

Unaudited Consolidated Financial Statements of

## **OMT INC.**

Three and Nine Month periods ended September 30, 2007 and 2006  
(Unaudited)

These interim consolidated financial statements have not been audited or reviewed by the Company's independent external auditors, Ernst & Young LLP.

**OMT INC.**

## Consolidated Balance Sheets

 September 30, 2007 and December 31, 2006  
 (Unaudited)

	September	December
<b>Assets</b>		
Current assets:		
Cash	\$ 196,780	\$ 366,947
Accounts receivable	327,012	520,314
Inventory	51,767	81,868
Prepaid expenses	46,159	173,241
Current portion of lease receivable	7,000	7,000
	<u>628,718</u>	<u>1,149,370</u>
Lease receivable	-	7,000
Property and equipment	14,230	28,215
Software and other intangible assets	5,368	38,906
	<u>\$ 648,316</u>	<u>\$ 1,223,491</u>

See accompanying notes to consolidated financial statements.

**OMT INC.**

Consolidated Balance Sheets (continued)

 September 30, 2007 and December 31, 2006  
 (Unaudited)

	September	December
<b>Liabilities and Shareholders' Deficiency</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 387,088	\$ 423,424
Deferred revenue	347,843	728,929
Current portion of obligation under capital lease	-	3,560
	<u>734,931</u>	<u>1,155,913</u>
Long-term debt (note 1p)	3,476,867	3,342,560
<b>Total liabilities</b>	<u>4,211,798</u>	<u>4,498,473</u>
Commitments and contingencies (notes 5 and 8)		
Shareholders' deficiency:		
Capital stock (note 2)	1,278,458	1,278,458
Other paid-in capital	693,579	693,579
Contributed surplus (note 2)	216,427	197,326
Deficit	<u>(5,751,946)</u>	<u>(5,444,345)</u>
	<u>(3,563,482)</u>	<u>(3,274,982)</u>
	<u>\$ 648,316</u>	<u>\$ 1,223,491</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Bill Baines" Director

"Laurie Goldberg" Director

**OMT INC.**

## Consolidated Statements of Operations, Comprehensive Income (Loss) and Deficit

 Three and Nine Month Periods Ended September 30, 2007 and 2006  
 (Unaudited)

	2007		2006	
	Q3	YTD	Q3	YTD
Sales	\$636,599	\$2,425,352	\$ 673,463	2,303,526
Cost of sales	190,780	983,820	221,742	795,953
Gross profit	445,819	1,441,532	451,721	1,507,573
Selling and administrative	448,756	1,528,547	522,880	1,592,665
Research and development	49,622	162,732	48,218	167,323
	498,378	1,691,279	571,098	1,759,988
Income (loss) before the undernoted	(52,559)	(249,747)	(119,377)	(252,415)
Other expenses:				
Amortization (note 1f)	11,500	33,950	50,566	152,123
Interest paid on long-term debt	80,556	239,043	80,557	239,043
Other interest	13	436	742	1,583
Foreign exchange loss (gain)	1,968	9,617	1,882	(5,318)
Non-cash interest accretion (note 1f)	94,122	257,232	64,892	194,676
	188,159	540,278	198,639	582,107
Loss for the period	(240,718)	(790,025)	(318,016)	(834,522)
Discontinued operations (note 7)	-	359,498	126,972	364,929
Transitional amount (note 1p)	-	122,926	-	-
Deficit, beginning of period	(5,511,228)	(5,444,345)	(5,075,069)	(4,796,520)
Deficit, end of period	\$(5,751,946)	\$(5,751,946)	\$(5,266,113)	\$(5,266,113)
Basic and fully diluted loss per share (note 2)	\$ (0.008)	\$ (0.027)	\$ (0.011)	\$ (0.029)

See accompanying notes to consolidated financial statements.

