Tangarine Payment Solutions Corp.

Interim Consolidated Financial Statements

January 31, 2008

(Unaudited - Prepared by Management)

Notice from Management to Reader

To the Shareholders of
Tangarine Payment Solutions Corp.

In accordance with National Instrument 52-102, Part 4, subsection 4.3(3) (a), I report that the accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. They have been discussed and approved by the Company's audit committee and Board of Directors.

"Fraser Elliott"
Chief Financial Officer

St. Catharines, Ontario
February 29, 2008

Tangarine Payment Solutions Corp.

Interim Consolidated Balance Sheet

(Unaudited - Prepared by Management)

	January 31, 2008	July 31, 2007 (audited)
Assets		
Current		
Cash	**$ 17,649**	$ 59,292
Short-term investments (Note 4)	**11,000**	11,000
Accounts receivable	**412,211**	438,425
Current income taxes recoverable	**119,378**	108,690
Inventory	**178,937**	245,595
Prepaid expenses	**176,892**	152,908
	916,067	1,015,910
Net Investment in Leases Receivable (Note 5)	**161,724**	-
Long-Term Receivable (Note 6)	**1,246,518**	1,246,518
Deferred Charges	**1,207,512**	1,030,994
Fixed Assets (Note 7)	**1,086,360**	1,039,402
Merchant Contracts (Note 2, 3 and 8)	**11,508,263**	12,297,054
Future Income Taxes Recoverable (Note 14)	**186,978**	186,978
	$ 16,313,422	$ 16,816,856

The accompanying notes are an integral part of these financial statements

Tangarine Payment Solutions Corp.

Interim Consolidated Balance Sheet

(Unaudited - Prepared by Management)

	January 31, 2008	July 31, 2007 (audited)
Liabilities and Shareholders' Equity (Deficiency)		
Current		
Accounts payable and accrued liabilities (Note 18)	**$ 1,792,069**	$ 2,476,252
Unearned revenue	**39,891**	72,412
Unearned revenue - management contracts (Note 11)	**492,559**	520,305
Due to related parties (Note 13)	**1,200,000**	11,524
Current portion of long-term debt (Note 9)	**145,223**	56,667
Current portion of due to related parties (Note 13)	**1,825,000**	-
	5,494,742	3,137,160
Long-Term Debt (Note 9)	**719,897**	50,000
Due to Related Parties (Note 13)	**-**	3,025,000
Preferred Shares (Note 10)	**3,466,603**	3,059,178
Unearned Revenue - Management Contracts (Note 11)	**3,648,918**	3,374,616
Shareholders' Equity (Deficiency)		
Share Capital (Note 12)	**17,882,596**	17,882,596
Contributed Surplus (Note 12)	**55,553**	55,553
Deficit	**(14,954,887)**	(13,767,247)
	2,983,262	4,170,902
	$ 16,313,422	$ 16,816,856

Contractual Obligations and Commitments (Note 16)
Contingencies (Note 17)

On behalf of the Board:

"Keith Turner"____________________ Director

"Fraser Elliott"____________________ Director

Tangarine Payment Solutions Corp.

Interim Statement of Deficit

(Unaudited - Prepared by Management)

	For the three months ended		For the six months ended	
	January 31, 2008	January 31, 2007	**January 31, 2008**	January 31, 2007
Deficit, beginning of period	**$ (14,318,888)**	$ (8,734,008)	**$ (13,767,247)**	$ (5,870,539)
Reverse takeover adjustment	**-**	-	**-**	(1,850,623)
Net loss for the period	**(635,999)**	(831,834)	**(1,187,640)**	(1,844,680)
Gain on redemption of common shares	**-**	26,680	**-**	26,680
Deficit, end of period	**$ (14,954,887)**	$ (9,539,162)	**$ (14,954,887)**	$ (9,539,162)

The accompanying notes are an integral part of these financial statements

Tangarine Payment Solutions Corp.

Interim Statement of Operations and Comprehensive Income

(Unaudited - Prepared by Management)

	For the three months ended		For the six months ended	
	January 31, 2008	January 31, 2007	**January 31, 2008**	January 31, 2007
Sales and Fees (Note 18)	**$ 1,492,251**	$ 1,810,634	**$ 3,035,140**	$ 3,693,716
Cost of Sales	**786,465**	1,219,051	**1,564,228**	2,479,552
Gross Profit	**705,786**	591,583	**1,470,912**	1,214,164
Expenses				
General and administrative	**267,511**	281,950	**473,176**	573,883
Wages and benefits	**423,614**	420,911	**749,242**	851,785
	691,125	702,861	**1,222,418**	1,425,668
Income (Loss) Before Other Income (Expenses) and Income Taxes	**14,661**	(111,278)	**248,494**	(211,504)
Other Income (Expenses)				
Amortization (Note 3)	**(485,692)**	(459,230)	**(953,101)**	(916,916)
Bank charges and interest (Notes 9, 10 and 18)	**(190,172)**	(155,395)	**(489,963)**	(282,346)
Development costs	**(25,000)**	(138,912)	**(43,274)**	(166,310)
Other income	**50,204**	-	**50,204**	-
One-time restructuring costs (Notes 9, 10 and 18)	**-**	(151,414)	**-**	(683,608)
	(650,660)	(904,951)	**(1,436,134)**	(2,049,180)
Loss Before Income Taxes	**(635,999)**	(1,016,229)	**(1,187,640)**	(2,260,684)
Income Tax Recovery (Note 14)	**-**	184,395	**-**	416,004
Net Loss for the Period also Representing Comprehensive Loss	**$ (635,999)**	$ (831,834)	**$ (1,187,640)**	$ (1,844,680)
Loss per common share (Note 15)				
Basic loss per common share	**$ (0.02)**	$ (0.04)	**$ (0.04)**	$ (0.09)

The accompanying notes are an integral part of these financial statements

Tangarine Payment Solutions Corp.

