



Interim Consolidated Financial Statements

Genesis Worldwide Inc.

June 30, 2007

[unaudited]

Genesis Worldwide Inc.

INTERIM CONSOLIDATED BALANCE SHEETS

[unaudited]

	As at June 30, 2007 \$	As at December 31, 2006 \$
ASSETS		
Current		
Cash and cash equivalents	16,161	1,011,386
Accounts receivable, net	5,297,844	5,626,735
Inventories	858,300	769,441
Prepaid expenses and deposits	900,928	470,352
Total current assets	7,073,233	7,877,914
Long-term accounts receivable	431,250	—
Property, plant and equipment	3,042,975	2,870,557
Deferred share issue costs (<i>note 3</i>)	3,193,337	—
Intangible assets	2,253,979	2,320,199
	15,994,774	13,068,670
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	4,544,528	4,744,193
Accrued share issue costs	3,140,066	—
Warrants liability (<i>note 10</i>)	600,000	600,000
Deferred revenue - current portion	2,777,595	2,141,733
Minimum royalty payment obligations	25,300	23,140
Total current liabilities	11,087,489	7,509,066
Long-term		
Deferred revenue	431,250	—
Debentures due to related parties (<i>note 4</i>)	6,000,000	3,190,585
Minimum royalty payment obligations	1,535,512	1,549,162
Total long-term liabilities	7,966,762	4,739,747
Shareholders' equity (deficiency)		
Capital stock (<i>note 5</i>)	42,174,920	42,174,920
Contributed surplus	125,356	65,293
Deficit	(45,359,753)	(41,420,356)
Total shareholders' equity (deficiency)	(3,059,477)	819,857
	15,994,774	13,068,670

See accompanying notes

On behalf of the Board:

Director

Director

Genesis Worldwide Inc.

**INTERIM CONSOLIDATED STATEMENTS OF
LOSS, COMPREHENSIVE LOSS AND DEFICIT**

[unaudited]

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
Revenues				
Licensing	2,677,846	20,340	3,636,624	182,642
Structural products	2,340,418	3,391,666	5,370,938	7,916,498
Total revenues	5,018,264	3,412,006	9,007,562	8,099,140
Direct cost of revenues				
Licensing	1,555,272	10,412	2,079,943	73,841
Structural products	1,964,659	3,279,594	4,055,476	7,655,106
Total direct cost of revenues	3,519,931	3,290,006	6,135,419	7,728,947
	1,498,333	122,000	2,872,143	370,193
Expenses				
Research and development (recovery) (note 6)	(120,023)	269,141	111,128	506,867
Selling and marketing	439,953	289,495	825,924	534,645
Engineering and project management	471,619	444,249	857,798	719,343
General and administrative	808,650	1,042,347	1,827,717	1,636,441
Occupancy	323,957	280,530	627,540	604,440
Plant commissioning and restructuring costs (note 7)	526,706	—	749,297	—
	2,450,862	2,325,762	4,999,404	4,001,736
Loss before other expenses	(952,529)	(2,203,762)	(2,127,261)	(3,631,543)
Amortization of property, plant and equipment	198,881	157,694	376,061	278,544
Amortization of intangible assets	67,412	67,413	134,825	134,826
Foreign exchange gain	(36,413)	(44,310)	(49,620)	(17,510)
Bank interest expense - net	—	22,163	—	17,287
Minimum royalty accretion	74,145	73,236	148,472	146,472
Debenture and loan interest expense	470,614	—	1,088,948	—
	774,639	276,196	1,698,686	559,619
Net loss and comprehensive loss for the period	(1,727,168)	(2,479,958)	(3,825,947)	(4,191,162)
Deficit, beginning of period	(43,632,585)	(35,671,948)	(41,533,806)	(33,960,744)
Deficit, end of period	(45,359,753)	(38,151,906)	(45,359,753)	(38,151,906)
Net loss per share				
Basic and diluted	(0.08)	(0.12)	(0.18)	(0.20)
Weighted average number of common shares outstanding – basic and diluted	20,982,858	20,982,858	20,982,858	20,982,858

See accompanying notes

Genesis Worldwide Inc.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW
[unaudited]

