

Analysis of financial situation and operating results

This management analysis presents information on TSO₃ Inc. activities, and compares the operating results and financial situation for the years ended December 31, 2006 and December 31, 2005. The following information must be read in conjunction with the audited financial statements and unless advised otherwise, all figures are in Canadian dollars.

OVERVIEW

Founded in June 1998, TSO₃ (the “Company”) has developed a unique new sterilization process that uses ozone as the sterilizing agent. The first device resulting from this technological platform, the *125L* Ozone Sterilizer was designed to sterilize the new generation of surgical and diagnostic instruments made of heat-sensitive polymers. After receiving approval from Health Canada on May 3, 2002, the Company obtained clearance from the United States Food and Drug Administration (FDA) to sell the *125L* Ozone Sterilizer and the accompanying Chemical Indicator on September 3, 2003.

INTERNAL SALES FORCE

The sales and marketing department was strengthened significantly between December 31, 2006 and December 31, 2005. At the beginning of 2006, the Company redefined its commercial sales strategy and decided to implement its own sales and marketing team. As a result, the Company hired new sales managers during the year. The sales and marketing team counts 22 employees at the end of the period. The team can now profit from the contribution of sales professionals who have extensive experience working with capital equipment sales to both operating rooms and central sterilization departments in hospitals.

CANADIAN PILOT SITES

The Company entered into agreements with six hospital centres. These hospitals have agreed to make their sterilization department facilities, personnel and equipment available for the project. These tests aim to validate the compatibility of an increasing number of instruments and packaging, and also to demonstrate to hospitals how the *125L* Ozone Sterilizer can considerably reduce direct and indirect operating costs.

As of December 31, 2006, the in-use evaluations and the transfer of property have been completed in two of the Canadian Pilot Sites. During the fourth quarter of 2006, two other sites were not in a position to buy the sterilizer so the Company decided to remove the devices. As of December 31, 2006, two remaining sites are still testing the sterilizers. The Company anticipates concluding evaluations within the coming months.

AMERICAN REFERRAL SITES

The Company received market recognition for its innovative technology by promoting the use of its *125L* Ozone Sterilizer at several prestigious hospitals in the United States. These in-use evaluations are presently ongoing and function as a trial period before using the sterilizer in a real hospital setting. The users agree to testify to their satisfaction and to act as a showcase site for the technology for future clients. In exchange, the referral site participants receive a discount on the selling price of the *125L* Ozone Sterilizer.

The principal objectives of the referral sites were: to allow the users to experience the operation of the *125L* Ozone Sterilizer in a live hospital context; and to receive testimonials from the referral sites to aid sales to future clients. These objectives are currently being met. The Company expects that certain referral sites will not acquire the sterilizer at the end of the trial period, for budgetary reasons for example, while others may purchase more than one.

The Company has signed agreements with seven renowned hospital networks. By December 31, 2006, five referral sites had completed their in-use evaluations and one had bought the sterilizer. Four sites returned the sterilizer. Among them, two were not able to proceed to the acquisition due to budgetary constraints, and two other devices - installed in the same site - were returned due to the departure of the manager involved in the operation of the *125L*. However this site wrote a testimonial and agreed to testify to its effectiveness.

As of December 31, 2006, two remaining sites are still testing the sterilizers. The Company anticipates concluding evaluations at the referral sites within the coming months.

Critical accounting policies

The Company financial statements are prepared in accordance with Generally Accepted Accounting Principles in Canada ("G.A.A.P."). The Company's critical accounting policies include the use of estimates, revenue recognition, the recording of research and development expenses and the determination of the useful lives or fair value of goodwill and intangible assets. Some of our critical accounting policies require the use of judgment in their application or require estimates of inherently uncertain matters. We believe that these policies, described hereafter, are critical and require the use of complex judgment in their application:

INTANGIBLE ASSETS

Intangible assets consist of the acquisition cost of a patent licence, the acquisition cost of a technology including all related rights, patent and trademark costs.

Amortization of intangible assets is calculated using the straight-line method over the useful lives, of the patents, licence or trademarks, according to the following:

Patents	20 years
Licence	16 years
Trademarks	10 and 15 years

The patents are amortized using the straight-line method over the 20 years useful life.

During the fiscal year 2006, an amount of \$220,370 was recorded for the amortization of intangible assets.

