



EPIC DATA INTERNATIONAL INC.

Quarterly Report

March 31, 2009

Letter to Shareholders

Dear Shareholders

The second quarter ended March 31, 2009 saw a decrease in revenue as compared to the second quarter of the prior year as many of our manufacturing customers in North America and Europe delayed capital expenditure programs in light of the current economic conditions. Revenue declined year over year, however we achieved positive EBITDA for the fourth consecutive quarter. Although we incurred a net loss of \$77 thousand for the second quarter of 2009, the first loss in four quarters, we saw a significant improvement over the same quarter last year as a result of effective cost control measures implemented over the past year.

We were pleased to see maintenance revenue increase \$1.1 million in the second quarter of 2009 from \$876 thousand in the second quarter of the prior year, the increase in part reflecting our continuing effort to improve customer service.

Our professional services revenue declined to \$385 thousand in the second quarter of 2009 from \$647 thousand in the second quarter of last year, due to the reduced number and size of customer projects. However, gross margin percentage from our professional services business improved as new project controls were implemented and productivity gains achieved through the repeated use of our latest software platform IntegraNet.

Overall cost reductions have been a significant focus for our company during recent quarters, however, in the area of sales and marketing we have been increasing our expenditures to fund new lead generation, website and account management initiatives. We expect these activities will help us win new business as market conditions improve.

Epic Data and its employees remain proud to serve our market-leading manufacturers and distributors. Many of our customers are top financial performers in their peer groups, and it is our aim to help them maintain financial strength through operational efficiencies on the shop floor.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'R. Nygren', with a horizontal line extending to the right.

Robert Nygren
President & Chief Executive Officer

Company Profile

Epic Data develops and delivers a broad range of lean manufacturing and data collection systems, including installation and post sales support, to the aerospace, defense, automotive, high technology and heavy industrial equipment manufacturers in North America and Western Europe. We utilize a wide range of products to deliver discrete manufacturing solutions which provide our customers with real-time visibility into their manufacturing operations while simplifying interaction with their existing enterprise applications.

Our solutions enable clients to:

- Improve accuracy of warehouse inventory and real-time location of parts;
- Improve availability of materials to the production floor - exactly when required;
- Provide real-time visibility of the production processes and the material flow to the shop floor;
- Improve synchronization of the material flow with the demands of the production line, and
- Increase accelerated production velocity through measurement of continuous improvement activities.

The majority of our customer relationships are long-term in nature due to the high degree of integration between our solutions and our customers' internally developed systems and their enterprise systems, such as SAP, Oracle and Infor.

Our typical solutions include both hardware and software, and we provide customization and integration services around these components to deliver solutions that meets the customer's particular requirements. We also provide post implementation support for our installed solutions.

Today's global manufacturers face tremendous productivity and profitability pressures. Lean manufacturing practices have produced significant efficiencies, but most manufacturers still face challenges with optimizing the number of units produced per person and balancing the "time to value" of turning inventory into finished products with changing market and customer requirements.

Discrete manufacturers, in contrast to process manufacturers, encounter greater challenges in optimizing their operations, without high-volume, highly automated production processes. The implementation of lean manufacturing practices for discrete manufacturers, based on Kaizen and Six Sigma principles, can be significantly enhanced by access to real-time production information relating to the workforce, warehouse and materials movement in a plant.

We have developed our IntegraNet™ suite of integrated software applications to increase efficiencies in manufacturing operations which have a high labour component, product variability, part complexity and unpredictable production cycles. Our IntegraNet platform is the foundation of our software applications. The IntegraNet platform is a high volume, high integrity data capture transaction engine. It uses a Services Oriented Architecture and incorporates multiple 4th generation tools, industry standard database offerings, standard ERP connectors and business process management functionality. The incorporation of an industry standard data model (ISA-95) for complex, discrete manufacturing ensures IntegraNet brings together the diverse activities of a manufacturing enterprise for real-time operational visibility and optimization.

Company Profile

Applications developed on the IntegraNet platform include:

- **IntegraTLC:** This application captures time and labour information about the workforce in order to facilitate job costing, time and attendance tracking and payroll.
- **IntegraTrak:** This application captures real-time location and movement data about production materials in order to reduce lost parts and inventory out of stock or excess situations.
- **IntegraUID:** This application allows manufactures to leverage the need to implement new technologies and material handling processes needed to meet United States Department of Defense Unique Identifier (“UID”) requirements into improved material management and part traceability capabilities.

Epic Data’s Materials Management System, (“MMS”) is a comprehensive production-oriented system application optimizes the utilization of labour, inventory and assets by gathering real-time production information from multiple manufacturing systems. The application presents the information as widely available and viewable key performance indicators designed to highlight key areas of waste in a manufacturing operation in order to drive continuous improvement.

We also sell fixed and mobile hardware products for use in manufacturing, assembly, quality information collection and warehousing operations. These products provide the user interface to capture, store and forward information in real-time through the use of automated identification technologies, such as bar code, 2D bar code and RFID. We market a hardware product called the Multi Purpose Terminal (“MPT”) series, which is designed in-house and manufactured in contract facilities in Asia and North America. We also market and support hardware products manufactured by leading device manufacturers, including Motorola, Intermec, LXE, Zebra and others.

Our strategy is to grow our business by delivering exceptional service to our target market customers through a broad range of software, service and hardware solutions. We also remain focused on remaining profitable and improving our cash flow situation.

Management Discussion and Analysis

The following Management Discussion and Analysis (“MD&A”) is prepared as of May 29, 2009 and is intended to assist in understanding the results of operations and financial condition of Epic Data International Inc. (“Epic Data” and or the “Company”). Throughout the MD&A reference to Epic Data or the Company is on a consolidated basis. This MD&A should be read in conjunction with the unaudited consolidated financial statements and accompanying notes for the three and six months ended March 31, 2009, which have been prepared in Canadian dollars and in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”).

