

# ZECOTEK MEDICAL SYSTEMS INC.

## MANAGEMENT DISCUSSION AND ANALYSIS FOR THE QUARTER ENDED OCTOBER 31, 2006 AND 2005

**Dated at December 11, 2006**

This MD&A should be read in conjunction with the audited financial statements for the twelve months ended July 31, 2006. The significant accounting policies are outlined in Note 2 to the Financial Statements of the Company for the year ended July 31, 2006 and have been applied consistently for the year ended July 31, 2006.

### Company Overview

Zecotek Medical Systems Inc. ("ZMS" or the "Company") is a bio-photonics company with base and laboratories in Singapore with an additional laboratory at the University of British Columbia. ZMS focuses on the creation of advanced materials and integrated optoelectronic devices for high resolution medical imaging, optical precision surgery, biopharmaceutical research and 3D displays. The Company is a Canadian public company trading on the TSX Venture Exchange under the symbol "ZMS.V". On April 20, 2006, the Company's shares began trading on the Frankfurt Stock Exchange under the trading symbol - W11.F. On May 15, 2006, the Company released its new website: <http://www.zecotekmed.com>.

All dollar amounts are expressed in Canadian dollars. The Company's accounts are maintained in Canadian dollars. The business activities of the Company, carried out through its subsidiaries in Singapore are conducted primarily in Singapore dollars. The rate of exchange on October 31, 2006 as reported by the Bank of Canada, for the conversion of one Singapore dollar into Canadian dollars was \$0.7209.

On December 31, 2004, the Company's new, wholly owned subsidiary, Zecotek Crystals Inc. ("Crystals"), acquired from Zecotek Holdings Inc. ("Holdings") the intellectual property and know-how, including an International Patent application, associated with a new and proprietary scintillation crystal ("LFS") that emits blue light and that is a key component in the design of whole body positron emission tomograph ("PET") scanners.

LFS is a crystal material which falls into a category of materials known as "scintillators". These materials emit light when exposed to sources of radiation. Scintillation materials are used for imaging purposes, by assisting in the capture of high resolution images.

High performance scintillation crystals are developed principally for OEM manufacturers of PET and PET-CT scanners. Other applications are in micro-PET detectors used in drug research, and gamma cameras used for specific applications such as breast and prostate examinations. Additional non-medical applications include gamma ray detector systems for homeland security, geological surveying, materials analysis, high energy physics and nuclear stockpile monitoring. Novel scintillation crystals have provided the greatest source of performance and cost improvement for PET scanners in recent years. In addition to image quality improvements, resolution and sensitivity gains. The improved crystals offer faster imaging times, requiring less radio-trace element to be injected into the patient and therefore allowing hospitals and other medical facilities to achieve a greater patient throughput.

In oncology, PET provides early diagnoses, more accurate tumor detection, and better assessment of patient response to chemotherapy and radiation therapy compared with other imaging techniques (such as a CAT scan, MRI or ultrasound). PET scans can search the entire body for cancer in a single examination, more accurately revealing any spreading of the cancer as well as the primary site. It may also indicate whether a tumor is benign or malignant. Improved patient outcomes and reduced healthcare costs from the use of PET scans are driving market growth.

In cardiology, PET enables screening for suspected coronary artery disease, to assess flow rates and flow reserve and to distinguish good heart muscle from bad for bypass and transplant candidates.

In neurology, PET can be used for diagnosis and assessment of a number of neurological disorders including Alzheimer's, Parkinson's and Huntington's disease.

Scintillation materials such as LFS can be employed for other uses which include homeland security (port and harbor security for baggage and container screening), product analysis (detection of defective products such as bad

food), radiation detection (health and security in workplace), drug testing on animals and geology and oil exploration. For all these uses, scintillation material is coupled with a detector to capture radiation emanating from the subject material.

The mass production and marketing of the LFS has been licensed to Northrop Grumman under a 20-year contract to provide ZMS with an on-going revenue stream.

The Company's Canadian subsidiary, Zecotek Crystals Inc., retains ownership of the LFS scintillation material.

In early 2006, the Company determined it could derive superior returns and increased shareholder value through the integration of its various medical imaging technologies into higher value-added components and the selective production of finished product. Following this decision, several sites for the expansion of research and commercialisation facilities were evaluated, with Singapore eventually chosen. In April 2006 ZMS incorporated Zecotek Medical Systems Singapore Pte Ltd ("ZMSS") as a new, wholly owned subsidiary.