Intangible assets are periodically tested for impairment based on an estimate of undiscounted cash flows for the remaining amortization period. Any impairment loss revealed by this test will be carried to earnings for the period during which the loss occurred.

REVENUES RECOGNITION

The Company generates revenue mainly from the sale of ozone sterilization units, parts and instruments related to these units and contracts for the after-sale service and maintenance of these units. The Company is generally committed under revenue arrangements with multiple deliverables that include delivery of units, installation, maintenance, consulting and after-sale service. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured.

Revenue from revenue arrangements with multiple deliverables are divided into separate units of accounting when the Company has reliable evidence. When revenue cannot be determined, it is deferred and calculated using the straight-line method over the term of the contract.

Revenue related to units sold, parts and instruments related to those units, installation and consulting services are recognized once the services are provided and the client accepts the services received. Maintenance and after-sales service contracts are calculated using the straight-line method over the term of the contract.

COMPENSATION AND OTHER STOCK-BASED PAYMENTS

Commencing January 1, 2004, the Company now records stock-based compensation and other stock-based payments according to the fair value method as required by the new Canadian Institute of Chartered Accountants (CICA) regulations. The compensation expense associated with this method of stock-based payment is therefore recognized as earnings. The adoption of this new regulation resulted in an increase of \$651,630 in compensation expenses for 2006 (\$416,672 in 2005). The stock-options granted for fiscal year 2003 through 2006 will result in additional expenses of \$494,127 in 2007, \$214,853 in 2008 and \$53,819 in 2009. These costs constitute non-cash operations.

FUTURE ACCOUNTING CHANGES

Under new CICA accounting standards “Comprehensive Income”, “Financial Instruments – Recognition and Measurement”, and “Hedges” effective January 1, 2007, the Company has elected to classify temporary investments as investments held for trading. Consequently, any differences in the fair value of these assets will be recorded directly in net earnings (loss). The adjustments attributable to the classification of certain assets and liabilities as held for trading will be recognized in the opening balance of retained earnings (deficit) as of January 1, 2007. The Company has not yet determined the impact that these new standards will have on its financial statements.

Summary of operating results

Fiscal years ended December 31 (in thousands of dollars except loss/share)

	2006	2005	2004
Sales	\$ 1,070	\$ 172	\$ -
Operating Expenses	\$ 1,643	\$ 994	\$ 567
Marketing	\$ 3,185	\$ 1,873	\$ 1,651
Research and Development (before tax credits)	\$ 1,682	\$ 1,878	\$ 1,573
Administrative	\$ 3,090	\$ 2,378	\$ 2,854
Financial Fees	\$ 18	\$ 14	\$ 13
Other Revenues	\$ 1,071	\$ 530	\$ 726
Income Tax	\$ -	\$ -	\$ 12
Net Loss	\$ 7,477	\$ 6,435	\$ 5,946
Net Loss Per Share	\$ 0.20	\$ 0.19	\$ 0.19
Weighted Average Number of Shares Outstanding (in thousands)	36,560	33,824	31,400

SALES

For the fiscal year ended December 31, 2006, sales amounted to \$1,069,739 compared to \$171,766 for the same period in 2005. During this fiscal year, the Company recorded the sale of eight 125L Ozone Sterilizers and accessories compared to one sale and accessories in 2005.

OPERATING

For the fiscal year ended December 31, 2006, Operating expenses increased \$649,474 (65.4%) to reach \$1,643,116 compared to \$993,642 in 2005. Operating expenses are related to the Production and After-Sales Service Department operations as well as manufacturing the devices. Having sold more devices during 2006, the variance between the two periods is explained by an increase in the cost of goods sold, warranty fees, travel and transportation expenses.

MARKETING

For the fiscal year ended December 31, 2006, Sales and Marketing expenses increased to \$1,312,093 (70%) to reach \$3,184,933 compared to \$1,872,840 for the corresponding period in 2005. This increase is explained by the hiring of new sales managers during the fiscal year 2006. This Department counts 22 employees at the end of the fiscal year 2006 compared to 16 at the beginning of the year. The variance between these two periods is explained by an increase in the costs related to salaries, bonus, commissions, recruitment, as well as representation fees. On the other hand, costs related to referral sites have decreased during the fiscal year 2006.

