



OPTIMAL GEOMATICS INC.

Interim Financial Statements

For the first quarter ended
January 31, 2006 and 2005

(Unaudited and not reviewed by auditors)

Executive Officers

Colum Caldwell
President & CEO

Verne Pecho
Chief Financial Officer

Dr. Dmitri Rosenrauch
Chief Technology Officer

Michael Varabioff
Corporate Secretary

Board of Directors

Roger Bannon (Chairman)
Dublin, Ireland

Colum Caldwell
West Vancouver, BC, Canada

Erik Dysthe
Vancouver, BC, Canada

Greg Peet
White Rock, BC, Canada

Nizar Somji
Edmonton, AB, Canada

Corporate Office

Suite 100
625 West Kent Avenue
Vancouver, BC
Canada
V6P 6T7
p +1 (604) 654-1850
f +1 (604) 654-1880

info@optimalgeo.com
www.optimalgeo.com

TSX-V Trading Symbol: OPG

Contents

- 3 Consolidated balance sheets**
- 4 Consolidated statements of operations and deficits**
- 5 Consolidated statements of cash flows**
- 6 Notes to the consolidated financial statements**

OPTIMAL GEOMATICS INC.
Consolidated Balance Sheets
(Unaudited)



	January 31, 2006	October 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,283,365	\$ 3,290,484
Accounts receivable	4,730,610	2,447,457
Inventory	60,765	-
Work in progress	728,918	298,244
Prepaid expenses	509,690	74,505
	<u>8,313,348</u>	<u>6,110,690</u>
Property and equipment (note 5)	2,450,593	223,240
Deferred acquisition costs (note 3)	-	87,356
Intangible assets (note 6)	811,197	-
	<u>\$ 11,575,138</u>	<u>\$ 6,421,286</u>

Liabilities and shareholders' equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,707,062	\$ 1,740,425
Deferred revenue	1,833,131	1,497,116
Loans payable (note 7)	1,000,000	-
	<u>4,540,193</u>	<u>3,237,541</u>
Notes Payable	3,695,965	-
Shareholders' equity:		
Share capital (note 10)	18,813,664	18,813,664
Contributed surplus	338,899	294,031
Cumulative translation adjustment	120,399	95,703
Deficit	(15,933,982)	(16,019,653)
	<u>3,338,980</u>	<u>3,183,745</u>
	<u>\$ 11,575,138</u>	<u>\$ 6,421,286</u>

See accompanying notes to consolidated financial statements

Approved on behalf of the Board:

Colum Caldwell
Director, President & CEO

Roger Bannon
Director

OPTIMAL GEOMATICS INC.**Consolidated Statements of Operations and Deficit**

	Three months ended January 31,	
	2006	2005
Revenues (note 12)	\$ 3,990,591	\$ 1,868,520
Cost of sales	2,584,959	1,270,703
	1,405,632	597,817
Expenses:		
Administration	562,907	239,425
Marketing and sales	335,476	265,224
Research and development	26,881	16,154
Amortization	166,553	22,974
	1,091,817	543,777
Operating income	313,815	54,040
Other (income) expenses:		
Foreign exchange (gain) loss	171,155	(72,621)
Interest expense	56,989	2
	228,144	(72,619)
Net income for the period	85,671	126,659
Deficit, beginning of period	16,019,653	17,297,785
Deficit, end of period	\$ 15,933,982	\$ 17,171,126
Net earning loss per share (note 11)		
Basic	\$ 0.00	\$ 0.00
Diluted	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding		
Basic	46,043,794	38,329,294
Diluted	47,487,020	39,191,893

