

# **Sigma Ventures Inc.**

Interim Consolidated Financial Statements  
(unaudited)  
**October 31, 2006**

*The interim consolidated financial statements have not been subject to a review by the company's external auditors.*

# Sigma Ventures Inc.

## Interim Consolidated Balance Sheet (unaudited)

	As at October 31, 2006 \$	As at April 30, 2006 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	983,845	215,025
Investments, at cost (market value: \$424,384)	397,604	61,800
Accounts receivable	19,827,878	3,806,550
Income taxes receivable	-	310,888
Inventories	10,252,931	5,451,695
Prepaid expenses	365,512	215,867
	<u>31,827,770</u>	<u>10,061,825</u>
<b>Property, plant and equipment</b>	15,648,862	6,103,195
<b>Deferred charges</b>	552,726	303,500
<b>Intangible assets</b>	2,515,839	76,446
<b>Future income tax assets</b>	364,424	91,720
<b>Goodwill</b>	<u>4,275,659</u>	<u>1,650,256</u>
	<u>55,185,280</u>	<u>18,286,942</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank loans (note 4)	7,145,029	1,890,695
Accounts payable and accrued liabilities	10,469,139	2,952,679
Deferred revenues	2,110,149	-
Income taxes	1,416,571	54,484
Current portion of long-term debt	3,660,781	2,651,440
	<u>24,801,669</u>	<u>7,549,298</u>
<b>Long-term debt (note 5)</b>	16,120,627	5,576,936
<b>Future income tax liabilities</b>	<u>2,338,886</u>	<u>1,101,389</u>
	<u>43,261,182</u>	<u>14,227,623</u>
<b>Shareholders' Equity</b>		
<b>Share capital (note 6)</b>	7,042,813	1,790,195
<b>Stock options (note 6)</b>	325,435	176,285
<b>Warrants (note 6)</b>	1,377,194	-
<b>Convertible debentures</b>	-	1,000,000
<b>Retained earnings</b>	<u>3,178,656</u>	<u>1,092,839</u>
	<u>11,924,098</u>	<u>4,059,319</u>
	<u>55,185,280</u>	<u>18,286,942</u>

The accompanying notes are an integral part of these interim consolidated financial statements.

Approved by the Board of Directors

(S) Denis BERTRAND

Director

(S) Bruno DOYON

Director

(1)

# Sigma Ventures Inc.

## Interim Consolidated Statements of Retained Earnings (unaudited)

---

	<u>Six Months Ended October 31,</u>	
	<b>2006</b>	<b>2005</b>
	\$	\$
<b>Balance – Beginning of period</b>	1,092,839	992,194
Retained earnings adjusted following the reverse takeover	-	70,760
Net earnings for the period	2,085,817	395,909
<b>Balance – End of period</b>	<u>3,178,656</u>	<u>1,458,863</u>

The accompanying notes are an integral part of these interim consolidated financial statements.

# Sigma Ventures Inc.

## Interim Consolidated Statements of Earnings (unaudited)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2006 \$	2005 \$	2006 \$	2005 \$
<b>Sales</b>	26,303,878	4,646,212	37,868,253	5,932,035
<b>Cost of sales and operating expenses</b>	22,707,774	3,828,776	33,070,188	5,069,079
<b>Earnings from operations</b>	3,596,104	817,436	4,798,065	862,956
<b>Other expenses (revenues)</b>				
Interest on long-term debt	376,997	52,955	567,786	99,111
Other interest and bank charges	114,520	27,817	191,793	35,155
Depreciation of property, plant and equipment	397,923	46,640	641,548	88,370
Amortization of intangible assets	144,840	-	204,159	-
Amortization of deferred charges	48,658	11,776	79,093	23,302
Foreign exchange loss (gain)	(57,227)	(13,873)	(149,549)	4,310
	1,025,711	125,315	1,534,830	250,248
<b>Earnings before income taxes</b>	2,570,393	692,121	3,263,235	612,708
<b>Income tax expense</b>				
Current	315,373	254,696	423,020	240,025
Future	605,341	(13,004)	754,398	(23,226)
	920,714	241,692	1,177,418	216,799
<b>Net earnings for the period</b>	1,649,679	450,429	2,085,817	395,909
<b>Net earnings per share (note 8)</b>				
Basic	0.048	0.026	0.063	0.023
Diluted	0.046	0.026	0.060	0.023

The accompanying notes are an integral part of these interim consolidated financial statements.

