

Sigma Industries Inc.

Interim Consolidated Financial Statements
(Unaudited)
January 24, 2009

Notice from management:

The interim consolidated financial statements which are included in this report have not been subject to a review by the company's external auditors

Sigma Industries Inc.

Interim Consolidated Balance Sheet (unaudited)

	As at January 24, 2009 \$	As at April 26, 2008 \$
Assets		
Current assets		
Cash	862,684	652,993
Short-term investments	3,090	55,620
Accounts receivable	9,354,236	11,813,479
Income taxes receivable	223,986	473,056
Inventories	9,652,459	8,178,156
Derivative foreign currency forward contracts	-	106,988
Prepaid expenses	453,863	872,865
Future income tax assets	168,080	151,848
	<u>20,718,398</u>	<u>22,305,005</u>
Property, plant and equipment (note 10e)	23,076,585	23,174,960
Deferred charges	12,026	48,197
Intangible assets (note 10e)	5,282,549	7,597,478
Future income tax assets (note 10f)	2,514,846	1,423,223
Goodwill (note 10e)	<u>1,650,256</u>	<u>2,486,389</u>
	<u>53,254,660</u>	<u>57,035,252</u>
Liabilities		
Current liabilities		
Bank loans (note 5)	8,045,029	-
Accounts payable and accrued liabilities	10,308,771	10,849,413
Deferred revenues	1,126,915	127,582
Derivative foreign currency forward contracts	418,550	-
Income taxes	1,992,374	2,046,245
Current portion of long-term debt (note 6)	<u>17,571,106</u>	<u>4,968,430</u>
	39,462,745	17,991,670
Long-term debt (note 6)	518,316	14,675,077
Future income tax liabilities	<u>3,387,072</u>	<u>4 055 112</u>
	<u>43,368,133</u>	<u>36,721,589</u>
Shareholders' Equity		
Share capital (note 7)	13,125,309	13,125,309
Stock options (note 7)	347,831	415,508
Warrants (note 7)	2,208,288	2,236,328
Contributed surplus (note 7)	486,724	374,188
Retained earnings (deficit)	(5,496,885)	4,168,312
Accumulated other comprehensive loss	<u>(784,740)</u>	<u>(6,252)</u>
	<u>9,886,527</u>	<u>20,313,393</u>
	<u>53,254,660</u>	<u>57,035,252</u>
Going concern (note 1)		

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 Industries Inc.

Interim Consolidated Statements of Retained Earnings (Deficit), Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss) (unaudited)

Retained Earnings (deficit)	Three Months Ended		Nine Months Ended	
	January 24, 2009	January 26, 2008	January 24, 2009	January 26, 2008
	\$	\$	\$	\$
Retained earnings (deficit) – Beginning of period	(3,531,388)	3,201,029	4,168,312	4,744,152
Adjustment related to the implementation of a new accounting standard	-	-	-	16,305
Deferment of the expiry date of warrants issued as part of the private placement completed in May 2006	-	-	-	(41,707)
Net earnings (net loss) for the period	(1,965,497)	365,098	(9,665,197)	(1,152,623)
Retained earnings (deficit) – End of period	(5,496,885)	3,566,127	(5,496,885)	3,566,127
Comprehensive Income (Loss)	Three Months Ended		Nine Months Ended	
	January 24, 2009	January 26, 2008	January 24, 2009	January 26, 2008
	\$	\$	\$	\$
Net earnings (net loss) for the period	(1,965,497)	365,098	(9,665,197)	(1,152,623)
Unrealized losses on available-for-sale financial assets arising during the period, net of related future income taxes of \$3,342	(7,473)	(16,459)	(36,298)	(59,184)
Translation adjustment of a self-sustaining foreign operation's financial statements	179,328	-	(742,190)	-
Comprehensive income (loss) for the period	(1,793,642)	348,639	(10,443,685)	(1,211,807)
Accumulated Other Comprehensive Loss	Three Months Ended		Nine Months Ended	
	January 24, 2009	January 26, 2008	January 24, 2009	January 26, 2008
	\$	\$	\$	\$
Balance – Beginning of period	(956,595)	1,400	(6,252)	-
Adjustment related to the implementation of a new accounting standard	-	-	-	44,125
Unrealized losses on available-for-sale financial assets arising during the period, net of future income tax benefits of \$3,342	(7,473)	(16,459)	(36,298)	(59,184)
Translation adjustment of a self-sustaining foreign operation's financial statements	179,328	-	(742,190)	-
Balance – End of period	(784,740)	(15,059)	(784,740)	(15,059)

Total retained earnings (deficit) and accumulated other comprehensive loss amount to (\$6,281,625) and \$3,551,068 as at January 24, 2009 and January 26, 2008, respectively.

