined to be $30,900 with a weighted average fair value of $0.04 per option.

The fair values of the options granted during the year were determined using the Black-Scholes pricing model, using the following weighted average assumptions:

Risk free interest rate	2.06%
Expected dividend yield	0%
Expected stock price volatility	181%
Expected life of options	5 years

Stock options transactions are summarized as follows:

	2010		2009	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of year	125,000	$ 0.10	1,014,256	$ 0.13
Granted	825,000	0.10	-	-
Cancelled or expired	(50,000)	0.10	(889,256)	0.13
Outstanding, end of year	900,000	$ 0.10	125,000	$ 0.10

The following table summarizes the information about stock options outstanding and exercisable at September 30, 2010:

Number Outstanding and Exercisable	Exercise Price Per Share	Expiry Date
75,000	$ 0.10	November 16, 2010
825,000	$ 0.10	August 24, 2015
900,000		

9. CONTRIBUTED SURPLUS

Contributed surplus arose from the following items:

	2010	2009
Balance, beginning of year	$ 87,679	$ 87,679
Fair value of stock options granted	30,900	-
Balance, end of year	$ 118,579	$ 87,679

10. INCOME TAXES

Income tax expense (recovery) differs from the amount that would have resulted by applying combined Canadian federal and provincial income tax rates:

	2010	2009
Canadian statutory income tax rate	28.88%	30.25%
Income tax (recovery) at statutory rate	$ (50,476)	$ (40,631)
Decrease (increase) resulting from:		
Non-capital loss expired	13,019	16,194
Share issuance costs	-	(2,356)
Other permanent differences	7,686	1,462
Change in enacted tax rates reflecting lower tax rates	3,964	24,717
Change in valuation allowance	25,807	614
Income tax recovery	$ -	$ -

The tax effects of temporary differences that give rise to significant portions of the future tax assets at September 30, 2010 and 2009 are presented below:

	2010	2009
Non-capital loss carry-forwards	$ 203,573	$ 187,731
Deferred development costs	-	(7,388)
Equipment	22,050	19,473
Valuation allowance	(225,623)	(199,816)
	$ -	$ -

Based upon the level of historical taxable income and projections for future taxable income over the years in which the future tax assets are deductible, management has provided a full valuation allowance for future tax assets.

Subject to certain restrictions, the Company has non-capital losses of $814,000 (2009 - $751,000) available to reduce future Canadian taxable income. The non-capital losses expire as follows:

Year	
2014	$ 218,000
2015	100,000
2026	136,000
2027	97,000
2028	78,000
2029	77,000
2030	108,000
	$ 814,000

The application of non-capital losses against future taxable income is subject to final determination of the respective amounts by the Canada Revenue Agency.

11. RELATED PARTY TRANSACTIONS

The Company made the following payments to a corporation controlled by a director of the Company:

	2010	2009
Sales and marketing agreement	$ 9,000	$ 18,000
Computer server rental	1,033	5,612

The sales and marketing agreement was terminated in March 2010 and accordingly, no payments have been made to the related corporation since that time.

Included in revenue is $3,600 (2009 - $7,200) charged to the related corporation for web hosting services and $1,567 (2009 - $2,008) was received as reimbursement for office expenses incurred. The above transactions have been recorded at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable is $1,001 (2009 - $2,067) owing to the above mentioned corporation.

12. SEGMENTED INFORMATION

The Company's operations are limited to a single industry segment, being the development, customization and sale of internet-based training applications.

13. COMMITMENTS

The Company is committed to contractual data collocation and internet connectivity services during the next fiscal year totalling $22,140.

The Company is committed to the following minimum lease payments during the next two fiscal years including estimated operating costs under operating leases for its premises:

2011	$ 21,600
2012	1,400

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

(a) Classification

Financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and accounting for changes in the value of these investments will depend on their initial classification as follows: held-for-trading financial assets are measured at fair value with changes in fair value recognized in operations. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the change in value is realized or the instrument is derecognized or permanently impaired.

The Company has classified its cash and cash equivalents as held-for-trading. Accounts receivable are classified as loans and receivables and are measured at amortized cost with a subsequent measurement reduction for an allowance for doubtful accounts. Capital lease obligations and accounts payable are classified as other liabilities.