See accompanying notes to consolidated financial statements

OPTIMAL GEOMATICS INC.
Consolidated Statements of Cash Flows



	Three months ended January 31,	
	2006	2005
Cash provided by (used in):		
Operating activities:		
Net Income for the period	\$ 85,671	\$ 126,659
Items not involving cash:		
Amortization	166,553	22,974
Stock-based compensation (note 10(c))	44,868	17,733
	<u>297,092</u>	<u>167,366</u>
Changes in non-cash operating working capital:		
Accounts receivable	996,448	(1,313,093)
Inventory	(451)	-
Work in progress	(430,674)	(385,310)
Prepaid expenses	(297,536)	13,775
Accounts payable and accrued liabilities	(136,195)	385,645
Deferred revenue	272,752	1,571,061
	<u>701,436</u>	<u>439,444</u>
Investing activities:		
Purchase of property and equipment	26,589	(33,907)
Acquisition of subsidiary	(2,759,840)	-
	<u>(2,733,251)</u>	<u>(33,907)</u>
Financing activities:		
Loans payable (note 7)	1,000,000	(70,503)
	<u>1,000,000</u>	<u>(70,503)</u>
Foreign exchange effect on cash and cash equivalents	24,696	(27,463)
Increase (decrease) in cash and cash equivalents	(1,007,119)	307,571
Cash and cash equivalents, beginning of period	3,290,484	291,898
Cash and cash equivalents, end of period	<u>\$ 2,283,365</u>	<u>\$ 599,469</u>
Supplementary information:		
Interest paid (note 7 and 8)	\$ 31,015	\$ 3,835
Interest received	18,327	565

Non-cash financing transaction not included in cash flows (note 3).
See accompanying notes to consolidated financial statements.

OPTIMAL GEOMATICS INC.



Notes to the Consolidated Financial Statements
Three months ended January 31, 2006 and 2005

1. Organization:

The Company was incorporated on January 1, 1983 under the laws of British Columbia. The Company was continued under the Canada Business Corporations Act on October 9, 2003. The Company specializes in providing linear corridor and asset management and engineering solutions to a customer-base which is primarily composed of gas and electric utilities.

2. Significant accounting policies:

The accompanying unaudited interim consolidated financial statements follow the same accounting policies and methods of application as the annual report for the fiscal year ended October 31, 2005 except that the estimated useful life and hence the rate and method of amortization of some fixed assets was changed to the following:

	Basis	Rate
Equipment	Straight-line	3-5 years
Furniture and fixtures	Straight-line	7 years
Software	Straight-line	3 years

Leasehold improvements are amortized on a straight-line basis over the shorter of the initial lease term or the expected useful life.

Intellectual property is amortized on a straight-line basis over a period of 2-3 years. The excess value of equipment leases is amortized on a straight-line basis over the remaining life of the leases which is approximately four years.

3. Acquisition:

On November 30, 2005, the Company purchased the data acquisition business and certain related assets and liabilities (the "Huntsville Operations") of ATI for a purchase price of US \$5.3 million, subject to adjustments. The results of the Huntsville Operations have been included in these financial statements from December 1, 2005.

The following table summarizes the fair value of the assets acquired and liabilities assumed by the Company at November 30, 2005. The acquisition was accounted for using the purchase method whereby assets acquired and liabilities assumed are recorded at their fair value at November 30, 2005. The allocation of the purchase price is preliminary and the final allocation may be subject to refinement in the next nine months. The purchase price is subject to certain adjustments related to working capital.

OPTIMAL GEOMATICS INC.



Notes to the Consolidated Financial Statements

Three months ended January 31, 2006 and 2005

3. Acquisition (continued):

		Fair value
Working capital	\$	3,312,637
Property and equipment		2,374,169
Intangibles		878,527
	\$	6,565,333

The acquisition was funded by a 15 month US \$3,244,921 note payable to ATI (a non-cash financing transaction), a \$2.0 million 30 day bridge loan (convertible into a term loan if required) provided by a private company owned by a member of the Company's board of directors (see note 8), and available cash as follows:

		Acquisition funding
Cash	\$	450,490
Bridge loan		2,000,000
Vendor note payable		3,786,498
Transaction costs		328,345
	\$	6,565,333

4. Inventories

The balance represents inventory of film held for resale. Inventory is recorded at the lesser of cost and net realizable value.

5. Property and equipment:

January 31, 2006	Cost	Accumulated amortization	Net book value
Equipment	\$ 2,723,293	\$ 452,331	\$ 2,270,962
Furniture and fixtures	214,698	102,958	111,740
Software	117,615	54,641	62,974
Leasehold improvements	65,298	60,381	4,917
	\$ 3,120,904	670,311	\$ 2,450,593

OPTIMAL GEOMATICS INC.