Interim Statement of Cash Flows

(Unaudited - Prepared by Management)

	For the three months ended		For the six months ended	
	January 31, 2008	January 31, 2007	**January 31, 2008**	January 31, 2007
Cash Provided By (Used In)				
Operating Activities				
Net loss for the period	**$ (635,999)**	$ (831,834)	**$ (1,187,640)**	$ (1,844,680)
Items not involving cash:				
Amortization of unearned revenue - management contracts	**(180,311)**	(143,556)	**(342,846)**	(291,997)
Amortization of commissions included in deferred charges	**58,583**	17,977	**103,166**	43,312
Amortization	**485,692**	459,230	**953,101**	916,916
Writeoff of fixed assets in other income	**14,306**	-	**14,306**	-
Amortization of financing costs included in deferred charges	**-**	-	**-**	22,320
Write off of financing costs included in deferred charges	**-**	-	**-**	267,846
Recovery of financing costs included in deferred charges	**-**	(29,643)	**-**	(29,643)
Stock based compensation - interest	**-**	-	**-**	22,500
Advances on unearned revenue management contract	**286,198**	318,420	**589,402**	747,085
Deferred charge additions	**(129,027)**	(39,913)	**(308,527)**	(95,921)
Future income tax recovery	**-**	(184,395)	**-**	(416,004)
Change in non-cash working capital (Note 18)	**167,632**	184,060	**(230,507)**	719,407
	67,074	(249,654)	**(409,545)**	61,141
Investing Activities				
Advances on lease receivable	**(172,524)**	-	**(172,524)**	-
Repayments on lease receivable	**10,800**	-	**10,800**	-
Purchase of fixed assets	**(157,606)**	(3,386)	**(217,303)**	(138,991)
Purchase of merchant contracts	**-**	(6,149)	**-**	(6,149)
Reverse takeover adjustment	**-**	-	**-**	(1,850,623)
Reverse takeover adjustment for discount and deferred charges on preferred shares	**-**	-	**-**	763,747
	(319,330)	(9,535)	**(379,027)**	(1,232,016)
Financing Activities				
Repayment of bank indebtedness	**-**	-	**-**	(100,000)
Repayment of due to related parties	**(11,411)**	(1,245)	**(11,524)**	(1,675)
Issuance of long-term debt	**187,256**	100,000	**900,517**	150,000
Repayment of long-term debt	**(100,446)**	(6,233)	**(142,064)**	(1,292,583)
Advances of due to related parties	**-**	-	**-**	1,825,000
Issuance of common shares	**-**	-	**-**	3
Redemption of common shares	**-**	(1)	**-**	(1)
	75,399	92,521	**746,929**	580,744
Decrease in Cash	**(176,857)**	(166,668)	**(41,643)**	(590,131)
Cash, beginning of period	**194,506**	169,768	**59,292**	593,231
Cash, ending of period	**$ 17,649**	$ 3,100	**$ 17,649**	$ 3,100

The accompanying notes are an integral part of these financial statements

1. Nature of Business

Tangarine Payment Solutions Corp. (the "Company") was incorporated under the Business Corporations Act (Ontario) on June 18, 2004 as Chrysalis Capital II Corporation. On July 26, 2006, the company's name was changed to Tangarine Payment Solutions Corp. and the company was officially continued under the Canada Business Corporations Act. The company through its wholly owned subsidiary Tangarine Concepts Corp. is engaged in the sale and management of deployed point of sale terminals.

2. Significant Accounting Policies

General

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The note disclosure in the annual financial statements provides disclosure additional to that required for interim financial statements. Accordingly these interim consolidated financial statements should be read in conjunction with the annual financial statements.

Method of Consolidation

These consolidated financial statements include the accounts of the Tangarine Payment Solutions Corp. and those of its wholly owned subsidiary Tangarine Concepts Corp. as at and for the three months and six months ended January 31, 2008.

Revenue Recognition

Hardware sales occur generally in conjunction with the signing of a merchant contract, which typically spans between three to five years, with options to renew generally over five years. Total consideration received by the company is accounted for in accordance with CICA Handbook EIC 142 and allocated proportionately between the hardware sale and the management contract using the relative fair value method. Revenue on the hardware sale portion is recognized upon delivery of the hardware and when ultimate collection is reasonably assured. Revenue on the management contract portion is deferred and amortized on a straight-line basis over the term of the management contract, plus one renewal period, commencing when ultimate collection is reasonably assured. In the event of the cancellation of a management contract, any remaining deferred revenue balance not amortized on the related contract is recognized in revenue during the period of cancellation.

