

**OPE HOLDINGS LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ending  
December 31, 2007 and 2006  
(Stated in United States Dollars)**

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## **AUDITORS' REPORT**

To the Shareholders of  
OPE Holdings Ltd.

We have audited the consolidated balance sheet of OPE Holdings Ltd. as at December 31, 2007 and the consolidated statements of operations, comprehensive income (loss) and retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative financial statements as at and for the year ended December 31, 2006 were audited by a firm of certified public accountants.

April 18, 2008  
Calgary, Alberta

(signed) "Deloitte & Touche LLP"  
Chartered Accountants

**OPE HOLDINGS LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
(Stated in U.S. Dollars)

<b>As at December 31</b>	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Cash	687,342	202,127
Marketable securities (Note 4)	3,218,043	-
Accounts receivable	10,655,608	5,824,186
Prepaid expenses and deposits	161,766	139,671
Future income taxes (Note 9)	43,772	38,726
	<u>14,766,531</u>	<u>6,204,710</u>
Property and equipment (Note 5)	781,231	404,097
Other assets (Note 6)	51,808	68,180
Future income taxes (Note 9)	240,711	6,212
	<u>240,711</u>	<u>6,212</u>
<b>TOTAL ASSETS</b>	<b><u>15,840,281</u></b>	<b><u>6,683,199</u></b>
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable	4,984,203	1,938,526
Income taxes payable	200,081	179,236
Billings in excess of cost and estimated earnings on uncompleted contracts (Note 7)	-	111,462
Deferred revenue	1,826,313	-
	<u>7,010,597</u>	<u>2,229,224</u>
Long-term notes payable (Note 8)	29,028	1,708,165
Future income taxes (Note 9)	22,925	-
	<u>22,925</u>	<u>-</u>
	<u>7,062,550</u>	<u>3,937,389</u>
 <b>COMMITMENTS AND CONTINGENCIES (NOTE 10)</b>		
 <b>SHAREHOLDERS' EQUITY (NOTE 11):</b>		
Share capital	7,138,470	897,381
Contributed surplus	126,236	760
Retained earnings	1,513,025	1,847,669
	<u>8,777,731</u>	<u>2,745,810</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>15,840,281</u></b>	<b><u>6,683,199</u></b>

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

On behalf of the Board:

(signed) "Gary Quenan" Director

(signed) "Daniel Wilson" Director

**OPE HOLDINGS LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
**(LOSS) AND RETAINED EARNINGS**  
**(Stated in U.S. Dollars)**

<b>YEARS ENDED DECEMBER 31</b>	<u><b>2007</b></u>	<u><b>2006</b></u>
	<u><b>\$</b></u>	<u><b>\$</b></u>
Revenues	24,799,938	16,243,736
Interest income	34,957	3,277
	<u>24,834,895</u>	<u>16,247,013</u>
Direct job costs	15,647,943	9,060,807
	<u>9,186,952</u>	<u>7,186,206</u>
<b>Expenses</b>		
Research and development	1,075,907	28,397
Selling, general and administrative expenses	7,866,636	6,008,021
Depreciation	296,766	172,354
Interest expense	163,983	211,521
Foreign exchange loss	38,291	-
Other	72,322	(1,792)
	<u>9,513,905</u>	<u>6,418,501</u>
Income (Loss) Before Income Taxes	(326,953)	767,705
Income Tax Expense (Benefit) (Note 9):		
Current	224,136	228,511
Future	(216,445)	(1,938)
	<u>7,691</u>	<u>226,573</u>
<b>Net Income (Loss) and Comprehensive Income (Loss)</b>	(334,644)	541,132
Retained earnings, beginning of year	<u>1,847,669</u>	<u>1,306,537</u>
<b>Retained earnings, end of year</b>	<u>1,513,025</u>	<u>1,847,669</u>
<b>Earnings per share (Note 12):</b>		
Basic	(0.01)	0.02
Diluted	(0.01)	0.02