Notes to the Consolidated Financial Statements
Three months ended January 31, 2006 and 2005

5. Property and equipment (continued):

October 31, 2005	Cost	Accumulated amortization	Net book value
Equipment	\$ 473,393	\$ 350,451	\$ 122,942
Furniture and fixtures	146,398	96,180	50,218
Software	93,377	49,136	44,241
Leasehold improvements	65,298	59,459	5,839
	\$ 778,466	\$ 555,226	\$ 223,240

6. Intangible assets:

January 31, 2006	Cost	Accumulated amortization	Net book value
Intellectual property	\$ 272,789	\$ 21,961	\$ 250,828
Excess value of equipment leases	584,733	24,364	560,369
	\$ 857,522	\$ 46,325	\$ 811,197

7. Loans payable:

A \$2.0 million 30 day bridge loan provided by a private company owned by a member of the Company's board of directors was arranged to fund the acquisition of the Huntsville Operations from ATI. \$1.0 million of the 30 day bridge loan was repaid on December 6, 2006 with the term of the remaining \$1.0 million extended to March 24, 2006. The loan conditions entail a commitment fee of 1% and interest at a rate of 1% per month; whereas, the term loan, when drawn upon, will include a commitment fee of 1% and bear interest a 1% per month until March 31, 2006 and 1.5% thereafter. The term loan will be due December 29, 2006. The term loan also included 125,000 common share warrants or options priced at market and a further 125,000 common share options at market on April 1, 2006 pro-rated if any portion of the loan has been repaid. The 30 day bridge loan and the term loan are secured by a pledge of the assets of the Company.

The Company and the lender have agreed to convert the remaining loan into a term loan effective March 24, 2006. The 125,000 options were issued at an exercise price of \$0.35 per share on January 10, 2006. Interest expense in the amount of \$37,774 was recorded during the quarter ended January 31, 2006, of which \$31,000 was paid in cash.

OPTIMAL GEOMATICS INC.



Notes to the Consolidated Financial Statements
Three months ended January 31, 2006 and 2005

7. Loans payable (continued):

During the comparative quarter ended January 31, 2005, the Company repaid \$70,503 (GBP £30,000) of a demand loan with an initial principal amount of \$674,840 (GBP £280,000). The loan, from a significant shareholder, was unsecured with no fixed terms for payment of interest or principal and of which \$387,610 (GBP £160,000) was convertible into common shares and had been converted during the year ended October 31, 2004. The remaining principal balance of \$216,727 (GBP £90,000) at January 31, 2005 was repaid during the year ended October 31, 2005.

8. Debenture interest payable:

A payment of \$3,268 was made during the quarter ended January 31, 2005 to a significant shareholder in respect of interest accrued on the principal balance of debentures that were converted into common shares in a prior period. As at January 31, 2005, a balance of \$277,511 in accrued debenture interest was outstanding, of which \$203,262 was payable to the significant shareholder. The remaining debenture interest was paid during fiscal year 2005.

9. Notes payable:

The notes payable to ATI in an amount of \$3,695,965 (US\$ 3,244,921) bear interest at 6% per annum and are due February 28, 2007 were issued as part consideration for the acquisition of the Huntsville Operations. Interest in an amount \$36,960 (US\$32,449) was accrued during the quarter ended January 31, 2006.

10. Share capital:

(a) Authorized:

Unlimited number of common shares without par value.

(b) Issued:

	Number of common shares	Amount
Outstanding, October 31, 2004	38,329,294	\$ 16,897,307
Shares issued for cash (private placement)	7,714,500	1,916,357
Outstanding, October 31, 2005 and January 31, 2006	46,043,794	\$ 18,813,664

OPTIMAL GEOMATICS INC.



Notes to the Consolidated Financial Statements
Three months ended January 31, 2006 and 2005

10. Share capital (continued):

(c) Stock option plan:

Under the terms of the Company's employee stock option plan, the Board of Directors may grant options to employees, officers and directors. Options granted on or before January 31, 2004 generally vest over one and a half years with the first 1/4 vesting on the grant date and the balance vesting in equal amounts at the end of three six-month periods thereafter. Options granted after January 31, 2004 generally vest over three years with 1/3 vesting at the first, second, and third year anniversary date of the grant. Option exercise prices are determined by the closing market price at the date of the grant. The Company determines the term of each option at the time it is granted, with options generally having a five-year term.

