NAPIER ENVIRONMENTAL TECHNOLOGIES INC.

INTERIM FINANCIAL STATEMENTS

JUNE 30, 2009

NAPIER ENVIRONMENTAL TECHNOLOGIES INC.
INTERIM BALANCE SHEETS
(UNAUDITED - Prepared by Management)

	June 30 2009	December 31 2008
ASSETS		
Current		
Cash	**$ 407,497**	$ 196,234
Funds held in trust (Note 4)	**250,000**	250,000
Accounts receivable	**466,445**	150,548
Inventory (Note 6)	**737,648**	417,880
Prepaid expenses	**41,256**	27,138
	1,902,846	1,041,800
Deferred leasehold inducements (Note 5)	**54,273**	100,791
Funds held in trust (Note 4)	**250,000**	250,000
Property, plant and equipment (Note 7)	**101,207**	134,908
	$ 2,308,326	$ 1,527,499
LIABILITIES		
Current		
Loans payable (Note 8)	**$ 500,000**	$ 500,000
Accounts payable (Note 5)	**1,650,459**	1,121,025
Bonus payable (Note 5)	**1,042,271**	983,938
Deposit (Note 4)	**701,988**	100,000
Deferred revenue	**55,874**	8,333
Current portion of long term debt (Note 9)	**300,000**	300,000
	4,250,592	3,013,296
Deferred revenue	**68,057**	76,390
Long term debt (Note 9)	**300,000**	300,000
	4,618,649	3,389,686
SHAREHOLDERS' DEFICIENCY		
Capital stock (Note 10)	**24,819,578**	24,819,578
Contributed surplus (Note 10)	**418,902**	412,015
Deficit	**(27,548,803)**	(27,093,780)
	(2,310,323)	(1,862,187)
	$ 2,308,326	$ 1,527,499

Going concern (Note 1)

The accompanying notes are an integral part of these financial statements

NAPIER ENVIRONMENTAL TECHNOLOGIES INC.
INTERIM STATEMENTS OF OPERATIONS AND DEFICIT
(UNAUDITED - Prepared by Management)

	Three month period ended June 30		Six month period ended June 30	
	2009	2008	**2009**	2008
Sales	**$ 764,725**	$ 745,665	**$ 1,033,485**	$ 1,143,780
Cost of sales	**690,973**	713,349	**990,884**	1,069,605
Gross margin	**73,752**	32,316	**42,601**	74,175
	9.6%	4.3%	**4.1%**	6.5%
Expenses				
General and administrative (Schedule)	**173,171**	298,219	**307,834**	450,531
Selling and marketing (Schedule)	**128,696**	78,294	**193,702**	149,456
Research and development	**65,241**	41,895	**95,369**	88,434
Interest and financing costs	**22,252**	100,042	**47,273**	207,984
	389,360	518,450	**644,178**	896,405
Operating loss	**(315,608)**	(486,134)	**(601,577)**	(822,230)
Other items				
Royalty and other income	**114,772**	141,313	**157,273**	173,397
Foreign exchange loss	**(17,058)**	(2,983)	**(10,719)**	(1,008)
	97,714	138,330	**146,554**	172,389
Net loss for the period	**(217,894)**	(347,804)	**(455,023)**	(649,841)
Deficit at beginning of the period	**(27,330,909)**	(30,357,371)	**(27,093,780)**	(30,055,334)
Deficit at end of the period	**$ (27,548,803)**	$ (30,705,175)	**$ (27,548,803)**	$ (30,705,175)
Weighted average shares outstanding	**129,921,742**	129,921,742	**129,921,742**	129,921,742
Net loss per share, basic and fully-diluted	**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.01)

The accompanying notes are an integral part of these financial statements

NAPIER ENVIRONMENTAL TECHNOLOGIES INC.
INTERIM STATEMENTS OF CASH FLOWS
(UNAUDITED - Prepared by Management)