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

**OPE HOLDINGS LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Stated in U.S. Dollars)**

<b>YEARS ENDED DECEMBER 31</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	(334,644)	541,132
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation	296,766	172,354
Unrealized gain on marketable securities	(2,124)	-
Future tax benefit (Note 9)	(216,445)	(1,938)
Stock-based compensation (Note 11)	109,129	-
Changes in non cash balances relating to operations (Note 15)	(342,615)	(995,407)
Net cash from operating activities	<u>(489,933)</u>	<u>(283,859)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES-</b>		
Purchases of marketable securities (Note 4)	(3,215,919)	-
Purchases of property and equipment	(673,900)	(207,092)
Net cash from investing activities	<u>(3,889,819)</u>	<u>(207,092)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Changes in borrowings under line of credit (Note 8)	1,329,028	450,000
Payments on debt (Note 8)	(3,008,165)	(18,616)
Share issue costs (Note 11)	(959,359)	-
Cash consideration paid to OPE shareholders (Note 3)	(7,750,000)	-
Cash contributed by VenPath (Note 3)	15,253,463	-
Net cash from financing activities	<u>4,864,967</u>	<u>431,384</u>
<b>Net Change in Cash</b>	485,215	(59,567)
Cash, beginning of year	<u>202,127</u>	<u>261,694</u>
<b>Cash, end of year</b>	<u>687,342</u>	<u>202,127</u>
<b>Supplemental Cash Flow Information:</b>		
Cash paid for interest	163,791	211,521
Taxes paid	356,101	260,257

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

**OPE HOLDINGS LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Stated in U.S. Dollars)**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006**

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**(1) Description of the Company**

OPE Holdings Ltd. (the “Company”) was incorporated on September 9, 1998 under the province of Alberta Business Corporations Act.

The Company provides a broad range of professional engineering services for oil and gas pipelines, platforms and production facilities and is pursuing commercialization of the Company’s proprietary floating production storage and offloading SSP® FPSO platform. Such professional services include engineering, design, and architectural services; construction and construction management services provided through offices and subsidiaries located primarily in Houston, Texas, Trinidad and Malaysia. These services are typically performed under contracts for time and materials. The Company periodically enters into cost-reimbursable, cost-reimbursable with a guaranteed maximum price or fixed-price contracts.

**(2) Significant Accounting Policies**

***Basis of Presentation*** – The consolidated financial statements of the Company are expressed in United States dollars and have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The consolidated financial statements include the accounts of OPE Holdings Ltd. and its subsidiaries (following the reverse takeover transaction described in Note 3):

OPE, Inc.  
OPE International, LP  
OPE Malaysia SdnBhd  
OPE Offshore International, LP  
OPE Trinidad & Tobago

The financial statements for periods before the reverse takeover transaction are presented on a combined basis as the companies were considered to be under common control. All significant intercompany transactions have been eliminated.

Certain reclassifications have been made to previous presentations to conform to the December 31, 2007 financial statements.

***Use of Estimates*** – The preparation of the Company’s financial statements in accordance with GAAP requires the Company’s management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Significant estimates include revenue recognition under the percentage of completion method, allowance for doubtful accounts, amortization of property and equipment, valuation of assets, future income tax, and assumptions used to value stock based compensation. Actual results could differ from those estimates.

***Marketable Securities*** – Management determines the appropriate classification of its investments in securities at the time of purchase and reevaluates such determination at each balance sheet date. Securities classified as held for trading are recorded at fair value with unrealized gains and losses included in income. The fair value of substantially all securities is determined by quoted market prices.

**OPE HOLDINGS LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Stated in U.S. Dollars)  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006**

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**Accounts Receivable** – Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Trade receivables are stated at the amount billed to the customer. Payments of trade receivables are allocated to the specific invoices identified on the customer’s remittance advice or, if unspecified, are applied to the earliest unpaid invoices. Management reviews trade receivables and, if necessary, reduces the carrying amount by a valuation allowance that reflects management’s best estimate of the amount that may not be collectible. At December 31, 2007, management has recorded a valuation allowance of approximately \$552,124 (2006 - \$100,000) for potential uncollectible accounts in accounts receivable.

**Property and Equipment** – Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Office equipment and computers	3-7 years
Software	5 years

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

**Leases** - Leases are classified at their inception as either operating or capital leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

**Income Taxes** – Income taxes are provided for in accordance with the liability method of accounting. Under this method, future income taxes are recognized for the tax consequences of temporary differences by applying the enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Valuation allowances are established when necessary to reduce future income tax assets to the amounts expected to be realized.

**Impairment of Long-lived Assets** – The Company reviews for the impairment of long-lived assets at least annually but more frequently whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future undiscounted cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. The Company has not identified any such impairment losses in the years ended December 31, 2007 and 2006.