**OMT INC.**

## Consolidated Statements of Cash Flows

 Three and Nine Month Periods Ended September 30, 2007 and 2006  
 (Unaudited)

	2007		2006	
	Q3	YTD	Q3	YTD
Cash provided by (used in):				
Operations:				
Net Income (loss) for the period	\$ (240,718)	\$ (790,025)	\$ (318,016)	\$ (834,522)
Items not involving cash:				
Amortization (note 1f)	11,500	33,950	50,566	152,123
Non-cash interest accretion (note 1f)	94,122	257,232	64,892	194,676
Discontinued operations (note 7)	-	359,498	126,972	364,929
Gain on sale of assets	-	-	-	422
Stock-based compensation	-	19,101	-	19,101
<u>Change in non-cash operating working capital</u>	<u>151,579</u>	<u>(59,936)</u>	<u>274,227</u>	<u>166,357</u>
	16,483	(180,180)	198,641	63,086
Financing:				
Decrease in bank demand loan	-	-	(30,000)	-
<u>Principal payments on capital lease</u>	<u>-</u>	<u>(3,560)</u>	<u>(1,899)</u>	<u>(5,468)</u>
	-	(3,560)	(31,899)	(5,468)
Investments:				
Additions to capital assets	(4,730)	13,573	-	(7,424)
<u>Additions to software and intangible assets</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,821)</u>
	(4,730)	13,573	-	(12,245)
<u>Change in cash position</u>	<u>11,753</u>	<u>(170,167)</u>	<u>166,742</u>	<u>45,373</u>
Cash position, beginning of period	185,027	366,947	64,845	186,214
<u>Cash position, end of period</u>	<u>\$ 196,780</u>	<u>\$ 196,780</u>	<u>\$ 231,587</u>	<u>\$ 231,587</u>
Supplementary information:				
Interest paid	\$ 80,569	\$ 239,479	\$ 81,299	\$ 240,626

See accompanying notes to consolidated financial statements.

**OMT INC.**

Notes to Consolidated Financial Statements (Unaudited)

Three and Nine month Periods ended September 30, 2007 and 2006

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**General:**

OMT Inc (TSX:OMT.V) (the Company), through its subsidiaries, OMT Technologies Inc. (OMT) and Intertain Media Inc., provides media delivery systems and technology, and solutions to the media, broadcast and retail industries.

**1. Significant accounting policies****(a) Basis of presentation and financial restructuring:**

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the Company has experienced significant losses in the last six years.

The ability of the Company to carry on as a going concern is dependant upon achieving profitable operations which cannot be predicted at this time and the ability of the Company to obtain a new refinancing arrangement when its existing financing becomes due. The financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

**(b) Basis of consolidation:**

The consolidated financial statements include the accounts of the Company and its two wholly-owned subsidiaries. All significant inter-company balances and transactions have been eliminated on consolidation.

**(c) Inventory:**

Inventory consists of custom projects in process and computers and related equipment held for resale. Custom projects in process are recorded at the lower of cost, which includes direct project expenses, and net realizable value. Computers and related equipment held for resale are valued at the lower of cost, determined on a specific item basis, and net realizable value.

## OMT INC.

Notes to Consolidated Financial Statements (continued)

Three and Nine month Periods ended September 30, 2007 and 2006

### 1. Significant accounting policies (continued):

#### (d) Property and equipment:

Assets included in property and equipment are stated at cost less accumulated amortization. Amortization is provided for over the estimated useful lives of the assets using the following annual basis and rates:

Asset	Basis	Rate
Computer hardware	Straight-line	3 years
Furniture and equipment	Straight-line	5 years
Assets under capital lease	Straight-line	3 years

#### (e) Software and other intangible assets:

Software and other intangible assets are stated at cost less accumulated amortization and are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Term
Purchased intellectual properties	4 - 5 years
Other software	2 years
Other intangibles	5 years

#### Impairment of property and equipment and finite life intangible assets:

Impairment of property and equipment and finite life intangible assets is recognized when an event or change in circumstances causes the asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the estimated fair value of the asset from its carrying value.