	Three month period ended June 30		Six month period ended June 30	
	2009	2008	**2009**	2008
Operating activities				
Net loss for the period	**$ (217,894)**	$ (347,804)	**$ (455,023)**	$ (649,841)
Items not involving cash				
Depreciation and amortization	**12,185**	23,699	**34,066**	47,524
Amortization of deferred leasehold inducements	**23,259**	23,260	**46,518**	46,519
Stock based compensation	**3,444**	3,444	**6,887**	6,887
	(179,006)	(297,401)	**(367,552)**	(548,911)
Change in non-cash operating working capital				
Accounts receivable	**(329,681)**	(137,076)	**(315,897)**	(138,246)
Inventory	**(247,018)**	91,950	**(319,768)**	(88,407)
Prepaid expenses	**(21,892)**	(10,692)	**(14,118)**	12,314
Accounts payable	**508,757**	349,274	**529,434**	668,915
Deposit	**601,988**	-	**601,988**	250,000
Deferred revenue	**(81,622)**	(105,383)	**39,208**	(118,988)
Bonus payable	-	-	**58,333**	-
	430,532	188,073	**579,180**	585,588
	251,526	(109,328)	**211,628**	36,677
Investing activities				
Purchase of property, plant and equipment	-	-	**(365)**	-
	-	-	**(365)**	-
Change in cash during the period	**251,526**	(109,328)	**211,263**	36,677
Cash at beginning of the period	**155,971**	150,418	**196,234**	4,413
Cash at the end of the period	**$ 407,497**	$ 41,090	**$ 407,497**	$ 41,090

The accompanying notes are an integral part of these financial statements

NAPIER ENVIRONMENTAL TECHNOLOGIES INC.
INTERIM SCHEDULES
(UNAUDITED- Prepared by Management)

GENERAL AND ADMINISTRATIVE

	Three Month Period ended June 30		Six Month Period ended June 30	
	2009	2008	**2009**	2008
Salaries and wages	**$ 53,210**	$ 45,420	**$ 133,163**	$ 89,983
Professional fees	**42,352**	107,795	**50,680**	127,443
Regulatory, filing and investor relations	**26,055**	54,154	**26,635**	58,571
Occupancy	**11,623**	11,431	**23,279**	21,667
Office	**13,663**	10,045	**20,167**	19,513
Insurance	**6,757**	28,513	**15,302**	56,264
Telecommunications	**3,463**	3,927	**6,571**	7,494
Director fees	**3,000**	19,500	**5,500**	31,000
Travel	**2,261**	3,900	**2,460**	11,403
Amortization	**10,787**	13,534	**24,077**	27,193
	$ 173,171	$ 298,219	**$ 307,834**	$ 450,531

SELLING AND MARKETING

	2009	2008	**2009**	2008
Salaries and wages	**$ 48,270**	$ 34,364	**$ 85,457**	$ 68,587
Marketing	**29,154**	16,451	**32,759**	24,679
Consulting	**12,667**	14,591	**26,762**	27,239
Bad debt expense	**19,855**	-	**19,855**	-
Commissions	**13,113**	9,466	**18,929**	15,750
Travel and entertainment	**4,094**	2,427	**6,777**	11,373
Other	**1,543**	995	**3,163**	1,828
	$ 128,696	$ 78,294	**$ 193,702**	$ 149,456

The accompanying notes are an integral part of these financial statements

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 auditor has not performed a review of the comparative figures in 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.

1. CONTINUING OPERATIONS

The Company is governed by the *Business Corporations Act* (British Columbia) and is primarily involved in the manufacturing, distribution and licensing of a wide range of products created through environmentally advanced technology. These include coating removal and wood restoration products. This intellectual property together with customer lists, inventory and production equipment and machinery was sold on July 31, 2009.

The interim financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. The Company continues to incur operating losses, does not meet margin requirements required under its operating loans and long term debt, has negative working capital and a shareholders' deficiency.

On April 1, 2009, Napier was notified by Freeworld Coatings Global (Pty) Ltd. ("Freeworld") of their intention to exercise their option to acquire the North American operations of Napier. On July 31, 2009, the transaction with Freeworld whereby Freeworld has acquired the North American ("NAFTA") business of Napier, including the worldwide rights to Napier's wide range of products utilizing environmentally advanced technology, was completed. The product lines include coating removal and wood restoration products for both the industrial/commercial market and the consumer/retail market.

Upon closing of this transaction for the NAFTA business, the company will cease manufacturing, leaving Napier with a responsibility to Freeworld for certain transitional services which are expected to be completed by September 30, 2009. In addition to the proceeds from this transaction, Napier will retain all other net assets and the licensing arrangement for the IP with a major paint manufacturer for the North American market, the licensing agreement has a term through to February 28, 2019.

During the year ended December 31, 2008 the Company was delisted from the Toronto Stock Exchange for failure to meet certain listing requirements. The Company's ability to continue as a going concern remains dependant on the continued cooperation and support of its lenders and to attain positive cash flow from operations.

If the going concern assumption were not appropriate for these interim financial statements, adjustments would be necessary to the carrying values of assets and liabilities, the reported net income and the balance sheet classifications used.

