

DALMAC ENERGY INC.
Consolidated Financial Statements
Nine Month Period Ended January 31, 2007
(Unaudited)

MANAGEMENT REPORT

To the Shareholders of **Dalmac Energy Inc.**

The accompanying unaudited consolidated balance sheet of Dalmac Energy Inc. as at January 31, 2007 and the consolidated statements of income, retained earnings and cash flow for the nine month period then ended, have been prepared by management and approved by the Board of Directors of the Company.

These consolidated financial statements have not been reviewed by the Company's external auditors.

Edmonton, Canada
March 18, 2007

Signed "John I Babic"
PRESIDENT AND CHIEF EXECUTIVE OFFICER

DALMAC ENERGY INC.
Consolidated Balance Sheet
January 31, 2007
(Unaudited)

	<i>January 31</i> 2007	<i>April 30</i> 2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents <i>(Note 3)</i>	\$ 4,307,360	\$ 5,570,965
Accounts receivable	2,507,572	3,212,751
Inventory	40,207	73,359
Income taxes receivable	264,888	-
Prepaid expenses and deposits	543,599	514,824
	7,663,626	9,371,899
RESTRICTED CASH <i>(Note 4)</i>	100,000	100,000
LOAN RECEIVABLE	-	102,974
PROPERTY AND EQUIPMENT <i>(Note 5)</i>	6,144,075	5,180,299
GOODWILL <i>(Note 1)</i>	1,504,313	1,504,313
	\$ 15,412,014	\$ 16,259,485
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	\$ -	\$ 597,000
Accounts payable and accrued liabilities	965,279	1,784,858
Income taxes payable	-	52,776
Current portion of callable debt <i>(Note 6)</i>	43,362	106,212
Current portion of long term debt <i>(Note 7)</i>	329,804	1,224,957
	1,338,445	3,765,803
Callable debt <i>(Note 6)</i>	513,467	200,868
	1,851,912	3,966,671
LONG TERM DEBT <i>(Note 7)</i>	3,564,730	2,440,655
FUTURE INCOME TAXES <i>(Note 8)</i>	433,590	311,632
	5,850,232	6,718,958
SHAREHOLDERS' EQUITY		
SHARE CAPITAL <i>(Note 9)</i>	8,238,843	8,255,693
CONTRIBUTED SURPLUS	292,568	292,568
RETAINED EARNINGS	1,030,371	992,266
	9,561,782	9,540,527
	\$ 15,412,014	\$ 16,259,485

APPROVED ON BEHALF OF THE BOARD

Signed "John I. Babic" _____ Director

Signed "Shawn T. Szydlowski" _____ Director

See accompanying notes

DALMAC ENERGY INC.
Consolidated Statement of Income
Three and Nine Month Period Ended January 31, 2007
(Unaudited)

	January 31 2007 (3 months)	January 31 2006 (3 months)	January 31 2007 (9 months)	January 31 2006 (9 months)
Revenue	\$ 3,185,525	\$ 4,533,421	\$ 7,561,269	\$ 10,811,905
Direct costs	2,083,650	3,101,443	5,443,394	7,805,565
Gross profit	<u>1,101,875</u>	<u>1,431,978</u>	<u>2,117,875</u>	<u>3,006,340</u>
Expenses				
General and administrative	273,725	345,270	872,254	989,088
Wages and benefits	208,066	261,311	623,763	870,848
Amortization	215,389	216,752	621,089	652,990
Interest on long-term debt	54,890	63,588	182,491	210,357
	<u>752,070</u>	<u>886,921</u>	<u>2,299,597</u>	<u>2,723,283</u>
Income (loss) from operations	349,805	545,057	(181,722)	283,057
Other income (expenses)				
Interest income	96,923	177	177,219	261
Miscellaneous income	-	-	-	3,358
Gain (loss) on disposal of assets	(6,137)	(17,390)	9,035	(67,591)
	<u>90,786</u>	<u>(17,213)</u>	<u>186,254</u>	<u>(63,972)</u>
Income before income taxes	<u>440,591</u>	<u>527,844</u>	<u>4,532</u>	<u>219,085</u>
Income taxes recovered (provision for)				
Current	18,816	(116,106)	155,531	(12,363)
Future	(57,765)	-	(121,958)	-
	<u>(38,949)</u>	<u>(116,106)</u>	<u>33,573</u>	<u>(12,363)</u>
Net income for the period	<u>\$ 401,642</u>	<u>\$ 411,738</u>	<u>\$ 38,105</u>	<u>\$ 206,722</u>
Retained earnings at beginning of period	\$ 628,729	\$ 105,379	\$ 992,266	\$ 310,395
Retained earnings at end of period	\$ 1,030,371	\$ 517,117	\$ 1,030,371	\$ 517,117
Net income per share				
Basic	\$ 0.03	\$ 0.06	\$ 0.00	\$ 0.03
Diluted	\$ 0.03	\$ 0.05	\$ 0.00	\$ 0.02
Weighted average number of shares				
Basic	12,381,096	7,466,768	12,381,096	7,466,768
Diluted	<u>13,288,285</u>	<u>8,633,547</u>	<u>13,288,285</u>	<u>8,633,547</u>