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

(a) Classification (continued)

The following table summarizes information regarding the carrying values of the Company's financial instruments:

	2010	2009
Held for trading (i)	$ 90,475	$ 101,588
Loans and receivables (ii)	32,533	86,941
Other financial liabilities (iii)	60,770	70,512

(i) Cash and cash equivalents
(ii) Accounts receivable
(iii) Accounts payable and capital lease obligations

(b) Fair value of financial instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, and capital lease obligations. The carrying values of these financial instruments approximate their fair values due to the immediate or short-term maturity of these financial instruments.

CICA 3862 *Financial Instruments – Disclosures*, requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. CICA 3862 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. CICA 3862 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The Company's financial assets measured at fair value by level within the fair value hierarchy as of September 30, 2010 were as follows:

	Balance, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 90,475	$ 90,475	$ -	$ -

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

(c) Transaction Costs

Transaction costs attributable to the acquisition or issue of financial assets or financial liabilities, other than those classified as held-for-trading, are added to the initial fair value amount to match the costs with the related transactions.

(d) Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. To minimize its credit risk, the Company maintains substantially all of its cash with high quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. Credit risk from accounts receivable encompasses the default risk of its customers. The Company manages its exposure to credit risk by only working with reputable companies and by performing on-going credit evaluations of its customers' financial condition and requires letters of credit or other guarantees whenever deemed appropriate. The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts. The Company's two (2009 - three) largest customer accounts comprise 46% (2009 - 80%) of accounts receivable.

The following table provides information regarding the ageing of accounts receivable that are past due but which are not impaired as at September 30, 2010.

	Neither past due nor impaired	31-60 days	61-90 days	91 days +	Carrying value on balance sheet
Trade accounts receivable	$ 21,804	$ 1,774	$ 148	$ 8,807	$ 32,533

Of the 61 days and over balance outstanding at September 30, 2010, 51% has been subsequently collected as at November 30, 2010. Management believes the remaining balance is fully collectible.

(e) Currency Risk

As the Company operates on an international basis, currency risk exposures arise from transactions and balances denominated in foreign currencies. The Company's foreign exchange risk arises primarily with respect to the United States dollar, Great Britain pound, and Euros. Financial instruments that subject the Company to foreign currency exchange risk include cash and accounts receivable. Approximately 89% of the Company's revenues are denominated in United States dollars (2009 - 83%), 1% in Great Britain pounds (2009 - 4%) and 1% in Euros (2009 - 4%), while substantially all of the Company's expenses are denominated in Canadian dollars. At September 30, 2010, a fluctuation of 10% in the currency exchange rate could result in a fluctuation of approximately $33,708 on our consolidated results of operations, based on annual US dollar revenues. The Company does not engage in any hedging activity.

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

(e) Currency Risk (continued)

The Company has completed a sensitivity analysis to estimate the impact on net loss for the period which a change in foreign exchange rates during the year ended September 30, 2010 would have had.

This sensitivity analysis includes the following assumptions:

- Changes in individual foreign exchange rates do not cause foreign exchange rates in other countries to alter

The results of the foreign exchange rate sensitivity analysis can be seen in the following table:

	Impact on net loss
Change of +/- 10% in US$ foreign exchange rate	+/- $6,380

The above results arise primarily as a result of the Company having US$ denominated trade accounts receivable balances and bank account balances.

The financial position of the Company may vary at the time that a change in the factor above occurs, causing the impact on the Company's results to differ from that shown above.

(f) Liquidity Risk

The Company manages liquidity risk through ongoing review of accounts receivable balances and by maintaining adequate cash and cash equivalent balances. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand, except for the capital lease obligations which are disclosed in Note 6.

(g) Interest Rate Risk

The Company's cash and cash equivalents are subject to interest rate price risk. The Company's interest rate risk management policy is to place any amounts which are considered in excess of day-to-day requirements in interest bearing highly liquid investments with a term to maturity of three months or less on the date of purchase. The Company does not engage in any hedging activity.

15. ECONOMIC DEPENDENCE

Approximately 60% (2009 - 76%) of the Company's sales are made to two (2009 - two) customers. The loss of a material amount of sales to any of these customers could have a material adverse effect on operations.

16. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern which is dependent on its raising additional financing, developing and bringing its technology to market, obtaining the necessary regulatory approvals and achieving and maintaining profitable operations to provide returns for shareholders and benefits for other stakeholders.

The Company considers its share capital and capital lease obligations, as capital, as follows:

	2010	2009
Share capital	$1,109,021	$1,109,021
Capital lease obligations	2,713	7,636
	$1,111,734	$1,116,657

The Company is not subject to any externally imposed capital requirements. Methods used by the Company to manage its capital include the issuance of new share capital which has been historically done through private placements.