

MINAEAN INTERNATIONAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2007

AUDITORS' REPORT

To the Shareholders of
Minaean International Corp.

We have audited the consolidated balance sheets of Minaean International Corp as at March 31, 2007 and 2006 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, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 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.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

July 18, 2007

A Member of *SC INTERNATIONAL*

MINAEAN INTERNATIONAL CORP.
CONSOLIDATED BALANCE SHEETS
AS AT MARCH 31

| | 2007 | 2006 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 1,051,625 | \$ 280,885 |
| Accounts and advances receivable | 687,103 | 343,998 |
| Holdback receivable | 97,075 | – |
| Inventories | 805,319 | 303,101 |
| Prepaid expenses and deposits | <u>250,671</u> | <u>33,891</u> |
| | 2,891,793 | 961,875 |
| Deferred financing fees (Note 3) | 13,667 | 44,994 |
| Property, plant and equipment (Note 4) | <u>231,570</u> | <u>102,891</u> |
| | <u>\$ 3,137,030</u> | <u>\$ 1,109,760</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Bank indebtedness (Note 5) | \$ 399,955 | \$ 186,681 |
| Accounts payable and accrued liabilities | 1,549,651 | 306,960 |
| Deferred revenue | 13,220 | – |
| Due to related parties (Note 9) | 285,232 | 100,183 |
| Current portion of loan payable | <u>5,469</u> | <u>1,679</u> |
| | 2,253,527 | 595,503 |
| Loan payable (Note 6) | 10,771 | – |
| Promissory notes payable (Note 7) | <u>123,014</u> | <u>161,524</u> |
| | <u>2,387,312</u> | <u>757,027</u> |
| Shareholders' equity | | |
| Capital stock (Note 8) | 5,587,044 | 4,012,613 |
| Contributed surplus (Note 8) | 599,860 | 425,768 |
| Deficit | <u>(5,437,186)</u> | <u>(4,085,648)</u> |
| | <u>749,718</u> | <u>352,733</u> |
| | <u>\$ 3,137,030</u> | <u>\$ 1,109,760</u> |

Nature and continuance of operations (Note 1)

Contingency (Note 15)

Commitments (Note 16)

On behalf of the Board:

“Hari Varshney”

Director

“Keith Scott”

Director

The accompanying notes are an integral part of these consolidated financial statements.

MINAEAN INTERNATIONAL CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED MARCH 31

| | 2007 | 2006 |
|--|---------------------------|---------------------------|
| SALES | \$ 3,401,376 | \$ 814,764 |
| COST OF SALES | <u>2,614,391</u> | <u>748,696</u> |
| | <u>786,985</u> | <u>66,068</u> |
| EXPENSES | | |
| Advertising and promotion | 141,316 | 11,884 |
| Amortization | 60,877 | 157,726 |
| Commissions | 81,098 | 11,000 |
| Consulting fees | 89,129 | 27,083 |
| Interest and bank charges | 73,043 | 38,549 |
| Interest on promissory notes | 17,375 | 23,490 |
| Management fees | 60,000 | 60,000 |
| Office and administration | 325,868 | 283,868 |
| Professional fees | 110,659 | 33,416 |
| Regulatory and transfer agent fees | 23,676 | 31,693 |
| Rent | 158,963 | 61,011 |
| Stock-based compensation | 288,677 | 113,846 |
| Technical and engineering | 1,094 | 7,885 |
| Travel and promotion | 175,349 | 89,017 |
| Wages and benefits | <u>525,173</u> | <u>355,999</u> |
| | <u>(2,132,297)</u> | <u>(1,306,467)</u> |
| Loss before other items | <u>(1,345,312)</u> | <u>(1,240,399)</u> |
| OTHER ITEMS | | |
| Loss on investment in joint venture | (25,711) | - |
| Gain on sale of equipment | 3,233 | - |
| Write off of equipment | (14,661) | - |
| Government grants | - | 35,011 |
| Interest and other income | <u>30,913</u> | <u>23,052</u> |
| | <u>(6,226)</u> | <u>58,063</u> |
| Loss for the year | (1,351,538) | (1,182,336) |
| Deficit, beginning of year | <u>(4,085,648)</u> | <u>(2,903,312)</u> |
| Deficit, end of year | \$ (5,437,186) | \$ (4,085,648) |
| Basic and diluted loss per share | \$ (0.05) | \$ (0.05) |
| Weighted average number of shares outstanding | 29,951,565 | 26,203,987 |

The accompanying notes are an integral part of these consolidated financial statements.

