

**SIGMA VENTURES INC.**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED APRIL 30, 2006 AND 2005**

**SIGMA VENTURES INC.**

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## AUDITORS' REPORT

To the Shareholders of  
**Sigma Ventures Inc.**

We have audited the consolidated balance sheets of **Sigma Ventures Inc.** as at April 30, 2006 and 2005 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Demers Beaulne, LLP*

Chartered Accountants

Montreal, June 22, 2006 (except for Note 22 dated August 16, 2006)

SIGMA VENTURES INC.

CONSOLIDATED STATEMENTS OF EARNINGS  
FOR THE YEARS ENDED APRIL 30, 2006 AND 2005

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	2006	2005
<b>SALES</b>	<b>\$ 14,695,424</b>	<b>\$ 9,348,438</b>
<b>COST OF SALES AND OPERATING EXPENSES</b>	<u>13,557,927</u>	<u>7,545,361</u>
	<u>1,137,497</u>	<u>1,803,077</u>
<b>OTHER ELEMENTS</b>		
Interest on long-term debt	247,806	173,288
Other interest and bank charges	125,149	60,704
Stock-based compensation	139,950	-
Depreciation of fixed assets	171,144	135,983
Amortization of deferred charges	59,022	46,092
Amortization of intangible assets	10,804	2,901
Gain on disposal of fixed assets	(8,658)	(1,259)
Loss (gain) on foreign exchange	<u>31,902</u>	<u>(42,777)</u>
	<u>777,119</u>	<u>374,932</u>
<b>EARNINGS BEFORE INCOME TAXES</b>	<u>360,378</u>	<u>1,428,145</u>
<b>INCOME TAXES</b> (Note 18)		
Current	238,243	469,007
Future	<u>(83,658)</u>	<u>(53,789)</u>
	<u>154,585</u>	<u>415,218</u>
<b>NET EARNINGS</b>	<u>\$ 205,793</u>	<u>\$ 1,012,927</u>
<b>EARNINGS PER SHARE</b> (Note 14)		
Basic	\$ 0.01	\$ 0.06
Diluted	0.01	0.06

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

SIGMA VENTURES INC.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS  
FOR THE YEARS ENDED APRIL 30, 2006 AND 2005

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	2006	2005
<b>BALANCE - BEGINNING OF YEAR</b>	\$ 1,008,420	\$ -
Net earnings	<u>205,793</u>	<u>1,012,927</u>
	<u>1,214,213</u>	<u>1,012,927</u>
Shareholders' deficiency of the acquiree upon the reverse takeover (Note 4)	(70,760)	-
Expenses related to the reverse takeover (Note 4)	169,098	-
Interest on convertible debentures	<u>23,036</u>	<u>4,507</u>
	<u>121,374</u>	<u>4,507</u>
<b>BALANCE - END OF YEAR</b>	<u>\$ 1,092,839</u>	<u>\$ 1,008,420</u>

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

SIGMA VENTURES INC.

CONSOLIDATED BALANCE SHEETS  
AS AT APRIL 30, 2006 AND 2005

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	2006	2005
<b>CURRENT ASSETS</b>		
Cash	\$ 215,025	\$ 721,820
Marketable securities, at cost (market value of \$129,780)	61,800	-
Accounts receivable (Note 6)	3,806,550	1,278,885
Income taxes refundable	310,888	20,516
Inventories (Note 7)	5,451,695	1,309,672
Prepaid expenses and deposit	<u>215,867</u>	<u>48,676</u>
	<b>10,061,825</b>	<b>3,379,569</b>
<b>FIXED ASSETS</b> (Note 8)	<b>6,103,195</b>	<b>561,051</b>
<b>DEFERRED CHARGES</b> (net of accumulated amortization of \$105,114; \$46,092 in 2005)	303,500	184,370
<b>GOODWILL</b>	1,650,256	1,561,736
<b>INTANGIBLE ASSETS</b> (Note 9)	76,446	8,702
<b>FUTURE INCOME TAX ASSETS</b> (Note 18)	<u>91,720</u>	<u>35,510</u>
	<b>\$ 18,286,942</b>	<b>\$ 5,730,938</b>
<b>CURRENT LIABILITIES</b>		
Bank indebtedness (Note 10)	\$ 1,890,695	\$ -
Accounts payable and accrued liabilities (Note 11)	2,952,679	1,442,605
Income taxes payable	54,484	-
Current portion of long-term debt	<u>2,651,440</u>	<u>811,484</u>
	<b>7,549,298</b>	<b>2,254,089</b>
<b>LONG-TERM DEBT</b> (Note 12)	<b>5,576,936</b>	<b>1,727,812</b>
<b>FUTURE INCOME TAX LIABILITIES</b> (Note 18)	<u>1,101,389</u>	<u>8,421</u>
	<b>14,227,623</b>	<b>3,990,322</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 13)	1,790,195	668,196
Stock options (Note 13)	176,285	-
Convertible debentures (Notes 15 and 22 a)	1,000,000	64,000
Retained earnings	<u>1,092,839</u>	<u>1,008,420</u>
	<b>4,059,319</b>	<b>1,740,616</b>
	<b>\$ 18,286,942</b>	<b>\$ 5,730,938</b>
<b>Contingent liabilities</b> (Note 20)		
<b>Subsequent events</b> (Note 22)		

