

**GLG LIFE TECH LIMITED**  
(Formerly Panoramic Mirrors Inc.)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2006

**GLG LIFE TECH LIMITED**  
(Formerly Panoramic Mirrors Inc.)

**NOTICE TO SHAREHOLDERS FOR THE SIX MONTHS  
ENDED JUNE 30, 2006**

**Responsibility for Financial Statements**

The accompanying financial statements for GLG Life Tech Limited have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in December 31, 2005 audited financial statements. Only changes in accounting information have been disclosed in these financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

**Auditor's involvement**

The auditors of GLG Life Tech Limited have not performed a review of the unaudited financial statements for the six month period ended June 30, 2006.

**GLG LIFE TECH LIMITED**  
**(Formerly Panoramic Mirrors Inc.)**  
**INTERIM CONSOLIDATED BALANCE SHEET**  
**As at June 30, 2006**  
**(Unaudited - Prepared by Management)**

	<u>June 30, 2006</u>	<u>December 31, 2005</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash	\$ 1,395,694	\$ 872,959
Accounts receivable	147,540	75,411
Corporation Tax Receivable	5,000	-
Goods and Services Tax Receivable	4,560	3,741
Prepaid and deposits	<u>16,576</u>	<u>600</u>
	\$ 1,569,370	\$ 952,711
NOTES RECEIVABLE (Note 5, Note 11)	1,134,015	620,100
CAPITAL ASSETS (Note 6)	5,791	6,813
LICENSE (Note 7)	<u>5</u>	<u>5</u>
	<u>\$ 2,709,181</u>	<u>\$ 1,579,629</u>
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>\$ 362,893</u>	<u>\$ 265,429</u>
	<u>\$ 362,893</u>	<u>\$ 265,429</u>
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 8)	\$ 2,618,533	\$ 1,479,814
CONTRIBUTED SURPLUS (Note 8)	1,847,571	1,853,565
DEFICIT	<u>(2,119,816)</u>	<u>(2,019,179)</u>
	<u>\$ 2,346,288</u>	<u>\$ 1,314,200</u>
	<u>\$ 2,709,181</u>	<u>\$ 1,579,629</u>

Approved by the Board:

"Brian Palmieri"

"Jinduo Zhang"

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

**GLG LIFE TECH LIMITED****(Formerly Panoramic Mirrors Inc.)****INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT****For the three and six months ended June 30, 2006 and 2005****(Unaudited - Prepared by Management)**

	3 Months Ended		6 Months Ended	
	June 30 2006	June 30 2005	June 30 2006	June 30 2005
REVENUE	\$ 127,581	\$ -	\$ 231,713	\$ -
COST OF SALES			-	-
GROSS MARGIN	127,581	-	231,713	-
EXPENSES				
Consulting fees	\$ 89,581	\$ 2,284	\$ 167,218	\$ 2,284
Professional fees	400	24,438	11,019	56,199
Accounting and legal fees	53,972	2,445	63,679	12,741
Rent	3,616	970	7,202	1,995
Insurance	6,108	-	8,524	-
Office and stationary	2,052	1,625	3,641	2,149
Travel	17,247	-	18,511	-
Regulatory fees	900	100	1,800	3,734
Telephone and fax	1,423	-	2,165	-
Amortization of capital assets	511	601	1,022	601
Meals & Entertainment	1,091	-	1,340	-
Bank charges and interest	442	-	594	-
Stock based compensation	-	1,856,562	-	1,856,562
Salaries and wages	-	-	-	-
	177,343	1,889,025	286,715	1,936,265
NET INCOME (LOSS) FROM OPERATIONS	\$ (49,762)	\$ (1,889,025)	\$ (55,002)	\$ (1,936,265)
OTHER INCOME (LOSS)				
Foreign exchange loss	(81,836)	(1,735)	(82,523)	(23,026)
Interest income	20,516	1,009	36,888	1,104
NET INCOME (LOSS) FOR THE PERIOD	(111,082)	(1,889,751)	(100,637)	(1,958,187)
DEFICIT, BEGINNING OF PERIOD	(2,008,734)	(83,465)	(2,019,179)	(15,029)
DEFICIT, END OF PERIOD	\$ (2,119,816)	\$ (1,973,216)	\$ (2,119,816)	\$ (1,973,216)
NET INCOME (LOSS) PER SHARE	\$ (0.00)	\$ (0.02)	\$ (0.00)	\$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, -BASIC AND DILUTED	115,802,100	91,135,188	115,802,100	91,135,188

