

MetaPower International, Inc.

2009 Annual Financial Report

A message from the President

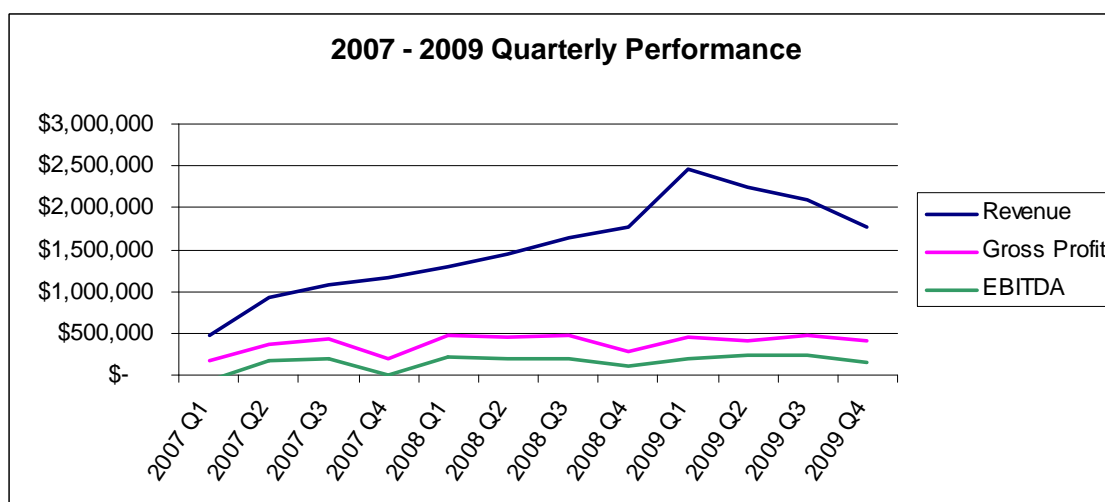
Business Summary

We are pleased to report a successful Q4 and 2009 at MetaPower International. For the quarter, revenues were flat and earnings increased over the prior year Q4. From an annual perspective, we have continued to grow revenues, meeting our target for 2009 and surpassing 2008 revenues by 39%. Though 2009 has been a difficult year, we have met the challenge and we are well positioned to continue our growth pattern through 2010, and into 2011 and beyond.

Financial Performance

Revenue for Q4 was \$1,773,710 which was about the same as our Q4 2008 revenue of \$1,774,968. Q4 revenues were also down 15% from our Q3 revenue of \$2,083,966. From the chart below it is clear that Q4 performance typically dips for us due to the holiday season and our dependence on billing hours for our revenue. Q1 2010 revenues have already returned to a \$2,300,000 quarterly pace.

Net Operating Income (EBITDA) for Q4 was \$161,379, an increase of 49% over Q4 2008 earnings of \$108,417. As with revenues, earnings decreased 31% relative to Q3 earnings which were \$232,717.



Annual revenues for 2009 are \$8,572,995 with EBITDA earnings of \$820,050. This is a strong performance for the year. We have exceeded our revenue goal of \$8 million in revenues and came very close to our 2009 earnings goal of \$850,000. Earnings as a percentage of revenue were 9.5% in 2009 compared to 9.7% in 2008. Sustaining this rate of profitability in 2009 has been a major achievement considering the extremely difficult business climate in the first half of 2009. During this period, we experienced significant margin impacts due to the weakness of the Canadian dollar and reduced price structures.

Capital Structure

Our shareholders have continued to convert Series A Preferred Shares to common stock during the quarter. Issued and outstanding common shares have increased during the quarter for a year end balance of 49,059,485.

As of the date of this report, all but two holders of a total of 15,000 shares of the remaining Series A Preferred Shares have converted as per the terms of the Series A Preferred offering. This has resulted in a dramatic increase in issued and outstanding common stock. As of the date of this report, issued and outstanding common shares are about 2.2 billion. We expect to either convert or purchase the remaining Series A Preferred Shares. Either way, the impact will be negligible to the overall capital structure. With the conclusion of the Series A Preferred program, the company elected to reduce the number of shares authorized from 20 billion, to 2.4 billion.

