ESTEC SYSTEMS CORP.

Interim Consolidated Financial Statements
September 30, 2007 and 2006

NOTE: These interim financial statements have been prepared by management and have NOT been reviewed by our external auditors

Interim Consolidated Statement of Income and Deficit

ESTEC SYSTEMS CORP.

Quarters ended September 30, 2007 and 2006

	2007	2006
REVENUE	**$ 343,087**	**$ 451,026**
DIRECT EXPENSES	26,572	16,115
	316,515	434,911
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (See schedule on Page 15)	383,900	302,256
AMORTIZATION OF PROPERTY AND EQUIPMENT	5,648	6,685
AMORTIZATION OF PRODUCT DEVELOPMENT COSTS	-	4,853
LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	-	218
INCOME BEFORE INCOME TAXES	(73,033)	120,899
INCOME TAXES	-	41,106
NET INCOME	**(73,033)**	**79,793**
DEFICIT, BEGINNING OF YEAR	(1,153,798)	(1,125,752)
DEFICIT, END OF PERIOD	**(1,226,831)**	**(1,045,959)**
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (Note 11)		
Continuing Operations	**$ (.01)**	**$ .01**
Weighted average number of shares outstanding	10,461,429	10,461,429

Interim Consolidated Balance Sheet

ESTEC SYSTEMS CORP.

September 30, 2007 and June 30, 2007

ASSETS	**30 Sept. 2007**	**30 June 2007**
CURRENT ASSETS		
Accounts receivable	$ 359,806	$ 251,117
Unbilled revenue	56,562	51,266
Prepaid expenses	49,548	54,876
Income taxes receivable	10,000	10,000
	475,916	367,259
PROPERTY AND EQUIPMENT (Note 3)	88,706	94,354
GOODWILL (Note 5)	75,796	75,796
	$ 640,418	$ 537,409

LIABILITIES AND SHAREHOLDERS' DEFICIENCY	**30 Sept. 2007**	**30 June 2007**
CURRENT LIABILITIES		
Bank indebtedness (Note 6)	$ 143,839	$ 23,987
Accounts payable and accrued liabilities	164,377	108,051
	308,216	132,038
DUE TO RELATED PARTIES (Note 7)	326,770	326,907
	634,986	458,945
CONTINGENCY		
SHARE CAPITAL (Note 9)	1,232,263	1,232,263
DEFICIT	(1,226,831)	(1,153,799)
	(5,432)	78,464
	$ 640,418	$ 537,409

Anthony B. Nelson (signed)
director

David E. Wright (signed)
director

ESTEC SYSTEMS CORP.

September 30, 2007 and 2006

	2007	2006
CASH FLOW FROM OPERATING ACTIVITIES		
Income (loss) from continuing operations	$ (73,033)	$ 79,793
Items not affecting cash:		
Amortization of property and equipment	5,648	6,685
Amortization of product development costs	-	4,853
Loss on disposal of property and equipment	-	218
	(67,385)	91,549
Net change in non-cash working capital items (Note 12)	(52,330)	6,205
	(119,716)	97,754
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property and equipment	0	0
	0	0
CASH FLOW FROM FINANCING ACTIVITIES		
(Repayment to) Advances from related parties	(137)	(30,028)
	(137)	(30,028)
NET (INCREASE) DECREASE IN BANK INDEBTEDNESS	(119,853)	67,726
BANK INDEBTEDNESS, BEGINNING OF YEAR	(23,987)	(46,791)
CASH (BANK INDEBTEDNESS), END OF PERIOD	$ (143,839)	$ 20,935

ESTEC SYSTEMS CORP.
September 30, 2007 and 2006

Note 1
General

The Company owns and operates an engineering consulting firm and the principal operating subsidiary of the Company is Allan R. Nelson Engineering (1997) Inc.

The Company was incorporated under the Alberta Business Corporations Act and is listed with the TSX Venture Exchange.

Note 2
Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of many assets, liabilities, revenues and expenses are dependent upon future events, the preparation of financial statements for a reporting period necessarily involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Basis of Presentation
These consolidated financial statements are expressed in Canadian dollars and include the accounts of the Company and its wholly-owned subsidiary, Allan R. Nelson Engineering (1997) Inc.

As at June 30, 2007, ESTec Oilfield Inc. was amalgamated into Allan R. Nelson Engineering (1997) Inc.

Revenue Recognition
Sales revenue is comprised of revenues from consulting and engineering contracts. It is recorded as the related service is provided and as determined by the contract for services with the customer. Revenue from sales of computer software and hardware is recorded when the related products are delivered and collection is reasonably assured.

Note 2
Significant
Accounting Policies
Continued...

Work in Progress
Costs recoverable for services provided but not yet billed are shown as work in progress. Cost is measured based on the number of hours allocated to the job multiplied by the hourly payroll rate of the professional and the actual cost of associated disbursements.

