

IROC SYSTEMS CORP.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheet of IROC Systems Corp. as at December 31, 2003 and 2002 and the consolidated statements of loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these consolidated 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 an audit to obtain reasonable assurance 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 consolidated 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 financial position of the corporation as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

RED DEER, Alberta
February 27, 2004

"BROWN SMITH OWEN LLP"
CHARTERED ACCOUNTANTS

IROC SYSTEMS CORP.
CONSOLIDATED BALANCE SHEET
DECEMBER 31

	<u>Assets</u>	<u>2003</u>	<u>2002</u>
Current assets			
Cash		\$ 6,991	73,197
Accounts receivable		1,315,934	516,091
Inventories		105,127	136,150
Prepaid expenses and deposits		101,832	144,073
Note receivable (Note 3)		<u>100,000</u>	<u>-</u>
		1,629,884	869,511
Prepaid lease costs		37,502	57,501
Investments (Note 4)		-	100,000
Capital assets (Note 5)		2,346,262	2,065,686
Future income taxes (Note 11)		<u>1,588,000</u>	<u>288,000</u>
		<u>\$ 5,601,648</u>	<u>3,380,698</u>
<u>Liabilities</u>			
Current liabilities			
Operating loan (Note 6)		\$ 350,325	7,995
Accounts payable and accrued liabilities		764,802	379,823
Callable term debt (Note 7)		786,197	233,300
Current portion of obligations under capital lease (Note 8)		<u>105,203</u>	<u>96,200</u>
		2,006,527	717,318
Obligations under capital lease (Note 8)		<u>88,372</u>	<u>204,208</u>
		<u>2,094,899</u>	<u>921,526</u>
<u>Shareholders' Equity</u>			
Convertible debentures (Note 9)		300,000	-
Share capital (Note 10)		3,312,808	2,255,940
Retained earnings (deficit)		<u>(106,059)</u>	<u>203,232</u>
		<u>3,506,749</u>	<u>2,459,172</u>
		<u>\$ 5,601,648</u>	<u>3,380,698</u>

Approved on behalf of the Board

"Thomas M. Alford" Director

"Brian D. Neeland" Director

IROC SYSTEMS CORP.

CONSOLIDATED STATEMENT OF LOSS AND DEFICIT

YEARS ENDED DECEMBER 31

	<u>2003</u>	<u>2002</u>
Revenue	\$ <u>5,347,640</u>	<u>4,127,877</u>
Expenses		
Operating	3,341,213	2,638,135
General and administrative	1,349,129	1,197,587
Amortization	723,056	571,913
Interest on callable term debt	27,708	11,481
Interest on obligations under capital lease	<u>24,293</u>	<u>32,334</u>
	<u>5,465,399</u>	<u>4,451,450</u>
Loss from operations	<u>(117,759)</u>	<u>(323,573)</u>
Other earnings (loss)		
Sundry	44,316	(9,674)
Write-down of investments (Note 4)	<u>(168,984)</u>	<u>-</u>
	<u>(124,668)</u>	<u>(9,674)</u>
Loss before income taxes	(242,427)	(333,247)
Income taxes (Note 11)	<u>59,264</u>	<u>(116,000)</u>
Net loss	(301,691)	(217,247)
Interest on convertible debentures, net of income taxes	(7,600)	-
Retained earnings at beginning of year	<u>203,232</u>	<u>420,479</u>
Retained earnings (deficit) at end of year	\$ <u><u>(106,059)</u></u>	<u><u>203,232</u></u>
Loss per share	\$ <u><u>(0.02)</u></u>	<u><u>(0.02)</u></u>

IROC SYSTEMS CORP.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities		
Cash received from customers	\$ 4,545,000	4,404,879
Cash paid to suppliers and employees	(4,179,151)	(3,964,526)
Interest paid	(84,949)	(56,024)
Investment income received	7,065	15,396
Income taxes paid	(1,684)	-
	<u>286,281</u>	<u>399,725</u>
Cash flows from investing activities		
Sale of capital assets	130,449	2,073,566
Advances from partnership	-	18,132
Investment in and advances to Sentry Information & Alert Systems Corp.	(68,984)	(100,000)
Purchase of note receivable	(100,000)	-
Sat-Tel acquisition costs	(177,000)	-
Net decrease in cash related to business combination	(204,404)	-
Purchase of capital assets	(1,008,941)	(1,841,828)
	<u>(1,428,880)</u>	<u>149,870</u>
Cash flows from financing activities		
Issue of callable term debt	716,680	-
Net operating loan advances (repayments)	342,330	(218,452)
Issue of convertible debentures	300,000	-
Issue of shares	-	750
Interest paid on convertible debentures	(12,000)	-
Repayment of obligations under capital lease	(106,834)	(188,857)
Repayment of callable term debt	(163,783)	(70,020)
	<u>1,076,393</u>	<u>(476,579)</u>
Net increase (decrease) in cash	(66,206)	73,016
Cash at beginning of year	<u>73,197</u>	<u>181</u>
Cash at end of year	<u>\$ 6,991</u>	<u>73,197</u>

