

Consolidated Financial Statements of  
(Unaudited)

## **MIRANDA TECHNOLOGIES INC.**

Three-month and nine-month periods ended September 30, 2009 and 2008

# MIRANDA TECHNOLOGIES INC.

Consolidated Financial Statements  
(Unaudited)

Three-month and nine-month periods ended September 30, 2009 and 2008

## Financial Statements

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# MIRANDA TECHNOLOGIES INC.

## Consolidated Balance Sheets

September 30, 2009 and December 31, 2008  
(In thousands of Canadian dollars)

	September 30, 2009	December 31, 2008
	(Unaudited)	(Audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 48,353	\$ 46,449
Temporary investments	–	2,047
Accounts receivable	22,665	24,440
Inventories	16,568	23,798
Income taxes and tax credits receivable	6,024	3,810
Prepaid expenses	1,469	1,446
Future income taxes	2,084	1,967
	97,163	103,957
Restricted cash	–	25,000
Tax credits receivable	–	1,098
Property, plant and equipment	30,164	25,432
Intangible assets	21,307	25,729
Goodwill	22,226	20,977
	\$ 170,860	\$ 202,193
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued charges	\$ 17,563	\$ 21,357
Deferred revenue	2,397	2,495
Income taxes payable	3,006	5,517
Current portion of long-term debt (note 4)	9	2,932
	22,975	32,301
Deferred revenue	3,790	3,627
Long-term debt (note 4)	142	21,608
Future income taxes	9,893	11,183
Shareholders' equity:		
Share capital (note 5)	103,131	105,883
Contributed surplus (note 5)	4,374	3,826
Retained earnings	26,555	23,765
	134,060	133,474
	\$ 170,860	\$ 202,193

See accompanying notes to unaudited consolidated financial statements.

# MIRANDA TECHNOLOGIES INC.

Consolidated Statements of Income and Comprehensive Income  
(Unaudited)

Three-month and nine-month periods ended September 30, 2009 and 2008  
(In thousands of Canadian dollars, except per share amounts)

	Three-month periods ended		Nine-month periods ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Sales	\$ 31,768	\$ 37,649	\$ 96,041	\$ 97,306
Cost of sales	14,373	14,343	40,185	39,120
	17,395	23,306	55,856	58,186
Operating expenses:				
Selling, general and administrative	9,671	8,886	32,923	26,456
Research and development	5,107	4,326	16,945	13,137
Research and development tax credits	(1,156)	(1,143)	(2,940)	(3,241)
Interest expense (income)	(42)	(435)	441	(1,850)
Foreign exchange loss (gain)	981	(775)	858	(2,271)
Stock-based compensation (note 5 (b) (i))	125	339	548	1,022
Other stock-based compensation (note 5 (b) (ii) and (iii))	241	33	299	253
Amortization of intangible assets	1,069	448	3,202	1,342
	15,996	11,679	52,276	34,848
Income before income taxes	1,399	11,627	3,580	23,338
Income taxes (recovery) expense (note 7):				
Current	588	3,597	1,070	7,432
Future	(259)	284	(918)	587
	329	3,881	152	8,019
Net income and comprehensive income	\$ 1,070	\$ 7,746	\$ 3,428	\$ 15,319
Net earnings per share (note 5 (c)):				
Basic	\$ 0.05	\$ 0.32	\$ 0.15	\$ 0.62
Diluted	0.05	0.32	0.15	0.62
Basic weighted average number of shares outstanding (note 5 (c))	22,206,248	24,261,848	22,999,405	24,635,412
Diluted weighted average number of shares outstanding (note 5 (c))	22,391,547	24,513,135	23,184,192	24,904,474

See accompanying notes to unaudited consolidated financial statements.

# MIRANDA TECHNOLOGIES INC.

## Consolidated Statements of Shareholders' Equity (Unaudited)

Nine-month period ended September 30, 2009 and twelve-month period ended December 31, 2008  
(In thousands of Canadian dollars)

	<u>Common shares</u>		Contributed surplus	Accumulated other comprehensive income	Retained earnings (deficit)	Total shareholders' equity
	Number	Amount				
Balance, December 31, 2007	24,804,614	\$ 112,088	\$ 2,465	\$ –	\$ 4,930	\$ 119,483
Shares issued pursuant to the exercise of stock options	13,034	45	–	–	–	45
Shares redeemed pursuant to Normal Course Issuer Bid	(1,388,600)	(6,250)	–	–	(3,902)	(10,152)
Stock-based compensation related to the stock options	–	–	1,361	–	–	1,361
Net income	–	–	–	–	22,737	22,737
Balance, December 31, 2008	23,429,048	105,883	3,826	–	23,765	133,474
Shares redeemed pursuant to Normal Course Issuer Bid (note 5 (d))	(611,400)	(2,752)	–	–	(638)	(3,390)
Stock-based compensation related to the stock options (note 5 (b) (i))	–	–	548	–	–	548
Net income	–	–	–	–	3,428	3,428
Balance, September 30, 2009	22,817,648	\$ 103,131	\$ 4,374	\$ –	\$ 26,555	\$ 134,060

See accompanying notes to unaudited consolidated financial statements.