Forward-Looking Statements

This MD&A may contain forward-looking statements concerning the future performance of the Company’s business, its operations and its financial results and condition all of which are subject to risks and uncertainties. A number of factors could cause actual results to differ materially from those expressed in the forward looking statements, including but not limited to general economic conditions, technological changes, fluctuations in foreign currencies, regulatory change, competitive factors, changes in accounting rules or standards, many of which are beyond the Company’s control. Forward looking statements are made based on current information when the statement is made. We caution readers that forward looking information is inherently uncertain and that actual results may differ materially from those expressed in the forward looking statements. The Company does not assume responsibility for the accuracy and completeness of forward looking statements and does not undertake any obligation to publicly revise these forward looking statements to reflect new information, subsequent events or changes in circumstances.

Non-GAAP Measures

This MD&A uses certain terms that are not defined under GAAP. The Company believes that the term EBITDA is used by investors in assessing performance of the Company and its ability to generate sufficient cash flows to continue as a going concern. As this term is not defined under GAAP it may not be comparable to similar terms used in documents of other public entities. The Company defines EBITDA as earnings from operations before interest expense, interest income, income taxes, amortization of property, plant and equipment, compensation costs related to stock options, interest accretion, severance and other non-recurring expenses and income items.

Overall Performance

During the three and six months ended March 31, 2009, revenue decreased 25% and 13%, respectively over the same periods in 2008. While maintenance revenue increased in both periods compared to the prior year and was aided by a more favorable US dollar exchange rate in 2009, all other revenue streams were down in 2009 compared to the prior year as customers curtailed spending in light of the current economic conditions. Cost reductions and staff efficiencies have combined to produce a higher gross margin as a percentage of revenue and along with certain non-recurring recoveries have produced positive EBITDA in the current quarter and year to date and a significant improvement in the bottom line over the same periods in the prior year.

While implementing the cost reductions over the past two years, the Company maintained its ability to develop new products, enhance existing products, execute its sales strategy and deliver quality service to its customers.

Management Discussion and Analysis

Selected Financial Information

Below is selected information derived from the unaudited interim consolidated financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles.

All amounts in 000's of dollars, except percentages and per share figures

	Three months ended March 31,		Six months ended March 31,	
	2009	2008	2009	2008
Revenue				
Hardware	\$ 145	\$ 294	\$ 356	\$ 447
Software	4	336	51	496
Professional services	385	647	883	1,175
Maintenance	1,083	876	2,138	1,807
	1,617	2,153	3,428	3,925
Cost of Sales				
Hardware	85	104	238	219
Software	7	61	4	60
Professional services	238	485	587	922
Maintenance	391	445	778	817
	721	1,095	1,607	2,018
Gross Margin				
Hardware	60	190	118	228
	41%	65%	33%	51%
Software	(3)	275	47	436
	-75%	82%	92%	88%
Professional services	147	162	296	253
	38%	25%	34%	22%
Maintenance	692	431	1,360	990
	64%	49%	64%	55%
	55%	49%	53%	49%
Total Gross Margin	896	1,058	1,821	1,907
Selling , general and administration	860	1,251	1,747	2,383
Income (loss) before undernoted items - EBITDA	36	(193) #	74	(476)
Other expenses	113	94	95	153
Net loss for the period	\$ (77)	\$ (287) #	\$ (21)	\$ (629)
Net loss per share - basic and diluted	\$ (0.01)	\$ (0.02) #	\$ (0.00)	\$ (0.05)

Management Discussion and Analysis

Results of Operations for the Three and Six months ended March 31, 2009

Revenue

Total revenue for the three months ended March 31, 2009 was \$1.6 million as compared with \$2.2 million in the three months ended March 31, 2008, a decrease of \$536 thousand compared with 2008. Maintenance revenue was higher in part due to an improved exchange rate for revenue denominated in US dollars. Each of hardware, software and professional services revenue was down compared to the same period in 2008 as customers curtailed spending in light of the economic downturn.

Total revenue for the six months ended March 31, 2009 was \$3.4 million as compared with \$3.9 million in the six months ended March 31, 2008, a decrease of \$497 thousand compared with 2008. The decrease is due to the slower second quarter as discussed above. In addition maintenance revenue benefited from recording revenue of \$68 thousand on the signing of a maintenance agreement which covered a period in the prior fiscal year.

Gross margin

While total gross margins for the three and six months ended March 31, 2009 was down slightly as compared with the three and six months ended March 31, 2008, due to the decrease in revenue, both periods in fiscal 2009 show an improved margin rate as a percentage of revenue compared to the same periods in 2008, which is due to cost controls, improved staff efficiency and higher maintenance revenue.

Selling, general and administration

We maintain a direct sales force geographically dispersed throughout North America and Great Britain as well as centralized marketing, executive, product development and administrative support departments located in British Columbia.

Selling, general and administration expenses for the three months ended March 31, 2009 were \$802 thousand as compared to \$1.1 million in the three months ended March 31, 2008. The decrease of \$324 thousand is due to cost reductions, including staff, and other non-recurring recoveries totaling \$172 thousand.

Selling, general and administration expenses for the six months ended March 31, 2009 were \$1.6 million as compared to \$2.1 million in the six months ended March 31, 2008. The decrease of \$572 thousand is due to cost reductions, including staff, the recovery of a receivable previously written off and certain other non-recurring recoveries totaling \$360 thousand.

EBITDA

EBITDA for the three months ended March 31, 2009 was \$36 thousand compared with a loss of \$193 thousand in the three months ended March 31, 2008 and for the six months ended March 31, 2009 it was \$74 thousand as compared with a loss of \$476 thousand in the six months ended March 31, 2008. The increase in EBITDA in the second quarter and year to date was due to cost reductions under taken by management and the non-recurring recoveries discussed above.

