

Unaudited Consolidated Financial Statements of

OMT INC.

Nine Months ended September 30, 2005 and September 30, 2004
(Unaudited)

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

OMT INC.

Consolidated Balance Sheets

 September 30, 2005 and December 31, 2004
 (Unaudited)

	September	December
Assets		
Current assets:		
Cash	\$ 260,077	\$ 1,121,662
Accounts receivable	714,943	473,001
Inventory	133,495	105,011
Prepaid expenses	111,977	63,848
Current portion of lease receivable	7,000	7,000
	1,227,492	1,770,522
Lease receivable	14,000	21,000
Capital assets	158,045	237,840
Software and other intangible assets	65,811	98,935
Deferred costs (note 2)	216,621	266,610
	\$ 1,681,969	\$ 2,394,907

See accompanying notes to consolidated financial statements.

OMT INC.

Consolidated Balance Sheets (continued)

 September 30, 2005 and December 31, 2004
 (Unaudited)

	September	December
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Bank demand loan	\$ -	\$ 328,000
Accounts payable and accrued liabilities	508,890	529,211
Deferred revenue	463,642	346,926
Current portion of long-term debt (note 3)	9,167	179,762
Current portion of obligation under capital lease	13,597	40,297
	<u>995,296</u>	<u>1,424,196</u>
Long-term debt (note 3)	3,151,405	2,960,430
Obligation under capital lease	5,545	11,013
Shareholders' deficiency:		
Capital stock (note 4)	1,278,458	1,274,622
Other paid-in capital	693,579	693,579
Contributed surplus (note 4)	163,171	158,150
Deficit	(4,605,485)	(4,127,083)
	<u>(2,470,277)</u>	<u>(2,000,732)</u>
	<u>\$ 1,681,969</u>	<u>\$ 2,394,907</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

Nine Months Ended September 30, 2005 and September 30, 2004

(Unaudited)

	2005		2004	
	Q3	YTD	Q3	YTD
Sales	\$1,105,361	\$3,038,188	\$ 644,510	\$2,408,765
Cost of sales	410,271	1,104,254	209,701	808,544
Gross profit	695,090	1,933,934	434,809	1,600,221
Selling and administrative	532,800	1,599,086	473,109	1,460,121
Research and development	49,808	169,694	72,272	221,445
Foreign exchange loss (gain)	20,117	(1,443)	14,710	8,370
Other expense (income)	(4,522)	2,452	(1,672)	(4,385)
	598,203	1,769,789	558,419	1,685,551
Income (loss) before the undernoted	96,887	164,145	(123,610)	(85,330)
Other expenses:				
Amortization	66,648	196,984	66,722	191,275
Interest	81,896	250,752	29,771	91,268
Dividends on preferred shares	-	-	42,500	127,500
Non-cash interest accretion (note 3)	64,892	194,811	21,750	65,250
	213,436	642,547	160,743	475,293
Loss before income taxes	(116,549)	(478,402)	(284,353)	(560,623)
Income tax payable	-	-	-	-
Loss for the period	(116,549)	(478,402)	(284,353)	(560,623)
Deficit, beginning of period	(4,488,936)	(4,127,083)	(3,524,028)	(3,219,238)
Stock-based compensation prior periods (note 4)	-	-	-	(28,520)
Deficit, end of period	\$(4,605,485)	\$ (4,605,485)	\$ (3,808,381)	\$ (3,808,381)
(Loss) per share	\$ (0.004)	\$ (0.016)	\$ (0.023)	\$ (0.047)
Weighted average number of shares	28,922,090	28,894,068	11,844,250	11,844,250

See accompanying notes to consolidated financial statements.

OMT INC.

Consolidated Statements of Cash Flows

 Nine Months ended September 30, 2005 and September 30, 2005
 (Unaudited)