# MIRANDA TECHNOLOGIES INC.

Consolidated Statements of Cash Flows  
(Unaudited)

Three-month and nine-month periods ended September 30, 2009 and 2008  
(In thousands of Canadian dollars)

	Three-month periods ended		Nine-month periods ended	
	September 30,		September 30,	
	2009	2008	2009	2008
<b>Cash flows from operating activities:</b>				
Net income	\$ 1,070	\$ 7,746	\$ 3,428	\$ 15,319
Adjustments for:				
Amortization of property, plant and equipment	859	592	2,568	1,723
Amortization of intangible assets	1,069	448	3,202	1,342
Stock-based compensation (note 5 (b) (i))	125	339	548	1,022
Future income taxes (recovery)	(259)	284	(918)	587
Change in fair value of financial instruments	(79)	–	(2)	–
Effect of exchange rates on long-term debt	(1,576)	–	(2,618)	–
Effect of exchange rates on cash and cash equivalents	1,088	(143)	1,539	(889)
	2,297	9,266	7,747	19,104
Net change in non-cash balances related to operations	(1,260)	4,402	484	730
	1,037	13,668	8,231	19,834
<b>Cash flows from financing activities:</b>				
Repayment of long-term debt	(20,303)	–	(21,769)	–
Redemption of shares	–	(4,733)	(3,390)	(6,513)
Issuance of common shares	–	2	–	45
	(20,303)	(4,731)	(25,159)	(6,468)
<b>Cash flows from investing activities:</b>				
Net (increase) decrease in temporary investments	–	(15)	2,047	25,858
Restricted cash	–	–	25,000	–
Additions to property, plant and equipment	(3,777)	(696)	(6,612)	(3,109)
Business acquisition, excluding cash adjustment (note 3)	–	–	(64)	–
	(3,777)	(711)	20,371	22,749
Effect of exchange rates on cash and cash equivalents	(1,088)	143	(1,539)	889
Net increase in cash and cash equivalents	(24,131)	8,369	1,904	37,004
Cash and cash equivalents, beginning of period	72,484	75,781	46,449	47,146
Cash and cash equivalents, end of period	\$ 48,353	\$ 84,150	\$ 48,353	\$ 84,150
<b>Cash and cash equivalents are comprised of:</b>				
Cash	\$ 48,353	\$ 36,680	\$ 48,353	\$ 36,680
Cash equivalents	–	47,470	–	47,470
	\$ 48,353	\$ 84,150	\$ 48,353	\$ 84,150

See accompanying notes to unaudited consolidated financial statements.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements  
(Unaudited)

Three-month and nine-month periods ended September 30, 2009 and 2008  
(In thousands of Canadian dollars, except per share amounts)

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Miranda Technologies Inc. ("the Company") was amalgamated under Part 1A of the Companies Act (Québec). The Company develops, manufactures and markets high performance solutions for the television broadcast industry.

## 1. Basis of presentation:

The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") on a basis consistent with those followed in the most recent audited consolidated financial statements except for changes described in note 2 below. These unaudited interim consolidated financial statements do not include all information and note disclosures required by Canadian GAAP for annual financial statements, and, therefore, should be read in conjunction with the December 31, 2008 audited consolidated financial statements and the notes thereto.

Sales are subject to seasonal fluctuations.

## 2. New accounting policy:

### Accounting policies and standards adopted in 2009:

Effective at the beginning of its 2009 fiscal year, the Company has adopted the Canadian Institute of Chartered Accountants Handbook Section 3064, *Goodwill and Intangible Assets*. This standard provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. This new standard supersedes Handbook Section 3062. The adoption of this standard did not have a significant impact on the consolidated statement of income.

## 3. Business acquisition:

On December 22, 2008, the Company acquired 100% of the outstanding shares of NVISION, Inc., a privately held US based global developer, manufacturer and marketer of high-performance hardware and software for the television broadcast industry, located in Grass Valley, California. The acquisition has been accounted for using the purchase method and, accordingly, the results of operations have been included in the consolidated financial statements from the date of acquisition.