MINAEAN INTERNATIONAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31

| | 2007 | 2006 |
|--|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss for the year | \$ (1,351,538) | \$ (1,182,336) |
| Items not affecting cash: | | |
| Amortization | 60,877 | 157,726 |
| Stock-based compensation | 288,677 | 113,846 |
| Interest accrued on promissory notes | 17,375 | - |
| Gain on sale of equipment | (3,233) | - |
| Write-off of equipment | 14,661 | - |
| Changes in non-cash working capital items: | | |
| Increase in accounts and advances receivable | (343,105) | (128,543) |
| Increase in holdback receivable | (97,075) | - |
| Increase in inventories | (502,218) | (144,351) |
| Increase in prepaid expenses and deposits | (216,780) | (16,830) |
| Increase in deferred revenue | 13,220 | - |
| Increase in accounts payable and accrued liabilities | <u>1,242,691</u> | <u>170,840</u> |
| Net cash used in operating activities | <u>(876,448)</u> | <u>(1,029,648)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds on sale of equipment | 11,083 | - |
| Acquisition of equipment | <u>(180,740)</u> | <u>(16,679)</u> |
| Net cash used in investing activities | <u>(169,657)</u> | <u>(16,679)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Due to related parties | 185,049 | (29,072) |
| Share issuance costs | (30,523) | (32,270) |
| Bank indebtedness | 213,274 | 46,678 |
| Repayments on long-term debt | (1,679) | (6,349) |
| Loans payable | 16,240 | - |
| Promissory notes payable | (55,885) | (66,869) |
| Proceeds on share issuance | <u>1,490,369</u> | <u>727,600</u> |
| Net cash provided by financing activities | <u>1,816,845</u> | <u>639,718</u> |
| Change in cash during the year | 770,740 | (406,609) |
| Cash, beginning of year | <u>280,885</u> | <u>687,494</u> |
| Cash, end of year | \$ 1,051,625 | \$ 280,885 |
| Cash paid during the year for interest | \$ 5,885 | \$ 27,311 |
| Cash paid during the year for income taxes | \$ - | \$ - |

Supplemental disclosure with respect to cash flows (Note 10)

The accompanying notes are an integral part of these consolidated financial statements.

MINAEAN INTERNATIONAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the Business Corporations Act (Alberta) and is in the business of development and production of the "Vesta" quick building framing system that utilizes load-bearing steel panels in place of traditional "stick build" construction methods based on wood or steel studs. During the year, the Company began the development and production of the newly launched "Modular Building" systems, a construction technology capable of being assembled and delivered quickly.

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company's continuing operations are dependent upon its ability to either secure additional equity capital and/or generate consistent cash flow from operations in the future. The Company has and may continue to have capital requirements in excess of its currently available resources. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is currently dependent upon its ability to generate such financing.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets.

| | 2007 | 2006 |
|-----------------|-------------|-------------|
| Working capital | \$ 638,266 | \$ 366,372 |
| Deficit | (5,437,186) | (4,085,648) |

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of the significant accounting policies used in the preparation of the financial statements.

Principles of consolidation

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, Minaean Building Solutions Inc. ("MBS") and Minaean Habitat India Private Limited ("MHIPL") and Minaean Power Structures Inc. ("MPS") and, on a proportionate basis, the accounts of its joint venture, Minaean Vanitech Engineers Inc. until dissolution on December 27, 2006. All inter-company balances have been eliminated upon consolidation.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results may differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Inventories

Finished goods are stated at the lower of average cost and net realizable value. Other inventories are stated at the lower of cost and replacement cost which is not in excess of net realizable value. Cost is determined on the first-in first-out basis.