ZMSS then acquired three portfolios of intellectual property and technologies specifically for development and commercialisation in its Singapore facilities. For operational and financial efficiencies the Singapore operations have been organised into three Divisions; Medical Imaging, 3D Display and Medical Lasers. The Singapore operations will continue to be supported by ZMS-linked laboratories in Russia and Canada, as well as collaboration partners in the U.S and Canada, and by project management and market development from North America and Europe - much of which will also qualify for grant support from Singapore.

These new technologies include:

- a real time auto-stereoscopic 3D display;
- various solid state and fiber laser technologies, including a solid state laser for bio-instrumentation, and a thin film waveguide micro laser technology, the latter being currently in development jointly with UBC;
- enabling technologies for combined PET-MRI machines;
- a new scintillation material for medical imaging to eventually serve as a successor material to the LFS;
- a solid state photon counter;
- the RFO crystal, aimed at substituting the present YAG crystal for various laser applications; and
- a light source for optical coherence tomography, in development in conjunction with UBC.

These bio-photonic technologies were acquired on May 12, 2006 by the Company's subsidiary, Zecotek Medical Systems Singapore Pte. Ltd. from Zecotek Holdings Singapore Pte. Ltd., a company controlled by the Company's CEO, for a total consideration of \$7,388,000 consisting of \$338,000 in cash and the non-cash issuance of 11,750,000 common shares of ZMS. Pursuant to Canadian Generally Accepted Accounting Principles ("GAAP") for related party transactions, the technologies were recorded at the carrying value of \$1 recorded on Zecotek Holdings Singapore Pte. Ltd.'s books and the cash payment of \$258,000 was recorded as an increase of the deficit balance.

## **Highlights**

### **Relocation to Singapore**

In addition to Singapore's excellent infrastructure, its large pool of highly trained research personnel and its world-class high-technology manufacturing sector, a key factor in its choice was the support of the Government of Singapore's Economic Development Board ("EDB") who welcomed Zecotek as their first bio-photonics company, subsequently approving in principle reimbursable grants of approximately 30% of total operational and capital costs. To establish eligibility for the grants, Zecotek Medical Systems Singapore Pte Ltd. incorporated 3 new subsidiaries:

Zecotek Display Systems Pte. Ltd.; Zecotek Imaging Systems Pte. Ltd.; Zecotek Laser Systems Pte. Ltd.

Effective July 1, 2006 the Company moved its operational headquarters to Singapore. After examining various scenarios, the Company determined that Singapore offered the most cost-competitive business location, including R&D grants and tax incentives. ZMS will remain a Canadian corporation with its corporate headquarters in Canada, though most of its operations, management and personnel will be located in Singapore. ZMS will maintain a laboratory at its present location at the University of British Columbia.

### **New-Generation Solid-State Photon Counters**

The Company has successfully developed a new generation of Silicon based Photon Counters, designated the New Generation of surface Micro-pixel Avalanche Photo Diodes (N-MAPD). The counting property is a further refinement of its acquired photo-detector technology. The N-MAPD is aimed at replacing existing photo-detection devices, known as Photo-Multiplier Tubes (PMT's) used in Positron Emission Tomography (PET) for medical imaging, as well as in wide industrial and research applications. The development of this N-MAPD and its manufacturing process was achieved in a joint collaboration with Dubna-Detectors Ltd, an R&D company based within the Institute of Nuclear Research in Dubna, Russia. The development of the N-MAPD is wholly financed by the Company and under the agreement the Company retains joint patent ownership and sole rights to commercialization, subject to the payment of an agreed participation incentive to Dubna Detectors Ltd.

Photo-detection devices form a major cost component in the current USD1 billion market for PET and PET-CT scanners, representing up to one-third of the cost of each unit. The Company's new solid state photo-counter N-MAPD has been designed to replace existing PMT's (Photo-Multiplier Tubes) by offering cost/performance advantages. Existing PMT's are also critical components of medical inspection devices used in blood analysis and DNA sequencing. Additional non-medical applications include systems for homeland security, environmental monitoring, industrial controls, robotics, biomedical testing, navigation and guidance, laser radar and high energy physics.

The N-MAPD also represents a key milestone in the Company's joint development of integrated PET-MRI products with the University of Washington, where the Company retains world rights to commercialization and a share of a new, annual market estimated to reach approximately USD500M by 2012.

The N-MAPD element is a market-ready product. Manufacturing of the N-MAPD will be outsourced, with the support of the Government of Singapore, to one of Singapore's highly competitive semiconductor companies. This OEM manufacturer will complete the manufacturing process of arrays of N-MAPD elements targeted at the next generation of PET machines and other applications.