**Financial Instruments** – Effective January 1, 2007, the Company adopted Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1530 – *Comprehensive Income*, Section 3251 – *Equity*, Section 3855 – *Financial Instruments Recognition and Measurement*, and Section 3865 – *Hedges*. The effects of the implementation of the new standards are discussed below:

**OPE HOLDINGS LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Stated in U.S. Dollars)  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006**

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*Comprehensive income* - Comprehensive income consists of net earnings and Other Comprehensive Income (“OCI”). OCI comprises the change in the fair value of the effective portion of the derivatives used as hedging items in a cash flow hedge and the change in fair value of any available for sale financial instruments. Amounts included in OCI are shown net of tax. Accumulated other comprehensive income (“AOCI”) is a new equity category composed of the cumulative amounts of OCI. The Company has evaluated the new standards on its consolidated financial statements and determined that at December 31, 2007, no adjustments are required to comprehensive income and accumulated comprehensive income.

The financial instruments standard establishes the recognition and measurements criteria for financial assets, financial liabilities and derivatives. This standard requires all financial instruments within its scope, including derivatives, to be accounted for either at fair value, or in circumstances where fair value may not be considered the most relevant; at cost or amortized cost. Changes in fair value are recognized in the statement of income and comprehensive income. All financial assets and financial liabilities are recognized when the Company becomes a party to the underlying contract. As such, all of the Company's financial assets and financial liabilities were re-measured in accordance with the new standard upon its adoption.

The Company's financial instruments consist of cash, held for trading investments, accounts receivable, accounts payable and long-term debt. Management has classified cash as held for trading, and is recorded at fair value. Accounts receivable are classified as loans and receivables, and are recorded at amortized cost. Accounts payable and long-term debt are classified as other financial liabilities and are recorded at amortized cost.

The Company has no derivative instruments or embedded derivatives requiring separate recognition.

*Accounting Changes* - Effective January 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants' Handbook Section 1506, *Accounting Changes*. Under these new recommendations, voluntary changes in accounting policy are permitted only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and requires enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. These recommendations also require the disclosure of new primary sources of generally accepted accounting principles that have been issued but are not yet effective.

The impact that the adoption of this standard will have on the Company's financial statements will depend on the nature of future accounting changes. The required additional disclosure on Recent Accounting Pronouncements is disclosed further below in this note.

*Hedges* - Effective January 1, 2007, the Company adopted CICA Handbook Section 3865, *Hedges* which establishes standards for when and how hedge accounting may be applied. Consistent with financial instruments, it requires that all derivatives, including those designated as hedges, be measured at fair value. Changes in the fair value of a derivative which hedges the Company's exposure to changes in the fair value of an asset or liability, a fair value hedge, are recognized in net income together with those of the respective offsetting hedged item. Changes in the fair value of a derivative which effectively hedges the Company's exposure to changing cash flows, a cash flow hedge, are accumulated in other comprehensive income until the transaction being hedged affects net income. The Company has no hedges outstanding as at December 31, 2007 and 2006.

**OPE HOLDINGS LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Stated in U.S. Dollars)  
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**Revenue and Deferred Revenue and Cost Recognition** – The Company recognizes revenue for services when they are rendered and for products sold when customer acceptance has taken place and collectability is reasonably assured. Sales revenue for engineering services is recognized as services are provided to the customer on a time and material basis. For certain contracts, profits and losses are recorded on the percentage-of-completion method of accounting, measured by the percentage of contract costs incurred to date relative to estimated total contract costs for each contract. Contract costs include raw materials, direct labor, amounts paid to subcontractors, equipment rented and allocated overhead expenses.

General and administrative costs are charged to expense as incurred. Anticipated losses on uncompleted construction contracts are charged to operations as soon as such losses can be estimated. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in the revisions to costs and income and are recognized in the period in which the revisions are determined.

Deferred revenue includes amounts billed to participating companies in accordance with the contractual arrangements that are in excess of amounts earned to date.

**Financial Statements in U.S. Dollars** – The accompanying financial statements are presented in United States dollars. A majority of the Company's revenues is generated in U.S. dollars. In addition, a substantial portion of its costs are incurred in U.S. dollars. Since the U.S. dollar is the primary currency in the economic environment in which the Company operates, the US dollar is its functional and reporting currency.