RESEARCH AND DEVELOPMENT ACTIVITIES

For the fiscal year ended December 31, 2006, the Company continued its research and development efforts as per its budget. For the fiscal year 2006, R&D expenses before tax credits realized a decrease of \$195,897 (10.4%) to reach \$1,682,413 compared to \$1,878,310 for the corresponding period in 2005. The declines between these two periods is explained by a reduction in material purchases and expenses related to scientific advisor committees, as well as a decrease in work on the inactivation of prions. The majority of the prion research is being funded by the British Government. On the other hand, the amount paid in salaries, fringe benefits and bonuses during the fiscal year 2006 increased.

ADMINISTRATION

For the fiscal year 2006, administration expenses increased \$712,199 (29.9%) to reach \$3,090,571 compared to \$2,378,372 for the corresponding period in 2005. This increase is mainly attributed to an increase in *Stock-based Compensation*, professional fees, salary and bonus paid. During the fiscal year 2006, two employees were added to this department.

OTHER REVENUES

For the fiscal year ended December 31, 2006, other revenues increased \$541,264 (102%) to reach \$1,071,477 compared to \$530,213 in 2005. The increase is explained primarily by an increase in investment revenues, in R&D income tax credits, and in government grants. The Company received the \$250,000 representing the third installment of payments from IQ Immigrants Investisseurs Inc.

NET LOSS

The Company recorded for the period ended December 31, 2006 a net loss of \$7,477,443 or \$0.20 per share, compared to a net loss of \$6,434,885, or \$0.19 per share in 2005.

Financial position

As at December 31 (in thousands of dollars)

	2006	2005	2004
Liquid Assets (Cash & Temporary Investments)	\$ 7,309	\$ 14,595	\$ 10,679
Accounts Receivable	\$ 811	\$ 344	\$ 332
Inventories	\$ 3,388	\$ 3,303	\$ 2,845
Property, Plant and Equipment	\$ 391	\$ 416	\$ 498
Intangible Assets	\$ 3,712	\$ 3,832	\$ 3,908
Short & Long Term Debt	\$ -	\$ -	\$ 69
Deferred Revenues	\$ 76	\$ 962	\$ 36
Share Capital and Contributed Surplus	\$ 52,149	\$ 50,657	\$ 39,866
Shareholders' Equity	\$ 14,624	\$ 20,610	\$ 17,431

LIQUID ASSETS AND FINANCIAL SITUATION

As of December 31, 2006, cash, temporary investments and accounts receivable amounted to \$8,119,901 compared to \$14,939,305 as of December 31, 2005.

INVENTORIES

As of December 31, 2006, short term assets showed inventory valued at \$3,387,837 compared to \$3,303,258 as of December 31, 2005. These amounts were attributable to the cost of producing sterilizers for the commercial launch as well as different trials performed in hospitals.

DEFERRED REVENUES

As of December 31, 2006, deferred revenues amounted to \$75,709 compared to a total amount of \$961,821 for the same period last year. These deferred revenues reflect amounts received for a certain number of sterilizers that were delivered but for which the ownerships had not been transferred. It also includes warranties and service contracts that had been paid in advance. As of December 31, 2006, deferred revenues did not include any device for which the ownership had not yet been transferred. During the fiscal year 2006, the sterilizers, included in the item Deferred Revenues, were the object of a transfer of property or were paid off.

REQUIRED CAPITAL PAYMENTS AND CONTRACTUAL COMMITMENTS

Required capital payments and the various contractual commitments in the coming fiscal year are as follows:

	2007	2008
R&D Contract	\$ 114,447	\$ -
Rent	\$ 28,355	\$ 19,632
Referral and Pilot Sites	\$ 105,688	\$ -

Summary of quaterly results

	2006				2005			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
(\$000 except loss/share)								
Sales	434	34	301	301	11	161	-	-
Other Revenues	242	150	443	236	197	157	75	101
Net Loss	1,967	2,013	1,492	2,005	1,834	1,401	1,638	1,562
Net Loss per share	0.05	0.06	0.04	0.05	0.05	0.04	0.05	0.05

This figure shows the quarterly evolution of sales and other income as well as losses. The item *Net Loss per Share* has been relatively stable and constant for the past eight quarters.

Fourth quarter

Three-month period ended December 31, 2006 compared to period ended December 31, 2005.