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

**GLG LIFE TECH LIMITED**  
**(Formerly Panoramic Mirrors Inc.)**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the three and six months ended June 30, 2006 and 2005**  
**(Unaudited - Prepared by Management)**

	3 Months Ended		6 Months Ended	
	June 30 2006	June 30 2005	June 30 2006	June 30 2005
<b>CASH FLOW FROM (USED IN ) OPERATING ACTIVITIES</b>				
Net Income (loss) for the period	\$ (111,082)	\$ (1,889,751)	\$ (100,637)	\$ (1,958,187)
Items not involving cash:				
Amortization of capital assets	511	601	1,022	601
Stock based compensation	-	1,856,562	-	1,856,562
Changes in non-cash working capital items				
Decrease (increase) in Inventory	-	(33,966)	-	(33,966)
Decrease (increase) in Accounts receivable	(12,502)	(1,873)	(72,129)	(3,028)
Decrease (increase) in Prepaid and deposits	6,108	-	(15,976)	(600)
Decrease (increase) in Goods and Services Tax Receivable	1,429	-	(819)	-
Decrease (increase) in Corporation Tax Receivable	-	-	(5,000)	-
Decrease (increase) in Licence	-	(1)	-	(5)
Increase (decrease) in Accounts payable and accrued liabilities	33,515	-	97,464	(10,729)
Net cash used in operating activities	<u>\$ (82,021)</u>	<u>\$ (68,428)</u>	<u>\$ (96,075)</u>	<u>\$ (149,352)</u>
<b>CASH FLOW FROM (USED IN ) INVESTING ACTIVITIES</b>				
Notes receivable	\$ (166,725)	\$ (620,100)	\$ (513,915)	\$ (620,100)
Purchase of capital assets	-	(8,015)	-	(8,015)
Net cash used in investing activities	<u>\$ (166,725)</u>	<u>\$ (628,115)</u>	<u>\$ (513,915)</u>	<u>\$ (628,115)</u>
<b>CASH FLOW FROM (USED IN ) FINANCING ACTIVITIES</b>				
Subscription receivable	\$ -	\$ -	\$ -	\$ 102,211
Issuance of share capital	1,126,725	1,310,377	1,132,725	1,310,377
Due from related parties	-	-	-	-
Net cash provided by financing activities	<u>\$ 1,126,725</u>	<u>\$ 1,310,377</u>	<u>\$ 1,132,725</u>	<u>\$ 1,412,588</u>
<b>INCREASE (DECREASE) IN CASH</b>				
<b>DURING THE PERIOD</b>	<u>\$ 877,979</u>	<u>\$ 613,834</u>	<u>\$ 522,735</u>	<u>\$ 635,121</u>
<b>CASH, BEGINNING OF PERIOD</b>	<u>517,715</u>	<u>75,920</u>	<u>872,959</u>	<u>54,633</u>
<b>CASH, END OF PERIOD</b>	<u><u>\$ 1,395,694</u></u>	<u><u>\$ 689,754</u></u>	<u><u>\$ 1,395,694</u></u>	<u><u>\$ 689,754</u></u>
<b>Supplemental disclosure of cash flow information</b>				
Interest received in cash	<u>\$ 2,068</u>	<u>\$ -</u>	<u>\$ 5,316</u>	<u>\$ -</u>
Income taxes paid in cash	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ -</u>

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

## **GLG LIFE TECH LIMITED**

(Formerly Panoramic Mirrors Inc.)