	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss for the period	(1,727,168)	(2,479,958)	(3,825,947)	(4,191,162)
Adjustments for non-cash items				
Amortization of property, plant and equipment	198,881	157,694	376,061	278,544
Amortization of intangible assets	67,412	67,413	134,825	134,826
Stock compensation expense	51,501	8,562	60,063	17,124
Debenture interest expense accretion	342,215	—	809,453	—
Minimum royalty accretion	74,145	73,236	148,472	146,472
	(993,014)	(2,173,053)	(2,297,073)	(3,614,196)
Changes in non-cash working capital balances related to operations				
Accounts receivable	(380,269)	(477,888)	(102,359)	(878,481)
Inventories	1,476,668	(489,669)	(88,859)	(540,134)
Prepaid expenses and deposits	(619,127)	(66,238)	(430,576)	(76,014)
Accounts payable and accrued liabilities	(626,933)	175,999	(381,720)	(653,212)
Deferred revenue	791,801	397,640	1,067,112	1,358,768
Cash used in operating activities	(350,874)	(2,633,209)	(2,233,475)	(4,403,269)
FINANCING ACTIVITIES				
Decrease in bank indebtedness	—	(2,952,492)	—	(1,526,682)
Debenture proceeds	—	—	2,000,000	—
Cash provided by (used in) financing activities	—	(2,952,492)	2,000,000	(1,526,682)
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(349,171)	(30,099)	(548,479)	(195,321)
Deferred IPO costs paid	(53,271)	—	(53,271)	—
Minimum royalties paid	(80,000)	(40,000)	(160,000)	(80,000)
Cash used in investing activities	(482,442)	(70,099)	(761,750)	(275,321)
Net decrease in cash and cash equivalents during the period	(833,316)	(5,655,800)	(995,225)	(6,205,272)
Cash and cash equivalents, beginning of period	849,477	7,285,415	1,011,386	7,834,887
Cash and cash equivalents, end of period	16,161	1,629,615	16,161	1,629,615
Supplemental cash flow information				
Interest paid	171,018	22,163	312,842	17,287
Income taxes paid	—	—	—	—

2007

Non-cash investing activities

The Company recorded a long-term receivable in the amount of \$575,000 for a contract with a customer with an offsetting increase in deferred revenue.

The Company recorded costs of \$3,193,337 relating to its initial public offering, of which \$3,140,066 are in accrued share issue costs.

The Company recorded additions of \$68,605 to intangible assets with an offsetting increase in accounts payable and accrued liabilities.

See accompanying notes

Genesis Worldwide Inc.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

[unaudited]

1. BASIS OF PRESENTATION

The accompanying interim consolidated financial statements reflect the same accounting policies and methods of application as the Company's consolidated financial statements for the year ended December 31, 2006, except for changes in accounting policies described in note 2. The interim consolidated financial statements for the Company have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements and follow the same accounting policies as the Company's consolidated financial statements as at and for the year ended December 31, 2006. As a result, certain information and disclosures normally required to be included in the notes to the annual financial statements have been condensed or omitted. These interim consolidated financial statements are unaudited but reflect all adjustments required for the fair presentation in accordance with GAAP and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2006.

**2. ADOPTION OF RECENT CANADIAN ACCOUNTING STANDARDS IN
2007**

Accounting changes

In July 2006, the Accounting Standards Board issued a replacement of The Canadian Institute of Chartered Accountants' Handbook ["CICA Handbook"] Section 1506, *Accounting Changes* ["Section 1506"]. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impractical, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors in the financial statements. Section 1506 also requires disclosure of information relevant to assessing the possible impact that the application of a new GAAP standard will have on the Company's consolidated financial statements in the period of initial application. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes. The adoption of Section 1506 effective January 1, 2007 has had no impact on these interim consolidated financial statements.

Comprehensive income and financial instruments

On January 1, 2007, the Company adopted CICA Handbook Section 1530, *Comprehensive Income*, Section 3855, *Financial Instruments - Recognition and Measurement* and Section 3861, *Financial Instruments - Disclosure and Presentation*.

Genesis Worldwide Inc.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL
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Section 1530, Comprehensive Income

The new rules require that the Company present a new consolidated statement of comprehensive income, which is comprised of the change in equity [net assets] of an enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company had no other comprehensive income for all periods presented.

Section 3855, Financial Instruments - Recognition and Measurement

Section 3861, Financial Instruments - Disclosure and Presentation

Financial assets and financial liabilities

Under the new standards, financial assets and financial liabilities are initially recognized at fair value and their subsequent measurements are dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. The standards require that all financial assets be classified as held or trading, available for sale, held to maturity, or loans and receivables. The standards require that all financial assets, including all derivatives, be measured at fair value with the exception of loans and receivables, debt securities classified as held to maturity, and available for sale financial assets that do not have quoted market prices in an active market. Settlement date accounting continues to be used for all financial assets, except changes in fair value between the trade date and settlement date are reflected in the interim consolidated statements of loss, comprehensive loss and deficit for held for trading financial assets, while changes in fair value between trade date and settlement date are reflected in other comprehensive income for available for sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets that are initially recognized at fair value and thereafter are accounted for at cost or amortized cost.