The Company's integrated foreign operations give rise to assets, liabilities, revenues and expenses denominated in foreign currencies. Monetary assets and liabilities denominated in a foreign currency are translated into U.S. dollars at rates of exchange in effect at the balance sheet date. Non-monetary assets, liabilities, revenues and expenses are translated at rates prevailing when they were acquired or incurred. Exchange gains and losses arising on the translation of assets and liabilities denominated in foreign currencies are included in foreign exchange loss in the consolidated statement of operations.

**Stock-Based Compensation** – Stock-based compensation expense is recorded in the statement of operations for all options granted with a corresponding increase to contributed surplus. The expense is based on the estimated fair value at the time of grant and recognized over the vesting period of the option. Forfeitures are estimated at the time of grant and the Company subsequently adjusts compensation cost for changes in the assumed rate of forfeitures and differences between expectations and actual experience. Upon exercise of the options, the amount of the consideration paid together with the amount previously recorded in contributed surplus is recorded as an increase in share capital.

**Earnings per Share** – The earnings per share is calculated using the weighted average number of common shares outstanding during the year. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments.

**Research and Development (R&D)** - The Company expenses all research expenditures as incurred. Development costs are expensed as incurred unless they meet the criteria for deferral and amortization under GAAP. Research and development expenses for 2007 were incurred for the Company's efforts to commercialize its proprietary SSP® FPSO platform.

**OPE HOLDINGS LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Stated in U.S. Dollars)  
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**Recent Accounting Pronouncements** – The Company has not implemented CICA Handbook Section 3862, *Financial Instruments Disclosures*, or Section 3863, *Financial Instruments Presentation*, which are required to be adopted for fiscal years beginning on or after October 1, 2007. The Company will adopt these standards on January 1, 2008 and it is expected the only effect on the Company will be incremental disclosures regarding the significance of financial instruments for the Company's financial position and performance and the nature, extent and management of risks arising from financial instruments to which the entity is exposed.

As of January 1, 2008, the Company will be required to adopt CICA Handbook Section 1535, *Capital Disclosures*, which requires entities to disclose their objectives, policies and processes for managing capital, and in addition, whether the entity has complied with any externally imposed capital requirements. The Company is assessing the impact of this new standard on its financial statements.

As of January 1, 2008, the Company will be required to adopt CICA Handbook Section 3031, *Inventories*. The Company has assessed that the new standard will have no impact on the Company's financial statements.

In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standard on January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. The standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new section on its consolidated financial statements.

In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

**(3) Accounting for Reverse Takeover**

On October 31, 2007, VenPath Investments Inc. ("VenPath"), a public company listed on the TSX Venture Exchange, issued 32,222,315 of its treasury common shares and paid \$7,825,000 in cash for the acquisition of 100% of the outstanding securities of OPE, Inc. and OPE International, LP (collectively, the "OPE Entities"). Of the cash due, \$75,000 was paid as a deposit prior to the closing of the transaction. The deemed issue price of the common shares to the OPE Company shareholders was \$0.462 per share. After the acquisition, VenPath formally changed its name to OPE Holdings Ltd.

For accounting purposes, the acquisition is considered a reverse takeover as defined by applicable accounting and securities regulations with the OPE Entities identified as the acquirer and VenPath the deemed acquired company. The controlling shareholders of the OPE Entities prior to the transaction became the controlling shareholders of OPE Holdings Ltd. after the transaction.

**OPE HOLDINGS LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Stated in U.S. Dollars)**  
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As a result of the transaction, OPE Holdings Ltd. is now a holding company with two operating subsidiaries, OPE Inc. and OPE International, LP. These entities have further subsidiaries as disclosed in Note 2 above, all of whose operations are consolidated in these financial statements.

Prior to the acquisition and as a condition thereto, VenPath completed a private placement with FirstEnergy Capital Company of 22,000,000 common shares at a price of \$0.60 per share. FirstEnergy Capital Corp. earned an agent's fee of \$858,000 in connection with the private placement and VenPath issued 100,000 warrants to FirstEnergy Community Foundation. The warrants may be exercised to acquire one common share of the Company at any time prior to October 31, 2010 for an exercise price of \$0.60 per share.

As a consequence of applying reverse takeover accounting, these consolidated financial statements present the historical combined financial position and results of operations of the OPE Entities. The acquisition has been accounted for as capital transactions of OPE Holdings Ltd.

