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OMB Number: 3235-0416
Expires: July 31, 2011
Estimated average burden hours per response 182.00

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the quarterly period ended March 31, 2009**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 000-28423

**VALIDIAN CORPORATION**

(Exact name of Registrant as specified in its charter)

**NEVADA**

(State or other jurisdiction of  
incorporation or organization)

**58-2541997**

(I.R.S. Employer  
Identification No.)

30 Metcalfe Street, Ottawa, Ontario, Canada K1P 5L4

(Address of principal executive offices)

**Registrant's telephone number: 613-230-7211**

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

☐

Accelerated filer

☐

Non-accelerated filer

☐

(Do not check if a smaller reporting company)

Smaller reporting company

☒

Indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes ☐ No ☒

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

At May 11, 2009, 81,756,854 shares of the registrant's common stock were outstanding.

SEC 2334 (4-09)

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## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

#### VALIDIAN CORPORATION AND SUBSIDIARIES A DEVELOPMENT STAGE ENTERPRISE Consolidated Balance Sheets (In United States dollars)

	March 31, 2009 (Unaudited)	December 31, 2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 13,119	\$ 59,418
Amounts receivable	9,756	5,823
Prepaid expenses	28,318	19,864
	<u>51,193</u>	<u>85,105</u>
Property and equipment, net of accumulated depreciation of \$210,573 (December 31, 2008 - \$207,486)	<u>19,176</u>	<u>22,263</u>
Total assets	<u><u>\$ 70,369</u></u>	<u><u>\$ 107,368</u></u>
<b>Liabilities and Stockholders' Deficiency</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	\$ 1,530,608	\$ 1,419,653
Deferred revenue	155,000	155,000
Promissory notes payable (note 2)	153,181	121,537
Current portion of capital lease obligation (note 4)	3,009	3,025
10% Senior convertible notes (note 3)	5,085,826	5,030,709
Total current liabilities	<u>6,927,624</u>	<u>6,729,924</u>
Capital lease obligation (note 4)	<u>7,536</u>	<u>8,489</u>
Total liabilities	<u><u>6,935,160</u></u>	<u><u>6,738,413</u></u>
Stockholders' deficiency (note 5):		
Common stock, (\$0.001 par value. Authorized 300,000,000 shares; issued and outstanding 81,281,854 and 80,284,057 shares at March 31, 2009 and December 31, 2008, respectively.)	81,281	80,284
Preferred stock (\$0.001 par value. Authorized 50,000,000 shares; issued and outstanding Nil shares at March 31, 2009 and at December 31, 2008)	--	--
Additional paid in capital	25,665,962	25,651,643
Deficit accumulated during the development stage	(32,583,600)	(32,334,538)
Retained earnings prior to entering development stage	21,304	21,304
Treasury stock (7,000 shares at March 31, 2009 and December 31, 2008, at cost)	<u>(49,738)</u>	<u>(49,738)</u>
Total stockholders' deficiency	<u><u>(6,864,791)</u></u>	<u><u>(6,631,045)</u></u>
Basis of presentation (note 1)		
Commitment (note 10)		
Subsequent events (note 13)		
Total liabilities and stockholders' deficiency	<u><u>\$ 70,369</u></u>	<u><u>\$ 107,368</u></u>

See accompanying notes to unaudited interim consolidated financial statements.

**VALIDIAN CORPORATION AND SUBSIDIARIES**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**Consolidated Statements of Operations**  
**For the three months ended March 31, 2009 and 2008**  
**And for the Period from August 3, 1999 to March 31, 2009**  
**(In United States dollars)**  
**(Unaudited)**

	<b>Three Months Ended March 31,</b>		<b>Period from August 3, 1999 To March 31,</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>
Operating expenses (income):			
Selling, general and administrative	\$ 88,379	\$ 468,771	\$14,343,928
Research and development	32,173	218,238	9,724,633
Depreciation of property and equipment	3,087	2,712	428,335
Gain on sale of property and equipment	--	--	(7,442)
Write-off of prepaid services	--	--	496,869
Write-off of deferred consulting services	--	--	1,048,100
Write-off of accounts receivable	--	--	16,715
Write-off of due from related party	--	--	12,575
Loss on cash pledged as collateral for operating lease	--	--	21,926
Write-down of property and equipment	--	--	14,750
	<u>123,639</u>	<u>689,721</u>	<u>26,100,389</u>
Loss before other income (expenses)	(123,639)	(689,721)	(26,100,389)
Other income (expenses):			
Interest income	--	--	61,728
Gain (loss) on extinguishment of debt, accounts payable and accrued liabilities (note 7)	(4,346)	12,513	294,449
Interest and financing costs (notes 6 and 9)	(137,658)	(455,907)	(6,895,270)
Other	16,581	33,894	55,882
	<u>(125,423)</u>	<u>(409,500)</u>	<u>(6,483,211)</u>
Net loss	<u>\$ (249,062)</u>	<u>\$ (1,099,221)</u>	<u>\$ (32,583,600)</u>
Loss per share – basic and diluted (note 8)	<u>\$ (0.003)</u>	<u>\$ (0.02)</u>	
Weighted average number of common shares outstanding during period	<u>80,615,144</u>	<u>53,212,550</u>	

See accompanying notes to unaudited interim consolidated financial statements.

**VALIDIAN CORPORATION AND SUBSIDIARIES**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**Consolidated Statements of Changes in Stockholders' Equity (Deficiency) and Comprehensive Loss**  
**For the period from December 31, 1998 to March 31, 2009**  
**(In United States dollars)**  
**(Unaudited)**

	Number	Common stock amount	Additional paid-in capital	Retained earnings prior to entering development stage	Deficit accumulated during development stage	Accumulated other compre- hensive income (loss)	Treasury stock	Total
Balances at December 31, 1998	61,333	\$ 61	\$ 23,058	\$ 30,080	\$ —	\$ (7,426)	\$ —	\$ 45,773
Issued for mining claims	92,591	92	27,408	—	—	—	—	27,500
Issued for cash	3,000,000	3,000	27,000	—	—	—	—	30,000
Reverse acquisition	8,459,000	8,459	21,541	—	—	—	—	30,000
Fair value of warrants issued to unrelated parties	—	—	130,000	—	—	—	—	130,000
Shares issued upon exercise of warrants	380,000	380	759,620	—	—	—	—	760,000
Share issuance costs	—	—	(34,750)	—	—	—	—	(34,750)
Comprehensive loss:								
Net loss	—	—	—	(8,776)	(743,410)	—	—	(752,186)
Currency translation adjustment	—	—	—	—	—	11,837	—	11,837
Comprehensive loss								(740,349)
Balances at December 31, 1999	11,992,924	11,992	953,877	21,304	(743,410)	4,411	—	248,174
Shares issued upon exercise of warrants	620,000	620	1,239,380	—	—	—	—	1,240,000
Share issuance costs	—	—	(62,000)	—	—	—	—	(62,000)
Acquisition of common stock	—	—	—	—	—	—	(49,738)	(49,738)
Comprehensive loss:								
Net loss	—	—	—	—	(2,932,430)	—	—	(2,932,430)
Currency translation adjustment	—	—	—	—	—	(40,401)	—	(40,401)
Comprehensive loss								(2,972,831)
Balances at December 31, 2000	12,612,924	12,612	2,131,257	21,304	(3,675,840)	(35,990)	(49,738)	(1,596,395)
Shares issued in exchange for debt	2,774,362	2,774	2,216,715	—	—	—	—	2,219,489
Fair value of warrants issued to unrelated parties	—	—	451,500	—	—	—	—	451,500
Comprehensive loss:								
Net loss	—	—	—	—	(1,448,485)	—	—	(1,448,485)
Currency translation adjustment	—	—	—	—	—	62,202	—	62,202
Comprehensive loss								(1,386,283)
Balances at December 31, 2001	15,387,286	\$15,386	\$4,799,472	\$21,304	\$(5,124,325)	\$26,212	\$(49,738)	\$(311,689)

See accompanying notes to unaudited interim consolidated financial statements.