Income Taxes
The Company follows the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. Changes to the balances are recognized in income when they are expected to occur. A valuation allowance is provided to the extent that it is more likely than not that future tax assets may not be realized in the near term.

Property and Equipment
Property and equipment are recorded at cost. Expenditures on major replacements, extensions and improvements are capitalized. The cost of maintenance, repairs and renewals or replacements, other than those of a major nature, are charged to expense as incurred. The Company provides for amortization at an annual rate, which will amortize the original cost to the estimated salvage value over the useful life of the assets.

Amortization is calculated using the declining balance method at the following annual rates:

	Rate
Computer hardware	20%
Computer software	30%
Equipment	20%
Office equipment	20%
Inspection equipment	20%

Note 2
Significant
Accounting Policies
Continued...

Deferred Development Costs

Deferred expenditures are expensed as incurred with the exception of costs, which meet criteria whereby the product is clearly defined and its costs are identifiable, the product is technically feasible, management has indicated their intention to produce and market the product, the future market for the product is clearly defined and adequate resources exist to complete the project. Engineering development costs are deferred and charged against revenues on a straight-line basis over five years commencing in the year that revenue is earned from the related development costs. If, at any time, it appears unlikely that capitalized development costs will be recovered through related future revenues, then the unamortized balance is written off as a charge to income in the year in which such a determination is made.

Goodwill

Goodwill represents the excess of the purchase price paid for Allan R. Nelson Engineering (1997) Inc. over the fair value of the net assets acquired.

Management annually reviews the valuation of this goodwill based on the estimated future cash flows of Allan R. Nelson Engineering (1997) Inc., taking into account any events and circumstances which might have impaired the fair value. It was concluded that no impairment exists in the value of the goodwill at September 30, 2007 or September 30, 2006.

In accordance with CICA Section 3062, the goodwill has not been amortized since adoption of this policy in 2002.

Stock based compensation

The Company has a 10% rolling stock option plan that provides for the issuance of stock options to key employees, directors and officers as described in Note 9. The value is recognized over the applicable vesting period as an increase to compensation expense and contributed surplus. When the options are exercised, the proceeds received by the Company, together with the amount in contributed surplus, would be credited to share capital.

Note 2
Significant
Accounting Policies
Continued...

Earnings per share
Earnings per share is calculated using the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method. Under the treasury stock method, deemed proceeds from potentially dilutive securities are considered to be used to acquire common shares at an average stock price during the year.

Shares provided as security for any share purchase financing agreement are excluded from the calculation for the basic earnings per share. These shares have not been included in dilutive earnings per share as the result is anti-dilutive.

Share Purchase Financing
Loans granted to purchase shares of the Company are accounted for as an asset, provided the following criteria are met:

a) the loan contains repayment terms and conditions in accordance with current arms length market terms;
b) the borrower has the ability to repay the loan;
c) the borrower is subject to recourse in the event of defaulting on the loan; and
d) management intention is to ensure repayment of the loan regardless of the share price of the company.

As these loans do not meet the above criteria, they are accounted for as a reduction in the share capital of the Company.

Statement of Cash Flow
The Company uses the indirect method of presentation in its statement of cash flow.

Note 2
Significant Accounting Policies Continued...

Measurement Uncertainty
The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates. The significant estimates pertain to the recoverability of accounts receivable and work in progress, the physical and economic lives of property and equipment, and the net recoverable value of deferred development costs and goodwill.

Note 3
Property and Equipment

			2007	**2006**
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	$ 97,403	$ 68,943	$ 28,460	$ 33,701
Computer hardware	64,404	32,127	32,277	33,130
Equipment	31,135	17,496	13,639	17,037
Office equipment	27,248	17,479	9,769	12,228
Inspection equipment	17,296	12,736	4,560	5,978
Automotive equipment	-	-	-	3,966
	$ 237,486	**$ 148,781**	**$ 88,705**	**$ 106,040**

Amortization provided for in the current year totaled $5,648, all of which relates to ongoing operations; (2006 - $6,685).

Note 4
Deferred
Development Costs

			2007	2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Engineering development costs	$ 100,905	$ 100,905	$ -	$ 8,705

Amortization provided for in the current year totaled $0; (2006 - $4,853).

Significant estimates have been made by management in assessing the net recoverable value of engineering development costs. Actual results could differ from those estimates.

Note 5
Goodwill

	2007	2006
Goodwill, at cost	$ 133,150	$ 133,150
Less accumulated amortization (prior to 2002)	57,354	57,354
	$ 75,796	$ 75,796

Note 6
Bank Indebtedness

Bank indebtedness is comprised of the following:

	2007	2006
Cash in bank	$ 19,463	$ 55,405
Outstanding Cheques	(38,302)	(34,470)
Bank operating lines	(125,000)	-
	$(143,839)	$ 20,935

The bank operating lines are authorized to a total of $250,000 with interest payable at prime plus 1.5%. A general security agreement and limited guarantees from directors and related parties in the amount of $187,500 have been pledged as collateral for the bank operating lines.

