



NETWORK | CO-LOCATION | DEDICATED HOSTING

Quarterly Report  
March 31, 2006

**Peer 1 Network Enterprises, Inc.**  
**Consolidated Balance Sheet**  
**As At March 31, 2006**  
**(unaudited - prepared by management)**

|   | <b>March<br/>2006<br/>US\$</b> | <b>June<br/>2005<br/>US\$</b> |
|---|--------------------------------|-------------------------------|
| <b>Assets</b>                                   |                                |                               |
| <b>Current:</b>                                 |                                |                               |
| Cash and cash equivalents                       | 6,641,277                      | 292,071                       |
| Restricted Cash                                 | 450,000                        | 500,000                       |
| Accounts receivable                             | 3,983,606                      | 2,441,645                     |
| Inventory                                       | 275,188                        | 83,901                        |
| Prepaid expenses                                | 1,820,809                      | 386,749                       |
|   | <u>13,170,880</u>              | <u>3,704,366</u>              |
| <b>Other assets</b>                             | 3,232,489                      | 1,029,980                     |
| <b>Property, plant and equipment</b>            | 23,534,079                     | 10,112,437                    |
| <b>Goodwill, licences and other intangibles</b> | 7,274,835                      | 4,709,735                     |
|   | <u>47,212,283</u>              | <u>19,556,518</u>             |
| <b>Liabilities</b>                              |                                |                               |
| <b>Current Liabilities</b>                      |                                |                               |
| Accounts payable and accrued liabilities        | 8,482,712                      | 4,594,231                     |
| Deferred revenue                                | 3,276,650                      | 1,139,387                     |
| Current portion of deferred lease inducements   | 65,524                         | 48,941                        |
| Current portion of notes payable                | 3,168,000                      | 10,992,067                    |
| Shareholder notes                               | -                              | 2,249,629                     |
|   | <u>14,992,886</u>              | <u>19,024,255</u>             |
| <b>Deferred lease inducements</b>               | 442,900                        | 314,048                       |
| <b>Notes payable</b>                            | 18,197,379                     | 94,701                        |
| <b>Long Term Debt</b>                           | 7,746,475                      | -                             |
|   | <u>41,379,640</u>              | <u>19,433,004</u>             |
| <b>Shareholders' Deficiency</b>                 |                                |                               |
| <b>Common Shares</b>                            | 14,410,065                     | 7,827,875                     |
| <b>Warrants</b>                                 | 1,060,865                      | -                             |
| <b>Equity component of convertible debt</b>     | -                              | 325,595                       |
| <b>Contributed Surplus</b>                      | 712,237                        | 465,996                       |
| <b>Deficit</b>                                  | (10,374,821)                   | (8,520,249)                   |
| <b>Cumulative Translation Adjustment</b>        | 24,297                         | 24,297                        |
|   | <u>5,832,643</u>               | <u>123,514</u>                |
|   | <u>47,212,283</u>              | <u>19,556,518</u>             |

**Peer 1 Network Enterprises, Inc.**  
**Consolidated Income Statement**  
**Three Months Ended March 31, and Year To Date**  
**(unaudited - prepared by management)**

