

OPEL INTERNATIONAL INC.

(formerly Tandem Resources Ltd.)
(a development stage company)

Consolidated Financial Statements
Years ended December 31, 2006 and 2005



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AUDITOR'S REPORT

To the Shareholders of
Opel International Inc. (formerly Tandem Resources Ltd.)
(a development stage company),

We have audited the consolidated balance sheet of Opel International Inc. (formerly Tandem Resources Ltd.) (a development stage company) as at December 31, 2006 and the consolidated statements of operations and deficit, shareholders' equity and cash flows for the year ended December 31, 2006. 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 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 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 December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements of Opel International Inc. as at December 31, 2005 and the statements of operations and deficit, shareholders' equity and cash flows for the year then ended were audited by other auditors who expressed an opinion without reservation on those financial statements in their report dated March 31, 2006 except as to note 8 of the 2005 financial statements which was dated July 2, 2006.

Smith Nixon LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
April 11, 2007

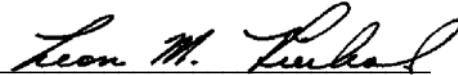
OPEL INTERNATIONAL INC.
(Formerly Tandem Resources Ltd.)
(A Development Stage Company)

CONSOLIDATED BALANCE SHEETS
(Expressed in US Dollars)

DECEMBER 31,	2006	2005
Assets		
Current		
Cash	\$ 117,022	\$ 2,160,002
Unbilled accounts receivables	156,657	73,985
Prepays and other current assets	37,700	-
Marketable securities (Note 4)	17,961	-
	329,340	2,233,987
Other assets	25,046	-
Equipment (Note 5)	239,518	137,745
Patents (Note 6)	175,503	191,133
Deferred share issue costs (Note 7)	343,675	-
	\$ 1,113,082	\$ 2,562,865
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 602,189	\$ 287,349
Notes payable to related parties (Note 12)	14,000	1,620,291
	616,189	1,907,640
Shareholders' Equity		
Share capital (Note 8(b))	2,368,854	1,966,266
Shares to be issued (Note 11)	1,433,408	-
Warrants (Note 9)	232,454	-
Contributed surplus (Note 10)	229,577	147,709
Deficit	(3,767,400)	(1,458,750)
	496,893	655,225
	\$ 1,113,082	\$ 2,562,865

On behalf of the Board of Directors


Robert G. Pico, Director


Leon M. Pierhal, Director

OPEL INTERNATIONAL INC.

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CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT (Expressed in US Dollars)

For The Years Ended December 31, 2006 and 2005

	2006	Cumulative from inception on December 29, 2000 to December 31,	
		2005	2006
Sales	\$ 1,100,424	\$ 821,260	\$ 3,939,821
Expenses			
Research and development	1,091,351	691,617	3,433,439
General and administration (note 11)	2,253,451	423,363	4,011,715
Interest expense	65,501	117,113	259,260
Other (income) expense	(1,229)	(1,405)	2,807
	3,409,074	1,230,688	7,707,221
Net loss	(2,308,650)	(409,428)	(3,767,400)
Deficit, beginning of year	(1,458,750)	(1,049,322)	-
Deficit, end of year	\$(3,767,400)	\$(1,458,750)	\$(3,767,400)
Basic and diluted loss per share (Note 13)	\$ (0.17)	\$ (0.04)	

OPEL INTERNATIONAL INC.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (Expressed in US Dollars)

