Consolidated Financial Statements of

OMT INC.

Years ended December 31, 2006 and 2005

AUDITORS' REPORT

To the Shareholders of
OMT Inc.

We have audited the consolidated balance sheets of **OMT Inc.** as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years ended December 31, 2006 and 2005 in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
April 5, 2007.

Chartered Accountants

OMT INC.

Consolidated Balance Sheets

December 31, 2006 and 2005

	2006	2005
Assets (notes 5 and 7)		
Current assets:		
Cash	$ 366,947	$ 186,214
Accounts receivable	520,314	720,704
Inventory	81,868	175,352
Prepaid expenses	173,241	99,335
Current portion of lease receivable	7,000	7,000
Total current assets	1,149,370	1,188,605
Lease receivable	7,000	14,000
Property and equipment (note 2)	28,215	137,252
Software and other intangible assets (note 3)	38,906	54,203
Deferred financing costs (note 4)	133,305	199,958
Total assets	$ 1,356,796	$ 1,594,018
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	$ 423,424	$ 483,495
Current portion of deferred revenue (note 6)	728,333	527,267
Current portion of obligation under capital lease (note 8)	3,560	7,453
Total current liabilities	1,155,317	1,018,215
Deferred revenue (note 6)	596	2,204
Long-term debt (note 7)	3,475,865	3,216,297
Obligation under capital lease (note 8)	-	3,560
Total liabilities	4,631,778	4,240,276
Commitments and contingency (notes 9, 14 and 16)		
Shareholders' deficiency:		
Capital stock (note 10)	1,278,458	1,278,458
Other paid-in capital (note 11)	693,579	693,579
Contributed surplus (note 10(c))	197,326	178,225
Deficit	(5,444,345)	(4,796,520)
Total shareholders' deficiency	(3,274,982)	(2,646,258)
Total liabilities and shareholders' deficiency	$ 1,356,796	$ 1,594,018

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

Years ended December 31, 2006 and 2005

	2006	2005
Sales	$ 3,725,730	$ 4,175,804
Cost of sales	1,233,890	1,580,723
Gross profit	2,491,840	2,595,081
Selling and administrative	2,113,966	2,170,405
Research and development	226,160	221,458
	2,340,126	2,391,863
Income (loss) before the undernoted	151,714	203,218
Other expenses (income):		
Amortization	136,155	195,446
Interest and bank charges	12,371	12,223
Long term interest	319,600	319,764
Non-cash interest accretion (note 7)	259,568	259,703
Foreign exchange gain	(5,242)	(2,816)
Stock-based compensation (note 10(c))	19,101	20,075
Amortization of deferred financing costs (note 4)	66,652	66,652
Miscellaneous	(8,666)	1,608
	799,539	872,655
Loss for the year	(647,825)	(669,437)
Deficit, beginning of year:	(4,796,520)	(4,127,083)
Deficit, end of year	$ (5,444,345)	$ (4,796,520)
Basic and diluted loss per share (note 10(e))	$ (0.02)	$ (0.02)

See accompanying notes to consolidated financial statements.

OMT INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2006 and 2005

	2006	2005
Cash provided by (used in):		
Operations:		
Loss for the year	$ (647,825)	$ (669,437)
Items not involving cash:		
Amortization	136,155	195,446
Non-cash interest accretion	259,568	259,703
Stock-based compensation	19,101	20,075
Amortization and write-off of deferred financing costs	66,652	66,652
Change in non-cash operating working capital	366,358	(209,702)
	200,009	(337,263)
Financing:		
Decrease in bank demand loan	-	(328,000)
Principal payments on capital lease	(7,454)	(40,297)
Principal payments on long-term debt	-	(179,762)
	(7,454)	(548,059)
Investments:		
Additions to property and equipment	(7,001)	(24,858)
Additions to software and other intangible assets	(4,821)	(25,268)
	(11,822)	(50,126)
Increase (decrease) in cash	180,733	(935,448)
Cash, beginning of year	186,214	1,121,662
Cash, end of year	$ 366,947	$ 186,214
Supplementary information:		
Interest paid	$ 331,971	$ 331,987

See accompanying notes to consolidated financial statements.

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 retail and broadcast 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 four years. The Company is not in violation of any of its covenants at December 31, 2006.

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

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	
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.

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.

1. Significant accounting policies (continued):

(j) Stock-based compensation plan:

The Company has a stock option plan as described in note 10(c). 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 with assumptions described in note 10(c). 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 December 31, 2006 and 2005, no development costs have been deferred.

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 year ended December 31, 2006, 2,012,000 options (2005 – 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.

