

**Anthony Clark International
Insurance Brokers Ltd.**
CONSOLIDATED FINANCIAL STATEMENTS
Years ended March 31, 2010 and 2009
(Expressed in Canadian dollars)

AUDITORS' REPORT

To the Shareholders of
Anthony Clark International Insurance Brokers Ltd.

We have audited the consolidated balance sheets of Anthony Clark International Insurance Brokers Ltd. as at March 31, 2010 and 2009 and the consolidated statements of operations and comprehensive income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our 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 March 31, 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.

Vancouver, B.C.
June 18, 2010

"D&H Group LLP"
Chartered Accountants

Anthony Clark International Insurance Brokers Ltd.

CONSOLIDATED BALANCE SHEETS

March 31, 2010 and 2009

(Expressed in Canadian dollars)

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,638,036	\$ 2,875,053
Accounts receivable	2,315,394	3,077,205
Trust cash	235,503	212,848
Prepaid expenses	504,185	412,527
Income taxes receivable	<u>—</u>	<u>179,189</u>
	5,693,118	6,756,822
Property and equipment (Note 5)	458,900	514,871
Customer accounts (Note 6)	4,525,778	5,930,302
Goodwill (Note 7)	<u>17,797,876</u>	<u>23,156,507</u>
	\$ <u>28,475,672</u>	\$ <u>36,358,502</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,104,318	\$ 3,343,709
Distribution payable to non-controlling interest	952,052	95,398
Income taxes payable	175,738	—
Current portion of long-term debt (Note 8)	1,912,880	3,105,395
Current portion of obligations under capital leases (Note 9)	<u>35,141</u>	<u>18,099</u>
	5,180,129	6,562,601
Long-term debt (Note 8)	25,048,063	34,878,690
Obligations under capital leases (Note 9)	23,538	16,806
Future income taxes (Note 16)	<u>235,859</u>	<u>312,267</u>
	<u>30,487,589</u>	<u>41,770,364</u>
Non-controlling interest in consolidated subsidiary (Note 10)	<u>655,835</u>	<u>118,432</u>
Commitments (Note 17)		
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	10,266,512	10,431,189
Accumulated other comprehensive income (loss)	(1,214,318)	112,097
Contributed surplus	2,001,435	1,668,884
Deficit	<u>(13,721,381)</u>	<u>(17,742,464)</u>
	<u>(2,667,752)</u>	<u>(5,530,294)</u>
	\$ <u>28,475,672</u>	\$ <u>36,358,502</u>
SUBSEQUENT EVENTS (Note 22)		

See accompanying notes to the consolidated financial statements.

Approved by the Board “Tony Consalvo” Director “Thomas Milley” Director

Anthony Clark International Insurance Brokers Ltd.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

Years ended March 31, 2010 and 2009

(Expressed in Canadian dollars)

	<u>2010</u>	<u>2009</u>
REVENUE	\$ <u>18,661,401</u>	\$ <u>16,867,350</u>
EXPENSES		
Salaries and wages	8,817,594	9,039,504
General and administrative	4,374,830	3,428,143
Rent	1,087,596	1,135,463
Stock-based compensation (Note 12)	<u>97,795</u>	<u>104,522</u>
	<u>14,377,815</u>	<u>13,707,632</u>
Earnings before interest, income taxes, depreciation and amortization and other	4,283,586	3,159,718
Gain on sale of interest in consolidated subsidiary (Note 10)	4,519,209	1,278,148
Loss related to insolvency of U.S. franchisor (Note 3)	–	(4,849,770)
Gain on settlement of debt (Note 8)	2,842,237	7,293,681
Goodwill impairment (Note 7)	(2,285,100)	(1,310,608)
Interest and financing costs (Note 18)	(2,129,851)	(3,165,071)
Depreciation and amortization	<u>(1,377,080)</u>	<u>(1,811,805)</u>
Earnings before income taxes	<u>5,853,001</u>	<u>594,293</u>
INCOME TAXES (Note 16)		
Current – (expense) recovery	(1,019,831)	100,145
Future – recovery	<u>76,408</u>	<u>44,763</u>
	<u>(943,423)</u>	<u>144,908</u>
Non-controlling interest	<u>(888,495)</u>	<u>20,963</u>
Net earnings for the year	4,021,083	760,164
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrecognized gain (loss) on translation of financial statements of self-sustaining foreign operations	<u>(1,326,415)</u>	<u>(174,384)</u>
COMPREHENSIVE INCOME	\$ <u><u>2,694,668</u></u>	\$ <u><u>585,780</u></u>
Earnings per share – basic	\$ <u><u>0.43</u></u>	\$ <u><u>0.09</u></u>
Earnings per share – diluted	\$ <u><u>0.41</u></u>	\$ <u><u>0.09</u></u>

See accompanying notes to the consolidated financial statements.