# Sigma Ventures Inc.

## Interim Consolidated Statements of Cash Flows (unaudited)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2006 \$	2005 \$	2006 \$	2005 \$
<b>Cash flows from operating activities</b>				
Net earnings for the period	1,649,679	450,429	2,085,817	395,909
Items not affecting cash				
Depreciation of property, plant and equipment	397,923	46,640	641,548	88,370
Amortization of intangible assets	144,840	-	204,159	-
Amortization of deferred charges	48,658	11,776	79,093	23,302
Stock-based compensation	91,036	83,471	176,493	83,471
Gain on disposal of property, plant and equipment	-	(6,387)	(1,200)	(6,387)
Investments	(200)	-	(200)	-
Future income taxes	605,341	(13,004)	754,398	(23,226)
	2,937,277	572,925	3,940,108	561,439
Change in non-cash working capital items (note 7a)	1,104,832	(1,628,074)	(1,024,559)	(2,571,547)
	4,042,109	(1,055,149)	2,915,549	(2,010,108)
<b>Cash flows from financing activities</b>				
Variation in bank loans	(1,471,080)	1,526,750	5,254,334	1,826,750
Long-term debt contracted	-	-	19,700,000	208,000
Payments on long-term debt	(528,296)	(1,069,468)	(9,190,968)	(1,072,139)
Variation in advances from shareholders	-	(37,561)	-	(52,561)
Increase in deferred charges	(67,461)	(15,000)	(328,318)	(15,000)
Issuance of a convertible debenture	-	750,000	-	750,000
Issuance of equity components (note 7 b)	103,838	575,000	6,143,838	575,000
Equity component issue expenses	(6,732)	(158,936)	(701,601)	(158,936)
	(1,969,731)	1,570,785	20,877,285	2,061,114
<b>Cash flows from investing activities</b>				
Additions to property, plant and equipment	(538,704)	(86,847)	(1,093,974)	(283,438)
Variation in intangible assets	(13,422)	-	(18,148)	-
Proceeds from disposal of property, plant and equipment	-	25,726	-	25,726
Cash surrender value of life insurance policy	-	6,735	-	6,735
Business acquisition, net of cash acquired (note 3)	(26,717)	(500,000)	(21,911,892)	(500,000)
	(578,843)	(554,386)	(23,024,014)	(750,977)
<b>Net change in cash</b>	1,493,535	(38,750)	768,820	(699,971)
<b>Cash (excess of outstanding cheques over bank balance) -Beginning of period</b>	(509,690)	190,565	215,025	851,786
<b>Cash- End of period</b>	983,845	151,815	983,845	151,815

### Additional information (note 7c)

The accompanying notes are an integral part of these interim consolidated financial statements.

## **1 Interim financial information**

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. However, all disclosures required for annual financial statements have not been included in these financial statements. These unaudited interim consolidated financial statements should therefore be read in conjunction with the company's most recent audited annual consolidated financial statements.

The financial information as at October 31, 2006 and for the three-month and six-month periods ended October 31, 2006 and 2005 is unaudited. However, in the opinion of management, all adjustments necessary to present fairly the results of these periods have been included. The adjustments made were of a normal recurring nature. Interim results may not necessarily be indicative of results anticipated for the year.

## **2 Summary of significant accounting policies**

These interim consolidated financial statements are based on the same accounting policies and methods used in the preparation of the company's most recent annual consolidated financial statements, except for the following:

### **Foreign currency forward contracts**

The company has not developed the required documentation regarding the identification, designation, documentation and effectiveness of foreign currency forward contracts for the purpose of applying hedge accounting. The company's foreign currency forward contracts, which are used to hedge anticipated US dollar-denominated sales, do not qualify for hedge accounting and are recorded at fair value. Any unrealized exchange gains or losses are included in earnings.

### **Comparative figures**

Certain comparative figures from the previous periods have been reclassified in order to conform to the current period presentation.

## **3 Business acquisition**

On June 28, 2006, the company completed the acquisition of all the shares of René Composite Materials Ltd. ("René") and 3547441 Canada Inc., two companies located in Saint-Éphrem-de-Beauce, for a total cash consideration of \$23,144,085, including acquisition-related costs. These acquisitions have been financed through a new long-term loan and a bank loan. René is a manufacturer of composite parts for the road transport industry such as parts for Class 7 and 8 trucks whereas 3547441 Canada Inc is specialized in the manufacturing of moulds for the customers of René.

