

**OPTIMAL GEOMATICS INC.
(FORMERLY AVCAN SYSTEMS INC.)**

CONSOLIDATED FINANCIAL STATEMENTS (RESTATED - NOTE 3)

JANUARY 31, 2004

STEELE & Co.*

CHARTERED ACCOUNTANTS

*Representing incorporated professionals

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AUDITORS' REPORT

To the Shareholders of Optimal Geomatics Inc. (formerly Avcan Systems Inc.)

We have audited the consolidated balance sheets of Optimal Geomatics Inc. (formerly Avcan Systems Inc.) as at January 31, 2004 and 2003 and the consolidated statements of operations and deficit and cash flow for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 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 company as at January 31, 2004 and 2003 and the results of its operations and cash flow for the years then ended in accordance with Canadian generally accepted accounting principles consistently applied.

These financial statements have been restated from those previously presented as explained in Note 3.

Vancouver, Canada
March 2, 2004
(Except as to Notes 3, 8, 9 and 12
which are October 6, 2004)

"STEELE & CO."
CHARTERED ACCOUNTANTS

**OPTIMAL GEOMATICS INC.
(FORMERLY AVCAN SYSTEMS INC.)**

CONSOLIDATED BALANCE SHEETS (RESTATED - NOTE 3)

	JANUARY 31,	
	2004	2003
ASSETS		
CURRENT		
CASH (NOTE 6)	\$ 428,255	\$ 599,741
ACCOUNTS RECEIVABLE	810,351	1,758,548
WORK IN PROGRESS	295,701	279,013
PREPAID EXPENSE	<u>82,157</u>	<u>43,741</u>
	1,616,464	2,681,043
PROPERTY AND EQUIPMENT (NOTE 7)	<u>152,796</u>	<u>174,631</u>
	<u>\$ 1,769,260</u>	<u>\$ 2,855,674</u>
LIABILITIES		
CURRENT		
ACCOUNTS PAYABLE	\$ 1,577,051	\$ 1,910,294
DEFERRED REVENUE	218,374	-
LOANS PAYABLE (NOTE 8)	<u>295,107</u>	<u>-</u>
	2,090,532	1,910,294
DEBENTURES PAYABLE (NOTE 9)	<u>1,748,567</u>	<u>1,598,419</u>
	<u>3,839,099</u>	<u>3,508,713</u>
COMMITMENTS (NOTE 10)		
SHARE CAPITAL AND DEFICIT		
SHARE CAPITAL (NOTE 12)	12,828,764	12,828,764
SHARE SUBSCRIPTIONS (NOTE 12)	712,816	-
EQUITY PORTION OF LOANS PAYABLE (NOTE 8)	438,474	438,474
EQUITY PORTION OF DEBENTURES PAYABLE (NOTE 9)	54,731	-
DEFICIT	<u>(16,104,624)</u>	<u>(13,920,277)</u>
	<u>(2,069,839)</u>	<u>(653,039)</u>
	<u>\$ 1,769,260</u>	<u>\$ 2,855,674</u>

APPROVED BY THE DIRECTORS

"Colum Caldwell"

"Roger Bannon"

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

**OPTIMAL GEOMATICS INC.
(FORMERLY AVCAN SYSTEMS INC.)**

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT (NOTE 1)
(RESTATE - NOTE 3)

