

Consolidated Financial Statements of

OMT INC.

Years ended December 31, 2007 and 2006

Auditors' Report

To the Shareholders of
OMT Inc.

We have audited the consolidated balance sheets of **OMT Inc.** as at December 31, 2007 and 2006 and the consolidated statements of operations, comprehensive loss 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, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst + Young LLP

Winnipeg, Canada,
March 14, 2008
[except as to notes 5 and 16 which
are as of April 11, 2008]

Chartered Accountants

OMT INC.

Consolidated Balance Sheets

December 31, 2007 and December 31, 2006

	2007	2006
Assets (notes 4, 5 and 12b)		
Current assets:		
Cash	\$ 42,047	\$ 366,947
Accounts receivable	257,514	520,314
Contracts in progress (note 12a)	60,132	-
Inventory	72,467	81,868
Prepaid expenses	48,556	173,241
Current portion of lease receivable	7,000	7,000
Total current assets	487,716	1,149,370
Long-term receivable	8,637	7,000
Property and equipment (note 2)	17,671	28,215
Software and other intangible assets (note 3)	4,518	38,906
Deferred financing costs (notes 1f and 1p)	-	133,305
Total assets	\$ 518,542	\$ 1,356,796

Liabilities and Shareholders' Deficiency

Current liabilities:		
Accounts payable and accrued liabilities	\$ 337,759	\$ 423,424
Deferred revenue	313,830	728,929
Current portion of obligation under capital lease	-	3,560
Total current liabilities	651,589	1,155,913
Long-term debt (notes 1p and 5)	3,571,430	3,475,865
Total liabilities	4,223,019	4,631,778
Commitments and contingencies (notes 6, 12 and 14)		
Shareholders' deficiency:		
Capital stock (note 8)	1,278,458	1,278,458
Other paid-in capital (note 9)	693,579	693,579
Contributed surplus (note 8c)	216,427	197,326
Deficit	(5,892,941)	(5,444,345)
Total shareholders' deficiency	(3,704,477)	(3,274,982)
Total liabilities and shareholders' deficiency	\$ 518,542	\$ 1,356,796

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 Loss and Deficit

Years Ended December 31, 2007 and 2006

	2007	2006 (note 7)
Sales	\$ 3,219,941	\$ 3,038,309
Cost of sales	1,285,854	1,014,784
Gross profit	1,934,087	2,023,525
Selling and administrative	1,931,145	2,124,400
Research and development	216,825	226,160
	2,147,970	2,350,560
Loss before the undernoted	(213,883)	(327,035)
Other expenses:		
Amortization	31,358	136,155
Interest on long-term debt (notes 1f and 5)	671,385	319,600
Interest on short-term debt	473	12,371
Foreign exchange loss (gain)	13,921	(5,242)
Amortization of deferred financing costs (note 1f)	-	66,652
Non-cash interest accretion (note 5)	-	259,568
	717,137	789,104
Loss for the year, before discontinued operations	(931,020)	(1,116,139)
Discontinued operations, net of tax of nil (2006-nil) (note 7)	359,498	468,314
Net loss and comprehensive loss for the year	(571,522)	(647,825)
Deficit, beginning of year	(5,444,345)	(4,796,520)
Transitional amount (note 1p)	122,926	-
Deficit, end of year	\$ (5,892,941)	\$ (5,444,345)
Loss per share before discontinued operations (note 8e)	\$ (0.032)	\$ (0.039)
Earnings per share from discontinued operations (note 8e)	\$ 0.012	\$ 0.016
Total loss per share (notes 1n and 8e)	\$ (0.020)	\$ (0.023)

See accompanying notes to consolidated financial statements.

OMT INC.