DALMAC ENERGY INC.
Consolidated Statement of Cash Flows
Three and Nine Month Period Ended January 31, 2007
(Unaudited)

	January 31 2007 (3 months)	January 31 2006 (3 months)	January 31 2007 (9 months)	January 31 2006 (9 months)
OPERATING ACTIVITIES				
Net income for period	\$ 401,642	\$ 411,738	\$ 38,105	\$ 206,722
Items not affecting cash & cash equivalents:				
Amortization	215,389	216,752	621,089	652,990
Loss (gain) on disposal of assets	6,137	17,390	(9,035)	67,591
Future income taxes	57,765	-	121,958	-
	<u>680,933</u>	<u>645,880</u>	<u>772,117</u>	<u>927,303</u>
Changes in non-cash working capital:				
Accounts receivable	(793,577)	(687,592)	705,179	(992,803)
Inventory	95,465	(9,078)	33,152	72,297
Prepaid expenses and deposits	(79,778)	(24,038)	(28,775)	(160,473)
Accounts payable and accrued liabilities	15,781	66,283	(819,569)	498,195
Income taxes payable	(24,504)	113,824	(317,664)	(167,044)
Prior period adjustment	(294)	-	-	2,407
	<u>(786,907)</u>	<u>(540,601)</u>	<u>(427,677)</u>	<u>(747,421)</u>
Cash flow from (used by) operating activities	<u>(105,974)</u>	<u>105,279</u>	<u>344,440</u>	<u>179,882</u>
INVESTING ACTIVITIES				
Purchase of property and equipment	(1,322,904)	(81,449)	(1,679,830)	(192,274)
Proceeds on disposal of property and equipment	14,000	-	104,000	150,001
Payments received on loan receivable	-	-	102,974	-
Restricted cash	(100,000)	-	-	-
	<u>(1,408,904)</u>	<u>(81,449)</u>	<u>(1,472,856)</u>	<u>(42,273)</u>
FINANCING ACTIVITIES				
Proceeds from issuance of share capital	-	77,525	40,138	1,023,320
Share issuance costs	-	-	(29,500)	-
Share purchase costs	(27,500)	-	(27,500)	-
Proceeds from callable debt	335,012	-	335,012	-
Proceeds from long term debt	1,038,260	-	1,221,499	70,609
Repayment of callable debt	(32,156)	-	(85,262)	-
Repayment of long term debt	(302,201)	(323,505)	(992,576)	(1,011,879)
	<u>1,011,415</u>	<u>(245,980)</u>	<u>461,811</u>	<u>82,050</u>
Increase (decrease) in cash and cash equivalents	(503,463)	(222,150)	(666,605)	219,659
Cash and cash equivalents at beginning of period	4,810,823	(714,924)	4,973,965	(1,156,733)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 4,307,360</u>	<u>\$ (937,074)</u>	<u>\$ 4,307,360</u>	<u>\$ (937,074)</u>

DALMAC ENERGY INC.
Notes to Consolidated Financial Statements
Nine Month Period Ended January 31, 2007
(Unaudited)

1. DESCRIPTION OF OPERATIONS

Dalmac Energy Inc. (the "Company") was incorporated under the Canada Business Corporations Act and is listed on the TSX Venture Exchange. The company is a provider of hot oiler, hydro vac, vacuum, pressure and tanker truck services to the oil and gas industry in Alberta.

