



# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## October 31, 2006

### 2<sup>nd</sup> Quarter of Fiscal 2007

**Sigma Ventures Inc.** is a consolidator of manufacturing businesses operating in the fields of plastic composite technology and the manufacturing of metal that services the windmill energy, agriculture, industrial trucks, public transit and snow removal equipment industries. Our mission is to improve the performance of the businesses we acquire by developing new products as well as their synergies.

Our primary markets are served by a solid group of distributors that are concentrated in Canada and in the North-Eastern United States. The diversity of our products and the quality of our customer service are the trademarks of our business.





## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **MESSAGE TO SHAREHOLDERS**

SIGMA VENTURES experienced an excellent second quarter with sales of \$ 26.3 million compared to \$ 4.6 million in 2005, an increase of \$ 21.7 million or 446%. Earnings before interest, taxes, depreciaton and amortization (EBITDA) increased 339% to \$ 3.7 million compared to \$ 0.8 million for the same quarter last year. Net earnings reached \$ 1.6 million, an increase of 266% compared to the same quarter last year. The Company continued to generate cash flows from operating activities with \$ 2.9 million, representing a rise of 413% compared to \$ 0.6 million in 2005.

This growth is principally due to the recent acquisition of René Matériaux Composites Ltée and Faroex Ltd. The integration of René Matériaux Composites Ltée has progressed as expected and we anticipate that the commercial and operational synergies associated with the acquisition will continue to materialize in the next quarters. Also, we anticipate continued growth within these two divisions through the launch of new products and development of new markets.

During the next quarter, we will continue to spread our efforts for the realization of our strategic plan, thus reinforcing our position as a leading manufacturer and integrator in our different business segments. Furthermore, we will follow our organizational objectives, develop the synergies for the start-up and fabrication of our products, as well as the integration of our quality plan in each plant of the organization. The management team will provide all the energy necessary to meet the Company's objectives in cost reduction.

In conclusion, our recent acquisitions will allow us to have in hand all the elements to become a first class integrator in the transport, bus, agriculture and industrial products sectors. Naturally, the synergies made will allow us to produce and launch new products on the market for our companies operating in the metals sector. The additional skills in research and development and innovation resulting from our recent acquisitions will allow Sigma Ventures Inc. to continue its acquisition strategy in order to remain the North American leader in its business segments.

Denis Bertrand  
President and Chief Executive Officer

## **Scope of Management's Discussion and Analysis**

In this Management's Discussion and Analysis ("MD&A"), the "Company", "we", "us", and "our" mean Sigma Ventures Inc. and its subsidiaries.

The following analysis provides a review of the Company's results of operations and cash flows for the three-month and six-month periods ended October 31, 2006 compared with the three-month and six-month periods ended October 31, 2005 and its financial condition as at October 31, 2006 compared to April 30, 2006. This document should be read in conjunction with the unaudited interim consolidated financial statements for the three-month and six-month periods ended October 2006 and 2005 and with our 2006 Annual Report. Additional information relating to Sigma Ventures Inc. may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

The following information takes into account all material events that took place until December 12, 2006, the date on which the Company's Board of Directors approved this MD&A.

The Company's unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

## **FORWARD-LOOKING STATEMENTS**

This MD&A contains certain forward-looking statements with respect to the Company. Such forward-looking statements are dependent upon a certain number of factors and are subject to risks and uncertainties. Actual results may differ from those expected. The information contained in this MD&A is dated December 12, 2006, the date on which the Board of Directors approved the interim consolidated financial statements and the MD&A. Management does not assume any obligation to update or revise any forward-looking statements, whether as a result of new information or future events, except when required by the regulatory authorities.