|  | Three Months Ended<br>March 2006<br>US\$ | Three Months Ended<br>March 2005<br>US\$ | Nine Months Ended<br>March 2006<br>US\$ | Nine Months Ended<br>March 2005<br>US\$ |
|--|--|--|---|---|
| Revenue  | 17,626,782                               | 5,842,807                                | 43,591,761                              | 13,398,630                              |
| Cost of Sales  | 11,425,059                               | 3,553,910                                | 27,787,241                              | 8,252,240                               |
| <b>Gross Profit</b>                                  | <b>6,201,723</b>                         | <b>2,288,897</b>                         | <b>15,804,520</b>                       | <b>5,146,390</b>                        |
| Operating expenses                                   | 4,741,948                                | 1,993,456                                | 11,702,494                              | 5,017,873                               |
| <b>Operating profit</b>                              | <b>1,459,775</b>                         | <b>295,441</b>                           | <b>4,102,026</b>                        | <b>128,517</b>                          |
| Amortization of licences                             | 236,327                                  | -  | 708,981                                 | -                                       |
| Amortization of preferred share discount             | 341,683                                  | -  | 746,475                                 | -                                       |
| Interest expense                                     | 630,652                                  | 665,187                                  | 2,699,381                               | 1,149,354                               |
| Interest accretion on notes payable                  | 76,649                                   | 75,197                                   | 618,109                                 | 221,923                                 |
| Integration costs                                    | 405,467                                  | 282,353                                  | 838,155                                 | 282,353                                 |
| Realized foreign exchange loss (gain)                | 83,039                                   | (16,760)                                 | 40,518                                  | (16,379)                                |
| Unrealized foreign exchange loss (gain)              | 40,868                                   | 217,760                                  | 291,865                                 | (195,608)                               |
| Loss from equity accounted investment                | -  | 18,704                                   | 13,114                                  | 18,704                                  |
| <b>Loss for the period</b>                           | <b>(354,910)</b>                         | <b>(947,000)</b>                         | <b>(1,854,572)</b>                      | <b>(1,331,830)</b>                      |
| Deficit, beginning of period                         | (10,019,911)                             | (6,453,728)                              | (8,520,249)                             | (6,068,898)                             |
| Adjustment for prior years' stock based compensation | -  | (268,716)                                | -                                       | (268,716)                               |
| <b>Deficit, end of period</b>                        | <b>(10,374,821)</b>                      | <b>(7,669,444)</b>                       | <b>(10,374,821)</b>                     | <b>(7,669,444)</b>                      |
| <b>Basic and diluted loss per share</b>              | <b>(0.01)</b>                            | <b>(0.02)</b>                            | <b>(0.03)</b>                           | <b>(0.03)</b>                           |

**Peer 1 Network Enterprises, Inc.**  
**Consolidated Statement of Cash Flows**  
**Three Months Ended March 31, and Year To Date**  
**(unaudited - prepared by management)**