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

APPROVED BY THE BOARD

(S) Denis Bertrand  
\_\_\_\_\_, Director

(S) Bruno Doyon  
\_\_\_\_\_, Director

## SIGMA VENTURES INC.

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED APRIL 30, 2006 AND 2005**

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	2006	2005
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 205,793	\$ 1,012,927
Items not affecting cash:		
Stock-based compensation expense	139,950	-
Depreciation of fixed assets	171,144	135,983
Amortization of intangible assets	10,804	2,901
Amortization of deferred charges	59,022	46,092
Gain on disposal of fixed assets	(8,658)	(1,259)
Future income taxes	<u>(83,658)</u>	<u>(53,789)</u>
	494,397	1,142,855
Change in non-cash operating working capital items (Note 16 a)	<u>(2,292,051)</u>	<u>372,328</u>
	<u>(1,797,654)</u>	<u>1,515,183</u>
<b>FINANCING ACTIVITIES</b>		
Net changes in bank indebtedness	1,890,695	-
Proceeds of long-term debt	8,200,000	2,544,729
Repayment of long-term debt	(3,383,039)	(5,433)
Issuance of capital stock, net of share issue expenses	1,057,999	249,232
Issuance of a convertible debenture	1,000,000	64,000
Interest on convertible debentures	(23,036)	(4,507)
Shareholders' deficiency of the acquiree upon the reverse takeover	70,760	-
Expenses related to the reverse takeover	<u>(132,763)</u>	<u>-</u>
	<u>8,680,616</u>	<u>2,848,021</u>
<b>INVESTING ACTIVITIES</b>		
Additions to marketable securities	(61,800)	-
Additions to fixed assets	(339,409)	(218,339)
Proceeds on disposal of fixed assets	41,091	5,000
Additions to intangible assets	(62,213)	(11,603)
Additions to deferred charges	(178,152)	(230,462)
Business acquisitions, net of cash acquired, bank loan and bank indebtedness (Note 5)	<u>(6,789,274)</u>	<u>(3,185,980)</u>
	<u>(7,389,757)</u>	<u>(3,641,384)</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>(506,795)</b>	<b>721,820</b>
<b>CASH - BEGINNING OF YEAR</b>	<u><b>721,820</b></u>	<u><b>-</b></u>
<b>CASH - END OF YEAR</b>	<u><u><b>\$ 215,025</b></u></u>	<u><u><b>\$ 721,820</b></u></u>

Supplementary information (Note 16 b)

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

## 1. INCORPORATION AND NATURE OF BUSINESS ACTIVITIES

The Company, incorporated under the Alberta Business Corporations Act on September 5, 2001, is a consolidator of manufacturing businesses in the sector of plastic composite technology and the manufacturing of metal components that services the windmill energy, agriculture, industrial trucks, public transit and snow removal equipment industries.

## 2. ACCOUNTING POLICIES

### *BASIS OF CONSOLIDATION*

The consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries; 6172407 Canada Inc., 6531245 Canada Inc. and J.M.S. Trailers Inc.

### *USE OF ESTIMATES*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses for the period. Actual results could differ from those estimates.