The Company reserved 3,400,000 options for issuance under its employee share option plan of which an aggregate of 3,021,000 options (representing 6.6% of issued shares) are outstanding as at January 31, 2006 (2,886,000 representing 6% of issued shares were outstanding at October 31, 2005).

On March 2, 2006, at the Annual General Meeting, shareholders approved changing the total number of stock options reserved to 10% of the common shares outstanding from time-to-time.

A summary of the Company's stock option activity for the period ended October 31, 2005 and January 31, 2006 is as follows:

	Outstanding options	
	Number of shares	Weighted average exercise price
Outstanding, October 31, 2004	2,370,000	\$ 0.17
Options granted	851,000	\$ 0.28
Options cancelled	(335,000)	\$ 0.18
Outstanding, October 31, 2005	2,886,000	\$ 0.20
Options granted	205,000	\$ 0.35
Options cancelled	(70,000)	\$ 0.21
Outstanding, January 31, 2006	3,021,000	\$ 0.21

OPTIMAL GEOMATICS INC.



Notes to the Consolidated Financial Statements

Three months ended January 31, 2006 and 2005

10. Share capital (continued):

(c) Stock option plan (continued):

The following table summarizes the share options outstanding at January 31, 2006:

Options outstanding				Options exercisable	
Option exercise price	Number of shares	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$ 0.15 - \$ 0.21	1,861,000	1.40 years	\$ 0.16	1,570,500	\$ 0.15
\$ 0.25 - \$ 0.28	515,000	3.63 years	\$ 0.25	345,833	\$ 0.25
\$ 0.31 - \$ 0.35	645,000	4.08 years	\$ 0.33	92,500	\$ 0.32
\$ 0.15 - \$ 0.35	3,021,000	2.35 years	\$ 0.21	2,008,833	\$ 0.18

The Company recognized stock-based compensation as an administrative expense in the amount of \$44,868 during the three month period ended January 31, 2006 (three months ended January 31, 2005: \$17,733).

The Company granted 205,000 options during the three months ended January 31, 2006 at exercise price of \$0.35 per share (none during the three months ended January 31, 2005).

The fair value of each option grant was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	Three months ended January 31,	
	2006	2005
Expected life (in years)	2.75	-
Risk-free interest rate	3.78%	-
Volatility	114%	-
Dividend yield	0.00%	-

OPTIMAL GEOMATICS INC.



Notes to the Consolidated Financial Statements

Three months ended January 31, 2006 and 2005

11. Diluted earnings per share:

	Three months ended	
	January 31,	
	2006	2005
Income available to common shareholders	\$ 85,671	\$ 126,659
Weighted average number of common shares outstanding	46,043,794	38,329,294
Dilutive effect of outstanding stock options	1,443,226	862,599
Adjusted weighted average number of shares	47,487,020	39,191,893
Diluted earnings per share	\$ 0.00	\$ 0.00

12. Segmented information:

(a) Operating segments:

The Company is engaged in providing linear corridor asset management and engineering solutions using innovative geospatial technology and all sales of the Company's services are made in this segment. Management makes decisions about allocating resources based on the one operating segment.

(b) Geographic information:

Approximately 80% of the Company's fixed assets are located in the United States of America. The Company earned revenue in the following countries based on the geographic location of the customer:

	Three months ended	
	January 31,	
	2006	2005
Canada	\$ 2,442	\$ -
United States	3,837,282	1,131,784
Europe	150,867	736,736
	\$ 3,990,591	\$ 1,868,520

OPTIMAL GEOMATICS INC.



Notes to the Consolidated Financial Statements

Three months ended January 31, 2006 and 2005

12. Segmented information (continued):

(c) Significant customers:

One customer accounted for more than 20% of revenue for the three month period ended January 31, 2006.

13. Comparative figures:

The Company has adopted the practice of allocating certain shared expenses, such as space occupancy costs (rent, taxes, operating costs) and support infrastructure (information and communication costs) to cost of sales and the operating departments using personnel assigned as the base metric. The practice commenced November 1, 2005 with the start of the 2006 fiscal year.

Certain comparative figures have been reclassified to conform to the basis of presentation adopted in the current period.