	2005		2004	
	Q3	YTD	Q3	YTD
Cash provided by (used in):				
Operations:				
Net Income (loss) for the period	\$ (116,549)	\$ (478,402)	\$ (284,353)	\$ (560,623)
Items not involving cash:				
Amortization	66,648	196,984	66,722	191,275
Non-cash interest accretion	64,892	194,811	21,750	65,250
Gain on sale of capital assets	-	-	(23)	(963)
Stock-based compensation	-	5,021	-	-
Change in non-cash operating working capital	(22,941)	(215,158)	154,976	263,797
	(7,950)	(296,744)	(40,928)	(41,264)
Financing:				
Increase (decrease) in bank demand loan	-	(328,000)	(47,000)	(152,000)
Principal payments on capital lease	(11,056)	(32,168)	(8,412)	(24,483)
Principal payments on long-term debt	(27,500)	(170,596)	(28,171)	(101,888)
Accrued dividends on preferred shares	-	-	42,500	127,500
Decrease in opening retained earnings	-	-	-	(28,520)
Increase in contributed surplus	-	-	-	28,520
	(38,556)	(530,764)	(41,083)	(150,871)
Investments:				
Additions to capital assets	(2,227)	(14,067)	(3,437)	(27,763)
Additions to software and intangible assets	(7,168)	(20,010)	(5,983)	(21,088)
Additions to deferred costs	-	-	(21,500)	(39,232)
	(9,395)	(34,077)	(30,920)	(88,083)
Increase (decrease) in cash position	(55,901)	(861,585)	(112,931)	(280,218)
Cash position, beginning of period	315,978	1,121,662	123,091	290,378
Cash position, end of period	\$ 260,077	\$ 260,077	\$ 10,160	\$ 10,160
Supplementary information:				
Interest paid	\$ 81,896	\$ 250,752	\$ 10,872	\$ 38,016

See accompanying notes to consolidated financial statements.

OMT INC.

Notes to Consolidated Financial Statements

Nine Months ended September 30, 2005 and Year ended December 31, 2004
(Unaudited)

General:

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

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

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

The 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) Future income taxes:

The company uses the asset and 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 enacted or 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.

OMT INC.

Notes to Consolidated Financial Statements (continued)

Nine Months ended September 30, 2005 and year ended December 31, 2004
(Unaudited)

2. Deferred financing costs:

	2005	2004
Financing costs	\$ 266,610	\$ 266,610
Accumulated amortization	49,989	
	<u>\$ 216,621</u>	<u>\$ 266,610</u>

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 capitalized and is amortized over the term of the debt.

3. Long-term debt:

	2005	2004
Western Economic Diversification Canada loan, non- interest bearing as long as principal payments are met	\$ -	\$ 48,096
Loans payable to Business Development Bank of Canada, interest at the bank rate plus 3% to 3.5%, repayable in monthly installments of \$4,500 plus interest, secured by the intellectual properties of the company	4,500	45,000
Severance agreement	4,667	86,667
Convertible debentures, interest only at 8%, payable monthly	784,893	740,107
Convertible loans, interest only at 8%, payable monthly	2,366,512	2,220,323
	<u>3,160,572</u>	<u>3,140,192</u>
Current portion of long-term debt	9,167	179,762
	<u>\$ 3,151,405</u>	<u>\$ 2,960,430</u>

Scheduled principal payments to maturity are as follows:

2005	\$ 9,167
2008	3,151,405

OMT INC.

Notes to Consolidated Financial Statements

Nine Months ended September 30, 2005 and year ended December 31, 2004
(Unaudited)

3. Long-term debt (continued):

Convertible debentures and convertible loans - new financing:

On December 20, 2004, OMT obtained new financing and also completed a financial restructuring, which amounted to \$4,000,000 in subordinate convertible redeemable debt as well as the issuance of 17,027,840 common shares at a deemed price of \$0.10 per common share.

The four year 8 percent subordinate convertible redeemable debt is convertible into common shares at a price equal to \$0.10 per share for two years, \$0.11 in year three and \$0.12 in year four.

The private placement portion raised \$1,000,000 in principal. Costs associated with these debentures included a \$70,000 commission and the issuance of 1,000,000 broker warrants. Each broker warrant entitles the holder thereof to purchase one common shares of OMT at a price of \$0.10 for a period of two years from the date of issuance.

ENSIS Growth Fund Inc. invested \$1,000,000 into a subordinate convertible redeemable loan with substantially the same terms as the debentures as follows: \$429,884 in cash and \$570,116 from the conversion of an existing 18 percent interest bearing subordinated loan.

The company repurchased the 5,000,000 preferred shares that were held by ENSIS Investment Limited Partnership, ENSIS Growth Fund Inc., and Renaissance Capital Manitoba Ventures Fund Limited Partnership as part of the financing. The repurchase of the preferred shares included \$2,000,000 in principal of convertible loans on substantially the same terms as the debentures and the issuance of 17,027,840 common shares at a deemed price of \$0.10 per common share.

The convertible debentures and the convertible loans were recorded on the balance sheet at their discounted values of \$2,960,430. The difference between the discounted value of the debt and its face value was recorded as other paid-in capital of \$1,039,570 and will be amortized on a straight-line basis over the four year term of the loan. The quarterly amortized amount is shown as non-cash interest accretion in other expenses. Monthly interest payments of 8 percent are paid on the convertible instruments. No principal repayments are required.