	YEAR ENDED JANUARY 31,	
	<u>2004</u>	<u>2003</u>
SALES	\$ 4,496,022	\$ 2,308,375
COST OF SALES	<u>3,163,734</u>	<u>1,480,645</u>
GROSS MARGIN	<u>1,332,288</u>	<u>827,730</u>
DEVELOPMENT		
SALARIES AND CONSULTING	104,003	136,383
TECHNOLOGY AND SUPPLIES	<u>19,609</u>	<u>40,813</u>
	<u>123,612</u>	<u>177,196</u>
SALES AND ADMINISTRATION		
AMORTIZATION	121,759	58,012
BAD DEBTS	172,822	-
COMMUNICATIONS	112,132	48,965
FOREIGN EXCHANGE	60,734	56,478
INTEREST AND LOAN FEES	413,543	93,460
MANAGEMENT, SALARIES AND CONSULTING	1,245,805	309,804
OFFICE	265,186	105,799
PROFESSIONAL FEES	165,218	96,151
RE-ORGANIZATION COSTS	82,769	354,113
RENT	137,302	106,527
TRAVEL AND MARKETING	<u>636,860</u>	<u>498,462</u>
	<u>3,414,130</u>	<u>1,727,771</u>
LOSS FROM OPERATIONS	2,205,454	1,077,237
WRITE-DOWN OF GOODWILL (NOTE 1)	69,386	-
GAIN ON DISCONTINUED OPERATIONS (NOTE 5)	(4,927)	-
INCOME TAX (RECOVERY)	<u>(85,566)</u>	<u>-</u>
NET LOSS FOR THE YEAR (NOTE 14)	2,184,347	1,077,237
DEFICIT BEGINNING OF THE YEAR	<u>13,920,277</u>	<u>12,843,040</u>
DEFICIT END OF THE YEAR	<u>\$ 16,104,624</u>	<u>\$ 13,920,277</u>
NET LOSS PER SHARE	<u>\$ 10</u>	<u>\$ 05</u>

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

**OPTIMAL GEOMATICS INC.
(FORMERLY AVCAN SYSTEMS INC.)**

CONSOLIDATED STATEMENTS OF CASH FLOW (NOTE 1)
(RESTATED - NOTE 3)

	YEAR ENDED JANUARY 31,	
	<u>2004</u>	<u>2003</u>
CASH PROVIDED (USED) BY		
OPERATING ACTIVITIES		
NET LOSS FOR THE YEAR	\$ (2,184,347)	\$ (1,077,237)
ITEMS NOT REQUIRING AN OUTLAY OF CASH		
AMORTIZATION	121,759	58,012
AMORTIZATION OF DISCOUNT ON LOANS PAYABLE	11,228	50,593
AMORTIZATION OF DISCOUNT ON DEBENTURES PAYABLE	<u>150,148</u>	<u>-</u>
	(1,901,212)	(968,632)
CHANGES IN OTHER NON-CASH OPERATING ITEMS		
ACCOUNTS RECEIVABLE	948,197	(197,988)
WORK IN PROGRESS	(16,688)	(165,382)
PREPAID EXPENSES	(38,416)	1,811
ACCOUNTS PAYABLE	(333,243)	285,470
DEFERRED REVENUE	<u>218,374</u>	<u>-</u>
	<u>(1,122,988)</u>	<u>(1,044,721)</u>
FINANCING ACTIVITIES		
ISSUANCE OF SHARE CAPITAL FOR CASH OF SUBSIDIARY	-	68,968
SHARE SUBSCRIPTIONS	712,816	-
LOANS PAYABLE	338,610	(343,193)
DEBENTURES PAYABLE	<u>-</u>	<u>1,986,300</u>
	<u>1,051,426</u>	<u>1,712,075</u>
INVESTING ACTIVITIES		
PURCHASE OF PROPERTY AND EQUIPMENT	<u>(99,924)</u>	<u>(103,166)</u>
CHANGE IN CASH FOR THE YEAR	(171,486)	564,188
CASH BEGINNING OF THE YEAR	<u>599,741</u>	<u>35,553</u>
CASH END OF THE YEAR	<u>\$ 428,255</u>	<u>\$ 599,741</u>
SUPPLEMENTAL INFORMATION (NOTE 15)		

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

**OPTIMAL GEOMATICS INC.
(FORMERLY AVCAN SYSTEMS INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2004

1. BASIS OF CONSOLIDATION AND ACQUISITIONS

a. Basis of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries Optimal Geomatics Limited., a United Kingdom company, and Optimal Geomatics Inc., a United States company and Optimal Software Limited, a wholly-owned inactive subsidiary of Optimal Geomatics Limited.

b. Acquisitions

On February 1, 2003, the Company acquired all of the outstanding shares of Optimal Geomatics Inc. (formerly Optimal Technologies Inc.), a United States company, for cash of \$152 (U.S. \$100). The acquisition was accounted for using the purchase method.

The net assets acquired are:

Cash	\$ 36,702
Other current assets	218,199
Current liabilities	<u>(324,287)</u>
Net assets acquired and value assigned to goodwill	<u>\$ 69,386</u>

Goodwill of \$69,386 was written off during the year.