|  | Three Months Ended<br>March 2006<br>US\$ | Three Months Ended<br>March 2005<br>US\$ | Nine Months Ended<br>March 2006<br>US\$ | Nine Months Ended<br>March 2005<br>US\$ |
|--|--|--|---|---|
| <b>Cash flows from operating activities</b>                            |  |  |   |   |
| Loss for the period  | (354,910)                                | (947,000)                                | (1,854,572)                             | (1,331,830)                             |
| Amortization   | 2,327,584                                | 890,201                                  | 6,116,080                               | 1,706,241                               |
| Amortization of preferred share discount                               | 341,683                                  | -  | 746,475                                 | -                                       |
| Foreign exchange translation adjustment                                | -  | 14,388                                   | -                                       | (935)                                   |
| Stock-based compensation included in loss for period                   | 77,025                                   | 59,196                                   | 256,729                                 | 59,196                                  |
| Increase (decrease) in deferred lease inducements                      | (16,909)                                 | 144,139                                  | 145,435                                 | 139,323                                 |
| Increase (decrease) in accrued interest and accretion on notes payable | (746,093)                                | 740,384                                  | 1,864,096                               | 1,371,277                               |
|  | <u>1,628,380</u>                         | <u>901,308</u>                           | <u>7,274,243</u>                        | <u>1,943,272</u>                        |
| Change in non-cash working capital items                               |  |  |   |   |
| (Increase) decrease in accounts receivable                             | 253,589                                  | (471,363)                                | (1,541,961)                             | (604,781)                               |
| Increase in inventory  | (81,907)                                 | (91,085)                                 | (191,287)                               | (135,249)                               |
| (Increase) decrease in prepaid expenses                                | (442,260)                                | 106,926                                  | (1,434,060)                             | (366,533)                               |
| Increase (decrease) in accounts payable and accrued liabilities        | 1,097,743                                | (277,436)                                | 3,888,481                               | 1,732,767                               |
| Increase in deferred revenue   | 180,717                                  | 100,558                                  | 2,137,263                               | 503,214                                 |
|  | <u>2,636,262</u>                         | <u>268,908</u>                           | <u>10,132,679</u>                       | <u>3,072,690</u>                        |
| <b>Cash flows from investing activities</b>                            |  |  |   |   |
| Decrease in restricted cash  | 50,000                                   | -  | 50,000                                  | -                                       |
| Acquisition of property and equipment                                  | (492,836)                                | (2,288,523)                              | (18,527,425)                            | (6,377,087)                             |
| Investment in goodwill, licences and other intangibles                 | (1,432,617)                              | 125,667                                  | (3,575,397)                             | (5,021,326)                             |
| Investment in other assets   | 366,068                                  | 273,867                                  | (1,717,099)                             | (361,643)                               |
|  | <u>(1,509,385)</u>                       | <u>(1,888,989)</u>                       | <u>(23,769,921)</u>                     | <u>(11,760,056)</u>                     |
| <b>Cash flows from financing activities</b>                            |  |  |   |   |
| Proceeds from (repayment of) notes payable and long term debt          | (622,015)                                | (51,396)                                 | 19,678,700                              | 6,597,559                               |
| Share capital issued   | 151,527                                  | 1,069,818                                | 307,748                                 | 1,071,001                               |
| Proceeds from shareholder notes  | -  | 140,428                                  | -                                       | 1,114,933                               |
|  | <u>(470,488)</u>                         | <u>1,158,850</u>                         | <u>19,986,448</u>                       | <u>8,783,493</u>                        |
| Increase (Decrease) in cash and cash equivalents                       | 656,389                                  | (461,231)                                | 6,349,206                               | 96,127                                  |
| Cash and cash equivalents - beginning of period                        | 5,984,888                                | 1,354,655                                | 292,071                                 | 797,297                                 |
| Cash and cash equivalents - end of period                              | <u>6,641,277</u>                         | <u>893,424</u>                           | <u>6,641,277</u>                        | <u>893,424</u>                          |

## **Notes to Unaudited Consolidated Financial Statements**

### **1. Nature of Operations and Basis of Presentation:**

Peer 1 Network Enterprises, Inc. (the "Company") was incorporated under the laws of British Columbia. The company provides high performance internet bandwidth and co-location facilities to web-centric and enterprise customers across North America. Building on a redundant, 100% Cisco powered internal network, the Company guarantees 100% uptime internet access for companies with mission-critical applications. The Company has established local offices and data centres throughout Canada and the USA, and also has established a point of presence in London, UK. The Company, through the ServerBeach division, based in San Antonio, Texas, specializes in offering self-managed dedicated servers where the client retains control of the functionality and performance of the server. Peer 1 Dedicated Hosting, based in Atlanta, Georgia, specializes in managed dedicated servers providing firewalls, SAN, security and support to augment the clients' applications and custom hosting solutions for clients with unique requirements. The corporate headquarters are in Vancouver.

The accompanying unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and, accordingly do not include all information and note disclosures required for the annual financial statements under Canadian generally accepted accounting principles. It is management's opinion that all adjustments considered necessary for fair presentation of the financial position, results of operations and cash flow for the nine month period have been made. These financial statements have been prepared in accordance with the same accounting principles applied in the preparation of the annual audited consolidated financial statements filed with the British Columbia Securities Commission for the fiscal year ended June 30, 2005. The annual financial statements should be referenced in conjunction with this interim report. Certain comparative amounts have been reclassified to correspond to the presentation in the current period.

### **2. Basis of Consolidation:**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Peer 1 Network Inc., Peer 1 Network (USA) Inc., Peer 1 Network (Seattle) Inc., Peer 1 Network (San Jose) Inc., Peer 1 Network (New York) Inc., Peer 1 Network (Nevada) GP, Inc., Peer 1 Network (Nevada) LP, Inc., ServerBeach Ltd., Data Center Technologies IP Inc., Peer 1 Dedicated Hosting Inc., Colobrokers.com Inc., 585065 B.C. Ltd, Peer 1 Network (Texas), LP and, Peer 1 Network (LA), Inc.