Over 90% of the issued and outstanding common shares are restricted shares, meaning they are not allowed to be sold in the public markets. The free trading “float” of common stock is currently about 158 million shares.

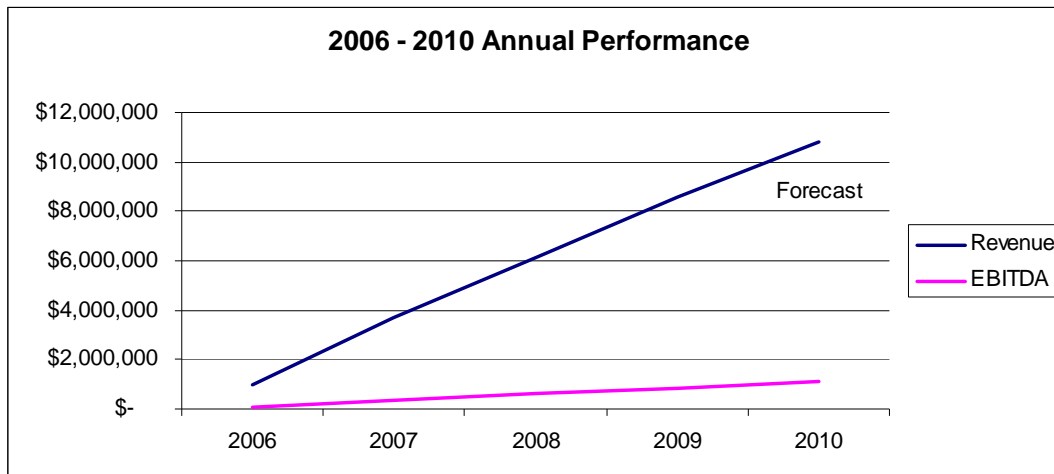
Operational Performance

Q4 operations have been stable and profitable. We have continued to book new projects and our current booked business is enough to sustain operations above the current annual level through 2010 and 2011. One of the new projects, booked in Q3, was expected to start in Q4 but did not start until January 2010, which did not help Q4 revenues as expected. A new major project was proposed in Q4 and booked to start in January 2010. Combined, our current baseline business and this new business will increase our quarterly revenue and profits in 2010. Company staffing, employees and full time contractors, at quarter end was forty-six (46) people.

We have continued on track in Q4 with the development and rollout schedule for UCoDA 4.0 technology and our VPP Safety product that were announced in our 2009 Q3 Report. During the quarter we also received two new patent awards from Australia. We now have been awarded patent protection in US, Taiwan and Australia. We have patent applications pending in Europe, Canada, China, Australia and the USA. We continue to finance this technology development with internally generated cash funds.

2010 Business Outlook

This is the third year we have been reporting as a public company. During that period we have met or exceeded our goals and have consistently grown the business. The following charts indicate the consistent pattern of our growth and profitability including our forecast goals for 2010.



Our 2010 goals/forecasts are as follows:

- 2010 Revenue greater than \$10.8 million (26% increase over 2009 actuals)
- 2010 EBITDA Income greater than \$1 million (34% increase over 2009 actual)
- VPP Product launched October 2010 with new VPP customers in 2010.
- Complete 2007/2008 audit by end of Q1
- Complete 2009 audit by end of Q2
- Reduce balance sheet debt by \$1 million in 2010.

The launch of our new VPP product will set the stage for continued growth in 2011 and beyond. We are updating our 5 year business plan and will be including this plan as part of our public filings. This plan will provide shareholders a more complete and longer term perspective on our strategy, plans and forecasts.

2010 Public Market Initiatives

We are committed to the completion of the audit of three years of financial reports (see goals above) which will change our status on the Pink Sheets to “Current Information”. However, we are not prepared to commit to a schedule for up listing our stock this year. An up listing initiative is expensive. Our original purpose in becoming a public company was to raise capital to support our product development and launch. For many reasons beyond our control, this objective has not been realized. Consequently, we have funded our product development and growth operating capital out of operations. We will not be able to pay for both our product launch and an up listing initiative during 2010. Further, we expect that the market value of the company will be greatly enhanced once the product launch is successful. Then up listing or registering the company on an exchange will have benefit both to our shareholder’s stock price and the company’s access to capital.

