

**MINAEAN INTERNATIONAL CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED  
SEPTEMBER 30, 2006 AND 2005**

# MINAEAN INTERNATIONAL CORP.

## NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditors.

November 29, 2006

# MINAEAN INTERNATIONAL CORP.

## CONSOLIDATED BALANCE SHEETS

AS AT SEPTEMBER 30, 2006 AND MARCH 31, 2006

	September 30, 2006	March 31, 2006
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 396,771	\$ 280,885
Accounts and advances receivable	433,741	343,998
Inventories	181,193	303,101
Prepaid expenses and deposits	<u>314,730</u>	<u>33,891</u>
	1,326,435	961,875
<b>Deferred financing fees</b>	<b>36,994</b>	44,994
<b>Land, buildings and equipment</b>	<b><u>113,323</u></b>	<b><u>102,891</u></b>
	<b>\$ 1,476,752</b>	<b>\$ 1,109,760</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Bank indebtedness (Note 2)	\$ 472,155	\$ 186,681
Accounts payable and accrued liabilities	506,992	365,187
Due to related parties	263,429	41,956
Current portion of long-term debt	-	1,679
Shares subscription	<u>30,000</u>	<u>-</u>
	1,272,576	595,503
<b>Promissory notes payable</b>	<b><u>170,547</u></b>	<b><u>161,524</u></b>
	<b><u>1,443,123</u></b>	<b><u>757,027</u></b>
<b>Shareholders' equity</b>		
Capital stock (Note 3)	4,291,459	4,012,613
Contributed surplus (Note 3)	452,932	425,768
Deficit	<u>(4,710,762)</u>	<u>(4,085,648)</u>
	<b><u>33,629</u></b>	<b><u>352,733</u></b>
	<b>\$ 1,476,752</b>	<b>\$ 1,109,760</b>

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

# **MINAEAN INTERNATIONAL CORP.**

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2006 AND 2005  
(UNAUDITED – PREPARED BY MANAGEMENT)

	Three months ended September 30,		Six months ended September 30,	
	2006	2005	2006	2005
<b>SALES</b>	\$ 317,862	\$ 298,090	\$ 372,947	\$ 588,720
<b>COST OF SALES</b>	<u>293,872</u>	<u>188,720</u>	<u>367,838</u>	<u>470,993</u>
	<u>23,990</u>	<u>109,370</u>	<u>5,109</u>	<u>117,727</u>
<b>EXPENSES</b>				
Advertising	735	6,547	735	11,893
Amortization	10,989	20,543	20,907	41,367
Commissions	39	130	907	4,664
Consulting fees	9,603	7,066	25,781	32,057
Interest and bank charges	13,629	5,691	21,160	14,374
Interest on promissory notes	4,536	6,050	9,023	12,033
Management fees	33,204	15,000	48,576	30,000
Office and administration	36,577	84,113	61,578	108,409
Professional fees	38,350	6,266	42,728	13,739
Regulatory and transfer agent fees	7,631	6,438	9,107	12,381
Rent	17,524	16,301	30,182	31,276
Stock-based compensation	141,010	52,504	141,010	52,504
Technical and engineering	–	7,318	–	7,318
Travel and promotion	31,011	31,602	40,207	79,336
Wages and benefits	126,027	90,820	190,839	202,464
	<u>(470,865)</u>	<u>(356,389)</u>	<u>(642,740)</u>	<u>(653,815)</u>
<b>Loss before other items</b>	<u>(446,875)</u>	<u>(247,019)</u>	<u>(637,631)</u>	<u>(536,088)</u>
<b>OTHER ITEMS</b>				
Government grants	–	20,011	–	35,011
Interest and other income	12,415	28,610	12,517	30,814
	<u>12,415</u>	<u>48,621</u>	<u>12,517</u>	<u>65,825</u>
<b>Loss for the period</b>	<u>(434,460)</u>	<u>(198,398)</u>	<u>(625,114)</u>	<u>(470,263)</u>
<b>Deficit, beginning of period</b>	<u>(4,276,302)</u>	<u>(3,175,177)</u>	<u>(4,085,648)</u>	<u>(2,903,312)</u>
<b>Deficit, end of period</b>	\$ <u>(4,710,762)</u>	\$ <u>(3,373,575)</u>	\$ <u>(4,710,762)</u>	\$ <u>(3,373,575)</u>
<b>Basic and diluted loss per share</b>	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.02)
<b>Weighted average number of shares outstanding</b>	<u>28,579,416</u>	<u>26,117,459</u>	<u>28,236,793</u>	<u>25,905,564</u>