Property, plant and equipment and amortization

Property, plant and equipment are recorded at cost. Amortization is recorded using the following rates and methods:

| Assets | Rate | Basis |
|-------------------------|---------|-------------------|
| Buildings | 4% | Declining balance |
| Furniture and equipment | 20% | Declining balance |
| Computer equipment | 30% | Declining balance |
| Leasehold improvements | 6 years | Straight line |
| Vehicle | 30% | Declining balance |

Asset retirement obligation

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Impairment of long-lived assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the asset. When the carrying value exceeds such cash flows, an impairment charge is recognized for the excess.

Deferred financing fees

Costs incurred to obtain long-term debt are deferred and amortized on a basis consistent with the repayment terms of the underlying debt.

Deferred development costs

Development costs (other than capital expenditures) relating to the development of housing construction systems are expensed as incurred unless they meet Canadian generally accepted accounting principles for deferral and amortization. Deferred development costs are recorded at cost and are amortized upon commencement of commercial sales on a straight-line basis over a period of five years. The Company reassesses whether it has met the relevant criteria for deferral and amortization at each report date. Due to uncertainty in the recoverability of the deferred development costs, the remaining costs of \$114,648 were charged to operations in fiscal 2006.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Revenue recognition

Revenue and income from long term fixed price construction contracts, including contracts in which the Company participates through joint ventures, are determined on the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs. Contract costs include all direct material and labour costs and those indirect costs relating to contract performance such as indirect labour and supplies, tools and repairs. Revenues from cost plus fee contracts are recognized on the basis of costs incurred. Provision is made for anticipated contract losses as soon as they are evident. Claims for additional contract compensation are not recognized until resolved.

Government grants and investment tax credits

Government assistance is recorded as either a reduction of the cost of the applicable assets or credited in the statement of operations as determined by the terms and conditions of the agreement under which the assistance is provided to the Company. Investment tax credits are recorded as either a reduction of the cost of applicable assets or credited in the statement of operations depending on the nature of the expenditures which gave rise to the credits. Claims for tax credits are accrued upon the Company attaining reasonable assurance of collections from the Canada Revenue Agency.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years ended March 31, 2007 and 2006 the calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year.

Stock-based compensation

The Company recognizes compensation expense for all stock options granted over the vesting period, using the fair value based method of accounting. Any cash paid on the exercise of stock options is added to the stated value of common shares.

Foreign currency translation

The Company's subsidiary activities denominated in currencies other than Canadian dollars are translated as integrated operations using the temporal method. Under this method, monetary items are translated at the exchange rate in effect at the balance sheet date, non-monetary items are translated at historical rates, and revenue and expense items are translated at exchange rates prevailing when such items are recognized in the statement of operations. Exchange gains or losses arising on translation of foreign currency items are included in operating results.

MINAEAN INTERNATIONAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Future income taxes

Future income taxes are recorded using the asset and liability method whereby 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 enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. DEFERRED FINANCING FEES

| | 2007 | | | 2006 | | |
|-------------------------|-----------|--------------------------|----------------|-----------|--------------------------|----------------|
| | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| Deferred financing fees | \$ 80,000 | \$ 66,333 | \$ 13,667 | \$ 80,000 | \$ 35,006 | \$ 44,994 |

4. PROPERTY, PLANT AND EQUIPMENT

| | 2007 | | | 2006 | | |
|-------------------------|------------|--------------------------|----------------|------------|--------------------------|----------------|
| | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| Land | \$ 15,110 | \$ - | \$ 15,110 | \$ 15,110 | \$ - | \$ 15,110 |
| Buildings | 25,708 | 7,090 | 18,618 | 25,708 | 5,714 | 19,994 |
| Furniture and equipment | 188,007 | 30,061 | 157,946 | 72,521 | 33,252 | 39,269 |
| Computer equipment | 39,529 | 24,636 | 14,893 | 48,977 | 29,667 | 19,310 |
| Leasehold improvements | 2,522 | 631 | 1,891 | 7,296 | 3,741 | 3,555 |
| Vehicle | 26,286 | 3,174 | 23,112 | 19,204 | 13,551 | 5,653 |
| | \$ 297,162 | \$ 65,592 | \$ 231,570 | \$ 188,816 | \$ 85,925 | \$ 102,891 |

