

VRX WORLDWIDE INC.

Consolidated Financial Statements

For the six months ended June 30, 2009

(Prepared without Audit)

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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 financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

VRX WORLDWIDE INC.

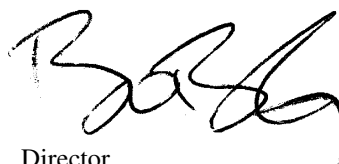
Consolidated Balance Sheet (Unaudited)

	June 30 2009	December 31 2008
Assets		
Current assets		
Cash and cash equivalents	\$ 294,342	\$ 265,199
Accounts receivable	743,724	535,317
Prepaid expenses and deposits	33,144	14,280
	1,071,210	814,796
Property and equipment	219,420	45,863
	\$ 1,290,630	\$ 860,659
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 606,436	\$ 610,132
Deferred revenue	773,194	979,801
Current portion of long-term debt (Note 3)	280,651	670,285
	1,660,281	2,260,218
Long-term debt (Note 3)	624,074	216,575
	2,284,355	2,476,793
Shareholders' Deficiency		
Share capital	6,933,704	6,933,704
Equity component of convertible debentures	475,000	475,000
Contributed surplus	381,420	355,080
Deficit	(8,783,849)	(9,379,917)
	(993,725)	(1,616,133)
	\$ 1,290,630	\$ 860,659

Approved by the Board:



Director



Director

VRX WORLDWIDE INC.

Interim statement of consolidated operations, comprehensive loss and deficit (Unaudited)

	For the three months ended June 30		For the six months ended June 30	
	2009	2008	2009	2008
Revenue				
Licensing fees	\$ 536,306	\$ 482,555	\$ 1,065,387	\$ 914,584
Service fees	1,051,209	563,159	1,985,508	1,109,928
Total Revenue	1,587,515	1,045,714	3,050,895	2,024,512
Cost of sales	\$ 664,155	\$ 600,714	\$ 1,238,174	\$ 1,167,857
Gross Profit	923,360	445,000	1,812,721	856,655
Costs and expenses				
Sales, marketing and product promotion	221,615	234,321	439,611	450,409
Research and development	154,892	128,487	311,261	282,116
General and administrative	187,635	171,607	373,085	324,735
Stock-based compensation	12,547	31,673	26,340	33,930
Amortization	9,697	24,645	30,264	52,799
	586,386	590,733	1,180,561	1,143,989
Comprehensive earnings (loss) before other items and income tax	336,974	(145,733)	632,160	(287,334)
Interest income	212	1,461	393	3,656
Interest expense and accretion of convertible debentures	(31,899)	(37,907)	(78,567)	(166,918)
Foreign exchange gain (loss)	49,674	(1,552)	42,082	6,759
Net and comprehensive earnings (loss) before income tax	354,961	(183,731)	596,068	(443,837)
Income tax expense (recovery)				
Current	92,290	-	154,978	-
Future	(92,290)	-	(154,978)	-
Net and comprehensive earnings (loss)	354,961	(183,731)	596,068	(443,837)
Deficit – beginning of period	(9,138,810)	(9,051,608)	(9,379,917)	(8,791,502)
Deficit – end of period	\$ (8,783,849)	\$ (9,235,339)	\$ (8,783,849)	\$ (9,235,339)
Basic and diluted loss per share	\$ 0.01	\$ (0.01)	\$ 0.02	\$ (0.01)
Weighted average number of shares	34,626,145	34,626,145	34,626,145	34,626,145
Diluted number of shares	34,626,145	34,626,145	34,626,145	34,626,145

VRX WORLDWIDE INC.
Interim statement of consolidated cash flows
(Unaudited)