Consolidated Statements of Cash Flows

Years Ended December 31, 2007 and 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Net loss and comprehensive loss for the year	\$ (571,522)	\$ (647,825)
Items not involving cash:		
Amortization	31,358	136,155
Non-cash interest accretion (note 5)	351,796	259,568
Gain on sale of discontinued operations (note 7)	(181,412)	-
Gain on sale of assets	-	422
Stock-based compensation	19,101	19,101
Amortization of deferred financing costs	-	66,652
Change in non-cash operating working capital	(165,647)	366,358
	(516,326)	200,431
Financing:		
Principal payments on capital lease	(3,560)	(7,454)
	(3,560)	(7,454)
Investments:		
Proceeds on sale of discontinued operations (note 7)	210,415	-
Additions to capital assets	(12,870)	(7,423)
Additions to software and intangible assets	(2,559)	(4,821)
	194,986	(12,244)
Increase (decrease) in cash	(324,900)	180,733
Cash, beginning of year	366,947	186,214
Cash, end of year	\$ 42,047	\$ 366,947
Supplementary information:		
Interest paid	\$ 320,062	\$ 331,971

See accompanying notes to consolidated financial statements.

OMT INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

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 "GAAP". 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 Company is not in violation of any of its covenants at December 31, 2007.

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 consolidated 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 consolidated 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 computers and related equipment held for resale. 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)

Years ended December 31, 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	
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 to December 31, 2006 was provided on a straight-line basis over the term of the debt. Unamortized deferred financing costs at January 1, 2007 of \$133,305 were deducted from the long-term debt and are no longer included in the asset section of the balance sheet. Due to the change in accounting policy (note 1p), amortization of deferred financing costs, which was previously shown separately, is now considered as part of the effective interest rate method calculation for long-term debt and is included in interest on long-term debt.

OMT INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

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 income 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 income 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, collectability 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 contracts, which could include both hardware and software sales, are recognized pursuant to the contract terms and on a percentage-of-completion basis. Revenue recognized but not billed is treated as inventory and shown as "Contracts in progress" on the consolidated balance sheet. 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)

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(j) Stock-based compensation plan:

The Company has a stock option plan as described in note 8(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 as described in note 8(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 capital stock.

(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 GAAP 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 income 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, 2007 and 2006, no development costs have been deferred.

OMT INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(n) Earnings (loss) per share:

The calculation of earnings (loss) per share is based on net income (loss) 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, 2007, 2,542,500 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 the 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 had no effect on the Company's financial position or the results of its operations.

Effective January 1, 2007, the Company adopted 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:

OMT INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(p) Changes in accounting policies (continued):

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 on the balance sheet and at what amount. Depending on their balance sheet classification, fair value or amortized costs 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 income 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 income.
- Accounts receivable, lease receivable and long-term 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.
- 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. Deferred financing costs, previously reported on a separate line item on the consolidated 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 consolidated 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.

For financial assets and liabilities classified as other than held for trading, transaction costs directly attributable to issuance or acquisition, are added to their fair value on initial measurement.

OMT INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(p) Changes in accounting policies (continued):

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 income 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, a decrease in long-term debt of \$256,231, and a decrease to opening deficit of \$122,926 to record the transitional adjustment to adjust the carrying value of the debt to amortized cost.

Impact of accounting policies not yet adopted

Section 1535 - Capital Disclosures

This section establishes standards for disclosing information regarding an entity's capital and its management. The information provided by an entity should focus in particular on its objectives, policies and processes for managing capital, and disclose whether it complies with capital requirements to which it is subject and also what the consequences are in case of non-compliance. The new requirements will be effective starting January 1, 2008. The company is presently evaluating the impact of this new standard.

Sections 3862 and 3863 – Financial Instruments, Disclosure and Presentation

These sections which will replace section 3861, "Financial Instruments – Disclosure and Presentation", require the disclosure of additional detail of financial asset and liability categories as well as detailed discussion on the risks associated with the company's financial instruments, including how it manages these risks. These standards harmonize disclosures with International Financial Reporting Standards ("IFRS"). These new standards will be effective starting January 1, 2008. The company is presently evaluating the impact of these new standards.

