

This is Exhibit "C" referred to in the affidavit of Charles E. Croft sworn before me this 4th day of December 2008.

---

A commissioner for taking affidavits in British Columbia.

Date: 11/17/2008

**Hydroxyl Systems Inc.**  
**Income statement**  
**As of October 31, 2008**

	<b>YTD 2008 Actual</b>	<b>2008 Forecast</b>	<b>2007 Actual</b>	<b>Industrial</b>	<b>Marine</b>
Project revenue recognized	\$ 5,613,084	\$ 7,693,766	\$ 9,885,091	\$ 797,516	\$ 4,815,568
Service	\$ 297,868	\$ 337,868	\$ 236,488	\$ 11,183	\$ 286,685
Licencing / ActiveCell revenue	\$ 79,602	\$ 79,602	\$ 1,184,106	\$ 79,602	\$ -
Testing / Pilots revenue	\$ 26,268	\$ 26,268	\$ 17,843	\$ 26,268	\$ -
Grants/Subsidies	\$ 10,000	\$ 124,750	\$ 17,843	\$ -	\$ -
Gain (loss) on foreign exchange	\$ 86,690	\$ 86,690	\$ 122,349	\$ -	\$ -
<b>Revenue</b>	<b>\$ 6,113,511</b>	<b>\$ 8,348,943</b>	<b>\$ 11,219,021</b>	<b>\$ 914,569</b>	<b>\$ 5,102,252</b>
<b>Cost of sales</b>					
Cost of sales	\$ 4,701,278	\$ 6,383,358	\$ 8,470,318	\$ 706,408	\$ 3,994,871
Provision for warranty	\$ 238,500	\$ 280,114	\$ 170,257	\$ 33,502	\$ 204,998
<b>Gross earnings</b>	<b>\$ 1,173,732</b>	<b>\$ 1,685,472</b>	<b>\$ 2,578,445</b>	<b>\$ 174,659</b>	<b>\$ 902,384</b>
	19%	20%	23%	\$ 174,659	\$ 902,384
<b>Expenses</b>				19%	18%
Product development	\$ 92,819	\$ 104,949	\$ 121,391		
Marketing and selling	\$ 410,902	\$ 524,941	\$ 922,639		
Operations	\$ 1,748,795	\$ 2,131,008	\$ 2,518,654		
	\$ 2,252,517	\$ 2,760,899	\$ 3,562,685		
<b>EBITDA</b>	<b>-\$ 1,078,785</b>	<b>-\$ 1,075,427</b>	<b>-\$ 984,239</b>		
<b>Interest, amortization and abnormal items</b>					
Amortisation	\$ 170,571	\$ 205,451	\$ 205,096		
Finance Interest	\$ 400,028	\$ 487,513	\$ 217,150		
Abnormal items	\$ 431,255	\$ 601,255	\$ 1,488,033		
	\$ 1,001,854	\$ 1,294,219	\$ 1,910,279		
<b>EBT</b>	<b>-\$ 2,080,638</b>	<b>-\$ 2,369,646</b>	<b>-\$ 2,894,518</b>		
<b>Income taxes</b>					
Current recovery			\$ 35,000		
Future income tax recovery			-\$ 3,120,000		
	\$ -	\$ -	-\$ 3,085,000		
<b>Net earnings (loss) for year</b>	<b>-\$ 2,080,638</b>	<b>-\$ 2,369,646</b>	<b>-\$ 5,979,518</b>		