### **Lutetium Fine Silicate ("LFS") Scintillation Crystal**

#### ***Northrop Grumman Agreement***

In March 2006 the Company licensed its proprietary Lutetium Fine Silicate ("LFS") scintillation crystal material to Northrop Grumman Corporation ([NYSE:NOC](#)) under a 20-year exclusive licensing agreement the two companies signed. Developed principally for medical imaging markets, the crystal allows Northrop Grumman to expand its crystal product line in this growth area.

Northrop Grumman will promote, market, manufacture, distribute and sell the LFS product worldwide through Synoptics, a business unit of the company's Space Technology sector, based in Charlotte, N.C. Under the agreement, Northrop Grumman will receive a royalty of the gross selling price for each unit of licensed product delivered, sold or leased to a third party during the twenty year term of the agreement. [Synoptics](#) expects to begin manufacturing LFS scintillation crystal at its Charlotte facility within the next six months.

#### ***LFS Patent***

In November 2006 the Company was issued a U.S. patent for the LFS scintillation material. The granting of the LFS patent is a significant technical validation that will offer Northrop Grumman, the Company's manufacturing and distribution alliance, added technical validity to proceed with the manufacturing and the World-wide sale of the LFS under the assurance of a U.S. patent. The U.S. patent number is 7,132,060.

### **3D Display**

On November 21, 2006 the Company announced that its 3D2D display has reached prototype demonstration stage. The first demonstration of its full-colour display took place in early November at the Company's new Singapore facilities to a delegation of senior engineers and executives of a Japanese electronics major. Demonstrations were also given to representatives of the Singapore Government. Additional demonstrations are planned for the coming weeks.

The Company's Real-Time 3D2D Display System is a novel, proprietary display system for the visualization of images and data. Based on the auto stereoscopic principle, but with substantial patent pending innovation, it

represents a new generation of 3D displays. Meeting the requirements of both mass market and professional use, it is particularly powerful when applied to the field of medical imaging. Its design provides for multi-user, multi-view, freedom of movement, high resolution in both 3D and 2D modes, superior image dynamic range in 2D mode, 2D and 3D simultaneous displays, common brightness, compatibility with existing applications and designed to be cost competitive. The Real-Time 3D/2D Display System display is presently undergoing product engineering and large screen prototyping.

### **RFO Crystal**

On April 10, 2006 the Company announced the introduction of the Rare earth Fine Oxide (RFO) crystal, a significant technological breakthrough in the development of crystals for solid-state lasers. This innovation is patentable subject matter and will be the object of an international patent application.

Presently, the leading crystal used by laser manufacturers is the YAG crystal, which is used in about 60% of laser applications, ranging from medical lasers to high power industrial laser systems. The Company's proprietary RFO crystal growth technology which has been under development for the past three years is a viable substitute to YAG and is targeted to provide the higher performance that manufacturer's desire along with significant cost savings.

The next step to the RFO development is fine-tuning the mass-market manufacturing process, which is estimated to take 10-12 months. Subsequently, the Company will consider a number of alliances that will assist in the advancement to large scale manufacturing.

### **Optical Coherence Tomography Agreement with the University of British Columbia**

In August 24, 2006 the Company entered into an agreement with the University of British Columbia ("UBC") to jointly develop advanced light sources and optical systems for its future Optical Coherence Tomography (OCT) medical imaging products.

OCT is the Company's latest product initiative to be directed at building its medical imaging division into a worldwide market leader, through technological innovation. OCT joins other medical imaging products under development including the micro-PET for pharmaceutical research, the PET-MRI and core enabling components for the PET-CT machines.

OCT is a non-invasive, in vivo, portable optical imaging technique which is used to image a few millimetres below the surface of human tissue, either internally with an endoscope or externally. It has at least 10 times higher resolution than ultrasound. The most established clinical application is in the diagnosis of retinal diseases. OCT's future holds promise for very early identification of cancers and cardiovascular diseases. OCT has the potential to eliminate the need for surgically removed biopsies in many cases. OCT is a rapidly growing market, driven by the ever increasing demand for better medical imaging techniques.

The Company will be collaborating with UBC's world class semiconductor light-source group, led by Professor Tom Tiedje. Joining the expertise of Professor Tiedje's team with Zecotek's know-how in lasers, fiber optics and optical systems, the collaboration anticipates significant innovation and radical performance improvements in OCT systems, including higher resolution, better depth of penetration and improved scan rate. This will result in greatly improved diagnosis and patient outcomes. The market for OCT is expected to reach \$250 million by 2010 and to grow at rates comparable with those of PET-CT and PET-MRI.