MINAEAN INTERNATIONAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

5. BANK INDEBTEDNESS

| | 2007 | 2006 |
|---|------------|------------|
| State Bank of India bank indebtedness, bearing interest at 7.8% per annum and is secured by fixed deposits of \$229,050. | \$ - | \$ 186,681 |
| State Bank of India line of credit of \$1,000,000 bearing interest at 10.5% per annum, guaranteed by Export Development Canada, expiring May 31, 2007 (subsequently extended to August 31, 2007). | 399,955 | - |
| | \$ 399,955 | \$ 186,681 |

6. LOANS PAYABLE

| | 2007 | 2006 |
|--|-----------|---------|
| HDFC Bank Ltd. loan payable, repayable in monthly instalments of \$597 (INR 22,415) including interest at 12.5% per annum, maturing July 11, 2009 and secured by a vehicle. | \$ 16,240 | \$ - |
| Kotak Mahindra Primus Ltd. loan payable bearing interest at 11% per annum, repayable in monthly installments of \$501 (INR 18,087), maturing June 1, 2006 and secured by a vehicle | - | 1,679 |
| Less: current portion | (5,469) | (1,679) |
| | \$ 10,771 | \$ - |

7. PROMISSORY NOTES PAYABLE

| | 2007 | 2006 |
|--|------------|------------|
| Promissory note payable including accrued interest of \$23,014, unsecured, bearing interest at 12% per annum, maturing December 1, 2008. | \$ 123,014 | \$ 111,015 |
| Promissory note payable, unsecured, bearing interest at 12% per annum, maturing March 19, 2009 was repaid during fiscal 2007. The note was payable to a company controlled by the spouse of a director of the Company. | - | 50,509 |
| | \$ 123,014 | \$ 161,524 |

MINAEAN INTERNATIONAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

| | Capital Stock | | Contributed Surplus |
|--|------------------|--------------|---------------------|
| | Number of Shares | Amount | |
| Authorized | | | |
| Unlimited common shares without par value | | | |
| As at March 31, 2005 | 25,301,083 | \$ 3,361,448 | \$ 334,357 |
| Shares from prior private placement returned to treasury | (33,333) | – | – |
| Exercise of options | 200,000 | 72,435 | (22,435) |
| Private placements | 2,286,666 | 611,000 | – |
| Stock-based compensation | – | – | 113,846 |
| Share issue costs | – | (32,270) | – |
| As at March 31, 2006 | 27,754,416 | 4,012,613 | 425,768 |
| Exercise of options | 835,000 | 282,585 | (114,585) |
| Exercise of warrants | 850,000 | 276,250 | – |
| Private placements | 3,487,064 | 1,046,119 | – |
| Finders fees | 112,000 | 33,600 | – |
| Share issuance costs | – | (64,123) | – |
| Stock-based compensation | – | – | 288,677 |
| As at March 31, 2007 | 33,038,480 | \$ 5,587,044 | \$ 599,860 |

Included in capital stock as at March 31, 2007 are 3,766,193 (March 31, 2006 – 5,961,832) common shares held in escrow subject to a periodic schedule of release.

Share issuances

During fiscal 2007, the Company issued a total of 3,487,064 units at a price of \$0.30 per unit for gross proceeds of \$1,046,119. Each unit consists of one common share and one half share purchase warrant of the Company. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.40 per share up to two years from the date of closing. The Company paid \$27,566 and issued 112,000 common shares as finders' fees valued at \$33,600 to third parties on a portion of both tranches of the private placement and incurred \$2,957 for share issuance costs.

During fiscal 2006, the Company issued common shares as follows:

- a) In May, 2005, the Company issued 786,666 units at \$0.30 per unit for proceeds of \$236,000. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at \$0.40 expiring May 13, 2006 then at \$0.50 expiring May 13, 2007.
- b) In February, 2006, the Company issued 1,500,000 units at \$0.25 per unit for proceeds of \$375,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at \$0.30 per share expiring March 2, 2007.

MINAEAN INTERNATIONAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock options and warrants

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the Board of Directors.