### *FOREIGN CURRENCY TRANSLATION*

Monetary items on the balance sheet are translated at the exchange rates in effect at the balance sheet date. Non-monetary items, as well as the related depreciation and amortization, are translated at the historical rates. Revenues and expenses are translated at the rates of exchange in effect on the transaction date or at the average exchange rates for the period. Gains or losses resulting from the translation are included in net earnings.

### *INVENTORIES*

Raw materials are valued at the lower of cost and replacement cost. Work in progress and finished goods are valued at the lower of cost and net realizable value. Costs are determined using the first-in, first-out method.

### *FIXED ASSETS*

Fixed assets are recorded at cost, less related accumulated depreciation. Depreciation is calculated on the declining balance at the following rates:

Buildings	5%
Machinery and equipment	10% and 15%
Automotive equipment	30%
Computer equipment	30%

### *DEFERRED CHARGES*

Deferred charges consist of financing expenses and are amortized on a straight-line basis over the term of the loans.

2. ACCOUNTING POLICIES (Continued)

*GOODWILL*

Goodwill represents the excess of the acquisition cost of companies over the estimated fair value of the identifiable net assets acquired and is not amortized. However, it must be tested for impairment annually or more frequently if events or circumstances occur that more likely than not would reduce the fair value of a reporting unit below its carrying value. Goodwill impairment can exist when the carrying value of the reporting unit exceeds its fair value. The fair value of a reporting unit is determined based on the discounted future cash flows. The amount of impairment loss, if any, represents the excess of the carrying value of goodwill over its fair value. This loss will be charged to earnings in the period in which it is incurred. As at April 30, 2006 and 2005, the Company has performed an impairment test and no write-down was necessary.

*INTANGIBLE ASSETS*

Intangible assets are recorded at cost. Patents are amortized on a straight-line basis over a period of 7 to 16 years and softwares are amortized using the declining balance method at a rate of 30%.

*IMPAIRMENT OF LONG-LIVED ASSETS*

Long-lived assets are reviewed for impairment when events or circumstances indicate that the carrying value may not be recoverable. Impairment exists when the carrying value of the asset is greater than the undiscounted future cash flows expected to be provided by the asset. The amount of impairment loss, if any, is the excess of the carrying value over its fair value. As at April 30, 2006 and 2005, no impairment loss has been recognized for these long-lived assets.

*REVENUE RECOGNITION*

Revenues from the sale of products are recognized upon passage of title to the customer, which generally coincides with shipment of the products.

*INCOME TAXES*

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined according to differences between the carrying amount and tax bases of assets and liabilities. Changes in the net future income tax assets or liabilities are included in earnings. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply in the years in which the differences are expected to reverse.

The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

*RESEARCH AND DEVELOPMENT*

Research costs are expensed in the year in which they are incurred. Development costs are also expensed unless they are significant and meet generally accepted criteria for deferral. These costs are reduced by investment tax credits in the year in which they are incurred, provided there is reasonable assurance that such benefits will be realized.

2. ACCOUNTING POLICIES (Continued)

*STOCK-BASED COMPENSATION PLAN*

The Company recognizes stock-based compensation cost and other stock-based payments in its earnings based on the fair value method for stock options granted during the year. The Black & Scholes model is used to determine the fair value on the date of grant. The compensation cost is recognized over the vesting period.

*EARNINGS PER SHARE*

Earnings per share are calculated based on the weighted average number of common shares outstanding during the year. Diluted net earnings per share are calculated based on the weighted average number of common shares outstanding during the year, plus the effects of dilutive common share equivalents such as options. This method requires that diluted net earnings per share be calculated using the treasury stock method, as if all dilutive potential common share equivalents had been exercised at the beginning of the reporting period, or period of issuance, as the case may be, and that the funds obtained thereby be used to purchase common shares of the Company at the average market value of the participating share during the year.

3. CHANGE IN ACCOUNTING ESTIMATE

As at May 1st, 2005, the Company reviewed the useful life of its fixed assets and intangible assets according to new estimates of the useful life. This change in estimate has been accounted for prospectively since May 1st, 2005, with no restatement of prior period amounts. The impact of this change in estimate resulted in a decrease of depreciation and amortization expenses for the year ended April 30, 2006 of \$103,383.