Under the terms of the three year agreement the Company will assist in funding the project for the development of the OCT system. In consideration for its monetary contribution and royalty payments to UBC, the Company gains exclusive rights to exploit the OCT developments on a worldwide basis. Pursuant to the agreement, the Company is to pay research fees to UBC of \$9,600 upon execution of the agreement, and \$98,600 on each of September 1, 2007 and 2008, totaling \$295,800. The initial fee was paid in October 2006.

### **The Company signs Non-Disclosure Agreement with GE Healthcare**

On November 23, 2006 the Company announced that it has entered into a Non-Disclosure Agreement with GE Healthcare in respect of its LFS scintillation material. By virtue of this Agreement, the Company and its manufacturer Northrop Grumman will provide GE Healthcare with information in respect of using LFS in the crystal block design for GE's PET/CT machines as well as associated pricing.

Recently, Company officials met with senior representatives of GE Healthcare at the production facilities of Northrop Grumman (Synoptics) in Charlotte, North Carolina. GE's visit to Northrop Grumman followed GE's testing of LFS samples provided to it by the Company and the US patent granted for the LFS material on November 7<sup>th</sup>, 2006. Part of the meetings in North Carolina consisted of a visit by GE of Northrop Grumman's crystal production facility. Discussions focused in part on the general design and pricing requirements by GE Healthcare. At the end of this meeting, GE Healthcare and the Company agreed to enter into a Non-Disclosure Agreement in respect of the LFS scintillation material and to take GE's evaluation of the LFS to the next step.

### Selected Annual Information

The Company's fiscal year end is July 31. The following is a summary of certain selected audited consolidated financial information for the Company's three most recently completed fiscal years.

	Audited Year Ending July 31, 2006	Audited Year Ending July 31, 2005	Audited Year Ending July 31, 2004
Total revenues	\$ 44,153	\$ 4,110	\$ 0
Net loss for the year	\$ (5,734,665)	\$ (1,342,601)	\$ (84,045)
Earnings/loss per share	\$ (0.37)	\$ (0.13)	\$ (0.01)
Total assets	\$ 4,275,901	\$ 3,197,577	\$ 110,833
Long term debt	\$ 0	\$ 0	\$ 0
Share Capital	\$ 16,246,313	\$ 10,506,895	\$ 6,376,520
Number of Shares	34,692,741	15,033,341	6,151,841
Retained earnings (loss)	\$ (13,801,155)	\$ (7,778,490)	\$ (6,435,889)

### Summary Financial Information for the Eight Most Recently Completed Quarters

	October 31, 2006	July 31, 2006	April 30, 2006	January 31, 2006
<b>Operating Accounts</b>				
Net sales	Nil	Nil	Nil	Nil
Net loss	\$1,547,056	\$4,275,901	\$743,791	\$474,415
<b>Balance Sheet Accounts</b>				
Total Assets	\$2,931,039	\$4,336,369	\$2,529,782	\$3,107,112
Loss per share	\$0.044	\$0.178	\$0.045	\$0.030
	October 31, 2005	July 31, 2005	April 30, 2005	January 31, 2005
<b>Operating Accounts</b>				
Net sales	Nil	Nil	Nil	Nil
Net loss	\$402,291	\$753,950	\$324,518	\$216,900
<b>Balance Sheet Accounts</b>				
Total Assets	\$2,948,467	\$3,197,577	\$2,781,117	\$2,554,598
Loss per share	\$0.026	\$0.050	\$0.024	\$0.017

### Results of Operations for the First Quarter Ended October 31, 2006 and 2005

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's annual audited financial statements and related notes.

For the quarter ended October 31, 2006, the Company's consolidated net loss from operations was \$1,547,056 (2005 - \$402,291). This increase is a result of the Company deciding to adopt a conservative position under Canadian GAAP and to expense all R&D costs of technologies under development until such time as that technology is revenue-making. In addition is the increased expense of having the Company's operations located in Singapore.

Analysis of some of the more significant expenses for the quarter ended October 31, 2006 is as follows:

**Research and Development** expenses were \$657,200 (2005 - \$203,661). All research and development costs have now been recorded as expenses and are no longer capitalized as in the prior year.

**Amortization** expense was \$8,052 (2005 - \$3,135). The Company purchased office furniture and equipment including computers to set up its new office in Singapore.