Anthony Clark International Insurance Brokers Ltd.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended March 31, 2010 and 2009

(Expressed in Canadian dollars)

	Share capital		Accumulated other comprehensive income	Contributed surplus	Deficit
	Shares	Amount			
BALANCE, March 31, 2008	8,551,978	\$ 10,197,279	\$ 286,481	\$ 1,564,362	\$ (18,502,628)
Stock-based compensation	—	—	—	104,522	—
Common shares issued for:					
Settlement of accounts payable	970,000	232,800	—	—	—
Exercise of stock options	3,000	1,110	—	—	—
Unrealized gain (loss) on translation of financial statements of self-sustaining foreign operations	—	—	(174,384)	—	—
Net earnings for the year	—	—	—	—	760,164
BALANCE, March 31, 2009	9,524,978	10,431,189	112,097	1,668,884	(17,742,464)
Stock-based compensation	—	—	—	97,795	—
Common shares issued for:					
Settlement of interest on U.S. note payable	272,061	136,031	—	—	—
Exercise of stock options	351,112	105,334	—	—	—
Excess of share stated amount over share redemption amount	—	—	—	234,756	—
Unrealized gain (loss) on translation of financial statements of self-sustaining foreign operations	—	—	(1,326,415)	—	—
Net earnings for the year	—	—	—	—	4,021,083
Charge to capital on repurchase of shares through issuer bid	(374,300)	(406,042)	—	—	—
BALANCE, March 31, 2010	<u>9,773,851</u>	<u>\$ 10,266,512</u>	<u>\$ (1,214,318)</u>	<u>\$ 2,001,435</u>	<u>\$ (13,721,381)</u>

See accompanying notes to the consolidated financial statements.

Anthony Clark International Insurance Brokers Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2010 and 2009

(Expressed in Canadian dollars)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net earnings for the year	\$ 4,021,083	\$ 760,164
Adjustments to reconcile net cash provided by operating activities		
Depreciation and amortization	1,377,080	1,559,903
Impairment of non-competition agreements	–	251,902
Future income taxes (recovery)	(76,408)	(44,763)
Amortization of deferred financing costs and loan discounts	69,189	101,686
Impairment of deferred financing costs	140,131	613,909
Stock-based compensation	97,795	104,522
Impairment of unamortized initial franchise fees	–	2,948,952
Non-controlling interest	888,495	(20,963)
Gain on sale of interest in consolidated subsidiary	(4,519,209)	(1,278,148)
Impairment of goodwill	2,285,100	1,310,608
Gain on settlement of debt	<u>(2,842,237)</u>	<u>(7,293,681)</u>
	1,441,019	(985,909)
Changes in non-cash working capital accounts		
Accounts receivable	495,555	(217,515)
Prepaid expenses	(148,061)	(125,323)
Accounts payable and accrued liabilities	(1,049,977)	1,183,540
Income taxes	<u>354,927</u>	<u>(31,761)</u>
	<u>1,093,463</u>	<u>(176,968)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds on issue of common shares	105,334	1,110
Repayments on long-term debt	(4,657,860)	(748,485)
Proceeds from long-term debt	1,251,111	1,909,097
Deferred financing costs	–	(128,650)
Repurchase of share under issuer bid	(171,231)	–
Distribution to non-controlling interest	<u>(113,221)</u>	<u>–</u>
	<u>(3,585,867)</u>	<u>1,033,072</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Additions to property and equipment	(77,784)	(39,442)
Business acquisitions	–	(45,842)
Repayment of amount due from director	–	25,100
Proceeds on sale of an interest in a consolidated subsidiary	<u>2,397,330</u>	<u>1,512,941</u>
	<u>2,319,546</u>	<u>1,452,757</u>
EFFECT OF FOREIGN EXCHANGE	<u>(64,159)</u>	<u>162,638</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR	(237,017)	2,471,499
CASH, beginning of year	<u>2,875,053</u>	<u>403,554</u>
CASH, end of year	\$ <u>2,638,036</u>	\$ <u>2,875,053</u>

See Note 20.

See accompanying notes to the consolidated financial statements.

Anthony Clark International Insurance Brokers Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Anthony Clark International Insurance Brokers Ltd. (the "Company"), through its various subsidiaries, operates general insurance brokerages in Canada and the United States. Shares of the Company trade on the TSX Venture Exchange under the symbol "ACL" and the OTCQX under the symbol "ACKBF". Revenues are attributed to geographic areas based on the location of resources producing the revenues.

2. ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated on consolidation.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions.

Significant estimates used in the preparation of these financial statements include the collectability of accounts receivable, the allocation of the purchase price on business acquisitions, the valuation of reporting units when testing the recoverability of goodwill, the estimated useful lives of property and equipment and customer accounts, the provision for future income tax recoveries and composition of future income tax assets and future income tax liabilities and the fair value of stock-based compensation.

Management's best estimates are based on the facts and circumstances available at the time estimates are made, historical experience, general economic conditions and trends, and management's assessment of probable future outcomes of these matters. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period.

Revenue recognition

Commission revenue, which is earned by the placement of insurance policies with underwriters, is recognized as of the effective date of each policy provided that collection is believed to be reasonably assured. Contingent commissions are based on the underwriters' profitability on insurance policies placed by the Company and are recognized when received.

Trust cash

Certain premiums collected, net of related commissions, but not yet remitted to insurance carriers are restricted by contract and by law in certain jurisdictions.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the property and equipment using the following annual rates and methods:

Computer equipment and software	- 30% declining balance
Furniture and equipment	- 20% declining balance
Leasehold improvements	- straight-line over the term of the related lease

Anthony Clark International Insurance Brokers Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009

(Expressed in Canadian dollars)

2. ACCOUNTING POLICIES - continued

Impairment of long-lived assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

Business combinations

Business acquisitions are accounted for using the purchase method whereby the fair value of consideration given is allocated to identifiable assets acquired and liabilities assumed. The results of operations and cash flows of an acquired business are included in the Company's financial statements from the date of acquisition. Where the consideration given is subject to contingent adjustment based on future periods' operating results, such adjustment is recognized in the period the contingency is resolved.