### **3. Functional And Reporting Currency Change:**

Effective October 1, 2005, the Company changed its functional currency to the U.S. dollar from the Canadian Dollar in order to more accurately represent the

currency of the economic environment in which it operates as a result of increasing U.S. dollar denominated revenues and expenditures. Concurrent with the change in its functional currency, the Company has adopted the U.S. Dollar as its reporting currency. For comparative purposes, the results for the three and nine months ended March 31, 2006 have been presented in US dollars. The consolidated financial statements of the Company for the comparative periods ended on or before June 30, 2005 which were based on the Canadian functional currency have been translated into the U.S. reporting currency using the current rate method as follows: assets and liabilities using the rate of exchange prevailing at the balance sheet date; shareholders' equity using the applicable historic rate; and revenues and expenses using a monthly average rate of exchange. Translation adjustments have been included as part of the cumulative translation adjustment.

For periods commencing July 1, 2005 monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates in effect at the balance sheet date. All other assets and liabilities are translated at the exchange rates prevailing at the dates the assets were acquired or liabilities incurred. Revenue and expense items are translated at the average exchange rate for the period. Foreign exchange gains and losses are included in the determination of the income for the period.

#### **4. Interland, Inc. Asset Acquisition**

On September 2, 2005 the company, through a wholly owned subsidiary, completed the asset purchase pursuant to the asset purchase agreement dated August 31, 2005 with Interland, Inc. ("Interland"). Pursuant to the agreement, Interland agreed to sell, and the company agreed to purchase, all of the assets of Interland that are necessary for the daily operation of Interland's dedicated server business. The company has also agreed to assume certain liabilities of Interland. In addition, Interland has granted to the company a royalty-free non-exclusive license to the intellectual property owned by Interland and access to property licensed by Interland from third parties. The purchase price for the assets and the obligations of Interland was US\$14,000,000 plus an adjustment of US\$604,162 relating to a working capital adjustment due to the Company having assumed reduced net liabilities of Interland, plus legal and consulting costs of US\$709,054, subject to adjustment in accordance with the asset purchase agreement. 20% of the purchase price prior to adjustment was placed in escrow as security for the obligations of Interland under the agreement. Peer 1 and Interland have also entered into an administrative services agreement dated as of August 31, 2005 which was amended December 31, 2005.

The allocation of the purchase price is based in part on obtaining third party valuations of certain intangible assets and is preliminary; the final allocation may be subject to refinement in the next 5 months. During the quarter \$1.03 million in software was re-classified from property and equipment to goodwill. Additionally, following the acquisition of the Interland dedicated hosting assets, the Company has expanded its existing Accounting policy with respect to classification of software and licenses. The expanded policy distinguishes personal computer software and licenses for internal use from software acquired for revenue-generating assets and higher value software with expected life that exceeds one

year. Personal computer software licensed for internal use continues to be amortized over one year, whereas the new categories of software licences are amortized over their expected useful lives. In addition, all software licences are now classified as intangible assets instead of fixed assets. As a result, during the quarter ended March 31, 2006 \$1.39 million of software licences has been re-classified from property and equipment to intangible assets. Comparative information has been restated to reflect this presentation.