SALES

For the three-month period ended December 31, 2006, Sales amounted to \$433,629 compared to \$10,421 for the corresponding period in 2005. The Company recorded the sale of three sterilizers and its accessories during the last quarter of 2006 while in the period corresponding in 2005, the Company recorded only accessory sales.

OPERATING

For the three-month period ended December 31, 2006, operating expenses were \$456,976 compared to \$300,327 for the same period in 2005. The variance between the two periods is explained by an increase in the cost of goods sold, having sold more devices during the quarter, warranty fees, travelling and transportation expenses.

MARKETING

Marketing expenses amounted to \$895,178 for the three-month period ended December 31, 2006 compared to \$578,203 for the corresponding period in 2005. This increase is mainly due to more intensive marketing activities, costs related to salaries, commissions, and recruitment as well as representation fees. On the other hand, the amount paid for referral sites decreased between the two periods.

RESEARCH & DEVELOPMENT ACTIVITIES

For the three-month period ended December 31, 2006, Research and Development expenses before tax credits amounted to \$414,830 compared to \$507,570 for the same period in 2005. The decline between the two periods is explained primarily by a reduction in expenses related to scientific advisor committees, as well as a decrease in the expenses related to the inactivation of prions. On the other hand the amount paid in salaries during the fiscal year 2006 increased.

ADMINISTRATION

Administration expenses amounted to \$870,078 for the three-month period ended December 31, 2006 compared to \$654,463 for the corresponding period in 2005. This increase is mainly attributed to a rise in professional fees, and *Stock-based Compensation*.

OTHER REVENUES

For the last quarter of 2006, the Company realized Other Revenues \$241,852 compared to \$196,648 for the corresponding period in 2005. The increase between these two periods is mainly due to a rise in investment revenues and R&D income tax credits.

NET LOSS

The Company recorded, for the fourth quarter of 2006, a net loss of \$1,966,937, or \$0.05 per share, compared to \$1,833,666 for the corresponding period in 2005, or also \$0.05 per share.

Capital resources

Historically, the Company has funded its activities from several rounds of public and private financing, as well as from various government subsidies. Since its inception in June 1998, the Company has raised \$47,000,000 from the sale of its equity.

For the fiscal year 2006, the monthly burn-rate was approximately \$680,000, the Company anticipates that its monthly burn-rate could increase slightly during the upcoming months due to an increase in expenses related to the commercialization of the *125L*, and then decrease as sales accelerate.

On July 7, 2005, the Company closed a private placement of \$10,000,000 from the sale of 5,000,000 units. Each unit is composed of one common share and one-half warrant. Each whole warrant entitles its holder to purchase one additional common share of the Company at a price of \$2.50 at any time until July 7, 2007. As of December 31, 2006, 2,419,850 warrants were outstanding representing potential additional funds for the Company of \$6,049,625.

The Company has a line of credit with which it can obtain advances up to a maximum of \$350,000. Amounts drawn on this line of credit, renewable on an annual basis, bear interest at the prime rate plus 1.0%. The Company's accounts receivable and inventories are pledged as security against this line of credit, and the Company must satisfy certain financial ratios commonly found in this type of loan. This line of credit had not been used as of December 31, 2006.

The Company has entered into a non-refundable financial contribution agreement with *IQ Immigrants Investisseurs Inc.* Under this agreement and upon reaching specific objectives, the Company may receive a contribution totalling \$1,000,000. This contribution is payable in four annual instalments of \$250,000 beginning in 2002. The Company received the first three instalments in 2002, 2003 and 2006, totalling \$750,000. The Company believe that the fourth instalment will be received in 2007, when the established sales objective has been reached.

Capital resources (continued)

On February 14, 2007, the Company has entered into an agreement to sell, on a bought deal basis, 8,000,000 units at a price of \$2.50 per unit for gross proceeds of \$20,000,000. Each unit consist of one common share and one-half warrant. Each whole warrant entitles its holder to purchase one additional common share at a price of \$3.00 for a period of two years from the closing date. In addition, the Company granted an option to sell that number of additional units as is equal to 15% of the size of the offering. Furthermore, as additional consideration for services rendered, the Underwriters have been granted by the Company with a number of warrants equal to 5% of the number of units issued. Each warrant can be used to subscribe to one common share of the Company. Each whole warrant is exercisable at a price of \$2.50 for a period of 18 months from the closing date.