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

Sigma Industries Inc.

Interim Consolidated Statements of Earnings (unaudited)

	Three Months Ended		Nine Months Ended	
	January 24, 2009 \$	January 26, 2008 \$	January 24, 2009 \$	January 26, 2008 \$
Sales	14,256,559	14,768,640	46,226,222	52,583,378
Cost of sales and operating expenses before the following items (note 10g,11a)	15,160,151	14,321,062	49,877,145	51,582,686
	(903,592)	447,578	(3,650,923)	1,000,692
Financial expenses (note 11a)	403,956	523,346	1,223,628	1,350,132
Depreciation and amortization (note 11a)	847,287	776,092	2,728,618	2,418,841
Restructuring costs (note 9)	123,976	-	560,407	-
Other non-cash charges (note 10e)	-	-	3,495,389	-
Gain on settlement of an insurance claim	-	(1,436,135)	-	(1,436,135)
Foreign exchange loss (gain)	51,437	33,309	(345,818)	267,558
	1,426,656	(103,388)	7,662,224	2,600,396
Earnings (loss) before income taxes (note 11a)	(2,330,248)	550,966	(11,313,147)	(1,599,704)
Income tax expense (recovery)				
Current	(79,400)	722,244	301,198	1,206,744
Future (note 10f)	(285,351)	(536,376)	(1,949,148)	(1,653,825)
	(364,751)	185,868	(1,647,950)	(447,081)
Net earnings (net loss) for the period	(1,965,497)	365,098	(9,665,197)	(1,152,623)
Basic and diluted net earnings (net loss) per share (note 13)	(0.046)	0.009	(0.225)	(0.027)
Weighted average number of shares outstanding (note 13)				
Basic	42,899,095	42,899,095	42,899,095	42,899,095
Diluted	42,899,095	42,899,095	42,899,095	43,228,059
Going concern (note 1)				

(3)

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

Sigma Industries Inc.

Interim Consolidated Statements of Cash Flows (unaudited)

	Three Months Ended		Nine Months Ended	
	January 24, 2009 \$	January 26, 2008 \$	January 24, 2009 \$	January 26, 2008 \$
Cash flows from operating activities				
Net earnings (net loss) for the period	(1,965,497)	365,098	(9,665,197)	(1,152,623)
Items not affecting cash				
Depreciation of property, plant and equipment	548,452	380,803	1,661,623	1,206,907
Amortization of intangible assets	286,778	383,541	1,030,826	1,176,689
Amortization of financing expenses	25,989	38,661	77,968	105,353
Amortization of deferred charges	12,057	11,748	36,169	35,245
Stock-based compensation	908	10,815	16,819	82,102
Loss on disposal of property, plant and equipment	-	8,275	-	18,981
Other non-cash charges (note 10e)	-	-	3,495,389	-
Unrealized exchange loss (gain) on derivative foreign currency forward contracts	(251,024)	72,007	525,538	138,982
Interest capitalized on long-term debt	4,820	14,330	20,541	60,373
Future income taxes	(285,351)	(536,376)	(1,949,148)	(1,653,825)
	(1,622,868)	748,902	(4,749,472)	18,184
Net change in non-cash working capital items (note 11b)	1,907,359	(1,397,559)	1,819,513	1,298,448
	284,491	(648,657)	(2,929,959)	1,316,632
Cash flows from financing activities				
Variation in bank loans	1,500,000	(1,300,000)	8,045,029	(241,273)
Long-term debt contracted	47,500	3,325,000	1,120,473	3,325,000
Payments on long-term debt	(1,405,912)	(650,509)	(3,555,730)	(1,910,699)
Increase in deferred financing expenses	(11,903)	-	(267,314)	-
Equity component issue expenses	-	-	-	(1,640)
	129,685	1,374,491	5,342,458	1,171,388
Cash flows from investing activities				
Decrease in short-term investments	-	-	-	15,434
Additions to property, plant and equipment	(206,441)	(758,325)	(1,708,137)	(2,877,163)
Increase in intangible assets	(9,248)	(5,701)	(48,590)	(20,855)
Proceeds from disposal of property, plant and equipment	-	5,201	-	22,007
	(215,689)	(758,825)	(1,756,727)	(2,860,577)
Effect of foreign exchange rate changes on cash	312,704	-	(446,081)	-
Net change in cash	511,191	(32,991)	209,691	(372,557)
Cash – Beginning of period	351,493	296,883	652,993	636,449
Cash – End of period	862,684	263,892	862,684	263,892
Additional information (note 11c)				

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

Sigma Industries Inc.