We continue to be disappointed with the market’s valuation of our company. We are considering making changes to our capital structure in response to comments made by shareholders of the Company, and in order to retire long term debt. We have not made a final determination as to what, if any, the changes will be. Debt reduction is an important aspect of our product launch. Our new prospective customers will demand assurance that the vendor of their new software product will be around for the

long term to support it. A strong balance sheet is a necessary prerequisite to a successful marketing and sales campaign.

A Pivotal Year

We at MetaPower are committed to the long term. We have been in business since 1996. We certainly have had our share of disappointments as well as success. We have experienced important milestones and events in our history, few more significant than the invention of the UCoDA technology represented by our patents. We have been working for years to realize the full potential of that invention in the commercial market place. Now we think we are ready. Assuming we continue to sustain our current level of operations we will have the funds we require. Our technology is near completion. The year 2010 is highly anticipated. We look forward to this time next year and reporting to you, our valued shareholders, that 2010 has indeed been a banner year.

Sincerely,

A handwritten signature in cursive script that reads "Kenneth R. Allen".

Kenneth R. Allen
President
MetaPower International, Inc.

2009 Q4 Financial Statements

The following financial statements are for the Q4 2009 operations of MetaPower, Inc. an Oregon corporation. MetaPower, Inc. is the sole operating subsidiary of MetaPower International, Inc.

These financial statements have been produced by management and have not been passed on by a certified public accountant.

2009 Q4 Profit and Loss Statement

	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
Ordinary Income/Expense					
CONSULTING INCOME					
T&M Consulting	\$ 2,060,791	\$ 1,906,759	\$ 1,824,835	\$ 1,481,800	\$ 7,274,185
Fixed Price Consulting	\$ -	\$ -	\$ -	\$ -	\$ -
Billed Expenses	\$ 399,648	\$ 362,013	\$ 299,022	\$ 252,396	\$ 1,313,079
Total Consulting Income	\$ 2,460,439	\$ 2,268,772	\$ 2,123,857	\$ 1,734,196	\$ 8,587,264
PRODUCT INCOME					
Reoccurring Maint. Contracts	\$ 22,115	\$ 30,448	\$ 22,804	\$ 22,115	\$ 97,482
Other Product Income	\$ -	\$ -	\$ -	\$ -	\$ -
Total Product Income	\$ 22,115	\$ 30,448	\$ 22,804	\$ 22,115	\$ 97,482
Total 4400 - MPC Support	\$ -	\$ -	\$ (1,364)	\$ -	\$ (1,364)
Other Income					
Misc. Income	\$ (20,651)	\$ (45,887)	\$ (61,248)	\$ 17,399	\$ (110,387)
Total Other Income	\$ (20,651)	\$ (45,887)	\$ (61,248)	\$ 17,399	\$ (110,387)
Total Discounts Taken	\$ (250)	\$ -	\$ (83)	\$ -	\$ (333)
Total Income	\$ 2,461,653	\$ 2,253,333	\$ 2,083,966	\$ 1,773,710	\$ 8,572,995
Cost of Goods Sold					
DIRECT EXPENSES					
Employees - Direct	\$ 144,526	\$ 168,209	\$ 151,394	\$ 136,582	\$ 600,711
Total Billable Expenses	\$ 35,095	\$ 36,710	\$ 8,409	\$ 3,250	\$ 83,464
Total Non-bill Expenses	\$ -	\$ 30	\$ 2,134	\$ 15,450	\$ 17,614
Total Product Expense Group	\$ -	\$ 1,927	\$ -	\$ -	\$ 1,927
Total Direct Contractor Expense	\$ 1,821,344	\$ 1,640,264	\$ 1,454,306	\$ 1,198,802	\$ 6,114,716
Total DIRECTS	\$ 2,000,965	\$ 1,847,140	\$ 1,616,243	\$ 1,354,084	\$ 6,818,432
Gross Profit	\$ 460,688	\$ 406,193	\$ 467,723	\$ 419,626	\$ 1,754,563