Other liabilities

Other liabilities are non-derivative financial liabilities that are initially recognized at fair value and thereafter are recorded at cost or amortized cost and include all liabilities, other than derivatives or liabilities to which the fair value designation has been applied.

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**NOTES TO INTERIM CONSOLIDATED FINANCIAL
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[unaudited]

Transaction costs

Transaction costs related to debt financing are netted against the carrying value of the liability and then amortized over the expected life of the instrument using the effective interest method.

Determination of fair value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparisons with similar instruments where market observable prices exist, discounted cash flows analysis, option pricing models and other valuation techniques commonly used by market participants. For certain derivatives, fair values may be determined in whole or in part from valuation techniques using non-observable market data or transaction prices. A number of factors such as bid-offer spread, credit profile and model uncertainty are taken into account, as appropriate, when values are calculated using valuation techniques.

Classification of financial instruments

The following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments outstanding as of January 1, 2007:

- Cash and cash equivalents are classified as held-for-trading. Changes in fair value for the period are recorded in income as interest income.
- Accounts receivable are classified as loans and receivables.
- Bank indebtedness, accounts payable and accrued liabilities, and warranty liability are accounted for as other liabilities measured at fair value and debentures and minimum royalty payment obligations are accounted for as other liabilities at amortized cost.

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[unaudited]

On January 1, 2007, the Company made the following adjustments to its balance sheet to adopt the new requirements for financial instruments:

	As at January 1, 2007
	\$
Accounts payable and accrued liabilities	(120,000)
Debentures due to related parties	6,550
Deficit	(113,450)

Deferred financing costs have been reclassified as a reduction in debentures due to related parties.

The impact of these changes on the Interim Consolidated Financial Statement of Operations and Comprehensive Loss increases net loss as follows:

	Six months ended June 30, 2007
	\$
Debenture and loan interest expense	714,118
Net loss	(714,118)
Loss per share	(0.03)

3. DEFERRED SHARE ISSUE COSTS

Costs incurred to June 30, 2007 relating to the share issue have been classified as deferred expenses and will be offset against the proceeds of the share issue which were received on July 3, 2007.

4. DEBENTURES DUE TO RELATED PARTIES

On July 6, 2007, the debentures due to existing shareholders were repaid in full from the proceeds of an initial public offering ("IPO") referred to in note 10.

Genesis Worldwide Inc.

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5. CAPITAL STOCK

[a] Capital reorganization

Pursuant to a capital reorganization agreement dated April 23, 2007 ["Capital Reorganization Agreement"], holders of Series A, B and C preferred shares agreed to reorganize the share capital of the Company by exchanging their preferred shares for common shares, with holders of Series A and B preferred shares exchanging on a 1 for 2 basis, and Series C preferred shareholders exchanging for common shares on a 1 for 2.5 basis. In addition, the Capital Reorganization Agreement provides for [i] the termination of the Investor Rights Agreement and the Voting Agreement; [ii] an amendment to the Company's Articles of Incorporation to cancel the Series A, B and C preferred shares and to create a new class of preferred shares ["New Preferred Shares"] in the share capital of the Company; and [iii] in the event that the initial public offering is not completed, an amendment of the Articles of Incorporation and the completion of such acts as are necessary to reintroduce the rights of the holders of the preferred shares such that existing shareholders of the Company are returned to their original position.

The New Preferred Shares are issuable in series and each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, rank on a parity with the New Preferred Shares of every other series and be entitled to a preference and priority over the common shares and over any other shares of the Company ranking junior to the New Preferred Shares. The New Preferred Shares are redeemable at the option of the Company and retractable at the option of the holders, as specified in the Articles of Incorporation of the Company. Other rights, privileges, restrictions, and conditions for each series of New Preferred Shares may be determined by the Board of Directors of the Company.

[b] Options

On April 23, 2007, the Company split the options on a 2 for 1 basis resulting in an increase from 1,100,587 to 2,201,174 options outstanding and the Company set the maximum number of options outstanding at 3,098,286 options effective July 3, 2007.

On April 25, 2007, the Company granted 325,000 options to directors, officers and employees to purchase common shares at an exercise price of \$2.75 per share.

Genesis Worldwide Inc.