IROC SYSTEMS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

Note 1 - Summary of Significant Accounting Policies

- a) Nature of Operations - IROC Systems Corp. is an Alberta based, fully integrated safety services company providing downwind air quality monitoring and related safety services to the energy sector. The Corporation has developed key technologies to address remote air quality monitoring and has operational capabilities to provide full safety services for drilling, completion, production and plant turn-around activities.
- b) Principles of Consolidation - The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries.
- c) Inventories - Inventories are carried at the lower of cost and net realizable value. Cost is determined using the first in, first out method.
- d) Prepaid Lease Costs - Prepaid lease costs represent the value of shares issued in exchange for a reduction in lease payments required on the first five years of a property lease held by the Corporation. The lease costs are amortized using the straight-line method over five years.
- e) Amortization - Capital assets are amortized over their estimated useful lives using the following annual rates and methods:
- | | |
|-------------------------|-------------------------|
| Field equipment | - 20% Declining balance |
| Trailers | - 30% Declining balance |
| Data acquisition centre | - 20% Declining balance |
| Other equipment | - 30% Declining balance |
- f) Stock Based Compensation - The Corporation has a stock option plan as described in Note 10. No compensation expense is recognized when stock options are granted. Any consideration received on the exercise of stock options is credited to share capital.
- g) Income Taxes - The Corporation follows the liability method of accounting for income taxes. Temporary differences between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.
- h) Measurement Uncertainty - The preparation of 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 revenue and expenses during the reporting period. Actual results may differ materially from these estimates.

IROC SYSTEMS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

Note 1 - Summary of Significant Accounting Policies (continued)

- i) Financial Instruments - The Corporation, as part of its operations, has a number of financial instruments. It is management's opinion that the Corporation is not exposed to significant interest rate or foreign currency risks arising from these financial instruments.

The fair values of accounts receivable, prepaid expenses and deposits, note receivable, operating loan, accounts payable and accrued liabilities and callable term debt approximate their carrying values because of the short term to maturity of these instruments. The fair values of the Corporation's prepaid lease costs and obligations under capital lease have not been determined since it was not possible within the constraints of timeliness or cost to do so with sufficient reliability.

The majority of the Corporation's clients are in the oil and gas industry and, as a result, the Corporation is exposed to the credit risks of that industry. Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of trade accounts receivable and investments recorded using the cost method. For trade accounts receivable, the Corporation assesses the credit worthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accordingly, the Corporation views the credit risks on these amounts as normal for the industry.

- j) Comparative Figures - Certain of the comparative figures have been reclassified to conform with the presentation adopted for the current year.

Note 2 - Business Combination

On February 28, 2003 the Corporation and Sat-Tel Corporation, a publicly traded corporation on the Canadian Venture Exchange, completed an amalgamation pursuant to an agreement entered into on December 16, 2002. Under the agreement the shareholders of IROC Systems Corp. received one share of the amalgamated corporation for each IROC common share held and the shareholders of Sat-Tel received one share of the amalgamated corporation for each six Sat-Tel common shares held. This transaction has been accounted for as a business combination whereby the Corporation has acquired Sat-Tel Corporation.

In accordance with the purchase method the allocation of the purchase price is based on the financial position of Sat-Tel Corporation at February 28, 2003 and reflects the fair value, at that date, of the assets acquired and liabilities assumed based upon an evaluation of such assets and liabilities by management.

IROC SYSTEMS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

Note 2 - Business Combination (continued)

The purchase price of \$1,233,868, including transaction costs of \$177,000, has been allocated to Sat-Tel's net assets and liabilities as follows:

Assets acquired:	
Cash	\$ 2,637
Accounts receivable	37,201
Inventories	8,916
Future income taxes	1,353,178
Capital assets	<u>89,000</u>
	1,490,932
Liabilities assumed:	
Accounts payable	<u>257,064</u>
Net assets acquired	\$ <u><u>1,233,868</u></u>
Consideration given:	
2,032,439 common shares	\$ 1,056,868
Transaction costs	<u>177,000</u>
Total consideration	\$ <u><u>1,233,868</u></u>

Note 3 - Note Receivable

The note receivable is due on demand and bears interest at 12% per annum receivable monthly.