The total cash consideration for the acquisition amounted to \$49,263 (US\$40,439), net of cash acquired of \$984 (US\$808), including acquisition costs of \$1,520 (US\$1,247) and the assumption of debt of \$177 (US\$145). The purchase price was funded through a combination of Miranda's cash resources of \$24,899 (US\$20,439) and a credit facility of \$24,363 (US\$20,000).

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2009 and 2008  
(In thousands of Canadian dollars, except per share amounts)

### 3. Business acquisition (continued):

The final purchase price allocation was adjusted during the second quarter and the adjustments did not have a significant impact on the preliminary allocations other than an increase to goodwill of \$1,249 and a decrease to inventories, intangible assets and future income tax liabilities of \$453, \$1,221 and \$489, respectively, resulting in a net increase in assets acquired of \$64.

### 4. Long-term debt:

	September 30, 2009	December 31, 2008
	(Unaudited)	(Audited)
(a) Non-revolving reducing operating credit facility of US\$20,000, bearing interest at the US base rate, payable monthly, fully repaid during the period	\$ –	\$ 24,363
(b) Bond payable in the amount of US\$141, bearing interest at 7.55%, payable semi-annually, maturing in September 2020	151	177
	151	24,540
Less current portion of long-term debt	9	2,932
	\$ 142	\$ 21,608

(a) On March 31, 2009, the Company amended its US\$30,000 credit facility to be used for business acquisitions from a three-year term loan to a one-year non-revolving reducing operating credit facility ("credit facility"), bearing interest at the US base rate, payable monthly at 1% of the cumulative original amount drawn of US\$20,000 with the balance due upon maturity. The Company has the option to extend the credit facility for an additional year subject to bank approval. In order to secure a lower interest rate on amounts drawn under this credit facility, the Company pledged \$25,000 of its cash and cash equivalents as collateral. In addition, the Company's borrowing on the credit facility is subject to certain margin requirements on its accounts receivable and inventories. In the event that the Canadian equivalent amount of the balance on the credit facility exceeds the current amount of cash secured or margin requirements, the Company undertakes to pledge additional cash up to \$45,000.

During the quarter, the Company fully repaid its credit facility in the amount of \$20,303 (US\$18,800), and the \$25,000 of cash collateral was released by the bank.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2009 and 2008  
(In thousands of Canadian dollars, except per share amounts)

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## 4. Long-term debt (continued):

- (b) Municipal property improvement bonds on the Company-owned building in Grass Valley, California.

## 5. Share capital:

- (a) Authorized:

Unlimited number of common shares without nominal value

- (b) Stock-based compensation:

The Company established a stock option plan, a non-dilutive restricted share units ("RSU") plan and a non-dilutive deferred share units ("DSU") plan to attract, retain and provide an incentive to the employees, directors, officers and consultants. The Board of Directors has the ability to grant stock options, RSU and DSU to officers and other key employees of the Company and its subsidiaries.

- (i) Stock option plan:

The stock option plan is administered by the Board of Directors. The Board of Directors may determine, in accordance with the terms of the stock option plan, the terms relating to each option, including the number of shares subject to each option, exercise price and expiration date of each option and the extent to which each option is exercisable during the term of the option. The term of an option granted after November 2005 cannot exceed five years (10 years under the previous plan) and will usually be vested over three years.

A total of 2,395,185 common shares are reserved for issuance upon exercise of options issued under the stock option plan. As a result, a total of approximately 10% of the outstanding capital is reserved for issuance upon exercise of all options or issuable under the stock option plan. After taking into account all of the issued options, options in respect of a further 427,491 common shares are available for issuance under the stock option plan as of September 30, 2009.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2009 and 2008  
(In thousands of Canadian dollars, except per share amounts)

## 5. Share capital (continued):

### (b) Stock-based compensation (continued):

#### (i) Stock option plan (continued):

The following table summarizes information on stock options outstanding as at September 30, 2009:

	Number of options	Weighted average exercise price
Balance, beginning of year	1,109,901	\$ 10.03
Granted	—	—
Exercised	—	—
Cancelled	(8,000)	(16.46)
<b>Balance, end of period</b>	<b>1,101,901</b>	<b>\$ 9.98</b>

The vested stock options as at September 30, 2009 are presented in the table below:

Exercise price	Number of outstanding options	Number of vested options	Residual life (years)
\$ 1.71	201,651	201,651	3.8
\$ 3.96	44,000	44,000	5.5
\$ 3.96	175,000	175,000	5.7
\$ 16.46	296,000	296,000	1.5
\$ 18.82	20,000	20,000	1.7
\$ 17.08	40,000	40,000	1.5
\$ 17.24	5,750	5,750	1.9
\$ 14.00	177,000	120,650	2.4
\$ 9.64	45,000	30,000	2.7
\$ 9.28	50,000	16,667	3.4
\$ 7.93	47,500	15,833	3.7
	<b>1,101,901</b>	<b>965,551</b>	