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

# MINAEAN INTERNATIONAL CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2006 AND 2005  
(UNAUDITED – PREPARED BY MANAGEMENT)

	Three months ended September 30,		Six months ended September 30,	
	2006	2005	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	\$ (434,460)	\$ (198,398)	\$ (625,114)	\$ (470,263)
Items not affecting cash:				
Amortization	10,989	20,543	20,907	41,367
Stock-based compensation	141,010	52,504	141,010	52,504
Interest accrued on promissory notes	4,536	6,050	9,023	12,033
Changes in non-cash working capital items:				
Accounts and advances receivable	(86,048)	(120,252)	(89,743)	(166,027)
Inventories	133,150	(24,390)	121,908	(54,417)
Prepaid expenses and deposits	(229,333)	(31,146)	(280,839)	(50,547)
Accounts payable and accrued liabilities	128,712	12,521	141,805	114,118
Net cash used in operating activities	<u>(331,444)</u>	<u>(282,568)</u>	<u>(560,043)</u>	<u>(521,232)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of land, buildings and equipment	<u>(23,105)</u>	<u>(14,642)</u>	<u>(23,339)</u>	<u>(18,938)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Due to related parties	109,287	50,574	221,473	56,655
Bank indebtedness	270,919	(17,342)	285,474	15,726
Repayments on long-term debt	(1,165)	(1,749)	(1,679)	(3,324)
Promissory notes payable	-	-	-	(30,365)
Proceeds on share issuance	-	50,000	165,000	286,000
Share issuance costs	-	-	-	(23,600)
Shares subscription	30,000	-	30,000	-
Net cash provided by financing activities	<u>409,041</u>	<u>81,483</u>	<u>700,268</u>	<u>301,092</u>
<b>Increase (decrease) in cash and equivalents during the period</b>	<b>54,492</b>	<b>(215,727)</b>	<b>115,886</b>	<b>(239,078)</b>
<b>Cash and equivalents, beginning of period</b>	<u>342,279</u>	<u>664,143</u>	<u>280,885</u>	<u>687,494</u>
<b>Cash and equivalents, end of period</b>	<b>\$ 396,771</b>	<b>\$ 448,416</b>	<b>\$ 396,771</b>	<b>\$ 448,416</b>
<b>Cash paid during the period for interest</b>	<b>\$ -</b>	<b>\$ 7,664</b>	<b>\$ -</b>	<b>\$ 16,347</b>

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

# MINAEAN INTERNATIONAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

## 1. BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared using Canadian generally accepted accounting principles (Canadian GAAP). The interim financial statements include normal recurring adjustments, which in management's opinion, are necessary for a fair presentation of the financial results of the interim period presented.

The disclosures in these statements do not conform in all aspects to the requirements of Canadian GAAP for annual financial statements. These statements follow the same accounting policies and methods of their application as the most recent annual financial statements. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's audited financial statements for the year ended March 31, 2006.

## 2. BANK INDEBTEDNESS

	September 30, 2006	March 31, 2006
State Bank of India, \$172,155 (Indian Rupee "INR" 7,058,355) bears interest at 7.8% per annum and is secured by fixed deposits of \$229,050.	\$ 172,155	\$ 186,681
Export Development Canada, Performance Security Guarantee of \$300,000 non-secured through State Bank of India.	300,000	—
As at September 30, 2006	\$ 472,155	\$ 186,681

## 3. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Capital Stock		Contributed Surplus
	Number of Shares	Amount	
Authorized Unlimited common shares without par value			
As at March 31, 2006	27,754,416	\$ 4,012,613	\$ 425,768
Exercise of options	825,000	278,846	(113,846)
Stock-based compensation	—	—	141,010
As at September 30, 2006	28,579,416	\$ 4,291,459	\$ 425,932

Included in capital stock as at September 30, 2006 are 4,519,430 (March 31, 2006 – 5,961,832) common shares held in escrow subject to a periodic schedule of release.