On December 2, 2002, the Company acquired all of the outstanding shares of Optimal Geomatics Limited (Optimal) (formerly Optimal Technologies Limited), a United Kingdom company, for 15,171,448 common shares. Before the acquisition, the Company and its wholly-owned United Kingdom subsidiary were controlled by the same group of shareholders. As there was not a significant corporate change, the business combination was accounted for under the guidelines established by the Canadian Institute of Chartered Accountants for related party transactions. The shares issued by the Company were assigned a value equal to the net assets, at cost, of Optimal at the time of the acquisition and no goodwill was recognized on the acquisition.

2. GOING CONCERN CONSIDERATIONS

These financial statements have been prepared on the assumption that the Company is a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations. Different bases of measurement may be appropriate when a company is not expected to continue operations for the foreseeable future. As at March 2, 2004, the Company had not reached a level of operations which would finance day-to-day activities. The Company's continuation as a going concern is dependent on its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations.

**OPTIMAL GEOMATICS INC.
(FORMERLY AVCAN SYSTEMS INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2004

2. GOING CONCERN CONSIDERATIONS (CONTINUED)

The Company reported a loss from operations for the years ended January 31, 2004 and 2003 of \$2,184,347 and \$1,077,237 respectively, and as at January 31, 2004 and 2003, had an equity deficiency of \$2,069,839 and \$653,039 respectively.

3. RESTATEMENTS

The Company's consolidated financial statements for the years ended January 31, 2004 and 2003 have been restated to reflect the allocation of fair value to acknowledge the convertible feature on the debentures (Note 9) and the convertible loan payable (Note 8) to equity. As a result of adopting the CICA Handbook Section 3860 to the debentures issued September 3, 2003 (\$1,200,000) and December 3, 2002 (\$786,300), and the loans payable issued in December, 2003, the balance sheets and statements of operations and deficit for the years ended January 31, 2004 and 2003 were restated. A summary of the effect of these restatements on the financial statements for the years ended January 31, 2004 and 2003 is as follows:

	INCREASE/(DECREASE)	
	<u>2004</u>	<u>2003</u>
Balance sheets		
Loans payable	\$ (43,503)	\$ -
Debentures payable	(237,733)	(387,881)
Loans payable, equity portion	54,731	-
Debentures payable, equity portion	438,474	438,474
Deficit	211,969	50,593
Statements of operations and deficit		
Interest expense	\$ 161,376	\$ 50,593
Net loss	161,376	50,593
Deficit beginning of the year	50,593	-
Deficit end of the year	211,969	50,593

The number of stock options outstanding (Note 12) as of January 31, 2004 has also been restated to include the 205,000 options which were cancelled on February 11, 2004.

4. SUMMARY OF ACCOUNTING POLICIES

a. Property and Equipment

Property and equipment are recorded at cost. The cost, less the salvage or residual value, is charged to income over their estimated useful lives, using the following annual rates and methods:

Equipment	straight-line over three years
Furniture and fixtures	declining balance at 20% per annum
Leasehold improvements	straight-line over five years
Software	straight-line over two years

**OPTIMAL GEOMATICS INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2004

4. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

b. Revenue Recognition

Certain revenue from the sale of geomatics services is recognized as the services are provided. Revenue from projects for certain other geomatics services is recognized using the percentage of completion method of accounting, whereby revenue and profit in the period are based on the ratio of costs incurred to total estimated costs of the project. Costs include all direct costs including acquisition, processing and subcontracting costs. A provision is made for the entire amount of future estimated losses, if any, on contracts in progress.

c. Translation of Foreign Currency

Balances denominated in foreign currencies are translated into Canadian dollars as follows:

- i. Monetary assets and liabilities at year end rates;
- ii. All other assets and liabilities at historical rates;
- iii. Revenue and expense transactions at the average rate of exchange prevailing during the year, except for amortization which is translated at historical rates.