**Consulting and professional** fees were \$180,950 (2005 - \$43,225). Consulting fees were \$139,475 (2005 - \$30,000). Accounting fees were \$12,171 (2005 - \$13,225) for work done regarding the year end audit. Investor Relations were \$29,304 (2005 - nil). The Company signed a one year IR contract in March 2006 for \$7,500 per month plus disbursements.

**Legal fees** were \$23,236 (2005 - \$5,660)

**Rent and parking** expense was \$82,008 (2005 - \$25,185). The Company pays \$3,000 per month on a month-to-month lease for its head office location as well as \$6,260 per month for office and research facilities at UBC. In July 2006 ZMSS signed a lease for office rent in Singapore and paid CDN \$15,374 in the quarter. It also has a lease on a furnished company apartment to be used by relocating staff and traveling directors and a lease on a furnished residence for its CEO. In the quarter CDN \$34,947 has been paid.

**Travel and Entertainment** was \$61,499 (2005 - \$20,821) for accommodations and travel to Vancouver by Russian scientists, for directors to attend Board meetings and travel to meet with potential investors.

**Office** expenses were \$27,117 (2005 - \$12,303) for expenses incurred at the UBC and Singapore office/lab locations. This includes office supplies, telephone, postage, courier, filing fees and bank charges.

**Salaries and benefits** were \$140,732 (2005 - \$21,816)

**Stock-based compensation** expense of \$366,261 (2005 - \$68,765) At October 31, 2006, 2,484,250 options have vested at an average weighted exercise price of \$0.93. The estimated fair value of options granted to executive officers, directors, and employees and consultants since August 1, 2004 is amortized to expense over the vesting period of the stock options

## **Financing**

On August 9, 2006, 8,000 common shares of the Company were issued upon exercise of stock options at \$0.75 per share, for gross proceeds of \$6,000.

## **Liquidity and Capital Resources**

The Company has suffered recurring losses from operations and currently does not yet have any revenue producing assets. Its ability to conduct operations, including the development of its new technology and the acquisition of additional technologies is dependent on its ability to raise funds as needed.

At October 31, 2006 the Company had \$2,132,625 (2005 - \$670,101) in cash and cash equivalents and a consolidated working capital of \$1,955,956 (2005 - \$767,715) for ongoing working expenses. During the quarter 8,000 options were exercised for gross proceeds of \$6,000.

There are currently 3,194,700 outstanding warrants exercisable at \$1.30 per share and 638,940 outstanding agents' options exercisable at \$.90 per option, all exercisable for a period of 18 months.

Exercisable outstanding options represent a total of 4,829,000 common shares issuable. At October 31, 2006, 2,484,250 options were exercisable and would provide proceeds of \$2,310,352 to the Company if all the vested

options were exercised in full. The exercise of these options is completely at the discretion of the holders and the Company has no indication that any of these options will be exercised.

## Lease Agreements

The Company has a lease agreement for the rental of office space at its UBC location. The lease expires February 23, 2008. The future minimum lease obligations are as follows:

2007	\$ 52,152
2008	26,076
Total	\$ 78,228

In June 2006 ZMSS signed a lease agreement in Singapore for rental of 2,778 square feet of office space. The lease term is from January 1, 2007 to December 31, 2009 for gross monthly rent of SGD \$22,512 or approximately CDN \$16,125.

2007	\$ 177,485
2008	270,138
2009	270,138
2010	112,558
Total	SGD \$ 830,319
Or Approximately	CDN \$ 594,757

ZMSS signed a lease agreement for rental of a furnished apartment for its employees in Singapore. The lease term is from July 5, 2006 to June 30, 2008 for a gross monthly rent of SGD \$3,300 or approximately CDN \$2,360. Employees will stay at the apartment until they are able to secure permanent lodging as this is more cost effective than having them stay at a hotel during their transition. The apartment will also be used by scientists traveling to Singapore to work on research and development and by directors and officers traveling to Singapore for meetings.

2007	\$ 39,600
2008	36,300
Total	SGD\$ 78,228
Or Approximately	CDN \$ 54,367

Effective August 22, 2006, Zecotek Medical Systems Singapore Pte. Ltd. signed a lease agreement for a furnished residence for its CEO in Singapore. Monthly rent of SGD \$12,000 (approximately CDN \$8,500) is to be paid from September 1, 2006 to August 31, 2008, totalling SGD \$288,000 (approximately CDN \$204,600). While the lease has been entered into by ZMSS, the actual monthly payments are to be made by the CEO personally. To date ZMSS has paid SGD \$36,000 or approximately CDN \$25,700 for rent on behalf of the CEO which will be recovered by ZMSS.