**HYDROXYL**

28

Date: 11/17/2008

**Hydroxyl Systems Inc.**  
**Income statement**  
**As of October 31, 2008**

	YTD Actual	Current Month Actual	Curr. 2008 Forecast	Prior month Forecast	2007 Actual
<b>Revenue</b>					
4010 Project revenue recognized	\$ 5,613,084	\$ 375,307	\$ 7,693,766	\$ 8,233,130	\$ 9,885,091
4110 Service	\$ 297,868	\$ 30,892	\$ 337,868	\$ 326,976	\$ 236,488
4210 ActiveCell revenue	\$ 79,602	\$ -	\$ 79,602	\$ 106,136	\$ 1,184,106
4310 Testing / Pilots revenue	\$ 26,268	\$ -	\$ 26,268	\$ 35,024	\$ 17,843
4610 Grants/Subsidies	\$ 10,000	\$ -	\$ 124,750	\$ 145,000	\$ 37,095
4710 Interest	\$ -	\$ -	\$ -	\$ -	\$ 2,126
4820 Gain (loss) on foreign exchange	\$ 86,690	\$ 2,947	\$ 86,690	\$ 83,743	\$ 122,349
4910 Other revenue	\$ 1,419	\$ 11	\$ 1,419	\$ 1,408	\$ 424
<b>Total revenue</b>	<b>\$ 6,114,930</b>	<b>\$ 409,157</b>	<b>\$ 8,350,363</b>	<b>\$ 8,931,416</b>	<b>\$ 11,240,824</b>
	\$ 6,114,930				
<b>Cost of sales</b>					
5000 Cost of sales	\$ 4,701,278	\$ 350,407	\$ 6,383,358	\$ 6,652,548	\$ 8,470,318
6700 Cost of warranty	4% \$ 238,500	\$ 39,553	\$ 280,114	\$ 258,854	\$ 170,257
<b>Gross income</b>	<b>\$ 1,175,151</b>	<b>\$ 19,197</b>	<b>\$ 1,686,891</b>	<b>\$ 2,020,014</b>	<b>\$ 2,600,248</b>
	19%	5%	20%	23%	23%
<b>Selling costs</b>					
6110 Advertising and promotion	\$ 10,998	\$ 1,444	\$ 18,198	\$ 20,354	\$ 81,134
6140 Bad debts	\$ -	\$ -	\$ -	\$ -	\$ 298,531
6150 Commissions	\$ 5,393	\$ -	\$ 36,114	\$ 51,474	\$ 19,978
6220 Entertainment and meals (50%)	\$ 23,207	\$ 1,795	\$ 31,707	\$ 34,163	\$ 28,632
6620 Tradeshows and conferences	\$ 20,620	\$ 1,712	\$ 20,620	\$ 18,242	\$ 81,993
6640 Travel and accommodation (incl. per diems)	\$ 106,959	\$ 6,276	\$ 123,326	\$ 125,233	\$ 111,313
6710 Cost of proposals	\$ 253,309	\$ 41,353	\$ 294,976	\$ 274,457	\$ 221,271
6770 Cost of projects - R&D	\$ 73,283	\$ 5,728	\$ 104,949	\$ 105,055	\$ 114,445
<b>Total selling costs</b>	<b>\$ 515,842</b>	<b>\$ 58,309</b>	<b>\$ 629,891</b>	<b>\$ 628,977</b>	<b>\$ 957,296</b>
<b>Salaries</b>					
6010 Salaries	\$ 2,012,838	\$ 188,318	\$ 2,456,954	\$ 2,490,695	\$ 2,190,846
6020 Intense time	\$ 126,602	\$ 11,325	\$ 144,327	\$ 142,175	\$ 126,196
6030 Employee benefits	\$ 32,348	\$ 4,564	\$ 38,818	\$ 37,046	\$ 48,020
6040 Employer taxes	\$ 108,756	\$ 3,898	\$ 130,507	\$ 139,811	\$ 116,466