For further information regarding Sigma Ventures Inc., the reader may consult the SEDAR database, at the following Internet address: [www.sedar.com](http://www.sedar.com)

## **Non-GAAP Financial Measures**

The information included in this MD&A contains certain information which are not financial measures prescribed under GAAP. For example, we use the earnings before interest, taxes, depreciation and amortization ("EBITDA") as this measure allows management to evaluate the operational performance of the Company and the performance of its assets. This non-GAAP financial measure does not have any meaning prescribed by GAAP. This is not a measure designed to replace other measures of financial performance or the state of cash flow as an indicator of liquidity. This measure does not represent the cash flow for the repayment of long-term debt, the payment of dividends, the reinvestment or other discretionary uses, and should not be considered remotely or as a substitute to other measures of performance calculated according to GAAP.

This measure is used by the Company because management believes it provides useful information regarding performance. It is a frequently used tool in the business world to analyze and compare the performance of businesses in the sectors where the Company and its subsidiaries

are active. The definition of this measure that we have adopted may differ from that of other businesses.

## **Company Overview**

### **Who are we?**

As at October 31, 2006, Sigma Ventures Inc. directly owned five wholly-owned subsidiaries:

- PNS Cast Iron Ltd. ("PNS") located at St-Agapit (Quebec), specialized in the development, production and distribution of spare parts intended for the agricultural and snow removal industries;
- Remorques JMS Inc. ("JMS") located at l'Islet (Quebec), specialized in the development and the manufacturing of trailers and light forestry products;
- Faroex Ltd ("Faroex") located at Gimli (Manitoba), specialized in the development and manufacturing of composite components for the road transportation industry, agriculture and windmill energy;
- René Composites Materials Ltd. ("René") located at St-Ephrem de Beauce (Quebec), specialized in the manufacturing of composite parts for the road transport industry such as parts for Class 7 and 8 trucks. During the last previous 30 years, René has developed a durable relationship with its customers and its suppliers to become the leader in its field of expertise. René's philosophy regarding innovation, creativity and research for new production technologies enabled it to be recognized on a worldwide scale with the most significant manufacturers in the truck transportation industry.
- 3547441 Canada Inc. ("3547441") located at St-Ephrem de Beauce (Quebec), specialized in the manufacturing of dies and moulds for René's customers.

### **Long-term growth goals**

From now to 2008, the development strategy of the Company consists in:

- taking advantage of the synergies amongst the subsidiaries of the Company by integrating their manufacturing activities;
- increasing sales by intensifying the penetration of potential market segments (USA, Europe and Asia);
- launching new value-added products on a regular basis;
- reducing production costs by the modernization of machinery and equipment;
- intensifying the research and development work; and
- acquiring businesses evolving in the same markets as its subsidiaries and manufacturing goods which are complementary.

## **FINANCIAL SUMMARY –SECOND QUARTER OF FISCAL 2007**

- Sales were \$26.3 million for the second quarter ended October 31, 2006 in comparison with \$4.6 million in 2005, an increase of \$21.7 million or 466 %;
- EBITDA increased by 339 % to \$3.7 million in the second quarter ended October 31, 2006 compared to \$0.8 million for the same quarter in 2005;
- Net earnings reached \$1.6 million for the second quarter ended October 31, 2006 compared to \$0.45 million in 2005, an increase of 266 %;
- Cash flows from operating activities before the change in non-cash operating working capital items were \$2.9 million for the second quarter ended October 31, 2006 compared to \$0.6 million in 2005, an increase of 413%.

## **HIGHLIGHTS OF THE QUARTER**

*August 15, 2006*

- The agent, Jones, Gable and Company Limited, exercised 101,000 options entitling to acquire 101,000 common shares at a price of \$0.40 each. These options had been granted as part of the private placement concomitant to the qualifying transaction on October 7, 2005.

*August 16, 2006*

- The holder of the \$750,000 convertible debenture converted a part thereof for a sum of \$150,000, thus entitling to acquire 180,462 common shares at a price of \$0.8312 per share.

*September 8, 2006*

- One of the shareholders exercised 31,250 warrants entitling him to acquire 31,250 common shares at a price of \$0.75 per share.

*September 11, 2006*

- The agent, Jones, Gable and Company Limited, exercised 100,000 options entitling to acquire 100,000 common shares at a price of \$0.40 each. These options had been granted as part of the private placement concomitant to the qualifying transaction on October 7, 2005.

