

Mintz & Partners Limited

Information only. NO ACTION REQUIRED.

200 - 1 Concorde Gate
North York, ON M3C 4G4

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T. 416.391.2900
F. 416.644-4303
Web site: www.mintzca.com

Third Report to the Shareholders of 6356095 CANADA INC. (Formerly known as Excapsa Software Inc.)

6356095 CANADA INC. (FORMERLY KNOWN AS EXCAPSA SOFTWARE INC.) – LIQUIDATION

1. Introduction

As you are aware, the shareholders of 6356095 Canada Inc. (the "Corporation"), at a special meeting held on the 24th day of November, 2006, passed a special resolution requiring the Corporation to be voluntarily liquidated and dissolved (the "Liquidation") under the provisions of the *Canada Business Corporations Act* ("CBCA") and appointing Mintz & Partners Limited ("MPL" or the "Liquidator") of Toronto, Ontario as Liquidator, effective November 30, 2006.

By Court Order made on November 30, 2006, the Honourable Madam Justice Mesbur of the Ontario Superior Court of Justice approved and ratified the appointment of MPL as Liquidator of the Corporation. On December 22, 2006, the Honourable Madam Justice Mesbur issued an Amended and Restated Order, which made the appointment of MPL as Liquidator of the Corporation effective from January 15, 2007.

The Liquidator has since merged with the international accounting firm of Deloitte. The Liquidator anticipates that it will make an application to Court substituting Deloitte & Touche Inc. as the Liquidator for MPL.

This Third Report of the Liquidator is intended to provide the shareholders with a summary report of the Liquidator's activities from February 1, 2008 to April 30, 2008 including the status of the note receivable from Blast-Off Limited ("Blast Off") and related matters.

2. Note Receivable from Blast-Off Limited

Pursuant to the promissory note issued by Blast Off Limited ("Blast Off") to the Corporation, Blast Off was required to make minimum monthly principal payments of \$1 million through November 2007, increasing to \$2 million per month from December 2007. Blast Off made all required minimum monthly payments of principal through September 2007. In addition, interest on the principal balance of the promissory note, accruing at the rate of 1% per month from December 1, 2006, has not been paid. This is permitted under the promissory note. Accrued and unpaid interest as of September 30, 2007 was approximately US \$11.4 million.



Representatives of Blast Off approached the Corporation and advised that their current operations, while profitable, could not support the increase in principal payments to \$2 million per month commencing in December 2007. They asked for the opportunity to restructure the payment schedule. It was considered to be in the best interests of the Corporation to engage in these discussions with Blast Off while reserving all rights. Accordingly, one of the inspectors appointed in the Liquidation and legal counsel of the Corporation met with representatives of Blast Off and have had numerous discussions with them concerning modified terms of payment under the promissory note. Amongst other amendments, Blast Off proposed a principal payment of \$1 million per month commencing in June 2008.

In the interests of facilitating these negotiations, the Corporation permitted Blast Off to defer the monthly payments due in October and November 2007. A payment of \$631,000 was made by Blast Off in December 2007.

It was anticipated that the negotiations with Blast Off would be concluded over the last three months. However, subsequent to the issuance of the Liquidator's Second Report, Blast Off advised the Corporation that allegations of unfair play on the Ultimatebet site had been made by concerned players. These allegations and details of Ultimatebet's investigation are reported in press releases issued by Ultimatebet on March 6, 2008 and May 29, 2008. These press releases may be viewed at the following links:

<http://www.ultimatebet.com/poker-news/2008/may/nionio-findings>

<http://forumserver.twoplustwo.com/showthread.php?t=149078&highlight=nionio>

Blast Off has advised that the substantial refund to players who suffered losses as a result of unfair play coupled with a decline in revenues due to increased competition and other market challenges will materially adversely impact its cash flows and as a result, Blast Off has requested a further reduction of the monthly payment under the promissory note and a delay in the commencement of payments beyond June 2008.