These acquisitions have been accounted for using the purchase method, and the results of operations have been included in the financial statements of the company from the date of acquisition. The purchase price allocation shown below is preliminary and is based on the fair value estimate made by the company with the help of an independent expert as regards property, plant and equipment. Further to the final allocation which is expected to be completed by the end of the current fiscal year, a portion of the purchase price may be allocated from goodwill to identifiable intangible assets and property, plant and equipment.

The allocated values of the net assets acquired are detailed as follows:

	\$
Assets acquired	
Cash	1,258,910
Investments	300,027
Other current assets	18,507,410
Property, plant and equipment	9,051,260
Intangible assets	<u>2,625,403</u>
	<u>31,743,010</u>
Liabilities assumed	
Current liabilities	10,906,208
Long-term liabilities	121,791
Future income tax liability	<u>196,329</u>
	<u>11,224,328</u>
Net identifiable assets acquired	20,518,682
Goodwill *	<u>2,625,403</u>
Purchase price	<u>23,144,085</u>
Settled as follows:	
Cash used for the acquisitions	22,047,868
Acquisition-related costs	<u>1,096,217</u>
	<u>23,144,085</u>

\* Goodwill is not deductible for income tax purposes.

#### 4 Bank loans

The company has an available line of credit of an authorized amount of \$10,000,000 in Canadian dollars, bearing interest at prime rate plus 0.5%. A moveable hypothec over accounts receivable, inventories and all present and future tangible and intangible assets has been given as security for the line of credit. This line of credit is renewable annually.

#### 5 Long-term debt

	As at October 31, 2006 \$	As at April 30, 2006 \$
Decreasing revolving bank loan, bearing interest at prime rate plus 0.60%, payable in monthly principal instalments of \$175,000, maturing in July 2011. A moveable hypothec over the universality of the company's present and future tangible and intangible assets has been given as security for this loan	14,000,000	-
Decreasing bank loan, bearing interest at prime rate plus 4.00%, payable in monthly principal instalments of \$138,889 plus interest from January 2007, maturing in December 2009. A moveable hypothec over the universality of the company's present and future tangible and intangible assets has been given as security for this loan	5,000,000	-
Convertible debenture secured by a junior moveable hypothec over all assets owned by a subsidiary, bearing interest at 9%, payable in semi-annual principal instalments of \$75,000 plus interest, maturing in October 2011 *	600,000	750,000
Bank loans for which moveable hypothecs over automotive equipment have been given as security, 6.98% and nil, payable in monthly instalments of \$488, including principal and interest, and in principal instalments of \$716 plus interest, maturing in February 2010 and December 2007, respectively	27,408	28,376
Loan granted by Canada Economic Development under the Innovation, Development of Entrepreneurship and Access Program for SME, non-interest bearing, payable in four annual instalments of \$38,500, maturing in January 2010. Instalments will begin in January 2007	154,000	-
Reimbursed during the period	-	7,450,000
	<hr/> 19,781,408	<hr/> 8,228,376
Less: Current portion	3,660,781	2,651,440
	<hr/> <hr/> 16,120,627	<hr/> <hr/> 5,576,936

\* A sum of \$150,000 out of that debenture was converted in the second quarter.

The annual principal instalments due on long-term debt over the next five twelve-month periods are as follows:

	\$
2007	3,660,781
2008	3,931,742
2009	3,930,685
2010	2,538,200
2011	2,220,000

## 6 Shareholders' equity

### Share capital

#### Authorized

Unlimited number of common shares, without par value, voting and participating

Unlimited number of preferred shares with rights and restrictions fixed by the Board of Directors upon issuance

#### Issued

	<u>Six Months Ended October 31, 2006</u>		<u>Twelve Months Ended April 30, 2006</u>	
	Number	Amount \$	Number	Amount \$
Balance – Beginning of period	21,969,017	1,790,195	16,250,000	668,196
Issuance of common shares:				
For cash consideration	9,999,967	4,743,860	1,437,500	575,000
Following the conversion of debentures	1,861,541	1,160,233	1,064,900	574,849
Reverse takeover	-	-	3,112,855	-
Following the exercise of stock options	301,000	147,743	103,762	20,752
Following the exercise of warrants	31,250	23,438	-	-
Share issue expenses	-	(822,656)	-	(48,602)
Balance – End of period	<u>34,162,775</u>	<u>7,042,813</u>	<u>21,969,017</u>	<u>1,790,195</u>