Customer accounts

Acquired customer accounts are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over estimated useful lives of the acquired customer accounts currently ranging between three and seventeen years. The carrying value of customer accounts is periodically assessed for impairment in accordance with the Company's accounting policy for impairment of long-lived assets.

Goodwill

Goodwill results from business combinations and represents the excess of the consideration given over the fair value of identifiable net assets acquired. Goodwill is not subject to amortization but is subject to an impairment test that is performed at least annually.

Deferred financing costs and debt discounts

Deferred financing costs and debt discounts are amortized over the term of the related indebtedness using the effective interest rate method. If the related debt becomes due on demand or is settled earlier, the related balance of unamortized deferred financing costs and debt discounts are charged to earnings.

Foreign currency translation

The Company uses the current rate method under which the assets and liabilities of self-sustaining foreign operations are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated using weighted average exchange rates for the year. Foreign currency translation gains and losses are shown as a separate component of shareholders' equity.

Earnings (loss) per share

Earnings (loss) per share is determined using the weighted average number of common shares outstanding during the year, which amounted to 9,453,728 (2009 – 8,593,970) common shares. Diluted earnings (loss) per share is calculated using the treasury stock method, which assumes proceeds from the exercise of stock options and warrants would be used to purchase common shares at the average market price for the year.

Stock-based compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are charged to expense as services are provided and the awards vest, with offsetting amounts recognized as contributed surplus.

Anthony Clark International Insurance Brokers Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009

(Expressed in Canadian dollars)

2. ACCOUNTING POLICIES - continued

Income taxes

Income taxes are recorded using the liability method. Under this method, current income taxes are recognized for the estimated income taxes payable or receivable for the year. Future income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are recognized using substantively enacted income tax rates. Future income tax assets are recognized with respect to deductible temporary differences and loss carryforwards only to the extent their realization is considered more likely than not.

Treasury stock

The Company records the repurchase of its shares at the average cost, being total share capital cost divided by total shares outstanding at the time of purchase. The difference between the average cost and actual purchase price is adjusted to contributed surplus.

Financial instruments

Financial assets are classified as either held for trading, held to maturity, loans and receivables or available for sale and financial liabilities as either held for trading or as other financial liabilities. Upon initial recognition, ordinarily all financial instruments are recognized at fair value. Subsequently, financial assets classified as held to maturity and as loans and receivables, and other financial liabilities, are accounted for at amortized cost. Financial assets and financial liabilities classified as held for trading are accounted for at fair value with unrealized holding gains and losses included in net income each period. Available for sale financial assets are also accounted for at fair value, however unrealized holding gains and losses on these instruments are included in the statement of operations and comprehensive income as other comprehensive income and on the balance sheet as a separate component of shareholders' equity titled accumulated other comprehensive income.

Adoption of new accounting standards

Effective on April 1, 2009, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets" which provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. The adoption of Section 3064 did not have an impact on the Company's results of operations or financial condition.

Future accounting standards

The following is an overview of accounting standard changes that the Company will be required to adopt in future years:

Business combinations, consolidated financial statements and non-controlling interests

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling interest". These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 – "Business Combinations". This section applies 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.

Anthony Clark International Insurance Brokers Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009

(Expressed in Canadian dollars)

2. ACCOUNTING POLICIES - continued

Sections 1601 and 1602 together replace 1600 – “Consolidated Financial Statements”. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standards IAS 27 – “Consolidated and Separate Financial Statements” and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board will require all public companies to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of its 2012 fiscal year when the Company will prepare both the current and comparative financial information using IFRS. The Company expects the transition to IFRS to impact financial reporting, business processes and information systems. The Company has started the initial planning and assessment phase to ensure a timely transition to IFRS.

3. INSOLVENCY OF BROOKE CAPITAL CORPORATION AND TERMINATION OF FRANCHISE ARRANGEMENTS

The Company's U.S. locations had been operating as franchises of Brooke Capital Corporation since October 31, 2006, in conjunction with certain debt financing. Beginning in the second quarter of 2009, the monthly cash settlements of net commissions receivable for the U.S. operations due monthly per the terms of the Brooke franchise agreements, stopped entirely. On October 17, 2008, the Company's U.S. operations were released from their franchise agreements and, therefore, the unamortized initial franchise fees of \$ 2,948,952 were written off. On October 28, 2008, Brooke Corporation and Brooke Capital Corporation filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code. An additional amount of \$ 1,639,071 was written off, primarily related to the net receivable from Brooke Capital Corporation for the monthly net settlements. Additionally, legal fees of \$ 261,747 were incurred by the Company.

On September 11, 2008, the Company filed a claim in the Superior Court of California against Brooke Corporation, Brooke Capital Corporation and Aleritas Corporation, an affiliate of Brooke Corporation, claiming amounts owing, breach of contract, fraud and misrepresentation, in the amount of approximately U.S. \$ 6.0 million. No amount has been recognized in these financial statements as no amounts are expected to be recovered.

4. BUSINESS ACQUISITIONS

Year ended March 31, 2010

During the year ended March 31, 2010, no business acquisitions occurred.