2. Property and equipment:

2006	Cost	Accumulated amortization	Net book value
Computer hardware	$ 567,552	$ 553,748	$ 13,804
Furniture and equipment	154,449	141,260	13,189
Assets under capital lease	22,000	20,778	1,222
	$ 744,001	$ 715,786	$ 28,215

2005	Cost	Accumulated amortization	Net book value
Computer hardware	$ 561,924	$ 467,597	$ 94,327
Furniture and equipment	165,624	131,255	34,369
Assets under capital lease	22,000	13,444	8,556
	$ 749,548	$ 612,296	$ 137,252

3. Software and other intangible assets:

2006	Cost	Accumulated amortization	Net book value
Purchased intellectual properties	$ 1,255,570	$ 1,254,276	$ 1,294
Other software	133,130	95,655	37,475
Other intangibles	58,696	58,559	137
	$ 1,447,396	1,408,490	38,906

2005	Cost	Accumulated amortization	Net book value
Purchased intellectual properties	$ 1,255,570	$ 1,252,983	$ 2,587
Other software	128,309	78,780	49,529
Other intangibles	58,696	56,609	2,087
	$ 1,442,575	$ 1,388,372	$ 54,203

During the year, software and other intangible assets amortization of $16,148 (2005 - $67,737) was included in amortization expense.

4. Deferred financing costs:

	2006	2005
Financing costs	$ 266,610	$ 266,610
Accumulated amortization	133,305	66,652
	$ 133,305	$ 199,958

Deferred financing costs, relating to the issuance of the long-term debt proceeds raised in December 2004 in the amount of $266,610, has been reflected above.

5. Bank line of credit:

The bank line of credit, which bears interest at bank prime rate plus 1.25% is limited to a maximum of $400,000 against which a general security agreement covering all present and future assets as well as an assignment of book debts and inventory is pledged as collateral, as well as a letter of guarantee in favor of the bank by a major shareholder. The Company had no amounts owing at December 31, 2006 and December 31, 2005.

6. Deferred revenue:

	2006	2005
Deferred revenue	$ 728,929	$ 529,471
Current portion of deferred revenue	728,333	527,267
	$ 596	$ 2,204

7. Long-term debt:

	2006	2005
Convertible loans (face value at maturity of $3,000,000), interest only at 8%, payable monthly, due December 20, 2008	$ 2,610,162	$ 2,415,242
Convertible debentures (face value at maturity of $995,000), interest only at 8%, payable monthly, due December 20, 2008	865,703	801,055
	3,475,865	3,216,297

Convertible debentures/convertible loans (the "subordinated debt"):

On December 20, 2004, OMT obtained new financing and also completed a financial restructuring, which was comprised of the issuance of $4,000,000 in subordinated debt.

Subordinated debt is convertible into common shares at a price equal to $0.11 per share until December 20, 2007 and $0.12 per share to December 20, 2008.

During the year ended December 31, 2005, convertible debentures with a face value of $5,000 were converted to common stock (note 10).

The subordinated debt was originally recorded on the balance sheet at its combined discounted values of $2,960,430 and will be accreted over the four year term of the loan for imputed interest and at maturity will be equal to the face value of the debentures and loans. In 2006, imputed interest on the subordinated debt amounted to $259,568 (2005 - $259,703). Monthly interest payments of 8% are paid on the subordinated debt. When interest paid is combined with interest accretion, the effective interest rate is 14.5%. No principal repayments are required.

The subordinated debt is collaterized by a general security agreement covering all assets and by an assignment of all of the book debts of the Company, subordinate only to the bank (see note 5).

8. Obligations under capital lease:

The $3,560 amount owing represents payments related to one lease which matures in 2007.

Interest of $1,252 (2005 - $2,568) relating to capital lease obligation has been included in interest expense.

9. Commitments:

The Company has entered into a lease for premises which calls for lease payments of $51,000 per year in 2007, 2008, and $21,000 in 2009. The total commitment is $123,000.

The Company has also entered into a lease on office equipment which requires lease payments of $2,256 per year from 2007 to 2011. The total commitment is $11,280.

10. 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 8½% preferred voting shares issuable in series.

(b) Issued common shares are summarized below:

	Number of shares	Amount
Balance at December 31, 2005 and 2006	28,922,090	$1,278,458

During the year ended December 31, 2005, 50,000 common shares were issued upon conversion of debentures with a face value of $5,000 (note 7). This increased share capital by $3,836 for that period.

10. Capital stock (continued):

(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, the options 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 December 31 is presented below:

	2006		2005	
	Number of shares	Weighted-average exercise price $	Number of shares	Weighted-average exercise price $
Outstanding at beginning of year	2,219,500	0.14	733,500	0.20
Granted	-	-	1,848,500	0.10
Exercised	-		-	
Cancelled	(207,500)	0.16	(362,500)	0.16
Outstanding at end of year	2,012,000	0.12	2,219,500	0.14
Options exercisable at end of year	1,395,832	0.12	962,166	0.18

The following table summarizes information about share options outstanding at December 31, 2006:

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	1.1	0.25	100,000	0.25
0.12	2003	35,000	1.4	0.12	35,000	0.12
0.12	2003	28,500	1.7	0.12	28,500	0.12
0.11	2005	448,500	3.1	0.11	299,000	0.11
0.11	2005	1,400,000	3.8	0.11	933,332	0.11
0.14		2,012,000	3.4	0.12	1,395,832	0.12

10. Capital stock (continued):

Stock based compensation has been calculated on the options vested to employees, officers and directors. 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. The 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 2005, with $19,101 expensed in the current year. The expense is added to contributed surplus.