Management Discussion and Analysis

Other expenses (income)

All amounts in 000's of dollars	Three months		Six months	
	2009	March 31, 2008	2009	March 31, 2008
Amortization of property, plant and equipment	\$ 25	\$ 47	\$ 52	\$ 101
Interest expense, net	28	29	44	48
Other				
Stock based compensation	6	(7)	12	3
Interest accretion	7	5	15	12
Foreign exchange (gain) loss	(29)	11	(94)	6
Gain on sale of property, plant and equipment	-	(1)	-	(1)
Sale of TicketManager	-	-	-	(45)
Severance cost	76	10	66	29
	<u>\$ 113</u>	<u>\$ 94</u>	<u>\$ 95</u>	<u>\$ 153</u>

The sale of TicketManager relates to the sale our parking enforcement business line. The agreement for the sale was executed during the six months ended March 31, 2008 and a partial payment was received at that time and during the year ended September 30, 2008, certain additional conditions of closing were met and the Company received a further \$100 thousand and brought into income the balance of its related deferred revenue and prepaid expense accounts.

Net loss

Net loss for the three months ended March 31, 2009 was \$77 thousand as compared with a net loss of \$287 thousand in the three months ended March 31, 2008. Net loss for the six months ended March 31, 2009 was \$21 thousand compared with a net loss of \$629 thousand in the six months ended March 31, 2008. The improvements in the second quarter and year to date of fiscal 2009 as compared with the same periods in fiscal 2008 were due to cost reductions, the favourable exchange rate on the US dollar and non-recurring recoveries of \$172 thousand and \$360 thousand, respectively.

Management Discussion and Analysis

Summary of Quarterly Results

All amounts in 000's, except per share figures

	Jun 30 2007 Q3	Sep 30 2007 Q4	Dec 31 2007 Q1	Mar 31 2008 Q2	Trailing four quarters	Jun 30 2008 Q3	Sep 30 2008 Q4	Dec 31 2008 Q1	Mar 31 2009 Q2	Trailing four quarters
Revenue	\$ 2,509	\$ 2,677	\$ 1,773	\$ 2,152	\$ 9,111	\$ 3,402	\$ 3,839	\$ 1,811	\$ 1,617	\$ 12,821
Net income (loss)	\$ (296)	\$ 1,066	\$ (343)	\$ (287)	\$ 140	\$ 451	\$ 570	\$ 56	\$ (77)	\$ 713
Basic earnings (loss) per share	\$ (0.02)	\$ 0.08	\$ (0.03)	\$ (0.02)	\$ 0.01	\$ 0.03	\$ 0.04	\$ 0.00	\$ (0.01)	\$ 0.07
Diluted earnings (loss) per share	\$ (0.02)	\$ 0.08	\$ (0.03)	\$ (0.02)	\$ 0.01	\$ 0.03	\$ 0.04	\$ 0.00	\$ (0.01)	\$ 0.07

The quarterly information is unaudited, but reflects all adjustments of a normal recurring nature, which are, in the opinion of management, necessary to present a fair statement of results of operations for the periods presented.

Revenue and earnings may fluctuate from quarter to quarter. A number of factors could cause such fluctuations, including the timing of releases of our new products, the timing of substantial orders, and possible delays in the manufacture or shipment of current or new hardware products. Because our operating expenses are determined based on anticipated sales, are generally fixed and are incurred throughout each fiscal quarter, any of the factors listed above could cause significant variations in our revenue and earnings in any given quarter.

Quarter to quarter comparisons in the financial results is not necessarily meaningful and should not be relied upon as an indication of future performance.

Management Discussion and Analysis

Liquidity and Capital Resources

The Company's liquidity needs can be met through a variety of sources. The principal source of cash is from operations. The Company also generates cash through the issue of shares and the sale of non-core assets. The Company's primary uses of cash are operating expenses, including product development, interest and principal on the loan payable and capital expenditures.

At March 31, 2009, the Company had cash of \$877 thousand, a working capital deficiency \$513 thousand and a deficiency in assets of \$812 thousand. The Company believes that through operations and existing cash resources and the management of its cash obligations it will generate sufficient liquidity to meet its cash requirements for at least the next year.

Cash flow from operations

During the six months ended March 31, 2009 cash flow used in operations was \$340 thousand as compared with \$520 thousand in the six months ended March 31, 2008. The use of cash in the fiscal 2009 was as a result of the decrease in non-cash operating working capital, which was mainly related to the payout of accrued severance costs.

Capital expenditures

During the six months ended March 31, 2009, the Company did not incur any capital expenditures.

Contractual obligations

Below is a summary of the Company's contractual obligations

All amounts in 000's of dollars

	<u>Total</u>	<u>Less than 1 year</u>	<u>1 to 3 years</u>	<u>4 to 5 years</u>
Operating leases	\$ 1,670	\$ 474	\$ 1,196	\$ -
Loan payable	993	496	497	-
	<u>\$ 2,663</u>	<u>\$ 970</u>	<u>\$ 1,693</u>	<u>\$ -</u>

Credit facilities

In 2005, the Company received a \$1.0 million loan from a Company controlled by a former director. The loan is due in equal amounts on June 21, 2009 and 2010 and is secured by a first charge on all property and assets of the Company.

Management Discussion and Analysis

Related Party Transactions

During the three and six months ended March 31, 2009 legal fees of \$2,745 (2008 - \$14,313) and \$6,165 (2008 - \$20,006), respectively, were incurred with a law firm in which a director is a senior partner.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

Critical Accounting Policies and Estimates

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. A summary of the significant accounting policies used in the preparation of our financial statements is included in note 2 of the annual audited consolidated financial statements for the year ended September 30, 2008. The measurement of certain assets and liabilities is dependent upon future events whose outcome will not be fully known until future reporting periods. Therefore, the preparation of the consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results will vary from those estimated. Certain accounting policies are critical to understanding our reported financial results. These critical policies, which affect the reported amounts of revenue and the more significant areas involving management estimates, are described here.

Allowance for doubtful accounts

The Company provides an offset to the gross value of trade accounts receivable, which represents management's estimate of the net realizable value of those receivables after eliminating uncollectible amounts. In estimating this provision, consideration is given to the age of the receivable, the credit worthiness of the customer, historical experience, and specific communications with the customer as well as many other relevant factors. Changes in any of these circumstances may necessitate an adjustment to the estimated provision, which would in turn impact the Company's financial results.