On May 15, 2006, the company issued 9,999,967 units at a price of \$0.60 per unit. The gross proceeds from the private placement amount to \$6,000,000. Of this amount, a sum of \$1,040,087 (net of issue expenses of \$216,052) has been allocated to warrants using the Black-Scholes model. Each unit consists of one common share and one-half warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$0.85 per share until November 15, 2007. The underwriters obtained a monetary consideration equivalent to 8% of the gross proceeds from the placement and an additional compensation in warrants entitling for the purchase of 797,332 warrants at a price of \$0.60 per warrant until November 15, 2007. An amount of \$292,107 has been allocated to these warrants using the Black-Scholes model. The net proceeds from the private placement were used to repay the debts contracted upon the acquisition of Faroex on March 15, 2006.

On May 15, 2006, the company issued 416,667 warrants to a former holder of a convertible debenture entitling the latter to purchase warrants at a price of \$0.85 per warrant until November 15, 2007. This option results from the acquisition of a convertible debenture on March 15, 2006, which had been reflected in shareholders' equity and converted into shares on April 28, 2006. A sum of \$45,000 has been allocated to these warrants using the Black-Scholes model.

## Warrants

The following table presents information about warrants outstanding and exercisable for the six-month period ended October 31, 2006:

	Number	Carrying value \$	Weighted average exercise price \$
Outstanding and exercisable – Beginning of period	818,750	-	0.71
Granted	6,213,990	1,593,246	0.82
Exercised	(31,250)	-	0.75
Issue expenses	-	(216,052)	-
Outstanding and exercisable – End of period	7,001,490	1,377,194	0.81

The following table summarizes certain information about warrants outstanding and exercisable as at October 31, 2006:

<b><u>Warrants outstanding and exercisable</u></b>		
<b>Exercise price</b>	<b>Number</b>	<b>Weighted average remaining contractual life (years)</b>
\$0.40	100,000	0.43
\$0.60	797,332	1.04
\$0.75	687,500	0.43
\$0.85	5,416,658	1.04
	<hr/>	
	7,001,490	0.97
	<hr/>	

For the six-month period ended October 31, 2006, the fair value of warrants was estimated using the Black-Scholes model with the following assumptions:

Risk-free interest rate	4.08%
Expected volatility	57%
Dividend yield	0%
Expected weighted average life of each warrant granted	18 months
Weighted average fair value of each warrant granted	\$0.256

### **Stock options**

On May 1, 2006, the company granted 150,000 stock options at an exercise price of \$0.60. These stock options will generate aggregate stock-based compensation costs of \$80,704 over their vesting period. Those costs will be amortized on a straight-line basis over their vesting period of three years.

On October 3, 2006, the company granted 300,000 stock options at an exercise price of \$0.92. These stock options will generate aggregate stock-based compensation costs of \$150,732 over their vesting period. Those costs will be amortized on a straight-line basis over their vesting period of three years.

For the six-month period ended October 31, 2006, the fair value of stock options granted was estimated using the Black-Scholes options pricing model with the following assumptions:

Risk-free interest rate	3.89%
Expected volatility	60%
Dividend yield	0%
Expected weighted average life of each option granted	5 years
Weighted average fair value of each option granted	\$0.502

The following table presents information about stock options outstanding for the six-month period ended October 31, 2006:

	Number	Carrying value \$	Weighted average exercise price \$
Outstanding – Beginning of period	1,825,000	176,285	0.40
Granted	450,000	-	0.81
Exercised	(301,000)	(27,343)	0.40
Compensation costs for the period	-	176,493	-
	<hr/>		
Outstanding – End of period	1,974,000	325,435	0.49

The following table summarizes information about outstanding and exercisable stock options as at October 31, 2006:

Exercise price	<u>Options outstanding</u>		<u>Options exercisable</u>	
	Number	Weighted average remaining contractual life (years)	Number	Weighted average remaining contractual life (years)
\$0.40	1,524,000	3.50	1,049,000	3.50
\$0.60	150,000	2.50	50,000	2.50
\$0.92	300,000	4.92	100,000	4.92
	<hr/>			
	1,974,000	3.64	1,199,000	3.17