Notes to Interim Consolidated Financial Statements (unaudited)

January 24, 2009

1 Statutes, nature of activities and going concern

Sigma Industries Inc. (the "company"), incorporated under the Canada Business Corporations Act, is a composite and metal products manufacturer. The company is active in the growing heavy duty truck, coach, transit and bus, train and subway, machinery, agriculture, light forestry and alternative energy market segments.

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assumes that the company will be able to realize its assets and discharge its liabilities in the normal course of business. Management continues to review the company's revenue generating activities and its expenditure levels to increase net cash flows. Due to losses incurred in the nine-month period ended January 24, 2009, the key financial ratios have not been met. The company is presently discussing with its long-term lenders in order to change the current credit terms. If the company fails to renegotiate these credit terms, it will have to seek additional sources of financing in the form of subordinated debts, convertible debentures or equity. Management believes that these actions make the use of the going concern basis appropriate. If the going concern basis is not appropriate, adjustments might be necessary in the carrying amounts and/or classification of assets, liabilities and expenses in these financial statements.

2 Interim financial information

The financial information as at January 24, 2009 and for the three-month and nine-month periods ended January 24, 2009 and January 26, 2008 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.

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and use the same accounting policies and methods used in the preparation of the company's most recent audited annual consolidated financial statements, except for the new accounting standards as disclosed in note 4. 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.

3 Basis of presentation and consolidation

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and include the accounts of the company and all of its wholly-owned subsidiaries. Intercompany transactions and related balances have been eliminated. As at January 24, 2009, the company's subsidiaries are as follows:

- Sigma US Industries Inc. and its subsidiary Sigma OH Industries Inc.
- René Composites Materials Ltd. and its subsidiary GSC Inc.

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- Transcam Composites Inc.
- Faroex Ltd.
- PNS-Tech Inc.

4 New accounting standards

Accounting changes adopted

On April 27, 2008, the company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

Section 1535, "*Capital Disclosures*", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to determine if the entity has complied with capital requirements and if not, the consequences of such non-compliance.

Section 3031, "*Inventories*", prescribes the accounting treatment for inventories. It provides guidance on the determination of cost and its subsequent recognition as an expense, including any writedown to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

Section 3862, "*Financial Instruments – Disclosures*", describes the required disclosures to evaluate the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

Section 3863, "*Financial Instruments – Presentation*", establishes standards for presentation of financial instruments and non-financial derivatives. It details the presentation of standards described in Section 3861, "*Financial Instruments – Disclosure and Presentation*".

The CICA amended Section 1400 "*General Standards of Financial Statement Presentation*" to include the criteria for determining and presenting an entity's ability to continue as going concern (going concern assumption).

The company has applied these changes prospectively. The implementation of these standards had no impact on the company's financial results.

Future accounting changes

The CICA issued new Section 3064 "*Goodwill and Intangible Assets*", which replaces Section 3062, "*Goodwill and Other Intangible Assets*", and Section 3450, "*Research and Development Costs*", which applies to the company's interim and annual financial statements for the fiscal year beginning on April 26, 2009. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The company has not yet completed its assessment of the impact of the adoption of this new standard on its consolidated financial statements.

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In January 2009, the CICA issued Sections 1582, “*Business Combinations*”, 1601, “*Consolidated Financial Statements*”, and 1602, “*Non-controlling Interests*”.

Section 1582 will be converged with IFRS 3, “*Business Combinations*”. Section 1602 will be converged with the requirements of IAS 27, “*Consolidated and Separate Financial Statements*”, for non-controlling interests. Section 1601 carries forward the requirements of Section 1600, “*Consolidated Financial Statements*”, other than those relating to non-controlling interests.

Section 1582 applies to transactions where the acquirer obtains control of one or more businesses. The term “business” is more broadly defined than in the existing standard. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be “improbable”, will be measured at fair value. Acquisition costs must be expensed.

Under Section 1602, any non-controlling interest will be recognized as a separate component of shareholders’ equity. Net income will be calculated without deduction for the non-controlling interest. Rather, net income will be allocated between the controlling and non-controlling interests.

The new standards will become effective in 2011. The company is currently evaluating the impact of the adoption of these new standards on its consolidated financial statements.

International and Canadian financial reporting standards harmonization

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be fully aligned with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board. The company will have to present its interim and annual financial statements for the year 2012 according to IFRS. The company is currently evaluating the impact of this IFRS conversion process.