**VALIDIAN CORPORATION AND SUBSIDIARIES**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**Consolidated Statements of Changes in Stockholders' Equity (Deficiency) and Comprehensive Loss**  
**For the period from December 31, 1998 to March 31, 2009**  
**(In United States dollars)**  
**(Unaudited)**

	Number	Common stock amount	Additional paid-in capital	Retained earnings prior to entering develop- ment stage	Deficit accumulated during development stage	Accumulated other compre- hensive income (loss)	Treasury stock	Total
Balances at December 31, 2001	15,387,286	\$ 15,386	\$ 4,799,472	\$ 21,304	\$ (5,124,325)	\$ 26,212	\$ (49,738)	\$ (311,689)
Shares issued in consideration of consulting services	340,500	340	245,810	—	—	—	—	246,150
Comprehensive loss:								
Net loss	—	—	—	—	(906,841)	—	—	(906,841)
Currency translation adjustment on liquidation of investment in foreign subsidiary	—	—	—	—	—	(26,212)	—	(26,212)
Comprehensive loss								(933,053)
Balances at December 31, 2002	15,727,786	15,726	5,045,282	21,304	(6,031,166)	—	(49,738)	(998,592)
Shares issued in exchange for debt	4,416,862	4,417	1,453,147	—	—	—	—	1,457,564
Shares issued in consideration of consulting and financing services	422,900	423	230,448	—	—	—	—	230,871
Fair value of warrants issued to unrelated parties for services	—	—	2,896,042	—	—	—	—	2,896,042
Fair value of stock purchase options issued to unrelated parties for services	—	—	597,102	—	—	—	—	597,102
Relative fair value of warrants issued to investors in conjunction with 4% senior subordinated convertible debentures	—	—	355,186	—	—	—	—	355,186
Intrinsic value of beneficial conversion feature on 4% convertible debentures issued to unrelated parties	—	—	244,814	—	—	—	—	244,814
Net loss and comprehensive loss	—	—	—	—	(3,001,900)	—	—	(3,001,900)
Balances at December 31, 2003	20,567,548	\$ 20,566	\$10,822,021	\$ 21,304	\$ (9,033,066)	\$ —	\$ (49,738)	\$ 1,781,087

See accompanying notes to unaudited interim consolidated financial statements.

**VALIDIAN CORPORATION AND SUBSIDIARIES**  
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**For the period from December 31, 1998 to March 31, 2009**  
**(In United States dollars)**  
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	Number	Common stock amount	Additional paid-in capital	Retained earnings prior to entering development stage	Deficit accumulated during development stage	Accumulated other comprehensive income (loss)	Treasury stock	Total
Balances at December 31, 2003	20,567,548	\$ 20,566	\$10,822,021	\$21,304	\$(9,033,066)	\$ —	\$(49,738)	\$1,781,087
Shares issued in exchange for debt	464,000	464	429,536	—	—	—	—	430,000
Shares issued on conversion of 4% senior subordinated convertible debentures	2,482,939	2,483	1,238,986	—	—	—	—	1,241,469
Deferred financing costs transferred to additional paid in capital on conversion of 4% senior subordinated convertible debentures into common shares	—	—	(721,097)	—	—	—	—	(721,097)
Shares issued pursuant to private placement of common shares and warrants	6,666,666	6,667	5,993,333	—	—	—	—	6,000,000
Cost of share issuance pursuant to private placement	—	—	(534,874)	—	—	—	—	(534,874)
Shares issued in consideration of consulting and financing services	70,000	70	72,730	—	—	—	—	72,800
Shares issued in consideration of penalties on late registration of shares underlying the 4% senior subordinated convertible debentures	184,000	184	110,216	—	—	—	—	110,400
Fair value of stock purchase warrants issued to unrelated parties for services	—	—	809,750	—	—	—	—	809,750
Relative fair value of warrants issued to investors in conjunction with 4% senior subordinated convertible debentures	—	\$ —	\$ 861,522	\$ —	\$ —	\$ —	\$ —	\$ 861,522

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	Number	Common stock amount	Additional paid-in capital	Retained earnings prior to entering development stage	Deficit accumulated during development stage	Accumulated other comprehensive income (loss)	Treasury stock	Total
Intrinsic value of beneficial conversion feature on 4% convertible debentures issued to unrelated parties	—	—	538,478	—	—	—	—	538,478
Net loss and comprehensive loss	—	—	—	—	(8,017,166)	—	—	(8,017,166)
Balances at December 31, 2004	30,435,153	30,434	19,620,601	21,304	(17,050,232)	—	(49,738)	2,572,369
Shares issued on conversion of 4% senior subordinated convertible debentures	1,157,866	1,158	577,774	—	—	—	—	578,932
Shares issued in settlement of 4% senior subordinated convertible debentures at maturity	485,672	486	242,349	—	—	—	—	242,835
Deferred financing costs transferred to additional paid in capital on conversion of 4% senior subordinated convertible debentures into common shares	—	—	(163,980)	—	—	—	—	(163,980)
Fair value of stock purchase options issued to unrelated parties for services rendered	—	—	211,496	—	—	—	—	211,496
Fair value of modifications to stock purchase warrants previously issued to unrelated parties	—	—	61,162	—	—	—	—	61,162
Shares issued on the exercise of stock purchase warrants	805,000	805	401,695	—	—	—	—	402,500
Net loss and comprehensive loss	—	—	—	—	(4,205,659)	—	—	(4,205,659)
Balances at December 31, 2005	32,883,691	\$ 32,883	\$20,951,097	\$ 21,304	\$ (21,255,891)	\$ -	\$(49,738)	\$ (300,345)

See accompanying notes to unaudited interim consolidated financial statements.

**VALIDIAN CORPORATION AND SUBSIDIARIES**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**Consolidated Statements of Changes in Stockholders' Equity (Deficiency) and Comprehensive Loss**  
**For the period from December 31, 1998 to March 31, 2009**  
**(In United States dollars)**  
**(Unaudited)**

	Number	Common stock amount	Additional paid-in capital	Retained earnings prior to entering development stage	Deficit accumulated during development stage	Accumulated other comprehensive income (loss)	Treasury stock	Total
Balances at December 31, 2005	32,883,691	\$ 32,883	\$20,951,097	\$ 21,304	\$ (21,255,891)	\$ —	\$(49,738)	\$ (300,345)
Shares issued in consideration of consulting services	800,000	800	106,700	—	—	—	—	107,500
Fair value of employee stock options earned during period	—	—	28,689	—	—	—	—	28,689
Reversal of fair value of unvested employee stock options recognized in the current and prior periods, on forfeiture of the options	—	—	(9,939)	—	—	—	—	(9,939)
Shares issued on the exercise of stock purchase warrants	20,000	20	9,980	—	—	—	—	10,000
Shares issued pursuant to the terms of the 10% senior convertible notes	2,800,000	2,800	401,602	—	—	—	—	404,402
Shares issued pursuant to the terms of the 10% promissory note	1,000,000	1,000	149,000	—	—	—	—	150,000
Shares issued pursuant to the terms of an agreement to extend the payment terms of finance fees payable	100,000	100	11,400	—	—	—	—	11,500
Shares issued in satisfaction of finance fees payable, which were included in accounts payable and accrued liabilities	250,000	250	28,500	—	—	—	—	28,750
Intrinsic value of beneficial conversion feature on the 10% senior convertible notes	—	—	515,297	—	—	—	—	515,297
Shares issued in satisfaction of interest payable	118,378	119	13,519	—	—	—	—	13,638
Shares issued in satisfaction of penalty for non-timely payment of the 10% promissory note	500,000	500	44,500	—	—	—	—	45,000
Shares issued in consideration for finance fees related to the issuance of convertible and promissory notes	740,000	740	75,720	—	—	—	—	76,460
Net loss and comprehensive loss	—	—	—	—	(3,387,291)	—	—	(3,387,291)
Balances at December 31, 2006	39,212,069	\$ 39,212	\$22,326,065	\$ 21,304	\$ (24,643,182)	\$ —	\$(49,738)	\$ (2,306,339)

See accompanying notes to unaudited interim consolidated financial statements



**VALIDIAN CORPORATION AND SUBSIDIARIES**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**Consolidated Statements of Changes in Stockholders' Equity (Deficiency) and Comprehensive Loss**  
**For the period from December 31, 1998 to March 31, 2009**  
**(In United States dollars)**  
**(Unaudited)**