Stock based compensation and other stock based payments

The Company accounts for stock-based compensation awards granted to employees using the fair value based method. Under the fair value based method, compensation cost is measured at fair value at the date of grant and is expensed over the award's vesting period.

The fair value of each stock option grant is estimated on the date of the grant using the Black-Scholes option pricing model. This model considers a number of factors, including the historical volatility of the market price for the underlying shares, the expected life of the stock options, the expected dividend yield and the current risk free rate of interest. These factors are subject to inherent variability over time in addition to some degree of estimation, which could impact the determination of the fair value of the stock options and in turn, the amount expensed in a given period. Should circumstances around the factors used in the fair value model change significantly, this could materially impact the estimated amount of stock based compensation and other stock based payment costs in the future.

Management Discussion and Analysis

Revenue recognition

Our arrangements with customers include the sale of automated data capture systems, which includes hardware, software license fees, implementation and modification of new and existing software, and subsequent support and maintenance of those systems. The revenue is evaluated based on the terms of each agreement with respect to multiple element arrangements.

Revenue associated with multiple element arrangements is attributed to the various elements based on its relative fair value or residual fair value of the undelivered elements and is recognized on an accrual basis in accordance with the contractual arrangements provided that collectibility is reasonably assured.

The individual elements are recognized as revenue as described below:

- Revenues from the sale of hardware for which objective evidence of fair value exists, is recognized on delivery of the products as we fulfill our obligations in accordance with the contractual arrangements. We do not generally sell hardware as an integrated unpriced required element of a system implementation.
- Software includes both unmodified standardized software products as well as software products which are modified to the customer's specifications on a project by project basis.
- Revenue for unmodified standard software products is recognized upon completion of any services which are not separable and are essential to the functionality of the software. In general, recognition occurs when the installation of the standard software is complete.
- Services related to the modification of our software are not separable and are essential to the functionality for the customer. As a result, we account for the software and customization services using the percentage of completion method of contract accounting. We determine percentage of completion on fixed fee contracts using hours incurred to date compared to total estimated hours to complete the project. If the total cost estimate exceeds revenue, the estimated project loss would be recognized immediately.
- Maintenance support contracts, which require our ongoing involvement are billed in advance and recorded as deferred revenue and amortized over the period of the ongoing involvement, typically one year.

We provide separate professional integration services consisting of consulting, system design, project management, software customization services, software and hardware installation, system integration, bar code labeling and customer training. These services are charged on a time and materials or fixed price basis. We recognize revenue as the services are performed. Revenue is estimated by comparing the forecasted total effort required to complete the specific deliverable to the actual effort expended to date. These determinations are re-evaluated on a monthly basis and are typically based on a number of factors, including past experience with similar deliverables; the complexity of the solution; the skill level, knowledge and experience of the personnel assigned to the project and the maturity and applicability of the underlying standard software being utilized. If the total cost estimate exceeds revenue, the estimated project loss is recognized immediately.

Management Discussion and Analysis

Amortization of property, plant and equipment

Amortization and depreciation is charged to operations over the estimated useful life of property, plant and equipment. Management reviews its property, plant and equipment for evidence of impairment whenever events or circumstances indicate that the carrying value of an asset may exceed its estimated recoverable amount.

Changes in Accounting Policies including Initial Adoption

The Canadian Institute of Chartered Accountants ("CICA") has issued and or revised a number of sections of the CICA Handbook which are applicable for the Company in the current period and future periods.

Inventories

In June 2007, the CICA has published Section 3031 "Inventories" which replaces Section 3030, establishing standards for the measurement and disclosure of inventories and is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company has adopted this policy for the period commencing October 1, 2008 however there was no material impact on the consolidated financial statements.

Financial statement concepts

In February 2008, the CICA issued amendments to Section 1000 "Financial Statement Concepts" to clarify the criteria for recognition of an asset and the timing of expense recognition. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company has applied the amendments to Section 1000 for its fiscal year commencing October 1, 2008 however there was no impact on the Company's consolidated financial statements.

General standards for financial statement presentation

In June 2007, the CICA amended Section 1400 "General Standards for financial statement presentation". The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company has applied the amendments to Section 1400 for its fiscal year commencing October 1, 2008 however there was no material impact on its consolidated financial statements.

Goodwill and intangible assets

In February 2008, the CICA published Section 3064 "Goodwill and Intangible Assets". This new standard establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The requirements will be effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company has applied Section 3064 for its fiscal year commencing October 1, 2008 however there was no impact on its consolidated financial statements.

Management Discussion and Analysis

International financial reporting standards

In January 2006, the CICA Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required, for fiscal years beginning on or after January 1, 2011, for publicly accountable profit-oriented enterprises. After that date, IFRS will replace Canadian GAAP for those enterprises. The Company is continuing to assess the impact of these new accounting standards on its consolidated financial statements.

Business Risks

The Company is subject to numerous business risks. We prudently manage our operations to minimize the impact of areas involving risk.

Sales risk

Our sales efforts target large corporations that require sophisticated data capture systems to collect and analyze data relating to various operational activities. We spend significant time and resources educating prospective customers about the features and benefits of our solutions. Our sales cycle usually ranges from 3 to 12 months and sales delays could cause our operating results to vary. The Company balances this risk by continuously assessing the condition of our sales "pipeline" and making the appropriate adjustments as far in advance as possible. Our strategy also includes a comprehensive program to build and improve relationships with our long-standing customers to better understand needs and proactively manage incoming business levels effectively.

Product acceptance risk

Our revenue and profit potential depends substantially upon market acceptance of both our new products and enhanced existing products. To mitigate the risk of non-acceptance by the market, our strategy involves ongoing significant investments in product development to enhance our product line and to develop new applications and features to satisfy the increasingly sophisticated demands of our customers. We also ensure our investments in this area are based on a thorough understanding of market and customer demands through a comprehensive program of market research and customer interaction.