Note 7
Related Party Transactions and Balances

During the year, the Company had business transactions with corporations controlled by certain directors of the Company. These transactions, which were in the normal course of operations and measured at the exchange value agreed between the parties, are as follows:

	2007	**2006**
Payment of rent to a company controlled by certain directors	$ 22,500	$ 22,500
Due to directors, non-interest bearing, unsecured	167,859	168,780
Due to corporations controlled by directors, non-interest bearing, unsecured	158,911	169,352
	$326,770	$338,132
Less: current portion of due to related parties	-	2,441
	$326,770	$335,691

Loans payable to related parties in the amount of $ 326,770 (2006 - $ 338,132) have no fixed terms of repayment and the parties waived their right to receive any repayment in the current fiscal year, therefore these amounts have been classified as long term.

Included in trade accounts payable is $461 (2006 - $0) owing to a director.

Note 8
Income Taxes

Income taxes for the quarters are estimated by taking the profit of the company and using the statutory rate of 32.12%.

Note 9
Share Capital

Authorized:
200,000,000 common shares without par value

Issued shares:

	2007		2006	
	Number of Shares	Stated Capital	Number of Shares	Stated Capital
Balance - Beginning of year	10,461,629	$1,232,363	10,461,629	$1,273,533
Cancellation of shares			(274,467)	(41,170)
Balance – End of period	10,461,629	$1,232,363	10,461,629	$1,232,363

Demand share purchase loans
In July 2006, 274,467 shares were returned to treasury. The shares returned were in satisfaction of the demand share purchase loans. Because the stated capital reflects the impact of the share purchase loans, there is no change to the financial statement presentation.

Stock option plan
The Company has a 10% rolling stock option plan that provides for the issuance of stock options to key employees, directors, and officers. Stock options allow the holder to obtain one common share for each stock option exercised. Outstanding stock options will expire over a period ending no later than October 24, 2010. The Company has reserved 1,046,162 shares in Treasury to meet share options outstanding, less options already issued.

Note 9
Share Capital
Continued…

	2007			2006		
	Shares		Weighted Average Exercise Price	Shares		Weighted Average Exercise Price
Number of shares under option						
Beginning of year	300,000	$	0.10	575,000	$	0.19
Options granted	-		-			
Options exercised	-		-	-		-
Options cancelled or expired	-		-	(40,000)		0.27
End of period	300,000	$	0.10	535,000	$	0.18

Using the Black Scholes option pricing model, the fair value of the options noted above is $nil. No additional compensation expense was recorded.

At the end of the quarter, the following options were outstanding:

	Number of share options outstanding - Sept. 30, 2007	**Weighted average remaining contractual life (years)**
Exercise price per share		
$0.10	300,000	3.07

Note 10
Financial Instruments

Fair Value

The Company's financial instruments recognized in the consolidated balance sheet include accounts receivable, bank indebtedness, accounts payable and accrued liabilities. The fair value of these financial instruments approximate their carrying value due to the immediate or short-term maturity of these financial instruments. The fair value of the amounts due to and from related parties cannot be estimated, due to the uncertainty associated with the length of time until repayment.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade receivables and unbilled revenue. In the normal course of business, the Company evaluates the financial condition of its customers on a continuing basis and reviews the credit worthiness of all new customers. Management assesses the need for allowances for potential credit losses by considering the credit risk of specific customers, historic trends, and other information.

Interest rate risk

The Company's bank operating lines are subject to fluctuations in interest rates. Based on the amount of the operating line at September 30, 2007, fluctuations in the interest rate would not materially affect the operating results of the Company.

Note 11
Diluted (loss) per share

Options to purchase 300,000 common shares that were outstanding as of the quarter ended September 30, 2007 were included in the computation of diluted earnings per share. The effect of these options was not significant.

ESTEC SYSTEMS CORP.

September 30, 2007 and 2006

Note 12

Changes in non-cash working capital

	2007	2006
Accounts receivable	$(108,689)	$ 36,391
Work in progress	(5,296)	(22,320)
Prepaid expense	5,328	14,328
Accounts payable and accrued liabilities	56,327	(53,301)
Income taxes payable	-	31,107
	$ (52,330)	$ 6,205

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SCHEDULE OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

ESTEC SYSTEMS CORP.

September 30, 2007 and 2006

	2007	**2006**
Salaries and benefits	284,843	239,446
Advertising and promotion	24,679	4,051
Professional fees	22,698	(4,160)
Rent	22,500	22,500
Office supplies and maintenance	6,968	7,644
Insurance	5,652	13,338
Technology and telecommunications	4,405	5,177
Repairs and maintenance	3,867	2,042
Dues, memberships and business taxes	2,370	3,255
Office	2,146	0
Bank charges and interest	2,021	6,224
Public company compliance	1,463	2,446
Courier and freight	216	293
Misc. costs	72	0
	383,900	302,256