4. REVERSE TAKEOVER

On October 7, 2005, the Company acquired all of the outstanding capital stock of 6172407 Canada Inc. This acquisition has been accounted for as a reverse takeover that does not constitute a business combination. The shareholders' deficiency of the acquiree, amounting to \$70,760, was presented in the consolidated statement of retained earnings. Under the terms of the agreement, the Company issued 17,900,833 common shares, 1,425,000 stock options and 718,750 warrants in exchange for all the issued shares and warrants of 6172407 Canada Inc. This resulted in the former shareholders of 6172407 Canada Inc. obtaining control of the Company. The costs incurred to execute the reverse takeover amounted to \$169,098, including an amount of \$36,335 attributable to the fair value of 400,000 options issued to the broker. For accounting purposes, 6172407 Canada Inc. was treated as the acquirer and the Company, the acquiree.

Sigma Ventures Inc.'s results of operations have been included in these consolidated financial statements since the date of acquisition, being October 7, 2005. Sigma Ventures Inc.'s financial statements present the continuity of 6172407 Canada Inc. The historic capital stock of the legal parent company prior to the reverse takeover has been retroactively restated for the number of shares received in the reverse takeover transaction. Earnings per share calculations of the legal parent company also give effect to the reverse takeover transaction for the prior year presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED APRIL 30, 2006 AND 2005

## 5. BUSINESS ACQUISITIONS

During the year, the Company acquired 100% of voting shares of two companies: J.M.S. Trailers Inc. on October 7, 2005 and Faroex Ltd. on March 15, 2006. For the year 2005, the Company acquired 100% of voting shares of P.N.S. Cast Iron Ltd. as of May 1, 2004. These acquisitions were recorded according to the purchase method. The shares of earnings of these companies were included in the statement of earnings from the acquisition dates.

Compensation paid and the fair market value of the net assets acquired are detailed as follows:

	2006		2005
	Faroex Ltd. <sup>(1)</sup>	J.M.S. Trailers Inc.	P.N.S. Cast Iron Ltd.
<b>ASSETS ACQUIRED</b>			
Cash	\$ 332,313	\$ -	\$ 1,438,593
Accounts receivable	1,461,803	235,139	1,445,024
Inventories	2,464,572	551,666	1,136,066
Prepaid expenses and deposit	65,185	5,480	-
Fixed assets	5,018,552	387,760	473,734
Goodwill <sup>(2)</sup>	-	88,520	1,561,736
Intangible assets	16,335	-	8,702
Other assets	-	6,735	-
	<u>9,358,760</u>	<u>1,275,300</u>	<u>6,063,855</u>
<b>LIABILITIES ASSUMED</b>			
Bank indebtedness	-	1,998	-
Bank loan	-	220,000	-
Accounts payable and accrued liabilities	932,908	279,606	807,618
Income taxes payable	307,424	-	-
Future income tax liabilities	1,107,095	13,321	26,700
Advances from shareholders	628,156	-	-
Long-term debt	-	243,963	-
	<u>2,975,583</u>	<u>758,888</u>	<u>834,318</u>
<b>NET IDENTIFIABLE ASSETS ACQUIRED</b>	<u>\$ 6,383,177</u>	<u>\$ 516,412</u>	<u>\$ 5,229,537</u>
<b>PURCHASE PRICE</b>			
Cash	\$ 6,220,408	\$ 500,000	\$ 4,581,040
Issuance of shares	-	-	418,964
Promissory note payable	-	-	186,000
Acquisition costs	162,769	16,412	43,533
	<u>6,383,177</u>	<u>516,412</u>	<u>5,229,537</u>
Repayment of advances from shareholders	628,156	-	-
	<u>\$ 7,011,333</u>	<u>\$ 516,412</u>	<u>\$ 5,229,537</u>

(1) The purchase price allocation of Faroex Ltd. is subject to modification in the next quarterly reports.

(2) The goodwill is not deductible for tax purposes.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED APRIL 30, 2006 AND 2005**

**5. BUSINESS ACQUISITIONS (Continued)**

The Company has entered into a credit agreement with a bank in order to finance the cash component of the transactions (see Notes 10 and 12). The amount paid out in respect of the acquisition of Faroex Ltd. also included convertible debentures totalling \$1,500,000.