For The Years Ended December 31, 2006 and 2005

	2006	Cumulative from inception on December 29, 2000 to December 31,	
		2005	2006
CASH (USED IN) PROVIDED BY			
OPERATING ACTIVITIES			
Net loss	\$(2,308,650)	\$ (409,428)	\$(3,767,400)
Adjustment for:			
Amortization of equipment	90,856	56,429	299,212
Amortization of patents	15,630	15,732	52,295
Other (income) expense	2,814	-	2,814
Stock option compensation (Note 10)	81,868	147,709	229,577
Listing delay penalty (Note 11)	216,000	-	216,000
	(1,901,482)	(189,558)	(2,967,502)
Net change in non-cash working capital:			
Unbilled accounts receivable	(66,619)	(33,314)	(140,604)
Prepaid and other assets	(34,806)	-	(34,806)
Deferred share issue costs	(343,675)	-	(343,675)
Accounts payable and accrued liabilities	292,428	166,709	579,578
	(2,054,154)	(56,163)	(2,907,009)
INVESTING ACTIVITIES			
Purchase of furniture and equipment	(192,629)	(84,443)	(538,730)
Purchase of patents	-	(2,000)	(227,798)
Cash acquired on reverse takeover	51,781	-	51,781
	(140,848)	(86,443)	(714,747)
FINANCING ACTIVITIES			
Repayment of notes payable to related parties	(5,000)	-	(5,000)
Proceeds from notes payable to related parties	14,000	325,754	1,634,295
Issue of common shares for cash, net of issue costs	143,022	1,958,375	2,109,483
	152,022	2,284,129	3,738,778
NET CHANGE IN CASH	(2,042,980)	2,141,523	117,022
CASH, beginning of year	2,160,002	18,479	-
CASH, end of year	\$ 117,022	\$ 2,160,002	\$ 117,022

OPEL INTERNATIONAL INC.
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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Expressed in US Dollars)

	<u>Shares issued and subscribed</u>		Warrant	Contributed	Shares to	Accumulated	Total
	<u># of Shares</u>	<u>Share Value</u>	<u>Value</u>	<u>Surplus</u>	<u>be issued</u>	<u>deficit</u>	
Balance from inception on December 29, 2000 to December 31, 2003	1,760,537	\$ 17,581,747	\$ -	\$ -	\$ -	\$ (17,141,204)	\$ 440,543
Shares issued on under private placement	100,000	86,000	-	-	-	-	86,000
Loss for the year	-	-	-	-	-	(393,850)	(393,850)
Balance at December 31, 2004	1,860,537	17,667,747	-	-	-	(17,535,054)	132,693
Issued for cash under private placement	5,037,500	2,518,750	-	-	-	-	2,518,750
Issued for repayment of advances from director	170,000	85,000	-	-	-	-	85,000
Black Scholes value of warrants on private placement	-	(922,255)	922,255	-	-	-	-
Issued for assignment of promissory notes and receivables	3,508,021	1,754,011	-	-	-	-	1,754,011
Black Scholes value of warrants issued on assignment	-	(621,308)	621,308	-	-	-	-
Loss for the year	-	-	-	-	-	(174,151)	(174,151)
Balance at December 31, 2005	10,576,058	20,481,945	1,543,563	-	-	(17,709,205)	4,316,303
Issued for cash under private placement, net of issue costs	792,500	396,250	-	-	-	-	396,250
Black Scholes value of warrants on private placement	-	(136,466)	136,466	-	-	-	-
Elimination of share capital of Tandem Resources LTD.	-	(20,741,729)	(1,680,029)	-	-	17,709,205	(4,712,553)
Share capital and equity carried forward on reverse takeover	-	5,972	-	229,577	-	(1,458,750)	(1,223,201)
Acquisition of net assets, net of issue costs (Note 2)	-	3,632,744	-	-	-	-	3,632,744
Black Scholes value of warrants assumed on RTO	-	(165,000)	165,000	-	-	-	-
Shares to be issued (Note 11)	-	(1,217,408)	-	-	1,217,408	-	-
Issued for cash under private placement	333,333	180,000	-	-	-	-	180,000
Black Scholes value of warrants on private placement	-	(67,454)	67,454	-	-	-	-
Listing delay penalty shares to be issued	-	-	-	-	216,000	-	216,000
Loss for the year	-	-	-	-	-	(2,308,650)	(2,308,650)
Balance at December 31, 2006	11,701,891	\$ 2,368,854	\$ 232,454	\$ 229,577	\$ 1,433,408	\$ (3,767,400)	\$ 496,893