Year ended March 31, 2009

During the year ended March 31, 2009, the Company acquired books of business of its independent contractors, which were processed through the Company, and all of the property and equipment and customer accounts of Dyck Insurance, located in Calgary and Edmonton, Alberta. The purchases were funded through an expansion of the Company's existing Acquisition facility and vendor financing payable to the vendors at the end of the first and second years after closing.

Anthony Clark International Insurance Brokers Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009

(Expressed in Canadian dollars)

4. BUSINESS ACQUISITIONS - continued

In aggregate, as a result of the above transactions, the net assets acquired and liabilities incurred were as follows:

Assets and liabilities acquired:

Goodwill	\$	5,741,551
Customer accounts		4,874,139
Property and equipment		75,000
Future tax liability		(293,263)
Accounts payable and accrued liabilities		<u>(65,055)</u>
	\$	<u>10,332,372</u>

Consideration paid:

Lender financing	\$	9,943,420
Vendor financing		388,085
Discount on vendor financing		(44,975)
Net cash paid		<u>45,842</u>
	\$	<u>10,332,372</u>

The results of operations and cash flows of the acquired business, other than the books of business of its independent contractors, are included in these financial statements from the closing date of the acquisition, which was January 29, 2009.

5. PROPERTY AND EQUIPMENT

	2010		
	Cost	Accumulated depreciation	Net
Computer equipment and software	\$ 690,274	\$ 435,726	\$ 254,548
Furniture and equipment	592,284	387,932	204,352
Leasehold improvements	<u>56,293</u>	<u>56,293</u>	<u>—</u>
	\$ <u>1,338,851</u>	\$ <u>879,951</u>	\$ <u>458,900</u>
	2009		
	Cost	Accumulated depreciation	Net
Computer equipment and software	\$ 615,975	\$ 408,016	\$ 207,959
Furniture and equipment	641,237	335,389	305,848
Leasehold improvements	<u>66,356</u>	<u>65,292</u>	<u>1,064</u>
	\$ <u>1,323,568</u>	\$ <u>808,697</u>	\$ <u>514,871</u>

Included in property and equipment are assets under capital lease with a cost of \$ 121,272 (2009 - \$ 67,694) and accumulated depreciation of \$ 44,333 (2009 - \$ 25,979).

Anthony Clark International Insurance Brokers Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009

(Expressed in Canadian dollars)

6. CUSTOMER ACCOUNTS		2010	2009
Cost	\$	9,682,844	\$ 8,480,969
Accumulated amortization		<u>(5,157,066)</u>	<u>(2,550,667)</u>
	\$	<u>4,525,778</u>	\$ <u>5,930,302</u>

7. GOODWILL

Goodwill is not subject to amortization but is subject to an impairment test that is performed at least annually. Upon testing goodwill for impairment, it was determined that there was an impairment of goodwill in one California division due to reduced revenues in the division. The resulting write-off of goodwill was in the amount of \$ 2,285,100 (U.S. \$ 2,250,000) (2009 – \$ 1,310,608 (U.S. \$ 1,040,000)).

The economic conditions, decline in premiums due to a soft market, and general competition have negatively affected revenue in this California division, resulting in the further write-down of goodwill in the year ended March 31, 2010.

Should actual revenue and customer retention decline lower than the current estimated levels, further write-down of goodwill may be required for any additional impairment.

There were no additions or other write-offs during the year relating to goodwill.

8. LONG-TERM DEBT		2010	2009
U.S. Senior note – paid out April 3, 2009 (b (i))	\$	–	\$ 1,386,220
U.S. Senior note – paid out April 23, 2009 (b (ii))		–	4,707,656
U.S. Senior note – 7% due September 2011 (b (iii))		5,585,800	6,931,100
Senior notes – 4.5% – 6.75%, due between June 2018 and January 2019 (a)		17,964,792	20,616,642
U.S. Note payable – 14% due April 2012 (b)		3,300,700	4,095,650
U.S. Note payable – non-interest bearing due August 2010, net of unamortized discount of \$ 9,357 (2009 – \$ 17,184)		24,497	66,830
Note payable – 5% due September 2010, net of unamortized discount of \$ 2,716 (2009 – \$ 12,746)		44,983	131,629
Notes payable – without interest due between July 2010 and October 2010, net of unamortized discount of \$ 3,915 (2009 – \$ 32,903)		<u>170,181</u>	<u>355,182</u>
		<u>27,090,953</u>	<u>38,290,909</u>
Deferred financing costs		(304,036)	(1,104,383)
Accumulated amortization		58,227	164,234
Impairment of deferred financing costs		<u>115,799</u>	<u>633,325</u>
		<u>(130,010)</u>	<u>(306,824)</u>
		26,960,943	37,984,085
Current portion		<u>(1,912,880)</u>	<u>(3,105,395)</u>
	\$	<u>25,048,063</u>	\$ <u>34,878,690</u>

Anthony Clark International Insurance Brokers Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010 and 2009

(Expressed in Canadian dollars)

8. LONG-TERM DEBT – continued

- (a) On June 12, 2008, the Company closed secured debt financing arrangements with Intact Insurance Company (“Intact”), formerly ING Insurance Company of Canada, whereby Intact provided a \$ 10,000,000 ten-year term loan facility (the “Repayment Facility”) along with a facility of \$ 1,500,000 available for working capital purposes (the “Working Capital Facility”).