Note 4 - Investments

The Corporation holds a 16.7% interest in Sentry Information & Alert Systems Corp. and has accounted for this investment using the cost method. The initial investment in shares of \$100,000 was made in 2002 and during 2003 the Corporation advanced an additional \$68,984 to Sentry in the form of non-interest bearing loans.

The Corporation's management has determined that there is a significant likelihood that there has been an impairment in the value of the investment in Sentry that is other than temporary in nature and accordingly the investment has been written down to recognize the loss.

IROC SYSTEMS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

Note 5 - Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net	Net
Field equipment	\$ 1,513,069	684,725	828,344	881,632
Trailers	1,646,491	697,855	948,636	575,024
Data acquisition centre	353,500	70,700	282,800	276,159
Other equipment	172,300	74,752	97,548	73,242
	3,685,360	1,528,032	2,157,328	1,806,057
Under capital lease				
Trailers	400,772	246,659	154,113	209,883
Other equipment	89,661	54,840	34,821	49,746
	490,433	301,499	188,934	259,629
	\$ 4,175,793	1,829,531	2,346,262	2,065,686

Note 6 - Operating Loan

The Corporation has available a \$500,000 operating credit facility which bears interest at prime plus 1.0%. This operating loan is payable upon demand and is secured by an assignment of accounts receivable, an assignment of patents and trademarks and a general security agreement which provides a floating charge against all of the Corporation's assets.

Note 7 - Callable Term Debt

	<u>2003</u>	<u>2002</u>
Term demand loan, Community Savings, repayable in monthly installments of \$13,542 plus interest at prime plus 1.5%	\$ 622,917	-
Term demand loan, Community Savings, repayable in monthly installments of \$5,835 plus interest at prime plus 1.5%	163,280	233,300
	\$ 786,197	233,300

IROC SYSTEMS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

Note 7 - Callable Term Debt (continued)

The Community Savings term demand loans are secured by an assignment of patents and trademarks and a general security agreement which provides a specific charge over certain trailers with a carrying value of \$948,636 and a floating charge against all of the Corporation's assets.

Minimum principal repayments on callable term debt for the next four fiscal years, assuming that existing obligations are not called, are as follows:

2004	\$ 232,524
2005	\$ 232,524
2006	\$ 185,744
2007	\$ 135,405

Note 8 - Obligations Under Capital Lease

	<u>2003</u>	<u>2002</u>
Capital leases, repayable in monthly installments of \$7,565 including interest at 9.24%, maturing in September 2005 and secured by trailers under capital lease	\$ 156,908	239,205
Capital leases, repayable in monthly installments of \$2,518 including interest at rates ranging from 10.59% to 14.69%, maturing on various dates between February 2004 and April 2005 and secured by other equipment under capital lease	<u>36,667</u>	<u>61,203</u>
	193,575	300,408
Less current portion	<u>105,203</u>	<u>96,200</u>
	\$ <u><u>88,372</u></u>	\$ <u><u>204,208</u></u>

Minimum principal repayments on obligations under capital lease for the next two fiscal years are as follows:

2004	\$ 105,203
2005	\$ 88,372

IROC SYSTEMS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Note 9 - Convertible Debentures

During the year the Corporation issued \$300,000 of unsecured convertible debentures bearing interest at 8.0% payable quarterly and maturing on June 23, 2006. These debentures are convertible at the option of the holders into common shares of the Corporation prior to maturity at conversion prices of \$0.50 per share on or before June 23, 2005 and \$0.55 per share thereafter. Interest payments, on an after-tax basis, are classified as distributions of equity.