Effective November 8, 2004 the Company acquired for cash and common shares, all of the outstanding shares of McClelland Oil Services Inc. (McClelland). McClelland operates a fleet of service vehicles and equipment used in the oil and gas industry in Alberta.

McClelland acquisition

The purchase price was \$2,280,000, comprised of \$911,000 cash, \$509,000 of promissory notes, and 2,150,000 common shares valued at \$0.40 per share totaling \$860,000. The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition.

Current assets	\$ 2,164,204
Property and equipment	3,900,931
Goodwill	<u>1,222,713</u>
Total assets acquired	<u>7,287,848</u>
Current liabilities	3,047,722
Long-term debt	1,741,728
Other liabilities	<u>218,398</u>
Total liabilities assumed	<u>5,007,848</u>
Net assets acquired	<u>\$ 2,280,000</u>

During the current year, McClelland changed its name to Dalmac Oil Services Inc.

Effective March 14, 2005, the Company acquired for cash and common shares the assets and business of S Young Oilfield Ltd. (S Young). S Young is engaged in hydro vac operations servicing the oil and gas industry in Alberta.

S Young acquisition

The purchase price was \$850,000, comprised of \$340,000 cash, \$386,000 of promissory notes, and 210,169 common shares valued at \$0.59 per share totaling \$124,000. The following table summarizes the estimated fair value of the assets acquired at the date of acquisition.

Property and equipment	\$ 568,400
Goodwill	<u>281,600</u>
Total assets acquired	<u>\$ 850,000</u>

The results of operations from these acquisitions are included in the accounts from the effective date of acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Dalmac Oil Services Inc.

(b) Cash and cash equivalents

The Company considers cash and short term investments as cash and cash equivalents.

(c) Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

(d) Property and equipment

Property and equipment are recorded at cost and amortized using the straight-line method over their estimated useful lives as follows:

Rental equipment	12 years, straight-line method
Service equipment	12 years, straight-line method
Plant equipment	10 years, straight-line method
Service vehicles	8 years, straight-line method
Motor vehicles	8 years, straight-line method
Office equipment	4 years, straight-line method
Leasehold improvements	Term of lease

(e) Impairment of long-lived assets

In the event that facts and circumstances indicate that the carrying value of long-lived assets may be impaired, the Company performs a recoverability evaluation. If the evaluation indicates that the carrying value of the asset is not recoverable from undiscounted cash flows attributable to the asset, then an impairment loss is measured by comparing the carrying amount of the asset to its fair value.

(f) Goodwill

Goodwill comprises the excess of cost over fair values of the underlying net assets acquired arising from business combinations accounted for using the purchase method. Goodwill is not amortized.

The Company continually evaluates, on a two-step basis, whether an impairment of goodwill has occurred and whether an impairment loss should be recognized. The first test for impairment involves comparing the fair value of the Company with its carrying amount, including goodwill. The fair value of goodwill is determined by the excess of the fair value of the Company over the carrying amounts of its assets and liabilities. If the fair value of the Company exceeds its carrying amount, then goodwill is not considered to be impaired, and the second test is unnecessary. When the fair value of the Company does not exceed its carrying amount, the second test for impairment is performed, which involves comparing the fair value of goodwill with the carrying amount of goodwill. When the carrying amount of the goodwill exceeds the fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

(g) Income taxes

Income taxes are accounted for by the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***(h) Revenue recognition**

Service revenue is recognized when services are performed.

Product sales revenue is recognized when the products are shipped, at which time title passes to the customer.

(i) 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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The significant areas requiring the use of management estimates relate to the amortization of property and equipment, determining the impairment of goodwill and the assumptions used in determining stock based compensation. Actual results could differ from these estimates.