Transaction revenue relates to the company's share of fees of POS transactions on terminals under management and are recognized when daily transactions are closed out and ultimate collection is assured. The company's share of transaction revenue is recorded on a gross basis with other third parties' share of transaction revenue recorded in cost of sales. The company uses the gross basis for recording revenue because: the company is the primary obligor to the terminal location through a management agreement and other third parties have no obligation to retailers; the company has the ability to establish price with the retailers without any direct effect on the compensation received by other third parties and the company has the credit risk of collection from the retailers without any effect on the compensation received by other third parties.

Non-refundable monthly administrative charges for ongoing support services and terminal rentals are recognized at the end of the month of service when collection is reasonably assured.

Administrative charges for one-time support services are recognized once confirmation of the service has been received by the customer and collection is reasonably assured.

2. Significant Accounting Policies (Continued)

Financial Instruments - Recognition and Measurement

Financial instruments are initially recognized at their fair value when the company becomes a party to the contractual provisions of the financial instrument or non-financial derivative contract. Subsequent measurement is based on the classification of the financial instruments as follows.

a) Held for Trading

Cash and accounts payable and accrued liabilities are classified as held for trading financial instruments and are recorded on the balance sheet at their fair values, with any changes in fair value being recorded in other income (expenses). The recorded values of cash and accounts payable and accrued liabilities approximate their original cost amounts due to their short-term maturities.

b) Held to Maturity

Short-term investments are classified as held to maturity financial instruments and are recorded on the balance sheet at amortized cost, with interest being recorded in net income using the effective interest method. The fair value of short-term investments approximate their recorded amounts due to their short-term maturities.

c) Loans and Receivables

Accounts receivable and long-term receivable are classified as loans and receivables financial instruments and are recorded on the balance sheet at amortized cost, with interest being recorded in net income using the effective interest method. The fair value of accounts receivable approximates their recorded values due to their short-term maturities. The fair value of long-term receivable is disclosed in note 6.

d) Other Financial Liabilities

Due to related parties, long-term debt and preferred shares are classified as other financial liabilities financial instruments and are recorded on the balance sheet at amortized cost, with interest being recorded in net income using the effective interest method. The fair value of long-term debt is disclosed in note 9, the fair value of due to related parties is disclosed in note 13 and the fair value of preferred shares is disclosed in note 10.

Transaction Costs

Costs associated with obtaining long-term debt are netted against the proceeds of the long-term debt on origination and amortized into interest expense over the term of the loan, using the effective interest method.

Financial Instruments - Presentation and Disclosure

Credit Risk

The business of the company necessitates the management of credit risk. Credit risk is the potential for loss due to the failure of a merchant to meet its financial obligations. The company mitigates credit risk by having a wide merchant base and performing credit checks on each merchant prior to signing of contracts.

Foreign Exchange Risk

Foreign exchange risk refers to the potential impact of changes in foreign exchange rates of future transactions on the company's contractual obligations.

Investments

Short-term investments are carried at the lower of amortized cost and net realizable value.

Long-term receivable is carried at the lower of amortized cost and net realizable value. It is only written down for significant declines in market value that are considered to be other than temporary in nature.

Inventory

Inventory is recorded at the lower of cost and market value. Cost being determined on the first in first out method. Market value being defined as retail selling price.

2. Significant Accounting Policies (Continued)

Net Investment in Lease Receivables

Finance income related to the sale-type lease is recognized in a manner that produces a constant rate of return on the investment in the lease. The investment in the lease for purposes of income recognition is net minimum lease payments less unearned finance income.

Deferred Commissions

Commissions related to the management contract share of the consideration received by the company from hardware sales are deferred and amortized on a straight-line basis over the term of the management contract, plus one renewal period. In the event of the cancellation of a management contract, any remaining deferred commission balance not amortized on the related contract is recognized in expense during the period of cancellation.

Development Costs

Development costs, including various overhead expenses related to the start-up of new commercial ventures and other costs with respect to new processes under development, are expensed as incurred.

Fixed Assets

Fixed assets are recorded at cost. Amortization based on the estimated useful life of the assets is as follows. Amortization in the year of addition is taken at half the yearly rate.

Furniture and equipment	- 20% diminishing balance basis
Computer hardware	- 30% diminishing balance basis
Computer software	- 30% diminishing balance basis
Leasehold improvements	- 5 years straight line
Rental hardware terminals	- 20% diminishing balance basis

Merchant Contracts

Merchant contracts are recorded at cost. Cost being the amounts paid for merchant contracts purchased from third parties. Amortization based on the estimated useful life of the purchased merchant contracts is being taken on a straight-line basis over the term of a standard merchant contract, plus one renewal period, which in most cases corresponds to 10 years. The fair value of this asset is tested annually or when changes in circumstances would indicate that the value of this asset has become impaired. The assessment is performed through a calculation of the present value of future cash flow generated for the company by the portfolio of merchant contracts.

Income Tax

The company follows the liability method of income tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Stock Based Compensation

Share capital issued in exchange for non-monetary consideration is recorded at an amount based on the fair market value of the shares on the date of issuance.

The company recognizes as compensation expense the fair value of stock options issued in exchange for services provided by outside consultants and company directors. The cost of such compensation is calculated using the fair value method (Black-Scholes option pricing model) based on the fair value of the stock options on the granting date.