Our success depends on the ability of our products to interface with host computer systems and to respond to changes in these systems. In many cases the needs of our customers require us to make significant custom modifications to our products. Our success will depend upon our ability to efficiently undertake and complete such customization, in most cases, under a fixed price arrangement. To minimize the risk of cost overruns, we have implemented stringent pre-contract approval processes as well as industry-leading quality control standards during implementation.

Foreign exchange risk

Our sales are principally outside of Canada and are generally conducted in currencies other than the Canadian dollar while a majority of our product research and development expenses, integration services, customer support costs and administrative expenses are in Canadian dollars. Fluctuations in the value of foreign currencies relative to the Canadian dollar could negatively impact our financial results.

Management Discussion and Analysis

Outsourcing risk

We outsource the manufacture of our proprietary hardware products to third parties. If they do not manufacture our products properly or cannot meet our needs in a timely manner, we may be unable to fulfill our product delivery obligations and our costs may increase, and our revenue and margins could be negatively impacted. Our reliance on third party manufacturers subjects us to a number of risks, including the absence of guaranteed manufacturing capacity and the inability to control the amount of time and resources devoted to the manufacture of our products. To mitigate this dependency, we have contractual relationships with two separate manufacturing service providers and maintain contact with additional alternative suppliers in case our primary manufacturing sources should be disrupted.

Customer concentration risk

We derive a significant portion of our revenue from the sale of our solutions to a relatively limited number of customers. If any of our more significant prospective customers fail to purchase our solution or our existing customers discontinue their relationship with us for any reason, our revenue may be substantially reduced. To mitigate this risk, we have implemented customer retention programs to emphasize both quality of product and superior customer service. Our sales programs also address a large base of potential customers and at any given time, we are pursuing a significant number of sales opportunities.

Going concern risk

As at March 31, 2009, the Company had a working capital deficiency of \$513,000 and a deficiency in assets of \$812,000. Management has reduced costs, primarily through a reduction in the number of employees and they believe that these cost reductions will allow the Company to operate profitably in the future. During the six months ended March 31, 2009, the Company renegotiated the repayment terms of its debt to extend the repayment date. To the extent that the Company does not achieve positive cash flows from operations in the future or financing is not available or not available on reasonable terms, additional reductions in expenditures will be required, and or the Company may not be able to continue as a going concern.

The unedited interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern basis, which assumes the Company will continue in operation to realize its assets and discharge its liabilities and commitments in the normal course of business. Certain conditions discussed above raise doubt about the ability of the Company to continue as a going concern. If the Company is unable to continue as a going concern, assets and liabilities would require restatement to a liquidation basis, which would differ materially from the going concern basis.

Other

As of the date of this MD&A, the Company has 12,911,990 common shares issued and outstanding. In addition there are outstanding stock options and warrants to purchase an additional 1,311,333 and 375,000 common shares, respectively.

Additional information and other publicly filed documents relating to the Company are available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR"), which can be accessed at www.sedar.com.

Notice of no Auditor Review

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 consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

The Company's independent auditors have not performed a review of these interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

EPIC DATA INTERNATIONAL INC.

Consolidated Balance Sheets
(Expressed in thousands of Canadian dollars)

	March 31, 2009	September 30, 2008
	(Unaudited)	(Audited)
Assets		
Current		
Cash	\$ 877	\$ 1,217
Accounts receivable	1,240	1,032
Inventory	315	279
Prepaid expenses	247	245
	2,679	2,773
Property, plant and equipment	126	178
Deposits	72	72
	\$ 2,877	\$ 3,023
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 994	\$ 1,814
Deferred revenue	1,702	1,034
Current portion of loan payable (Note 4)	496	489
	3,192	3,337
Loan payable (Note 4)	497	489
	3,689	3,826
Deficiency in assets		
Share capital (Note 5)	58,665	58,665
Contributed surplus	449	437
Accumulated deficit	(59,926)	(59,905)
	(812)	(803)
	\$ 2,877	\$ 3,023

Going concern (Note 1)
Commitments and contingencies (Note 11)
Subsequent events (Note 13)

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Robert Nygren
President & Chief Executive Officer



Iain Mant
Chairman

EPIC DATA INTERNATIONAL INC.

Consolidated Statements of Operations, Comprehensive Income and Deficit

Unaudited

(Expressed in thousands of Canadian dollars, except per share amounts)

	Three months ended March 31,		Six months ended March 31,	
	2009	2008	2009	2008
Revenue	\$ 1,617	\$ 2,153	\$ 3,428	\$ 3,925
Cost of sales	721	1,095	1,607	2,018
Gross Margin	896	1,058	1,821	1,907
Selling, general and administration	860	1,251	1,747	2,383
Income (loss) before undernoted items	36	(193)	74	(476)
Other expenses (income)				
Amortization of property, plant and equipment	25	47	52	101
Net finance charges	28	29	44	48
Other (Note 6)	60	18	(1)	4
	113	94	95	153
Net loss and comprehensive loss for the period	(77)	(287)	(21)	(629)
Deficit at beginning of period	(59,849)	(60,638)	(59,905)	(60,296)
Deficit at end of period	\$ (59,926)	\$ (60,925)	\$ (59,926)	\$ (60,925)
Weighted average shares outstanding				
Basic and diluted	12,912	12,897	12,912	12,897
Loss per share				
Basic and diluted	\$ (0.01)	\$ (0.02)	\$ (0.00)	\$ (0.05)

See accompanying notes to consolidated financial statements

EPIC DATA INTERNATIONAL INC.