Compensation cost charged against income was \$125 (2008 - \$339) and \$548 (2008 - \$1,022) for the three-month and nine-month periods ended September 30, 2009. The offsetting credit has been recorded as contributed surplus.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2009 and 2008  
(In thousands of Canadian dollars, except per share amounts)

## 5. Share capital (continued):

(b) Stock-based compensation (continued):

(ii) Non-dilutive restricted share units:

### Plan A:

The Company established a non-dilutive restricted share units ("RSU") plan in February 2008. The RSU have a three-year vesting period and they will be settled in cash at the end of the vesting period. The settlement amount is based on the Company's weighted average trading stock price during the 90-day period preceding the vesting date and the achievement of certain financial objectives. No common shares are issued from treasury under such awards and they are, therefore, non-dilutive.

### Plan B:

The Company established another non-dilutive RSU plan in March 2009. This RSU plan has the same features as the RSU plan described above, except that there is no achievement of certain financial objectives adjustment clauses.

The changes in the outstanding RSU for the nine-month period ended September 30, 2009 were as follows:

	Plan A			Plan B		
	Number of outstanding units	Number of vested units	Residual life (years)	Number of outstanding units	Number of vested units	Residual life (years)
Balance, beginning of year	141,000	—	—	91,486	—	—
Granted	—	—	—	—	—	—
Cancelled	(6,500)	—	—	—	—	—
Redeemed	(6,500)	—	—	(2,429)	—	—
Balance, end of period	128,000	—	1.4	89,057	—	2.5

The compensation expense related to the RSU plans was \$200 (2008 - \$52) and \$215 (2008 - \$172) for the three-month and nine-month periods ended September 30, 2009.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2009 and 2008  
(In thousands of Canadian dollars, except per share amounts)

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## 5. Share capital (continued):

(b) Stock-based compensation (continued):

(iii) Non-dilutive deferred share units plan:

The Company also established a non-dilutive DSU plan in February 2008. The DSU plan has no vesting period and no financial objectives adjustment clauses. No common shares are issued from treasury under such awards, and they are, therefore, non-dilutive.

The changes in the outstanding DSU for the nine-month period ended September 30, 2009 were as follows:

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	Number of units
Balance, beginning of period	13,000
Granted	15,000
Balance, end of period	28,000

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The compensation expense related to the DSU plan was \$41 of compensation expense (2008 - \$19 of compensation credit to expense) and \$84 of compensation expense (2008 - \$81 of compensation expense) for the three-month and nine-month periods ended September 30, 2009.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2009 and 2008  
(In thousands of Canadian dollars, except per share amounts)

## 5. Share capital (continued):

### (c) Earnings per share:

The following table provides the reconciliation between basic and diluted earnings per share for the three-month and nine-month periods ended September 30, 2009 and 2008:

	Three-month periods ended		Nine-month periods ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Net income	\$ 1,070	\$ 7,746	\$ 3,428	\$ 15,319
Weighted average number of common shares outstanding	22,206,248	24,261,848	22,999,405	24,635,412
Dilutive effect:				
Employees stock options	185,299	251,287	184,787	269,062
Weighted average number of diluted common shares outstanding	22,391,547	24,513,135	23,184,192	24,904,474
Basic earnings per share	\$ 0.05	\$ 0.32	\$ 0.15	\$ 0.62
Diluted earnings per share	\$ 0.05	\$ 0.32	\$ 0.15	\$ 0.62

The weighted average number of diluted common shares outstanding does not consider the potential dilution effect of 681,250 options, because they were anti-dilutive during the period.

### (d) Normal course issuer bid:

During the second quarter ended June 30, 2008, the Company filed a normal course issuer bid ("NCIB") to redeem up to 2,000,000 common shares for cancellation between May 26, 2008 and May 25, 2009, representing an amount of 8% of the common shares issued and outstanding. The consideration paid by the Company for any common shares it repurchased under the NCIB was at the market price of such common shares at the time of purchase.

From January 1, 2009 to September 30, 2009, 611,400 common shares were purchased and cancelled, for a total cash consideration of \$3,390 attributed to retained earnings in the amount of \$638 and \$2,752 to share capital.