OMT INC.

Notes to Consolidated Financial Statements

Nine Months ended September 30, 2005 and year ended December 31, 2004
(Unaudited)

4. 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 preferred voting shares issuable in series.

(b) Issued common shares are summarized below:

	Number of shares	Amount
Balance at December 31, 2004	28,872,090	1,274,622
Common shares issued to redeem convertible debentures	50,000	3,836
Balance at September 30, 2005	28,922,090	\$ 1,278,458

(c) Warrants:

In August 2001, the company issued 2,500,000 warrants to purchase common shares at any time during the third year after date of issue at an exercise price of \$0.40 per common share with the exercise price increasing to \$0.45 per common shares in year four and \$0.50 per common share in year five.

As noted in note 3, a total of 1,000,000 warrants were issued to brokers in conjunction with the financing activities that closed on December 20, 2004. Each broker warrant entitles the holder thereof to purchase one common share of the company at a price of \$0.10 for a period of two years from the date of issuance.

OMT INC.

Notes to Consolidated Financial Statements

Nine Months ended September 30, 2005 and year ended December 31, 2004
(Unaudited)

4. Capital stock (continued):

(d) Options:

The company has stock options outstanding to directors and officers to purchase up to 775,000 common shares and to employees to purchase up to 52,000 common shares.

Information related to the stock options outstanding at September 30, 2005 is presented below:

Issuee (expiry date)	Original granted	Exercise price per share	December 31, 2003	December 31, 2004	September 30, 2005	
			Granted	Expired	Granted	Expired
Directors (February 2006)	400,000	\$ 0.10	210,000	-	210,000	-
Officers (June 2007)	250,000	0.25	200,000	-	200,000	-
Directors (May 2004 and May 2007)	100,000	0.40	80,000	-	60,000	60,000
Officer (February 2008)	100,000	0.25	100,000	-	100,000	-
Officer and employee (April 2008)	80,000	0.25	80,000	-	30,000	30,000
Directors and officers (May 2008)	90,000	0.11	90,000	-	90,000	55,000
Directors (January 2010)	440,000	.10	-	-	-	440,000
Employees (September 2008)	64,000	0.07	57,000	-	43,500	-
Employees (February 2010)	8,500	.10	-	-	-	8,500
			817,000	83,500	733,500	448,500
						355,000
						827,000

OMT INC.

Notes to Consolidated Financial Statements

Nine Months ended September 30, 2005 and year ended December 31, 2004
(Unaudited)

4. Capital stock (continued):

Stock-based compensation for prior years in the amount of \$23,566 has been accounted for on a retroactive basis by reducing the opening balance of retained earnings and increasing the contributed surplus at January 1, 2004. Stock based compensation in 2005 of \$5,021 has been included in expenses and increased the contributed surplus.

On January 18, 2005, the company granted 440,000 options to a director, at an exercise price of \$0.10 in years 1 and 2 and \$0.11 thereafter, which are exercisable for a period of five years.

On February 24, 2005, the board of directors approved the granting of 8,500 options at an exercise price of \$0.10.

Subsequent to the balance sheet date, on October 25, 2005, the company granted and the board of directors approved 1,400,000 options to directors and officers at an exercise price of \$.10 in years 1 and 2 and \$0.11 thereafter, which vest over three years and are exercisable for a period of five years.

(e) Escrowed shares:

As at September 30, 2005, an aggregate of 2,727,366 (December 31, 2004 - 4,091,050) 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 at a rate of 681,842 shares semi-annually on August 16th and February 16th.

(f) Loss per share:

Loss per share is computed using the weighted average number of common shares outstanding during the period.

(g) Per share amounts:

The weighted average number of common shares outstanding for the nine months ended September 30, 2005 was 28,894,068 (2004 - 11,844,250).

OMT INC.

Notes to Consolidated Financial Statements

Nine Months ended September 30, 2005 and year ended December 31, 2004
(Unaudited)

5. Income taxes:

Based on net income before taxes plus add-backs of non-deductible items for tax purposes, the taxable loss for the period is estimated at Nil.

There would be no effect on losses carried forward (not previously recognized).

The net effect of the above is an income tax expense of Nil.

6. Long-term financing:

The financing transaction that was concluded by the company in December 2004 involved the outstanding preferred shares, and was initially described as 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 the Company's favor. It is possible that Canada Customs and Revenue (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 and, if such an appeal were successful, the company could face a potential income tax liability of approximately \$600,000. If such an appeal was filed by CRA, the company would vigorously defend its position.