OPEL INTERNATIONAL INC.
 (Formerly Tandem Resources Ltd.)
 (A Development Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

1. DESCRIPTION OF BUSINESS

Opel International Inc. (formerly Tandem Resources Ltd.) (the "Company"), incorporated in the Province of Ontario is in the development stage and is engaged principally in developing a gallium arsenide microchip and the process to produce it. The Company's research and development ("R&D") efforts relate to the commercialization of optical laser, infrared detection, and smart solar microchips using planar opto electronic technology ("POET"). Additionally, the Company is developing a concentrating solar panel. Through December 31, 2006, the Company has provided, incidental to its own extensive R&D activities, services under "fixed price" and "cost plus" R&D contracts exclusively with the Department of Defense of the United States of America. Such contracts relate to either preparing documentation on feasibility and/or developing product prototypes.

2. REVERSE TAKEOVER AND NAME CHANGE

On September 26, 2006, the shareholders of the Company approved a reverse takeover ("RTO") transaction with Opel Inc. a private, technology company incorporated under the laws of Delaware.

Under the terms of the RTO transaction, that commenced on December 30, 2005, the Company purchased newly issued Class A common shares from the treasury of Opel Inc. and purchased promissory notes payable by Opel Inc. from note holders in exchange for private placement units (refer to note 8). Effective with the approval of the RTO, the holders of Opel Inc's. 5,972,000 common shares, being all the shares not owned by the Company, were given the right to exchange each common share held in Opel Inc. into one common share of the Company. This was evidenced by the cancellation of all the common shares of Opel Inc. and the issuance of Exchangeable Shares of Opel Inc. (the "Exchangeable Shares") to the same holders, which was completed subsequent to December 31, 2006. The Exchangeable Shares cannot be transferred or sold unless exchanged into common shares of the Company. The effect of this share exchange along with other common shares of the Company held by shareholders of Opel Inc. and the effective control of the management of the Company by Opel Inc. resulted in the transaction being accounted for as a RTO. The RTO was accounted for as a capital transaction as the Company did not meet the definition of a business.

The comparative figures presented in the consolidated financial statements are those of Opel Inc.

The net assets acquired by the Company in the RTO at estimated fair values were as follows:

Cash	\$ 51,781
Other current assets	38,201
Other assets	26,849
Investment and loan receivable	4,579,969
Accounts payable	<u>(22,412)</u>
	4,674,388
Transaction cost	<u>(1,041,644)</u>
	<u>\$ 3,632,744</u>

As at December 31, 2006, the Company is obligated to do the following to complete the RTO:

In order to provide holders of the 5,972,000 Opel Inc. Exchangeable Shares with voting rights at the Company level pending exchange or redemption of the Exchangeable Shares, a special voting share of the Company will be created and issued to a Trustee on behalf of holders of the Exchangeable Shares. The special voting share will carry a number of votes equal to the number of Exchangeable Shares outstanding.

OPEL INTERNATIONAL INC.
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DECEMBER 31, 2006 and 2005

2. REVERSE TAKEOVER AND NAME CHANGE (Continued)

In conjunction with the RTO on September 26, 2006, the Company changed its name to Opel International Inc. and consolidated its shares on a 1:20 basis. The consolidation resulted in a reduction in the number of shares outstanding by 216,000,178. Unless otherwise stated, all information related to common shares, stock options and warrants have been retroactively adjusted to reflect this share consolidation.

The Company also agreed to assume, on substantially the same terms and conditions the 660,000 outstanding share purchase warrant and 3,030,000 stock options of Opel Inc. (Notes 9 and 10).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by management on the historical cost basis in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows:

Basis of presentation

These consolidated financial statements are expressed in United States dollars.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All intercompany transactions and balances have been eliminated on consolidation.