	Number	Common stock amount	Additional paid-in capital	Retained earnings prior to entering development stage	Deficit accumulated during development stage	Accumulated other comprehensive income (loss)	Treasury stock	Total
Balances at December 31, 2006	39,212,069	\$ 39,212	\$22,326,065	\$ 21,304	\$ (24,643,182)	\$ -	\$(49,738)	\$ (2,306,339)
Shares issued in consideration of consulting services rendered and to be rendered	4,105,000	4,105	180,045	—	—	—	—	184,150
Shares issued in consideration of finance fees relating to the issuance of 10% senior convertible notes	149,333	149	6,511	—	—	—	—	6,660
Shares issued in settlement of accrued liabilities	1,275,000	1,275	45,900	—	—	—	—	47,175
Shares issued in settlement of accrued interest on the 10% senior convertible notes	659,001	659	39,228	—	—	—	—	39,887
Fair value of employee stock options earned during the period	—	—	2,727	—	—	—	—	2,727
Incremental value of stock options issued during the period in exchange for the repurchase and cancellation of options previously issued	—	—	106,933	—	—	—	—	106,933
Shares issued pursuant to the terms of the 10% senior convertible notes at issuance	2,790,566	2,791	180,132	—	—	—	—	182,923
Shares issued pursuant to the terms of the 10% senior convertible notes on resolution of the contingency	810,000	810	98,418	—	—	—	—	99,228
Intrinsic value of the beneficial conversion feature of the 10% senior convertible notes at date of issuance	--	--	188,767	--	--	--	--	188,767
Relative fair value of warrants issued pursuant to the terms of the 10% senior convertible notes	—	—	102,515	—	—	—	—	102,515
Intrinsic value of the beneficial conversion feature of the 10% senior convertible notes on resolution of the contingency	—	—	540,031	—	—	—	—	540,031
Adjustment to the relative fair value of warrants issued pursuant to the terms of the 10% senior convertible notes on resolution of the contingency	--	--	77,222	--	--	--	--	77,222

See accompanying notes to unaudited interim consolidated financial statements

**VALIDIAN CORPORATION AND SUBSIDIARIES**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**Consolidated Statements of Changes in Stockholders' Equity (Deficiency) and Comprehensive Loss**  
**For the period from December 31, 1998 to March 31, 2009**  
**(In United States dollars)**  
**(Unaudited)**

	Number	Common stock amount	Additional paid-in capital	Retained earnings prior to entering development stage	Deficit accumulated during development stage	Accumulated other comprehensive income (loss)	Treasury stock	Total
Shares issued on conversion of 10% senior convertible notes	572,194	\$ 572	\$ 52,455	\$ —	\$ —	\$ —	\$ —	\$ 53,027
Fair value of warrants issued in consideration of consulting services rendered	—	—	108,675	—	—	—	—	108,675
Fair value of options issued in consideration of consulting services rendered and to be rendered	—	—	20,969	—	—	—	—	20,969
Net loss and comprehensive loss	—	—	—	—	(3,726,393)	—	—	(3,726,393)
Balances at December 31, 2007	49,573,163	49,573	24,076,593	21,304	(28,369,575)	—	(49,738)	(4,271,843)
Shares issued in consideration of consulting contract incentive payment	3,000,000	3,000	237,000	—	—	—	—	240,000
Shares issued as partial consideration for consulting services rendered and to be rendered	2,250,000	2,250	51,950	—	—	—	—	54,200
Shares issued pursuant to the terms of the promissory notes at issuance	766,667	767	20,291	—	—	—	—	21,058
Shares issued in connection with the conversion of 10% senior convertible notes	6,404,818	6,405	361,897	—	—	—	—	368,302
Shares issued pursuant to the terms of the 10% senior convertible notes at issuance	4,910,852	4,911	160,233	—	—	—	—	165,144
Shares issued in settlement of accounts payable and accrued liabilities	11,293,396	11,293	250,662	—	—	—	—	261,955
Shares issued in settlement of accrued interest on the 10% senior convertible notes	2,085,161	2,085	45,557	—	—	—	—	47,642
Intrinsic value of the beneficial conversion feature of the 10% senior convertible notes at date of issuance	—	—	329,282	—	—	—	—	329,282
Fair value of vested options issued to employees and consultants in consideration for services rendered and to be rendered	—	—	113,459	—	—	—	—	113,459
Fair value of unvested stock options earned during the year	—	—	4,719	—	—	—	—	4,719
Net loss and comprehensive loss	—	—	—	—	(3,964,963)	—	—	(3,964,963)
Balances at December 31, 2008	80,284,057	\$ 80,284	\$25,651,643	\$ 21,304	\$ (32,334,538)	\$ —	\$(49,738)	\$(6,631,045)

See accompanying notes to unaudited interim consolidated financial statements

**VALIDIAN CORPORATION AND SUBSIDIARIES**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**Consolidated Statements of Changes in Stockholders' Equity (Deficiency) and Comprehensive Loss**  
**For the period from December 31, 1998 to March 31, 2009**  
**(In United States dollars)**  
**(Unaudited)**

	Number	Common stock amount	Additional paid-in capital	Retained earnings prior to entering development stage	Deficit accumulated during development stage	Accumulated Other comprehensive income (loss)	Treasury stock	Total
Balances at December 31, 2008	80,284,057	\$ 80,284	\$25,651,643	\$ 21,304	\$ (32,334,538)	\$ —	\$(49,738)	\$(6,631,045)
Shares issued in consideration for finance fees	100,000	100	1,300	—	—	—	—	1,400
Shares issued pursuant to the terms of the promissory notes at issuance (note 2)	100,000	100	831	—	—	—	—	931
Shares issued pursuant to the terms of the 10% senior convertible notes at issuance (note 3)	375,000	375	2,623	—	—	—	—	2,998
Shares issued in settlement of accrued interest on the 10% senior convertible notes (note 5)	422,797	422	8,033	—	—	—	—	8,455
Fair value of unvested stock options earned during the year (note 5(b))	—	—	1,532	—	—	—	—	1,532
Net loss and comprehensive loss	—	—	—	—	(249,062)	—	—	(249,062)
Balances at March 31, 2009	81,281,854	\$ 81,281	\$25,665,962	\$ 21,304	\$ (32,583,600)	\$ —	\$(49,738)	\$(6,864,791)

See accompanying notes to unaudited interim consolidated financial statements

**VALIDIAN CORPORATION AND SUBSIDIARIES**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the three months ended March 31, 2009 and 2008**  
**And for the Period from August 3, 1999 to March 31, 2009**  
**(In United States dollars)**  
**(Unaudited)**

	Three Months Ended March 31,		Period from August 3, 1999 to March 31, 2009
	2009	2008	
<b>Cash flows from operating activities:</b>			
Net loss	\$ (249,062)	\$(1,099,221)	\$ (32,583,600)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>			
Depreciation of property and equipment	3,087	2,712	428,335
Stock-based compensation	2,306	243,900	3,421,406
Non-cash interest and financing expense	134,793	452,804	6,884,074
Loss (gain) on extinguishment of debt and accrued liabilities (note 7)	4,346	(12,513)	(294,449)
Non-cash penalties	--	--	166,900
Write-off of prepaid services	--	--	496,869
Write-off of deferred consulting services	--	--	1,048,100
Currency translation adjustment on liquidation of investment in foreign subsidiary	--	--	(26,212)
Gain on sale of property and equipment	--	--	(7,442)
Write-off of accounts receivable	--	--	16,715
Write-off of due to related party	--	--	12,575
Loss on cash pledged as collateral for operating lease	--	--	21,926
Write-down of property and equipment	--	--	14,750
<i>Increase (decrease) in cash resulting from changes in:</i>			
Amounts receivable	(3,933)	(4,291)	2,007
Prepaid expenses	(9,228)	11,360	(75,062)
Accounts payable and accrued liabilities	(6,003)	113,792	3,982,985
Deferred revenue	--	--	155,000
Due to a related party	--	--	(5,178)
Net cash used in operating activities	(123,694)	(291,457)	(16,340,301)
<b>Cash flows from investing activities:</b>			
Additions to property and equipment	--	--	(536,773)
Proceeds on sale of property and equipment	--	--	176,890
Cash pledged as collateral for operating lease	--	--	(21,926)
Net cash used in investing activities	--	--	(381,809)
<b>Cash flows from financing activities:</b>			
Capital lease repayments	(969)	(1,629)	(19,944)
Issuance of promissory notes	64,877	258,115	4,593,009
Issuance of 10% senior convertible notes	50,000	50,000	2,785,000
Debt and equity issuance costs	--	(3,000)	(932,983)
Repayment of promissory notes	(37,311)	(8,000)	(123,166)
Proceeds from exercise of stock purchase warrants	--	--	412,500
Increase in due from related party	--	--	12,575
Issuance of common shares	--	--	8,030,000
Redemption of common stock	--	--	(49,738)
Issuance of 4% senior subordinated convertible debentures	--	--	2,000,000
Net cash provided by financing activities	76,597	295,486	16,707,253
Effects of exchange rates on cash and cash equivalents	798	(7,510)	(6,823)
Net decrease in cash and cash equivalents	(46,299)	(3,481)	(21,680)
<b>Cash and cash equivalents:</b>			
Beginning of period	59,418	5,120	34,799
End of period	\$ 13,119	\$ 1,639	\$ 13,119

See accompanying notes to unaudited interim consolidated financial statements.