**OMT INC.**

Notes to Consolidated Financial Statements (continued)

Three and Nine month Periods ended September 30, 2007 and 2006

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**1. Significant accounting policies (continued):**

## (f) Deferred financing costs:

Deferred financing costs represent the cost of the issuance of the long-term debt. Amortization in the past was provided on a straight-line basis over the term of the debt. Costs associated with debt that had been settled has been written-off in the year of settlement. Costs at January 1, 2007 of \$133,305 have been deducted from the long-term debt and are no longer included in the asset section of the balance sheet. Amortization of deferred financing costs, which was previously a part of amortization expense, has been reclassified to non-cash interest accretion in 2007. The amounts included for the third quarter and year-to-date are \$16,663 and \$49,989 respectively.

## (g) Income taxes:

The Company uses the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the substantively enacted tax rates expected to apply to taxable earnings in the year in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the date of enactment or substantive enactment.

## (h) Revenue recognition:

The Company recognizes revenue when there is evidence a sales arrangement exists, the sales price is fixed and determinable, collectibility is reasonably assured and title has passed. For software, computer hardware and other product sales, these criteria are usually met upon delivery or shipment of the product. Provision is made at the time revenue is recognized for estimated product returns and warranties based on historical experience.

A system sale often includes four elements: hardware, software, training and future support fees. Hardware and software revenue are normally recognized after delivery. Training revenue is recognized when completed. Support fees are deferred and recognized over the term of the contract.

Custom software sales are recognized pursuant to the contract terms and on a percentage of completion basis. Service revenues are recognized over the contract life on a straight-line basis.

Revenue billed in advance of its recognition is reflected as deferred revenue.

**OMT INC.**

Notes to Consolidated Financial Statements (continued)

Three and Nine month Periods ended September 30, 2007 and 2006

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**1. Significant accounting policies (continued):**

## (i) Government assistance:

Government assistance in connection with research activities is recognized as an expense reduction in the year that the related expenditure is incurred. Government assistance in connection with capital expenditures is treated as a reduction of the cost of the applicable asset

## (j) Stock-based compensation plan:

The Company has a stock option plan. Under the fair-value-based method, compensation cost is measured at fair value at the date of grant using the Black-Scholes option pricing model. Compensation cost is expensed over the award's vesting period. Any consideration paid by option holders upon exercise of stock options is recorded as an increase in share capital.

## (k) Foreign currency:

Monetary items denominated in foreign currency are translated into Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

## (l) Use of estimates:

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

## (m) Research and development expenses:

Research expenses are charged to income in the year they are incurred, net of related tax credits. Development costs are charged to operations in the period of the expenditure, unless a development project meets the criteria under Canadian generally accepted accounting principles for deferral and amortization. As of September 30, 2007 and December 31, 2006, no development costs have been deferred.

**OMT INC.**

Notes to Consolidated Financial Statements (continued)

Three and Nine month Periods ended September 30, 2007 and 2006

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**1. Significant accounting policies (continued):**

## (n) Earnings (loss) per share:

The calculation of earnings (loss) per share is based on net income divided by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the assumed conversion of all dilutive securities using the treasury stock method. Under the treasury stock method, the weighted-average number of common shares outstanding is calculated assuming that the proceeds from the exercise of options and warrants are used to repurchase common shares at the average price during the year. For the 9 months ended September 30, 2007 1,997,000 options (2006 – 2,012,000) were excluded from the calculation of diluted earnings per share because the effect of including these shares would be to reduce the loss per share.

## (o) Leases:

Leases are classified as either capital or operating. Leases which transfer substantially all the benefits and risks of ownership of the asset to the Company are accounted for as capital leases. Capital lease obligations reflect the present value of future lease payments, discounted at the appropriate interest rate. All other leases are accounted for as operating leases whereby rental payments are expensed as incurred.