Use of estimates

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 consolidated financial statements and the reported amounts of revenues and expenses during the year. Significant estimates and assumptions relate to but are not limited to the following: stock based payments, warrant valuations, valuation allowances and impairment assessments. Actual results could differ from those estimates.

Marketable securities

Marketable securities represent short-term investments which are carried at the lower of the cost or quoted market value.

Revenue, Costs and Accounts Receivable Recognition

Revenues under cost plus R&D contracts are recognized as services are provided. Unbilled costs and fees are shown as unbilled accounts receivable. R&D costs are recognized as incurred, and accounts receivable are recognized when billed under the terms of the contracts. To December 31, 2006, all amounts billed have been collected.

OPEL INTERNATIONAL INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is calculated based on the estimated useful life of the asset using the following rates and methods:

Machinery and equipment - 28.6% or 40%, Declining Balance
Furniture and fixtures - 28.6% or 40%, Declining Balance
Office equipment - 28.6% or 40%, Declining Balance
Leasehold improvements - Straight Line, 5 years

Patents

Patents are recorded at cost and amortized on a straight line basis over their estimated finite useful lives which is estimated at 15 years. Ongoing maintenance costs are expensed as incurred. The expiry of the patents range from 6 - 11 years.

Impairment of long-lived assets

The Company evaluates the recoverability of long-lived assets, which include patents and equipment, for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or a significant adverse change that would indicate that the carrying amount of an asset or group of assets is not recoverable. This valuation is performed by comparing the carrying amounts of these assets to the related estimated undiscounted future cash flows expected to be derived from these assets. If these future cash flows are less than the carrying amount of the asset, then the carrying amount of the asset is written down to its fair value, based on the related estimated discounted future cash flows. While the Company believes that its estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect its evaluations of asset recoverability. There were no significant indicators of impairment of the carrying values of the Company's long-lived assets at December 31, 2006.

Stock-based compensation

Stock options and warrants awarded to non-employees are accounted for using the fair value method. Stock options and warrants awarded to employees on or after January 1, 2003 are accounted for using the fair value method. The fair value of stock options granted is recognized on a straight-line basis over the applicable stock option vesting period as compensation expense included in general and administrative expenses in the consolidated statements of loss and deficit and contributed surplus within shareholders' equity on the consolidated balance sheets. On the exercise of stock options, the total of the consideration received and the accumulated contributed surplus relating to those options is credited to share capital. Fair value is calculated using the Black-Scholes option pricing model with assumptions applicable at the date of grant.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, the future tax assets or liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized. Future tax assets and liabilities are measured using the substantively enacted tax rates and laws which are expected to be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce future income tax assets to the amount expected to be realized.

OPEL INTERNATIONAL INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss per share

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the year after giving effect to potentially dilutive financial instruments. The dilutive effect of stock options and warrants is determined using the treasury stock method.

4. MARKETABLE SECURITIES

	Shares	Market Value	Cost
Tribute Minerals Inc.	4,476	\$ 803	\$ 304
Yangarra Resources Inc.	3,578	896	289
Titanium Corporation Inc.	595	1,470	457
Richmond Minerals Inc. (1)	200,000	15,026	16,691
Other	-	-	220
Balance, December 31, 2006	208,649	\$ 18,195	\$ 17,961

(1) These shares have been pledged as collateral against a \$14,000 loan from a director. (Note 12)

5. EQUIPMENT

2006	Cost	Accumulated amortization	Net Book Value
Machinery and equipment	\$ 463,261	\$ 279,347	\$ 183,914
Furniture and fixture	43,593	6,229	37,364
Office equipment	30,859	13,433	17,426
Leasehold improvements	1,017	203	814
Balance, December 31, 2006	\$ 538,730	\$ 299,212	\$ 239,518

2005	Cost	Accumulated amortization	Net Book Value
Machinery and equipment	\$ 334,368	\$ 200,553	\$ 133,815
Office equipment	11,732	7,802	3,930
Balance, December 31, 2005	\$ 346,100	\$ 208,355	\$ 137,745