**VALIDIAN CORPORATION AND SUBSIDIARIES**  
**A DEVELOPMENT STAGE ENTERPRISE**  
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Validian Corporation (the "Company") was incorporated in the State of Nevada on April 12, 1989 as CCC Funding Corp. The Company underwent several name changes before being renamed to Validian Corporation on January 28, 2003.

Since August 3, 1999, the efforts of the Company have been devoted primarily to the development of a high speed, highly secure method of exchanging data files using the internet, and to the sale and marketing of the Company's products. Prior to August 3, 1999, the Company conducted business in an unrelated field. As the Company commenced development activities on this date, it is considered for financial accounting purposes to be a development stage enterprise and August 3, 1999 is the commencement of the development stage.

**1. Basis of presentation**

The accompanying consolidated financial statements include the accounts of Validian Corporation and its wholly owned subsidiaries (collectively, the "Company") after elimination of all significant intercompany balances and transactions. The financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America which require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. While management has based its assumptions and estimates on the facts and circumstances currently known, final amounts may differ from such estimates.

The interim financial statements contained herein are unaudited but, in the opinion of management, include all adjustments (consisting only of normal recurring entries) necessary for a fair presentation of the financial position and results of operations of the Company for the periods presented. The results of operations for the three months ended March 31, 2009 are not necessarily indicative of the operating results for the full fiscal year ending December 31, 2009. These unaudited interim financial statements have been prepared following accounting principles consistent with those used in the annual audited financial statements and should be read in conjunction with the annual audited financial statements for the year ended December 31, 2008.

The consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has no revenues, has negative working capital of \$6,876,431 and stockholders' deficiency of \$6,864,791 as at March 31, 2009, and has incurred a loss of \$249,062 and negative cash flow from operations of \$123,694 for the three months then ended. The Company expects to continue to incur operating losses for the foreseeable future, and has no lines of credit or other financing facilities in place. Furthermore, the Company failed to settle \$1,800,000 in 10% senior convertible notes which matured in 2008, plus \$277,082 in accrued interest thereon, which resulted in all of the 10% senior convertible notes and \$100,000 of the promissory notes outstanding at that time, as well as all 10% senior convertible notes issued since the default, becoming immediately due and payable in accordance with the default provisions of the notes.

The Company expects to incur operating expenses of approximately \$1.1 million for the year ending December 31, 2009, subject to the availability of adequate funding. In the event the Company cannot raise the additional funds necessary to finance its research and development and sales and marketing activities, it may have to cease operations.

All of the factors above raise substantial doubt about the Company's ability to continue as a going concern. Management's plan to address these issues includes raising capital through the private placement of equity, the exercise of previously-issued equity instruments and through the issuance of additional promissory notes. The Company's ability to continue as a going concern is subject to management's ability to successfully implement these plans. Failure to do so could have a material adverse effect on the Company's position and or results of operations and could also result in the Company ceasing operations. The consolidated financial statements do not include adjustments that would be required if the assets are not realized and the liabilities settled in the normal course of operations.

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**1. Basis of presentation (continued)**

Even if successful in obtaining financing in the near term, the Company cannot be certain that cash generated from its future operations will be sufficient to satisfy its liquidity requirements in the longer term, and it may need to continue to raise capital by issuing additional equity or by obtaining credit facilities. The Company's future capital requirements will depend on many factors, including, but not limited to, the market acceptance of its products and the level of its promotional activities and advertising required to generate product sales. No assurance can be given that any such additional funding will be available or that, if available, it can be obtained on terms favorable to the Company.

**2. Promissory notes payable**

	March 31, 2009 (unaudited)	December 31, 2008
Due on demand, interest at 12%, unsecured	\$ 53,181	\$ 21,537
Due on demand, interest at 10%, unsecured	100,000	100,000
	<u>\$ 153,181</u>	<u>\$ 121,537</u>

During the three months ended March 31, 2009, the Company issued \$70,657 in principal amount of its promissory notes, and repaid \$37,311 in principal amount of the notes. \$67,377 of the notes were issued at a \$2,500 discount, for net cash proceeds of \$64,877; \$3,280 of the notes were issued in settlement of accrued liabilities. Holders of \$3,280 of the notes issued during the period were granted 100,000 common shares of the Company at the date of issuance. \$931, representing the relative fair value of the common shares at the issuance date, was allocated to the common shares par value and additional paid in capital; the notes balance was accreted through charges to interest and financing expense over the term of the notes, using the effective interest rate method.

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**3. 10% Senior convertible notes**

The following table sets forth the financial statement presentation of the note proceeds on issuance, and the changes in financial statement presentation of the balance allocated to the 10% Senior convertible notes for the periods ended March 31, 2009 and December 31, 2008:

	Three months Ended March 31, 2009 (unaudited)	Year Ended December 31, 2008
Balance beginning of period	\$ 5,030,709	\$ 2,053,344
Note proceeds on issuance	80,117	3,265,248
Allocated to common stock and additional paid-in capital for the relative fair value of stock issued to holders of the notes:		
Allocated to common stock	(375)	(4,911)
Allocated to additional paid-in capital	(2,623)	(160,233)
	(2,998)	(165,144)
Allocated to additional paid-in capital for the intrinsic value of the beneficial conversion feature	--	(329,282)
Proceeds allocated to 10% senior convertible notes on issuance	77,119	2,770,822
Accretion recorded as a charge to interest and financing costs	2,998	1,838,815
Principal converted pursuant to the terms of the notes	--	(332,272)
Principal matured and repaid through the issuance of new notes	(25,000)	(1,300,000)
	\$ 5,085,826	\$ 5,030,709

During the three months ended March 31, 2009, the Company issued an aggregate of \$80,117 of its 10% senior convertible notes. \$50,000 of the notes were issued for cash; \$30,117 of the notes were issued as consideration for the repayment of \$25,000 in previously issued 10% senior convertible notes, plus \$5,117 in accrued interest thereon.

Under the terms of the notes issued during the three months ended March 31, 2009, the holders are permitted, at any time, to convert all or a portion of the outstanding principal plus accrued interest into common stock of the company, at a rate of one common share for each \$0.03 of debt converted. The Company has the option of pre-paying all or any portion of the balance outstanding on the notes at any time, without penalty or bonus, with the permission of the holders. Interest on the notes is accrued until the notes are either repaid by the Company or converted by the holder, or until paid at such time as the holder requests payment in writing. At the Company's option, interest may be paid either in cash or in common shares of the Company. If interest is paid in common shares, the number of shares required for settlement will be calculated at the rate of conversion in effect for the conversion of the note principal. \$30,117 of the notes mature on December 31, 2009; \$50,000 of the notes are payable on demand.

Holders of the notes were granted 375,000 common shares of the Company upon issuance of the notes; \$2,998, representing the relative fair value of the common shares at the issuance date, was allocated to the common shares par value and additional paid in capital.

The Company failed to settle certain of the 10% senior convertible notes when they matured in 2008, which resulted in all of the notes becoming immediately due and payable in accordance with the default provisions of the notes. At March 31, 2009, \$525,000 of the notes, plus accrued interest thereon of \$129,473, remained in default for non payment; accordingly, all of the 10% senior convertible notes are payable on demand, notwithstanding stated maturity dates ranging from on demand to December 31, 2010. Interest is accrued at the coupon rate on all notes outstanding past the maturity date.

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**3. 10% Senior convertible notes (continued)**

The following table summarizes information regarding the 10% senior convertible notes outstanding at March 31, 2009:

Note Principal	Conversion Rate
\$ 3,324,319	\$0.03
511,507	0.038
725,000	0.06
525,000	0.10
<u>\$ 5,085,826</u>	

At March 31, 2009, \$2,050,911 of the 10% senior convertible notes were secured by a first position lien on all of the assets of the Company. The remaining \$3,034,915 were unsecured.

**4. Capital lease obligation:**

In August, 2008, the Company entered into a long-term lease arrangement for office equipment. Future minimum payments remaining under this obligation are approximately as follows:

Twelve months ending March 31:	
2010	\$ 3,632
2011	3,632
2012	3,632
2013	<u>908</u>
Total minimum lease payments	11,804
Less amount representing interest, at 6.61%	<u>1,259</u>
Present value of minimum lease payments	10,545
Current portion of capital lease obligation	<u>3,009</u>
	<u>\$ 7,536</u>

**5. Stockholders' deficiency**

(a) Common stock transactions

During the three months ended March 31, 2009, the Company issued 100,000 shares of its common stock, valued at \$1,400, as consideration for finance fees incurred on the placement of its promissory notes.