The net assets acquired comprised of:

Cash	\$ 15,253,463
Accounts payable	(245,122)
Value attributed to shares issued	<u>\$ 15,008,341</u>

**(4) Marketable Securities**

Investments in securities at December 31, 2007, were as follow:

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Recorded Fair Value</u>	<u>Effective interest rate</u>
Corporate bonds	\$ 2,999,848	\$ 152	\$ 3,000,000	4.95%
Money market	216,071	1,972	218,043	4.99%
	<u>\$ 3,215,919</u>	<u>\$ 2,124</u>	<u>\$ 3,218,043</u>	

The Company did not have any investments in securities at December 31, 2006.

**(5) Property and Equipment**

	<u>2007</u>	<u>2006</u>
Office equipment and computers	\$ 1,068,061	\$ 809,083
Software	1,036,892	838,692
	<u>2,104,953</u>	<u>1,647,775</u>
Less accumulated depreciation	(1,323,722)	(1,243,678)
Total	<u>\$ 781,231</u>	<u>\$ 404,097</u>

**OPE HOLDINGS LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Stated in U.S. Dollars)**  
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**(6) Other Assets**

The Company has an investment in shares of a private company that is recorded at cost. There is no quoted price in an active market for these shares, and therefore, this investment is carried at cost.

**(7) Fixed-Price Contracts**

Billings in excess of cost and estimated earnings on uncompleted contracts at December 31, 2006 consisted of the following:

	<b>2006</b>
Cost incurred on uncompleted contracts	\$ 4,425,687
Estimated earnings on uncompleted contracts	1,590,247
	<u>6,015,934</u>
Less billings to date	<u>(6,127,396)</u>
Billings in excess of cost and estimated earnings on uncompleted contracts	<u>\$ (111,462)</u>

There were no fixed contracts outstanding as at December 31, 2007.

**(8) Debt**

OPE, Inc. has a \$3,000,000 revolving line of credit with a commercial bank collateralized by accounts receivable and equipment. The credit facility has a monthly interest payment due at 7.50% and expires on June 30, 2008. At December 31, 2007, the Company had no outstanding borrowings under this line of credit (2006 - \$1,700,000).

At December 31, 2007, loans for vehicle purchases totaling \$29,028 (2006 - \$8,165), were outstanding. The loans accrue interest at 7.5% (2006 - 8.25% to 8.5%) per annum. The loan outstanding at December 31, 2007 requires no monthly principal or interest payments and is due August 21, 2012 (2006 – two loans requiring monthly payments of \$677 and \$672). The loan is collateralized by the vehicle.

**(9) Income Taxes**

The Company is a Canadian company generally subject to income taxes in Canada. Operations are conducted principally through subsidiaries in the U.S. and their subsidiaries in other countries; accordingly, income taxes have been provided based upon the tax laws and rates of the U.S. as they apply to this ownership structure.

**OPE HOLDINGS LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Stated in U.S. Dollars)**  
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The components of the provision for income taxes for the years ended December 31, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Current income taxes:	\$	\$
U.S. Federal	(63,955)	228,511
Foreign	184,646	-
State	103,445	-
Total current	<u>224,136</u>	<u>228,511</u>
Future income taxes:		
U.S. Federal	(80,178)	(1,938)
Foreign	(136,267)	-
Total future	<u>(216,445)</u>	<u>(1,938)</u>
Total income tax expense (benefit)	<u>7,691</u>	<u>226,573</u>

Reconciliations between the actual provision for income taxes and that computed by applying the U.S. statutory rate to income before income taxes for the years ended December 31, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
U.S. statutory rate	34%	34%
	\$	
Expected income tax expense	(131,713)	\$ 261,020
Impact of foreign income taxed at different rates	(41,629)	-
State income taxes, net of federal income tax benefit	68,215	-
Tax benefit attributable to previous partners	215,071	
Adjustments of prior year taxes	(153,959)	(69,880)
Valuation allowance	32,999	-
Non-deductible items, net	18,707	35,433
Total income tax expense (benefit)	<u>\$ 7,691</u>	<u>\$ 226,573</u>

During 2007, the Company amended a previously filed U.S. return to claim research and development tax credits. This refund was recorded as a reduction of income tax expense upon receipt. This refund in 2007 together with other adjustments of prior year taxes in 2007 and 2006 reduced income tax expense by \$153,959 in 2007 (2006 - \$69,880).