5 Credit facilities

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%. It also has an available credit facility of \$2,500,000 to hedge against foreign exchange risks and a credit of \$250,000 for the risks related to the settlement of electronic funds transfers. A moveable hypothec over accounts receivable, inventories and all present and future tangible and intangible assets has been given as security. These credit facilities are renewable annually. Under these agreements, the company has agreed to respect certain conditions and financial ratios, which have not been met as at January 24, 2009 (note 1).

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6 Long-term debt

	As at January 24, 2009 \$	As at April 26, 2008 \$
Decreasing revolving bank loan, bearing interest at prime rate plus 0.60%, payable in monthly principal instalments of \$191,935, from May 2008 to June 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	* 10,364,516	11,900,000
Bond loans of \$1,859,112 (US\$1,510,000) and \$2,351,592 (US\$1,910,000), bearing interest at 5.75% and 6.5% respectively, payable in monthly principal instalments including interest for the two bond loans of \$42,879 (US\$34,827) since November 2008, maturing in December 2014 and June 2023. A hypothec on tangible and intangible moveables owned by a self-sustaining foreign subsidiary has been given as security for these loans as well as an additional guarantee from the company	* 4,151,196	-
Term loan of \$1,846,800 (US\$1,500,000), bearing interest at 3% respectively, payable in monthly principal instalments including interest of \$18,574 (US\$15,086) since November 2008, maturing in June 2018. A hypothec on tangible and intangible moveables owned by a self-sustaining foreign subsidiary has been given as security for this loan as well as an additional guarantee from the company	* 1,846,800	-
Bank loan, bearing interest at prime rate plus 0.60%, payable in monthly principal instalments of \$11,905, maturing in February 2012. 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	* 726,190	833,333
Decreasing bank loan, bearing interest at prime rate plus 4%, payable in monthly principal instalments of \$138,889 plus interest, 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	* 377,775	1,627,776
Bank loan, 3%, payable in monthly principal instalments of \$12,201 (US\$9,910), maturing in March 2011. A moveable hypothec over the universality of the present and future tangible and intangible assets of one company's subsidiary has been given as security for this loan	* 318,174	346,324
Balance of purchase price payable of a total amount of \$1,200,000, discounted at 6.5%, payable in monthly principal instalments of \$50,000, maturing in February 2009	49,727	485,202
Balance of purchase price payable, 6 %, payable in annual principal instalments of \$123,120 (US\$100,000), maturing in March 2010	246,240	203,260
(forward)	18,080,618	15,395,895

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	As at January 24, 2009 \$	As at April 26, 2008 \$
(brought forward)	18,080,618	15,395,895
Term loans, bearing interest at prime rate plus 1.5% and 8%, payable in monthly principal instalments of \$3,540 and monthly instalments of \$1,617, including principal and interest, beginning in June 2011, maturing in June 2016 and October 2016. Moveable and immoveable hypothecs have been given as security for these loans	409,220	441,080
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, maturing in February 2010	6,099	10,060
Loan granted by Canada Economic Development under the Innovation, Development of Entrepreneurship and Access Program for SME, non-interest bearing, payable in five annual instalments of \$30,800, maturing in January 2011	53,234	78,017
Bank loan payable through the issuance of a new long-term debt	-	3,945,029
Deferred financing expenses	(459,749)	(232,204)
Term loan, non-interest bearing, reimbursed during the period	-	5,450
	<u>18,089,422</u>	<u>19,643,507</u>
Less: Current portion (*)	<u>17,571,106</u>	<u>4,968,430</u>
	<u>518,316</u>	<u>14,675,077</u>

* Due to non-compliance with the financial ratios required by the creditors, all these debts have been reclassified in the current portion (notes 1 and 8).

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

	\$
2009	17,571,106
2010	196,886
2011	52,182
2012	55,416
2013	55,416

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Notes to Interim Consolidated Financial Statements (unaudited)

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7 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

The following table presents the share capital activity since May 1, 2007:

Issued

	Nine Months Ended January 24, 2009		Twelve Months Ended April 26, 2008	
	Number	Amount \$	Number	Amount \$
Balance – Beginning of period	42,899,095	13,125,309	42,899,095	13,126,424
Share issue expenses, net of related income taxes of \$525	-	-	-	(1,115)
Balance – End of period	42,899,095	13,125,309	42,899,095	13,125,309

Contributed surplus

The following table presents the contributed surplus activity since May 1, 2007:

	Nine Months Ended January 24, 2009 \$	Twelve Months Ended April 26, 2008 \$
Balance – Beginning of period	374,188	8,103
Stock options forfeited	84,496	73,978
Matured warrants	28,040	292,107
Balance – End of period	486,724	374,188