In connection with the issuance of the Company's promissory notes during the three months ended March 31, 2009, the Company issued 100,000 of its common shares, with a relative fair value of \$931, to the holders of the notes (note 2).

In connection with the issuance of the Company's 10% senior convertible notes during the three months ended March 31, 2009, the Company issued 375,000 of its common shares, with a relative fair value of \$2,998, to the holders of the notes (note 3).

During the three months ended March 31, 2009, the Company issued 422,797 shares of its common stock, valued at \$8,455, to the holders of the 10% senior convertible notes, in satisfaction of \$4,110 of accrued interest on the notes. A loss of \$4,346 on the settlement of accrued interest was recognized in connection with this transaction.



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**5. Stockholders' deficiency (continued)**

(b) Transactions involving stock options

The Company has two incentive equity plans, under which a maximum of 10,000,000 options to purchase 10,000,000 common shares may be granted to officers, employees and consultants of the Company. The granting of options, and the terms associated with them, occurs at the discretion of the board of directors, who administers the plan. As of March 31, 2009, there were a total of 8,000,000 options granted under these plans, all with an exercise price of \$0.04. 3,875,000 of the options expire on June 19, 2012; 4,125,000 expire on dates between May 12, 2013 and June 2, 2013. 7,700,000 of the options are fully vested; 300,000 vest on various dates between June 1, 2009 and December 1, 2009. 2,000,000 options remained available for grant under these plans as of March 31, 2009.

\$2,306, representing the fair value of options earned during the period, has been included in expense during the three months ended March 31, 2009. The fair value of unvested options earned during the period was determined using the following weighted average assumptions: expected dividend yield 0%; risk-free interest rate of 1.41%; expected volatility of 174%; and an expected life of 4.2 years.

The fair value of unvested options will be determined periodically and included in expense over the vesting period.

(c) Transactions involving stock purchase warrants

On March 8, 2009, the 3,513,333 Series I warrants expired.

(d) Stock-based compensation

The following table presents the total of stock-based compensation included in the expenses of the Company for the three months ended March 31, 2009 and 2008:

	Three Months Ended March 31,	
	2009	2008
Selling, general and administrative	\$ 1,540	\$ 243,900
Research and development	766	--
Total stock-based compensation included in expenses	<u>\$ 2,306</u>	<u>\$ 243,900</u>

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**6. Interest and financing costs**

Interest and financing costs include accrued interest, accretion and amortization of deferred financing costs relating to the 10% senior convertible notes, promissory notes, and the interest portion of capital lease payments.

**7. Gain (loss) on extinguishment of debt, accounts payable and accrued liabilities**

	Three Months Ended March 31,	
	2009	2008
Loss on settlement of accrued interest on 10% senior convertible notes (note 3)	\$ (4,346)	\$ (4,581)
Gain on settlement of \$50,950 in accrued liabilities and \$878 in accounts payable to a former director of the Company, pursuant to the settlement of a legal action brought by the former director against the Company	--	17,094
	<u>\$ (4,346)</u>	<u>\$ 12,513</u>

**8. Loss per share**

For the purposes of the loss per share computation, the weighted average number of common shares outstanding has been used. Had the treasury stock method been applied to the unexercised stock options and warrants, the effect on the loss per share would be anti-dilutive.

The following securities could potentially dilute basic earnings per share in the future but have not been included in diluted earnings per share because their effect was anti-dilutive:

	March 31, 2009
Stock options	8,000,000
Series K stock purchase warrants	3,120,000
Shares issuable on conversion of 10% convertible notes	141,604,673
	<u>152,724,673</u>

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**9. Related party transactions**

Included in 10% senior convertible notes payable (note 3) is \$513,484 (December 31, 2008 – \$513,484) payable to a director and to a company controlled by a director, and \$24,956 (December 31, 2008 – \$24,956) payable to an individual related to a director and a company controlled by an individual related to a director.

Included in promissory notes payable (note 2) is \$51,579 (December 31, 2008 - \$17,797) payable to a company controlled by a director.

\$36,293 (December 31, 2008 – \$22,071) in accrued interest charges relating to these notes is included in accrued liabilities at March 31, 2009. \$14,247 (2008 - \$4,161) in coupon-rate interest on these notes is included in interest and finance costs for the three months then ended.

**10. Commitment**

The Company has a long term contract for its leased premises. Minimum rent payable under this contract, including operating costs, is approximately as follows:

Twelve month period ending March 31:	
2010	\$ 63,166
2011	5,264
Total	<u>\$ 68,430</u>

Rent expense incurred under the operating lease for the three months ended March 31, 2009, was \$20,229 (2008 - \$23,336).

**11. Supplementary cash flow information**

The Company paid no income taxes during the three months ended March 31, 2009, nor during the three months ended March 31, 2008. Interest paid in cash during the three months ended March 31, 2009 and three months ended March 31, 2008 was \$2,865 and \$3,103, respectively.

Non-cash financing activities are excluded from the consolidated statements of cash flows. The following is a summary of such activities for the three months ended March 31, 2009 and 2008:

	2009	2008
Debt issuance costs	\$ 1,400	\$ 5,000
Issuance of the Company's common stock in settlement of interest payable on the 10% senior convertible notes	8,455	26,636
Issuance of \$3,280 of the Company's 10% senior convertible notes in settlement of \$3,280 of accrued liabilities	3,280	
Issuance of \$30,117 of the Company's 10% senior convertible notes in settlement of \$25,000 of previously issued 10% senior convertible notes which matured during 2008, plus \$5,117 of accrued interest thereon	30,117	
Issuance of the Company's common stock in respect of consulting services rendered and to be rendered	--	15,600
Issuance of 3,000,000 shares of the Company's common stock as an incentive for entering into a consulting services agreement	--	240,000
	<u>\$ 43,252</u>	<u>\$ 287,236</u>

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**12. Fair value measurements**

The carrying value of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities approximates fair value due to the short term to maturity of these instruments. The carrying value of the promissory notes and the 10% senior convertible notes approximates fair value, due to the issuance of new debt instruments having similar terms and conditions subsequent to March 31, 2009. The fair value of the obligation under capital lease at March 31, 2009 was approximately \$10,546, based on the present value of future cash flows as of the balance sheet date, discounted at market rates.

**13. Subsequent events**

Subsequent to March 31, 2009, the Company issued an aggregate of \$72,362 of its promissory notes. \$63,478 of the notes were issued at a \$6,225 discount, resulting in aggregate net cash proceeds of \$66,137. The Company issued 225,000 shares of its common stock to the holders pursuant to the terms of the notes. \$8,884 of the notes are payable on demand; 32,254 of the notes mature on May 29, 2009; and \$25,000 of the notes mature on June 30, 2009. All of the notes bear interest at 12%.

On April 29, 2009, the Company issued \$50,000 of its 10% senior convertible notes for cash. The note permits the holder, at any time, to convert all or a portion of the outstanding principal plus accrued interest into common stock of the Company at a ratio of one common share for each \$0.03 of debt converted; the Company may pre-pay all or any portion of the balance outstanding on the note at any time without penalty or bonus, with permission from the holder; interest is accrued until the notes are either repaid by the Company or converted by the holder, or until paid at such time as the holder requests payment in writing. At the Company's option, interest may be paid either in cash or in common shares of the Company. If interest is paid in common shares, the number of shares required for settlement will be calculated at the rate of conversion in effect for the note principal. The notes are payable on demand. The Company issued 250,000 shares of its common stock to the holder pursuant to the terms of the note.

## **Item 2. Management's Discussion and Analysis or Plan of Operations**

### **FORWARD-LOOKING INFORMATION**

We caution readers that certain important factors may affect our actual results and could cause such results to differ materially from any forward-looking statements that we make in this report. For this purpose, any statements that are not statements of historical fact may be deemed to be forward-looking statements. This report contains statements that constitute "forward-looking statements." These forward-looking statements can be identified by the use of predictive, future-tense or forward-looking terminology, such as "believes," "anticipates," "expects," "estimates," "plans," "may," or similar terms. These statements appear in a number of places in this report and include statements regarding our intent, belief or current expectations with respect to many things, some of which are:

- trends affecting our financial condition or results of operations for our limited history;
- our business and growth strategies;
- our technology;
- the internet; and
- our financing plans.

We caution readers that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties. In fact, actual results most likely will differ materially from those projected in the forward-looking statements as a result of various factors. Some factors that could adversely affect actual results and performance include:

- our limited operating history;
- our lack of sales to date;
- our requirements for additional capital and operational funding;
- the failure of our technology and products to perform as specified;
- the discontinuance of growth in the use of the Internet;
- the enactment of new adverse government regulations; and
- the development of better technology and products by others.