6810 Allocated payroll	\$ 1,431,659	\$ 121,199	\$ 1,721,589	\$ 1,744,882	\$ 1,295,437
<b>Salaries not allocated to cost of sales/warranty/selling</b>	<b>\$ 848,886</b>	<b>\$ 86,906</b>	<b>\$ 1,049,018</b>	<b>\$ 1,064,845</b>	<b>\$ 1,251,312</b>
	37%	42%	38%	36%	
6130 Audit and accounting fees	\$ 20,000	\$ -	\$ 80,000	\$ 80,000	\$ 83,900
6160 Communications	\$ 52,892	\$ 4,979	\$ 64,292	\$ 65,012	\$ 63,563
6170 Consulting fees	\$ 98,875	\$ 1,463	\$ 103,875	\$ 122,413	\$ 165,253
6240 Finance fees and bank charges	\$ 23,661	\$ 2,615	\$ 28,393	\$ 28,061	\$ 75,240
6250 Freight and brokerage (incl. courier)	\$ 6,280	\$ 509	\$ 6,780	\$ 7,272	\$ 5,322
6280 Insurance	\$ 79,825	\$ 8,809	\$ 79,825	\$ 71,016	\$ 129,449
6310 Leases - Computers	\$ 36,759	\$ 3,676	\$ 44,111	\$ 44,111	\$ 45,126
6320 Leases - Office equipment	\$ 13,708	\$ 1,626	\$ 16,449	\$ 16,892	\$ 407
6330 Leases - Vehicles	\$ 18,833	\$ 1,955	\$ 22,599	\$ 22,217	\$ 18,893
6410 Legal fees	\$ 254,110	\$ 2,470	\$ 297,977	\$ 310,099	\$ 497,861
6420 Membership dues and subscriptions	\$ 22,344	\$ -	\$ 24,344	\$ 25,344	\$ 20,840
6450 Permits and licences	\$ -	\$ -	\$ 133	\$ 200	\$ 100
6510 Reference and research materials	\$ 2,253	\$ 193	\$ 2,253	\$ 3,710	\$ 3,220
6520 Rent - equipment	\$ -	\$ -	\$ -	\$ -	\$ 108
6530 Rent - premises	\$ 151,797	\$ 17,052	\$ 184,797	\$ 185,644	\$ 140,921
6540 Services and utilities	\$ 61,058	\$ 1,916	\$ 73,269	\$ 69,292	\$ 43,032
6550 Small tools and equipment	\$ 8,484	\$ 75	\$ 10,180	\$ 11,212	\$ 12,943
6560 Supplies	\$ 29,006	\$ 2,287	\$ 34,807	\$ 35,626	\$ 78,439
6630 Training and seminars	\$ 9,324	\$ 322	\$ 9,324	\$ 11,202	\$ 9,103
<b>Total expenses</b>	<b>\$ 889,208</b>	<b>\$ 49,946</b>	<b>\$ 1,083,410</b>	<b>\$ 1,109,322</b>	<b>\$ 1,393,721</b>
<b>EBITDA</b>	<b>-\$ 1,078,785</b>	<b>-\$ 175,964</b>	<b>-\$ 1,075,427</b>	<b>-\$ 783,130</b>	<b>-\$ 1,002,082</b>
6120 Amortisation	\$ 170,571	\$ 17,440	\$ 205,451	\$ 205,339	\$ 205,096
6230 Finance interest	\$ 400,028	\$ 43,743	\$ 487,513	\$ 497,721	\$ 217,150
9900 Abnormal items (unusual / non-recurring)	\$ -	\$ -	\$ -	\$ -	\$ 1,488,033
Financing fees	\$ 90,000	\$ -	\$ 150,000	\$ 150,000	\$ -
Raisio settlement	\$ -	\$ -	\$ 90,000	\$ 90,000	\$ -
Radlance - extra costs	\$ 341,255	\$ 20,139	\$ 361,255	\$ 320,910	\$ -
<b>Net earnings</b>	<b>-\$ 2,080,638</b>	<b>-\$ 257,286</b>	<b>-\$ 2,369,646</b>	<b>-\$ 2,047,099</b>	<b>-\$ 2,912,360</b>