## 7 Statements of cash flows

### (a) Change in non-cash working capital items

	Three Months Ended October 31,		Six Months Ended October 31,	
	2006 \$	2005 \$	2006 \$	2005 \$
Accounts receivable	(2,112,119)	(2,175,490)	(2,237,109)	(2,403,617)
Inventories	(302,745)	(75,886)	(453,450)	(2,209,414)
Prepaid expenses	46,273	205,080	186,120	(24,933)
Accounts payable and accrued liabilities	3,045,964	292,326	1,147,015	2,067,397
Deferred revenues	149,317	-	181,177	-
Income taxes	278,142	125,896	151,688	(980)
	1,104,832	(1,628,074)	(1,024,559)	(2,571,547)

### (b) Items not affecting cash related to financing and investing activities

	Three Months Ended October 31,		Six Months Ended October 31,	
	2006 \$	2005 \$	2006 \$	2005 \$
Conversion of a debenture into shareholders' equity	150,000	64,000	1,150,000	64,000
Issuance of warrants in settlement of issue expenses	-	-	292,107	-
Issuance of common shares in settlement of accounts payable	-	-	10,233	-

### (c) Additional information

	Three Months Ended October 31,		Six Months Ended October 31,	
	2006 \$	2005 \$	2006 \$	2005 \$
Interest paid	520,056	73,425	742,213	121,450
Income taxes paid	207,502	134,586	332,172	261,462

## 8 Earnings per share

The following table summarizes the basic and potentially dilutive weighted average number of common shares outstanding used in the basic and diluted net earnings per share calculations:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2006	2005	2006	2005
Basic weighted average number of shares outstanding	34,059,387	17,506,358	33,073,694	16,874,746
Diluted weighted average number of shares outstanding	36,128,103	17,506,358	35,058,585	16,874,746

Furthermore, the following table presents the items excluded from the calculation of diluted earnings per share for the three-month and six-month periods ended October 31, 2006 and 2005 because the exercise price was greater than the average market price of the common shares:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2006	2005	2006	2005
Weighted average number of stock options at exercise prices varying from \$0.40 to \$0.92	300,000	2,136,286	300,000	2,136,286
Weighted average number of warrants at exercise prices varying from \$0.40 to \$0.75	-	818,750	-	818,750
Weighted average number of common shares for the convertible debenture at a minimum exercise price of \$0.40	-	1,875,000	-	1,875,000

## 9 Segment information

The company is organized under four operating segments. All of the long-lived assets are located in Canada.

	<b>Three Months Ended October 31,</b>		<b>Six Months Ended October 31,</b>	
	<b>2006</b> \$	<b>2005</b> \$	<b>2006</b> \$	<b>2005</b> \$
<b>Sales by operating segment</b>				
Transportation	19,142,662	16,412	26,324,719	16,412
Snow removal products	3,877,186	3,331,816	5,821,965	3,925,569
Agriculture products	1,814,627	664,038	3,423,921	1,052,102
Light forestry products	415,321	221,254	823,814	228,881
Others	1,054,082	412,692	1,473,834	709,071
	<u>26,303,878</u>	<u>4,646,212</u>	<u>37,868,253</u>	<u>5,932,035</u>

The following sales have been allocated to geographic regions based on the country of residence of the related customers.

	<b>Three Months Ended October 31,</b>		<b>Six Months Ended October 31,</b>	
	<b>2006</b> \$	<b>2005</b> \$	<b>2006</b> \$	<b>2005</b> \$
<b>Sales by geographic region</b>				
United States	19,078,622	1,727,990	26,442,812	2,014,190
Canada	6,509,784	2,892,137	10,016,164	3,865,675
Asia	253,141	-	539,070	-
South America	349,046	-	534,054	-
Europe	69,371	26,085	171,623	52,170
Australia	24,095	-	144,711	-
Others	19,819	-	19,819	-
	<u>26,303,878</u>	<u>4,646,212</u>	<u>37,868,253</u>	<u>5,932,035</u>

For the six-month period ended October 31, 2006, one customer represents 49.2% of the company's total sales (nil for the same period in 2005) and 32.9% of the latter's total accounts receivable (nil as at April 30, 2006).