The purchase price and related organizational costs were allocated to the assets acquired based on the fair market value, with the excess recorded as goodwill, as follows

|                          | <b>\$US</b>                 |
|--------------------------|-----------------------------|
| Accounts receivable, net | 456,379                     |
| Prepaid expenses         | 538,000                     |
| Other assets – deposits  | 289,000                     |
| Tangible assets          | 12,610,000                  |
| Intangible assets        | 1,391,259                   |
| Goodwill                 | 2,087,428                   |
| Deferred revenue         | (1,893,850)                 |
| Accounts payable         | <u>(165,000)</u>            |
|                          | <b>\$ <u>15,313,216</u></b> |

## 5. Share Capital

a) Authorized :

Unlimited Common shares without par value

Unlimited Preferred shares without par value

On December 21, 2005 a resolution was passed altering the notice of articles to change the authorized share capital to an unlimited number of shares for the Common and Preferred shares.

b) Issued and Fully Paid:

|                                    | <b>Number</b>     | <b>Amount</b>               |
|------------------------------------|-------------------|-----------------------------|
| <b>Balance, June 30, 2005</b>      | 49,119,367        | \$ 7,827,875                |
| Debt for Equity Conversion         | 25,274,588        | 5,825,390                   |
| Share Issuance Costs               |                   | (46,846)                    |
| Stock Option Exercise              | 5,000             | 1,378                       |
| Settlement of Loan Renewal Fee     | <u>1,538,625</u>  | <u>485,410</u>              |
| <b>Balance, September 30, 2005</b> | 75,937,580        | 14,093,207                  |
| Warrants Exercised                 | 500,000           | 156,039                     |
| Share Issuance Costs               |                   | <u>(3,015)</u>              |
| <b>Balance, December 31, 2005</b>  | 76,437,580        | 14,246,231                  |
| Stock Option Exercise              | 50,000            | 31,378                      |
| Private Placement                  | <u>833,333</u>    | <u>132,456</u>              |
| <b>Balance, March 31, 2006</b>     | <u>77,320,913</u> | <b>\$ <u>14,410,065</u></b> |

**Debt for Equity Conversion**

See Note 21(f) from FY2005 Annual report, On September 2, 2005, the Company converted approximately \$7,013,698 Canadian dollars of its aggregate indebtedness into 25,274,588 common shares of the Company, at \$0.2275 Canadian dollars per share.

**Private Placement**

The Company completed a private placement on January 30, 2006 for 833,333 units, each unit consisting of one common share and one share purchase warrant at a price of \$0.30 Canadian dollars per unit. Proceeds attributable to the common shares shown above in US dollars was \$132,456

**Settlement of Loan Renewal Fee**

On July 1, 2005, the Company and Polygon Financial Investments Inc., settled a US\$400,000 transaction fee associated with the renewal of a senior promissory note agreement by issuing 1,538,625 shares at \$0.32 Canadian dollars per share.

**c) Preferred Shares Series A**

On September 2, 2005 7,000 preferred shares with a par value of \$1,000 per share were issued for cash proceeds of \$7,000,000. The preferred shares are classified as long term debt as they are redeemable by the holders at \$2,000 per share at anytime after four years. The \$14,000,000 redemption amount has been reduced by a discount on issuance of \$7,000,000 and is being amortized using the effective interest method over a period of four years.

d) Warrants Outstanding

The following non-transferable share purchase warrants are outstanding:

| <b>Expiry Date</b> | <b>Exercise Price</b> | <b>Outstanding 12/31/2005</b> | <b>Issued</b> | <b>Expired/ Exercised</b> | <b>Outstanding 3/31/2006</b> |
|--------------------|-----------------------|-------------------------------|---------------|---------------------------|------------------------------|
| Jul 18, 2007       | Cdn\$0.40             | 3,100,000                     |               |                           | 3,100,000                    |
| Sept 2, 2010       | US\$0.23              | 2,306,571                     |               |                           | 2,306,571                    |
| Jan 31, 2011       | Cdn\$0.40             |                               | 833,333       |                           | 833,333                      |
|                    |                       | 5,406,571                     | 833,333       |                           | 6,239,904                    |

e) Shares held in escrow:

As of March 31, 2006, 9,207,001 shares of the company are subject to an escrow agreement and may not be transferred, assigned, or otherwise dealt with without the consent of the regulatory body that has jurisdiction.