2. CHANGES IN ACCOUNTING POLICIES

2009 and 2008

Effective January 1, 2008, the Company adopted the following recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook:

Capital disclosures

The Company adopted the recommendations of CICA Handbook Section 1535, Capital Disclosures. This Section requires the disclosure of information about an entity' objectives, policies and processes for managing capital and quantitative data about what the entity regards as capital. It also requires disclosure of the nature of externally imposed capital requirements and how those requirements are incorporated into the management of capital, whether the entity has complied with those requirements and when the entity has not complied with those requirements, the consequences of such non-compliance.

Inventories

The Company adopted the recommendations of CICA Handbook Section 3031, Inventories, which provides guidance on the determination of cost of inventories and its subsequent recognition as an expense, and includes additional disclosure requirements. The new Section also requires to account for the reversal of write-downs previously recognized when there is a subsequent increase in the value of inventories. The adoption of this Section had no impact on the interim financial statements other than the additional disclosures provided in Note 6.

Financial instruments

The Company adopted the recommendations of CICA Handbook Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation. Section 3862 requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 contains standards for presentation of financial instruments and non-financial derivatives.

2007

Effective January 1, 2007, the Company adopted the new recommendations of the CICA Handbook Section 3251, Equity; Section 1530, Comprehensive Income; and Section 3855, Financial Instruments - Recognition and Measurement, and Section 3861, Financial Instruments – Disclosure and Presentation, retroactively, without restatement. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition, measurement, presentation and disclosure of financial instruments. The adoption of this standard had no significant impact on net loss and net loss per share for the year ended December 31, 2007.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

In accordance with Section 3855, the Company adopted a policy to expense debt financing fees as incurred resulting in an increase to opening deficit as at January 1, 2007 of $462,000 to eliminate the deferred financing costs that were capitalized and amortized under the Company's previous accounting policy.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These interim financial statements include the accounts of the Company and its wholly owned subsidiary. Inter-company balances and transactions are eliminated upon consolidation.

Use of estimates

The preparation of interim financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses during the reporting period. These estimates specifically relate to allowance for doubtful customer accounts, inventory valuation, property and equipment amortization policies, accrued liabilities and stock based compensation. Actual results could differ from those estimates.

Inventory

Raw materials, work in process and finished goods are valued at the lower of cost and net realizable value. Cost is determined on the first in, first out basis. The cost of work in process and finished goods includes the cost of raw materials and the applicable share of the cost of labour and fixed and variable production overheads. Net realizable value is the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale.

Property and equipment

Property and equipment are recorded at cost and the Company provides for amortization computed using the following methods and annual rates:

Machinery and equipment	5 – 10 years straight line
Furniture and fixtures	2 - 5 years straight line
Leasehold improvements	Straight line over lease term

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Revenue recognition

Revenue is recognized when persuasive evidence of an arrangement exists, goods are shipped, price is fixed and determinable, and collection is reasonably assured. Initial non-refundable licensing fees are deferred and recognized over the term of the licensing agreement. Royalty fees are recognized as the licensee sells the licensed product.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the enacted and substantively enacted income tax rates for the years in which the differences are expected to reverse. Future income tax assets are recognized to the extent it is more likely than not they will be realized.

Deferred leasehold inducements

Leasehold inducements related to the sublease outlined in Note 5 are deferred and amortized to rent expense over 51 months from the commencement date of the sublease. As at June 30, 2009 there are 7 months remaining in the amortization period.

Stock based compensation

The Company uses the fair value method to account for stock based compensation and other stock based payments. This method consists of expensing the fair value of stock based awards over the vesting period of the options granted. Upon exercise of the stock options, consideration received together with amounts previously recognized in contributed surplus is recorded as an increase in share capital.

Foreign currency translation

The functional currency of the Company's operations is the Canadian dollar. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the historical rates.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and expenses are translated at the average rates for the year except for amortization that is translated at historical rates. Translation gains or losses are included in earnings.

Earnings per share

Earnings per share is calculated based on the weighted average number of shares outstanding during the period. Potentially dilutive items are described in Note 10. Diluted loss per share is the same as basic loss per share as the average market price of the common shares during the period did not exceed the exercise price of the options.

Financial instruments

Fair value

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments.

Classification

Asset/liability	**Category**	**Measurement**
Cash	Held for trading	Fair value
Funds held in trust	Held-to-maturity	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other liabilities	Amortized cost
Loans payable	Other liabilities	Amortized cost
Long term debt	Other liabilities	Amortized cost

Recent accounting pronouncements

In February 2008, the CICA issued Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact that the adoption of this new Section will have on its interim financial statements.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian Generally Accepted Accounting Principles ("GAAP") with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that the year 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Should Napier regain its position as a publicly listed company, the transition date of January 1, 2011 will require restatement, for comparative purposes, of amounts reported by the Company for the year ended December 31, 2010. The Company is currently evaluating the impact the adoption of IFRS will have on its interim financial statements.