### **NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended June 30, 2006

(Unaudited – Prepared by management)

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#### **1. BASIS OF PRESENTATION**

These interim consolidated financial statements have been prepared in accordance with Canadian general accepted accounting principles ("GAAP") for interim financial information and follow the same accounting policies and methods of their application as GLG Life Tech Limited's most recent annual financial statements. These interim consolidated financial statements do not include all of the disclosure included in the annual consolidated financial statements, and accordingly, they should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2005. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these interim consolidated financial statements.

#### **2. NATURE AND CONTINUANCE OF OPERATIONS**

GLG Life Tech Limited (the "Company") was incorporated under the Company Act (British Columbia) on June 5, 1998. On June 16, 2005, the Company changed its name to GLG Life Tech Limited. The principal business of the Company is to procure health and nutritional products, including protein and vitamin supplements, food supplements and dietary supplements from around the globe. The Company is currently selling these products to its main customer, Shandong Yong He Tang Health Products Chain Stores Limited ("YHT"), which currently has 863 retail locations in China.

On June 21, 2005, the Company completed a business combination by acquiring all of the issued and outstanding common shares of Grand Leaf International Ltd. ("Grand Leaf" or "GLI"), resulting in a reverse takeover of the Company (Note 4). The Company is listed on the Canadian Trading and Quotation System Inc. ("CNQ")

These interim consolidated financial statements have been prepared on a going concern basis. Its ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The Company also must support operations and planned expansion for the next twelve months. The outcome of these matters cannot be predicted with any certainty at this time. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

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#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

##### **a) Principles of consolidation**

These interim consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company balances and transactions have been eliminated upon consolidation.

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**For the six months ended June 30, 2006**  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b) Revenue recognition**

The Company has signed a supplier agreement with YHT whereby YHT is an authorized retailer in China for the products distributed by the Company. According to the agreement, YHT is allowed to distribute the Company's health and pharmaceutical products either from the Company or the Company's approved suppliers, and to operate health education centers under the name HZ Center. The Company is entitled to a fee from YHT for any of its product sale at a prescribed rate, whether the products were supplied directly or indirectly by the Company, as well as an annual fee of CAD \$2,000 for every store operated or authorized by YHT under a franchise or other license as of January 1 of the same year. Notwithstanding the foregoing, the annual fee shall not become payable until such time as the average annual revenue from the stores operated or authorized by YHT under a franchise or other license is at least \$40,000.

Revenue from product sales is recognized when products are shipped to customers, and the ultimate collection is reasonably assured.

**c) Use of estimates**

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

**d) Foreign currency translation**

Although the basis for calculating revenue earned from YHT is in Chinese currency, RMB, payments by YHT are settled in US dollars. Transactions are translated at the average exchange rate for the period revenue is due and the translation gains and losses are reflected in the statement of operations.

**e) Equipment**

Equipment is recorded at cost less accumulated amortization. Amortization is recorded using the declining balance method at 30% per annum.

**f) Basic and diluted loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. This calculation proved to be anti-dilutive for the periods presented.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g) Income taxes**

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs.

**h) Intangible assets**

Intangible assets are amortized over its useful life unless the life is determined to be indefinite. An intangible asset with an indefinite life is not amortized but will be tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

An impairment loss is recognized when the carrying value of intangible asset exceeds the estimated undiscounted future cash flow expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the asset's carrying value over its fair value. Fair value is generally determined using a discounted cash flow analysis.

**i) Stock-based compensation**

Effective for fiscal years commencing on or after January 1, 2004, Canadian generally accepted accounting principles require the fair value of all share purchase options to be expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. Previously only share purchase options granted to non-employees followed this method and options granted to directors, officers and employees were not expensed.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of the grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

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**4. BUSINESS COMBINATION**

On June 21, 2005, the Company acquired all of the issued and outstanding common shares of Grand Leaf. As consideration, the Company issued 79,661,000 common shares to the shareholders of Grand Leaf.

