

Unaudited Consolidated Financial Statements of

## **OMT INC.**

Six Months June 30, 2007 and Six Months ended June 30, 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

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

	June	December
<b>Assets</b>		
Current assets:		
Cash	\$ 185,027	\$ 366,947
Accounts receivable	536,015	520,314
Inventory	87,441	81,868
Prepaid expenses	54,739	173,241
Current portion of lease receivable	7,000	7,000
	<u>870,222</u>	<u>1,149,370</u>
Lease receivable	-	7,000
Property and equipment	21,381	28,215
Software and other intangible assets	4,988	38,906
	<u>\$ 896,591</u>	<u>\$ 1,223,491</u>

See accompanying notes to consolidated financial statements.

**OMT INC.**

Consolidated Balance Sheets (continued)

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

	June	December
<b>Liabilities and Shareholders' Deficiency</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 474,888	\$ 423,424
Deferred revenue	361,722	728,929
Current portion of obligation under capital lease	-	3,560
	<u>836,610</u>	<u>1,155,913</u>
Long-term debt (note 1p)	3,505,671	3,342,560
<b>Total liabilities</b>	<u>4,342,281</u>	<u>4,498,473</u>
Commitments and contingency (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	(5,634,154)	(5,444,345)
	<u>(3,445,690)</u>	<u>(3,274,982)</u>
	<u>\$ 896,591</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 and Deficit

 Six Months Ended June 30, 2007 and June 30, 2006  
 (Unaudited)

	2007		2006	
	Q2	YTD	Q2	YTD
Sales	\$1,007,848	\$1,788,753	\$ 916,446	1,630,062
Cost of sales	544,551	793,039	349,830	574,210
Gross profit	463,297	995,714	566,616	1,055,852
Selling and administrative	549,798	1,079,793	555,124	1,069,784
Research and development	52,398	113,110	52,734	119,105
	602,196	1,192,903	607,858	1,188,889
Income (loss) before the undernoted	(138,899)	(197,189)	(41,242)	(133,037)
Other expenses:				
Amortization	24,380	55,776	51,064	101,557
Interest on long-term debt	79,681	158,486	79,681	158,487
Other interest	-	423	383	840
Foreign exchange loss (gain)	2,790	7,649	(8,420)	(7,199)
Non-cash interest accretion	64,892	129,784	64,892	129,784
	171,743	352,118	187,600	383,469
Loss for the period	(310,642)	(549,307)	(228,842)	(516,506)
Discontinued operations (note 7)	248,364	359,498	101,724	237,957
Deficit, beginning of period	(5,571,876)	(5,444,345)	(4,947,951)	(4,796,520)
Deficit, end of period	\$(5,634,154)	\$ (5,634,154)	\$ (5,075,069)	\$ (5,075,069)
Basic and fully diluted loss per share (note 2)	\$ (0.011)	\$ (0.019)	\$ (0.008)	\$ (0.018)

See accompanying notes to consolidated financial statements.

**OMT INC.**

## Consolidated Statements of Cash Flows

 Six Months ended June 30, 2007 and Six Months ended June 30, 2006  
 (Unaudited)

	2007		2006	
	Q2	YTD	Q2	YTD
Cash provided by (used in):				
Operations:				
Net Income (loss) for the period	\$ (310,642)	\$ (549,307)	\$ (228,842)	\$ (516,506)
Items not involving cash:				
Amortization	24,380	55,776	51,064	101,557
Non-cash interest accretion	64,892	129,784	64,892	129,784
Discontinued operations (note 7)	248,364	359,498	101,724	237,957
Gain on sale of assets	-	-	-	422
Stock-based compensation	-	19,101	-	19,101
Change in non-cash operating working capital	(106,070)	(211,515)	(285,123)	(107,870)
	(79,076)	(196,663)	(296,285)	(135,555)
Financing:				
Increase (decrease) in bank demand loan	(10,000)	-	30,000	30,000
Principal payments on capital lease	-	(3,560)	(1,821)	(3,569)
	(10,000)	(3,560)	28,179	26,431
Investments:				
Additions to capital assets	18,303	18,303	(773)	(7,424)
Additions to software and intangible assets	-	-	(2,747)	(4,821)
	18,303	18,303	(3,520)	(12,245)
Decrease in cash position	(70,773)	(181,920)	(271,626)	(121,369)
Cash position, beginning of period	255,800	366,947	336,471	186,214
Cash position, end of period	\$ 185,027	\$ 185,027	\$ 64,845	\$ 64,845
Supplementary information:				
Interest paid	\$ 79,681	\$ 158,909	\$ 80,939	\$ 160,204

See accompanying notes to consolidated financial statements.

**OMT INC.**

Notes to Consolidated Financial Statements (Unaudited)

Six Months ended June 30, 2007 and Six Months Ended June 30, 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, 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 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)

Six Months ended June 30, 2007 and Six Months ended June 30, 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. Deferred financing costs of \$99,978 at June 30, 2007 and \$133,305 at December 31, 2006 have been netted against the long-term debt.

**OMT INC.**

Notes to Consolidated Financial Statements (continued)

Six Months ended June 30, 2007 and Six Months ended June 30, 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)

Six Months ended June 30, 2007 and Six Months ended June 30, 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 June 30, 2007 and December 31, 2006, no development costs have been deferred.