2. Significant Accounting Policies (Continued)

Earnings per Share

The company calculates earnings per share using the weighted average number of shares outstanding during the period. The treasury stock method of calculating fully diluted earnings per share amounts is used, which assumes that all outstanding stock options with an exercise price below the average market value are exercised and the assumed proceeds are used to purchase common shares at the average market price during the period. The difference between the number of shares assumed issued and the number of shares assumed purchased is then included in the denominator of the diluted earnings per share computation.

Use of Estimates

The preparation of the company's consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates.

3. Changes in Accounting Policy

Merchant Contracts

On July 31, 2007, the company determined, based on information obtained regarding its existing merchant base, that the purchased merchant contract assets recorded on the balance sheet do not have an indefinite life. As such, effective July 31, 2007, the company retroactively changed its accounting policy with respect to merchant contracts. The new policy amortizes the cost of merchant contracts straight line over the term of a merchant contract, plus one renewal period, which in most cases amounts to 10 years, as disclosed in note 2 Previously, the company's policy was that the merchant contracts had an indefinite life and they were only to be tested annually for permanent impairment.

The effect on amounts being presented for the three months ended January 31, 2007 was to increase opening deficit by $1,780,542 and increase amortization, decrease net income and increase closing deficit by $394,396. As well, the effect of this change was to increase basic net loss per common share by $0.02.

The effect on amounts being presented for the six months ended January 31, 2007 was to increase opening deficit by $1,386,147 and increase amortization, decrease net income and increase closing deficit by $788,791. As well, the effect of this change was to increase basic net loss per common share by $0.04.

Financial Instruments

On August 1, 2007, the company adopted new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”) regarding financial instruments, which are encompassed in CICA Handbook Sections 1530 - Comprehensive Income; 3855 - Financial Instruments Recognition and Measurement; 3861 - Financial Instruments Disclosure and Presentation and 3865 – Hedges. The adoption of these new accounting standards by the company resulted in changes to the accounting policies for financial instruments as outlined in note 2 – Significant Accounting Policies. There were no adjustments made to opening figures due to this change.

4. Short-Term Investments

	January 31, 2008	July 31, 2007
Non-redeemable term deposit, interest at 3.25% (July 31, 2007 - 3.1%), maturing September 29, 2008	**$ 11,000**	$ 11,000

5. Net Investment In Leases Receivable

	January 31, 2008	July 31, 2007
Minimum lease payments receivables, with various monthly blended payments ranging between $20 and $155, effective interest at 29.06%, maturing at various dates between December 31, 2010 and December 31, 2012	**$ 277,274**	$ -
Less: Unearned Interest	**(115,550)**	-
	$ 161,724	$ -

6. Long-Term Receivable

	January 31, 2008	July 31, 2007
Promissory note receivable, interest bearing at 4% annually, interest payable quarterly on a calendar basis, principal of $1,123,259 repayable on December 31, 2007 and $1,123,259 on December 31, 2008, unsecured and subordinated in favour of all existing and future conventional institutional debt financing of the borrower.	**$ 2,246,518**	$ 2,246,518
Less: allowance for impairment	**(1,000,000)**	(1,000,000)
	$ 1,246,518	$ 1,246,518

As a result of the downturn in the Spanish real estate market, the market in which the party to this loan operates, the company has determined that it may no longer be able to collect the full principal amount owing on this long-term receivable. As such, there exists an impairment allowance of $1,000,000.

The long-term receivable is secured by a pledge of 5,000,000 common shares of the company by an individual who is a shareholder, director and officer of the company.

The fair value of the long-term receivable is estimated to be **$1,529,433** (July 31, 2007 - $1,218,473).

7. Fixed Assets

January 31, 2008

		Cost		Accumulated Amortization		Net Book Value
Furniture and equipment	**$**	**92,061**	**$**	**70,551**	**$**	**21,510**
Computer hardware		**276,632**		**166,165**		**110,467**
Computer software		**551,091**		**206,422**		**344,669**
Leasehold improvements		**11,872**		**11,032**		**840**
Rental debit terminals		**883,489**		**274,615**		**608,874**
	$	**1,815,145**	**$**	**728,785**	**$**	**1,086,360**

Included in fixed assets at January 31, 2008 is $269,620 of computer software under development.

July 31, 2007

		Cost		Accumulated Amortization		Net Book Value
Furniture and equipment	$	92,061	$	68,080	$	23,981
Computer hardware		274,330		153,703		120,627
Computer software		336,614		173,344		163,270
Leasehold improvements		11,872		9,844		2,028
Rental hardware terminals		1,022,116		292,620		729,496
	$	1,736,993	$	697,591	$	1,039,402

Included in fixed assets at July 31, 2007 is $70,117 of computer software under development

8. Merchant Contracts

January 31, 2008		Cost		Accumulated Amortization		Net Book Value
Merchant Contracts	**$**	**15,775,811**	**$**	**4,267,548**	**$**	**11,508,263**

July 31, 2007		Cost		Accumulated Amortization		Net Book Value
Merchant Contracts	$	15,775,811	$	3,478,757	$	12,297,054

9. Long-Term Debt

		January 31, 2008		July 31, 2007
Promissory note payable, non-interest bearing, payable on February 1, 2008, unsecured	**$**	**50,000**	$	50,000
Equipment lease loans, terms as described below		**815,120**		-
Promissory note payable, non-interest bearing, payable $1,667 monthly, maturing November 1, 2007, unsecured		**-**		6,667
Promissory note payable, terms as described below		**-**		50,000
		865,120		106,667
Less: current portion		**(145,223)**		(56,667)
	$	**719,897**	$	50,000

Equipment Lease Loans

The equipment lease loans have an effective interest rate ranging from 17.09% to 21.92%, with various monthly blended payments and various final balloon payment due on various maturity dates, ranging from September 30, 2012 to January 31, 2012. with the ability to prepay the monthly payments of the loan at the company's option at any time without further penalty, secured by assignment of specific lease contracts held by the company and personal property security agreements over the accounts receivable, inventory, equipment and other assets of the company and its subsidiary.