4. SALE OF INTELLECTUAL PROPERTY

On July 29, 2008 the Company completed the sale of its intellectual property ("IP") to Freeworld together with an option granting Freeworld the rights to the North American sales, marketing and manufacturing operations of the Company, for aggregate consideration of $5,150,000. Of these proceeds, $4,900,000 has been received and the balance of $250,000 is being held in escrow, to be released in 2010, subject to certain indemnifications made to the purchaser. The Company is not aware of any potential indemnification claims which would reduce the future payments to be received from the escrow account. The balance of the proceeds being held in escrow is recorded on the balance sheet as funds held in trust.

On July 31, 2009, Napier completed the previously announced transaction with Freeworld whereby Freeworld acquired the North American ("NAFTA") business of Napier, including the worldwide rights to Napier's wide range of products utilizing environmentally advanced technology. The product lines include coating removal and wood restoration products for both the industrial/commercial market and the consumer/retail market.

In connection with the completion of this transaction, Napier will receive $1,375,000 for goodwill, $55,000 for production machinery and $550,000, subject to actual count, for inventory. An inventory count has been performed and a final inventory valuation of $625,411, subject to certain adjustments, has been agreed. Advance payments of $602,000 were received as at June 30, 2009. Subsequent to June 30 further proceeds were received for a total to date of $1,930,411. It is anticipated that the balance of the proceeds of $125,000, representing the balance of goodwill, will be paid to Napier in September.

Upon closing of this transaction for the NAFTA business, the company will cease manufacturing, leaving Napier with a responsibility to Freeworld for certain transitional services which are expected to be completed by September 30, 2009.

5. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2005 the Company obtained financing, described in notes 8 and 9, from companies controlled by directors and officers of the Company. Total interest accrued on these loans for the three and six months ended June 30, 2009 was $22,252 and $47,273 respectively.

On September 1, 2005, the Company entered into a management services agreement with I.C.T.C. Holdings Corporation ("I.C.T.C."), a company that is controlled in common with the related parties described in the preceding paragraph. Pursuant to the agreement, the Company reimburses I.C.T.C., at their cost, for personnel expenditures incurred on the Company's behalf. During the six months ended June 30, 2009, the Company incurred costs of $14,774 related to the management services agreement. These transactions are in the normal course of operations.

On October 31, 2005 the Company entered into a sublease agreement whereby half of the Company's premises have been subleased to I.C.T.C until July 31, 2007. As a condition of this agreement, during the year ended December 31, 2005, the Company incurred $395,413 for leasehold inducements related to I.C.T.C.'s relocation costs and costs associated with the cancellation of I.C.T.C's existing lease. As at June 30, 2009 the unamortized portion of these deferred leasehold improvements is $54,273. This sublease has been extended to January 31, 2010.

Effective July 1, 2006 the Company's chairman accepted a revised compensation agreement resulting in nominal annual compensation in return for a bonus based on the net income of the Company. This bonus is cumulative and payable at the lesser of 75% of net income or the cumulative bonus entitlement. To the extent that the bonus is not paid on an annual basis, an additional 15% will be added to it and compounded annually. The Company was notified by the Company's chairman that, due to the future prospects of the Company, no further accrual would be necessary beyond February 28, 2009. The company has accrued $1,042,271 related to this bonus as at June 30, 2009 (December 31, 2008 - $983,938).

The Company entered into a Sales Service Agreement on January 9, 2007 with I.C.T.C. Under the terms of this agreement, I.C.T.C. accepted the transfer of certain sales staff and their respective expenses in return for a sliding scale sales fee that will be determined at the end of the year. The Company cancelled this agreement effective January 1, 2007. There are fees of $227,627 accrued and payable to I.C.T.C. relating to services performed under this agreement during the year ended December 31, 2007. During the 2008 fiscal year and six months ended June 30, 2009, the company did not incur any costs related to the sales services agreement.

Included in accounts payable and bonus payable at June 30, 2009 is $2,082,285 due to related parties (December 31, 2008 - $1,951,199).

6. INVENTORY

Inventory is comprised of:

		June 30, 2009		December 31, 2008
Raw materials	**$**	**325,958**	$	285,240
Finished goods		**411,690**		132,640
	$	**737,648**	$	417,880

Finished goods inventory contains an allocation of fixed operating costs based on the standard costing method of accounting for inventory and determination of cost of sales. Unallocated fixed operating costs are charged to cost of sales as they occur. As a result, the quarterly gross profit and related gross profit percentage, as it relates to sales, will vary based on the level of production in that quarter. Therefore, due to the cyclical nature of the Company's business, this results in lower gross margins during periods where production is lower.