Exchange gains or losses arising on these transactions are charged to operations in the year in which incurred.

d. Estimates and Fair Values

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in the future, actual results ultimately may differ from the estimates. The financial instruments which are reported as assets and liabilities, both recognized and unrecognized, are carried at amounts which approximate fair values.

e. Stock-Based Compensation Plans

The Company grants to its directors, employees and consultants incentive stock options to acquire shares in the Company in accordance with the terms of its stock option plan. For options granted prior to January 31, 2003, no compensation expense is recognized for these options when issued. Any consideration received on the exercise of options is credited to share capital. For options granted after February 1, 2003, the Company has adopted the new recommendations of the CICA Handbook Section 3870 "Stock-based compensation and other stock-based payments".

**OPTIMAL GEOMATICS INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2004

4. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

f. Income Taxes

The Company accounts for income taxes whereby the cost (benefit) of current and future income taxes is recognized as income tax expense in the determination of results of operations for the period. Future income tax liabilities (assets) is the amount of the income taxes arising from taxable temporary differences between the tax bases of an asset or liability and its carrying amount in the balance sheet. Income tax liabilities and assets are recognized when they are more likely than not to be realized and are measured using the income tax rates and laws that are expected to apply at the time of settlement or realization.

5. DISCONTINUED OPERATIONS

The Company's United Kingdom subsidiary sold its utilities division to the division's employees. The Company has recorded a gain of \$4,927 from the sale of the division's licence. The division's operations are included in the consolidated loss from operations and are as follows:

	<u>2004</u>	<u>2003</u>
Sales	\$ 600,269	\$ 171,804
Cost of sales	(647,960)	(137,676)
Sales and administration	<u>(31,177)</u>	<u>(18,487)</u>
Earnings (loss) from operations	<u>\$ (78,868)</u>	<u>\$ 15,641</u>
Gain on sale of licence	<u>\$ 4,927</u>	<u>\$ -</u>

6. CASH

The Company maintains its cash balance in different currencies in Canada. At the year end, the Canadian dollar equivalents were:

	<u>2004</u>	<u>2003</u>
Canadian dollar	\$ (28,282)	\$ 31,354
U.S. dollar	339,953	567,631
U.K. pound	99,764	756
Euro	<u>16,820</u>	<u>-</u>
	<u>\$ 428,255</u>	<u>\$ 599,741</u>

**OPTIMAL GEOMATICS INC.
(FORMERLY AVCAN SYSTEMS INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2004

7. PROPERTY AND EQUIPMENT

	<u>COST</u>	<u>ACCUMULATED AMORTIZATION</u>	<u>NET BOOK VALUE</u>	
			2004	2003
Equipment	\$ 374,257	\$ 292,009	\$ 82,248	\$ 96,315
Furniture and fixtures	143,862	95,418	48,444	60,553
Leasehold improvements	55,858	48,381	7,477	17,763
Software	<u>38,287</u>	<u>23,660</u>	<u>14,627</u>	<u>-</u>
	<u>\$ 612,264</u>	<u>\$ 459,468</u>	<u>\$ 152,796</u>	<u>\$ 174,631</u>

8. LOANS PAYABLE

Demand loan of \$338,610 from a corporate related party, unsecured and with no fixed terms of interest or repayment, was outstanding as of January 31, 2004. At the option of the holder, the loan is convertible into common shares at \$.24 per share.

A portion of the convertible loan was allocated to equity according to CICA Handbook Section 3860, Financial Instruments - Disclosure and Presentation. The fair value of the convertible feature of the demand loan was estimated using Black-Scholes option pricing model with the following weighted average assumptions:

Expected life (in years)	0.81
Risk-free interest rate	3.22%
Volatility	96.18%
Dividend yield	0.00%

Upon issuance of the loan, a discount of \$54,731 was allocated to equity from the demand loan to account for the fair value of the convertible feature of the loan. The discount is amortized to interest expense on a straight line basis over the expected life of the loan. The total interest expense related to the amortization of the discount of the loan payable for the year ended January 31, 2003 was \$11,228.

9. DEBENTURES PAYABLE

The Company issued three convertible debentures, for total proceeds of \$1,986,300, with effective dates September 3, 2002 (\$1,200,000) and December 3, 2002 (\$786,300). The convertible debentures bear interest at 10% per annum compounded quarterly. The debentures are secured by a general security agreement over the assets and undertaking of the Company, are redeemable, in whole or in part, at a price equal to the principal amount plus interest, at any time prior to the maturity date of September 3, 2005. At the option of the holders, the principal and interest may be converted into common shares at \$.29 per share, increasing by \$.05 per share per annum. A corporate related party subscribed for \$1,200,000 of the debentures.