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Warrants

The following tables present information about warrants outstanding since May 1, 2007 and summarize certain information about warrants outstanding and exercisable as at January 24, 2009:

	Nine Months Ended January 24, 2009			Twelve Months Ended April 26, 2008		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Outstanding and exercisable						
– Beginning of period	8,430,106	2,236,328	0.94	9,227,438	2,486,728	0.91
Forfeited	(135,289)	(28,040)	0.90	(797,332)	(292,107)	0.60
Deferment of the expiry date	-	-	-	-	41,707	-
Outstanding and exercisable – End of period	8,294,817	2,208,288	0.95	8,430,106	2,236,328	0.94

Warrants outstanding and exercisable as at January 24, 2009

Exercise price	Number	Weighted average remaining contractual life (years)
\$0.40	100,000	1.70
\$0.85	5,416,658	0.02
\$1.15	2,778,159	3.14
	<u>8,294,817</u>	

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Stock option plan

The company has a stock option plan for its officers, directors, employees and consultants providing ongoing services to the company. Under the plan, which is managed by the Board of Directors, stock options, except for those granted to the agent which are fully exercisable on the date of grant, vest over a three-year period and expire after a period of 18 months to 60 months. The maximum number of common shares issuable under the plan is limited to 10% of the issued and outstanding common shares.

The following tables present information about stock options outstanding since May 1, 2007 and summarize certain information about stock options outstanding and exercisable as at January 24, 2009:

	Nine Months Ended January 24, 2009			Twelve Months Ended April 26, 2008		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Outstanding - Beginning of period	1,685,000	415,508	0.53	1,835,000	398,382	0.53
Forfeited	(330,000)	(84,496)	0.40	(150,000)	(73,978)	0.60
Compensation costs for the period	-	16,819	-	-	91,104	-
Outstanding – End of period	1,355,000	347,831	0.55	1,685,000	415,508	0.53

Options outstanding and exercisable as at January 24, 2009

Exercise price	Number	Weighted average remaining contractual life (years)
\$0.40	1,035,000	1.70
\$0.80	20,000	2.85
\$0.92	300,000	2.69
	<u>1,355,000</u>	

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8 Capital disclosures

The company's objectives when managing capital are to:

1. have sufficient funds that allow pursuing its growth strategy;
2. deploy capital to provide an appropriate return on investment to its shareholders; and
3. maintain financial flexibility in order to preserve its ability to meet financial obligations and seize potential acquisition opportunities.

The company defines its capital as follows:

1. cash and short-term investments;
2. bank loans;
3. long-term debt, including the current portion; and
4. shareholders' equity

The company manages its capital structure according to its growth strategy and economic conditions. In order to maintain or adjust its capital structure, the company may be required to issue new shares, proceed to share redemptions on the market, raise debt and refinance existing debt or sell assets to reduce its debt level.

The principal use of the company's capital is to finance current operations, make purchases of property, plant and equipment required to ensure the company's growth, and fund business acquisitions. The company's capital management objectives, policies and procedures have remained unchanged since last year.

Any decision to pay dividends on the company shares is periodically assessed by the company's board of directors and is based on the company's profits and financial position as well as on covenants in its credit facility agreements and other relevant factors such as its growth strategy and strategic positioning compared with its competitors. There can be no assurance as to the amounts or payment dates of such dividends in the future.

The company is not subject to any obligation under external rules, except for credit facility covenants, which provide for the attainment of certain financial ratios. As at January 24, 2009, the ratios have not been met due to losses incurred in the nine-month period ended January 24, 2009. Accordingly, the company recorded all debts related to non-compliance with these ratios in the current portion of the long-term debt. Unmet key ratios are the total debt to tangible net worth and the working capital. The company is presently discussing with its long-term lenders in order to change the current credit terms. If the company fails to renegotiate these credit terms, it will have to seek additional sources of financing in the form of subordinated debts, convertible debentures or equity.

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In order to follow up its financial leverage, the company uses mainly the total debt to tangible net worth ratio that it aims to maintain at a level below or equal to 3.00:1 since August 31, 2008. The total debt to tangible net worth ratio is measured on the latest quarterly closing date. As at January 24, 2009 and April 26, 2008, the total debt to tangible net worth ratio is detailed as follows:

	As at January 24, 2009 \$	As at April 26, 2008 \$
Total debt		
Total liabilities	43,368,133	36,721,859
Less :		
Future income tax liabilities	(3,387,072)	(4,055,112)
Cash	(862,684)	(652,993)
Total debt	<u>39,118,377</u>	<u>32,013,754</u>
Tangible net worth		
Shareholders' Equity	9,886,527	20,313,393
Plus :		
Long-term future income tax liabilities	3,387,072	4,055,112
Less :		
Intangible assets	(5,282,549)	(7,597,478)
Goodwill	(1,650,256)	(2,486,389)
Long-term future income tax assets	(2,514,846)	(1,423,223)
Deferred financing expenses	(459,749)	(232,204)
Deferred charges	(12,026)	(48,197)
Tangible net worth	<u>3,354,173</u>	<u>12,581,194</u>
Total debt/tangible net worth ratio	<u>11.66</u>	<u>2.54</u>

9 Restructuring costs

For the three-month and nine-month periods ended January 24, 2009, the company recorded restructuring charges totalling \$123,976 and \$560,407 representing mostly severance pay and layoff benefits and professional fees related to the company's subsidiaries.

10 Other non-cash charges

- a) CICA Handbook Section 3062 " *Goodwill and Other Intangible Assets* " establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by enterprises. They must be tested for impairment on an annual basis or more frequently if events or circumstances indicate that they might be impaired. The company performed an impairment test for one of its subsidiaries in the three-month period ended October 25, 2008.
- b) Recoverability of goodwill is determined at the reporting unit level using a two-step approach. First, the net carrying value of a reporting unit is compared to its fair value. If the net carrying value of a reporting unit

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exceeds its fair value, the second step must be performed. In this step, the amount of the impairment loss, if any, represents the excess of the carrying value of goodwill over its fair value and the loss is charged to earnings in the period in which it is incurred. For the purposes of this impairment test, the fair value of goodwill is estimated in the same way as goodwill is determined in business combinations; that is, the excess of the fair value of a reporting unit over the estimated fair value of its net identifiable assets. The company has elected to perform its impairment test for the three-month period ended October 25, 2008 and has recognized an impairment loss for one of its subsidiaries.

- c) Concerning long-lived assets, impairment exists when the carrying value of an asset or group of assets is greater than the undiscounted future cash flows expected to be provided by the asset or group of assets. The amount of impairment loss, if any, is the excess of the carrying value over the fair value. The fair value of long-lived assets is determined based on undiscounted future cash flows. For the three-month period ended October 25, 2008, an impairment loss has been recorded.
- d) For the three-month period ended October 25, 2008, the company performed a comprehensive review of the current performance and strategic direction of its subsidiaries. This strategic review revealed that several economic factors such as the current global financial crisis, the decline in demand for some manufactured good and the term credit crisis in the United States could have an impact on the company. Therefore, the company conducted an in-depth analysis to determine whether it was appropriate to retain the manufacture of some products and keep certain markets. Moreover, due the presence of these factors, changes have been made to the estimated realizable value for one of the company's subsidiaries. The strategic review focused on the carrying amount of certain assets including inventories, accounts receivable, intangible assets and goodwill in the subsidiary.
- e) Based on the review described in point d), the company recorded other non-cash charges of \$3,495,389, which are mostly related to one of the company's subsidiaries. These charges are detailed as follows :

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>January 24, 2009</u>	<u>January 26, 2008</u>	<u>January 24, 2009</u>	<u>January 26, 2008</u>
	\$	\$	\$	\$
Property, plant and equipment	-	-	1,306,447	-
Intangible assets	-	-	1,352,809	-
Goodwill	-	-	836,133	-
Total	-	-	3,495,389	-

- f) Furthermore, as part of the review of each subsidiary, for the three-month period ended October 25, 2008, the company established a valuation allowance of \$1,291,256 against the future income tax assets of its self-sustaining foreign subsidiary as a result of losses accumulated since the acquisition of this subsidiary.
- g) For the three-month period ended October 25, 2008, the company also recorded a write-down of inventories amounting to \$179,562 and an account receivable of \$82,100, which are reflected in the cost of sales and operating expenses.

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11 Additional disclosures

(a) Statements of earnings

The earnings (loss) before income taxes have (has) been established considering the following items:

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	January 24, 2009	January 26, 2008	January 24, 2009	January 26, 2008
	\$	\$	\$	\$
Cost of sales	12,787,810	12,368,386	43,998,371	45,613,334
Depreciation of property, plant and equipment	548,452	380,803	1,661,623	1,206,907
Amortization of intangible assets	286,778	383,541	1,030,826	1,176,689
Amortization of deferred charges	12,057	11,748	36,169	35,245
Research and development costs	94,875	114,428	354,586	271,010
Tax credits	-	-	(84,779)	-
Grants	-	-	-	(3,878)
Stock-based compensation costs	908	10,815	16,819	82,102
Interest on long-term debt	233,792	290,598	713,321	807,194
Interest on bank loans and bank charges	144,175	194,087	432,339	437,585
Amortization of financing expenses	25,989	38,661	77,968	105,353

