

Unaudited Consolidated Financial Statements of

## **OMT INC.**

Three Months ended March 31, 2007 and Three Months ended March 31,  
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

March 31, 2007 and December 31, 2006  
(Unaudited)

	March	December
<b>Assets</b>		
Current assets:		
Cash	\$ 255,800	\$ 366,947
Accounts receivable	377,420	520,314
Inventory	179,597	81,868
Prepaid expenses	194,736	173,241
Current portion of lease receivable	7,000	7,000
	1,014,553	1,149,370
Lease receivable	7,000	7,000
Property and equipment	17,538	28,215
Software and other intangible assets	34,849	38,906
Deferred financing costs	116,642	133,305
	\$ 1,190,582	\$ 1,356,796

See accompanying notes to consolidated financial statements.

## OMT INC.

### Consolidated Balance Sheets

March 31, 2007 and December 31, 2006  
(Unaudited)

	March	December
<b>Liabilities and Shareholders' Deficiency</b>		
Current liabilities:		
Bank demand loan (note 4)	\$ 10,000	\$ -
Accounts payable and accrued liabilities	409,542	423,424
Deferred revenue	613,239	728,929
Current portion of obligation under capital lease	-	3,560
	<u>1,032,781</u>	<u>1,155,913</u>
Long-term debt	3,540,757	3,475,865
Total liabilities	<u>4,573,538</u>	<u>4,631,778</u>
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>(5,571,420)</u>	<u>(5,444,345)</u>
Total shareholders' deficiency	<u>(3,382,956)</u>	<u>(3,274,982)</u>
Total liabilities and shareholders' deficiency	<u>\$ 1,190,582</u>	<u>\$ 1,356,796</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 and Deficit

Three Months Ended March 31, 2007 and Three Months Ended March 31, 2006  
(Unaudited)

	2007	2006
Sales	\$ 915,920	\$ 928,666
Cost of sales	272,369	303,197
Gross profit	643,551	625,469
Selling and administrative	529,995	514,661
Research and development	60,712	66,371
	590,707	581,032
Income before the undernoted	52,844	44,437
Other expenses:		
Amortization	31,396	50,493
Interest on long-term debt	78,805	78,805
Other interest	423	457
Non-cash interest accretion	64,892	64,892
Foreign exchange loss	4,859	1,221
	180,375	195,868
Loss before income taxes	(127,531)	(151,431)
Income taxes	-	-
Loss for the period	(127,531)	(151,431)
Deficit, beginning of period		
As previously reported	(5,443,889)	(4,796,520)
Deficit, end of period	\$ (5,571,420)	\$ (4,947,951)
Basic and fully diluted loss per share (note 2)	\$ (.004)	\$ (.004)

See accompanying notes to consolidated financial statements.

## OMT INC.

### Consolidated Statements of Cash Flows

Three Months Ended March 31, 2007 and Three Months Ended March 31, 2006  
(Unaudited)

	2007	2006
Cash provided by (used in):		
Operations:		
Loss for the period	\$ (127,531)	\$ (151,431)
Items not involving cash:		
Amortization	31,396	50,493
Non-cash interest accretion	64,892	64,892
Stock-based compensation	19,101	19,101
Loss on disposal of fixed assets	-	422
Change in non-cash operating working capital	(105,445)	177,252
	(117,587)	160,729
Financing:		
Increase in bank demand loan	10,000	-
Principal payments on capital lease	(3,560)	(1,748)
	6,440	(1,748)
Investments:		
Additions to property and equipment	-	(6,651)
Additions to software and other intangible assets	-	(2,073)
	-	(8,724)
Increase (Decrease) in cash position	(111,147)	150,257
Cash position, beginning of period	366,947	186,214
Cash position, end of period	\$ 255,800	\$ 336,471
Supplementary information:		
Interest paid	\$ 79,228	\$ 79,262

See accompanying notes to consolidated financial statements.

**OMT INC.**

Notes to Consolidated Financial Statements (Unaudited)

Three Months ended March 31, 2007 and Three Months Ended March 31, 2006

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**General:**

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

**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 three 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 additional financing from other sources 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 sound cards 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 sound cards 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 Months ended March 31, 2007 and Three Months Ended March 31, 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.

#### (f) Deferred financing costs:

Deferred financing costs represent the cost of the issuance of the long-term debt. Amortization is provided on a straight-line basis over the term of the debt. Costs associated with debt that has been settled is written-off in the year of settlement.

**OMT INC.**

Notes to Consolidated Financial Statements (continued)

Three Months ended March 31, 2007 and Three Months Ended March 31, 2006

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

## (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.

## (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.

**OMT INC.**

Notes to Consolidated Financial Statements (continued)

Three Months ended March 31, 2007 and Three Months Ended March 31, 2006

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**1. Significant accounting policies (continued):****(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 March 31, 2007 and December 31, 2006, no development costs have been deferred.

**OMT INC.**

Notes to Consolidated Financial Statements (continued)

Three Months ended March 31, 2007 and Three Months Ended March 31, 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 3 months ended March 31, 2007, 2,012,000 options (2006 – 2,219,500) 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 March 31, 2007 interim consolidated financial statements.

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, but the interim financial statements at June 30, 2007 and September 30, 2007 will be affected.

## OMT INC.

Notes to Consolidated Financial Statements (continued)

Three Months ended March 31, 2007 and Three Months Ended March 31, 2006

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### 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 1/2% preferred voting shares issuable in series.

(b) Issued common shares are summarized below:

	Number of shares	Amount
Balance at March 31, 2006 and 2007	28,922,090	\$1,278,458

During the year ended December 31, 2005, 50,000 shares were issued upon conversion of debentures with a face value of \$50,000. This increased share capital by \$3,836 for that period.