Hydroxyl Systems Inc  
Deferred Revenue and WIP

USD 1,20913  
EUR 1,57853

		COGS Contract	Forecast COGS	Act. COGS	% Complete	Last Month Revenue Rec/Inv			Unbilled progress prmts	% Taken YTD	% Taken December '07	WIP	Def revenue		
<b>Calculation of Industrial Deferred Revenue and WIP</b>															
USD 1006 - MizKan	0	104%	1,223,252	1,268,002	1,268,002	100%	100%	1,223,252	100%	0.00	100%	94%	0.00	0.00	
USD 1007 - Ashland/Georgia Dealers	0	69%	212,070	146,873	146,873	100%	100%	212,070	100%	0.00	100%	91%	0.00	0.00	
USD 1052 - United Industrial Services	0	60%	241,620	145,190	6,282	4%	4%	72,486	30%	0.00	4%	0%	0.00	62,031.72	
CAD 1080 - Island Farms	0	56%	488,992	275,950	234,333	85%	85%	488,992	100%	0.00	85%	0%	0.00	73,746.65	
CAD 1091 - Ski Marmot Basin	0	62%	222,128	138,172	138,172	100%	100%	222,128	100%	0.00	100%	0%	0.00	0.00	
		83%	2,388,062	1,974,187	1,793,662	91%		2,218,928	93%	0.00		0.00		135,778.37	
Other revenue (from GL)		80%													
<b>Calculation of Marine Deferred Revenue and WIP</b>															
USD Royal Caribbean Cruises Ltd. (5014)	0	70%	2,411,166	1,681,435	1,681,435	100%	100%	2,290,607	95%	5%	123,392.43	100%	88%	0.00	2,833.43
USD Royal Caribbean Cruises Ltd. (5015)	0	58%	2,335,741	1,347,787	1,293,409	96%	94%	2,113,097	90%	5%	135,667.62	96%	88%	0.00	7,261.75
USD Royal Caribbean Cruises Ltd. (5016)	0	68%	2,360,088	1,608,793	1,566,770	97%	96%	2,123,375	90%	7%	182,167.78	97%	85%	0.00	7,102.62
USD Royal Caribbean Cruises Ltd. (5017)	0	63%	2,340,106	1,483,720	1,483,720	100%	100%	2,340,106	100%	0%	0.00	100%	87%	0.00	0.00
USD 1019 - RCCL Radiance (5007)										5%	170,789.61				
EUR Akar Yards - Genesis. (1012)	0	79%	3,403,944	2,676,293	2,564,467	96%	96%	3,059,404	90%	6%	215,782.09	96%	82%	0.00	13,472.19
EUR Akar Yards - Genesis II. (1069)	0	89%	3,459,488	3,077,914	1,188,543	38%	30%	186,358	5%	33%	1,182,803.70	38%	0%	0.00	55,752.03
CAD BC Ferries retrofits (1064)	0	67%	2,064,702	1,393,150	1,393,150	100%	100%	2,064,702	100%	0%	0.00	100%	16%	0.00	0.00
		72%	18,375,235	13,269,092	11,151,494	84%		14,177,649	77%		2,010,603.24		0.00		86,422.02
Other revenue (from GL)		80%													
			20,763,297.00												
<b>Total</b>	<b>73%</b>	<b>20,763,297.00</b>	<b>15,243,279.00</b>	<b>12,945,156.00</b>			<b>16,396,576.92</b>	<b>2,010,603.24</b>		<b>0.00</b>		<b>0.00</b>	<b>222,200.39</b>		

40.