## **Financial information for the three-month and six-month periods ended October 31, 2006 and 2005**

For the three-month periods ended October 31, 2006 and 2005, the unaudited consolidated operating results of the Company include the results of the following companies:

- Faroex, PNS, Sigma Ventures Inc., JMS, René and 3547441 for the period from August 1, 2006 to October 31, 2006, being a three-month period in 2006;
- PNS for the period from August 1, 2005 to October 31, 2005, being a three-month period in 2005, Sigma Ventures Inc. and JMS for the period from October 1, 2005 to October 31, 2005, being a one-month period in 2005;

For the six-month periods ended October 31, 2006 and 2005, the unaudited consolidated operating results of the Company include the results of the following companies:

- Faroex for the period from May 1, 2006 to October 31, 2006, being a six-month period in 2006 and nil in 2005;
- PNS for the period from May 1, 2006 to October 31, 2006, being six-month periods in 2006 and 2005;
- Sigma Ventures Inc. for the period from May 1, 2006 to October 31, 2006, being a six-month period in 2006 and for the period from October 1, 2005 to October 31, 2005, being a one-month period in 2005;
- JMS for the period from May 1, 2006 to October 31, 2006, being a six-month period in 2006 and for the period from October 1, 2005 to October 31, 2005, being a one-month period in 2005;
- René for the period from June 28, 2006 to October 31, 2006, being a three-month and 34-day period in 2006 and nil in 2005;
- 3547441 for the period from June 28, 2006 to October 31, 2006, being a three-month and 34-day period in 2006 and nil in 2005.

## SELECTED FINANCIAL INFORMATION

### Interim consolidated results of operations

	Three-month periods ended October 31,		Six-month periods ended October 31,	
	2006	2005	2006	2005
	\$	\$	\$	\$
Sales	26,303,878	4,646,212	37,868,253	5,932,035
EBITDA	3,653,331	831,309	4,947,614	858,646
Earnings before income taxes	2,570,393	692,121	3,263,235	612,708
Net earnings	1,649,679	450,429	2,085,817	395,909
Weighted average number of shares outstanding				
Basic	34,059,387	17,506,358	33,073,694	16,874,746
Diluted	36,128,103	17,506,358	35,058,585	16,874,746
Net earnings per share				
Basic	0.048	0.026	0.063	0.023
Diluted	0.046	0.026	0.060	0.023

### Consolidated balance sheet data

	As at	
	October 31, 2006	April 30, 2006
	\$	\$
Current assets	31,827,770	10,061,825
Total assets	55,185,280	18,286,942
Current liabilities	24,801,669	7,549,298
Total liabilities	43,261,182	14,227,623
Shareholders' equity	11,924,098	4,059,319

## THREE-MONTH AND SIX-MONTH PERIODS ENDED OCTOBER 31, 2006 COMPARED WITH THREE-MONTH AND SIX-MONTH PERIODS ENDED OCTOBER 31, 2005

### Results of operations

#### Sales

Sales for the three-month period ended October 31, 2006 reached \$26.3 million compared to \$4.6 million for the same period in 2005, an increase of \$21.7 million. For the six-month period ended October 31, 2006, sales reached \$37.9 million compared to \$5.9 million for the same period in 2005, an increase of 538%. The increase came primarily from our recent business acquisitions. We anticipate a growth in our sales for the next quarters due to these new acquisitions and the internal growth.

**SEGMENT INFORMATION**  
(by geographic region)

	Three-month periods ended October 31,		Six-month periods ended October 31,	
	2006	2005	2006	2005
	\$	\$	\$	\$
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>

The increase in sales resulting from our U.S. customers is mainly due to the two businesses that we have acquired over the last few months. Sales from U.S. customers represent 72.6% of the total sales in the second quarter ended October 31, 2006 compared with 37.2% in 2005. U.S. sales were \$19.1 million in 2006, compared with \$1.7 million in 2005. For the six-month period ended October 31, 2006, U.S. sales represent 69.8% of the total sales compared with 33.9% in 2005. This increase reflects the strengthening of our distribution network in the recently acquired companies for high value-added products on the foreign markets.