(b) Statements of cash flows

Net change in non-cash working capital items

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	January 24, 2009	January 26, 2008	January 24, 2009	January 26, 2008
	\$	\$	\$	\$
Accounts receivable	4,670,909	1,821,598	2,651,211	1,950,606
Inventories	668,080	(46,311)	(1,305,439)	3,267,097
Prepaid expenses	87,802	(1,095,965)	418,240	(1,051,920)
Accounts payable and accrued liabilities	(3,994,529)	(942,572)	(1,104,554)	(2,058,866)
Deferred revenues	382,891	100,639	927,953	(83,435)
Income taxes	92,206	(1,234,948)	232,102	(725,034)
	<u>1,907,359</u>	<u>(1,397,559)</u>	<u>1,819,513</u>	<u>1,298,448</u>

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(c) Additional information

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>January 24, 2009</u>	<u>January 26, 2008</u>	<u>January 24, 2009</u>	<u>January 26, 2008</u>
	\$	\$	\$	\$
Interest paid	314,770	280,686	910,403	944,132
Income taxes paid (recovered)	(157,442)	1,844,851	127,077	1,819,436

12 Financial instruments

The company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at the balance sheet of January 24, 2009.

Credit risk

Financial instruments which potentially subject the company to concentrations of credit risk consist principally of cash and accounts receivable. Cash is held with Canadian and U.S. chartered banks. Therefore, the company considers the risk of non-performance on these instruments to be remote.

Generally, the company does not require collateral or other security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the company performs on-going credit reviews of all its customers and establishes an allowance for doubtful accounts when accounts are determined to be uncollectible. Though approximately 65.3% of the company's sales are coming from five customers for the nine-month period ended January 24, 2009, the company believes that the credit risk associated with these customers and its accounts receivable in general is limited for the following reasons:

- In the past two years, the company has not recorded bad expenses in excess of its provision for bad debts. Allowance for doubtful accounts amounted to \$132,514 as at January 24, 2009 and \$132,262 as at April 26, 2008 respectively.
- Just above 47.4% of the company's trade receivables is outstanding for less than 30 days, and approximately 35.3% are outstanding for a period from 31 to 60 days.

Interest rate risk

As at January 24, 2009 and April 26, 2008, the company's exposure to interest risk is as follows:

Cash	Variable interest rate
Short-term investments	Non-interest bearing
Accounts receivable	Non-interest bearing
Bank loans	Variable interest rate
Accounts payable and accrued liabilities	Non-interest bearing
Long-term debt	As described in note 6

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The company is exposed to any upward interest rate fluctuations since the bank loans and a part of long-term debts feature interest rates varying according to the prime rate. The company is not currently using any financial instrument to hedge against these risks. As at January 24, 2009, approximately 63.6% of the long-term debt, representing \$11.8 million out of a total long-term debt of \$18.5 million (including the current portion, but excluding deferred financing expenses), bears interest at a floating rate.

For the nine-month period ended January 24, 2009, a 1% hypothetical increase in interest rates on the debt would have had a negative impact of \$99,548 on the company's loss before income taxes and a 1% hypothetical decrease in interest rates on the debt would have had a reverse effect on the company's loss before income taxes.

Foreign exchange risk

Sales denominated in US dollars accounted for 48.7% and 53.1% respectively of the company's total sales for the three-month and nine-month periods ended January 24, 2009. Consequently, the Canadian dollar movements versus the US dollar constitute an element of uncertainty and risk for the company. These risks are partially offset by the following elements: the U.S. subsidiary's operating expenses are denominated in US dollars, raw material purchases are denominated in US dollars and finally, foreign currency forward contracts are entered into by the company. The company's policy is not to utilize those derivative financial instruments for trading or speculative purposes.

As at January 24, 2009 and as at April 26, 2008, the Company held contracts to sell US dollars and purchase US dollars and euros at various forward rates which are summarized as follows:

Description	Expiration Date	Contractual amount \$	Weighted average contractual forward rate \$	Fair Value \$
As at January 24, 2009				
Sale of US dollars	January 2009 to April 2010	4,525,000	1.1330	(455,741)
Purchase of US dollars	February 2009 to March 2009	150,000	0.9869	37,191
As at April 26, 2008				
Sale of US dollars	May 2008 to May 2009	2,550,000	1.0234	54,801
Purchase of US dollars	August 2008 to March 2009	1,700,000	0.9839	16,738
Purchase of euros	May 2008 to October 2008	267,301	1.4456	35,449

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The following table shows the effect on the company's loss before income taxes resulting from the 1% Canadian dollar's average rise against the US dollar during the third quarter of 2009. This sensitivity analysis is based on the net exposure of sales denominated in US dollars less purchases denominated in US dollars related to the company's Canadian operations. Such analysis does not include the effect of this change on working capital items denominated in US dollars.