Promissory Note Payable

The $50,000 amount above is in the form of a secured subordinate promissory note, bearing interest at 12% annually, payable 2% each quarter on a calendar year basis and 4% annually on the anniversary date of the loan being September 30th of each year; principal repayable on the maturity date of September 30, 2008, with an extension feature at the option of the holder to extend the term up to a further three years to September 30, 2011; secured by a general security agreement covering all of the personal property and undertakings of Tangarine Concepts Corp.; postponed and subordinated to right of payment and to right of security granted for all current and future institutional debt financings.

The fair value of long-term debt is estimated to be $865,120 (July 31, 2007 - $108,403).

Principal payments expected over the next five years are: 2009 - $145,223; 2010 - $126,795; 2011 - $156,118; 2012 - $192,291 and 2013 - $244,693.

Interest on long-term debt for the six months ended January 31, 2008 included in recurring bank charges and interest was $51,110 (January 31, 2007 - $87,656).

10. Preferred Shares

The company is authorized to issue an unlimited number of preferred shares in series.

	January 31, 2008	July 31, 2007
3,466,603 Series I Preferred shares (July 31, 2007 - 3,059,178)	**$ 3,466,603**	$ 3,059,178

Dividends

Preferred shares provide a cumulative cash dividend at a rate of 5% per annum, payable quarterly on a calendar year basis. In the event that the company fails to pay quarterly dividends in full on the quarterly payment date for any three successive quarters or is in arrears on paying quarterly dividends in full for any four quarters in aggregate, the holder of the preferred shares shall be entitled to exercise their retraction rights as described below or convert in whole or in part any unpaid annual dividends into common shares of the company at the current market price.

Preferred Shares also provide a cumulative dividend at a rate of 9% per annum payable in cash, or in kind, or part in cash and part in kind, at the option of the company, except where paid pursuant to a redemption or retraction, in which case the dividend shall be paid in cash, such annual dividend being payable on January 30th. In the event that the company fails to pay annual dividends in full within sixty days after the applicable payment date, the holder of the preferred shares shall be entitled to exercise their retraction rights as described below and/or convert in whole or in part any unpaid quarterly dividends into common shares of the company at the current market price.

Retraction

Each preferred share is retractable at the option of the holder at the earlier of:

a) January 17, 2010; b) failure of the company to pay quarterly dividends in full for any three successive quarters or for four quarters in aggregate; c) failure of the company to pay annual dividends in full within sixty days of the applicable payment date or d) the company's debt as defined per the preferred share agreement exceeds $3 million without the prior written consent of the preferred shareholder.

In the event that the company does not pay the retraction amount within sixty days of the retraction date, the preferred share holder has the option to convert in whole or in part the unpaid retraction price into common shares at the stated market price.

Redemption

Preferred shares are redeemable at the option of the company any time after July 17, 2007 if all of the following conditions are met:

a) all of the outstanding preferred shares are redeemed at the original investment price; b) all preferred share dividends, both quarterly and annual, whether declared or not, on a pro-rata basis up to the date of redemption are paid and c) all common shares relating to bonus share provisions of the preferred share agreement are issued as per the conditions noted below.

In the event of such redemption notice being provided by the company, the preferred shareholders have the right to convert all or part of their preferred shares into common shares of the company at any time before the date fixed for redemption or receipt of the redemption price. In the event that the company does not pay the redemption amount within sixty days of the redemption date, the preferred share holders have the option to convert in whole or in part the unpaid redemption price into common shares at the stated market price.

10. Preferred Shares (Continued)

Preferred Shares Features (Continued)

Conversion

Each Preferred Share is convertible at the option of the holder in blocks of not less than 250,000 preferred shares into common shares of the company at a rate of one common share per one preferred share. Upon conversion, the holders of the preferred shares will be eligible to receive all preferred share dividends, both quarterly and annual, whether declared or not, on a pro-rata basis up to the date of conversion.

Each Preferred Share is convertible at the option of the company into common shares in the event each of the following is satisfied:

a) The occurrence of one of the following events i) raising of minimum net proceeds of $15 million through the issuance of common shares at a price per share in excess of two times the applicable conversion price; or ii) if the company is party to a business combination such that outstanding common shareholders are issued other securities issued on a stock exchange and the price paid per common share is in excess of between one and a half and two times the applicable conversion price depending on the timing of the transaction; or iii) if any time after July 17, 2007, the volume weighted average trading price of the common shares is two times the conversion price or greater; or iv) if the holders of at least 67% of the preferred shares voting as a single class, vote for such a conversion and b) all preferred share dividends, both quarterly and annual, whether declared or, on a pro-rata basis up to the date of conversion are paid and c) no more than $110,000 of the due to related parties as described in note 12 remain outstanding and the remainder of such amounts having been converted to common shares at a conversion rate of not less than the conversion price.