Stock option and share purchase warrant transactions are summarized as follows:

| | Warrants | | Stock Options | |
|------------------------------|-------------|---------------------------------|---------------|---------------------------------|
| | Number | Weighted Average Exercise Price | Number | Weighted Average Exercise Price |
| Outstanding, March 31, 2005 | 3,462,249 | \$ 0.40 | 2,000,000 | \$ 0.28 |
| Granted | 1,143,333 | 0.33 | 825,000 | 0.20 |
| Exercised | — | — | (200,000) | 0.25 |
| Expired | (1,722,250) | 0.40 | — | — |
| Outstanding, March 31, 2006 | 2,883,332 | 0.43 | 2,625,000 | 0.26 |
| Granted | 1,743,535 | 0.40 | 2,192,500 | 0.28 |
| Exercised | (850,000) | 0.33 | (835,000) | 0.20 |
| Expired | (1,639,999) | 0.34 | (762,500) | 0.25 |
| Outstanding, March 31, 2007 | 2,136,868 | \$ 0.39 | 3,220,000 | \$ 0.27 |
| Number currently exercisable | 2,136,868 | \$ 0.39 | 3,107,500 | \$ 0.27 |

As at March 31, 2007, incentive stock options and share purchase warrants were outstanding as follows:

| | Number of Shares | Exercise Price | Expiry Date |
|-----------------|------------------|------------------------|-------------------|
| Options | 340,000 | \$ 0.25 | April 24, 2008 |
| | 140,000 | \$ 0.30 | January 1, 2009 |
| | 285,000 | \$ 0.25 | January 16, 2009 |
| | 525,000 | \$ 0.25 ⁽¹⁾ | July 19, 2009 |
| | 1,010,000 | \$ 0.25 | July 4, 2011 |
| | 920,000 | \$ 0.31 | March 6, 2012 |
| Warrants | 393,333 | \$ 0.35 ⁽²⁾ | May 13, 2007 |
| | 1,227,168 | \$ 0.40 | October 27, 2008 |
| | 349,700 | \$ 0.40 | November 21, 2008 |
| | 166,667 | \$ 0.40 | December 13, 2008 |

(1) During fiscal 2007, the Company repriced these options from \$0.35 to \$0.25 resulting in additional stock based compensation expenses of \$13,158.

(2) During the year, the Company received TSX Venture Exchange acceptance for the repricing of 2,133,332 warrants expiring between January 21, 2007 to May 13, 2007 from \$0.50 to \$0.35. Of these warrants, 425,000 warrants were exercised and 1,314,999 warrants expired.

MINAEAN INTERNATIONAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock-based compensation

During the year, the Company granted 2,192,500 (2006 – 825,000) options to consultants, office, directors and employees. Accordingly, using the Black-Scholes option pricing model, the stock options are recorded at fair value in the statement of operations over the vesting period. Total stock-based compensation recognized in the statement of operations was \$288,677 (2006 – \$113,846) and the weighted average fair value of options granted was \$0.13 (2006 – \$0.14) per share. This amount was also credited to contributed surplus on the balance sheet.

The following weighted average assumptions were used for the valuation of stock options and share purchase warrants:

| | 2007 | 2006 |
|--------------------------|---------|---------|
| Risk-free interest rate | 4.2% | 3.7% |
| Expected life of options | 4 years | 5 years |
| Annualized volatility | 78% | 81% |
| Dividend rate | 0.00% | 0.00% |

9. RELATED PARTY TRANSACTIONS

During fiscal 2007, the Company entered into the following transactions with related parties:

- a) Paid \$60,000 (2006 – \$60,000) for management fees and \$12,000 (2006 – \$12,000) for reimbursement of administrative services to a company controlled by directors of the Company.
- b) Paid \$18,474 (2006 – \$17,724) for rent to a company having directors in common and a company controlled by the spouse of a director of the Company.
- c) Paid \$nil (2006 – \$1,000) for commissions to a company having a director in common.
- d) Paid or accrued \$5,885 (2006 – \$11,490) for interest to a company controlled by the spouse of a director.
- e) Paid or accrued \$nil (2006 – \$20,758) for consulting fees to a company having a director in common.
- f) Paid or accrued \$3,000 (2006 – \$nil) for consulting fees to a director.

These transactions were in the normal course of operations and were measured at the exchange amount of consideration established and agreed to by the related parties.

Included in accounts receivable is \$nil (2006 – \$30,909) due from directors of the Company.