**6. ACCOUNTS RECEIVABLE**

	<u>2006</u>	<u>2005</u>
Trade accounts receivable	\$ 3,806,550	\$ 1,214,885
Other receivables	<u>-</u>	<u>64,000</u>
	<u>\$ 3,806,550</u>	<u>\$ 1,278,885</u>

**7. INVENTORIES**

	<u>2006</u>	<u>2005</u>
Raw materials	\$ 2,449,695	\$ 925,896
Work in progress and finished goods	<u>3,002,000</u>	<u>383,776</u>
	<u>\$ 5,451,695</u>	<u>\$ 1,309,672</u>

**8. FIXED ASSETS**

	<u>2006</u>		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net amount</u>
Land	\$ 195,789	\$ -	\$ 195,789
Buildings	2,086,540	45,785	2,040,755
Machinery and equipment	2,683,944	179,267	2,504,677
Automotive equipment	1,260,187	24,639	1,235,548
Computer equipment	<u>150,225</u>	<u>23,799</u>	<u>126,426</u>
	<u>\$ 6,376,685</u>	<u>\$ 273,490</u>	<u>\$ 6,103,195</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED APRIL 30, 2006 AND 2005**

**8. FIXED ASSETS (Continued)**

	2005		
	Cost	Accumulated depreciation	Net amount
Land	\$ 28,350	\$ -	\$ 28,350
Building	204,625	18,919	185,706
Machinery and equipment	336,611	90,177	246,434
Automotive equipment	98,190	18,105	80,085
Computer equipment	<u>29,259</u>	<u>8,783</u>	<u>20,476</u>
	<u>\$ 697,035</u>	<u>\$ 135,984</u>	<u>\$ 561,051</u>

**9. INTANGIBLE ASSETS**

	2006		
	Cost	Accumulated amortization	Net amount
Patents	\$ 28,047	\$ 1,474	\$ 26,573
Softwares	<u>62,104</u>	<u>12,231</u>	<u>49,873</u>
	<u>\$ 90,151</u>	<u>\$ 13,705</u>	<u>\$ 76,446</u>

	2005		
	Cost	Accumulated amortization	Net amount
Softwares	<u>\$ 11,602</u>	<u>\$ 2,900</u>	<u>\$ 8,702</u>

**10. BANK INDEBTEDNESS**

The Company has an authorized line of credit of \$3,250,000, bearing interest at the bank's prime rate plus 0.75%, secured by the inventories, accounts receivable and by a hypothec on all present and future tangible and intangible assets, renewable on June 30, 2007.

The loan agreement contains certain covenants including provisions relating to the maintenance of certain financial ratios. As at April 30, 2006, certain covenants are in default. However, subsequent to the year-end, the Company negotiated new credit facilities as described in Note 22 d.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED APRIL 30, 2006 AND 2005

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2006</u>	<u>2005</u>
Trade accounts payable and accrued liabilities	\$ 2,917,179	\$ 1,341,605
Promissory note payable, bearing interest at 8%	<u>35,500</u>	<u>101,000</u>
	<u>\$ 2,952,679</u>	<u>\$ 1,442,605</u>

12. LONG-TERM DEBT

	<u>2006</u>	<u>2005</u>
Loans bearing interest at 4.9% and 6.98%, maturing in June 2006 and February 2010, secured by the automotive equipment	\$ 28,376	\$ 39,296
Bank loan bearing interest at the bank's prime rate plus 3%, secured by the inventories, accounts receivable and by a hypothec on all present and future tangible and intangible assets, repayable in June 2006 <sup>(1)</sup>	1,750,000	-
Bank loan bearing interest at the bank's prime rate plus 1%, secured by the inventories, accounts receivable and by a hypothec on all present and future tangible and intangible assets, repayable in monthly installments of \$67,857, maturing in March 2012 <sup>(1)</sup>	5,700,000	-
Convertible debenture, bearing interest at the rate of 9%, maturing in September 2011, repayable in semi-annual installments of \$75,000, plus interest, commencing in March 2007, secured by a universal hypothec on all assets of a subsidiary. This debenture is convertible at the option of its holder or the Company into common shares, at a conversion price stipulated in the agreement. The Company issued 100,000 warrants to the holder and each warrant entitles the holder to purchase common shares of the Company at a price of \$0.40 per share	750,000	-
Loans reimbursed during the year	<u>-</u>	<u>2,500,000</u>
	8,228,376	2,539,296
Current portion of long-term debt	<u>2,651,440</u>	<u>811,484</u>
	<u>\$ 5,576,936</u>	<u>\$ 1,727,812</u>