**OPE HOLDINGS LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Stated in U.S. Dollars)  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006**

The components of future tax assets and liabilities and the related valuation allowance at December 31, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Gross Future Tax Assets:		
Allowance for bad debts	\$ 111,222	\$ -
Accrued vacation	43,772	38,726
Net operating and capital loss carryforwards	772,045	-
Foreign tax credits	24,828	-
Stock-based compensation	37,104	-
Other	4,234	6,212
Total Gross Future Tax Assets	<u>1,079,351</u>	<u>44,938</u>
Gross Future Tax Liabilities:		
Property & equipment, net	15,606	-
Other	7,319	-
Total Gross Future Tax Liabilities	<u>22,925</u>	<u>-</u>
Valuation allowance	<u>(794,868)</u>	<u>-</u>
Net Future Tax Assets	<u>\$ 284,483</u>	<u>\$ 44,938</u>

At December 31, 2007, the Company had U.S. net operating loss carryforwards (“NOLs”) of approximately \$257,000 and Canadian NOLs of approximately \$1,287,000 and capital loss carryforwards of \$843,300. These expire at various times between the year 2022 and 2027. The Canadian parent currently operates through a U.S. tax partnership. As a foreign partner of a U.S. tax partnership, the parent will file a U.S. tax return including the flow-through loss and foreign tax credits of this partnership. Management believes that it is not likely that these tax assets will be utilized at the U.S. reporting level and has provided a full valuation allowance on those future tax assets.

In assessing whether the future tax assets are realizable, management considers whether it is more likely than not that some portion or all the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Based upon projections for future taxable income, and except for the assets discussed in the paragraph above, management believes it is more likely than not that the Company will realize the benefits of these deductible differences. The amount of the future tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

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**(10) Commitments and Contingencies**

**Leases** – The Company has operating lease commitments for their primary offices and office equipment. The Company’s total rental expense for the years ended December 31, 2007 was approximately \$593,000 (2006 - \$423,000). Future minimum lease payments under non-cancelable operating leases with terms in excess of one year at December 31, 2007 were as follows:

<b>Years Ending December 31,</b>	<b>\$</b>
2008	595,195
2009	560,772
2010	366,456
	<u>1,522,423</u>

**Litigation** – In the normal course of business, the Company has become party to legal proceedings and claims, primarily as a plaintiff relative to collecting disputed or delinquent accounts receivable for products and services. In the opinion of management, the outcome of these matters will not have a material adverse effect on the financial position of the Company.

The Company is involved in binding arbitration to settle a dispute over unpaid accounts receivable related to a long term, fixed price, design and construction project. The Company has made claims for unpaid amounts due under the fixed price contract as well as additional amounts due for extra work. The arbitration hearing is expected to occur in July 2008. The opposing party has made unspecified claims for damages. The Company believes these claims are without merit and will vigorously defend itself against such claims. Adjustments required, if any, on final settlement of this receivable will be recorded in the period of settlement.

**(11) Equity Instruments**

**Share Capital** – The Company is authorized to issue an unlimited number of voting common shares without nominal or par value. The issued and outstanding common shares of the Company are as follows:

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	<b>Common Stock</b>	
	<b>Number of Shares</b>	<b>Amount</b>
		\$
Balance, December 31, 2005	42,000	420
Partners capital	-	896,961
Balance, December 31, 2006	<u>42,000</u>	<u>897,381</u>
Repurchase of shares	(42,000)	-
Reverse takeover accounting (“RTO”)(Note 3):		
Acquisition of VenPath	29,293,667	15,008,341
Adjustment for RTO	32,222,315	-
Cash paid out to OPE Shareholders (Note 3)		(7,825,000)
Share issue costs		(942,252)
Balance, December 31, 2007	<u>61,515,982</u>	<u>\$ 7,138,470</u>

**Contributed surplus** – The activity in contributed surplus during the reporting periods follows:

Balance, December 31, 2006	<u>\$ 760</u>
Elimination of investment in OPE Entities	(760)
Stock-based compensation	109,129
Warrants issued	<u>17,107</u>
Balance, December 31, 2007	<u>\$ 126,236</u>

**Common Share Warrants** – As discussed in Note 3, the Company issued 100,000 warrants to FirstEnergy Community Foundation. The warrants may be exercised to acquire one common share of the Company at any time prior to October 31, 2010 for an exercise price of \$0.60 per share. These warrants were valued at \$17,107 using the Black Scholes option pricing model with the following assumptions: risk-free interest rate of 4.16%, expected life of 3 years, no annual dividends paid, and expected volatility of 29.16%.