## (p) Changes in accounting policies:

Effective January 1, 2007 the Company adopted CICA Handbook Section 1506, Accounting Changes, which establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies and estimates, and correction of errors. Under the new standard, accounting changes should be applied retroactively unless otherwise permitted or where impracticable to determine. As well, voluntary changes in accounting policy are made only when required by a primary source of GAAP or the change results in more relevant and reliable information. The Company has determined that the application of this section did not have any impact on the September 30, 2007 interim consolidated financial statements with the exception of the reclassification of deferred financing costs from assets to netting them against Long-term debt.

**OMT INC.**

Notes to Consolidated Financial Statements (continued)

Three and Nine month Periods ended September 30, 2007 and 2006

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**1. Significant accounting policies (continued):**

## (p) Changes in accounting policies: (continued)

The Company normally prepays convention costs and expenses them over the remainder of the financial year. In future, these costs will be written off in the period that the convention takes place. This will have no impact on annual financial statements. For the period of these interim financial statements at September 30, 2007, additional costs of \$7,000 that would otherwise have been shown as prepaid expenses on the balance sheet have been expensed. If the change had been in effect in the third quarter of 2006, the reduction in prepaid expenses in 2006 would have been \$23,000, with a corresponding increase in expenses.

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 3855 – financial instruments – recognition and measurement and Section 1530 – comprehensive income. The adoption of these new standards resulted in changes in the accounting policies for financial instruments. The principal changes in accounting policies, financial statement reporting and disclosure recommendations for comprehensive income and its components and the presentation of equity are described below:

## Section 3855 – financial instruments – recognition and measurement

This Section sets out the standards for the recognition and measurement of financial assets and financial liabilities. The standard prescribes when to recognize a financial instrument in the balance sheet and at what amount. Depending on their balance sheet classification, fair value or cost-based measures are used. This standard also prescribes the basis of presentation for gains and losses on financial instruments. Based on financial instrument classification, gains and losses on financial instruments are recognized in net earnings or other comprehensive income.

The Company has made the following classifications:

- Cash is classified as “assets held for trading” and is measured at fair value. Gains and losses resulting from the periodic revaluation are recorded in net earnings.
- Accounts receivable and lease receivable are classified as “loans and receivables” and are recorded at cost, which upon their initial measurement is equal to fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities are classified as “other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

## OMT INC.

Notes to Consolidated Financial Statements (continued)

Three and Nine month Periods ended September 30, 2007 and 2006

### 1. Significant accounting policies (continued):

(p) Changes in accounting policies: (continued)

- Long-term debt is classified as an “other financial liability” and is initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The deferred financing costs, previously reported on a separate line item on the balance sheet, are now netted against the carrying value of the related debt and amortized into interest expense using the effective interest rate method. Prior to the adoption of the new standards, the amortization of deferred financing costs was reported as a separate line item on the statement of operations.

Fair value is based on quoted market prices when available. However, when financial instruments lack an available trading market, fair value is determined using management’s estimates and is calculated using market factors with similar characteristics and risk profiles.

#### Section 1530 – comprehensive income

This Section describes the reporting and disclosure standards with respect to comprehensive income and its components. Comprehensive income is comprised of net earnings and other comprehensive income or loss. The components of comprehensive income are disclosed in the consolidated statement of Operations, Comprehensive Income and Deficit.

#### Impact of change on these statements

The adoption of these Sections is done retroactively without restatement of the consolidated financial statements of prior periods. As at January 1, 2007, the impact on the consolidated balance sheet of measuring the long-term debt using the effective interest rate method was a decrease in deferred financing costs of \$133,305 and a decrease in long-term debt of \$133,305. At January 1, 2007, opening retained deficit and the debt were both decreased by \$122,926 as a transition adjustment.

### 2. Capital stock:

(a) Authorized: Authorized share capital consists of an unlimited number of common voting shares with no par value and an unlimited number of redeemable, cumulative, convertible 8.5% preferred voting shares issuable in series.