(d) Escrowed shares:

On February 16, 2006 681,842 shares and on August 16, 2006, 1,363,684 shares were released from escrow. As at December 31, 2006, 681,843 (December 31, 2005 - 2,727,366) 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.

(e) Per share amounts:

The weighted average number of common shares outstanding for the year ended December 31, 2006 was 28,922,090 (2005 - 28,901,131).

11. Other paid-in capital:

Balance at December 31, 2005 and December 31, 2006	$	693,579

$435,000 of the balance in other paid-in capital arose prior to January 1, 2003. The remaining amount arose upon a refinancing transaction that occurred during the year ended December 31, 2004 which resulted in the issuance of the debt identified in note 7.

12. 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 identifiable assets at December 31, 2006 and December 31, 2005 and segment operating results for the years then ended.

	2006				2005			
	Commercial $	Retail $	Common $	Total $	Commercial $	Retail $	Common $	Total $
		[000's]				[000's]		
Revenues	2,801	925	-	3,726	3,027	1,149	-	4,176
Expenses								
Cost of sales	874	360	-	1,234	1,015	566	-	1,581
Selling, general and administrative	976	481	662	2,119	1,241	223	725	2,189
Research & development	138	88	-	226	89	132	-	221
Amortization	41	95	-	136	104	91	-	195
Interest	-	-	592	592	-	-	592	592
Deferred financing costs			67	67			67	67
	2,029	1,024	1,321	4,374	2,449	1,012	1,384	4,845
Net income (loss) for the year	772	(99)	(1,321)	(648)	578	137	(1,384)	(669)
Tangible assets	7	21	-	28	39	98	-	137
Intangible assets	1	38	-	39	7	47	-	54
Additions to property, plant and equipment and intangible assets	4	8	-	12	16 34	-	50	

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 December 31, 2006.

	2006		2005	
	Revenue $	Property, plant and equipment, $	Revenue $	Property, plant and equipment, $
	[000's]		[000's]	
Canada	1,640	67	1,891	191
United States	2,086	-	2,285	-
	3,726	67	4,176	191

Sales to one customer represents 75% [2005 – 94%] of the Retail segment sales revenues and 18% [2005 – 26%] of total revenue for the year.

13. Income taxes:

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates of 36.62% (2005 – 37.1%) to income before income taxes. The reasons for the differences are as follows:

	2006	2005
Computed income tax recovery	$ (237,000)	$ (248,000)
Increase (decrease) resulting from:		
Interest accretion	95,000	96,000
Valuation allowance	(61,000)	177,000
Reduction in enacted tax rates	165,000	–
Other	38,000	(25,000)
	$ –	$ –

The tax effects of temporary differences that give rise to significant portions of the future tax asset are presented below:

	2006	2005
Future tax assets:		
Property and equipment - differences in net book value and unamortized capital cost	$ 480,000	$ 638,000
Share issue and acquisition costs	(7,000)	(10,000)
Losses carried forward	1,025,000	926,000
Investment tax credits	32,000	37,000
	1,530,000	1,591,000
Less valuation allowance	(1,530,000)	(1,591,000)
Net future tax asset	$ –	$ –

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all the future tax asset will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income and tax planning strategies in making this assessment. The amount of the future tax asset considered realizable could change materially in the near term, based on future taxable income during the carry-forward period.

Income taxes (continued):

The Company has non-capital tax losses available for carry forward to reduce future years' taxable income totaling approximately $3,104,000 expiring as follows:

2007	$ 21,000
2008	173,000
2009	79,000
2010	1,115,000
2014	670,000
2015	438,000
2016	608,000

The Company also has an undeducted research and development expenditure pool available for carry forward totaling approximately $24,000, for which no benefit has been recognized in the financial statements. These amounts are available to be carried forward and applied against future taxable income and have no expiry date.

14. 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 the revenue for the work completed and invoiced in 2005 and 2006 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.

15. 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 customer account for 34% 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, lease receivable, accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments. The carrying amount of long-term debt approximates its fair value, as the obligations bear interest at rates that approximate market rates.

16. 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.

16. Contingencies (continued):

(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 July 30, 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 there is a contingent liability for the 5% deductible or US $13,151 which has not been recorded in the financial statements.

17. Comparative figures:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.