**Stock-Based Compensation** – The Company is authorized to issue stock options to directors, officers, employees, consultants and other personnel that in total do not exceed 10% of the Company’s issued and outstanding common shares. Options vest at various times and in varying amounts ranging from immediate vesting of options to 20% of the options vesting on each of the first five anniversaries of the option grant date. Stock options have a term of ten years.

Option activity during the year 2007 was as follows:

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	<u>Number of Options Outstanding</u>	<u>Weighted Average Exercise Price per Share</u>
		\$
Outstanding at December 31, 2006	-	-
Granted	3,340,000	0.60
Cancelled	(10,000)	0.60
Outstanding at December 31, 2007	<u>3,330,000</u>	<u>0.60</u>

Details of outstanding stock options as of December 31, 2007, which expire on October 31, 2017, were as follows:

<u>Exercise Price per Share</u>	<u>Outstanding Options at December 31, 2007</u>	<u>Weighted Average Remaining Term (in Years)</u>	<u>Exercisable Options at December 31, 2007</u>
\$ 0.60	3,330,000	6.4	250,000

Compensation expense for stock options is recognized using the fair value when the stock options are granted, and is amortized over the option's vesting period. For options granted during the year ended December 31, 2007, the Company used the Black-Scholes option pricing model with the following assumptions: forfeiture rate of 25%, risk-free interest rate of 4.18% to 4.22%, expected life of 5.5 to 7.5 years, no annual dividends paid, and expected volatility of 30.6% to 34.3%.

Total stock-based compensation expense for stock options of \$109,129 has been recognized in the consolidated statement of operations for the year ended December 31, 2007. The fair value of options granted during the year that were outstanding at December 31, 2007 was approximately \$704,000 or \$0.21 per option.

**(12) Earnings per share**

Under reverse takeover accounting the number of shares outstanding for periods before the date of the reverse takeover is deemed to be the number of shares issued to the former shareholders of the OPE Entities being the total of 32,222,315 common shares. The following is a reconciliation of basic and diluted earnings per share ("EPS") computations for the years ended December 31, 2007 and 2006: All outstanding options and warrants are anti-dilutive as at December 31, 2007.

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	<u>2007</u>	<u>2006</u>
Net income	\$ (334,644)	\$ 541,132
Basic:		
Weighted average shares outstanding	37,117,969	32,222,315
Diluted:		
Add incremental shares for assumed exercise of outstanding options and warrants	-	-
Total diluted shares	<u>37,117,969</u>	<u>32,222,315</u>
Earnings per share:		
Basic	\$ (0.01)	\$ 0.02
Diluted	\$ (0.01)	\$ 0.02

**(13) Financial Instruments**

**Fair values** – The fair values of the Company’s financial instruments were determined as follows:

- i) The carrying amounts of cash, held for trading investments, accounts receivable, and accounts payable, approximate their fair values due to the immediate or short-term maturity of these financial instruments.
- ii) The fair values of the Company’s long-term debt are estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Company for similar financial instruments subject to similar risks and maturities. The effective interest rate of the Company’s line of credit at December 31, 2007 is 7.5%. The fair values of these financial instruments are not materially different from their carrying amounts.

The nature of these financial instruments and the Company’s operations expose it to concentrations and risks. The Company does not manage these risks through the use of hedges or derivative instruments. A brief discussion of these is included below.