OPEL INTERNATIONAL INC.
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DECEMBER 31, 2006 and 2005

6. PATENTS

2006	Cost	Accumulated amortization	Net book value
Patents	\$ 227,361	\$ 51,858	\$ 175,503

2005	Cost	Accumulated amortization	Net book value
Patents	\$ 227,361	\$ 36,228	\$ 191,133

7. DEFERRED SHARE ISSUE COSTS

Prior to December 31, 2006, the Company initiated a private placement financing of up to \$9,000,000 (Refer to note 18). This financing is expected to close subsequent to December 31, 2006. Costs to date associated with this financing were \$343,675. These costs will be charged against the funds received on closing.

8. SHARE CAPITAL

- (a) AUTHORIZED
Unlimited number of common shares
- (b) COMMON SHARES ISSUED

	Number of Shares	Amount
Balance, December 31, 2004	1,860,537	\$ 17,667,747
Common shares issued, net of issue costs	5,037,500	2,518,750
Issued for repayment of advances from a director	170,000	85,000
Value assigned to warrants	-	(922,255)
Issued for assignment of promissory notes and receivables	3,508,021	1,754,011
Value assigned to warrants	-	(621,308)
Balance, December 31, 2005	10,576,058	20,481,945
Common shares issued, net of issue costs	792,500	396,250
Value assigned to warrants	-	(136,466)
	11,368,558	20,741,729
Elimination of share capital in Tandem Resources Ltd.	-	(20,741,729)
Acquisition of net assets, net of issue costs (note 2)	-	3,632,744
Proportion related to 5,972,000 shares to be issued	-	(1,217,408)
Value assigned to warrants at the date of acquisition	-	(165,000)
Share capital carryforward from Opel Inc.	-	5,972
Common shares issued for cash, net of issue costs	333,333	180,000
Value assigned to warrants	-	(67,454)
Balance, December 31, 2006	11,701,891	\$ 2,368,854

OPEL INTERNATIONAL INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

8. SHARE CAPITAL (Continued)

On December 30, 2005, the Company completed a private placement of 5,207,500 units at \$0.50 per unit. Each unit is comprised of one common share of the Company and one common share purchase warrant, being exercisable at a price of 0.75 per warrant, expiring on December 30, 2008. Within this private placement, 170,000 of the units were issued to a director to repay \$85,000 of cash advances made to the Company during 2005 and 250,000 units were issued to the same director for \$210,000. The Company received net proceeds of \$2,518,750 from this financing. The fair value of the warrants was estimated to be \$922,255.

On December 30, 2005, the Company issued 3,508,021 units at \$0.50 per unit for the assignment of \$1,754,011 promissory notes including accrued interest receivable of \$91,644 from OPEL Inc. Each unit consisted of one common share of the Company and one common share purchase warrant being exercisable at a price of \$0.75 per warrant, expiring on December 30, 2008. The fair value of warrants was estimated to be \$621,308.

On February 15, 2006, the Company completed a private placement of 792,500 of the Company at \$0.50 per unit for gross proceeds of \$396,250. Each unit is comprised of one common share of the Company and one common share purchase warrant, being exercisable at a price of \$0.75 per warrant, expiring on December 30, 2008. This concluded Tranche 1 of the private placement under the proposed reverse take-over transaction (refer to note 11). The fair value of the warrants was estimated to be \$136,466.

On November 20, 2006, the Company issued under a private placement 333,333 units at a cost of \$0.60 per unit for net proceeds of 180,000. Each unit is comprised of one common share of the Company and one-half common share purchase warrant to purchase one common share of the Company until November 20, 2009 at a price of \$1.00 per share. The Company also issued 33,333 broker warrants to purchase common shares of the Company at a price of \$0.60. The fair value of the warrants and broker warrants was estimated at \$56,326 and \$11,128 respectively.