<sup>(1)</sup> These loan agreements contain certain covenants including provisions relating to the maintenance of certain financial ratios. As at April 30, 2006, certain covenants are in default. However, subsequent to the year-end, the Company negotiated new credit facilities as described in Note 22 d.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED APRIL 30, 2006 AND 2005

12. LONG-TERM DEBT (Continued)

Principal payments on long-term debt for the next five years are as follows:

2007	\$	2,651,440
2008		970,448
2009		969,614
2010		969,018
2011		964,286

13. CAPITAL STOCK

Authorized, an unlimited number and without par value:

Common shares, voting, participating, non-cumulative dividends at such rate that may be determined by the Directors;

Preferred shares with rights and restrictions fixed by the board of Directors upon issuance.

Issued and outstanding:

	Common shares	
	#	\$
Balance - April 30, 2004	-	-
Issuance for cash and investments	<u>16,250,000</u>	<u>668,196</u>
Balance - April 30, 2005	16,250,000	668,196
Conversion of a convertible debenture (Note 15)	213,333	64,000
Issuance for cash	1,437,500	575,000
Share issue expenses	-	(48,602)
Shares of Sigma Ventures Inc. prior to the reverse takeover	3,112,855	-
Conversion of a convertible debenture <sup>(1)</sup>	851,567	510,849
Stock options exercised	<u>103,762</u>	<u>20,752</u>
Balance - April 30, 2006	<u>21,969,017</u>	<u>1,790,195</u>

<sup>(1)</sup> During the year, the Company issued a convertible debenture in the amount of \$500,000, bearing interest at 18%. This debenture, including the accrued interest for an amount of \$10,849, was converted into 851,567 common shares. Warrants were also granted to the debenture holder as described in Note 22 c.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED APRIL 30, 2006 AND 2005

13. CAPITAL STOCK (Continued)

Stock option plan

The Company has a stock option plan in order to grant stock options to officers, directors, employees and consultants providing ongoing services to the Company. Under the terms of the plan, which is administered by the Board of Directors, these options, except for those granted to the sponsor of the qualifying transaction which are fully exercisable on the date of grant, vest over a period of three years and expire after a period of 18 months to 60 months. The maximum number of common shares that can be issued under the plan is limited to 10% of the issued and outstanding common shares.

The following table summarizes information about outstanding stock options for the years ended April 30, 2006 and 2005:

	2006			2005		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Options outstanding - beginning of year	311,286	-	0.20	-	-	-
Granted upon reverse takeover (Note 4) <sup>(1)</sup>	1,825,000	-	0.40	-	-	-
Exercised	(103,762)	-	0.20	-	-	-
Cancelled	(207,524)	-	0.20	-	-	-
Granted	-	-	-	311,286	-	0.20
Stock-based compensation for the year	-	176,285	-	-	-	-
Options outstanding - end of year	<u>1,825,000</u>	<u>176,285</u>	<u>0.40</u>	<u>311,286</u>	<u>-</u>	<u>0.20</u>

<sup>(1)</sup> These options will generate aggregate stock-based compensation costs of \$287,558 over their vesting period of up to 60 months. Compensation costs with respect to these options amounted to \$176,285 for the current year, of which \$36,335 was included in the expenses related to the reverse takeover. The fair value for stock options was established at the time of grant using the Black & Scholes model and based on the following assumptions: risk-free interest rate of 4.09%, expected terms varying from 18 months to 60 months, anticipated volatility of 75% and an anticipated 0% dividend yield.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED APRIL 30, 2006 AND 2005**

**13. CAPITAL STOCK (Continued)**

The table below summarizes the information on the stock options outstanding and exercisable as at April 30, 2006.

Exercise price \$	Outstanding options		Exercisable options	
	Number	Weighted average remaining contractual life (months)	Number	Weighted average remaining contractual life (months)
0.40	1,825,000	41.0	875,000	41.0

**Warrants**

The table below summarizes the information on warrants outstanding and exercisable as at April 30, 2006.