OMT INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

Changes in accounting policies: (continued)

Section 3031 – Inventories

This section will replace section 3030 with the same title and will harmonize accounting for inventories under Canadian GAAP with IFRS. This standard requires that inventories should be measured at the lower of cost and net realizable value, and includes guidance on the determination of cost, including allocation of overheads and other costs. The section also requires that similar inventories within a consolidated group be measured using the same method. It also requires the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The new section is effective on or after January 1, 2008. This new standard will not have any significant impact on the consolidated financial statements of the company.

2. Property and equipment:

2007	Cost	Accumulated amortization	Net book value
Computer hardware	\$ 578,702	\$ 567,161	\$ 11,541
Furniture and equipment	154,449	148,319	6,130
Assets under capital lease	22,000	22,000	0
	\$ 755,151	\$ 737,480	\$ 17,671

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

OMT INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

3. Software and other intangible assets:

2007	Cost	Accumulated amortization	Net book value
Purchased intellectual properties	\$ 1,255,570	\$ 1,255,569	\$ 1
Other software	73,891	69,375	4,516
Other intangibles	58,696	58,695	1
	\$ 1,388,157	\$ 1,383,639	\$ 4,518

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

During the year, software and other intangible assets amortization of \$ 8,517 (2006 - \$16,148) was included in amortization expense.

4. Bank line of credit:

The bank line of credit, which bears interest at a floating rate of prime plus 1%, 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. Security on the loan is also 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. If the bank should exercise the guarantee and receive funds from the guarantor, then the major shareholder would have first rank under its guarantor general security agreement (note 12b).

OMT INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

5. Long-term debt:

	2007	2006
Convertible loans (face value at maturity of \$3,000,000), interest only payable at 8%, subject to waiver to defer interest noted below, due July 15, 2009	\$ 2,678,574	\$ 2,610,162
Convertible debentures (face value at maturity of \$995,000), interest only at 8%, payable monthly, due July 15, 2009	892,856	865,703
	<u>3,571,430</u>	<u>3,475,865</u>

Convertible debentures/convertible loans (the "long-term 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 long-term debt.

Long-term debt is convertible into common shares at a price equal to \$0.12 per share.

The long-term debt was originally recorded on the balance sheet at its combined discounted values of \$2,960,430 and was to be accreted equally over the four year term of the loan for effective interest, and at maturity was to be equal to the face value of the debentures and loans. In 2007, imputed interest on the long-term debt amounted to \$351,796 (2006 - \$326,220). These amounts are shown separately on the Consolidated Statements of Cash Flows as "Non-cash interest accretion". Monthly interest payments of 8% are paid on the long-term debt. When interest paid is combined with interest accretion and deferred finance charges, the effective interest rate is 19.9%. No principal repayments are required until maturity.

An amending agreement signed on April 11, 2008 with the principal debt holders has changed the date of maturity of all of the debt to July 15, 2009. No principal payments will be required until that date. In a separate agreement signed April 11, 2008, the principal debt holders, who together hold \$3,000,000 of OMT's long-term debt, have provided OMT with a signed waiver to defer the monthly interest payments, representing approximately \$20,000 per month, until such time that OMT's cash reserves grow to \$500,000. Interest will continue to be paid monthly on the remaining debt of \$995,000 represented by CIBC Mellon Trust Company.

The long-term debt is collateralized by a general security agreement covering all assets and by an assignment of all the book debts of the Company, subordinate to the bank line-of-credit (see note 4).

OMT INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

6. Commitments:

The Company has entered into a lease for premises which calls for lease payments of \$51,000 in 2008 and \$21,000 in 2009. The total commitment is \$72,000.

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 remaining is \$9,024.