(j) Lease obligations

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. All other leases are accounted for as operating leases wherein payments are expensed as incurred.

(k) Asset retirement obligations

The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset. The liability is accredited at the end of each period through charges to operating expenses.

(l) Stock-based compensation

Stock-based compensation of employees, directors, officers and consultants is recorded in accordance with the fair value based method.

(m) Net income per share

Basic net income per share is calculated based on the weighted average number of shares outstanding during the year. Diluted net income per share reflects the assumed conversion of all dilutive securities using the treasury stock method. Diluted net income per share figures are equal to those of basic net income per share if the effects of stock options and warrants have been excluded since they are anti-dilutive.

(n) Share issuance costs

Costs related to the issuance of shares (net of the related income effect) are charged against share capital.

Notes to Consolidated Financial Statements

Nine Month Period Ended January 31, 2007

(Unaudited)

3. CASH AND CASH EQUIVALENTS

	<i>January 31</i> 2007	<i>April 30</i> 2006
Cash	\$ 318,970	\$ 538,691
Guaranteed investment certificate	5,000,000	5,032,274
Bank indebtedness	(1,011,610)	(597,000)
	\$ 4,307,360	\$ 4,973,965

4. RESTRICTED CASH

The Company has a \$100,000 deposit held in trust by legal counsel for a promissory note holder as security for the promissory note in the amount of \$169,152 (see note 7).

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	<i>January 31</i> 2007 Net book value
Land	\$ 32,657	\$ -	\$ 32,657
Rental equipment	74,573	34,790	39,783
Motor vehicles	90,926	47,201	43,725
Leasehold improvements	135,625	82,554	53,071
Office equipment and furniture	194,561	155,025	39,536
Plant equipment	413,054	183,918	229,136
Service vehicles	4,517,796	1,877,147	2,640,649
Service equipment	4,789,649	1,724,131	3,065,518
	\$ 10,248,841	\$ 4,104,766	\$ 6,144,075

	Cost	Accumulated amortization	<i>April 30</i> 2006 Net book value
Land	\$ 32,657	\$ -	\$ 32,657
Motor vehicles	63,002	45,479	17,523
Rental equipment	74,573	30,129	44,444
Leasehold improvements	107,100	64,894	42,206
Office equipment and furniture	189,651	134,259	55,392
Plant equipment	400,754	156,509	244,245
Service vehicles	3,403,509	1,611,890	1,791,619
Service equipment	4,449,225	1,497,012	2,952,213
	\$ 8,720,471	\$ 3,540,172	\$ 5,180,299

DALMAC ENERGY INC.
Notes to Consolidated Financial Statements
Nine Month Period Ended January 31, 2007
(Unaudited)

6. CALLABLE DEBT

	<i>January 31</i> 2007	<i>April 30</i> 2006
Bank loan, payable \$657 per month principal, plus interest at prime plus 1.25%.	\$ 17,066	\$ 22,979
Bank loan, payable \$7,292 per month principal, plus interest at prime plus 1.25%.	172,482	238,110
Bank loan, payable \$902 per month principal, plus interest at prime plus 1.25%.	37,873	45,991
Bank loan, payable \$5,603 per month principal, including interest at 6.65%	329,408	-
	556,829	307,080
Less amount due within current year	(43,362)	(106,212)
	\$ 513,467	\$ 200,868

Unless the bank loans are demanded the approximate principal repayments due within the remaining of the current year and each of the next five years are as follows:

2007	\$ 43,362
2008	173,449
2009	148,375
2010	78,061
2011	69,932
Thereafter	43,650
	\$ 556,829