The fair value of the warrants issued in 2006 and 2005 were estimated using the Black-Scholes option pricing model. The assumptions used were as follows:

	<u>2006</u>	<u>2005</u>
Risk-free interest rate	4.6%	2.33%
Dividend yield	0%	0%
Volatility	70%	100%
Estimated life	3 years	1 year

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9. WARRANTS

The following table reflects the continuity of warrants:

	Average exercise price	Number of warrants	Black-Scholes value
Balance, December 31, 2004	\$ 1.66	62,250	\$ -
Issued	0.75	8,715,521	1,543,563
Expired	1.66	(12,250)	-
Balance, December 31, 2005	0.75	8,765,521	1,543,563
Issued	0.75	792,500	142,101
Elimination of share warrant value on RTO		-	(1,685,664)
Value of broker warrants assumed on RTO	0.50	660,000	165,000
Issued	0.75	166,667	56,326
Broker warrants issued	0.60	33,333	11,128
Expired	-	(50,000)	-
Balance, December 31, 2006	\$ 0.73	10,368,021	\$ 232,454

As at December 31, 2006 the following warrants were outstanding:

	Number of Warrants	Fair Value (\$)	Exercise Price (\$)	Expiry Date
Broker warrants	9,508,021	-	0.75	December 30, 2008
Broker warrants	660,000	165,000 (1)	0.50	December 30, 2008
Broker warrants	166,667	56,326	0.75	November 20, 2009
Broker warrants	33,333	11,128 (2)	0.60	November 20, 2009
	10,368,021	232,454		

(1) Refer to note 2

(2) The expiry date of these warrants is subject to regulatory approval.

The 660,000 Broker warrants assumed during the RTO were valued at \$165,000. The warrants were valued using the Black-Scholes option pricing model using the following assumptions; risk-free interest rate of 4.74%, volatility factor of 70%, dividend yield of 0% and an expected life of 3 years.

10. STOCK OPTIONS AND CONTRIBUTED SURPLUS

The Company has a stock option plan (the "Plan") in place under which the board of directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and technical consultants. The number of shares that can be issued under the plan cannot exceed 10% of the total number of outstanding common shares. The options under the plan vest immediately upon issue.

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10. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

Stock option transactions and the number of stock options outstanding under the plan are as follows:

	Number of stock options		Weighted average exercise price	
	2006	2005	2006	2005
	\$			
Opening Balance	30,000	-	1.66	-
Options expired	(15,000)	-	1.66	-
Options assumed on RTO	3,030,000 (1)	-	0.15	-
Options granted	-	30,000	-	1.66
Closing balance	3,045,000	30,000	0.16	1.66

(1) Refer to note 2

On May 4, 2005, the Company granted 30,000 stock options with an exercise price of \$1.66 per share, expiring May 4, 2007. The stock options vested on the date of the grant. The stock options were fair valued on the date of grant using the Black Scholes option pricing model, with volatility at 27%, a risk free rate of 2.23% and expected life of 2 years, there was no value attributed to these options.

During the year, no options were granted or exercised, however, 15,000 options expired.

The Company assumed 3,030,000 stock options of Opel Inc. on the RTO. Included in the options assumed were the 330,000 stock options granted in 2006 (2005 - 2,700,000) to employees and consultants to purchase common shares at a price of \$0.50 for a period of 7 years from the date of grant. The estimated value of the 330,000 options was \$81,868 (2005 - 2,700,000 options - \$147,709). The stock options valued using the Black-Scholes option pricing model using the following assumptions; volatility, 70%; risk-free interest rate, 4.74%; dividend yield, 0%; and expected life of 7 years (2005 - volatility, 70%; risk-free interest rate, 4%; dividend yield, 0%; and expected life of 3 years).

All options outstanding at December 31, 2006 are fully vested and are exercisable.