You should carefully consider and evaluate all of these factors. In addition, we do not undertake to update forward-looking statements after we file this report with the SEC, even if new information, future events or other circumstances have made them incorrect or misleading.

### **CRITICAL ACCOUNTING POLICIES**

We prepare our financial statements in accordance with generally accepted accounting principles in the United States of America. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant accounting policies and methods used in preparation of the financial statements are described in note 2 to our 2008 Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2008. We evaluate our estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Actual results could differ materially from these estimates and assumptions. The following critical accounting policies are impacted by judgments, assumptions and estimates used in preparation of our March 31, 2009 Interim Consolidated Financial Statements.

#### *Research and development expenses:*

We expense all of our research and development expenses in the period in which they are incurred. At such time as our product is determined to be commercially available, we will capitalize those development expenditures that are related to the maintenance of the commercial products, and amortize these capitalized expenditures over the estimated life of the commercial product. The estimated life of the commercial product will be based on management's estimates, including estimates of current and future industry conditions. A significant change to these assumptions could impact the estimated useful life of our commercial product resulting in a change to amortization expense and impairment charges.

### *Stock based compensation:*

The Company accounts for its stock-based payments in accordance with SFAS 123R, which requires all share-based payments, including stock options granted by the Company to its employees, to be recognized as expenses, based on the fair value of the share-based payments at the date of grant. For purposes of estimating the grant date fair value of stock-based compensation, the Company uses the Black Scholes option-pricing model, and has elected to treat awards with graded vesting as a single award. The fair value of awards granted is recognized as compensation expense on a straight-line basis over the requisite service period, which in the Company's circumstances is the stated vesting period of the award.

## **RESULTS OF OPERATIONS**

### **The Three Months Ended March 31, 2009 compared to the Three Months Ended March 31, 2008**

**Revenue:** We had no revenue during the three months ended March 31, 2009, nor during the three months ended March 31, 2008. Since August 1999 we have directed all of our attention towards the completion, and sales and marketing of our software applications. We believe that if we are successful in our development and sales and marketing efforts, we will generate a source of revenue in the future from sales and/or licensing of our software applications.

**Selling, general and administrative expenses:** Selling, general and administrative expenses consist primarily of personnel costs, professional fees, communication expenses, occupancy costs and other miscellaneous costs associated with supporting our research and development, sales and marketing and investor relations activities. During the three months ended March 31, 2009, we incurred a total of \$88,379, including \$86,839 in cash-based expenses and \$1,540 in stock-based expenses, as compared to \$468,771, of which \$224,871 was cash-based and \$243,900 was stock-based expense, during the three months ended March 31, 2008. There was an overall decrease in selling, general and administrative expenses of \$380,392 (81%), comprised of a \$138,032 (61%) decrease in the cash-based component of this expense and a \$242,360 (99%) decrease in the stock-based component.

The decrease in the cash-based component of this expense is due primarily to the departure of three full-time employees in our sales and administrative departments.

The stock-based component of selling, general and administrative expense for the three months ended March 31, 2009 consisted of the amortization of prepaid consulting fees recorded in prior periods on the issuance of options as partial consideration for consulting services rendered and to be rendered, and the fair value of unvested options earned during the period. The stock-based component of this expense for the three-month period ended March 31, 2008 consisted of the amortization of prepaid consulting fees recorded during the period on the issuance of common stock as partial consideration for consulting services rendered and to be rendered, and the fair value of stock issued as an incentive payment relating to a consulting services agreement entered into during the period. There were fewer consultants engaged during the three months ended March 31, 2009 as compared to the three months ending March 31, 2008, which resulted in a reduction in stock-based remuneration.

We have made efforts to minimize these costs wherever possible, through measures such as reducing the number of personnel, postponing our Annual General Meeting, reducing the number of trade shows in which we participate, reducing travel costs, and delaying production of new promotional material. We will continue to carefully monitor our selling, general and administrative expenses as we work within current budgetary limits leading up to the full commercial release of our products.

**Research and development expenses:** Research and development expenses consist primarily of personnel costs directly associated with the development of our software applications. During the three months ended March 31, 2009, we incurred a total of \$32,173, which was a decrease of \$186,065 (85%) from the \$218,238 incurred during the three months ended March 31, 2008. Effective January 12, 2009, work performed by the Europe-based consulting group was suspended indefinitely in order to provide greater control over the development being undertaken, while allowing flexibility in scaling the degree of work to our available funding. This change is the primary reason for the decrease in expense for the three months ended March 31, 2009 as compared with the three months ended March 31, 2008.

**Interest and financing costs:** Interest and financing costs during the three months ended March 31, 2009 and 2008 consisted of costs associated with our 10% senior convertible notes, our promissory notes and interest on the capital lease. During the three months ended March 31, 2009, we incurred \$137,658 in interest and financing costs, a decrease of \$318,249 (70%) over the \$455,907 in interest and financing costs incurred during the three months ended March 31, 2008.

The \$137,658 in interest and financing costs we incurred during the three months ended March 31, 2009 is comprised of \$132,140 of interest paid and payable to the holders of our debt; \$3,929 of accretion of our 10% senior convertible notes and our promissory notes; \$1,400 of deferred financing costs; and \$189 in interest on the capital lease. The \$455,907 in interest and financing costs we incurred during the three months ended March 31, 2008 is comprised of \$92,312 of interest payable to the holders of our debt; \$322,848 of accretion of our 10% senior convertible notes; \$40,644 of amortization of deferred financing costs; and \$103 in interest on the capital lease.

Several factors contributed to the decrease in interest and financing costs. There was an increase of \$1,685,734 in the principal balance of our 10% senior convertible notes during the period from March 31, 2008 to March 31, 2009, which was partially offset by a decrease of \$176,732 in the principal outstanding on our promissory notes during the same period. This net increase of \$1,509,002 in principal outstanding on our debt instruments resulted in a higher balance on which coupon based interest was charged, which resulted in an increase of \$39,828 (43%) in interest paid and payable to the holders of our debt. As a result of our failure to repay certain of the 10% senior convertible notes which matured in 2008, all of the notes became due and payable on demand, in accordance with the default provisions of the notes. This resulted in the immediate accretion of all of the notes, and the full amortization of all deferred finance charges. Consequently, both the accretion and the finance charge components of interest and financing costs for the three months ended March 31, 2009 relate only to those notes issued during the period, which resulted in a decrease of \$318,919 (99%) and \$39,244 (97%) in accretion and finance costs, respectively.

***Gain on extinguishment of debt and accrued liabilities:*** During the three months ended March 31, 2009 we realized a loss of \$4,346 on the issuance of common stock in settlement of accrued interest on our 10% senior convertible notes. During the three months ended March 31, 2008, we realized a loss of \$4,581 on the issuance of common stock in settlement of accrued interest on our 10% senior convertible notes, and a gain of \$17,094 on the settlement of accounts payable and accrued liabilities.

***Other income (expense):*** Other income (expense) is comprised of realized and unrealized gains and losses on foreign currency translations, the majority of which relate to accounts payable and accrued liabilities, and obligations under our promissory notes, denominated in Canadian dollars. During both the three months ended March 31, 2009 and the three months ended March 31, 2008, the United States dollar gained strength in relation to the Canadian dollar, resulting in overall gains on foreign currency translations of \$16,581 and \$33,894, respectively.

***Net loss:*** We incurred a loss of \$249,062 (\$0.003 per share) for the three months ended March 31, 2009, compared to a loss of \$1,099,221 (\$0.02 per share) for the three months ended March 31, 2008. Our revenues and future profitability are substantially dependent on our ability to:

- raise additional capital to fund operations;
- license software applications to a sufficient number of clients;
- be cash-flow positive on an ongoing basis;
- modify the successful software applications, over time, to provide enhanced benefits to then-existing users; and
- successfully develop related software applications.

## **LIQUIDITY AND CAPITAL RESOURCES**

***General:*** Since inception, we have funded our operations from private placements of debt and equity securities. In addition, until September 1999 we derived revenues from consulting contracts with affiliated parties, the proceeds of which were used to fund operations. Until such time as we are able to generate adequate revenues from the licensing of our software applications, we cannot assure that we will be successful in raising additional capital, or that cash from the issuance of debt securities, the exercise of existing warrants and options, and the placements of additional equity securities, if any, will be sufficient to fund our long-term research and development and selling, general and administrative expenses.