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

On May 28, 2007 OMT executed a sale of its Retail Preview operations. In addition, Intertain is entitled to receive quarterly royalties, subject to certain conditions being met, 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 equipment and software included in the sale amounted to \$29,003. Of this total, \$24,315 represented compact music discs. In addition to the equipment carrying value, the transaction resulted in an initial gain of \$181,412, for a total of \$210,415, 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>
Sales	\$215,533	\$687,421
Cost of sales	<u>37,447</u>	<u>219,107</u>
Gross profit	178,086	468,314
Gain on sale of discontinued operations	<u>181,412</u>	
Total	<u>359,498</u>	<u>468,314</u>

Cash proceeds on sale of discontinued operations was \$ 210,415.

OMT INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

8. 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 retractable, redeemable, cumulative, convertible 8 1/2% preferred voting shares issuable in series. There are no preferred shares issued at December 31, 2007 or 2006. Preferred shares are retractable at the option of the holder and redeemable at the option of the company. The retraction price is calculated by dividing the stated capital of the preferred shares by the number issued plus a sum calculated on the basis of an annual compounded return on stated capital of 15%, inclusive of paid dividends to the date of retraction. The redemption price is calculated by dividing the stated capital of the preferred shares by the number issued plus a sum calculated on the basis of an annual compounded return on stated capital of 20%, inclusive of paid dividends to the date of redemption. Conversion privileges of preferred shares are specified at the date of any new issue.

(b) Issued common shares are summarized below:

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

OMT INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

8. 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 2,110,000 common shares and to employees to purchase up to 432,500 common shares.

Information related to the stock options outstanding at December 31, 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	550,000	0.12	-	-
Exercised	-	-	-	-
Cancelled	(19,500)	0.12	(207,500)	0.16
Outstanding at end of year	2,542,500	0.12	2,012,000	0.12
Options exercisable at end of year	2,175,833	0.12	1,395,832	0.13

The following table summarizes information about share options outstanding at December 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	0.1	0.25	100,000	0.25
0.12	2003	20,000	0.4	0.12	20,000	0.12
0.12	2003	24,000	0.7	0.12	24,000	0.12
0.12	2005	448,500	2.1	0.12	448,500	0.12
0.12	2005	1,400,000	2.8	0.12	1,400,000	0.12
0.12	2007	550,000	4.9	0.12	183,333	0.12
		2,542,500	2.8	0.12	2,175,833	0.12

OMT INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

8. Capital stock (continued):

Stock based compensation has been calculated on the options vested in prior years 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 was calculated for the options issued in 2005, with \$19,101 expensed in the current year (2006-\$19,101). The expense is added to contributed surplus.

Additional options at a price of \$0.12 were granted to employees in 2007. The long-term debt agreement requires that any new options granted may not be at a price less than the conversion price of the long-term debt. As such there was nominal value ascribed to the options granted in 2007 with respect to recording compensation expense.

(d) Escrowed shares:

As at December 31, 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.

(e) Per share amounts:

The weighted average number of common shares outstanding for the years ended December 31, 2007 and 2006 was 28,922,090.

9. Other paid-in capital:

Balance at December 31, 2006 and December 31, 2007	\$ 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 5.

OMT INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

10. 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. Discontinued operations were formerly included in the retail segment. 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, 2007 and December 31, 2006 and segment operating results for the years then ended.

	2007				2006			
	Commercial	Retail	Common	Total	Commercial	Retail	Common	Total
	\$	\$	\$	\$	\$	\$	\$	\$
	[000's]				[000's]			
Revenues	2,626	594	-	3,220	2,801	237	-	3,038
Expenses								
Cost of sales	888	398	-	1,286	874	140	-	1,014
Selling, general and administrative	893	360	692	1,945	976	481	662	2,119
Research & development	141	76	-	217	138	88	-	226
Amortization	9	22	-	31	41	95	-	136
Interest	-	-	672	672	-	-	659	659
	1,931	856	1,364	4,151	2,029	804	1,321	4,154
Net income (loss) before discontinued operations	695	(262)	(1,364)	(931)	772	(567)	(1,321)	(1,116)
Net book value:								
Tangible assets	4	14	-	18	7	21	-	28
Intangible assets	1	4	-	5	1	38	-	39
Additions to:								
Tangible assets	4	9	-	13	4	3	-	7
Intangible assets	1	2	-	3	-	5	-	5

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, 2007.