Note 10 - Share Capital

a) Authorized:

Unlimited number of voting common shares

b) Issued:

	<u>Number</u>	<u>Amount</u>
Balance at January 1, 2002	10,546,666	\$ 2,255,190
Issued for cash on exercise of options	<u>1,500</u>	<u>750</u>
Balance at December 31, 2002	10,548,166	2,255,940
Issued on amalgamation	<u>2,032,438</u>	<u>1,056,868</u>
Balance at December 31, 2003	<u><u>12,580,604</u></u>	<u><u>\$ 3,312,808</u></u>

c) Stock options:

The Corporation has a stock option plan for its directors, officers and key employees whereby an amount of options to a maximum of ten percent of the issued and outstanding common shares may be granted subject to certain terms and conditions. Stock option vesting privileges are at the discretion of the Corporation's Board of Directors. Changes in the number of common shares under option during the years ended December 31, 2003 and 2002 are summarized as follows:

IROC SYSTEMS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

Note 10 - Share Capital (continued)

	2003		2002	
	Number	Weighted Average	Number	Weighted Average
	<u>of Options</u>	<u>Price</u>	<u>of Options</u>	<u>Price</u>
Balance at beginning of year	385,000	\$ 0.61	678,500	\$ 0.65
Forfeited	(80,000)	0.61	(292,000)	0.71
Exercised	-	-	(1,500)	0.50
Granted	<u>250,000</u>	<u>0.35</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u><u>555,000</u></u>	<u><u>\$ 0.49</u></u>	<u><u>385,000</u></u>	<u><u>\$ 0.61</u></u>

The following table summarizes information about the stock options outstanding at December 31, 2003:

Exercise Price	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Price
\$ 0.35	250,000	3.26	\$ 0.35
0.50	90,000	1.53	0.50
0.65	205,000	2.04	0.65
<u>0.80</u>	<u>10,000</u>	<u>2.31</u>	<u>0.80</u>
<u><u>\$</u></u>	<u><u>555,000</u></u>	<u><u>2.90</u></u>	<u><u>\$ 0.49</u></u>

The Corporation uses the intrinsic value method to account for its stock-based compensation plan. Under this method, no compensation costs are recorded in the financial statements for stock options granted to employees and directors. If the fair value method had been used, the Corporation's stock-based compensation costs, pro forma net loss and pro forma net loss per share for the year ended December 31, 2003 would have been as follows:

Compensation costs	\$ 11,745
Net loss	
As reported	(301,691)
Pro forma	(313,436)
Basic loss per share	
As reported	(0.02)
Pro forma	(0.02)

IROC SYSTEMS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

Note 10 - Share Capital (continued)

The Black-Scholes option pricing model, with the following weighted average assumptions for the year ended December 31, 2003, was used to estimate the fair value of the options on the date of grant:

Risk free interest rate (%)	3.0
Expected lives (years)	3.3
Expected volatility (%)	20.0
Dividend per share	-

- d) Per share amounts - Loss per share amounts are calculated using the weighted average number of shares outstanding during the year of 12,241,864 (2002 - 10,548,166). Diluted loss per share amounts have not been calculated since the result would be anti-dilutive.
- e) Escrowed shares - At December 31, 2003 the Corporation held 524,999 shares in escrow (2002 - 253,332). These shares are releasable at various dates between February 28, 2004 and February 28, 2009.

Note 11 - Income Taxes

The future income tax asset is comprised of:

	<u>2003</u>	<u>2002</u>
Future tax assets		
Income tax losses	\$ 1,283,100	22,000
Capital assets	549,700	212,600
Share issue costs	114,700	53,400
Investments	<u>30,900</u>	<u>-</u>
	1,978,400	288,000
Valuation allowance	<u>(390,400)</u>	<u>-</u>
Future income tax asset	\$ <u><u>1,588,000</u></u>	<u><u>288,000</u></u>

The valuation allowance relates to the ability of the Corporation to utilize loss carry-forward amounts against future earnings. At this time management does not believe that the Corporation will be able to utilize the full loss carry-forward amounts before expiry.

IROC SYSTEMS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

Note 11 - Income Taxes (continued)

The following table reconciles income taxes calculated at the Canadian statutory rates as indicated with actual income taxes:

	<u>2003</u>	<u>2002</u>
Loss before income taxes	\$ (242,427)	(333,247)
Combined federal and provincial income tax rate	<u>36.62</u>	<u>39.24</u>
Computed income tax recovery	(88,777)	(130,766)
Increase (decrease) resulting from:		
Tax effect of statutory rate change	109,601	10,289
Write-down of investment	30,941	-
Non-deductible items	11,351	5,449
Adjustment on partnership restructuring loss	-	19,707
Adjustment of prior years' losses	-	(19,643)
Non-taxable portion of capital gains	(142)	(1,036)
Reassessment of prior years	<u>(3,710)</u>	<u>-</u>
	<u>\$ 59,264</u>	<u>(116,000)</u>

The Corporation has a loss carry-forward for income tax purposes totaling \$3,504,739 which is available for application against taxable income until:

2004	\$ 10,883
2005	\$ 577,161
2006	\$ 743,897
2007	\$ 878,396
2008	\$ 926,509
2009	\$ 366,393
2010	\$ 1,500

The future income tax benefit relating to these losses has been recognized in the accounts to the extent the Corporation believes it is more likely than not that the losses will be utilized.

