

XMT LIQUIDATIONS INC.
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October 14, 2009

TO THE SHAREHOLDERS OF 6356095 CANADA INC. (“EXCAPSA”)

There have been a number of significant developments since our last report to you on February 11, 2009. Shareholders are encouraged to review the documents, reports and financial information posted on our website at <http://wsbg.com/en/liquidation.html>.

Tax Matters and Shareholder Distributions

As has been previously reported, Canada Revenue Agency (“CRA”) does not generally provide partial clearance certificates permitting distributions to shareholders of a liquidating corporation. However, given the unusual circumstances, we asked CRA to consider an exception in this case. After extensive discussions and negotiations, we were able to persuade CRA to issue a partial clearance certificate authorizing a US \$10 million capital gains dividend. This dividend was distributed to shareholders on July 24, 2009.

We believe that progress has been made in the ongoing CRA audit of Excapsa’s previous taxation years. Over the past several months, our tax advisors have responded to CRA’s inquiries and provided extensive historical information. Recently, we met with CRA’s representatives to review the status and timeline of their audit process. We emphasized that every effort has been made to provide full and transparent disclosure of Excapsa’s prior transactions. CRA’s representatives advised us that they hope to complete their review in the late November/December timeframe and will provide details of any material issues at that time. Assuming CRA closes its file for the years in question without identifying any significant concerns, we intend to apply for a partial clearance certificate permitting a further distribution to shareholders. While there can be no assurance that the process will be successfully concluded by year end, our hope is that we will be in a position to distribute additional funds in the first quarter of 2010.

In connection with the US \$10 million dividend, we anticipate receiving a tax refund in the approximate amount of US \$2,100,000.

Restructuring of Blast Off Indebtedness

As we previously reported, Blast Off made the initial two payments totalling US \$1 million in January 2009. In February, Blast Off claimed a deferral (as it was entitled to do under the promissory note) and then paid the instalments for March, April and May totalling US \$1.5 million. In June, we were informed that Blast Off had suffered unexpected cash losses, due to the failure of a payment processor and the seizure of

funds held in a US-based bank account. Blast Off also reported operating losses in the first quarter of 2009 and its management team advised that the cash losses coupled with a substantial and growing debt load had created financial pressures for the company and had given rise to enhanced scrutiny over its operations. As a result of these developments, Blast Off claimed a deferral in June and asked for certain changes to the payment terms of the existing indebtedness.

After careful consideration of the relevant factors, we concluded that the proposed changes to the payment terms would improve Excapsa's prospects for receiving continuous payments from Blast Off. Accordingly, effective June 30, 2009, the existing indebtedness was cancelled and, in return, Excapsa received two promissory notes totalling US \$106,369,257. This amount represented the principal balance outstanding on June 30, 2009. All accrued interest, which would not have become due until the end of the term of the note, was waived and the interest rates were reduced. Payments resumed at the rate of US \$225,000 per month from July through October 2009 and will continue thereafter at the rate of US \$500,000 per month. We are pleased to report that the first three payments of US \$225,000 per month were made on time in July, August and September. Blast Off has retained the right to defer up to two monthly principal payments per year, but this right is now subject to additional conditions which Blast Off must meet in order to claim the deferrals.

Shareholders will recall that approximately 49,300,000 shares of Excapsa were pledged as security for the Blast Off indebtedness. In connection with the restructuring of this indebtedness, Blast Off assisted in obtaining the cancellation of half of the pledged shares representing approximately 12.65% of the outstanding share capital of Excapsa. As a result, the number of issued shares was reduced from approximately 194,880,000 to 170,224,000. After paying the US \$10 million dividend, the company had cash on hand of approximately CDN \$20 million. Accordingly, the share cancellation resulted in an immediate benefit of approximately CDN \$2.5 million for Excapsa shareholders (ie. 12.65% x CDN \$20 million). Shareholders will also benefit from a higher percentage of future receipts.

Assuming that Blast Off makes the monthly payments through to the end of this year, Excapsa will have received US \$4.4 million in 2009. Under the original note, Excapsa would have received a total of US \$5.5 million (given that Blast Off claimed two deferrals totalling US \$1 million). This US \$1.1 million shortfall was more than offset by the CDN \$2,530,000 that accrued to the benefit of Excapsa shareholders as a result of the share cancellation. Accordingly, we are of the view that, on the whole, the short-term position of Excapsa's shareholders has improved.

For Canadian taxation purposes, Excapsa will be considered to have disposed of the existing indebtedness for proceeds of disposition equal to the fair market value of the new notes. It is expected that the disposition will result in a capital loss to Excapsa in its 2009 taxation year which can be used to offset capital gains, significantly reduce tax payable and ultimately increase payments to the shareholders. We are in the process of obtaining an independent valuation of the new notes.

Software

Shareholders will recall that Excapsa (through its subsidiary, Aspacxe Holdings Inc. ("Aspacxe")) acquired an ownership interest in all of the gaming software in November 2008. Since that time, Aspacxe has been working closely with RealTime Edge Software Inc. ("RTE"), a Toronto-based software development and maintenance company, on commercial opportunities to exploit the software. RTE is run by Mr. Uri Kozai who was Vice-President of Development for Excapsa at the time of the sale in October 2006. Through RTE, Mr. Kozai has continued to develop and support the software.

In order to be in a position to market the blackjack software, it was necessary to obtain a license for the "Elimination Blackjack" game rules developed by Centaurus Games (previously Ultimate Blackjack Tour). Earlier this year, Aspacxe obtained this license from Centaurus Games on a perpetual and royalty-free basis.

RTE and Aspacxe are close to finalizing the first licensing deal. Further details will follow in due course.

Cash Position

As at September 30, 2009, Excapsa had approximately CDN \$19 million¹ including the escrow fund in place for the former directors and officers. A reconciliation of the cash received and paid out from the date of our appointment (August 21, 2008) through June 30, 2009 is posted on our website. We intend to provide shareholders with an updated reconciliation for the second half of 2009 in the early part of the new year.

Court Attendance

On October 1, 2009, the Ontario Court approved our actions since last August and the professional fees incurred through June 30, 2009 as detailed in our Second Report to the Court which can be found on our website.

¹ A portion of this amount is held in other currencies and subject to fluctuations.

Outlook

Our main focus over the coming months will be to successfully conclude the current CRA audit process and obtain the necessary clearance certificate to distribute additional funds to the shareholders. We are cautiously optimistic that there will be further positive developments for shareholders in 2010.

Once again, we encourage you to review the materials on our website and feel free to contact us at any time.

Yours truly,

**XMT LIQUIDATIONS INC.,
in its capacity as liquidator of
6356095 CANADA INC. and not
in its personal capacity**

By: 

Sheldon W. Krakower, CA
Director

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