Amounts due to related parties are due to a director and former shareholders of MBS and are unsecured and have no specified interest rate or terms of repayment.

MINAEAN INTERNATIONAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended March 31, 2007 consisted of the Company issuing a total of 112,000 common shares at a value of \$33,600 for finders' fees on the private placement.

There were no significant non-cash transactions for the year ended March 31, 2006.

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes follows:

| | 2007 | 2006 |
|--|----------------|----------------|
| Loss for the year | \$ (1,351,538) | \$ (1,182,336) |
| Income tax recovery | \$ (460,266) | \$ (407,906) |
| Non deductible items | 105,240 | 93,692 |
| Unrecognized benefit of non-capital losses | 355,026 | 314,214 |
| Total income taxes | \$ - | \$ - |

Details of future income taxes are as follows:

| | 2007 | 2006 |
|---|-------------|-----------|
| Future income tax assets and liabilities: | | |
| Other items | \$ 55,990 | \$ 8,726 |
| Non-capital loss carryforwards | 1,070,320 | 698,770 |
| | 1,126,310 | 707,496 |
| Less: Valuation allowance | (1,126,310) | (707,496) |
| Future income tax assets /liability | \$ - | \$ - |

The Company has available for deduction against future taxable income in Canada non-capital losses of approximately \$3,453,000. These losses, if not utilized, will expire through 2027. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements.

MINAEAN INTERNATIONAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

12. INTEREST IN JOINT VENTURES

Amounts included in these financial statements related to the Company's interest in joint ventures are as follows:

| | 2007 | 2006 |
|---------------------|------|----------|
| Current assets | \$ — | \$ 8,812 |
| Long-term assets | — | 1,077 |
| Current liabilities | — | 11,489 |
| Expenses | — | 9,025 |

During the year, the Company terminated the joint venture agreement and wrote-off its interest in it. As a result, the Company recorded a loss on the disposal of its interest of \$25,711.

13. CONTRIBUTION AGREEMENT

During fiscal 2005, the Company entered into a contribution agreement with the Canadian International Development Agency ("CIDA") pursuant to which the CIDA will, on approval, contribute 70% of the total amount of allowable expenses incurred on a specified project, up to a maximum of \$242,011. During fiscal 2007, the Company claimed \$nil (2006 – \$35,011) under this agreement for total claims amounting to \$242,011 as at March 31, 2007.

14. SEGMENTED INFORMATION

The Company operates in one industry segment, being the development and production of building framing systems, and in the geographic areas as follows:

| | 2007 | 2006 |
|--------------------|---------------------|-------------------|
| Sales for the year | | |
| India | \$ 2,390,271 | \$ 596,467 |
| U.S.A. | <u>1,011,105</u> | <u>218,297</u> |
| | <u>\$ 3,401,376</u> | <u>\$ 814,764</u> |
| Capital assets | | |
| Canada | \$ 6,338 | \$ 18,447 |
| U.S.A. | 4,250 | 2,481 |
| India | <u>220,982</u> | <u>81,963</u> |
| | <u>\$ 231,570</u> | <u>\$ 102,891</u> |

15. CONTINGENCY

The Company is involved in a claim and litigation in the amount of \$25,000 arising as a result of the termination of certain consulting services. In the opinion of management, this claim is without merit and the Company has filed a counter claim. No provision has been made for this claim in the accounts.

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16. COMMITMENTS

The Company has the following rental commitments on its leased premises:

| | |
|--------------|-------------------|
| 2008 | \$ 139,300 |
| 2009 to 2012 | <u>151,171</u> |
| | <u>\$ 290,471</u> |

17. SIGNIFICANT CUSTOMERS

During fiscal 2007, two customers individually comprised 67% (2006 - 47%) and 31% (2006 - 15%) of total sales.

18. FINANCIAL INSTRUMENTS

a) Fair value:

The Company's financial instruments consist of cash, accounts and advances receivable, bank indebtedness, accounts payable and accrued liabilities, promissory notes payable, amounts due to related parties and long-term debt. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or currency risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

b) Credit risk:

The Company is exposed to credit risk only with respect to uncertainties as to the timing and collectibility of accounts receivable. The Company mitigates credit risk through standard credit and reference checks.

c) Currency risk:

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.