The most important customer in the three-month period ended October 31, 2006 represented 51.5% of the Company's total sales and 49.2% for the six-month period ended October 31, 2006.

***Earnings from operations***

Earnings from operations amounted to \$3.6 million for the three-month period ended October 31, 2006, compared to \$0.8 million in the same period in 2005, an increase of \$2.8 million. This variation is primarily attributable to the gross margin from the newly-acquired companies. For the six-month period ended October 31, 2006, earnings from operations amounted to \$4.8 million compared to \$0.9 million for the same period in 2005, representing an increase of \$3.9 million attributable to the gross margin from the newly-acquired companies.

Grants of stock options to employees, officers, directors and consultants of the Company and to a consultant providing public and investor awareness services required stock-based compensation costs of \$91,036 in the three-month period ended October 31, 2006 compared to \$83,471 for the same period in 2005. For the six-month period ended October 31, 2006, stock-based compensation costs totalled \$176,493 compared to \$83,471 for the same period in 2005.

## ***EBITDA***

EBITDA for the second quarter ended October 31, 2006 stood at \$3.7 million compared to \$0.8 million for the same quarter in 2005. The EBITDA margin ratio decreased from 17.9% in the second quarter in 2005 to 13.9% for the corresponding period in 2006. For the six-month period ended October 31, 2006, EBITDA stood at \$4.9 million compared with \$0.9 million for the same period in 2005. The EBITDA margin ratio decreased from 14.5% for the six-month period ended October 31, 2005 to 13.1% for the same period in 2006. The decrease in the EBITDA margin ratio is primarily attributable to profit margins from the companies acquired over the last year. Moreover, for the six-month period ended October 31, 2006, the EBITDA margin ratio is equivalent to the ratio shown in the pro forma financial statements (Business acquisition report - BAR) filed on SEDAR further to the acquisition of René on June 28, 2006. The EBITDA calculation for the second quarter ended October 31, 2006 has been obtained by adding earnings from operations of \$3.6 million to the foreign exchange gain of \$0.06 million recorded under the item "Other expenses (revenues)" in the interim consolidated statement of earnings.

## ***Financial expenses***

Financial expenses for the second quarter ended October 31, 2006 were \$491,517 compared to \$80,772 for the corresponding quarter last year. For the six-month period ended October 31, 2006, financial expenses were \$759,579 compared to \$134,266 in the same period in 2005. The increase for the three-month and six-month periods ended October 31, 2006 is due directly to the increase in debt levels related to our acquisitions, particularly René on June 28, 2006. We anticipate an increase in interest expenses for the same reason in our fiscal year 2007 ranging from May 1, 2006 to April 30, 2007.

## ***Depreciation and amortization***

Depreciation and amortization expenses for the second quarter ended October 31, 2006 totalled \$591,421, an increase of \$533,005 compared to the amount of \$58,416 registered in the second quarter last year. This increase is due to the following items:

- depreciation of property, plant and equipment of the newly-acquired companies, Faroex and René, for an amount of \$355,552;
- amortization of deferred charges representing the financing expenses related to the new credit facilities negotiated upon the acquisition of René and Faroex, for an amount of \$32,926;
- amortization of intangible assets resulting from the acquisition of René, for an amount of \$139,704.

For the six-month period ended October 31, 2006, depreciation and amortization expenses totalled \$924,800, an increase of \$813,128 compared to the amount of \$111,672 registered in the same period in 2005. This increase is due to the following items:

- depreciation of property, plant and equipment of the newly-acquired companies, Faroex and René, for an amount of \$559,955;

- amortization of deferred charges representing the financing expenses related to the new credit facilities negotiated upon the acquisition of René and Faroex, for an amount of \$47,880;
- amortization of intangible assets resulting from the acquisition of René, for an amount of \$193,976.