Consolidated Statements of Cash Flows

Unaudited

(Expressed in thousands of Canadian dollars)

	Three months ended March 31,		Six months ended March 31,	
	2009	2008	2009	2008
Operating activities				
Net income (loss) for the period	\$ (77)	\$ (287)	\$ (21)	\$ (629)
Items not involving cash				
Amortization of property, plant and equipment	25	47	52	101
Gain on sale of TicketManager	-	-	-	(45)
Gain on sale of property, plant and equipment	-	(1)	-	(1)
Stock-based compensation	6	(7)	12	3
Accretion expense relating to loan payable	7	5	15	12
	(39)	(243)	58	(559)
Change in non-cash operating working capital (Note 7)	(94)	(81)	(398)	39
	(133)	(324)	(340)	(520)
Investing activities				
Purchase of property, plant and equipment	-	(4)	-	(21)
Proceeds on sale of TicketManager (Note 6a)	-	-	-	45
	-	(4)	-	24
Financing activities				
Proceeds of loan	-	127	-	127
Decrease in cash for the period	(133)	(201)	(340)	(369)
Cash at beginning of period	1,010	591	1,217	759
Cash at end of period	\$ 877	\$ 390	\$ 877	\$ 390
Supplemental cash flow information				
Interest paid	\$ 35	\$ -	\$ 35	\$ 35
Interest received	\$ -	\$ 1	\$ 2	\$ 7

See accompanying notes to consolidated financial statements

EPIC DATA INTERNATIONAL INC.

Notes to Consolidated Financial Statements for the three and six months ended March 31, 2009

Unaudited

(All tabular dollar amounts are expressed in thousands of Canadian dollars, except per share amounts and number of shares and warrants)

1. Nature of business and going concern

The Company is incorporated under the laws of British Columbia and its principal business activity includes the development of transaction software and hardware interfaces between custom and enterprise resource planning systems and electronic data capture systems. The Company's shares are listed on the TSX Venture Exchange under the symbol EKD.

As at March 31, 2009, the Company had a working capital deficiency of \$513,000 and a deficiency in assets of \$812,000. Management has reduced costs, primarily through a reduction in the number of employees and they believe that these cost reductions will allow the Company to operate profitably in the future. During the six months ended March 31, 2009, the Company renegotiated the repayment terms of its debt to extend the repayment date. To the extent that the Company does not achieve positive cash flows from operations in the future or financing is not available or not available on reasonable terms, additional reductions in expenditures will be required, and or the Company may not be able to continue as a going concern.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern basis, which assumes the Company will continue in operation to realize its assets and discharge its liabilities and commitments in the normal course of business. Certain conditions discussed above raise doubt about the ability of the Company to continue as a going concern. If the Company is unable to continue as a going concern, assets and liabilities would require restatement to a liquidation basis, which would differ materially from the going concern basis.

2. Significant accounting policies

(a) Basis of presentation

These unaudited interim consolidated financial statements include the accounts of Epic Data International Inc. and its wholly owned subsidiaries and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements and, accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with Canadian GAAP have been condensed or omitted. These interim consolidated financial statements should be read in conjunction with the most recent annual financial statements. In the opinion of management, these unaudited interim consolidated financial statements include all adjustments necessary for the fair presentation of the financial position as at the periods presented and the results of operations and cash flows of the interim periods presented. The preparation these unaudited interim consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates and the operating results for the interim periods presented are not necessarily indicative of the results expected for any other interim period or for the full year. All significant intercompany balances and transactions have been eliminated.

(b) Comparative figures

Certain comparative figures have been reclassified to conform to the current period presentation.

EPIC DATA INTERNATIONAL INC.

Notes to Consolidated Financial Statements for the three and six months ended March 31, 2009

Unaudited

(All tabular dollar amounts are expressed in thousands of Canadian dollars, except per share amounts and number of shares and warrants)

3. New and future accounting policies

The Canadian Institute of Chartered Accountants ("CICA") has issued and or revised a number of sections of the CICA Handbook which are applicable for the Company in the current period and future periods.

(a) Inventories

In June 2007, the CICA has published Section 3031 "Inventories" which replaces Section 3030, establishing standards for the measurement and disclosure of inventories and is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company has adopted this policy for the period commencing October 1, 2008 however there was no material impact on the consolidated financial statements.

(b) Financial statement concepts

In February 2008, the CICA issued amendments to Section 1000 "Financial Statement Concepts" to clarify the criteria for recognition of an asset and the timing of expense recognition. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company has applied the amendments to Section 1000 for its fiscal year commencing October 1, 2008 however there was no impact on the Company's consolidated financial statements.

(c) General standards for financial statement presentation

In June 2007, the CICA amended Section 1400 "General Standards for financial statement presentation". The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company has applied the amendments to Section 1400 for its fiscal year commencing October 1, 2008 however there was no material impact on its consolidated financial statements.

(d) Goodwill and intangible assets

In February 2008, the CICA published Section 3064 "Goodwill and Intangible Assets". This new standard establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The requirements will be effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company has applied Section 3064 for its fiscal year commencing October 1, 2008 however there was no impact on its consolidated financial statements.

(e) International financial reporting standards

In January 2006, the CICA Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required, for fiscal years beginning on or after January 1, 2011, for publicly accountable profit-oriented enterprises. After that date, IFRS will replace Canadian GAAP for those enterprises. The Company is continuing to assess the impact of these new accounting standards on its consolidated financial statements.

EPIC DATA INTERNATIONAL INC.

Notes to Consolidated Financial Statements for the three and six months ended March 31, 2009

Unaudited

(All tabular dollar amounts are expressed in thousands of Canadian dollars, except per share amounts and number of shares and warrants)

4. Loan payable

The Company has a loan with a company controlled by a former director. The principal amount of \$1,000,000 is secured by a first charge on all assets of the Company. The loan bears interest at 7% per annum which is payable on June 30 and December 31 each year. During the six months ended March 31, 2009, the Company renegotiated the repayment terms whereby \$500,000 is due on June 21, 2009 and the remaining balance is due on June 21, 2010.

	March 31, 2009	September 30, 2008
Loan payable	\$ 993	\$ 978
Current portion	(496)	(489)
	<u>\$ 497</u>	<u>\$ 489</u>

The terms of the loan agreement included the granting of warrants to purchase shares (Note 5c). At the date the warrants were granted the loan payable was discounted by the estimated fair value of those warrants to reflect the equity component of the loan. The fair value of the warrants is being amortized over the life of the warrants resulting in the loan payable being accreted to its principal amount at maturity and a corresponding interest accretion expense being charged to operations (Note 6).