IROC SYSTEMS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

Note 12 - Related Party Transactions

During the year ended December 31, 2003 the Corporation paid \$80,000 in management fees to a corporation owned by the spouse of an officer of the Corporation. Included in accounts payable and accrued liabilities at December 31, 2003 is \$67,380 owing by the Corporation to an officer and a corporation controlled by the spouse of an officer of the corporation.

On June 6, 2003 the Corporation was advanced \$150,000 from a corporation owned by the spouse of an officer of the Corporation. On July 3, 2003 the advance was repaid in full by the Corporation.

On July 3, 2003 the Corporation issued two convertible debentures (as outlined in Note 9) to an officer and the spouse of an officer of the Corporation.

At December 31, 2003 included in accounts payable and accrued liabilities is \$62,554 owing by the Corporation to a shareholder as a result of the amalgamation with Sat-Tel Corporation.

These transactions were conducted in the normal course of business and are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties. The advances from related parties are non-interest bearing and without specific terms of repayment.

Note 13 - Lease Obligations

The corporation has entered into agreements to lease equipment and real estate requiring future minimum payments totaling \$1,550,771. Minimum annual payments during the next five fiscal years are as follows:

2004	\$ 545,875
2005	\$ 482,974
2006	\$ 372,930
2007	\$ 74,496
2008	\$ 74,496

Note 14 - Subsequent Events

- a) On February 2, 2004 the Corporation announced that it intends on completing a non-brokered placement of up to \$3,300,000 through the sale of up to 6,600,000 common shares of the Corporation at \$0.50 per share, pursuant to certain prospectus exemptions under the Alberta and British Columbia securities legislation. There is no minimum offering amount and it is expected the offering will close on or before March 15, 2004.

IROC SYSTEMS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

Note 14 - Subsequent Events (continued)

- b) On February 18, 2004 the Corporation announced it has signed a Letter of Intent with Deercorp Financial Inc. and Southlink Investments Inc. to acquire all of the issued and outstanding shares of Canstar Environmental Projects Ltd.. Pursuant to the terms of the Letter of Intent, the shareholders of Canstar will receive \$200,000 in cash and 1,600,000 common shares of IROC Systems Corp. at a deemed issuance price of \$0.60 per common share. In addition, shareholders' loans owing to Deercorp Financial Inc. totaling approximately \$375,000 will be paid by the issuance of additional common shares of IROC Systems Corp.. The completion of the transaction is subject to a number of conditions including, but not limited to, the prior receipt of all required regulatory approvals including the acceptance of the TSX Venture Exchange.

- c) On February 19, 2004 the Corporation announced it has signed a Letter of Intent for the purchase of three service rigs and related inventory. The transaction will be completed for cash, but the purchase price has not been disclosed pursuant to an agreement with the vendors. The service rigs will be utilized by the Corporation through its newly formed well servicing division, Eagle Well Servicing Corp.. The transaction is expected to close on or before March 15, 2004.

Note 15 - Contingencies

A legal action seeking damages and compensation of \$821,000 plus \$50,000 for punitive damages has been filed against Sat-Tel Corporation (see Note 2). Four parties have been named including Sat-Tel. The claim seeks damages and compensation for non-performance in regard to a 1996 agreement. The claim has been responded to by Sat-Tel and a counterclaim has been filed in the amount of \$220,241 for failure to perform pursuant to the 1996 agreement, plus all amounts currently outstanding. No liability in respect of these actions has been included in these consolidated financial statements as management intends to vigorously defend the matter and believes the outcome will be in its favor. Any amounts awarded as a result of these actions will be reflected in the year the amounts become reasonably estimable.

A legal action seeking compensation of USD \$39,506 plus damages has been filed against Sat-Tel (see Note 2) for non-performance in regard to a contract. Management has indicated that it intends to defend the matter and believes the outcome will be in its favor. Any amounts awarded as a result of this action will be reflected in the year the amounts become reasonably estimable.

A legal action seeking compensation of \$90,000 for wrongful dismissal damages has been filed against the Corporation. Management has indicated that it intends to vigorously defend the matter and believes the outcome will be in its favor. Any amounts awarded as a result of this action will be reflected in the year the amounts become reasonably estimable.