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## **GLG LIFE TECH LIMITED**

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### **NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the six months ended June 30, 2006**

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#### **4. BUSINESS COMBINATION (Continued)**

As a result of this share exchange, control of the combined companies passed to the former shareholders of Grand Leaf and, consequently Grand Leaf was deemed to be the acquirer for accounting purposes. Accordingly, the deemed acquisition of the Company is accounted for by the purchase method, as a reverse takeover, with the net assets of the Company recorded at fair value at the date of acquisition.

It was agreed between the Company and the acquiree company that on June 21, 2005, the former management of Panoramic Mirrors Inc. would be responsible for all the outstanding liabilities and that a license, owned by the acquiree company to distribute the SQ mirrors worldwide with a book value of \$1 in the only asset on its books.

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#### **5. NOTES RECEIVABLE**

- a) On January 20, 2006, the Company loaned US\$300,000 to YHT pursuant to an agreement dated January 20, 2006. The loan bears interest at the rate of 1% more than the prime commercial lending rate posted by the Bank of Montreal. The loan will be repaid on the date which is 10 business days after the Company has delivered written notice of demand for payment.
  - b) On April 23, 2006, the Company loaned US\$300,000 to YHT pursuant to an agreement dated April 21, 2006. The loan bears interest at the rate of 2% more than the prime commercial lending rate posted by the Bank of Montreal, is unsecured and is due on April 23, 2008.
  - c) On May 3, 2006, the Company loaned US\$350,000 to YHT pursuant to an agreement dated April 21, 2006. The loan bears interest at the rate of 2% more than the prime commercial lending rate posted by the Bank of Montreal, is unsecured and is due on May 3, 2008.
  - d) On May 19, 2006, the Company loaned US\$50,000 to YHT pursuant to an agreement dated April 21, 2006. The loan bears interest at the rate of 2% more than the prime commercial lending rate posted by the Bank of Montreal, is unsecured and is due on May 19, 2008.
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**6. EQUIPMENT**

	June 30, 2006		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 8,015	\$ 2,224	\$ 5,791

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	December 31, 2005		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 8,015	\$ 1,202	\$ 6,813

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**7. LICENSES**

- a) In December 2004, the Company entered into an exclusive licensing agreement with Dr. Zhang, a major shareholder of the Company, and Professor Hong, whereby the Company was granted the exclusive world-wide license to operate the health and wellness business owned by Dr. Zhang and Professor Hong, which includes health education and consulting services and the marketing and distribution for retail sale of various health and nutraceutical products, and the right to sub-license.
- b) In December 2004, the Company entered into an exclusive licensing agreement with Professor Jinduo Zhang whereby the Company was granted the exclusive worldwide license to use the name GLG, and to sub-license.
- c) In December 2004, the Company entered into an exclusive licensing agreement with YHT, whereby the Company was appointed as an authorized retailer in China of health and nutraceutical products distributed by the Company. The agreement also provides that all health and nutraceutical products sold by YHT must be purchased from the Company or its approved suppliers.
- d) In December 2004, the Company entered into a share transfer agreement with YHT whereby the Company was granted the right, but not the obligation, to purchase ownership of YHT and all interest in its registered capital.
- e) In October 1998, the Company entered into a licensing agreement with SQ Mirrors whereby the Company was granted the worldwide distribution rights for the SQ Mirrors. Due to the continuous losses in distribution these products for 3 years, Panoramic Mirrors Inc. had written down the value of the license to \$1 in 2003 and abandoned this business.

Each of the agreements listed above has been valued at a \$1.

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**8. CAPITAL STOCK**

a) **Authorized**

Unlimited number of common shares without par value.

b) **Issued and outstanding**

97,517,900 of common shares without par value.

On June 23, 2006, the Company issued 4,506,900 common shares for cash consideration of \$1,126,725. These shares are subject to a hold period expiring on October 23, 2006.