	2007			2006		
	Revenue	Property and equipment		Revenue	Property and equipment	
	\$	[000's]	\$	\$	[000's]	\$
Canada	1,122		23	952		67
United States	2,098		-	2,086		-
	3,220		23	3,038		67

OMT INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

11. Income taxes:

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates of 36.12% (2006 – 36.62%) to income before income taxes. The reasons for the differences are as follows:

	2007	2006
Computed income tax recovery	\$ (206,000)	\$ (237,000)
Increase (decrease) resulting from:		
Interest accretion	127,000	95,000
Non-taxable portion of gains	(38,000)	–
Valuation allowance	(145,000)	(61,000)
Reduction in enacted tax rates	231,000	165,000
Other	31,000	38,000
	\$ –	\$ –

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

	2007	2006
Future tax assets:		
Property and equipment - differences in net book value and unamortized capital cost	\$ 413,000	\$ 480,000
Share issue and acquisition costs	14,000	(7,000)
Losses carried forward	931,000	1,025,000
Investment tax credits	27,000	32,000
	1,385,000	1,530,000
Less valuation allowance	(1,385,000)	(1,530,000)
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.

OMT INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

Income taxes (continued):

The Company has non-capital tax losses available for carry forward to reduce future years' taxable income totaling approximately \$3,421,000 expiring as follows:

2008	\$173,000
2009	79,000
2010	967,000
2014	670,000
2025	438,000
2026	608,000
2017	486,000

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.

12. 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 \$550,000 began in 2005 and as at December 31, 2007 the cumulative revenue for the work completed and recognized to date amounted to \$372,000.

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. The Guarantee is secured by a charge on any current and after-acquired assets and ranks ahead of the long-term debt.

OMT INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

12. Related party transactions and measurement uncertainty (continued):

(c) Interest on long-term debt:

During the year, the Company made interest payments to its three major shareholders in the amounts of \$140,000, \$20,000 and \$80,000 (same as in 2006). Subsequent to the end of the fiscal year, in a agreement effective January 1, 2008, the three major shareholders, who together hold \$3,000,000 of the Company's convertible debt, have provided the company with a signed waiver to defer the monthly interest payments. The effect of the waiver is to defer monthly interest payments of approximately \$20,000 per month, until such time that the Company's cash reserves grow to \$500,000.

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

13. 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. However, the risk of loss is partially mitigated 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 approximates their fair values because of the short term maturity of these instruments. The fair value of the long-term debt can not be reliably measured because there is no market for this financial instrument. The carrying value of the long-term debt is as described in notes 1p and 5.

OMT INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

14. Contingencies:

(a) A financing transaction was concluded by the Company in December 2004 involving 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 12(a) 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 "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 PSI 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 December 31, 2007 there is a contingent liability for the 5% PSI deductible or US \$13,151. It is unlikely that repayment will be required and therefore this amount has not been recorded in the financial statements.

15. Comparative figures:

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

OMT INC.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2007 and 2006

16. Subsequent Events:

(a) Long-term debt date of maturity:

The long-term debt which was originally due on December 20, 2008 has been extended to July 15, 2009 as described in note 5. All other terms and conditions remain unchanged, except as noted below.

(b) Long-term debt interest payments:

The holders of \$3,000,000 of the long-term debt have provided OMT with a signed waiver to defer the monthly interest payments, beginning January 1, 2008, representing approximately \$20,000 per month, until such time that OMT's cash reserves grow to \$500,000 (note 5). Interest will continue to be paid monthly on the remaining debt of \$995,000 represented by CIBC Mellon Trust Company.