f) Stock Options

The company has the following stock options outstanding:

| <b>Expiry Date</b> | <b>Exercise Price</b> | <b>Outstanding 12/31/2005</b> | <b>Issued</b> | <b>Expired/ Exercised</b> | <b>Outstanding 3/31/2006</b> |
|--------------------|-----------------------|-------------------------------|---------------|---------------------------|------------------------------|
| Jan 16, 2011       | Cdn\$0.59             |                               | 200,000       |                           | 200,000                      |
| Jan 31, 2011       | Cdn\$0.55             |                               | 40,000        |                           | 40,000                       |
| Dec 1, 2010        | Cdn\$0.47             | 500,000                       |               |                           | 500,000                      |
| Nov 30, 2010       | Cdn\$0.47             |                               | 10,000        |                           | 10,000                       |
| May 30, 2009       | Cdn\$0.46             | 15,000                        |               |                           | 15,000                       |
| July 24, 2007      | Cdn\$0.45             | 2,138,250                     |               |                           | 2,138,250                    |
| Nov 7, 2007        | Cdn\$0.45             | 300,000                       |               |                           | 300,000                      |
| June 30, 2009      | Cdn\$0.45             | 60,000                        |               | 45,000                    | 15,000                       |
| Sept 30, 2010      | Cdn\$0.45             | 2,500                         |               |                           | 2,500                        |
| March 8, 2009      | Cdn\$0.44             | 300,000                       |               |                           | 300,000                      |
| Jan 29, 2009       | Cdn\$0.42             | 15,000                        |               |                           | 15,000                       |
| Oct 6, 2010        | Cdn\$0.41             | 100,000                       |               |                           | 100,000                      |
| Oct 31, 2010       | Cdn\$0.40             |                               | 2,500         |                           | 2,500                        |
| Nov 7, 2007        | Cdn\$0.39             | 105,000                       |               | 5,000                     | 100,000                      |
| July 29, 2010      | Cdn\$0.39             | 110,000                       |               |                           | 110,000                      |
| Oct 20, 2009       | Cdn\$0.38             | 180,000                       |               | 5,000                     | 175,000                      |
| Aug 31, 2010       | Cdn\$0.36             | 10,000                        |               |                           | 10,000                       |
| May 31, 2010       | Cdn\$0.35             | 35,000                        |               |                           | 35,000                       |
| Sept 9, 2008       | Cdn\$0.32             | 337,000                       |               | 5,000                     | 332,000                      |
| Sept 30, 2009      | Cdn\$0.31             | 10,000                        |               |                           | 10,000                       |
| Mar 1, 2010        | Cdn\$0.30             | 30,000                        |               |                           | 30,000                       |
| Feb 28, 2010       | Cdn\$0.30             | 15,000                        |               | 5,000                     | 10,000                       |
| Apr 30, 2010       | Cdn\$0.30             | 20,000                        |               |                           | 20,000                       |
| Nov 30, 2009       | Cdn\$0.28             | 37,000                        |               | 25,000                    | 12,000                       |
| Dec 31, 2009       | Cdn\$0.28             | 10,000                        |               |                           | 10,000                       |
| Jan 31, 2010       | Cdn\$0.24             | 15,000                        |               |                           | 15,000                       |
|                    |                       | 4,344,750                     | 252,500       | 90,000                    | 4,507,250                    |

The options and warrants are not included in diluted per share calculations.

## 6. Related Party Transactions

The company entered into a number of related party transactions with companies either owned or subject to significant influence by the company's management, directors and principal shareholders.

At March 31, 2006 amounts due to and from related parties were as follows:

|  | FY2006   | FY2005   |
|--|----------|----------|
| Included in accounts receivable                      | \$80,391 | \$94,581 |
| Included in accounts payable and accrued liabilities | \$30,477 | \$2,112  |

During the nine month period ending March 31, 2006 transactions with related parties were as follows:

|                         | FY2006    | FY2005    |
|-------------------------|-----------|-----------|
| Revenues earned         | \$76,739  | \$63,454  |
| Interest expensed       | \$334,287 | \$208,408 |
| Other expenses incurred | \$224,314 | \$64,946  |

These transactions are in the normal course of operations and are measured at their exchange amounts. Other expenses incurred are management and consulting fees of \$224,314.