(b) Issued common shares are summarized below:

	Number of shares	Amount
Balance at September 30, 2007 and 2006	28,922,090	\$1,278,458

## OMT INC.

Notes to Consolidated Financial Statements (continued)

Three and Nine month Periods ended September 30, 2007 and 2006

### 2. Capital stock (continued)

(c) Options:

At the 2005 annual general meeting of shareholders a new stock option plan was approved. Under the new plan 4,330,813 options for purchase of common shares are reserved. Terms of the options will be determined by the Board of Directors, but in any case, must expire no more than 5 years from the date of the grant. Normal vesting is one third upon issue and one third in each of the following two years.

The Company has stock options outstanding to directors and officers to purchase up to 1,975,000 common shares and to employees to purchase up to 37,000 common shares.

Information related to the stock options outstanding at September 30, 2007 and December 31, 2006 is presented below:

	2007		2006	
	Number of shares	Weighted-average exercise price \$	Number of shares	Weighted-average exercise price \$
Outstanding at beginning of period	2,012,000	0.12	2,219,500	0.14
Granted	-	-	-	-
Exercised	-	-	-	-
Cancelled	15,000	0.12	207,500	0.16
Outstanding at end of period	1,997,000	0.12	2,012,000	0.12
Options exercisable at September 30	1,530,332	0.12	1,395,832	0.12

The following table summarizes information about share options outstanding at September 30, 2007:

Options Outstanding					Options Exercisable	
Exercise price \$	Year of grant	Number outstanding	Weighted-average remaining contractual life [years]	Weighted-average exercise price \$	Number outstanding	Weighted-average exercise price \$
0.25	2003	100,000	0.5	0.25	100,000	0.25
0.12	2003	20,000	0.7	0.12	20,000	0.12
0.12	2003	28,500	1.4	0.12	28,500	0.12
0.12	2005	448,500	2.3	0.12	448,500	0.12
0.11	2005	1,400,000	3.0	0.11	933,332	0.11
0.12		1,997,000	2.7	0.12	1,530,332	0.12

**OMT INC.**

Notes to Consolidated Financial Statements (continued)

Three and Nine month Periods ended September 30, 2007 and 2006

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**2. Capital stock (continued):**

## (d) Stock based compensation:

Stock based compensation has been calculated on the options vested to employees, officers and directors. During the first quarter, the number of options vested used to calculate Stock Based Compensation was 664,835, which represents all the options that will vest in 2007. The value of options granted is based on the price at the date of the grant, volatility of price in the future (based on volatility over the past twelve months), and the risk free interest rate at that time. Stock prices at the dates of the grants were \$0.06, \$0.06 and \$0.05 respectively. Option price was \$0.10 in each case. Volatility was estimated at 75% and the interest rate used was 3%.

Stock based compensation in the amount of \$57,304 has been calculated for the options issued in 2005, with \$19,101 attributable to 2007 and expensed in the first quarter. The amount of the expense is added to contributed surplus.

## (e) Escrowed shares:

As at September 30, 2007 there are no shares remaining in escrow. At December 31, 2006 681,843 of the common shares were held in escrow. They were released on August 16, 2007.

## (f) Per share amounts:

The weighted average number of common shares outstanding for the 3 month periods ended September 30, 2007 and September 30, 2006 was 28,922,090.

## OMT INC.

Notes to Consolidated Financial Statements (continued)

Three and Nine month Periods ended September 30, 2007 and 2006

### 3. Segment Information:

The Company manages its business and evaluates performance based on two operating segments. The Commercial segment is primarily intended for automation of commercial radio stations. The Retail segment provides retailers with supporting media services that enhance the shopping experience. The accounting policies of the Company's operating segments are the same as those described in note 1. There are no significant inter-segment transactions. The following charts present results of operations for both the nine and three month periods ended September 30, 2007 and September 30, 2006 and identifiable assets at September 30, 2007 and September 30, 2006.