	For the three months ended June 30		For the six months ended June 30	
	2009	2008	2009	2008
Cash flows from operating activities				
Net earnings (loss) for the period	\$ 354,961	\$ (183,731)	\$ 596,068	\$ (443,837)
Items not affecting cash				
Amortization	9,697	24,645	30,264	52,799
Stock-based compensation	12,547	31,673	26,340	33,930
Accretion of convertible debenture	6,232	1,724	23,773	93,409
	383,437	(125,689)	676,445	(263,699)
Change in non-cash working capital				
Accounts receivable	(383,323)	(103,615)	(208,407)	(165,436)
Prepaid expenses	40,671	(3,777)	(18,864)	(20,270)
Accounts payable and accrued liabilities	(28,404)	278,580	(3,696)	391,018
Deferred revenue	(127,573)	(196,868)	(206,606)	(241,515)
	(115,192)	(151,369)	238,872	(299,902)
Cash flows from investing activities				
Acquisition of property and equipment	(167,854)	(9,269)	(203,821)	(13,947)
	(167,854)	(9,269)	(203,821)	(13,947)
Cash flows from financing activities				
Capital lease obligations	139,940	-	139,940	-
Repayment of long-term debt	(77,748)	(116,764)	(145,848)	(213,705)
	62,192	(116,764)	(5,908)	(213,705)
Net cash and cash equivalents provided during the period	(220,854)	(277,402)	29,143	(527,554)
Cash and cash equivalents – beginning of period	515,196	362,649	265,199	612,801
Cash and cash equivalents – end of period	\$ 294,342	\$ 85,247	\$ 294,342	\$ 85,247
Supplementary information				
Interest paid	\$ 25,667	\$ 36,183	\$ 54,794	\$ 73,509
Taxes paid	\$ -	\$ -	\$ -	\$ -
Interest received	\$ 212	\$ 1,461	\$ 393	\$ 3,656

VRX WORLDWIDE INC.

Notes to Interim Consolidated Financial Statements

For the six months ended June 30, 2009

1. Nature of Operations and Going Concern

VRX Worldwide Inc. (“the Company”), through its wholly owned subsidiary VRX Studios Inc. (“VRX”), is a provider of premium rich media content solutions to the global travel industry.

While these consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future, and will be able to realize its assets and discharge its liabilities in the normal course of operations, there are uncertainties that cast substantial doubt about the validity of that assumption. The Company has an accumulated deficit from operations of \$8,783,849, a shareholders deficiency of \$993,725 and a working capital deficit of \$589,071. The Company's ability to continue on a going concern basis is dependent upon generating revenues sufficient to cover its operating costs and other obligations, or obtaining additional financing. Management plans to generate positive cash flows from operations by increasing revenues, investing in technology, increasing production efficiencies, adding new products and services and containing costs. However, there is no assurance the Company will be successful in achieving these objectives.

If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported expense and the balance sheet classifications used, and such adjustments could be material.

2. Significant Accounting Policies

These interim consolidated financial statements are expressed in Canadian dollars and have been prepared by the Company in accordance with Canadian generally accepted accounting principles using the same accounting policies and methods as per the annual consolidated financial statements for the year ended December 31, 2008. These interim consolidated financial statements should be read in conjunction with the most recent annual consolidated financial statements of the Company.

Comparative Figures

Comparative amounts have been reclassified, where necessary, to conform to the financial statement presentation adopted in the current year.

3. Long-term Debt

		June 30 2009		December 31 2008
Balance, January 1	\$	886,860	\$	1,037,810
Add: Capital Lease Obligations		139,940		-
Add: Accretion expense		23,773		175,957
Deduct: Amount repaid		(145,848)		(326,907)
Balance, June 30	\$	904,725	\$	886,860

VRX WORLDWIDE INC.

Notes to Interim Consolidated Financial Statements

For the six months ended June 30, 2009

3. Long-term Debt (continued)

		June 30 2009		December 31 2008
a) Convertible Debenture - Sabre Inc.	\$	539,757	\$	670,285
b) Convertible Debenture - Silver Heights Capital Mgmt		228,973		216,575
c) Capital Lease Obligations		135,995		-
Long-term Debt	\$	904,725	\$	886,860
Less: current portion		(280,651)		(670,285)
	\$	624,074	\$	216,575

- a) Effective May 29, 2009 the Company and Sabre Inc. signed a Restructuring Agreement that agreed to extend the term of the outstanding debenture to May 31, 2012. In addition, the two parties agreed to amend the debenture by reducing the interest rate from 12% per annum to 0% per annum and eliminating the security requirement of a copy of 500 hotels from the VRX's Hotel Content archive without any license or other fee being payable. The Company will record imputed interest on the restructured debenture at a discount rate of 13.9%. All other material terms of the debenture remain unchanged.