**OPTIMAL GEOMATICS INC.
(FORMERLY AVCAN SYSTEMS INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2004

9. DEBENTURES PAYABLE (CONTINUED)

In accordance with CICA Handbook Section 3860, Financial Instruments - Disclosure and Presentation, the Company allocated a portion of the debentures to liabilities and a portion to equity. The equity portion acknowledges the convertible feature of the convertible debentures. In making this allocation, the Company valued the equity conversion feature of the debentures using the Black-Scholes option pricing model with the following assumptions as at the effective dates of the debentures:

	<u>SEPTEMBER 3, 2002</u>	<u>DECEMBER 3, 2002</u>
Expected life (in years)	3.00	2.84
Risk-free interest rate	3.38%	3.19%
Volatility	160%	149%
Dividend yield	0.00%	0.00%

Upon the issuance of these convertible debentures, an aggregate discount of \$438,474 was allocated as the equity portion of the principal of the convertible debentures. The discount is amortized to interest expense on a straight line basis over the terms of the debentures.

The amortization of the discount on the principal of the convertible debentures for the years ended January 31, 2004 and 2003 was \$150,148 and \$50,593 respectively. The amortization was recorded as interest expense for the period.

	<u>CONVERTIBLE DEBENTURES LIABILITY PORTION</u>
Principal	\$ 1,986,300
Equity portion allocation	(438,474)
Amortization for the year ended January 31, 2003	<u>50,593</u>
Balance January 31, 2003	1,598,419
Amortization for the year ended January 31, 2004	<u>150,148</u>
Balance January 31, 2003	<u>\$ 1,748,567</u>

Unpaid interest accrued on the debentures as of January 31, 2004 was \$228,407.

**OPTIMAL GEOMATICS INC.
(FORMERLY AVCAN SYSTEMS INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2004

10. COMMITMENTS

Western Economic Diversification Canada has converted its loans to a royalty of 3% of sales generated from all of the Company's products. The royalty is to be paid quarterly commencing April, 2006, to a total of \$471,187, payable no later than January 31, 2011.

The Company entered into agreements with third parties to repurchase systems sold in prior years. The repurchase agreements were to have been based on the original sales contract price of U.S. \$575,000 and financed through a usage charge. Management has reviewed the viability of the repurchase program and does not intend to proceed with the system repurchases. No provision has been made in the financial statements for the re-acquisition costs as management is of the opinion that the Company will not be required to complete the repurchases.

The Company leases office premises for annual rents of approximately \$96,360 to May 31, 2007, the expiry date.

11. RELATED PARTY TRANSACTIONS

Transactions with related parties not reported elsewhere are:

	<u>2004</u>	<u>2003</u>
Account Balances		
Trade accounts receivable owing from a corporate related party	<u>\$ -</u>	<u>\$ 83,709</u>
Accounts and advances payable owing to corporate related parties	<u>\$ 180,318</u>	<u>\$ 262,819</u>
Transactions		
Sales to a corporate related party	<u>\$ -</u>	<u>\$ 932,229</u>
Fees and expenses charged by officers	<u>\$ 222,440</u>	<u>\$ 105,967</u>
Interest on outstanding debt obligations charged by a corporate related party	<u>\$ 143,229</u>	<u>\$ 18,500</u>

12. SHARE CAPITAL

a. Authorized Capital

100,000,000 common shares without par value

**OPTIMAL GEOMATICS INC.
(FORMERLY AVCAN SYSTEMS INC.)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2004

12. SHARE CAPITAL (CONTINUED)

b. Issued Capital

	<u>SHARES</u>	<u>CONSIDERATION</u>
Contributed surplus arising on cancellation of escrow shares		<u>\$ 421,282</u>
Balance January 31, 2002	7,291,473	\$ 12,169,254
For acquisition of wholly-owned subsidiary	15,171,448	225,882
For settlement of accounts payable	<u>51,443</u>	<u>12,346</u>
Balance January 31, 2003 and 2004	<u>22,514,364</u>	<u>\$ 12,407,482</u>
Total share capital and contributed surplus		<u>\$ 12,828,764</u>

c. Incentive Stock Options

The Company has adopted a stock option plan for which options to acquire up to 3,400,000 shares may be granted to eligible optionees until March 12, 2007. Generally, 25% of the options granted vest upon each of the award date and the three following six-month periods. The exercise price may not be less than the discounted market price, as prescribed by the policies of the TSX Venture exchange.