Blast Off also requested financing from the Corporation to assist in the funding of the amounts to be returned to players. Discussions ensued with respect to a possible loan by the Corporation to Blast Off. The Liquidator has been advised that certain shareholders of the Corporation, who have ongoing business dealings with Blast Off, may be willing to secure the loan to Blast Off by way of a pledge of their shares of the Corporation including a portion of their future distributions. The loan would be less than the amount of such shareholders' aggregate percentage interest in the Corporation's cash on hand. Future monthly payments made by Blast Off would be allocated between the promissory note and the loan.

The Corporation is evaluating whether the provision of short-term financial assistance is more or less likely to result in a greater long-term recovery for the Corporation's shareholders under the promissory note.

As previously reported, the Corporation would require concessions from Blast Off in return for providing financial assistance. Under the latest proposal, the Corporation would acquire a non-exclusive interest in the gaming software used for the Ultimatebet site. This might enable the Corporation to generate additional value from the software, although no opportunities have been identified at this time.

Any proposal that the Liquidator is prepared to recommend would be conditional upon and submitted for approval by the court supervising the liquidation. In the interests of time, the Liquidator may seek the approval of the court to dispense with shareholder approval of the proposal on the condition and understanding that the shareholders are given reasonable prior notice of the proposal by advertisement and the opportunity to appear and make submissions to the court.

The Liquidator intends to monitor the situation closely in consultation with the Corporation's inspectors and legal counsel. Periodic updates will be provided to the shareholders.

3. Claims Bar Process

In order to identify and determine the claims, if any, against the Corporation by creditors up to and including November 30, 2006, the Liquidator mailed a letter including a Notice to Shareholders, Creditors and all others having claims against the Corporation ("Notice") and a proof of claim form to be completed in the event that the recipient of the letter and Notice had a claim against the Corporation.

Pursuant to the Amended and Restated Order made on December 22, 2006, the Liquidator placed the above Notice for two consecutive weeks on January 22, 2007 and January 29, 2007 respectively in The Wall Street Journal, The Globe & Mail (National Edition), The Times of London and The Times of Malta. The Notice required all claimants wishing to assert a claim against the Corporation to file a claim with supporting documentation with the Liquidator by 5:00 p.m. Toronto time on March 22, 2007 or forever be barred from making a claim.

As of March 22, 2007, the Liquidator received eight (8) proofs of claim totaling less than US \$60,000. The Liquidator assessed and disposed of one supplier claim which was paid approximately U.S. \$4,020. There are two unresolved claims and the remainder of the claims were filed in error. The Liquidator will be applying to the court for approval of its disposition of the claims that were filed, and permanently barring and extinguishing these claims and any other claims based on acts or omissions of the Corporation to and including November 30, 2006.

4. Income Taxes

The Corporation's income tax returns have been filed for the taxation years ending June 30, 2006 and June 30, 2007. The Liquidator has received notices of assessment from Canada Revenue Agency ("CRA") and the Ontario Ministry of Finance ("MOF"), respectively, indicating no income taxes are owing for the period ending June 30, 2006.

The Liquidator has sent a written request to CRA for the issuance of clearance certificates to the Corporation for the taxation year ending June 30, 2006 and a verbal request for the taxation year ending June 30, 2007. Once the final assessment has been received for the June 30, 2007 fiscal year, a written request will be sent to CRA for the clearance certificate. The 2007 taxation year captures the sale to Blast-Off and the significant capital gains dividend payment made to the shareholders on January 4, 2007. The Liquidator has asked CRA to consider issuing clearance certificates for the 2006 and 2007 taxation years prior to the completion of the liquidation. CRA does not typically issue partial clearance certificates in connection with the liquidation of a corporation. However, due to the unique circumstances, including the fact that the note receivable from Blast Off is payable over several years, the Liquidator has submitted

that a partial clearance certificate is warranted in this instance. CRA has requested some additional information from the Liquidator including a projection of future earnings and taxes payable. The Liquidator is uncertain when it will receive feedback from CRA.

5. Distributions to Shareholders and Cash Position

The Corporation issued a capital gains dividend on January 4, 2007 in the amount of \$26 million to its shareholders of record on December 8, 2006.