### **Foreign exchange gain**

The foreign exchange gain amounting to \$57,227 in the second quarter came primarily from one company whose level of receivables in the US currency is higher than the level of payables in the same currency. This foreign exchange gain is also attributable to the Canadian dollar's depreciation against the US dollar.

For the six-month period ended October 31, 2006, the foreign gain exchange of \$149,549 came mainly from one of the companies acquired for the same reason as mentioned above.

### ***Income taxes***

The income tax expense for the second quarter ended October 31, 2006 stood at \$920,714 (or 35.8% of earnings before income taxes) compared to \$241,692 (or 34.9% of earnings before income taxes) for the same period last year. For the six-month period ended October 31, 2006, the income tax expense amounted to \$1,177,418 (or 36.1% of earnings before income taxes) compared to \$216,799 (or 35.4% of earnings before income taxes) during the same period last year. The increase in income taxes is mainly due to our recent business acquisitions and to non-deductible expenses for income tax purposes such as stock-based compensation costs.

### ***Net earnings***

The Company's net earnings for the second quarter ended October 31, 2006 were \$1,649,679 or \$0.048 per share (\$0.046 per share on a diluted basis) compared to \$450,429 or \$0.026 per share (\$0.026 per share on a diluted basis) in the same quarter last year. For the six-month period ended October 31, 2006, net earnings were \$2,085,817 or \$0.063 per share (\$0.060 per share on a diluted basis) compared to \$395,909 or \$0.023 per share (\$0.023 per share on a diluted basis) in the same period in 2005. The increase of \$1,689,908 in net earnings is primarily attributable to the positive impact of our recent acquisitions, thus allowing a better balance in sales and after-tax earnings in the next quarters.

## **Financial position**

### ***Assets***

For the first six-month period ended October 31, 2006, total assets increased by \$36.9 million. This increase is attributable mainly to the assets arising from the acquisition of René on June 28, 2006, for a total amount of \$23.1 million, to the revaluation adjustment of René's property, plant and equipment, net of depreciation since June 28, 2006 for \$0.8 million, and also to the posting of goodwill and intangible assets, net of amortization since June 28, 2006 for \$5.1 million. Moreover, accounts receivable included an amount of \$3.5 million representing the sum receivable from the insurance company following a fire that occurred last fall at one of our subsidiaries' place of business.

### ***Liabilities***

The Company's total liabilities increased by \$29.0 million as a result of the increase in long-term debt by \$11.6 million, the increase in bank loans by \$5.3 million, the increase in accounts payable and accrued liabilities by \$7.5 million and the increase in deferred revenues for \$2.1 million. These increases are primarily due to the acquisition of René as of June 28, 2006.

### ***Financial ratios***

The Company is required by its financial institutions to meet specific financial ratios. As of October 31, 2006, one financial ratio was not met. However, the company obtained a waiver from the financial institution in that regard.

## **Liquidity, cash flows and financing**

### ***Operating activities***

Cash flows provided from operating activities before the change in non-cash working capital items totalled \$2.9 million for the second quarter ended October 31, 2006 compared to \$0.6 million in 2005. Concerning cash flows in non-cash working capital items, increases in accounts payable and accrued liabilities of \$3.0 million and in accounts receivable of \$2.1 million during the second quarter generated a positive net change of \$1.1 million. Considering the above-mentioned variations, net cash flows provided from operating activities varied by \$4.0 million.

For the six-month period ended October 31, 2006, cash flows provided from operating activities before the change in non-cash working capital items totalled \$3.9 million compared to \$0.6 million for the same period in 2005. This cash flows increase derives mainly from the \$1.7 million rise in net earnings, the increase in depreciation and amortization expenses for a total amount of \$0.8 million and an amount of \$0.8 million from future income taxes.

### ***Financing activities***

For the second quarter ended October 31, 2006, cash flows used in financing activities include the bank loan repayment of \$1.5 million and \$0.5 million for the long-term debt repayment.