As of December 31, 2006, the number of outstanding shares was 36,800,853.

Statements of cash flows

FISCAL YEAR ENDED DECEMBER 31, 2006 COMPARED TO FISCAL YEAR ENDED DECEMBER 31, 2005

Cash Flows used in operating activities increased \$2,975,177 to reach \$8,037,203, for the fiscal year ended December 31, 2006, compared to \$5,062,026 for the corresponding period in 2005. This increase is explained primarily by a rise in net loss in 2006 compared to the net loss in 2005 and also an increase in changes in non-cash operating working capital items between these periods. This increase related to non-cash operating working capital is explained by an increase of accounts receivable between the two fiscal years and a decrease of deferred revenues.

For the period ended December 31, 2006, the cash flow from investment activities amounted to \$7,208,924 mainly due to disposal of investments. For the fiscal year ended December 31, 2005, Cash Flow used for investment activities amounted to \$5,571,715 mainly due to acquisition of investments.

For the fiscal year ended December 31, 2006, Cash Flows from financing activities amounted to \$840,426 mainly due to exercised options and warrants. Cash Flows from financing activities, for the fiscal year ended December 31, 2006, amounted to \$9,128,757 from the issuance of shares during the 2005 financing where the Company issued 5 million units at a price of \$2.00 each.

FOURTH QUARTER

Cash flows from operating activities increased \$14,811 to reach \$1,900,446, for the three-month period ended December 31, 2006 compared to \$1,885,635 \$ for the corresponding period in 2005.

For the three-month period ended December 31, 2006, cash flows from investment activities increased \$3,859,020 to reach \$3,970,530, compared to \$111,510 for the corresponding period in 2005. The variance is explained by the disposal of investments.

For the three-month period ended December 31, 2006, cash flows from financing activities increased \$395,002 compared to the corresponding period in 2005, due to exercised options and warrants.

Off-balance sheet transaction

The Company made no off-balance sheet transaction.

Transactions with related parties

The Company leases its premises from a company owned by some Company's shareholders.

Over the last three complete fiscal years, the Company has made the following related transactions, assessed at fair market value:

	2006	2005	2004
Rent	\$ 57,804	\$ 56,560	\$ 55,560
Other Rent-Related Expenses	\$ 76,431	\$ 73,462	\$ 60,650
	\$ 134,235	\$ 130,022	\$ 116,210

Risks factors

RISKS RELATED TO OPERATING ACTIVITIES

The Company's activities entail certain risks and uncertainties inherent to the industry in which it operates. However, management has implemented a risk-reduction strategy that addresses:

Risks Associated with International Operations

TSO₃ must carry out the majority of its sales outside of Quebec and Canada, either in the United States or in Europe. The necessity to market on an international scale will put the Company in a position of direct competition with firms that possess networks and resources greater than its own. Nothing can guarantee that the marketing campaigns planned by the Company for international markets, alone or with strategic alliances, will be successful. The operations of TSO₃ at an international level could be affected negatively by factors such as the policies of Canada and the United States in regard to foreign trade, investments and taxes, foreign exchange rate controls and fluctuations, political instability and increased payment periods. One or more of these factors could have a significantly negative effect on the financial situation and results of the Company.

Compatibility, Biocompatibility and Research and Development Projects

All sterilization processes can affect medical instruments or alter their key properties over a period of time. Taking into consideration the nature of the devices to be sterilized and the oxidative effects on devices in contact with ozone, TSO₃ limits to a minimum the frequency and duration that the devices are exposed to ozone. Nevertheless, oxidization can produce several effects, depending on the material. In order to fully establish the true commercial value of its sterilization process, the Company must demonstrate the compatibility of its technology with a wide range of medical instruments. Even though the tests and studies undertaken to date by TSO₃ have shown that its ozone sterilization process is compatible with the majority of medical instruments currently used in the hospital environment, the Company must maintain ongoing studies in this respect. Besides, the Company can not guarantee the success of its different R&D projects.

Risks factors (continued)

RISKS RELATED TO OPERATING ACTIVITIES (CONTINUED)

Dependency on Key Personnel

TSO₃ believes that its success will continue to depend on its ability to attract and retain qualified managers and other key personnel. Losing a key employee could have a major negative impact on TSO₃.