	Number	Weighted average exercise price	Weighted average remaining period (months)
		\$	
Warrants at beginning of year	-	-	-
Granted upon reverse takeover (Note 4)	718,750	0.75	10.8
Granted	100,000	0.40	10.8
Warrants at end of year	818,750	0.71	10.8

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED APRIL 30, 2006 AND 2005**

**14. EARNINGS PER SHARE**

Basic and diluted earnings per share were computed as follows:

	<u>2006</u>	<u>2005</u>
Weighted average number of shares to compute basic earnings per share	18,942,955	16,250,000
Dilutive effect on a convertible debenture	38,419	213,333
Dilutive effect under stock options and warrants	<u>290,609</u>	<u>-</u>
Weighted average number of shares to compute diluted earnings per share	<u>19,271,983</u>	<u>16,463,333</u>

As at April 30, 2006, the convertible debenture of \$1,000,000 has been excluded from the computation of diluted earnings per share because the conversion price is higher than the average market value of the participating shares during the year.

**15. CONVERTIBLE DEBENTURES**

In 2005, the Company issued a convertible debenture amounting to \$64,000, bearing interest at prime rate plus 3%. This debenture was converted into 213,333 common shares for an amount of \$64,000 in 2006.

During the year, the Company issued a convertible debenture amounting to \$1,000,000, bearing interest at 8%, convertible into common shares at a price of \$0.60 per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED APRIL 30, 2006 AND 2005

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16. ADDITIONAL DISCLOSURE ON THE STATEMENT OF CASH FLOWS

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

	<u>2006</u>	<u>2005</u>
Accounts receivable	\$ (830,723)	\$ 166,139
Income taxes refundable	(290,372)	(20,516)
Inventories	(1,125,785)	(173,606)
Prepaid expenses and deposit	(96,526)	(48,676)
Other assets	6,735	-
Accounts payable and accrued liabilities	297,560	448,987
Income taxes payable	<u>(252,940)</u>	<u>-</u>
	<u>\$ (2,292,051)</u>	<u>\$ 372,328</u>

## b) Supplementary information

	<u>2006</u>	<u>2005</u>
Interest paid	\$ 394,036	\$ 129,699
Income taxes paid	474,131	538,675

## 17. RELATED PARTY TRANSACTIONS

During the year, management fees paid to a director of the Company amounted to \$49,855 (\$16,668 in 2005). These related party transactions were carried out in the normal course of business and are accounted for at exchange value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED APRIL 30, 2006 AND 2005

**18. INCOME TAXES**

The reconciliation between the Company's statutory and effective income tax rates on earnings is as follows:

	<u>2006</u>	<u>2005</u>
Income taxes based on the statutory tax rate of 28% (30% in 2005)	\$ 100,905	\$ 428,443
Non-deductible stock-based compensation expense	39,186	-
Other items	<u>14,494</u>	<u>(13,225)</u>
Provision for income taxes	<u>\$ 154,585</u>	<u>\$ 415,218</u>

The tax effects of temporary differences and net operating losses that give rise to future income tax assets and liabilities are as follows:

**Future income tax assets**

Net operating losses carried forward	\$ 305,073	\$ 35,510
Share issue costs	56,100	3,035
Fixed assets	(1,158,340)	(11,456)
Other items	<u>5,080</u>	<u>-</u>
Total future income tax assets (liabilities)	(792,087)	27,089
Valuation allowance	<u>(217,582)</u>	<u>-</u>
Net future income tax assets (liabilities)	<u>\$ (1,009,669)</u>	<u>\$ 27,089</u>
Future income tax assets	<u>\$ 91,720</u>	<u>\$ 35,510</u>
Future income tax liabilities	<u>\$ (1,101,389)</u>	<u>\$ (8,421)</u>

The Company has available losses which can be carried forward against future years' taxable income. These losses are as follows:

2008	\$ 4,000
2009	31,000
2013	27,000
2014	149,000
2015	129,000
2025	300,000
2026	362,000

**19. FINANCIAL INSTRUMENTS*****CREDIT RISK***

The Company does not have a significant exposure to any individual customer or counterparty. The Company reviews new customers' credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established when accounts are determined to be uncollectible. Allowance for doubtful accounts amounted to \$32,621 and \$6,180 as at April 30, 2006 and 2005, respectively.

***FOREIGN CURRENCY RISK***

A significant part of the Company's revenues is denominated in US dollars. Consequently, certain assets and revenues are exposed to currency fluctuations.