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[unaudited]

Also on that date, the Board of Directors approved the modification of vesting terms of 210,000 options previously issued to an officer which had performance based vesting terms. These options, which had performance-based vesting criteria, have been amended to comply with Toronto Stock Exchange requirements as follows:

- [i] 55,000 options will fully vest upon completion of the IPO;
- [ii] 60,000 options vest over three years, commencing January 1, 2007; and
- [iii] 95,000 options vest over four years, commencing January 1, 2007.

The changes under [i] and [ii] will be accounted for as a stock option modification with the stock compensation expense measured in 2007 using \$2.75 per share as the fair value of the common stock on the date of approval of the modification; with respect to [i] the full expense will be recorded in the period the IPO is completed. Prior to this modification, there was no stock compensation expense recorded with respect to these options as performance measures had not been achieved.

On June 21, 2007, the Company granted 55,000 options to employees to purchase common shares at an exercise price of \$2.00 per share.

The following table presents information concerning stock options granted to employees by the Company:

	<u>June 30, 2007</u>		<u>December 31, 2006</u>	
	Number of	Weighted	Number of	Weighted
	options	average	options	average
	#	exercise price	#	exercise price
		per share		per share
		\$		\$
Outstanding, January 1	1,100,587	0.73	713,087	0.69
Split 2 for 1	1,100,587	0.36		
Granted	380,000	2.64	465,000	0.82
Forfeited	(10,000)	2.75	(77,500)	0.84
Outstanding, end of period	2,571,174	0.73	1,100,587	0.73
Exercisable, end of period	781,880	0.69	236,441	0.48

The amount of stock option compensation expense related to granted options recognized in the interim consolidated statements of loss, comprehensive loss and deficit and credited to contributed surplus for the six months ended June 30, 2007 was \$60,063, (June 30, 2006 - \$17,124), and for the three months ended June 30, 2007 was \$8,562 (June 30, 2006 - \$8,562).

Genesis Worldwide Inc.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

6. RESEARCH AND DEVELOPMENT (RECOVERY)

During the period, the Company earned \$418,161 in tax incentives related to eligible expenditures for scientific research and experimental development. The amount has been recorded as a reduction to the related research and development expenses in the statement of loss, comprehensive loss and deficit.

7. PLANT COMMISSIONING AND RESTRUCTURING COSTS

During the six months ended June 30, 2007, the Company consolidated its two manufacturing facilities into a new facility located in Vaughan, Ontario. Plant commissioning and restructuring costs were \$749,297, comprising severance costs of \$233,887, rental penalties on leases of \$75,087, moving costs of \$105,646, duplicate rental costs for the new facility of \$314,312 and set-up costs of \$20,365. Of the \$749,297, all but \$4,902 was paid as at June 30, 2007.

8. RELATED PARTY TRANSACTIONS

Revenues earned from a shareholder of the Company in connection with license arrangements, at the exchange amount agreed upon between the parties for the six months ended June 30, 2007 were \$198,969 (June 30, 2006 – \$1,956,202), and for the three months ended June 30, 2007 were \$1,298 (June 30, 2006 – \$1,840,567).

Another shareholder has a business relationship as a contract customer of the Company with regular credit terms. Revenues earned at the exchange amount agreed upon between the parties for the six months ended June 30, 2007 were \$391,591 (June 30, 2006 - \$746,282), and for the three months ended June 30, 2007 were \$356,391 (June 30, 2006 – \$596,044). The Company has also entered into a commercial property lease with this shareholder on December 31, 2006 for a period of ten years commencing January 1, 2007 for an annual minimum base rent of \$727,040. The Company is also liable for additional rent for operating costs, utilities and taxes.

During 2007, the Company borrowed the remaining available \$2,000,000 in debentures, and incurred interest expense for the six months ended June 30, 2007 of \$312,842 (three months ended June 30, 2007 – \$171,018), and accretion expense for the six months ended June 30, 2007 of \$809,453 (three months ended June 30, 2007 – \$342,215).

During 2006, the Company borrowed a total of \$4,000,000 in debentures from related parties and also issued warrants to certain existing shareholders. Expenses related to this financing at the exchange amount agreed upon between the parties comprise interest of \$36,144, accretion expense of \$23,985, and financing costs totaling \$243,365, which includes commitment fees of \$180,000. These debentures were repaid in full on July 6, 2007.

Genesis Worldwide Inc.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL
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[unaudited]

9. SEGMENT INFORMATION

The Company's business activities are conducted through two operating segments, in addition to centralized corporate services. All intersegment transactions are measured at the exchange amounts.

Structural products

The structural products segment consists of a customized panelization facility and a light steel joist facility, both located in the Greater Toronto Area. Both facilities produce engineered components used in the construction of light steel residential and commercial buildings.