Our cash and cash equivalents decreased by \$46,299 during the three months ended March 31, 2009, from a balance of \$59,418 at December 31, 2008, to \$13,119 at March 31, 2009. Our net loss of \$249,062 during the period, and resulting cash used in operations of \$123,694, were partially offset by an increase in cash resulting from the issuance of \$50,000 of 10% senior convertible notes, and \$27,566, net of repayments, from the issuance of promissory notes. Our cash and cash equivalents decreased by \$3,481 during the three months ended March 31, 2008, primarily as a result of our net loss of \$1,099,221, and resulting \$291,457 in cash used in operations during the period, which was partially offset by an increase in cash resulting from the issuance of \$50,000 of 10% senior convertible notes, and \$258,115 of promissory notes.

We added an explanatory paragraph to our consolidated financial statements for the three months ended March 31, 2009. It states that our economic viability is dependent on our ability to finalize the development of our principal products, generate

sales and finance operational expenses, and that these factors, together with our lack of revenues to date; our negative working capital; our loss for the year, as well as negative cash flow from operating activities in the same period; and our accumulated deficit, raise substantial doubt regarding our ability to continue as a going concern. At March 31, 2009, we had negative working capital of \$6,876,431 and an accumulated deficit during the development stage of \$32,583,600; for the three months then ended we had a net loss of \$249,062, and negative cash flow from operations of \$123,694. Furthermore, the Company failed to settle \$1,800,000 in 10% senior convertible notes when they matured in 2008, plus \$277,082 in interest accrued thereon to the maturity date, which resulted in all of the 10% senior convertible notes and \$100,000 of the promissory notes becoming immediately due and payable in accordance with the default provisions of the notes. \$525,000 of these notes, plus \$129,473 in interest accrued thereon, were unpaid as of March 31, 2009; as a result, all of the 10% senior convertible notes, as well as \$100,000 of the promissory notes remained in default at March 31, 2009. Note 1 to our unaudited interim financial statements for the period ended March 31, 2009 also discusses the substantial doubt regarding our ability to continue as a going concern.

On January 1, 2006 we entered into an agreement with a Value Added Reseller ("VAR"), pursuant to which we granted the VAR a license to sell our software to the VAR's customers for a period of three years. As a result of subsequent delays in completing certain of our software products to a market ready stage, we have agreed to extend the expiry of this agreement, with terms to be negotiated upon completion of our current development initiatives. Our fee for this license, excluding applicable sales taxes, was \$155,000, of which \$151,650 has been collected. We will recognize revenue in connection with this sale once all of the criteria required for us to do so as set out in our accounting policies, have been met. We did not make any sales during the three months ended March 31, 2009.

We anticipate sales during the third quarter of 2009, however we cannot be assured that this will be the case. During the three months ended March 31, 2009, one of our employees left the Company, and we retained the services of one part-time consultant. During the next 6 months we expect to engage one officer and director; we do not expect to hire additional personnel unless we are successful in raising significant funds through the issuance of our debt or equity securities. We do not expect to make any material commitments for capital equipment expenditures during the next 12 months.

We have an immediate requirement for additional working capital in order to proceed with our business plan. We review our cash needs and sources on a month-to-month basis and we are currently pursuing appropriate opportunities to raise additional capital to fund operations. Additional sources of capital could involve issuing equity or debt securities. We have engaged consultants to provide advice to us with respect to the raising of capital. However, additional funding may not be available to us on reasonable terms, if at all. The perceived risk associated with the possible sale of a large number of shares of our common stock could cause some of our stockholders to sell their stock, thus causing the price of our stock to decline. In addition, actual or anticipated downward pressure on our stock price due to actual or anticipated issuance of stock could cause some institutions or individuals to engage in short sales of our common stock, which may itself cause the price of our stock to decline. We may be unable to raise additional capital if our stock price is too low. A sustained inability to raise capital could force us to limit or curtail our operations.

We expect the level of our future operating expenses to be driven by the needs of our research and development and marketing programs, offset by the availability of funds. In addition, we have since inception taken steps to keep our expenses relatively low and conserve available cash until we begin generating sufficient operating cash flow.

**Sources of Capital:** Our principal sources of capital for funding our business activities have been the private placements of debt and equity securities. During the three months ended March 31, 2009, we issued \$27,566, net of repayments and discounts, of promissory notes and \$50,000 of 10% senior convertible notes, which generated cash to fund operations. During this period, we issued a further \$30,117 of our 10% senior convertible notes in settlement of previously issued 10% senior convertible notes which matured during 2008, plus accrued interest thereon, and we issued \$3,280 in promissory notes as consideration for the partial settlement of accrued liabilities, which reduced the amount of cash required to settle these obligations. During this period we issued 422,797 common shares in settlement of accrued interest on our 10% senior convertible notes, and 100,000 common shares as consideration for finance fees relating to the issuance of promissory notes, which reduced the amount of cash which would otherwise have been required to settle these obligations.

During the period from April 1, 2009 to May 12, 2009, we issued \$50,000 in 10% senior convertible notes, and \$72,362 in promissory notes, the proceeds of which were used to fund operations.

The Company has not entered into any off-balance sheet arrangements which would have provided the Company with a source of capital.

**Uses of Capital:** Over the past several years, we have scaled our development activities to the level of available cash resources. Cash-based research and development expenses for the three months ended March 31, 2009 decreased by approximately 86% as compared to the three months ended March 31, 2009, as a result of our efforts to conduct our



research and development activities within the constraints of our available cash. Cash-based selling, general and administrative expenses for the three months ended March 31, 2009 decreased by approximately 61% as compared to the three months ended March 31, 2008, also as a result of cash conservation efforts.

Our plans with respect to future staffing will be dependant upon our ability to raise additional capital. We have not entered into any off-balance sheet arrangements which would have resulted in our use of capital.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

N/A

### **ITEMS 4 AND 4T. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

The term “disclosure controls and procedures” is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the Exchange Act. This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission.

It is management’s responsibility to establish and maintain adequate internal control over all financial reporting pursuant to these rules. Our management, including our principal executive officer and principal financial officer, have reviewed and evaluated the effectiveness of our disclosure controls and procedures as of a date within ninety (90) days of the filing date of this report. Based on that evaluation, our President, Chief Executive Officer and Chief Financial Officer has concluded that our controls and procedures were not effective as of the end of the period covered by this Report to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

#### **Changes in Internal Control over Financial Reporting**

No change in our internal control over financial reporting occurred during the three months ended March 31, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### **Management’s Report on Internal Controls over Financial Reporting**

Management of Validian Corporation (the “Company”) is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of, the Company’s principal executive and principal financial officers and effected by the Company’s Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles.

The Company’s internal control over financial reporting is not supported by written policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the Company’s transactions and dispositions of the Company’s assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company’s management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitation, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. In connection with the preparation of the Company’s unaudited interim consolidated condensed financial statements,

management undertook an assessment of the effectiveness of the Company's internal control over financial reporting as of March 31, 2009. Management's assessment, based on criteria established in our internal control procedures policies, included an evaluation of the design of the Company's internal control over financial reporting but did not include testing of the operational effectiveness of those controls because our evaluation concluded that our system of internal controls was not effective in preventing or detecting misstatements.

Based on this assessment, management has concluded that as of March 31, 2009, the Company's internal control over financial reporting was not effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. KPMG LLP, our independent registered public accounting firm, which reviewed our interim consolidated condensed financial statements included in this quarterly report on Form 10-Q, has not audited, reviewed, or performed any other procedures whatsoever on the effectiveness of our internal control over financial reporting as of March 31, 2009 or any other period.

In connection with the audit of our consolidated financial statements for the year ended December 31, 2008, our independent registered public accounting firm advised the Board of Directors and management of certain significant internal control deficiencies that they considered to be, in the aggregate, a material weakness. In particular, our independent registered public accounting firm identified the following weaknesses in our internal control system at December 31, 2008: (1) a lack of segregation of duties; (2) the lack of timely preparation of certain back up schedules; (3) finance staff's lack of sufficient technical accounting knowledge; (4) a lack of independent Board oversight; and (5) signing authority with respect to corporate bank accounts. The independent registered public accounting firm indicated that they considered these deficiencies to be reportable conditions as that term is defined under standards established by the American Institute of Certified Public Accountants. A material weakness is a significant deficiency in one or more of the internal control components that alone or in the aggregate precludes our internal controls from reducing to an appropriately low level of risk that material misstatements in our financial statements will not be prevented or detected on a timely basis. We considered these matters in connection with the period-end closing of accounts and preparation of the related consolidated financial statements and determined that no prior period financial statements were materially affected by such matters. Notwithstanding the material weakness identified by our independent registered public accountants, we believe that the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operation and cash flows of the Company as of, and for, the periods represented in this report.