Voting

Each preferred share carries the right to vote on all matters submitted to a vote or requiring consent of shareholders of the company, and entitles the holder thereof to the number of votes per share equal to the number of common shares into which the preferred shares are convertible. Each preferred share also holds right of first payment in the event of any distribution of assets to shareholders.

Bonus Payments

The holders of the preferred shares shall receive a bonus of 0.2 common shares multiplied by the conversion basis of each preferred share in the event of any of the following occurrences:

a) redemption of the preferred shares by the company; or b) if the common shares as listed on an exchange on January 17, 2010 have a weighted average trading price for twenty days that is less than $1.20 per share or c) if the common shares are not posted for trading on an exchange by January 17, 2010. Such bonus common shares will have a deemed issue price of the current market price.

On September 30, 2006 and on each such anniversary date, the preferred share holders shall receive on that date, a bonus equal to 5% of the aggregate investment amount plus all accrued and unpaid dividends on preferred shares as of that date. Such a bonus is to be payable through the issuance of additional preferred shares.

The fair value of preferred shares is estimated to be $3,311,023 (July 31, 2007 - $3,254,621). The principal is expected to be repaid no earlier than January 17, 2010. Dividends on the preferred shares for the period was $390,250 (January 31, 2007 - $379,595).

10. Preferred Shares (Continued)

Escrowed Shares

Under the requirements of the TSX Venture Exchange and under an Escrow Agreement dated August 1, 2006, 3,059,178 preferred shares were deposited in escrow with Trustee to be released in stages over a period of three years from the date of acceptance by the TSX Venture Exchange of the company's qualifying transaction (being August 11, 2006). The shares are to be released in the following stages: 10% upon acceptance of the transaction, 16.67% of remaining securities on February 11, 2007; 20% of remaining securities on August 11, 2007; 25% of remaining securities on February 11, 2008; 33.33% of remaining securities on August 11, 2008; 50% of remaining securities on February 11, 2009 and all remaining securities on August 11, 2009. As at January 31, 2008, 1,835,507 preferred shares continued to be held in escrow.

11. Unearned Revenue - Management Contracts

	January 31, 2008	July 31, 2007
Opening balance, total unearned revenue - management contracts	**$ 3,894,921**	$ 2,469,929
Management contracts entered into during the period (January 31, 2008 - six months; July 31, 2007 - twelve months)	**589,402**	2,052,816
Amortization of unearned management contracts into income for the period (January 31, 2008 - six months; July 31, 2007 - twelve months)	**(342,846)**	(627,824)
Total unearned revenue - management contracts	**4,141,477**	3,894,921
Amount to be amortized into income over next year (current portion)	**(492,559)**	(520,305)
	$ 3,648,918	$ 3,374,616

12. Share Capital

	Common Shares		Contributed Surplus
	Number Outstanding	Amount	Amount
Outstanding, as of July 31, 2007 and January 31, 2007	**46,580,640**	**$ 17,882,596**	**$ 55,553**

Escrowed Shares

Under the requirements of the TSX Venture Exchange and under an Escrow Agreement dated February 23, 2005, initial seed capital of the company of 2,500,000 common shares were deposited in escrow with a Trustee to be released in stages over a period of three years from the date of acceptance by the TSX Venture Exchange of the company's qualifying (being August 11, 2006). The common shares are to be released in the following stages: 10% upon acceptance of the transaction and 15% every six months thereafter. As at January 31, 2008, 1,500,000 common shares continue to be held in escrow under this escrow agreement.

Under the requirements of the TSX Venture Exchange and under an Escrow Agreement dated August 1, 2006, 25,329,816 common shares issued to certain principal shareholders of the former Tangarine Concepts Corporation as part of the company's qualifying transaction, were deposited in escrow with a Trustee to be released in stages over a period of three years from the date of acceptance by the TSX Venture Exchange of the company's qualifying transaction (being August 11, 2006). The shares are to be released in the following stages: 10% upon acceptance of the transaction, 16.67% of remaining securities on February 11, 2007; 20% of remaining securities on August 11, 2007; 25% of remaining securities on February 11, 2008; 33.33% of remaining securities on August 11, 2008; 50% of remaining securities on February 11, 2009 and all remaining securities on August 11, 2009. As at January 31, 2008, 15,197,890 common shares continue to be held in escrow under this escrow agreement.

Stock Options

The company has a stock option plan which allows for the granting of non-transferable stock options to directors, officers, employees, consultants and management company employees as additional compensation for services rendered, as well as eligible charitable organizations for benevolent purposes, with such options generally being exercisable over a five year period. The options are generally required to have an exercise price no less than the market price prevailing on the day the option is granted. The maximum number of common shares which may be issued pursuant to options granted under the stock option plan may not exceed 10% of the total number of issued and outstanding common shares of the company as determined from time to time. In addition, the number of common shares which may be reserved for issuance to any one consultant or any one investor relations individual shall not exceed 2% on a yearly basis and to any other one individual may not exceed 5% on a yearly basis. The options granted under the plan must be exercised within 90 days of an individual leaving the post of either director, officer, employee, consultant or management company employee unless doing so was upon that person's death, at which point the time period for exercise of the stock options by that person's heirs is extended to one year; or if the organization ceases to be an eligible charitable organization. As part of the company's reverse takeover, the shareholders agreed to an exception to the above noted 90 day rule, whereby two former directors, who resigned as part of the qualifying transaction had their exercise terms extended to one year from the date of their resignation which was effective as of the date of the reverse takeover of August 1, 2006. The following is detailed information regarding stock options outstanding at January 31, 2008. As at January 31, 2008, all of the stock options have been vested.