2009 Q4 Profit and Loss Statement (continued)

	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
Expense					
G & A					
Total Labor Expenses	\$ 27,000	\$ 44,726	\$ 51,867	\$ 35,520	\$ 159,113
Total Travel Expenses	\$ 179	\$ 30	\$ 330	\$ 938	\$ 1,477
Total Communication Expenses	\$ 7,538	\$ 8,152	\$ 8,564	\$ 8,828	\$ 33,082
Total Bank Fees	\$ 697	\$ (22,467)	\$ 2,323	\$ 3,753	\$ (15,694)
Total Facility Expenses	\$ 1,756	\$ 2,821	\$ 6,691	\$ 5,045	\$ 16,313
Total Computer & Equipment Expenses	\$ 26,814	\$ 9,969	\$ 9,359	\$ 4,705	\$ 50,847
Total Postage & Shipping Expense	\$ 615	\$ 980	\$ 271	\$ 405	\$ 2,271
Total Office Expenses	\$ 803	\$ 3,499	\$ 6,076	\$ 569	\$ 10,947
Total Professional Fees	\$ 54,746	\$ 40,184	\$ 69,677	\$ 63,361	\$ 227,968
Total Other G&A Expenses	\$ 38,340	\$ (34,118)	\$ (66,150)	\$ 1,190	\$ (60,738)
Total G & A	\$ 158,488	\$ 53,776	\$ 9,008	\$ 124,314	\$ 425,586
HUMAN RESOURCES					
Employee					
HR Fees	\$ 1,525	\$ 2,059	\$ 2,402	\$ 2,097	\$ 8,083
Emp Withholding Taxes	\$ 29,802	\$ 34,899	\$ 29,570	\$ 25,742	\$ 120,013
Leased Emp Paid Time Off	\$ 15,149	\$ 10,460	\$ 25,769	\$ 14,262	\$ 65,640
Leased Emp Holiday	\$ 6,370	\$ 1,923	\$ 3,671	\$ 4,689	\$ 16,653
Leased Emp 401K Contribution	\$ 4,506	\$ 5,875	\$ 6,854	\$ 5,890	\$ 23,125
Leased Emp Benefits	\$ 34,937	\$ 42,180	\$ 49,091	\$ 27,164	\$ 153,372
Leased Emp Worker's Comp	\$ 568	\$ 865	\$ 928	\$ 815	\$ 3,176
Total Employee	\$ 92,857	\$ 98,261	\$ 118,285	\$ 80,659	\$ 390,062
Total Human Resources					
Total Marketing	\$ 18,164	\$ 19,714	\$ 26,221	\$ 52,397	\$ 116,496
Total Research & Development	\$ -	\$ -	\$ 1,492	\$ 877	\$ 2,369
Total Expense	\$ 269,509	\$ 171,751	\$ 235,006	\$ 258,247	\$ 934,513
Net Operating Income (EBITDA)	\$ 191,179	\$ 234,442	\$ 232,717	\$ 161,379	\$ 820,050

2009 Q4 Profit and Loss Statement (continued)

	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
Other Income/Expense					
Total Other Income	\$ -	\$ 152,000	\$ -	\$ -	\$ 152,000
Other Expense					
Interest Taxes Depreciation Amortization					
Interest Expense	\$ 29,418	\$ 49,660	\$ 87,637	\$ 41,496	\$ 208,211
Taxes	\$ 50,155	\$ 557,354	\$ -	\$ (2,169)	\$ 605,340
Penalties	\$ -	\$ -	\$ 4,769	\$ 5,348	\$ 10,117
Total Interest Taxes Depreciation Amortization	\$ 79,573	\$ 607,014	\$ 92,406	\$ 44,675	\$ 823,668
Net Income	111,606	(220,572)	140,311	116,704	148,382