#### Three months ended September 30, 2007 and September 30, 2006

	2007				2006			
	Commercial	Retail	Common	Total	Commercial	Retail	Common	Total
	\$	\$	\$	\$	\$	\$	\$	\$
	[000's]				[000's]			
Revenues	577	59	-	636	631	42	-	673
Expenses								
Cost of sales	161	30	-	191	200	21	-	221
Selling, general and administrative	227	61	162	450	235	124	166	525
Research & development	32	18	-	50	30	18	-	48
Amortization	4	7	-	11	10	24	17	51
Interest	-	-	175	175	-	-	146	146
	424	116	337	877	475	187	329	991
Net income (loss) for the period	153	(57)	(337)	(241)	156	(145)	(329)	(318)

#### Nine Month Periods Ended September 30, 2007 and 2006

	2007				2006			
	Commercial	Retail	Common	Total	Commercial	Retail	Common	Total
	\$	\$	\$	\$	\$	\$	\$	\$
	[000's]				[000's]			
Revenues	1,926	499	-	2,425	2,112	192	-	2,304
Expenses								
Cost of sales	643	341	-	984	695	101	-	796
Selling, general and administrative	722	294	521	1,537	729	357	502	1,588
Research & development	105	58	-	163	97	70	-	167
Amortization	15	19	-	34	31	71	50	152
Interest	-	-	497	497	-	-	435	435
	1,485	712	1,018	3,215	1,552	599	987	3,138
Net income (loss) for the period	441	(213)	(1,018)	(790)	560	(407)	(987)	(834)

## OMT INC.

Notes to Consolidated Financial Statements (continued)

Three and Nine month Periods ended September 30, 2007 and 2006

### 3. Segment Information (continued):

	September 30, 2007				September 30, 2006			
	Commercial	Retail	Common	Total	Commercial	Retail	Common	Total
	\$	\$	[000's]	\$	\$	\$	[000's]	\$
Tangible assets	2	17	-	19	16	41	-	57
Intangible assets	1	4	-	5	3	41	-	44
Additions to property, plant and equipment, intangible assets, and goodwill	5	(20)	-	(15)	4	8	-	12

Geographic information about the Company's revenue is based on the product shipment destination or the location of the contracting organization. Assets are based on their physical location as at September 30, 2007 and September 30, 2006.

	2007			2006		
	Revenue	Property, plant and equipment, and goodwill		Revenue	Property, plant and equipment, and goodwill	
	\$	[000's]	\$	\$	[000's]	\$
Canada	958		20	659		101
United States	1,467		-	1,645		-
	2,425		20	2,304		101

Sales to 5 [2006 – five] significant customers in the third quarter represent 25% [2006 – 42%] of the total revenue.

For the nine months ended September 30, 2007, sales to 8 significant customers represented 27% (2006 – 44%) of the total revenue.

**OMT INC.**

Notes to Consolidated Financial Statements (continued)

Three and Nine month Periods ended September 30, 2007 and 2006

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**4. Bank demand loan**

The Company has established a \$400,000 Line of Credit with its banker which bears interest at 9%. Security on the loan is provided through a guarantee by a major shareholder. With the establishment of the guarantee, the bank no longer holds any covenants should the Company draw funds against the line which is now available to the full amount of \$400,000.

**5. Related party transactions and measurement uncertainty:**

## (a) Custom Contract in progress:

The Company has contracted to supply Radio Automation Software and Services to a company of which one of OMT's directors is also an officer and director. The project which is valued at approximately \$575,000 began in 2005 and at September 30, 2007 the revenue for the work completed and recognized was \$375,000.

The project has been delayed due to technical issues. Correction of the problems will result in additional costs over and above those originally estimated. Revenue has been recorded on this contract under the percentage of completion method based upon management's best estimate of costs still to be incurred. Management estimates that costs still to be incurred to complete the project will be approximately \$105,000.

## (b) Bank line guarantee:

In October 2005 a major shareholder of OMT Inc., with representation on its Board of Directors, provided a guarantee for \$400,000 to the Bank of Nova Scotia to support the Company's Line of Credit at the bank. This guarantee is ongoing and requires payments of a monthly administration fee of \$1,000, as well as a monthly standby fee of \$1,000. In the event that the Company actually draws down on the guarantee, then the interest rate would be 20% of the amount received.