Management of Business Growth

Achieving its short-term objectives could launch the Company into a phase of significant and rapid growth and force it to considerably increase its personnel, the number of partners, cash flow and operating capacity.

Intellectual Property and Counterfeiting Risks

The success of the Company is based on its unique technology. TSO₃ relies on a combination of patents, trade secrets, non-disclosure agreements and various contractual provisions in order to protect its technology. Nothing can guarantee that these measures will be sufficient to protect any illegal appropriation or infringement of its technology by a third party.

Product Liability Issues

In the health sector, lawsuits, often claiming substantial damages, are becoming increasingly common. In particular, in the United States, lawsuits are filed by patients, employees or beneficiaries against healthcare providers, as well as authorities operating and managing hospitals in the private and public sectors. During these proceedings, claimants could allege and blame the non-sterility of certain instruments or defective functioning of products sold, installed or derived from TSO₃'s technology. To address the problems associated with such lawsuits, the Company is of the opinion that it has the necessary insurance coverage.

Liquidity and financial resources

Management believes that it will be able to raise the necessary long-term capital to achieve the Company's corporate objectives. However, the availability of these financial resources cannot be guaranteed.

Volatility of share price

Company share prices are subject to volatility. Financial and scientific results that differ from analysts' projections may lead to significant variations in the price of Company shares.

Disclosure controls and procedures

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for establishing and maintaining the Company's controls and disclosure procedures. They are assisted in this responsibility by the Company's Communication Committee, which is composed of members of Senior Management, by the Director of Communications and IR, as well as by the Company's legal advisor. As required by Securities Legislation, the CEO and the CFO have conducted an evaluation for the controls and procedures regarding information disclosure and have concluded that these controls and procedures are effective.

Prospective statement

This document contains certain prospective statements that reflect the Company's current expectations concerning future activities. These prospective statements include risks and uncertainties. Actual results can differ considerably from the results, as previously described in this report, expected by the Company. Investors are advised to consult the Company's quarterly and annual reports, as well as the filing of the Company's annual information form for more details on the risks and uncertainties related to these prospective statements. The reader must not unduly rely upon the Company's prospective statements. The Company is not obliged to update these prospective statements.

This Management Report has been prepared as of February 26, 2007. Additional information on the Company is available through regular filing of press releases, quarterly financial statements and the Annual Information Form on the SEDAR website (www.sedar.com).



Marc Boisjoli, M.Sc.
Vice President, Finances and Chief Financial Officer

February 26, 2007

Management report

RESPONSIBILITY OF THE FINANCIAL STATEMENTS

The financial statements of TSO₃ Inc., which have been approved by the Board of Directors were prepared by Management in accordance with Canadian Generally Accepted Accounting Principles and contain certain amounts based on best judgment and estimates as their final determination is dependent upon subsequent events. It is the opinion of Management that the accounting policies utilized are appropriate in the circumstances and are adequate to reflect the financial position and the results of operations within reasonable limits of materiality. The financial information presented elsewhere in this annual report is consistent with the information contained in the financial statements.

In order to carry out its responsibilities with regard to the financial statements, Management maintains internal control systems that aim to provide a reasonable degree of certainty that transactions are duly authorized, that the assets are well protected, and that adequate records are kept.

The Board of Directors' Audit Committee, comprised solely of board members who are neither managers nor employees of the Company, ensures that Management assumes its responsibility in terms of financial statements.

The functions of the Audit Committee are to:

- Review the financial statements and recommend them for approval by the Board of Directors;
- Review the systems of internal control and security;
- Recommend the appointment of the external auditors and their fee arrangements to the Board of Directors;
- Review other accounting, financial, and security matters as required.

This committee meets regularly with Management and the external auditors. The latter may, as they see fit, meet with the Audit Committee, with or without Management, to discuss matters affecting the audit and financial information.

The external auditors are appointed to report to the shareholders regarding the fairness of presentation of the Company's financial statements. The auditors fulfil this responsibility by carrying out an independent examination of these statements in accordance with Canadian generally accepted auditing standards.

On behalf of Management,



Jocelyn Vézina
Chief Executive Officer



Marc Boisjoli
Vice President, Finances
and Chief Financial Officer

February 27, 2007