## 7. Segmented Information

Prior to the second quarter of FY2005, the Company operated one reporting segment. Following the acquisition of Server Beach assets on October 20, 2004 and commencement of the provision of dedicated servers, two reporting segments are now in operation.

|         | <b>Three months ended March 31, 2006</b> |                              |              | <b>Three months ended March 31, 2005</b> |                              |              |
|---------|--|------------------------------|--------------|--|------------------------------|--------------|
|         | <i>Colocation &amp;<br/>Bandwidth</i>    | <i>Dedicated<br/>Servers</i> | <i>Total</i> | <i>Colocation &amp;<br/>Bandwidth</i>    | <i>Dedicated<br/>Servers</i> | <i>Total</i> |
| Revenue | \$5,315,897                              | \$12,310,885                 | \$17,626,782 | \$3,678,692                              | \$2,164,115                  | \$5,842,807  |
| Income  |  |                              |              |  |                              |              |
| (loss)  | \$(1,909,209)                            | \$1,554,299                  | \$(354,910)  | \$(221,561)                              | \$(725,439)                  | \$(947,000)  |

  

|         | <b>Nine months ended March 31, 2006</b> |                              |               | <b>Nine months ended March 31, 2005</b> |                              |               |
|---------|---|------------------------------|---------------|---|------------------------------|---------------|
|         | <i>Colocation &amp;<br/>Bandwidth</i>   | <i>Dedicated<br/>Servers</i> | <i>Total</i>  | <i>Colocation &amp;<br/>Bandwidth</i>   | <i>Dedicated<br/>Servers</i> | <i>Total</i>  |
| Revenue | \$14,446,861                            | \$29,144,900                 | \$43,591,761  | \$9,976,417                             | \$3,422,213                  | \$13,398,630  |
| Income  |   |                              |               |   |                              |               |
| (loss)  | \$(4,992,699)                           | \$3,138,127                  | \$(1,854,572) | \$(709,993)                             | \$(621,837)                  | \$(1,331,830) |
| Total   |   |                              |               |   |                              |               |
| Assets  | \$20,030,204                            | \$27,182,079                 | \$47,212,283  | \$10,465,523                            | \$8,559,069                  | \$19,024,592  |

### Segmented Information (continued)

The Company operates in two geographic segments, USA and Canada.

|               | <i>Three months ended March 31, 2006</i> |               |               | <i>Three months ended March 31, 2005</i> |               |               |
|---------------|--|---------------|---------------|--|---------------|---------------|
|               | <i>USA</i>                               | <i>Canada</i> | <i>Total</i>  | <i>USA</i>                               | <i>Canada</i> | <i>Total</i>  |
| Revenue       | \$13,858,832                             | \$3,767,950   | \$17,626,782  | \$2,851,519                              | \$2,991,288   | \$5,842,807   |
| Income (loss) | \$783,643                                | \$(1,138,553) | \$(354,910)   | \$(1,727,486)                            | \$780,486     | \$(947,000)   |
|               | <i>Nine months ended March 31, 2006</i>  |               |               | <i>Nine months ended March 31, 2005</i>  |               |               |
|               | <i>USA</i>                               | <i>Canada</i> | <i>Total</i>  | <i>USA</i>                               | <i>Canada</i> | <i>Total</i>  |
| Revenue       | \$33,270,450                             | \$10,321,311  | \$43,591,761  | \$5,176,044                              | \$8,222,586   | \$13,398,630  |
| Income (loss) | \$(1,455,156)                            | \$(399,416)   | \$(1,854,572) | \$(3,483,317)                            | \$2,151,487   | \$(1,331,830) |
| Total Assets  | \$35,252,197                             | \$11,960,086  | \$47,212,283  | \$11,355,655                             | \$7,668,937   | \$19,024,592  |