<u>BALANCE JANUARY 31, 2003</u>	<u>ISSUED/ (CANCELLED)</u>	<u>BALANCE JANUARY 31, 2004</u>	<u>EXERCISE PRICE</u>	<u>EXPIRY DATE</u>
850,000	(302,500)	547,500	\$.24	March 12, 2007
<u>855,000</u>	<u>(175,000)</u>	<u>680,000</u>	\$.24	December 2, 2007
<u>1,705,000</u>	<u>(477,500)</u>	<u>1,227,500</u>		

As at January 31, 2004, the weighted average remaining contractual life of the stock options is 2.5 years and the weighted average exercise price is \$.24 (2003 - \$.24).

d. Share Subscriptions

Share subscriptions of \$712,816 to acquire 2,449,233 common shares at \$.24 per share and 1,250,000 common shares at \$.10 per share were received to January 31, 2004. The private placements are subject to regulatory approval.

**OPTIMAL GEOMATICS INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2004

12. SHARE CAPITAL (CONTINUED)

e. Stock-Based Compensation

The Company has elected to measure compensation costs using the fair value-based method for employee and non-employee stock options. Compensation costs have been determined based on the fair value of the options at the grant date using the Black-Scholes option-pricing model. No compensation expense has been recorded in the statement of operations for the year. Under the transitional provisions of Section 3870, comparative figures are not required.

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, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

13. SEGMENTED INFORMATION

The Company is engaged in providing transmission corridor asset management and engineering solutions using innovative geospatial technology. The Company derives income and incurs costs from customers located in, and from assets held in Canada, the United Kingdom and the United States.

	<u>OPERATION</u>	<u>DEVELOPMENT AND ADMINISTRATION</u>	<u>TOTAL</u>
2004			
Revenues from external customers	\$ 4,496,022	\$ -	\$ 4,496,022
Segment profit (loss)	1,332,288	(3,516,635)	(2,184,347)
Segment assets	1,106,052	663,208	1,769,260
Expenditure for property and equipment	55,893	44,031	99,924
2003			
Revenues from external customers	\$ 2,308,375	\$ -	\$ 2,308,375
Segment profit (loss)	827,730	(1,904,967)	(1,077,237)
Segment assets	2,037,561	818,113	2,855,674
Expenditure for property and equipment	103,166	-	103,166
		<u>PROPERTY AND REVENUES</u>	<u>EQUIPMENT</u>
2004			
Canada		\$ 3,236,517	\$ 139,051
United Kingdom		1,213,936	9,049
United States		45,569	4,696
		<u>\$ 4,496,022</u>	<u>\$ 152,796</u>
2003			
Canada		\$ 49,624	\$ 124,505
United Kingdom		459,349	50,126
United States		1,799,402	-
		<u>\$ 2,308,375</u>	<u>\$ 174,631</u>

**OPTIMAL GEOMATICS INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2004

14. INCOME TAXES

The Company has incurred operating losses which are available to reduce future years' taxable income in Canada, the United Kingdom and the United States. As at January 31, 2004, Canadian operating losses of approximately \$9,762,000 were available for carry-forward. The availability of these losses expires as follows: 2005 - \$673,000; 2006 - \$2,203,000; 2007- \$ 1,881,000; 2008 - \$3,510,000; 2010 - \$625,000; and 2011 - \$870,000. No future tax benefits have been recognized in the accounts and the losses are not transferable between the corporate entities and tax jurisdictions.

During the year, the Company received a tax credit of \$85,566 (U.K. pound 37,529) relating to the Company's research and development activities in the United Kingdom.

15. SUPPLEMENTAL CASH FLOW INFORMATION

	<u>2004</u>	<u>2003</u>
Interest and loan fees paid	<u>\$ 413,543</u>	<u>\$ 93,460</u>
Income taxes recovered	<u>\$ 85,566</u>	<u>\$ -</u>