(c) Options:

At the 2005 annual general meeting of shareholders a new stock option plan was ratified. 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 2,175,000 common shares and to employees to purchase up to 44,500 common shares.

## OMT INC.

Notes to Consolidated Financial Statements (continued)

Three Months ended March 31, 2007 and Three Months Ended March 31, 2006

### 2. Capital stock (continued):

#### (c) Options (continued):

Information related to the stock options outstanding at March 31, 2007 and March 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	-	-	-	-
Outstanding at end of period	2,012,000	0.12	2,219,500	0.14
Options exercisable at March 31	1,395,832	0.12	1,108,833	0.18

The following table summarizes information about share options outstanding at March 31, 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	0.8	0.25	100,000	0.25
0.12	2003	35,000	1.2	0.12	35,000	0.12
0.12	2003	28,500	1.5	0.12	28,500	0.12
0.11	2006	448,500	2.9	0.12	299,000	0.12
0.11	2006	1,400,000	3.6	0.11	933,332	0.11
\$0.14		2,012,000	3.2	0.12	1,395,832	0.12

**OMT INC.**

Notes to Consolidated Financial Statements (continued)

Three Months ended March 31, 2007 and Three Months Ended March 31, 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 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 is 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 2006, with \$19,101 expensed in the current quarter. Amount of the expense is added to contributed surplus.

## (e) Escrowed shares:

As at March 31, 2007 and December 31, 2006, an aggregate of 681,843 of the common shares remain held in escrow. While these common shares are held in escrow, the holder has full voting rights. The remaining common shares will be released on August 16, 2007.

## (f) Per share amounts:

The weighted average number of common shares outstanding for the 3 months ended March 31, 2007 was 28,922,090 (2006 - 28,922,090).

## OMT INC.

Notes to Consolidated Financial Statements (continued)

Three Months ended March 31, 2007 and Three Months Ended March 31, 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 is primarily intended to enhance the shopping experience of customers in retail businesses. 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 presents results of operations for the quarters ended March 31, 2007 and March 31, 2006 and identifiable assets at March 31, 2007 and December 31, 2006.

	2007				2006			
	Commercial \$	Retail \$	Common \$	Total \$	Commercial \$	Retail \$	Common \$	Total \$
	[000's]				[000's]			
Revenues	708	208	-	916	601	327	-	928
Expenses								
Cost of sales	207	65	-	272	163	140	-	303
Selling, general and administrative	234	124	177	535	244	113	158	515
Research & development	39	22	-	61	35	31	-	66
Amortization	8	7	17	32	10	23	17	50
Interest	-	-	144	144	-	-	145	145
	488	218	338	1,044	452	307	320	1,079
Net income (loss) for the year	220	(10)	(338)	(128)	149	20	(320)	(151)
Tangible assets	1	16	-	17	33	82	-	115
Intangible assets	1	34	-	35	6	46	-	52
Additions to property, plant and equipment, intangible assets, and goodwill	-	-	-	-	3	6	-	9

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 March 31, 2007 and December 31, 2006.

	2007			2006		
	Revenue \$	Property, plant and equipment, and goodwill [000's]	\$	Revenue \$	Property, plant and equipment, and goodwill [000's]	\$
Canada	368		52	455		166
United States	548		-	473		-
	916		52	928		166

Sales to four significant customers represents 27% [2006 – 34%] of the total revenue.

**OMT INC.**

Notes to Consolidated Financial Statements (continued)

Three Months ended March 31, 2007 and Three Months Ended March 31, 2006

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**4. Bank demand loan**

The bank demand loan, which bears interest at 9%, is limited to a maximum of \$400,000 and is secured by a general assignment of book debts and inventory. At March 31, 2007, the amount of the loan was \$10,000. The Company is not in violation of any covenants related to this loan.

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

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 \$600,000 began in 2005 and at December 31, 2006 and at March 31, 2007 the revenue for the work completed and invoiced in 2005, 2006 and 2007 amounted to \$320,000.

The project has been delayed due to technical issues. Correction of the problems could result in additional costs over and above those originally estimated, but the amount is unknown. 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. It is unknown if additional costs due to the technical issues will be incurred, but if there are, management estimates that the difference between revenue recognized in the financial statements and what should have been recognized could amount to \$50,000.

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 Months ended March 31, 2007 and Three Months Ended March 31, 2006

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**6. Financial instruments:**

## (i) Credit risk:

The Company's accounts receivable 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. There is also a risk as two large customers account for 33% of the total accounts receivable. However, the risk of loss is limited due to the Company's policy of collecting a deposit before any project is commenced. The Company also bills in advance for service and support contracts.

## (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. Subsequent event:**

On May 28, OMT executed a sale of its Retail Preview asset to Farr Media Inc. FMC is a corporation owned and controlled by OMT's past President & CEO, Scott Farr. The sale price also entitles the Company to royalties on future revenues from current customers. The transaction will result in an initial gain of approximately \$180,000, which will be recorded and realized in the second financial quarter.

**OMT INC.**

Notes to Consolidated Financial Statements (continued)

Three Months ended March 31, 2007 and Three Months Ended March 31, 2006

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**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. 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 14 are guaranteed up to a maximum amount of US \$358,106. 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 "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 Guarantee is valid until September 15, 2007 or completion of the project, whichever comes sooner, but the insurance would be extended should the project be incomplete at that time. At December 31, 2006 and at March 31, 2007 there is a contingent liability for the 5% deductible or US \$13,151 which has not been recorded in the financial statements.