Pursuant to the provisions of the Income Tax Act (Canada), a Liquidator can be held personally liable for distributions made prior to receipt of a Clearance Certificate from CRA. As a result, the Liquidator will not be in a position to pay any dividends to shareholders until a Clearance Certificate is received for the period ending June 30, 2007 (2007 Clearance Certificate). In the event that the Liquidator receives a Clearance Certificate for the period ending June 30, 2006 before the 2007 Clearance Certificate is received and given the discontinuance of the Corporation's business in October 2006 and the limited activity since that time, the Liquidator will make every effort to persuade CRA that partial distributions be allowed to be made in these circumstances. However, there is no assurance that CRA will permit partial distributions. The Liquidator will continue in its efforts to obtain the Clearance Certificate for the period ending June 30, 2006, and will actively pursue the Clearance Certificate for the period ending June 30, 2007.

As at April 30, 2008, the Corporation had cash and cash equivalents in the approximate amount of U.S. \$47 million. These funds are invested on an interest-bearing basis.

The Corporation has incurred costs in connection with the liquidation process from January 15, 2007 to April 30, 2008 in the approximate amount of approximately U.S. \$1.7 million as noted in the following chart:

Description	U.S. \$
Directors and Officers Insurance	577,800 ⁽¹⁾
Legal Fees	328,100
Liquidator Fees	167,000
Inspectors Fees	137,400
Corporate Taxes	119,000
Consulting Fees	104,600
Wages, benefits and source deductions for former employees	75,600
Newspaper publication and agency fees	74,600
Goods and Services Tax	29,100
Telephone	16,500
Computershare Fees	11,200
Rent for former Excapsa premises	5,800
Postage, courier, photocopies	3,700
Total	1,650,400

(1) The annual premium of approximately \$405,000 was paid in February 2008.

6. Dispensing of the Need for an Annual Audit and Annual Meeting

The Liquidator had intended to submit its First Report to the court last year. However, due to the circumstances described in Section 2 above, the court application was delayed. The Liquidator previously reported its intention to submit its First Report to the court by no later than June 30, 2008 regardless of the outcome of negotiations with Blast Off. Although this continues to be the Liquidator's expectation, some additional time may be required in order to ensure that the report is up-to-date and complete.

As part of its First Report, the Liquidator may include a request for the Court to dispense with the requirement for the Corporation to hold annual meetings of its shareholders in respect of its current and future fiscal years.

The Liquidator and the inspectors do not believe that the Corporation's current activities warrant regular annual meetings of shareholders of the Corporation since the main purposes of having an annual meeting (such as appointing auditors and electing directors) are no longer relevant (given that audited financial statements are proposed to be dispensed with and control of the Corporation is in the hands of the Liquidator and the inspectors). To the extent that shareholders have any questions or concerns, they can raise them with the Liquidator or the inspectors or can bring matters before the court. If requested, special meetings of the shareholders of the Corporation could still be convened.

At the Special Meeting of Shareholders held on November 24, 2006, 63% of the total shareholders were in attendance at that meeting either in person or by proxy, and those shareholders voted 100% in favour of dispensing with the appointment of an auditor and compliance requirements of the CBCA if permitted thereunder. The Liquidator, and the inspectors of the Corporation do not believe that the Corporation's current activities warrant an audit, as there is no active income and the Corporation's shares no longer trade on the AIM market.

If the transactions described in Section 2 above are implemented, in whole or in part, the Liquidator, in consultation with the inspectors and legal counsel, will reconsider the benefits of an annual audit and regular annual meetings.

7. Future Reports to Shareholders

The Liquidator intends to institute regular reporting to the shareholders on a quarterly basis. Accordingly, the next report will be issued shortly after September 30, 2008. Further, shareholders will be informed of any material new developments in connection with the Blast Off negotiations.

8. General

If you wish to review the court materials, including court orders, please access the Liquidator's web site at www.mintzca.com and then click on Liquidation Files.

Should you have any questions or require further information, please contact the undersigned.

Yours very truly,

MINTZ & PARTNERS LIMITED
in its capacity of Liquidator of
6356095 Canada Inc.

Per:



Catherine Hristow, CMA, CIRP, CFE
Vice President

Direct: 416-644-4460
Main: 416-391-2900
Fax : 416-644-4303

christow@deloitte.ca
www.deloitte.ca
www.mintzca.com

Mintz & Partners now part of Deloitte

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