Licensing

The licensing segment develops and licenses light steel structural building technology solutions for residential and commercial markets. The Company develops software applications, creates light steel products and provides equipment specifications to market, sell, engineer, fabricate and install light steel structures through its own locations as well as through licensees. Operating activities consist of ongoing sale of licenses and the development and application of technologies.

Three months ended June 30, 2007	Licensing \$	Structural products \$	Corporate \$	Consolidated \$
Revenues	2,677,846	2,340,418	—	5,018,264
Direct cost of revenues	1,555,272	1,964,659	—	3,519,931
Contribution margin	1,122,574	375,759	—	1,498,333
Expenses before the undernoted	441,471	1,523,974	485,417	2,450,862
Income (loss) before the following	681,103	(1,148,215)	(485,417)	(952,529)
Amortization	20,552	244,819	922	266,293
Foreign exchange gain	(33,110)	(3,303)	—	(36,413)
Interest expense and minimum royalty accretion	(26,986)	82,299	489,446	544,759
Net income (loss) for the period	720,647	(1,472,030)	(975,785)	(1,727,168)

Genesis Worldwide Inc.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

[unaudited]

Three months ended June 30, 2006	Structural			Consolidated
	Licensing	Products	Corporate	
	\$	\$	\$	\$
Revenues	20,340	3,391,666	—	3,412,006
Direct cost of revenues	10,412	3,279,594	—	3,290,006
Contribution margin	9,928	112,072	—	122,000
Expenses before the undernoted	1,226,500	845,804	253,458	2,325,762
Income (loss) before the following	(1,216,572)	(733,732)	(253,458)	(2,203,762)
Amortization	19,500	205,607	—	225,107
Foreign exchange gain	(9,500)	(34,810)	—	(44,310)
Interest expense and minimum royalty accretion	—	95,399	—	95,399
Net loss for the period	(1,226,572)	(999,928)	(253,458)	(2,479,958)

Six months ended June 30, 2007	Structural			Consolidated
	Licensing	Products	Corporate	
	\$	\$	\$	\$
Revenues	3,636,624	5,370,938	—	9,007,562
Direct cost of revenues	2,079,943	4,055,476	—	6,135,419
Contribution margin	1,556,681	1,315,462	—	2,872,143
Expenses before the undernoted	1,290,053	2,633,768	1,075,583	4,999,404
Income (loss) before the following	266,628	(1,318,306)	(1,075,583)	(2,127,261)
Amortization	40,982	468,060	1,844	510,886
Foreign exchange gain	(43,182)	(6,438)	—	(49,620)
Interest expense and minimum royalty accretion	(27,400)	156,861	1,107,959	1,237,420
Net income (loss) for the period	296,228	(1,936,789)	(2,185,386)	(3,825,947)

Genesis Worldwide Inc.

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[unaudited]

Six months ended June 30, 2006	Structural			Consolidated
	Licensing	Products	Corporate	
	\$	\$	\$	\$
Revenues	182,642	7,916,498	—	8,099,140
Direct cost of revenues	73,841	7,655,106	—	7,728,947
Contribution margin	108,801	261,392	—	370,193
Expenses before the undernoted	1,684,998	1,854,598	462,140	4,001,736
Income (loss) before the following	(1,576,197)	(1,593,206)	(462,140)	(3,631,543)
Amortization	38,228	375,142	—	413,370
Foreign exchange gain (loss)	283	(17,816)	23	(17,510)
Interest expense and minimum royalty accretion	—	150,493	13,266	163,759
Net loss for the period	(1,614,708)	(2,101,025)	(475,429)	(4,191,162)

10. SUBSEQUENT EVENTS

Issue of shares pursuant to an IPO and related transactions:

On July 3, 2007, pursuant to an IPO, the Company issued 10,000,000 common shares at an issue price of \$2.00 per share. In addition, the Company granted compensation options entitling the underwriters to acquire 500,000 common shares from the Company at the offering price of \$2.00 expiring July 2, 2008. In addition, the Company granted the underwriters an option to purchase 1,500,000 additional common shares at the issue price of \$2.00 expiring August 2, 2007. The expenses incurred pursuant to the IPO are estimated at \$5,150,000.

In July 2007, the warrants liability of \$600,000 will be credited to contributed surplus as a result of the exercise of special warrants to share purchase warrants.

In addition, the debentures outstanding as at June 30, 2007 in the amount of \$6,000,000 were repaid in full from the proceeds of the IPO on July 6, 2007.