For the six-month period ended October 31, 2006, cash flows provided from financing activities resulted from the increase in long-term debt and bank loans for a net amount of \$15.8 million, net of payments on long-term debt, which debt was used for the acquisition of René last June. Moreover, the issuance of equity components generated funds of \$6.1 million which were offset by the repayment of the long-term debt contracted in March 2006 for the acquisition of Faroex. Furthermore, share issue expenses of \$0.7 million and deferred charges related to financing fees in the amount of \$0.3 million reduced cash flows provided from financing activities.

### ***Investing activities***

The decrease in cash flows from investing activities was \$0.6 million for the second quarter ended October 31, 2006, mainly used for acquisitions of machinery and equipment.

For the six-month period ended October 31, 2006, the decrease in cash flows from investing activities was \$23.0 million, of which \$21.9 million were used for the acquisition of René and \$1.1 million used for the acquisition of machinery and equipment aiming to reduce the costs related to the automation and robotization program defined in the Company's development strategy. During the same period in 2005, cash flows from investing activities were used for the acquisition of JMS for \$0.5 million and capital expenditures for \$0.3 million.

## Shareholders' Equity

### Share Capital

The following table presents the share capital activity since May 1, 2006:

	<u>As at October 31, 2006</u>	
	<u>Number</u>	<u>Amount</u>
		<u>\$</u>
<i>Balance as at April 30, 2006</i>	21,969,017	1,790,195
Issuance of common shares upon the conversion of the debenture amounting to \$1,000,000 plus accrued interest for the period from March 15, 2006 to April 30, 2006	1,681,079	1,010,233
Issuance of common shares upon a private placement at a price of \$0.60 per share, net of the value of warrants (\$1,256,140)	9,999,967	4,743,860
Issuance of common shares further to the exercise of 75.25% of stock options granted to the agent upon the private placement on October 7, 2005	301,000	147,743
Issuance of common shares further to the conversion of a portion of the convertible debenture, being \$150,000	180,462	150,000
Issuance of common shares further to the exercise of warrants granted on October 7, 2005	31,250	23,438
Share issue expenses	-	(822,656)
Balance as at October 31, 2006	<u>34,162,775</u>	<u>7,042,813</u>

As of the date of this MD&A, changes have occurred in the Company's share capital as mentioned below:

#### *November 6, 2006*

- A director exercised 40,000 stock options plan entitling him to acquire 40,000 common shares at a price of \$0.40 each. These stock options had been granted upon the implementation, on October 7, 2005, of the stock option plan for the employees, officers, directors and consultants of the Company and its subsidiaries.

As of the date of this MD&A, the Company's issued and outstanding share capital consists of 34,202,775 issued and fully paid common shares.

## Stock options

A stock option plan for the employees, officers and directors of the Company and its consultants came into force on October 7, 2005. The maximum number of shares issuable under the plan is limited to 10 % of the Company's issued and outstanding shares. The maximum term of the options is five years. Options may be exercised under the terms and conditions established by the Board of Directors at the date of grant. The purchase price of the shares under the plan cannot be lesser than the discounted market price.

The following table presents information about stock options outstanding and exercisable under the plan as of October 31, 2006:

	Number	Total stock-based compensation costs * \$
	<hr/>	<hr/>
<i>Outstanding as at April 30, 2006</i>	1,825,000	251,222
Granted on May 1, 2006		
Consultant - Investor relations	150,000	80,704
Granted on October 3, 2006		
Officers, employees and consultants	300,000	150,732
Total stock options granted as at October 31, 2006	<hr/> 2,275,000	<hr/> 482,658
Exercised as at October 31, 2006		
Agent	(301,000)	-
Outstanding as at October 31, 2006	<hr/> <u>1,974,000</u>	<hr/> <u>482,658</u>
Stock-based compensation costs for the year ended April 30, 2006		139,950
Stock-based compensation costs for the six-month period ended October 31, 2006		176,493
Stock-based compensation costs for the next quarters		166,215
Options exercisable as at October 31, 2006	1,199,000	
Options exercised as at October 31, 2006	301,000	

\* Stock-based compensation costs during the vesting period

As of the date of this MD&A, a director exercised 40,000 stock options on November 6, 2006.