7. LONG TERM DEBT

	<u>January 31</u> <u>2007</u>	<u>April 30</u> <u>2006</u>
Conditional sales contracts, with interest at rates ranging from 6.60% to 7.95% per annum, repayable in monthly principal and interest payments that vary over the term of each contract, maturing on various dates to April, 2011, secured by specific service vehicles and service equipment	\$ 1,695,325	\$ 2,204,445
Conditional sales contracts, consisting of two separate contracts, both bearing interest at 6.5% per annum, repayable in monthly blended payments that vary over the term of each contract, maturing on January 15, 2012 and February 1, 2012, secured by specific vehicles and equipment	1,038,260	-
Conditional sales contracts, consisting of four separate contracts, bearing interest at rates ranging from 7.25% to 8.5% per annum, repayable in monthly blended payments that vary over the term of each contract, maturing on various dates to January, 2010, secured by specific vehicles and equipment	484,212	614,628
Conditional sales contract, bearing interest at 8.5% per annum, repayable in monthly blended payments of \$4,136, maturing in April, 2010, secured by specific vehicle and equipment	141,396	168,635
Conditional sales contracts, with interest rates ranging from 8.76% to 10.95% per annum, repayable in monthly principal and interest payments that vary over the term of each contract, maturing on various dates to August, 2009, secured by specific trucks	66,648	34,491
Promissory note, payable \$11,701 per month, principal and interest at 4.25%, due March, 2008, secured by a charge against the assets of the company, subrogated to any existing charges.	159,541	258,011
Promissory note due to a former director of the Company, payable \$8,373 per month, principal and interest at 4.25%, due November, 2008, secured by a general security agreement, shares of 750761 Alberta Ltd. sold by the promissory note holder to the Company and \$100,000 of monies in trust (see note 4).	169,152	245,402
Promissory note due to a director of the Company, repayable in equal monthly principal and interest payments of \$4,148 over thirty-six months with the first such payment commencing one month after the promissory note in the amount of \$169,152 (2006 - \$245,402) is paid in full, to bear interest commencing from that date at a rate of 4.25% per annum.	140,000	140,000
	3,894,534	3,665,612
Less amount due within current year	(329,804)	(1,224,957)

(continues)

DALMAC ENERGY INC.
Notes to Consolidated Financial Statements
Nine Month Period Ended January 31, 2007
(Unaudited)

7. LONG TERM DEBT *(continued)*

	<i>January 31</i> 2007	<i>April 30</i> 2006
	\$ 3,564,730	\$ 2,440,655

Approximate principal repayments due within the remaining of the current year and each of the next five years are as follows:

2007	\$ 329,804
2008	1,390,776
2009	972,517
2010	639,670
2011	360,466
Thereafter	201,301
	\$ 3,894,534

8. INCOME TAXES

(a) Non-capital losses

The Company has accumulated non-capital losses carried forward for income tax purposes of approximately \$257,243, the benefit of which has been reflected in these financial statements. These losses may be applied against future taxable income within the limitations prescribed by the Income Tax Act (Canada) and expire as follows:

2015	\$ 102,965
2016	154,278
	\$ 257,243

(b) Temporary differences

A future income tax liability reflects the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future income tax liability are as follows:

	<i>January 31</i> 2007	<i>April 30</i> 2006
Income tax effect of taxable temporary differences:		
Net book value in excess of undepreciated capital cost for tax purposes	\$ 690,947	\$ 597,225
Non capital losses carried forward	(86,176)	(119,678)
Share issuance costs deductible for tax purposes	(203,177)	(193,294)
Book value of goodwill in excess of tax value	31,996	27,379
Recognized future income tax liability	\$ 433,590	\$ 311,632

9. SHARE CAPITAL

(a) Authorized:

Unlimited common voting shares
 Unlimited preferred shares, issuable in series

(b) Common shares issued:

Dalmac Energy Inc. only, excludes McClelland share value of \$12.00

	January 31 2007		April 30 2006	
	Shares	Amount	Shares	Amount
Balance, beginning of year	12,378,978	\$ 8,255,693	5,795,964	\$ 1,736,980
Issued on exercise of options	9,260	6,482	292,143	133,719
Private placements	-	-	6,228,571	7,000,000
Issued on exercise of warrants	39,595	33,656	62,300	52,955
	-	-	-	77,501
Share issuers bid purchases	(42,500)	(27,500)	-	-
Share issuance costs	-	(29,500)	-	(745,462)
Balance, end of year	12,385,333	\$ 8,238,831	12,378,978	\$ 8,255,693

(c) Stock options

The Company has a stock option plan under which directors, officers and employees of the Company and its affiliates are eligible to receive stock options. The maximum number of shares issuable pursuant to the exercise of outstanding options granted under the plan shall be 10% of the issued shares of the Company at the time of granting the options. The maximum number of common shares optioned to any one optionee shall not exceed 5% of outstanding common shares of the Company and options granted under the plan may not exceed five years. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the policy or policies of the stock exchange(s) on which the Company's common shares are then listed.