7. PROPERTY, PLANT AND EQUIPMENT

						June 30, 2009		December 31, 2008
		Cost		**Accumulated Amortization**		**Net Book Value**		Net Book Value
Machinery and equipment	**$**	**1,034,786**	**$**	**979,667**	**$**	**55,119**	$	64,451
Furniture and fixtures		**213,837**		**187,315**		**26,522**		34,121
Leasehold improvements		**277,544**		**257,978**		**19,566**		36,336
	$	**1,526,167**	**$**	**1,424,960**	**$**	**101,207**	$	134,908

8. LOANS PAYABLE

Loans payable consist of two loan facilities, each to a maximum of $1,750,000 from each of 6408753 Canada Corporation and 6408788 Canada Corp. (see Note 5) secured as outlined in Note 8. The term of each loan is 364 days and is renewable for successive 364-day terms by giving notice to the lenders and obtaining their consent, at least 90 days prior to the expiry. Interest is payable on the last day of each month at a rate of prime plus 2%.

These loans are subject to the following margins: (i) 50% of the aggregate amount of eligible inventory minus the aggregate amount of accounts payable plus (ii) 75% of the aggregate amount of eligible accounts receivable.

At the time of advancement and at June 30, 2009, the lenders and the Company acknowledge that the Company did not meet the margin requirements required under these loans. Strict compliance was waived by the lender in connection with the period ended June 30, 2009.

9. LONG TERM DEBT

Long term debt consists of two term loans, each in the amount of $300,000 payable to 6408753 Canada Corporation and 6408788 Canada Corp. (see Note 5). The term of each loan is five years and interest is payable monthly at a rate of prime plus 2%. Annual principal repayments of $300,000 in aggregate are required on each of the anniversary dates of the loans until maturity on July 14, 2010. As a condition of these loans, share purchase warrants were issued to the lenders on August 30, 2005 (Note 10). Long term debt and the loans payable (Note 8 and 9) are secured by a general security agreement and an assignment of general insurance.

10. CAPITAL STOCK

a) Authorized

Unlimited common shares

b) Issued

	June 30, 2009		December 31, 2008	
	Number of shares	**$**	Number of shares	$
	129,921,742	**24,819,578**	129,921,742	24,819,578

c) Stock options

Under the terms of the Company's incentive stock option plan, options are granted to employees and directors upon approval by the Board of Directors and the exercise price of each option is determined by reference to the market price of the Company's stock. Options are normally exercisable within 5 years from the date of grant or an alternate period as determined by the Board and within 30 days of termination of employment. Options normally vest over a period of five years.

10. CAPITAL STOCK (CONTINUED)

The following table summarizes the status and changes in stock options outstanding at June 30, 2009:

	Number	**Weighted average price**	Number	Weighted average price
Outstanding, beginning of period	**2,013,000**	**0.04**	2,213,000	$0.05
Cancelled / expired	**(13,000)**	**(0.15)**	(200,000)	(0.10)
Outstanding, end of period	**2,000,000**	**0.04**	2,013,000	0.04
Exercisable, end of period	**1,760,000**	**$0.04**	1,770,400	$0.04
Options reserved for issuance, under stock option plan	**9,750,000**		9,750,000	

The following table summarizes information about stock options outstanding at June 30, 2009:

Range of exercise prices	Number of options	Weighted average remaining contractual life	Weighted average exercise price
$0.04	2,000,000	1.4 years	$0.04

During the period, the Company recorded stock based compensation expense, with a corresponding credit to contributed surplus of $3,444 relating to the stock options that vested during the period.

During the year ended December 31, 2007, 100,000 stock options were issued. The fair value of these options was determined to be $7,010. No stock options were issued during 2008 and six months ended June 30, 2009.

The Black-Scholes option-pricing model assumptions used to compute the fair value of options granted in 2007 are as follows:

Dividend yield	**0%**
Expected volatility	**132%**
Expected life	**5 yrs**
Risk free rate of return	**4.0%**

10. CAPITAL STOCK (CONTINUED)

d) Warrants

As a condition of obtaining the loans described in Note 8 and 9, the Company granted the lenders warrants entitling the lenders to purchase, from treasury, up to 30% each of the common shares of the Company, calculated on a fully-diluted basis, upon payment of $0.01 per share at any time up to August 31, 2010. All outstanding warrants were exercised.