5. Share capital

(a) Authorized

The authorized capital of the Company consists of 100,000,000 common shares with no par value, and an unlimited number of preference shares with no par value.

(b) Issued and outstanding

As at March 31, 2009 and September 30, 2008 there were 12,911,990 common shares issued and outstanding.

(c) Warrants

As at March 31, 2009, warrants, which expire on June 21, 2009, entitle the holder to purchase 375,000 common shares for \$0.22 per share. Should the Company repay the entire loan (Note 4) prior to June 21, 2009 warrants to purchase a maximum of 200,000 common shares will be cancelled.

EPIC DATA INTERNATIONAL INC.

Notes to Consolidated Financial Statements for the three and six months ended March 31, 2009

Unaudited

(All tabular dollar amounts are expressed in thousands of Canadian dollars, except per share amounts and number of shares and warrants)

5. Share capital (continued)

(d) Stock options

The Company offers an incentive stock option plan that provides for the granting of options to directors, officers, employees and consultants to purchase a total of 2,300,000 common shares. The exercise price of each option is equal to the quoted market price of the Company's common shares on the trading day immediately preceding the date of grant and the maximum term is ten years. The majority of the options granted under the stock option plan are subject to vesting over a four year period.

During the six months ended March 31, 2009, the stock option activity is as follows:

	Number of options	Weighted average exercise price
Balance at beginning of period	1,283,980	\$ 0.23
Cancelled, expired, forfeited	(302,647)	0.29
Granted	330,000	0.10
Balance at end of period	1,311,333	\$ 0.19
Balance exercisable at end of period	465,708	\$ 0.28

As at March 31, 2009 the details of the stock options are as follows:

Range of exercise price	Number of options outstanding at March 31, 2009	Weighted average remaining life (months)	Weighted average exercise price	Number of options exercisable at March 31, 2009	Weighted average exercise price
\$0.75	60,000	1.0	\$ 0.75	60,000	\$ 0.75
\$0.20 - \$0.21	60,000	2.0	\$ 0.21	60,000	\$ 0.21
\$0.40	60,000	8.0	\$ 0.40	60,000	\$ 0.40
\$0.31	66,333	29.3	\$ 0.31	66,333	\$ 0.31
\$0.21 - \$0.23	135,000	38.9	\$ 0.21	39,375	\$ 0.22
\$0.12 - \$0.17	600,000	50.6	\$ 0.13	30,000	\$ 0.11
\$0.10	330,000	83.0	\$ 0.10	150,000	\$ 0.10
\$0.10 - \$0.75	1,311,333	50.0	\$ 0.19	465,708	\$ 0.28

The Company records stock-based compensation costs (Note 6) based on the estimated fair value to the options at the date of grant using the Black-Scholes option pricing model.

EPIC DATA INTERNATIONAL INC.

Notes to Consolidated Financial Statements for the three and six months ended March 31, 2009

Unaudited

(All tabular dollar amounts are expressed in thousands of Canadian dollars, except per share amounts and number of shares and warrants)

6. Other expenses (income)

	Three months ended March 31,		Six months ended March 31,	
	2009	2008	2009	2008
Stock based compensation (Note 5d)	\$ 6	\$ (7)	\$ 12	\$ 3
Interest accretion (Note 4)	7	5	15	12
Foreign exchange (gain) loss	(29)	11	(94)	6
Gain on sale of property, plant and equipment	-	(1)	-	(1)
Sale of TicketManager	-	-	-	(45)
Severance costs	76	10	66	29
	<u>\$ 60</u>	<u>\$ 18</u>	<u>\$ (1)</u>	<u>\$ 4</u>

(a) Sale of TicketManager

During the year ended September 30, 2007, the Company entered into an agreement to divest its parking enforcement business line, known as TicketManager. The purchaser acquired TicketManager related intellectual property including software source code and copyrights; marketing materials; customer lists; demonstration equipment and assumed existing support agreements and ongoing implementation projects in progress for a purchase price of \$150,000. The first payment of \$50,000 was received in the three months ended December 31, 2007 and the remaining balance of \$100,000 was received in the year ended September 30, 2008 following completion of certain conditions being met by both the purchaser and the seller. The Company has no further rights or obligations in connection with TicketManager, except that it has agreed to indemnify certain parties in the event that the purchaser is unable to fulfill the terms of the underlying agreements assigned to them. The Company does not believe the financial impact of any indemnification to be material.

7. Change in non-cash operating working capital

	Three months ended March 31,		Six months ended March 31,	
	2009	2008	2009	2008
Accounts receivable	\$ (369)	\$ 215	\$ (208)	\$ 252
Inventory	(16)	(12)	(35)	(53)
Prepaid expenses and deposits	(19)	20	(3)	231
Accounts payable and accrued liabilities	(292)	42	(820)	147
Deferred revenue	602	(346)	668	(538)
	<u>\$ (94)</u>	<u>\$ (81)</u>	<u>\$ (398)</u>	<u>\$ 39</u>

EPIC DATA INTERNATIONAL INC.

Notes to Consolidated Financial Statements for the three and six months ended March 31, 2009

Unaudited

(All tabular dollar amounts are expressed in thousands of Canadian dollars, except per share amounts and number of shares and warrants)

8. Segmented information

The Company operates in a single operating industry segment, the development and implementation of electronic source data capture systems.

(a) Revenue by geographic location

	Three months ended March 31,		Six months ended March 31,	
	2009	2008	2009	2008
United States	\$ 1,162	\$ 1,544	\$ 2,449	\$ 2,647
Canada	76	191	211	407
United Kingdom and Europe	379	417	768	871
	<u>\$ 1,617</u>	<u>\$ 2,152</u>	<u>\$ 3,428</u>	<u>\$ 3,925</u>

Significantly all property, plant and equipment is located in Canada.