The Company accounts for options granted under this plan in accordance with the fair value based method of accounting for stock-based compensation. The application of the fair value based method requires the use of certain assumptions regarding the risk-free market interest rate, expected volatility of the underlying stock and life of the options.

During the year ended April 30, 2006, the Company granted 142,857 options on September 27, 2005 and 480,000 options on February 28, 2006 to agents of the Company as commissions. The fair value of the options granted on September 27, 2005 was calculated assuming the risk free interest rate was 3.3%, the expected life of the options was two years and the expected volatility was 57%. The market price of the Company's shares at the grant date exceeded the option exercise price. The fair value of the options granted on February 28, 2006 was calculated assuming the risk free interest rate was 3.91%, the expected life of the options was two years and the expected volatility was 55%. The market price of the Company's shares at the grant date exceeded the option exercise price. The options granted resulted in stock based compensation, which was recorded as a share issuance cost, and contributed surplus of \$305,377 during the year.

During the period ended April 30, 2005, the Company granted 150,000 options on March 21, 2005 to directors and senior officials of the company. The fair value of the options granted was calculated assuming the risk free interest rate was 2.5%, the expected life of the options was five years and the expected volatility was 4.5%. The market price of the Company's shares at the grant date exceeded the option exercise price. The options granted resulted in stock based compensation expense and contributed surplus of \$64,692 during the period.

(continues)

9. SHARE CAPITAL (continued)

The following table summarizes activity related to stock options:

	Number	Weighted Average Exercise Price 2007	Number	Weighted Average Exercise Price 2006
Balance, beginning of year	913,449	\$ 0.83	662,051	\$ 0.33
Granted	-	-	622,857	1.12
Expired	-	-	(79,316)	0.30
Exercised	(9,260)	0.70	(292,143)	0.46
Outstanding, end of year	904,189	\$ 0.83	913,449	\$ 0.83
Exercisable, end of year	904,189	\$ 0.83	913,449	\$ 0.83

The following table summarizes stock options outstanding at January 31, 2007:

Expiry Date	Number outstanding	Exercise Price
September 27, 2007	18,407	0.70
February 28, 2008	480,000	1.25
December 22, 2008	255,782	0.30
March 21, 2010	150,000	0.45
	<u>904,189</u>	

(d) Warrants

The following table summarizes warrants outstanding at January 31, 2007:

	Expiry Date	Exercise Price	2007 Warrants Outstanding January 31	2006 Warrants Outstanding April 30
Issued pursuant to private placement in September, 2005	September 27, 2007	\$ 0.85	674,616	709,581
Issued pursuant to private placement in February, 2006	February 28, 2008	\$ 1.50	2,400,000	2,400,000
			<u>3,074,616</u>	<u>3,109,581</u>

The weighted average exercise price of the outstanding warrants at April 30, 2006 was \$1.35.

DALMAC ENERGY INC.
Notes to Consolidated Financial Statements
Nine Month Period Ended January 31, 2007
(Unaudited)

10. LEASE COMMITMENTS

The Company leases equipment and premises under long term operating leases. The leases for premises are exclusive of operating costs. Future minimum annual lease payments for the current year are as follows:

	2007		2008		2009		2010		2011
Equipment	\$ 651,177	\$	597,913	\$	569,425	\$	380,475	\$	38,949
Premises	215,494		215,494		66,505		-		-
	<u>\$ 866,671</u>	\$	<u>813,407</u>	\$	<u>635,930</u>	\$	<u>380,475</u>	\$	<u>38,949</u>

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with financial statement presentation adopted for the current period.