An amount of \$ 8,962,878 was drawn under the Repayment Facility to repay the Operating Line of Credit in full and to reduce the amount outstanding under a U.S. senior note. The unamortized deferred financing costs related to the operating line of credit and term loan were written off in the year ended March 31, 2009. See note 18.

On June 20, 2008, the Company closed a \$ 4,500,000 Intact loan facility (the “Acquisition Facility”) to its subsidiary Anthony Clark Insurance Brokers Ltd. The Acquisition Facility is available to finance potential future Canadian expansion projects and purchases of Canadian insurance brokerages. See Note 4.

On January 29, 2009, an amendment was made to the loan agreement to increase the Acquisition Facility by \$ 9,500,000. See Note 4.

On April 23, 2009, the Company closed another equity financing under which an additional interest in the consolidated subsidiary of the Company which operates the Canadian operations, was sold. Part of the proceeds of the sale were applied to payout a term loan used to facilitate the extinguishment of a loan at a discount and partially pay down the balance remaining on the Working Capital Facility. The Company recognized a gain on sale with an additional adjustment to the sales proceeds applied to the reduction of outstanding senior debt. See Note 10.

The Company is also subject to certain covenants on an ongoing basis which came into effect in the quarter ended September 30, 2008, with failure to maintain compliance resulting in the loans becoming due on demand. The Company is in compliance with the covenants.

The above Intact facilities have been fully guaranteed and secured by the Canadian assets of the Company.

- (b) The November 15, 2008 and subsequent payments due on the U.S. senior notes were not made due to the insolvency of Brooke Capital Corporation, the franchisor of the Company’s U.S. operations. The Company continued in discussions regarding the transition, ongoing servicing and assignment of the U.S. senior notes.

Also, in conjunction with the Intact refinancing, the U.S. denominated debt is now secured by the U.S. assets only with a guarantee provided by the Company.

- (i) On April 3, 2009, an amount of U.S. \$ 3,037,002 originally advanced on October 31, 2006 by the U.S. senior lender and later assigned, was paid out and settled for U.S. \$ 1,100,000. A gain of U.S. \$ 5,787,717 (CDN \$ 7,293,681) resulting from the extinguishment and amendment of the U.S. senior notes at a discount and the write-off of related unamortized deferred financing costs and accrued interest were recognized in the year ended March 31, 2009.
- (ii) On April 23, 2009, an amount of U.S. \$ 4,000,000 originally advanced by the U.S. senior lender on October 31, 2006 and later assigned, was paid out and settled for U.S. \$ 1,423,000 with proceeds received from the sale of the additional interest in the consolidated subsidiary. A gain resulting from the extinguishment of the loan at a discount in the amount of U.S. \$ 2,312,642 (CDN \$ 2,842,237) was recognized in the year ended March 31, 2010, along with the related unamortized deferred financing costs and accrued interest being written off.

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8. LONG-TERM DEBT – continued

(iii) On March 31, 2009, an amendment was made to the U.S. senior note representing U.S. \$ 10,335,359 originally advanced on June 28, 2007 and later assigned, whereby the outstanding principal balance on the note was adjusted to U.S. \$ 5,500,000. Certain terms of the loan agreement were amended, including monthly interest only payments at 7% per annum accruing from February 1, 2009 and the due date amended to September 1, 2011 with an extension to April 1, 2012 if mutually agreed to, replacing the previous maturity on June 15, 2022.

Should the Company materially default on its obligations the principal balance due on the senior note will revert to U.S. \$ 7,500,000 if a material default occurs on or before March 31, 2011.

(c) The Company is obligated to make the following principal payments in each of the next five fiscal years:

2011	\$	1,912,880
2012		7,360,932
2013		5,184,097
2014		1,998,416
2015		2,120,621
Thereafter		<u>8,514,007</u>
	\$	<u>27,090,953</u>

9. OBLIGATIONS UNDER CAPITAL LEASES

	<u>2010</u>	<u>2009</u>
Obligations under capital leases, collateralized by the assets under lease	\$ 58,679	\$ 34,905
Current portion	<u>(35,141)</u>	<u>(18,099)</u>
	\$ <u>23,538</u>	\$ <u>16,806</u>

10. NON-CONTROLLING INTEREST IN CONSOLIDATED SUBSIDIARY

On June 10, 2008, the Company closed an equity financing under which a non-controlling interest in a newly incorporated consolidated subsidiary of the Company which operates the Canadian operations was sold. The Company recognized a gain on the sale.

On April 23, 2009, the Company closed another equity financing under which an additional interest in the consolidated subsidiary of the Company which operates the Canadian operations was sold. The Company recognized a gain on the sale.

Under certain terms and conditions of the agreement with the non-controlling shareholder, the Company may be required to repurchase the non-controlling interest.

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11. SHARE CAPITAL

- a) Authorized
Unlimited common shares without par value.
- b) The Company received regulatory approval from the TSX Venture Exchange (the "Exchange") to make a normal course issuer bid. Pursuant to the bid, the Company could purchase up to 815,159 of its common shares which represents approximately 10% of the common shares issued and outstanding. The bid commenced May 14, 2009 and terminated on May 13, 2010. The Company has repurchased 374,300 common shares under the bid of which 38,000 shares were not yet cancelled as at March 31, 2010.
- c) On January 15, 2009, the Company extinguished all 1,439,128 outstanding warrants which were exercisable at \$ 0.80 per share and had an expiry date of June 15, 2010.
- d) The Company finalized an Amending Agreement, effective January 1, 2010, with one of its U.S. lenders, whereby the U.S. lender has agreed to receive a portion of the interest owed to it in common shares of the Company.