2007	\$ 120,000
2008	144,000
Total	SGD\$ 264,000
Or Approximately	CDN \$ 187,519

## Share Capital

Authorized: Unlimited

Set out below is the outstanding share data of the Company as at October 31, 2006. For additional detail, see Note 9 to the audited financial statements for July 31, 2006.

At October 31, 2006	Number outstanding
Common Shares	34,700,741

Options to Purchase Common Shares	4,829,000
Agent's Options to Purchase Common Shares and warrants	638,940
Warrants to Purchase Common Shares	3,194,700

Escrow shares:

At July 31, 2006 a total of 12,724,378 shares were held in escrow, their release subject to a predetermined time schedule. Subsequently on November 12, 2006 an additional 1,762,500 shares was released.

## **Related Party Transactions**

### **Asset Purchase**

On December 31, 2004, the Company's subsidiary, Zecotek Crystals Inc., completed its Asset Purchase Agreement with Zecotek Holdings Inc. whereby Holdings received \$80,000 in cash and 2,400,000 shares of the Company in payment. Dr. A. Faouzi Zerrouk, is the founder and majority shareholder of Holdings.

Subsequent to the completion of the asset acquisition, Dr. Zerrouk was appointed Chairman, President, CEO and Director of the Company. Directly and indirectly Dr. Zerrouk controls 2,410,000 common shares or 6.95% of the issued and outstanding common shares of the Company. In addition, he personally holds 560,000 options at \$0.50 per share that expire on December 31, 2009 and an additional 60,000 options exercisable at \$0.70 that expire on January 18, 2010.

On May 12, 2006 the Company completed an Asset Purchase Agreement with Zecotek Holdings Singapore Pte. Ltd. ("Holdings Singapore") pursuant to which the Company acquired all the bio-photonic technologies owned by Holdings Singapore. To acquire the various bio-photonic technologies, the Company paid to Holdings Singapore \$338,000, issued 11,750,000 common shares of the Company and issued 10% of the Class A preferred shares of any subsidiary of the Company into which the technologies might be transferred at a later stage. The Company's CEO is the majority shareholder of Holdings Singapore and through this company, directly and indirectly controls 11,750,000 common shares or 33.86% of the issued and outstanding common shares of the Company. In addition, he received 900,000 options exercisable at \$1.76 per share that expire on May 12, 2011.

### **Services of CEO**

Total fees paid to the CEO for the quarter were \$99,087 (2005 - \$45,000); for research and development of \$66,058 (2005 - \$30,000) and consulting fees of \$33,029 (2005 - \$15,000).

### **Financial Services**

During the 3 months ending October 31, 2006 the Company paid \$9,945 (2006 - \$5,905) for bookkeeping services to a director of the Company.

### **Management Consulting Services**

The service of the Vice-President, Strategic Affairs is provided to the Company by a director, who along with the Company's CEO, controls Zecotek Holdings and Zecotek Holdings Singapore. The fees are recorded in Consulting expense and were \$30,000 (2006 - \$30,000).

## **Forward Looking Statements**

Certain statements contained herein that are not historical facts are forward-looking statements that involve risks and uncertainties. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements.

## **Audit Committee**

In compliance with the TSX Venture Exchange Policy 3.1 "Directors, Officers and Corporate Governance" section 10.1, the Audit Committee is comprised of 2 independent members, Erich Sager of Zurich, Switzerland and Dr.

Ahmad Magad of Singapore, and a non-independent member, Michel Coderre, of Montreal, Quebec, who were all appointed to the Audit Committee in July 2006. Mr. Sager was then appointed Chairman of the Audit Committee.

Mr. Sager has many years experience in the private banking sector in Switzerland and serves on several Boards as Director. Dr. Magad, CPA, MBA, Doctorate in Business Administration, is a director of several Singapore companies and a Member of Parliament for Singapore's electoral area of Pasir Ris-Punggol. Mr. Coderre is a Chartered Accountant and lawyer. The Audit Committee will serve until the next Annual General Meeting at which time the new Board of Directors will appoint or re-appoint the Audit Committee.

### **Additional Information**

Additional information relating to the Company, including the Annual Information Form and its audited year end financial statements is available on SEDAR at [www.sedar.com](http://www.sedar.com). Copies of this information are available either on SEDAR or upon request to the Secretary of the Company.