2009 Q4 Balance Sheet

	<u>Consolidated</u> <u>Dec 31, 2009</u>
ASSETS	
Current Assets	
Total Checking/Savings	\$111,706
Total Accounts Receivable	\$312,024
Total Current Assets	\$423,730
Fixed Assets	
Computers	\$9,010
UCODA Patent	\$41,845
Accum Depreciation	(\$3,531)
Total FIXED ASSETS	\$47,324
Total Fixed Assets	\$47,324
Other Assets	
Misc Assets	
Amortization - Intellectual Capital	(\$255,385)
Intellectual Capital	\$258,128
Goodwill	\$5,285,330
Prepaid Rents	\$3,600
Prepaid Taxes	\$ 300
Employee Expense Advance	\$2,162
Other Misc Assets	\$ 600
MetaPower Canada	\$192
Total Misc Assets	\$5,294,927
Contract Purchase	\$374,396
Total LT Employee Loans	\$56,645
Total Other Assets	\$5,725,968
TOTAL ASSETS	\$6,197,022

2009 Q4 Balance Sheet (continued)

	<u>Consolidated</u> <u>Dec 31, 2009</u>
LIABILITIES & EQUITY	
Current Liabilities	
Total Accounts Payable	<u>\$358,781</u>
Total Credit Cards	<u>\$18,202</u>
Other Current Liabilities	
Preferred Dividend Payable	\$2,167
Accrued Interest	\$10,119
Deferred Revenue	\$28,941
MPI GST	\$98,333
Very Short Term Loans	(\$2,000)
MPI Loan	\$5,459
MPC Credit Card Payable	\$4,384
Federal Income Tax Payable	\$153,247
Provincial Income Tax Payable	\$80,511
REG 105 Withholding	\$107,263
MPI Withholding	\$30,129
MPC GST Charged on Sales	\$20,516
MPC GST Paid on Purchases	(\$74,112)
MPC GST Adjustments	\$456
Total Other Current Liabilities	<u>\$465,414</u>
Total Current Liabilities	<u>\$842,398</u>
Long Term Liabilities	
Total Third Party Notes Payable	\$392,651
Deferred Compensation	
Deferred Officer Commission	\$66,594
Deferred Officer Salary	\$1,089,250
Deferred Officer Bonus	\$4,005
Deferred Employee Salary	\$325,336
Deferred Employee Commission	\$ 8,664
Total Deferred Compensation	<u>\$1,493,849</u>
Total Employee Notes Payable	<u>\$438,466</u>
Other Long Term Liabilities	
CCL Note	\$347,375
US Bank Credit Line	\$ 28,000
Total Other Long Term Liabilities	<u>\$375,375</u>
Total Long Term Liabilities	<u>\$2,700,341</u>
Total Liabilities	<u>\$3,542,739</u>

2009 Q4 Balance Sheet (continued)

	<u>Consolidated Dec 31, 2009</u>
Equity	
EQUITY	
3001 · Opening Bal Equity	748
3002 · Capital Stock - Common	4,990,000
3003 · Employee Stock Purchases	20,000
3004 · Paid in Capital	180,000
3005 · Dividends Paid	(33,885)
3010 · Total LLC Contribution	<u>(\$1,769,766)</u>
Total EQUITY	<u>\$3,387,097</u>
Retained Earnings	(\$887,228)
Net Income	\$154,413
Total Equity	<u>\$2,654,281</u>
TOTAL LIABILITIES & EQUITY	<u>\$6,197,020</u>

Management Discussion and Analysis

- Revenues are primarily due to the Suncor Energy contract through the MetaPower Canada wholly owned subsidiary.
- Maintenance Contract revenues are from the Yucca Mountain Project (YMP) and Wolf Creek Nuclear Operating Company and includes the monthly maintenance for the UCoDA software system. Monthly revenues of approximately \$8,000 are expected to continue throughout the year and into the future.
- Finance costs were generally the same quarter to quarter.
- Marketing costs doubled in the quarter as we are ramping up preparations for our 2010 VPP Product launch.
- Accounts Receivable and Accounts Payable reduced in the quarter compared to Q3. This is primarily to significant reduction of the level of business during the last two weeks of December.
- All other factors are similar to prior periods.