***FAIR VALUE***

The fair value of all financial assets and liabilities are approximately equal to their carrying values, except for the marketable securities for which the fair value is \$129,780.

***INTEREST RATE RISK***

The Company's exposure to interest rate risk is as follows:

Cash	Variable interest rate
Marketable securities	Non-interest-bearing
Accounts receivable	Non-interest-bearing
Bank indebtedness	As described in Note 10
Accounts payable and accrued liabilities	Non-interest-bearing and bearing interest at 8%
Long-term debt	As described in Note 12
Convertible debenture	As described in Note 15

**20. CONTINGENT LIABILITIES**

- a) As at April 30, 2006, a claim amounting to \$117,300 was filed against a subsidiary for unpaid invoices. It is premature at this time to determine the outcome of this matter but, in the opinion of management, this claim is without substantial merit.
- b) As at April 30, 2006, the inventory value of a subsidiary is higher than the insurance coverage for an approximate amount of \$200,000. Consequently, the subsidiary is exposed to significant risks and any loss resulting from a claim will be charged to earnings in the year in which the claim will be payable.

**21. SEGMENT INFORMATION**

The Company is organised under four operating segments. These segments are as follows:

**Revenues by operating segment**

	<u>2006</u>	<u>2005</u>
Light forestry product	\$ 828,311	\$ 34,275
Agriculture product	2,160,857	1,592,149
Transportation	622,810	-
Snow removal products	9,504,609	6,962,673
Other	<u>1,578,837</u>	<u>759,341</u>
	<u>\$ 14,695,424</u>	<u>\$ 9,348,438</u>

**Revenues by geographic region**

Canada	\$ 10,118,826	\$ 8,423,289
United States	4,120,476	902,493
Europe	<u>456,122</u>	<u>22,656</u>
	<u>\$ 14,695,424</u>	<u>\$ 9,348,438</u>

Revenues have been allocated to geographic regions based on the country of residence of the related customers.

**22. SUBSEQUENT EVENTS**

## a) Conversion of debentures

- i) On May 5, 2006, the Company converted the convertible debenture of \$1,000,000 issued on March 15, 2006 into 1,681,079 common shares of its capital stock including 14,412 common shares for the accrued interest.
- ii) On August 16, 2006, the Company converted a portion of \$150,000 of a \$750,000 convertible debenture into 180,462 common shares of its capital stock.

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22. SUBSEQUENT EVENTS (Continued)

b) Issuance of common shares and warrants

On May 15, 2006, the Company entered into an agreement for a brokered private placement for a gross amount of \$6,000,000 at a price of \$0.60 per unit. Each unit is composed of one common share and one-half warrant for the Company's share capital. The Company issued 9,999,967 common shares and 4,999,991 warrants. Each whole warrant entitles its holder to subscribe for one common share of the Company at a price of \$0.85 per share for a period of 18 months following the issue.

As partial remuneration, the Company issued to each of its two syndicate of agents 398,666 warrants. Each warrant entitles its holder to purchase one common share of the Company at a price of \$0.60 per share for a period of 18 months following the issue.

c) Issuance of warrants

On May 15, 2006, as a result of the closing of the \$6,000,000 private placement, the Company issued 416,667 warrants to a debenture holder. Each warrant entitles its holder to purchase one common share of the Company at a price of \$0.85 per share for a period of 18 months following the issue.

d) Credit facilities

On June 22, 2006, the Company renegotiated its bank's facilities. The agreement provides for long-term debt of \$14,700,000 and \$5,000,000 bearing interest at prime rate plus 0.60% and 4.00% respectively, a \$10,000,000 operating line of credit bearing interest at prime rate plus 0.50%, and a \$1,000,000 line of credit for fixed assets bearing interest at prime rate plus 0.60%. These credit facilities are secured by all of the Company's and its subsidiaries' assets. The agreement contains new covenants including provisions relating to the maintenance of certain financial ratios.

e) Business acquisition

On June 28, 2006, the Company acquired René Composite Materials Ltd. for an amount of \$22,047,868. This transaction was financed with the new credit facilities described in Note 22 d.

René Composite Materials Ltd. operates a business manufacturing truck body parts for the Class 8 truck industry.

f) Stock options

Subsequent to the year-end, the Company granted 150,000 stock options at a price of \$0.60 per share. Also, 201,000 stock options were converted into common shares at a price of \$0.40 per share.