Related party transactions are recorded at the exchange amount which is the rate agreed upon by the related parties.

## OMT INC.

Notes to Consolidated Financial Statements (continued)

Three and Nine month Periods ended September 30, 2007 and 2006

### 6. Financial instruments:

(i) Credit risk:

The Company's contracts for projects denominated in foreign currencies as well as accounts receivable in foreign currencies potentially subjects the Company to credit and foreign exchange risk, as collateral is generally not required and exchange rates to US funds can change significantly.

(ii) Fair value:

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments. The carrying amount of all other long-term debt approximates their fair values, as the obligations bear interest at rates that approximate market rates.

### 7. Discontinued Operations - Sale of the Retail Preview Business:

On May 28, 2007 OMT executed a sale of its Retail Preview asset and related business operations. In addition, Intertain is entitled to receive quarterly royalties beginning January 1, 2008 and ending December 31, 2011 on any ongoing subscription revenues from the current customers of Retail Preview. The total carrying value of long-term assets included in the sale amounted to \$29,000. Of this total, \$24,000 represented compact music discs. The transaction resulted in an initial gain of \$181,412, which was recorded and realized in the second financial quarter. Any royalties received in the future as a result of this transaction will be recorded in the financial periods in which they are received. Operational details from discontinued operations are as follows:

	<u>2007</u>		<u>2006</u>	
	<u>Q3</u>	<u>YTD</u>	<u>Q3</u>	<u>YTD</u>
Sales	-	\$ 215,533	\$ 193,098	\$565,455
Cost of sales	-	<u>37,447</u>	<u>66,126</u>	<u>200,526</u>
Gross profit	-	178,086	126,972	364,929
Initial gain	-	<u>181,412</u>	-	-
Total		<u>359,498</u>	<u>126,972</u>	<u>364,929</u>

**OMT INC.**

Notes to Consolidated Financial Statements (continued)

Three and Nine month Periods ended September 30, 2007 and 2006

**7 Discontinued Operations - Sale of the Retail Preview Business (continued):**

Expenses related to the discontinued operations are not specifically accounted for in the books of the Company. It would therefore be very difficult to accurately identify the direct expenses of the discontinued operations. As a result, discontinued operations have not been adjusted for expenses.

**8. Contingencies:**

(a) The financing transaction that was concluded by the Company in December 2004 involved the outstanding preferred shares, and was initially described as a redemption of preferred shares. The intent of all parties was to repurchase the preferred shares on a tax neutral basis. Unfortunately, the wording used did not support the original intent and could result in a possible tax liability. Correcting this required a rectification order (the "Order"), with the proper wording, to be issued by the Manitoba Court of Queen's Bench. The rectification order with the proper wording has been issued in our favor on April 22, 2005. It is possible that Canada Revenue Agency (CRA) might appeal the Order, but management does not expect this to happen because the original intent was for the transaction to be tax neutral. If CRA were to appeal the order or the revised transaction and, if such appeals were successful, the Company could face a potential income tax liability of approximately \$600,000. If such appeals were filed by CRA, the Company would vigorously defend its position.

(b) Payments received on a project contracted with a company of which one of OMT's directors is also an officer and director as defined in note 5 are guaranteed up to a maximum amount of US \$263,000. Progress payments received to date on the project total US \$263,021 (Cdn.\$320,000). The contracting company has the right to demand repayment of these funds based on a "Letter of Credit" (LOC), which is supported by a "Performance Security Guarantee" (PSG). OMT has purchased "Performance Security Insurance" (PSI) for up to 95% of the money advanced to date, from the Export Development Corporation (EDC) to protect itself against this possibility. The LOC is valid until December 31, 2008 or completion of the project, whichever comes sooner, but the Company expects to request an extension should the project be incomplete at that time. At September 30, 2007 there is a contingent liability for the 5% PSI deductible or US \$13,151 which has not been recorded in the financial statements.