### Share issuances

During the six months ended September 30, 2006, 825,000 options were exercised at a price of \$0.20 per common share and 825,000 common shares were issued for gross proceeds of \$165,000. In addition, a reallocation of \$113,846 from contributed surplus to share capital was recorded on the exercise of these options.

# MINAEAN INTERNATIONAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

## 3. 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.

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, 2006	2,883,332	\$ 0.43	2,625,000	\$ 0.26
Granted	—	—	1,122,500	0.25
Exercised	—	—	(825,000)	0.20
Cancelled	—	—	(250,000)	0.25
Outstanding, September 30, 2006	2,883,332	\$ 0.36	2,672,500	\$ 0.25
Number currently exercisable	2,883,332	\$ 0.36	2,672,500	\$ 0.25

As at September 30, 2006, incentive stock options and share purchase warrants were outstanding as follows:

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	60,000	\$ 0.32	March 1, 2007
	540,000	0.25	April 28, 2008
	425,000	0.25	January 16, 2009
	525,000	0.35	July 19, 2009
	1,122,500	0.25	July 4, 2011
<b>Warrants</b>	1,256,666	0.35	January 21, 2007
	483,333	0.35	March 31, 2007
	393,333	0.35	May 13, 2007
	750,000	0.30	March 2, 2007

During the six months ended September 30, 2006, 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.

# **MINAEAN INTERNATIONAL CORP.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

## **3. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

### **Stock-based compensation**

The Company uses 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 \$141,010 (2005 – \$52,504) and the weighted average fair value of options granted was \$0.13 (2005 – \$0.18) per share. This amount was also recorded as contributed surplus on the balance sheet.

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

September 30,	2006	2005
Risk-free interest rate	4.50%	3.19%
Expected life of options	5 years	5 years
Annualized volatility	80%	81%
Dividend rate	0.00%	0.00%

## **4. INTEREST IN JOINT VENTURES**

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

	September 30, 2006	March 31, 2006
Current assets	\$ 30,637	\$ 8,812
Long-term assets	1,015	1,077
Current liabilities	9,868	11,489
Expenses	2,084	9,025

## **5. 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:

September 30,	2006	2005
Sales for the period		
India	\$ 197,334	\$ 565,511
USA	175,613	23,209
	\$ 372,947	\$ 588,720

## **MINAEAN INTERNATIONAL CORP.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

### **5. SEGMENTED INFORMATION (cont'd...)**

	<b>September 30, 2006</b>	March 31, 2006
Capital assets		
Canada	\$ 12,455	\$ 18,447
USA	3,718	2,481
India	<u>97,150</u>	<u>81,963</u>
	<b>\$ 113,323</b>	<b>\$ 102,891</b>

During the six months ended September 30, 2006, one customer individually comprised 74% (2005 - 65%) of total sales.

### **6. CONTINGENCY**

The Company is involved in a claim and litigation in the amount of \$97,637 plus additional damages 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.

### **7. SUBSEQUENT EVENTS**

Subsequent to September 30, 2006, the Company received TSX Venture Exchange acceptance with respect to the closing of the first and second tranches of its non-brokered private placement. The Company issued a total of 3,153,730 units at a price of \$0.30 per unit for gross proceeds of \$946,120. 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 units of the first tranche are subject to a hold period expiring February 28, 2007 whereas the units of the second tranche are subject to a hold period expiring March 22, 2007. The Company paid an aggregate of \$20,566 and 112,000 common shares as finders' fees to third parties on a portion of both tranches of the private placement.

Subsequent to September 30, 2006, the Company received a financial security guarantee of \$1,950,000 through Export Development Canada which is secured by a fixed deposit of \$500,000 with the State Bank of India.