12. Share Capital (Continued)

Stock Options (Continued)

The following is detailed information regarding stock options outstanding at January 31, 2008. As at January 31, 2008, all of the stock options have vested.

	Number	Weighted average exercise price
Outstanding, January 31, 2008	**250,000**	**$ 0.60**

The following table provides additional information with respect to the company's stock options outstanding at January 31, 2008. All options are exercisable as described above.

Exercise price	Outstanding January 31, 2008	Weighted average exercise price	Weighted average life
$ 0.60	250,000	$ 0.60	2.14

13. Related Party Transactions

Related parties include the directors and a company controlled by a director and the preferred shareholder. All amounts are transacted at the exchange value as per the normal course of operations.

	For the three months ended		For the six months ended	
	January 31, 2008	January 31, 2007	**January 31, 2008**	January 31, 2007
Bank Charges and Interest				
Interest on due to related parties	**$ 36,500**	$ 44,806	**$ 73,667**	$ 85,750
General and Administration				
Professional fees	**28,500**	24,000	**66,500**	46,500
Salaries and benefits	**123,612**	110,765	**211,906**	227,289
Directors' fees	**-**	6,000	**-**	12,000

13. Related Party Transactions (Continued)

Due to Related Parties - Current

		January 31, 2008		July 31, 2007
Unsecured promissory notes as described below	**$**	**1,200,000**	$	-
Due to related party, non interest bearing, no fixed term of repayment, payable on demand, unsecured		**-**		11,524
	$	**1,200,000**	$	11,524

Due to Related Parties - Long-Term		January 31, 2008		July 31, 2007
Secured subordinate promissory notes as described below	**$**	**1,825,000**	$	1,825,000
Unsecured promissory notes as described below		**-**		1,200,000
		1,825,000		3,025,000
Less: current portion		**(1,825,000)**		**-**
	$	**-**	$	3,025,000

Unsecured Promissory Notes

Promissory notes issued to two directors are non-interest bearing, no fixed terms of repayment, payable by the company at any time, payable on demand of the holders after November 1, 2007, unsecured.

The fair value of due to related parties - current approximates their recorded values due to their short-term maturity.

Secured Subordinate Promissory Notes

These promissory notes have the following terms and conditions attached: interest at 12% annually, 2% payable each quarter on a calendar year basis and 4% payable annually on the anniversary date of the loan; principal repayable on the maturity date of September 30, 2008, with an extension feature at the option of the holder to extend the term up to a further three years to September 30, 2011; secured by general security agreements covering all of the personal property and undertakings of Tangarine Concepts Corp.; postponed and subordinated to right of payment and to right of security granted for all current and future institutional debt financings.

Included in accounts payable and accrued liabilities is $479,766 (July 31, 2007 - $846,558) owing to related parties. This amount is non-interest bearing, has no fixed terms of repayment, is payable on demand and is unsecured.

Contractual Obligations

The company is party to employment agreements with three members of senior management, who are also directors, for a total aggregate annual salary of $400.000. In the event of termination of any of these employees, the company will be obligated to pay an amount equal to 12 months of annual base salary.

14. Income Taxes

	January 31, 2008	July 31, 2007
Tax effect of temporary differences relating to payment of withholding taxes	**$ 186,978**	$ 186,978

The following is an explanation of the relationship between income tax expense and accounting income.

	For the three months ended		For the six months ended	
	January 31, 2008	January 31, 2007	**January 31, 2008**	January 31, 2007
Accounting loss before income taxes	**$ (635,999)**	$ (1,016,229)	**$ (1,187,640)**	$ (2,260,684)
Tax on accounting income at applicable statutory rate of 36.12%	**$ (229,722)**	$ (367,062)	**$ (428,976)**	$ (816,559)
Tax effect of expenses that are not deductible for income tax purposes	**(49,330)**	5,711	**(145,127)**	8,926
Tax effect of expenses relating to the origination and reversal of temporary differences	**279,052**	176,956	**574,103**	391,629
Tax Expense (Recovery)	**$ -**	$ (184,395)	**$ -**	$ (416,004)

The company has deductible temporary differences for which the value of depreciable assets for tax purposes exceeds the value of depreciable assets for accounting purposes in the amount of $124,095. The company also has a non-deductible tax reserve for which the value of assets for tax purposes exceeds the value of assets for accounting purposes in the amount of $1,000,000.

The company has non-capital loss carryforwards, which can be used to reduce future income taxes payable, expiring as follows: 2015 - $39,008; 2026 - $2,500,325, 2027 - $3,143,198 and 2028 - $762,658. The company also has capital loss carryforwards, which can be applied against future capital gains in the amount of $16,902.

The company also has temporary differences relating to an Ontario corporate minimum tax credit of $80,282 which can be used to reduce future Ontario income tax.