Pursuant to the terms of the Amending Agreement, the U.S. lender has agreed to accept 4% of the annual interest payments due on a U.S. \$ 3,250,000 loan (the "Loan") in common shares of the Company, effectively reducing the cash interest payment by U.S. \$ 130,000 annually. This Amending Agreement is in effect until the maturity of the Loan on April 30, 2012. As such and with the required regulatory approvals received, the Company will issue U.S. \$ 130,000 worth of common shares priced at CDN \$ 0.50 per common share to the U.S. lender or 272,061 common shares. The price of CDN \$ 0.50 per common share represents a 2% discount from the closing price of CDN \$ 0.51 per common share on January 15, 2010. The pricing of the common shares to be issued during the subsequent years of the Loan will be determined at the then current trading price of the common shares of the Company as at the close of business on the first trading day after January 1st in each year until the maturity date of the Loan.

The issuance of any common shares of the Company pursuant to the Amending Agreement is subject to any and all required regulatory approvals and the acceptance of the TSX Venture Exchange.

12. STOCK-BASED COMPENSATION

The Company has an incentive stock option plan which provides for the award of stock options to directors, officers, employees and consultants. A maximum of 1,601,395 common shares are reserved under the plan. The terms and exercise prices of all stock option awards are determined by the directors at the time of issue.

Changes in stock options during the years ended March 31, 2010 and 2009 are as follows:

	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	1,598,000	\$ 0.38	1,601,395	\$ 0.43
Awarded	—	—	529,489	0.33
Exercised	(351,112)	(0.30)	(3,000)	(0.37)
Forfeited	—	—	(5,000)	(0.30)
Expired	(717,399)	(0.45)	(524,884)	(0.49)
Outstanding, end of year	<u>529,489</u>	<u>\$ 0.33</u>	<u>1,598,000</u>	<u>\$ 0.38</u>

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12. STOCK-BASED COMPENSATION - continued

The following table sets forth information relating to stock options outstanding as at March 31, 2010:

<u>Expiry</u>	<u>Exercise price</u>	<u>Number outstanding at March 31, 2010</u>	<u>Weighted average remaining contractual life</u>	<u>Weighted average exercise price</u>	<u>Number exercisable at March 31, 2010</u>	<u>Weighted average exercise price</u>
February 28, 2011	\$ 0.33	529,489	0.92	\$ 0.33	352,992	\$ 0.33

On February 3, 2009, the Company granted 529,489 options to purchase common shares at a price of \$ 0.33 per share to certain directors, officers and employees. The options vest over a period of eighteen months from the date of grant and expire on February 28, 2011. The fair value of stock options awarded to directors, officers and employees of \$ 93,760 is being recorded to stock-based compensation expense and contributed surplus as services are provided and the awards vest and was estimated on the date of award using the Black-Scholes option pricing model with the assumptions below:

	<u>2009</u>
Risk-free interest rate	1.00%
Estimated volatility	101%
Expected lives	2.07 years

The average fair value of stock options awarded during the 2009 fiscal year, as calculated using the Black-Scholes option pricing model, was \$ 0.18, per stock option.

The Black-Scholes option pricing model was developed for use in estimating the fair value of stock options that have no vesting provisions and are fully transferable. Also, option pricing models require the use of estimates and assumptions including expected volatility. The Company uses expected volatility rates which are based upon historical volatility rates. Changes in the underlying assumptions can materially affect these fair value estimates.

13. RELATED PARTY TRANSACTIONS

The Company enters into transactions with related parties from time to time in the normal course of business. Related party transactions are measured at the exchange amount, being the amount of consideration established and agreed to between the related parties, unless otherwise noted.

During the year ended March 31, 2010 the Company incurred \$ 76,935 (2009 – \$ 245,908) of legal fees with a law partnership in which a partner is also a director.

A finder's fee due to a director of the Company in the amount of \$ 86,741 was incurred in respect of an acquisition during the year ended March 31, 2009. See Note 4.

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14. CAPITAL MANAGEMENT

The Company considers the capital it manages to be the amounts it has in cash, debt (long-term and short-term borrowings) and shareholders' equity.

The Company's objectives when managing capital are to:

- safeguard the Company's ability to continue as a going concern
- ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans
- optimize the cost of its capital at an acceptable level in light of current and future industry, market and economic risks and conditions
- utilize the long-term funding sources to manage its working capital and restructure debt to minimize the cost of its capital
- acquire assets and dispose of non-performing assets

The Company's debt contains general security restrictions and debt covenants. The Company's debt covenants came into effect September 30, 2008. At March 31, 2010, the Company is in compliance with these general security restrictions and debt covenants.

The declaration and payment of dividends and the amount thereof are at the discretion of the Board. In order to maintain and maximize growth, maintain sufficient liquidity to support its financial obligations and optimize the cost of capital, the Company currently does not pay out dividends.

Refer to Notes 8 and 11 for description of changes in capital for the 2010 and 2009 fiscal years.

15. FINANCIAL INSTRUMENTS

a) Fair value

The fair value of financial instruments at March 31, 2010 and 2009 is summarized in the following table. Fair value estimates are made at the balance sheet date, based on relevant quoted market and other information about the financial instruments.