Date: 11/17/2008

**Hydroxyl Systems Inc.  
Sources and Uses of Funds  
As of October 31, 2008**

**2008**

**SOURCES OF FUNDS**

Cashflow from operations	
Profit (loss) for period	-\$ 2,080,638
Change in work in progress	-\$ 5,945
Change in deferred revenue	-\$ 985,137
Add back: Amortization	\$ 170,571
	-\$ 2,901,150
Increase in long term financing	
Falcon Pacific	\$ -
BDC/Altervest II	\$ 2,000,000
Increase in short term financing	
Falcon Pacific (including capitalized interest)	\$ 183,142
Royal Bank of Canada	\$ -
Total sources of funds	-\$ 718,008
	-\$ 718,008

**USES OF FUNDS**

Increase in working capital (red: decrease)	-\$ 1,056,538
Addition of capital assets	\$ 94,087
Repayment of long term financing	
Falcon Pacific	\$ -
Seaspan	\$ 244,443
MCAP equipment leases	\$ -
Total uses of funds	-\$ 718,008
	-\$ 718,008

Date: 11/17/2008

**Hydroxyl Systems Inc.**  
**Balance sheet**  
**As of October 31, 2008**

	<u>YTD</u> <u>2008</u>	<u>December</u> <u>2007</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
1000 Cash	-\$ 96,847	\$ 998,809
1000 Receivables	\$ 642,065	\$ 3,646,875
1000 Unbilled progress payments	\$ 2,010,603	\$ 567,258
1000 Work in progress	\$ 5,945	\$ -
1000 Inventory	\$ 195,962	\$ 150,470
1000 Prepaid expenses	\$ 37,457	\$ 59,163
1000 Deferred expenses	\$ -	\$ -
1000 Other receivables	\$ -	\$ 35,000
<b>Total current assets</b>	<b>\$ 2,795,185</b>	<b>\$ 5,457,575</b>
1000 Property and equipment	\$ 369,837	\$ 371,412
1000 Deferred engineering and certification costs	\$ 21,738	\$ 96,648
	<u><b>\$ 3,186,761</b></u>	<u><b>\$ 5,925,634</b></u>
	\$ 3,186,761	\$ 5,925,634
<b>LIABILITY AND SHAREHOLDER'S EQUITY</b>		
<b>Current liabilities:</b>		
1000 Trade payables	\$ 1,041,167	\$ 1,194,877
1000 Other accrued liabilities	\$ 331,053	\$ 675,960
1000 Deferred revenue	\$ 222,200	\$ 1,207,338
1000 Current portion of Seaspan liabilities	\$ 81,978	\$ 326,421
1000 Current portion of MCAP liabilities	\$ 9,275	\$ 9,275
1000 Current portion of Royal Bank liabilities	\$ 845,429	\$ 1,958,608
<b>Total current liabilities</b>	<b>\$ 2,531,103</b>	<b>\$ 5,372,479</b>
<b>Long term liabilities (long term portions):</b>		
1000 Loan Falcon Pacific	\$ 4,764,470	\$ 4,581,328.30
1000 Capital Lease - MCAP	\$ 7,775	\$ 7,775
1000 Loan - BDC/Altervest II	\$ 2,000,000	\$ -
<b>Total long term liabilities</b>	<b>\$ 6,772,245</b>	<b>\$ 4,589,103</b>
<b>Shareholder's equity:</b>		
1000 Class A common shares	\$ 25,705,249	\$ 25,705,249
1000 Contributed surplus	\$ 517,031	\$ 517,031
1000 Retained earnings	-\$ 30,258,228	-\$ 24,260,868
1000 Profit (loss) for year	-\$ 2,080,638	-\$ 5,997,360
<b>Total shareholder's equity</b>	<b>-\$ 6,116,587</b>	<b>-\$ 4,035,948</b>
	<u><b>\$ 3,186,761</b></u>	<u><b>\$ 5,925,634</b></u>
	\$ 3,186,761	\$ 5,925,634
<b>Current ratio (ignore deferred revenue)</b>	<b>1.19</b>	<b>1.30</b>
<b>Debt / Net tangible assets</b>	<b>9.57</b>	<b>6.28</b>
<b>Debt / Net tangible assets (excluding debt subordinate to RBC)</b>	<b>0.54</b>	<b>N/A</b>
<b>[but note: RBC debt underwritten by EDC by 75%]</b>		