Our size has prevented us from being able to employ sufficient resources at this time to enable us to have an adequate level of supervision and segregation of duties within our internal control system. We will continue to monitor and assess the costs and benefits of additional staffing within the Company.

We were unable to eliminate the identified weaknesses with respect to the period covered by this report. Set forth below is a discussion of the significant internal control deficiencies which have not been remediated.

**Lack of segregation of duties.** Since commencing the development phase of our operations in August 1999, our size has prevented us from being able to employ sufficient resources to enable us to have an adequate level of supervision and segregation of duties within our internal control system. During the period from January 2007 to February 2008, we had only three people involved with the processing of accounting entries: the Office Administrator, the Controller and the Chief Financial Officer. It was therefore difficult to effectively segregate accounting duties. During this period, we made attempts to segregate duties as much as practicable, however there was insufficient volume of transactions to justify additional full time staff. The office administrator and the Chief Financial Officer resigned, effective February 15, 2008 and July 10, 2008, respectively. While our Chief Executive Officer has assumed the roll of the Chief Financial Officer on an interim basis, we nonetheless are inadequately staffed at this time to ensure a sufficient level of segregation of duties. As a result, this significant internal control deficiency had not been remediated as of the end of the period covered by this report, nor do we know if we will be able to remediate this weakness in the foreseeable future. However, we will continue to monitor and assess the costs and benefits of additional staffing.

**Lack of timely preparation of back up schedules.** Throughout 2008, we were able to complete most of our back up schedules prior to the arrival of our independent registered public accountants' audit staff, however, during this time we consistently experienced a lack of complete preparedness. As such, we believe that this material weakness had not been remediated as of the end of the period covered by this report. Inasmuch as this deficiency is related to our lack of adequate staffing, which is a condition which our size prohibits us from remediating, we do not know if we will be able to remediate this weakness in the foreseeable future. We will continue to review our interim procedures, and to make changes wherever practicable to assist in remediating this deficiency.

**Finance staff's lack of sufficient technical accounting knowledge.** Due to the limited number of personnel, our finance staff does not have sufficient technical accounting knowledge to address all complex and non-routine accounting transactions that may arise. These transactions are sometimes extremely technical in nature and require an in-depth understanding of generally accepted accounting principles. As a result of this pervasive deficiency, these types of transactions may not be recorded correctly, potentially resulting in material misstatements of the financial statements of the Company. To address this risk, the Company has a control whereby it consults with its auditors and advisors, as needed, in conjunction with the recording and reporting of complex and non-routine accounting transactions. Management has concluded that this control was not operating effectively during the year, as the Company did not consult with external advisors on certain complex and non-routine transactions and on certain of these transactions, errors were identified by our auditors. All material misstatements detected by the audit have been corrected by the Company. Any changes in the staff complement will be dependant upon the growth of our operations and the number of our staff to allow further technical accounting knowledge to address all complex and non-routine accounting transactions. Management will continue to review existing consultation controls and, if appropriate, implement changes to its current internal control processes whereby more effective consultation will be performed.

**Lack of independent Board oversight.** Our Board of Directors consists of only one individual who is also the Company's sole signing officer. We have experienced difficulties in identifying suitable candidates to serve as independent Board members because of our size, the perceived additional liability to the public by prospective candidates and the excessive additional costs associated with the selection of a candidate including director fees and director liability insurance. As such, our Board lacks the controls, depth of knowledge and perspective that such independence would provide.

**Signing authority with respect to corporate bank accounts.** Since the departure of our Chief Financial Officer and Treasurer in July 2008, the positions of Director, President, Chief Executive Officer, Chief Financial Officer, Executive Vice President, Secretary and Treasurer have been held by one person. This individual has sole signing authority for the Company's bank accounts. Our Controller monitors our bank accounts on a regular basis, however there can be no assurance that unauthorized or unsupported transactions will not occur.

If we are unable to remediate the identified material weakness, there is a more than remote likelihood that a material misstatement to our SEC reports will not be prevented or detected, in which case investors could lose confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our ability to raise additional capital and could also have an adverse effect on our stock price.

As required by the SEC rules, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Report. This evaluation was performed under the supervision and with the participation of our President and Chief Executive Officer, who is also the Chief Financial Officer and Treasurer. Based upon that evaluation, our President and Chief Executive Officer has concluded that our controls and procedures were not effective as of the end of the period covered by this Report due to existence of the significant internal control deficiencies described above.

## **PART II – OTHER INFORMATION**

### **Item 1. Legal Proceedings**

None

### **Item 1a. Risk Factors**

In addition to other information set forth in this Report, you should carefully consider the risk factors previously disclosed in “Item 1A. to Part 1” of our Annual Report on Form 10-K for the year ended December 31, 2008. There were no material changes to these risk factors during the three months ended March 31, 2009.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

On April 14, 2009, the Company issued 125,000 shares of its common stock to accredited investors pursuant to the terms of an aggregate of \$32,254 in principal amount of its promissory notes, which were issued to the investors on the same date.

On April 29, 2009, the Company issued 250,000 shares of its common stock to an accredited investor pursuant to the terms of \$50,000 in principal amount of its 10% senior convertible notes, which were issued to the investor on the same date.

On May 11, 2009, the Company issued 100,000 shares of its common stock to accredited investors pursuant to the terms of \$27,500 in principal amount of its promissory notes, which were issued to the investors on the same date.

The foregoing securities were issued in reliance on the exemption provided by Section 4(2) of the Securities Act of 1933, as amended, and the rules promulgated thereunder.

### **Item 3. Defaults upon Senior Securities**

During 2008, an aggregate of \$1,800,000 of our 10% senior convertible notes matured, and accrued interest of \$277,082 also became payable. We did not repay the principal and accrued interest on these notes at maturity, nor did the holders exercise their right to convert the balance due into common stock of the Company. In accordance with the terms of the notes, this failure to settle the matured notes resulted in all of the 10% senior convertible notes, as well as \$100,000 of the promissory notes, and accrued interest thereon becoming due and payable as of the date of the first default. At March 31, 2009, \$525,000 of these notes, plus \$129,473 in accrued interest thereon, remained unpaid. Notwithstanding our obligation to repay these amounts immediately, the note holders have verbally communicated to management their willingness to continue holding the notes until new terms are negotiated. We will accrue interest on these unpaid balances at the coupon rate of 10% until a settlement is reached.

Until such time as the matured notes plus accrued interest thereon are settled, all of the 10% senior convertible notes, and \$100,000 of the promissory notes will remain in default.

### **Item 4. Submission of Matters to a Vote of Security Holders**

None

### **Item 5. Other Information**

None

### **Item 6. Exhibits**

(a) Exhibits.

31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

## **SIGNATURES**

In accordance with requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

### **VALIDIAN CORPORATION**

By: /s/ Bruce Benn

Bruce Benn

President, Chief Executive Officer  
and Chief Financial officer  
(principal executive officer)  
(principal financial and accounting officer)

Dated: May 20, 2009

In accordance with the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Bruce Benn

Bruce Benn

President, Chief Executive Officer  
and Chief Financial officer  
(principal executive officer)  
(principal financial and accounting officer)

Dated: May 20, 2009

## Exhibit 31.1

### CERTIFICATION

I, Bruce Benn of Validian Corporation, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Validian Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operation and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 20, 2009

/s/Bruce Benn

Bruce Benn

Chief Executive Officer

## Exhibit 31.2

### CERTIFICATION

I, Bruce Benn of Validian Corporation, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Validian Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operation and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 20, 2009

/s/Bruce Benn

Bruce Benn

Chief Financial Officer

## **Exhibit 32.1**

### **CERTIFICATION**

I, Bruce Benn, Principal Executive Officer of Validian Corporation (the “Company”), in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 hereby certify, to the best of my knowledge, in connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2009 as filed with the Securities and Exchange Commission (the “Report”) on the date hereof, that:

The Report fully complies with the requirements of Section 13(a) or 15(d), of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 20, 2009

/s/Bruce Benn

Bruce Benn

President and Chief Executive Officer



## **Exhibit 32.2**

### **CERTIFICATION**

I, Bruce Benn, Principal Financial Officer of Validian Corporation (the “Company”), in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 hereby certify, to the best of my knowledge, in connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2009 as filed with the Securities and Exchange Commission (the “Report”) on the date hereof, that:

The Report fully complies with the requirements of Section 13(a) or 15(d), of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 20, 2009

/s/Bruce Benn

Bruce Benn

Chief Financial Officer