The Company reached its redemption of 2,000,000 common shares on May 15, 2009 for a total cash consideration paid of \$13,542 at an average cost of \$6.77 per common share.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2009 and 2008  
(In thousands of Canadian dollars, except per share amounts)

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## 5. Share capital (continued):

### (d) Normal course issuer bid (continued):

During the quarter, the Company announced a new NCIB program, permitting it to purchase up to 1,799,662 or approximately 8% of the Company's common shares for cancellation. The NCIB lasts for one year, ending on August 25, 2010 or on such earlier date as the Company has purchased the maximum shares permissible. As at September 30, 2009, no shares have been purchased in connection with the program, nor is the Company required to purchase any shares over the life of the program.

## 6. Restructuring costs:

The Company incurred restructuring costs to align operating expenses to the current business levels in the amount of \$359 and \$1,307 for the three-month and nine-month periods ended September 30, 2009.

For the three-months ended September 30, 2009, \$65, \$79, and \$215 were included in cost of sales, in selling, general and administrative expense, and in research and development, respectively.

For the nine-months ended September 30, 2009, \$208, \$532 and \$567 were included in cost of sales, in selling, general and administrative expense, and in research and development, respectively.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2009 and 2008  
(In thousands of Canadian dollars, except per share amounts)

## 7. Income taxes:

The following schedule reconciles the income taxes computed on income before income taxes based on the combined federal and provincial statutory income tax to the effective income tax expense for the three-month and nine-month periods ended September 30, 2009 and 2008:

	Three-month periods ended		Nine-month periods ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Income tax based on the combined federal and provincial (Quebec) basis income tax rate of 30.9% for 2009 and 2008	\$ 431	\$ 3,593	\$ 1,105	\$ 7,211
Changes due to the following items:				
Difference in tax rates in subsidiaries	(19)	172	(170)	392
Non-taxable tax credit	(39)	(48)	(118)	(138)
Non-taxable foreign exchange	10	46	(648)	213
Other adjustments to tax assets and liabilities	(244)	–	(616)	–
Permanent differences and others	190	118	599	341
	\$ 329	\$ 3,881	\$ 152	\$ 8,019

## 8. Capital management:

The Company's objectives in managing capital are to safeguard the Company's assets and to ensure sufficient liquidity to pursue its organic growth and expansion strategy, fund its research and development projects and undertake selective acquisitions in order to maximize the return to its shareholders, while at the same time taking a conservative approach towards financial leverage and management of financial risk. The Company's capital structure consists of shareholders' equity and long-term debt.

The Company's primary use of capital is to finance increases in non-cash working capital items, capital expenditures and debt repayment. The Company currently funds these requirements by its self-generated cash flows.

The Company intends to maintain a flexible capital structure in order to finance its ongoing growth and take advantage of acquisition opportunities and respond to changes in economic conditions.

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2009 and 2008  
(In thousands of Canadian dollars, except per share amounts)

## 8. Capital management (continued):

The Company's objectives for capital for the 2009 fiscal year include:

	Objectives	September 30, 2009	December 31, 2008
Total debt to equity ratio	not to exceed 0.5 to 1.0	0.0 to 1.0	0.2 to 1.0
Current assets to current liabilities ratio	a minimum of 2.0 to 1.0	4.2 to 1.0	3.2 to 1.0

## 9. Segmented information:

The Company reviewed its operations and determined that it operated in a single reportable operating segment, the broadcast equipment segment. The single reportable operating segment derives its revenues from the sales of hardware and software solutions, including related services, training and commissioning.

Sales	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2009	2008	2009	2008
Canada	\$ 1,506	\$ 2,073	\$ 6,112	\$ 8,542
United States	12,350	21,490	43,323	46,886
Other countries	17,912	14,086	46,606	41,878
	\$ 31,768	\$ 37,649	\$ 96,041	\$ 97,306

# MIRANDA TECHNOLOGIES INC.

Notes to Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2009 and 2008  
(In thousands of Canadian dollars, except per share amounts)

## 9. Segmented information (continued):

	September 30, 2009		
	Capital assets	Intangible assets	Goodwill
Canada	\$ 20,453	\$ 2,959	\$ 3,933
United States	8,870	18,348	18,293
Other countries	841	–	–
	\$ 30,164	\$ 21,307	\$ 22,226

	December 31, 2008		
	Capital assets	Intangible assets	Goodwill
Canada	\$ 14,789	\$ 4,330	\$ 3,933
United States	9,660	21,399	17,044
Other countries	983	–	–
	\$ 25,432	\$ 25,729	\$ 20,977

Sales are attributed to the geographic locations based on the location of the customers. No customer accounted for more than 10% of total sales for the three-month and nine-month periods ended September 30, 2009 and 2008.

## 10. Comparative figures:

Certain comparative figures previously reported have been reclassified to conform to the presentation adopted in the current period.