## **RELATED PARTY TRANSACTIONS**

During the six-month periods ended October 31, 2006 and 2005, management fees paid to a director of the Company amounted to \$26,270 and \$24,854 respectively. This transaction has been measured at the exchange amount.

## **SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

Our interim consolidated financial statements have been prepared in accordance with Canadian GAAP. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

Significant estimates include the allowance for doubtful accounts, provisions for excess and obsolete inventories, the useful lives and recoverable amount of property, plant and equipment and intangible assets, the impairment of goodwill, the valuation allowance of future income tax assets and certain accrued liabilities. Management believes its estimates to be appropriate; however, actual results could differ from those estimates.

No significant changes have been brought to the Company's accounting policies and estimates since April 30, 2006. Please refer to the corresponding section in our 2006 Annual Report for a complete description of our significant accounting policies and estimates.

### **New accounting standards**

In January 2005, the Canadian Institute of Chartered Accountants issued four new accounting standards in relation with financial instruments: Section 3855 "*Financial Instruments – Recognition and measurement*", Section 3865 "*Hedges*", Section 1530 "*Comprehensive Income*" and Section 3251 "*Equity*".

Section 3855 expands on Section 3860 "*Financial Instruments – Disclosure and Presentation*", by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented.

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline AcG-13 "*Hedging Relationships*", and the hedging guidance in Section 1650 "*Foreign Currency Translation*" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Section 1530 "*Comprehensive Income*" introduces a new requirement to temporarily present certain gains and losses outside net income.

Consequently, Section 3250 "*Surplus*" has been revised as Section 3251 "*Equity*".

Sections 1530, 3855 and 3865 apply to fiscal years beginning on or after October 1, 2006. The Company is currently assessing the effects of these new standards on its future consolidated financial statements.

## **FINANCIAL AND OTHER INSTRUMENTS**

### **Interest rate risk**

We are exposed to market risk due to possible interest rate fluctuations. Our bank loans and the majority of our long-term debt bear interest at variable rates. The interest rates of the bank loans and the long-term debt are mentioned respectively in notes 4 and 5 to the unaudited interim consolidated financial statements for the quarter ended October 31, 2006.

### **Credit risk**

The Company continuously reviews, in the normal course of its operations, the financial position of its clients and examines the credit continuity schedule of all new clients. There is no existing account receivable that represents a substantial risk for the Company. The Company contracted a credit insurance with an insurer for its accounts receivable denominated in US dollars for two of its subsidiaries, being PNS and JMS.

### **Foreign currency risk**

Since the Company operates on an international scale, it is exposed to foreign currency risks as a result of potential exchange rate fluctuations. In order to offset the risk resulting from the sales denominated in US dollars, the Company completes several purchases of raw materials in US dollars and enters into foreign currency forward contracts. As at October 31, 2006, the Company held foreign currency forward contracts for the period from November 1, 2006 to March 31, 2007 for a total value of US\$3,846,000 or an equivalent of CAN\$4,313,458 for an average exchange rate of 1.1215.

## **RISK FACTORS AND UNCERTAINTIES**

There have been no significant changes in the risk factors and uncertainties facing Sigma Ventures, as described in the Company's 2006 annual MD&A.

## CONTINUOUS DISCLOSURE AND DISCLOSURE CONTROLS

The Company is a reporting issuer under the securities legislation in the provinces of Alberta, British Columbia and Quebec and it is, therefore, required to file continuous disclosure documents such as interim and annual financial statements, proxy circulars, annual information forms, material change reports and press releases with such securities regulatory authorities. Copies of these documents may be obtained free of charge on request from the office of the Vice-President, Finance of the Company or through our Internet site at the following address: [www.sigmaventures.ca](http://www.sigmaventures.ca) or on the following Internet site: [www.sedar.com](http://www.sedar.com) .

(s) Denis Bertrand

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Denis Bertrand  
President and Chief Executive Officer

(s) Bertrand Côté

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Bertrand Côté  
Vice-President, Finance and Chief Financial Officer,

December 12, 2006