	Effect of the CAN\$ rise against the US\$
Earnings before income taxes	9,700

Liquidity risk

Liquidity risk is the risk that the company will encounter in raising funds to meet its commitments at maturity. The following are the contractual maturities of financial liabilities as at January 24, 2009:

	Carrying amount \$	Contractual cash flows \$	0 to 12 months \$	12 to 24 months \$	After 24 months \$
Bank loans	8,045,029	8,045,029	8,045,029	-	-
Accounts payable and accrued liabilities	10,308,771	10,308,771	10,308,771	-	-
Long-term debt including the current portion	18,089,422	18,557,812	18,036,666	196,886	324,260

The company believes that future cash flows from operations and availability under existing credit facilities will be adequate to support its financial liabilities.

13 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:

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	January 24, 2009	January 26, 2008	January 24, 2009	January 26, 2008
Basic weighted average number of shares outstanding	42,899,095	42,899,095	42,899,095	42,899,095
Dilutive effect of stock options and warrants	-	-	-	328,964
Diluted weighted average number of shares outstanding	42,899,095	42,899,095	42,899,095	43,228,059

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Furthermore, the following table presents the items excluded from the calculation of diluted earnings per share for the three-month and nine-month periods ended January 24, 2009 and January 26, 2008 because the exercise price was greater than the average market price of the common shares or due to their anti-dilutive effect:

	Three Months Ended		Nine Months Ended	
	January 24, 2009	January 26, 2008	January 24, 2009	January 26, 2008
Weighted average number of stock options at exercise prices varying from \$0.40 to \$0.92	337,822	420,095	1,128,151	715,986
Weighted average number of warrants at exercise prices varying from \$0.40 to \$1.15	2,068,023	2,101,752	6,237,798	4,888,976

14 Segment information

The company is organized under one single operating segment, being the manufacturing of composite and metal products. All of the long-lived assets, which consist of property, plant and equipment, intangible assets and goodwill, are as follows:

	As at January 24, 2009 \$	As at April 26, 2008 \$
Canada	23,244,890	27,714,173
United States	6,764,500	5,544,654
	<u>30,009,390</u>	<u>33,258,827</u>

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

	Three Months Ended		Nine Months Ended	
	January 24, 2009 \$	January 26, 2008 \$	January 24, 2009 \$	January 26, 2008 \$
Sales by geographic region				
United States	8,095,555	9,207,584	28,919,344	36,578,806
Canada	5,744,839	5,465,924	16,172,755	15,179,904
Asia	189,048	89,465	546,757	307,761
Europe	114,379	4,513	343,137	186,165
Australia	99,153	1,154	127,395	58,322
South America	13,585	-	116,834	272,420
	<u>14,256,559</u>	<u>14,768,640</u>	<u>46,226,222</u>	<u>52,583,378</u>

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For the three-month and nine-month periods ended January 24, 2009, sales from the five largest customers represent 61.5% and 65.3% respectively of the company's total sales compared to 71.5% and 72.9% respectively for the three-month and nine-month periods ended January 26, 2008. Two of these customers represent more than 10% of the company's total sales for the three-month and nine-month periods ended January 24, 2009 and January 26, 2008. For the three-month and nine-month periods ended January 24, 2009 and January 26, 2008, the most important customer represents more than 1.4 time (1.3 time in 2008) as much as that of the second most important customer of the company.

Supplementary information:

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>January 24, 2009</u>	<u>January 26, 2008</u>	<u>January 24, 2009</u>	<u>January 26, 2008</u>
	\$	\$	\$	\$
Sales by family of product				
Heavy duty trucks – Class 8	6,093,791	8,503,531	22,877,204	32,754,639
Snow removal	2,662,635	2,222,395	5,921,720	5,989,732
Industrial	1,589,256	774,558	4,705,533	2,800,420
Bus	1,476,251	922,853	3,915,646	2,586,272
Agriculture	1,111,546	914,835	4,681,985	4,243,860
Wind energy	1,034,857	1,094,510	2,616,293	2,621,788
Other	288,223	335,958	1,507,841	1,586,667
	<u>14,256,559</u>	<u>14,768,640</u>	<u>46,226,222</u>	<u>52,583,378</u>

15 Comparative figures

Certain comparative figures have been reclassified to conform to the current period presentation.