	Number of Shares	Capital Stock	Contributed Surplus
Balance at acquisition date	13,260,000	\$ 1	\$
Common shares issued pursuant to business combination (note 4)	79,661,000	1,473,816	
Granted 18,584,200 options			1,856,562
Exercise of options at \$0.10 per share:	30,000		
Paid by cash		3,000	
Previously recognized		2,997	(2,997)
Balance as at December 31, 2005	92,951,000	\$ 1,479,814	\$ 1,853,565
Exercise of options at \$0.10 per share:	60,000		
Paid by cash		6,000	
Previously recognized		5,994	(5,994)
Balance as at March 31, 2006	93,011,000	\$ 1,491,808	\$ 1,847,571
Shares issued at \$0.25 per share:	4,506,900	1,126,725	
Balance as at June 30, 2006	97,517,900	\$ 2,618,533	\$ 1,847,571

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**GLG LIFE TECH LIMITED**  
**(Formerly Panoramic Mirrors Inc.)**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the six months ended June 30, 2006**  
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**8. CAPITAL STOCK (Continued)**

**c) Escrow**

As at June 30, 2006, there are 39,679,604 common shares, which are being held in escrow and will be released over a period of 36 months with 15% released from escrow every six months after June 21, 2005. There are a total of 66,132,670 common shares (including the shares held in escrow) which are subject to a voluntary pooling agreement and are not permitted to be traded until 18 months after June 21, 2005, except if the closing price of the shares reaches \$2.00 or higher 15% of the shares will be released from the pooling agreement.

**d) Stock options**

The Company is subject to the policies of the CNQ, under which it is authorized to grant options to officers and directors, employees and consultants enabling them to common stock of the Company.

Effective June 21, 2005, all outstanding stock options granted before that date were cancelled and the Company granted a total of 18,584,200 options, exercisable into one common share of the Company at \$0.10 per share until June 20, 2010. As at June 30, 2006, 90,000 options have been exercised and 210,000 options have terminated, leaving 18,284,200 options outstanding.

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**9. RELATED PARTY TRANSACTIONS**

During the period under review, the Company entered into the following transactions with related parties:

- a) The Company is economically dependent on the main customer, YHT, in China to market its products and services. In accordance with a licensing agreement, signed December 31, 2004, the Company is entitled to collect a royalty type of income from YHT on the sale of its products through its retail locations. This income, totaling \$231,731 (June 30, 2005 – Nil), is the main source of income of the Company for the six months ended June 30, 2006.
- b) Paid or accrued consulting fees of \$94,825 (June 30, 2005 – Nil) to one director and two previous officers of the Company, and accrued contracted services fees of \$35,000 (June 30, 2005 – Nil) to a company of which a director of the Company is an officer.
- c) Paid legal fees, disbursement and provincial sales taxes of \$29,189 (June 30, 2005 – Nil) to a law firm of which the Company's secretary is an associate counsel.

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

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## **GLG LIFE TECH LIMITED**

(Formerly Panoramic Mirrors Inc.)

### **NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended June 30, 2006

(Unaudited – Prepared by management)

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#### **10. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, accounts receivable, notes receivable, accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

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#### **11. SUBSEQUENT EVENTS**

- a) Subsequent to the period under review, the Company and Pacific Marketing Consultants Limited (“**PMC**”) agreed to terminate the Sales and Marketing Agreement entered into between them under which PMC was to conduct a sales and marketing campaign to promote the sale of products supplied by the Company to YHT and the YHT franchise network..
  - b) On August 14, 2006, the Company loaned US\$500,000 to YHT pursuant to an agreement dated April 21, 2006. The loan bears interest at the rate of 2% more than the prime commercial lending rate posted by the Bank of Montreal, is unsecured and is due on August 14, 2008.
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#### **12. COMPARATIVE FIGURES**

Certain 2005 comparative figures, which were reported by the Company's auditor, have been reclassified to conform to the financial statement presentation adopted for the six months ended June 30, 2006.