**OMT INC.**

Notes to Consolidated Financial Statements (continued)

Six Months ended June 30, 2007 and Six Months ended June 30, 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 6 month periods ended June 30, 2007 and June 30, 2006, 2,012,000 options 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 June 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.

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 June 30, 2007, additional costs of \$14,000 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 second quarter of 2006, the reduction in prepaid expenses in 2006 would have been \$30,000, with a corresponding increase in expenses.

**OMT INC.**

Notes to Consolidated Financial Statements (continued)

Six Months ended June 30, 2007 and Six Months ended June 30, 2006

**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 June 30, 2007 and 2006	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 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.

## OMT INC.

Notes to Consolidated Financial Statements (continued)

Six Months ended June 30, 2007 and Six Months ended June 30, 2006

### 2. Capital stock (continued):

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

Information related to the stock options outstanding at June 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	-	-	207,500	0.16
Outstanding at end of period	2,012,000	0.12	2,012,000	0.12
Options exercisable at June 30	1,545,332	0.12	1,395,832	0.12

The following table summarizes information about share options outstanding at June 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	0.6	0.25	100,000	0.25
0.12	2003	35,000	1.0	0.12	35,000	0.12
0.12	2003	28,500	1.6	0.12	28,500	0.12
0.12	2005	448,500	2.6	0.12	448,500	0.12
0.11	2005	1,400,000	3.3	0.11	933,332	0.11
0.12		2,012,000	3.0	0.12	1,545,332	0.12

**OMT INC.**

Notes to Consolidated Financial Statements (continued)

Six Months ended June 30, 2007 and Six Months ended June 30, 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 June 30, 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 month periods ended June 30, 2007 and June 30, 2006 was 28,922,090.

## OMT INC.

Notes to Consolidated Financial Statements (continued)

Six Months ended June 30, 2007 and Six Months ended June 30, 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 six and three month periods ended June 30, 2007 and June 30, 2006 and identifiable assets at June 30, 2007 and June 30, 2006.

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

	2007				2006			
	Commercial \$	Retail \$	Common \$	Total \$	Commercial \$	Retail \$	Common \$	Total \$
	[000's]				[000's]			
Revenues	641	367	-	1,008	879	38	-	917
Expenses								
Cost of sales	275	272	-	547	332	18	-	350
Selling, general and administrative	260	108	183	551	250	120	178	548
Research & development	34	18	-	52	33	20	-	53
Amortization	3	5	16	24	11	24	16	51
Interest	-	-	145	145	-	-	144	144
	572	403	344	1,319	626	182	338	1,146
Net income (loss) for the period	69	(36)	(344)	(311)	253	(144)	(338)	(229)

#### Six months ended June 30, 2007 and June 30, 2006

	2007				2006			
	Commercial \$	Retail \$	Common \$	Total \$	Commercial \$	Retail \$	Common \$	Total \$
	[000's]				[000's]			
Revenues	1,349	440	-	1,789	1,480	150	-	1,630
Expenses								
Cost of sales	482	311	-	793	495	79	-	574
Selling, general and administrative	494	233	360	1,087	494	233	336	1,063
Research & development	73	40	-	113	68	51	-	119
Amortization	11	12	33	56	21	47	33	101
Interest	-	-	289	289	-	-	289	289
	1,060	596	682	2,338	1,078	410	658	2,146
Net income (loss) for the period	289	(156)	(682)	(549)	402	(260)	(658)	(516)

## OMT INC.

Notes to Consolidated Financial Statements (continued)

Six Months ended June 30, 2007 and Six Months ended June 30, 2006

### 3. Segment Information (continued):

	June 30, 2007				June 30, 2006			
	Commercial \$	Retail \$	Common [000's]	Total \$	Commercial \$	Retail \$	Common [000's]	Total \$
Tangible assets	2	19	-	21	25	61	-	86
Intangible assets	1	4	-	5	4	45	-	49
Additions to property, plant and equipment, intangible assets, and goodwill	2	(20)	-	(18)	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 June 30, 2007 and June 30, 2006.

	2007			2006		
	Revenue \$	Property, plant and equipment, and goodwill [000's]	\$	Revenue \$	Property, plant and equipment, and goodwill [000's]	\$
Canada	786		26	489		135
United States	1,003		-	1,141		-
	1,789		26	1,630		135

Sales to 4 significant customers in the second quarter represent 43% [2006 – 48%] of the total revenue.

For the six months ended June 30, 2007, sales to 5 significant customers represents 30% (2006 – 27%) of the total revenue.

**OMT INC.**

Notes to Consolidated Financial Statements (continued)

Six Months ended June 30, 2007 and Six Months ended June 30, 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. At June 30, 2007, the amount of the loan was nil and the Company was not in violation of any covenants related to this loan.

**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 June 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 \$115,000.

## (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)

Six Months ended June 30, 2007 and Six Months ended June 30, 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. There is also a risk as two large customers account for 30% 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. 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 has been recorded and realized in this 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>Q2</u>	<u>YTD</u>	<u>Q2</u>	<u>YTD</u>
Sales	\$ 80,518	\$ 215,533	\$ 157,308	\$372,357
Cost of sales	13,566	37,447	55,584	134,400
Gross profit	66,952	178,086	101,724	237,957

**OMT INC.**

Notes to Consolidated Financial Statements (continued)

Six Months ended June 30, 2007 and Six Months Ended June 30, 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 \$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 "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 September 15, 2007 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 June 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.