**Concentrations of credit risk** – Financial instruments, which potentially expose the Company to concentrations of credit risk, consist primarily of accounts receivable. A significant portion of the Company’s customer base includes major engineering, service and operation companies in the oil and gas industry both in the United States and in foreign countries. Two (2006 – two) customers accounted for 72% (2006 – 50%) of the net outstanding receivable balance at December 31, 2007. The Company believes there is no unusual exposure associated with the collection of these receivables other than as disclosed in Note 11. No other single customer accounted for more than 10% of consolidated receivables at December 31, 2007 or 2006. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

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The following table demonstrates the outstanding customer balances for December 31, 2007 and December 31, 2006:

	2007		2006	
	% of Accounts receivable	Outstanding balance	% of Accounts receivable	Outstanding balance
Customer A	55%	5,861,900	30%	1,733,000
Customer B	17%	1,799,930	20%	1,153,000
Total	72%	7,661,830	50%	2,886,000

Revenues were earned from unaffiliated clients located primarily within the respective geographic areas; the Americas and Asia. The Company had sales to two and three major customers totaling approximately 47% (37% - Customer A and 10% - Customer B) and 50% (17% - Customer A, 27% - Customer B, and 5% - Customer C) of total revenues for the years ended December 31, 2007 and 2006, respectively.

**Credit risk** – The Company’s products and services are concentrated within the oil and gas industries. As a result of this industry focus, the Company’s current and future financial performance is largely dependent upon the overall economic conditions within this industry. The Company generally grants unsecured credit to its customers and is not able to predict with certainty the changes in the financial stability of its customers. Any material change in the financial status of any one or group of customers could have a material effect on the Company’s results of operations, financial position or cash flows.

At December 31, 2007, a significant portion of the Company’s cash was held at one financial institution.

**Foreign currency risk** – The Company is exposed to foreign currency rate fluctuation risks as certain revenues and expenses derived from its international operations are denominated in foreign currencies. Also, the Company incurs certain administrative costs in Canadian dollars and as such is exposed to foreign currency rate fluctuation risk with regard to these expenses. Further, the Company’s shares are listed on a Canadian Exchange and as such the Company’s equity financings are subject to foreign currency rate fluctuations. The Company seeks to convert excess cash balances to U.S. dollars on a regular basis. The Company does not otherwise actively manage its exposure to foreign currency rate fluctuations.

**(14) Segment Information**

The Company provides a broad range of professional engineering services provided through offices and subsidiaries located primarily in Houston, Texas, Trinidad and Malaysia. All of the Company’s operations share similar economic characteristics and similar processes for delivery of services. The Company’s operations are highly influenced by the general availability of qualified engineers and other technical professional staff.

Based on these similarities, including consideration of the types of information and internal reports used by management, support a single reportable segment. Accordingly, management has concluded that the Company’s operations may be aggregated into one reportable segment for purposes of this disclosure.

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The following table presents certain financial information by geographic area for the years 2007 and 2006:

<b>Revenues:</b>	<u>2007</u>	<u>2006</u>
	\$	\$
Americas	15,487,976	16,243,736
Asia	9,311,962	-
Total	<u>24,799,938</u>	<u>16,243,736</u>
 <b>Capital Assets:</b>		
Americas	597,500	404,097
Asia	183,731	-
Total	<u>781,231</u>	<u>404,097</u>

The Company's Americas region encompasses its operations in North and South America including the Caribbean. Capital assets consist of property and equipment, net of accumulated depreciation.

For 2007, one customer in the Americas had sales totaling approximately 10% of total revenues and one customer in Asia had sales totaling 37% of total revenues (2006 – three customers in the Americas totaling 50%).

**(15) Changes in Working Capital Balances**

	<u>2007</u>	<u>2006</u>
	\$	\$
Accounts receivable	(4,827,336)	(654,973)
Prepaid expenses and deposits	(39,731)	(47,424)
Accounts payable	2,788,932	13,549
Income taxes payable	20,669	(74,764)
Deferred revenue	1,826,313	-
Billings in excess of costs and estimated earnings on uncompleted contracts	<u>(111,462)</u>	<u>(231,795)</u>
	<u>(342,615)</u>	<u>(995,407)</u>

Changes in working capital balances were included in operating activities.

**(16) Related Party Transactions**

At December 31, 2006 the Company had notes receivable from two former owners for \$63,859 of which the balance was forgiven in the current year.

As at December 31, 2007, the Company had an accrued payable to a Director for consulting fees provided of \$24,000 (2006 – nil).

The Company recorded revenue from a former owner of approximately \$1,168,000 (2006 - \$870,000). There was an outstanding balance included in receivables of approximately \$363,000 (2006 - \$278,000).

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This former owner divested itself of substantially all of its investment in the Company as of October 31, 2007.

In connection with the closing of the RTO transaction on October 31, 2007, three Directors were paid varying amounts for services rendered for a total of \$855,000 recorded as capital transaction costs.

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