	March 31,			
	2010		2009	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
<i>Held for trading</i>				
Cash	\$ 2,638,036	\$ 2,638,036	\$ 2,875,053	\$ 2,875,053
Trust cash	235,503	235,503	212,848	212,848
Loans and receivables				
Accounts receivable	2,315,394	2,315,394	3,077,205	3,077,205
Financial liabilities				
<i>Other financial liabilities</i>				
Accounts payable and accrued liabilities	2,104,318	2,104,318	3,343,709	3,343,709
Distribution payable to non-controlling interest	952,052	952,052	95,398	95,398
Long-term debt	26,960,943	26,960,943	37,984,085	35,376,518
Obligations under capital leases	58,679	58,679	34,905	34,905

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15. FINANCIAL INSTRUMENTS - continued

b) Financial risk management

The Company's activities potentially expose it to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk.

Credit risk

The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations, or if there is a concentration of transactions carried out with the same counterparty or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions.

The Company's financial instruments that are exposed to concentrations of credit risk relate primarily to cash and accounts receivable from clients and insurance carriers. Cash is in place with major financial institutions. Concentrations of credit risk with respect to client and carrier accounts receivable are limited due to the large number of customers and carriers. The Company has evaluation and monitoring processes in place and writes off accounts when they are determined to be uncollectible.

As at March 31, 2010, the Company is exposed to credit risk through the following assets:

Accounts receivable	\$	<u>2,315,394</u>
Net credit risk	\$	<u>2,315,394</u>

Foreign currency risk

The Company is exposed to the financial risk related to fluctuations of foreign exchange rates. The Company conducts business operations in the United States and has U.S. dollar denominated indebtedness and is therefore exposed to cash flow risks associated with fluctuations in the relative value of the Canadian and U.S. dollar. A significant change in the currency exchange rate of the Canadian dollar relative to the U.S. dollar could have a material effect on the Company's results of operations, financial position and cash flows. The Company does not engage in hedging activities or use financial instruments to reduce its risk exposure.

At March 31, 2010, the Company is exposed to currency risk through the following assets and liabilities denominated in U.S. dollars:

Cash	\$	615,653
Accounts receivable		993,009
Accounts payable		(813,908)
Long-term debt		<u>(8,910,997)</u>
Net exposure	\$	<u>(8,116,243)</u>

Based on the above net exposure at March 31, 2010, and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in a decrease or increase of \$ 811,624 in the Company's other comprehensive income (loss).

Interest rate risk

All of the Company's indebtedness bear interest at fixed rates and as a result the Company is not exposed to significant interest rate risk arising from long-term debt.

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15. FINANCIAL INSTRUMENTS – continued

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Company meets liquidity requirements by managing cash flows and being in an industry where its assets are fairly reasonably readily convertible into cash in the short-term.

The Company's ability to obtain funding from external sources may be restricted if the Company's financial performance and condition deteriorate. In addition, credit and capital markets are subject to inherent global risks that may negatively affect the Company's access and ability to fund its short-term and long-term debt requirements. The Company mitigates these risks by actively monitoring market conditions and diversifying its sources of funding and debt maturity.

The Company's accounts payable and accrued liabilities are generally due within 60 days. The current portion of obligations under capital leases and long term debt are due within 12 months.

16. INCOME TAXES

Income tax expense or recovery is the sum of the Company's provision for current income taxes and the difference between the opening and ending balances of its future income tax assets and liabilities.

The provision for income tax differs from the result which would have been obtained by applying the statutory income tax rate of 29.4% (2009 – 31.5%) to the Company's net income (loss) before income taxes. The difference results from the following items:

	<u>2010</u>	<u>2009</u>
Expected income tax expense	\$ 1,682,738	\$ 174,600
Sale of non-controlling interest in consolidated subsidiary	(603,811)	(158,684)
Net unrecognized benefit of loss carryforwards	–	52,500
Non-deductible stock-based compensation	28,116	30,700
Effect of foreign income tax rate differences	(89,106)	(248,808)
Other comprehensive income adjustment for foreign exchange	(1,282,158)	972,608
Valuation allowance	1,163,487	(891,892)
Other	<u>44,157</u>	<u>(75,932)</u>
	\$ <u>943,423</u>	\$ <u>(144,908)</u>

The income tax effects of temporary differences that give rise to significant portions of future income tax assets and liabilities at March 31, 2010 and 2009 are as follows:

Future income tax assets	<u>2010</u>	<u>2009</u>
Customer accounts, with tax basis	\$ 922,816	\$ 1,184,637
Other assets	2,189,373	3,033,192
Non capital losses	2,587,494	3,319,486
Valuation allowance	<u>(5,685,835)</u>	<u>(6,928,896)</u>
	<u>13,848</u>	<u>608,419</u>

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16. INCOME TAXES – continued	<u>2010</u>	<u>2009</u>
Future income tax liabilities		
Goodwill	\$ (33,418)	\$ (624,526)
Customer accounts, without tax basis	<u>(216,289)</u>	<u>(296,160)</u>
	<u>(249,707)</u>	<u>(920,686)</u>
Net future income tax liability	\$ <u>(235,859)</u>	\$ <u>(312,267)</u>

As at March 31, 2010, the Company had accumulated Canadian non-capital losses of approximately \$ Nil and U.S. net operating losses of approximately U.S. \$ 7,280,000 which can be carried forward and charged against future taxable income. A valuation allowance has been provided for these future income tax assets as there is no reasonable assurance the potential benefit of these losses will be realized. These losses expire principally in 2025 through 2030.