(b) Significant customers

During the three months ended March 31, 2009, two customers (2008 – one customer) individually accounted for more than 10% of revenue and combined they accounted for 53% of revenue (2008 - 42%). During the six months ended March 31, 2009, one customer (2008 – two customers) individually accounted for more than 10% of revenue and combined they accounted for 29% of revenue (2008 - 31%).

9. Related party transactions

During the three and six months ended March 31, 2009, the Company incurred legal fees of \$2,745 (2008 - \$14,313) and \$6,165 (2008 - \$20,006), respectively, with a law firm in which a director is a senior partner.

The above transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

EPIC DATA INTERNATIONAL INC.

Notes to Consolidated Financial Statements for the three and six months ended March 31, 2009

Unaudited

(All tabular dollar amounts are expressed in thousands of Canadian dollars, except per share amounts and number of shares and warrants)

10. Financial instruments

(a) Fair value of financial instruments

The Company has designated cash as held-for-trading which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and the loan payable are classified as other financial liabilities, which are measured at amortized cost.

As at March 31, 2009, the Company's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities and loan payable, the fair value of which approximate the carrying value due to the relatively short periods to maturity of the instruments. It was not practical to estimate the fair value of the loan payable as there is no active and liquid market for securities with similar terms, risks and other features.

(b) Foreign currency risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risks primarily due to its accounts denominated in U.S. dollars and British Pounds. A significant change in the currency rates between the Canadian dollar relative to the other currencies could have an effect on the Company's results of operations, financial position or cash flows. The Company manages foreign currency risk by holding cash and cash equivalents in foreign currencies to match foreign forecasted cash outflows. The Company has not entered into any forward foreign exchange contracts.

As at March 31, 2009, the Company is exposed to foreign currency risk through assets and liabilities denominated in US dollars and British Pounds as follows:

	US dollars	British Pounds
Cash	\$ 425	\$ 162
Accounts receivable	860	65
Accounts payable and accrued liabilities	(264)	(81)
	<u>\$ 1,021</u>	<u>\$ 146</u>

As at March 31, 2009, with other variables unchanged, a 10% change in the USD/CAD exchange rate and the GBP/CAD exchange rate would impact earnings by \$129,000 and \$26,000, respectively.

EPIC DATA INTERNATIONAL INC.

Notes to Consolidated Financial Statements for the three and six months ended March 31, 2009

Unaudited

(All tabular dollar amounts are expressed in thousands of Canadian dollars, except per share amounts and number of shares and warrants)

10. Financial instruments (continued)

(c) Credit risk

The Company credit risk is principally related to its accounts receivable. The amount disclosed on the consolidated balance sheet is net of allowances for doubtful accounts for bad debts, estimated by management based on an assessment of its clients. The Company relies on a small number of customers for a significant portion of its revenue, however the majority of these customers are long term customers and are large well established companies. The Company employs established credit approval practices to mitigate this risk. The carrying value of accounts receivable reflects the maximum credit exposure. The Company has not had a material bad debt in the past five years.

In addition the Company is exposed to credit risk on its cash balances, however, they are held in high credit quality institutions and the Company believes the credit risk is minimal.

(d) Interest rate risk

The Company's exposure to interest rate risk is limited as it does not have any variable rate financial liabilities. The Company receives interest on its cash balances at floating rates of interest, however the impact of rate variations are not material to the Company.

(e) Liquidity risk

The Company is exposed to liquidity risk primarily as a result of its loan payable and trade accounts payable. The Company regularly assesses its cash position and cash flow from operations and believes that they are sufficient to fully cover its cash requirements.

EPIC DATA INTERNATIONAL INC.

Notes to Consolidated Financial Statements for the three and six months ended March 31, 2009

Unaudited

(All tabular dollar amounts are expressed in thousands of Canadian dollars, except per share amounts and number of shares and warrants)

11. Commitments and contingencies

(a) Operating lease commitments

The Company is committed to various operating leases for office premises with remaining terms up to December 31, 2012. Future minimum lease payments under these operating leases for the fiscal years ended September 30 are as follows:

2009	\$ 246
2010	445
2011	435
2012	435
2013	109
	<hr/>
	\$ 1,670

(b) Government assistance

In prior years, the Company received research and development assistance from the Government of Canada's National Research Council under its Industrial Research Assistance Program ("IRAP") totaling \$497,000, which was applied to reduce related research and development costs. Repayments are based on a royalty arrangement of 0.12% of total consolidated revenue of the Company's. Royalties for the three and six months ended March 31, 2009 were \$1,940 (2008 - \$Nil) and \$4,114 (2008 - \$Nil), respectively, and as at March 31, 2009 the aggregate repayments totaled \$269,005 since the commencement of repayments. The maximum amount repayable is 150% of the assistance received, however, if royalties aggregate to less than 150% of the assistance by March 31, 2010, the amount of assistance repayable will be reduced to greater of the amount paid to March 31, 2010 and \$497,000. In no event will royalty payments continue beyond June 30, 2015.

EPIC DATA INTERNATIONAL INC.

Notes to Consolidated Financial Statements for the three and six months ended March 31, 2009

Unaudited

(All tabular dollar amounts are expressed in thousands of Canadian dollars, except per share amounts and number of shares and warrants)

12. Capital disclosures

The Company's objectives when managing capital are to safeguard assets, maintain a competitive cost structure, continue as a going concern and provide a return to its shareholders in the form of capital appreciation.

As at March 31, 2009, the Company's capital is as follows:

Term loan	\$	993
Cash		(877)
<hr/>		
Net debt		116
Total deficiency in assets		(812)
<hr/>		
	\$	(696)
<hr/>		

The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating objectives. The Company manages the capital structure and makes adjustments to it depending on economic conditions. Specifically the Company has renegotiated the repayment terms of its loan (Note 4).

The Company is not exposed to externally imposed capital requirements and expects its current capital resources will be sufficient to carry out operations beyond its current reporting period.

13. Subsequent events

Subsequent to March 31, 2009, stock options to purchase 60,000 shares expired unexercised.