The two parties also renegotiated and renewed the associated content licensing agreement, signed on February 7, 2006, for an additional three years.

The original debenture was closed on February 7, 2006 for gross proceeds of \$1,100,000. The debenture had a maturity date of January 31, 2009; bore interest at 12% per annum payable semi-annually; was secured with respect to the outstanding principal and any accrued and unpaid interest by a copy of 500 hotels (at Sabre's choosing) from the Company's Hotel Content archive without any license or other fee being payable to the Company; and was convertible into shares of the Company at Sabre's option at any time after July 31, 2006 up to and including January 31, 2008 at a conversion price of \$0.28 per share and thereafter at a conversion price of \$0.31 per share up to and including January 31, 2009.

Pursuant to the terms and conditions of the original debenture and an associated content licensing agreement, the Company offset interest payments and principal amounts owed to Sabre against licensing fees accruing to the Company from Sabre or its affiliate companies. As of June 30, 2009, Sabre or its affiliate companies accrued \$155,343 (2008 - \$134,485) in licensing fees and offset these fees against the interest payments and principal amounts of the Sabre debenture. This amounted to \$24,815 (2008 - \$37,544) of interest payments and a reduction of \$130,528 (2008 - \$96,941) of principal amounts to Sabre.

Sabre also received 4,000,000 performance warrants vesting according to certain performance criteria pursuant to terms and conditions contained in an associated content licensing agreement. The performance warrants had a variable exercise price that is not less than \$0.28 per share. At the time of issuance, the Company assigned a fair value of \$nil to the warrants. None of the warrants were exercised prior to their expiry on January 31, 2009.

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For the six months ended June 30, 2009

3. Long-term Debt (continued)

- b) On May 4, 2007 the Company closed a debenture financing with Silver Heights Capital Management Inc. (“Silver Heights”) for gross proceeds of \$250,000. The debenture has a term of 36 months, bears interest at 12% per annum payable quarterly and is convertible into common shares of the Company at the holder’s option at a price equal to the greater of \$0.25 per share or the amount which is calculated by taking a 25% discount to the average of the closing price of the common shares on the TSX Venture Exchange (“the Exchange”) for the 10 days immediately preceding the conversion date, provided that at no time shall such price exceed \$0.65 per share, subject to adjustment provided therein. The Company has the right to force conversion of the debenture in the event that the 10-day average closing price of the common shares on the Exchange exceeds \$0.65 per share or in an event of a change of control of the Company.
- c) Capital lease obligations for computer hardware and software were incurred during the second quarter of 2009. The lease financing was provided directly by various vendors. The terms of the leases range from one to three years with finance rates from 5% to 14%. The leases are secured by the underlying assets with title transferring at the end of the lease.

4. Related Party Transactions

During the six months ended June 30, 2009, the Company outsourced certain of its executive and staff search requirements to a company owned by a party related to an officer of the Company. In the aggregate the Company incurred expenses amounting to \$26,282 (2008 - \$44,614).

These transactions were in the normal course of operations and have been recorded at their exchange amounts.

5. Segmented information and Economic Dependence

The Company operates in one business segment, the provision of rich media content solutions to the travel industry. All property and equipment is located in Canada. Substantially all of the Company’s revenues are derived from customers located in the United States.

The Company had two customers that accounted for greater than ten percent of revenue for a total of 59% (29% and 30% respectively) during the quarter ended June 30, 2009, and two customers for the six months ended June 30, 2009 that accounted for a total of 54% (33% and 21% respectively).