17. COMMITMENTS

The Company leases office premises under operating leases that expire at various dates during the 2011 through 2014 fiscal years. In addition, the Company has current obligations under certain advertising contracts. The Company's minimum lease and other payments under the agreements are as follows:

2011	\$ 1,808,227
2012	376,034
2013	74,578
2014	<u>1,731</u>
	\$ <u>2,260,570</u>

18. INTEREST AND FINANCING COSTS	<u>2010</u>	<u>2009</u>
Canadian Operations		
Interest on long-term debt	\$ 1,133,965	\$ 693,162
Interest on operating line of credit	–	145,905
Amortization of deferred financing costs and loan discount	51,883	43,835
Impairment of deferred financing costs	–	84,298
Interest on obligations under capital lease	<u>9,167</u>	<u>4,103</u>
	<u>1,195,015</u>	<u>971,303</u>
U.S. Operations		
Interest and loan fees on long-term debt	776,013	1,606,157
Amortization of deferred financing costs and loan discount	17,306	57,852
Impairment of deferred financing costs	140,131	529,611
Interest on obligations under capital lease	<u>1,386</u>	<u>148</u>
	<u>934,836</u>	<u>2,193,768</u>
	\$ <u>2,129,851</u>	\$ <u>3,165,071</u>

Impairment of deferred financing costs relates to the write-off of deferred financing costs related to the U.S. loans. See Note 8.

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19. SEGMENT DISCLOSURES

The Company operates in two geographic regions, Canada and the United States. There were no inter-segment transactions during the reporting periods:

	Year ended March 31, 2010			Year ended March 31, 2009		
	Canada	U.S.	Consolidated	Canada	U.S.	Consolidated
Operating Segments						
Revenue	\$ 10,422,600	\$ 8,238,801	\$ 18,661,401	\$ 6,402,258	\$ 10,465,092	\$ 16,867,350
Net earnings	3,993,312	27,771	4,021,083	715,716	44,448	760,164
Depreciation and amortization	1,143,768	233,312	1,377,080	707,619	1,104,186	1,811,805
Interest and financing costs	1,195,015	934,836	2,129,851	971,303	2,193,768	3,165,071
Identifiable assets	15,024,474	13,451,198	28,475,672	16,390,380	19,968,122	36,358,502
Property and equipment and intangibles	4,183,514	801,164	4,984,678	5,241,989	1,203,184	6,445,173
Goodwill	7,317,360	10,480,516	17,797,876	7,316,383	15,840,124	23,156,507

20. SUPPLEMENTAL CASH FLOW INFORMATION

During the years ended March 31, 2010 and 2009 the Company paid interest of \$ 2,147,396 and \$ 2,253,214 respectively, and paid income taxes of \$ 805,033 and \$ 80,000, respectively.

During the years ended March 31, 2010 and 2009, the Company had non-cash transactions as follows:

	2010	2009
Operating activities		
Amounts payable to a director	\$ —	\$ 65,055
Interest on U.S. note payable settled with common shares	(136,031)	—
Accounts payable settled against note receivable	—	(105,440)
Accounts payable settled with common shares	—	(232,800)
	<u>(136,031)</u>	<u>(273,185)</u>
Financing activities		
Repayment on long-term debt with proceeds on sale of an interest in a consolidated subsidiary	(2,732,540)	—
Future tax liability incurred related to purchase of books of business	—	293,263
Capital lease for financing property and equipment purchase	58,625	—
Debt incurred for purchase of books of business	—	9,943,420
Common shares issued to settle interest on U.S. note payable	136,031	—
Common shares issued to settle accounts payable	—	232,800
Discounted vendor debt related to purchase of books of business	—	343,112
	<u>(2,537,884)</u>	<u>10,812,595</u>

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20. SUPPLEMENTAL CASH FLOW INFORMATION – continued	2010	2009
Investing activities		
Purchase of customer accounts for vendor and lender financing	\$ –	\$ (2,347,928)
Proceeds on sale of an interest in a consolidated subsidiary used to repay long-term debt	2,732,540	–
Purchase of goodwill for note payable	–	(5,695,710)
Purchase of property and equipment for note payable	–	(75,000)
Purchase of customer accounts for note payable	–	(2,526,212)
Property and equipment additions financed by capital lease	(58,625)	–
Note receivable settled against accounts payable	–	105,440
	<u>2,673,915</u>	<u>(10,539,410)</u>
	\$ <u>–</u>	\$ <u>–</u>

21. CONTINGENCIES

The Company may, from time to time, be involved in various claims, lawsuits, disputes with third parties, actions involving allegations of discrimination, or breach of contract incidental to the operations of its business. The Company is not currently involved in any such incidental litigation which it believes could have a materially adverse effect on its financial condition or results of operations.

22. SUBSEQUENT EVENTS

The Company received regulatory approval from the TSX Venture Exchange (the “Exchange”) to make a normal course issuer bid. Pursuant to the bid, the Company could purchase up to 967,235 of its common shares which represents approximately 10% of the common shares issued and outstanding. The bid will commence May 14, 2010 and will terminate on May 13, 2011.

On April 8, 2010, the Company granted 525,000 options to purchase common shares at a price of \$ 0.36 per share to certain directors, officers and employees. The options vest over a period of eighteen months from the date of grant and expire on April 1, 2013.