15. Loss per Common Share

	For the three months ended		For the six months ended	
	January 31, 2008	January 31, 2007	**January 31, 2008**	January 31, 2007
Net Loss	**$ (635,999)**	$ (831,834)	**$ (1,187,640)**	$ (1,844,680)
Weighted average number of common shares for basic loss calculation	**29,633,190**	20,497,242	**29,633,190**	20,497,242
Basic loss per common share	**$ (0.02)**	$ (0.04)	**$ (0.04)**	$ (0.09)

Diluted loss per common share is not presented because the effect would be anti-dilutive for all periods.

16. Contractual Obligations and Commitments

The company is contractually obligated to make residual payments in the amount of $48,420 annually to two former distributors. These obligations are to be bought out for an amount to be determined in the future.

The company is contractually obligated to pay for the development of computer software for a total cost of $175,000 U.S. payable in instalments upon completion of various stages in the development. As at January 31, 2008, $125,000 U.S. of this commitment has been paid and $ 15,000 U.S. has been accrued. These amounts have been included in fixed assets at year end as described in note 7.

17. Contingencies

There exists a potential contingency relating to corporate income taxes in the amount of approximately $817,000. This contingency arose from the purchase of the outstanding common and preferred shares of Excape Business Transactions Inc. and FinPos Wholesale Inc. and their subsequent amalgamation with the predecessor to the company's subsidiary Tangarine Concepts Corp., Tangarine Concepts Corporation. Management is currently undertaking legal steps in an attempt to dismiss the above noted share purchases and the related amalgamation, which should eliminate the related potential corporate income tax liability. The outcome of these legal steps and hence the resolution of this contingency is not determinable at this time.

The company is in negotiation with two related parties to dispose of the long-term receivable as described in note 6. The two related parties will purchase the long-term receivable for the following consideration: extinguishment of the due to related parties of $1,200,000 as described in note 13, cash of $46,518 and the cancellation of 2,002,600 common shares of the company. Management believes this transaction is likely to take place. Based on the share price as of February 29, 2008, a contingent gain of $280,364 on the sale of this long-term receivable is anticipated.

18. Supplemental Disclosures

Changes in non-cash working capital balances

	For the three months ended		For the six months ended	
	January 31, 2008	January 31, 2007	**January 31, 2008**	January 31, 2007
Short-term investments	**$ -**	$ 100,000	**$ -**	$ 100,000
Accounts receivable	**36,292**	21,885	**26,214**	55,426
Current income taxes recoverable/payable	**(10,688)**	(5,836)	**(10,688)**	(8,678)
Inventory	**(4,726)**	112,013	**58,387**	211,415
Prepaid expenses	**2,429**	5,403	**4,859**	(6,620)
Accounts payable and accrued liabilities	**177,096**	(49,405)	**(276,758)**	367,364
Unearned revenue	**(32,771)**	-	**(32,521)**	500
	$ 167,632	$ 184,060	**$ (230,507)**	$ 719,407

Supplemental Cash Flow Information

	For the three months ended		For the six months ended	
	January 31, 2008	January 31, 2007	**January 31, 2008**	January 31, 2007
Cash received for interest	**$ 3,795**	$ 3,112	**$ 6,399**	$ 109,480
Cash paid for interest	**200,968**	37,883	**328,773**	188,489
Cash paid for dividends on preferred shares	**87,888**	37,500	**87,888**	75,000
Transfer to rental debit terminals fixed assets from inventory	**6,315**	146,486	**136,138**	252,926
Transfer from rental debit terminals fixed assets to inventory	**9,119**	151,827	**144,409**	172,368
Acquisition of merchant contracts through the issuance of class A special shares, common share purchase warrants and common shares	**-**	-	**-**	357,620
Issuance of preferred shares to satisfy the payment of accounts payable and accrued liabilities	**-**	-	**407,425**	59,178
Issuance of common shares through the exercise of stock options	**-**	-	**-**	333,500
Transfer from deferred charges to prepaid expenses	**13,075**	-	**28,843**	-

18. Supplemental Disclosures (Continued)

Dividends Payable

Included in accounts payable and accrued liabilities are dividends payable of **$647,349** (January 31, 2007 - $581,898).

Sales and Fees

Included in sales and fees is revenue on operating leases of **$293,166** (January 31, 2007 - $484,602).

Bank Charges and Interest

Included as a reduction against bank charges and interest is interest revenue of **$51,700** (January 31, 2007 - $60,764).

Restructuring and One-time Costs

Included in restructuring and one-time costs is amortization of deferred charges of **$nil** (January 31, 2007 - $22,320) and writeoff, net of estimated recoveries, of deferred charges of **$nil** (January 31, 2007 - $259,747).

19. Subsequent Events

On February 6, 2008, the company obtained an equipment lease loan in the amount of $140,642 with the following terms: effective interest rate of 17.09%, monthly blended payments of $3,260, with first and last month payment due upon issuance of the loan, with a further balloon payment at the end of the loan of $14,064, maturity date of February 28, 2013, with the ability to prepay the monthly payments of the loan at the company's option at any time without further penalty, secured by assignment of specific lease contracts held by the company and personal property security agreements over the accounts receivable, inventory, equipment and other assets of the company and its subsidiary.