Details of the stock options outstanding at December 31, 2006 and 2005 were as follows:

2006

Value (\$)	Exercisable Options	Number of Options	Exercise Price (\$)	Expiry Date
-	15,000	15,000	1.66	May 4, 2007
-	1,800,000	1,800,000	0.001	March 14, 2010
32,824	200,000	200,000	0.25	May 15, 2012
65,648	400,000	400,000	0.25	May 18, 2012
49,237	300,000	300,000	0.50	December 30, 2012
76,906	310,000	310,000	0.50	March 15, 2013
4,962	20,000	20,000	0.50	June 26, 2013
229,577	3,045,000	3,045,000		

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10. STOCK OPTIONS AND CONTRIBUTED SURPLUS (Continued)

2005

Value (\$)	Exercisable Options	Number of Options	Exercise Price (\$)	Expiry Date
-	30,000	30,000	1.66	May 4, 2007
-	1,800,000	1,800,000	0.001	March 14, 2010
32,824	200,000	200,000	0.25	May 15, 2012
65,648	400,000	400,000	0.25	May 18, 2012
49,237	300,000	300,000	0.50	December 30, 2012
147,709	2,730,000	2,730,000		

The following table reflects the continuity of contributed surplus:

	Amount
Balance, December 31, 2004	\$ -
Stock compensation in 2005	147,709
Balance, December 31, 2005	147,709
Stock compensation in 2006	81,868
Balance, December 31, 2006	\$ 229,577

11. SHARES TO BE ISSUED

Pursuant to the RTO agreement, the Company is obligated to issue 5,972,000 shares to common shareholders of Opel Inc. in exchange for their 5,972,000 Exchangeable Shares of Opel Inc. The net acquisition of Tandem has been apportioned as at the RTO date based on the number of shares issued including the reserve of 5,972,000 shares to be issued after giving effect to the 480,000 penalty shares that had accrued to the date of the RTO. The value ascribed to the 5,972,000 shares to be issued was \$1,217,408.

As at December 31, 2006, the Company is obligated to issue 840,000 shares to the Tranche 1 private placement investors (refer to note 8) arising from the Company not obtaining a listing on the TSX Venture Exchange by May 31, 2006. The Company is obligated to issue 120,000 shares for each month the Company remains unlisted. 480,000 of the shares that had accrued to the date of the RTO and the capital has been eliminated as part of the RTO accounting. The 360,000 shares that have accrued since the RTO were valued at \$216,000 and have been charged to general and administration expense.

12. RELATED PARTY TRANSACTIONS

On October 30, 2006, a Director loaned \$14,000 to the Company for a period ending April 30, 2007 at an interest rate of prime plus 1%. A loan agreement was entered into with the Company and 200,000 shares of Richmond Minerals Inc. were pledged as collateral.

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13. PER SHARE AMOUNTS

	2006	2005
Numerator		
Net loss	\$ (2,308,650)	\$ (409,428)
Denominator		
Weighted average number of common shares outstanding	13,649,306	9,480,021
Weighted average number of common shares outstanding - diluted	16,011,308	9,480,021
Basic and diluted loss per share	\$ (0.17)	\$ (0.04)

The denominator includes the 5,972,000 of shares to be issued (refer to note 11).

The effect of common share purchase options, warrants, broker warrants and shares to be issued on the net loss in 2006 and 2005 is not reflected as it is anti-dilutive.

14. LEASES

The Company has operating leases for office and research facilities. The lease for office facilities was entered into in 2006; the lease for the research facility was entered into in 2005 and amended in 2006.

Rent expense under these leases was \$31,214 for 2006 and \$25,450 for 2005. Further, as of December 31, 2006, the remaining minimum annual rental payments to the lease expiration dates were:

2007	\$ 46,796
2008	30,846
2009	32,592
2010	32,592
2011	12,222
	\$ 155,048

15. LICENSE AGREEMENT WITH UNIVERSITY OF CONNECTICUT

The Company has a license agreement with the University of Connecticut for certain intellectual property (the "Intellectual Property"). The license agreement expires when the last patent included in the Intellectual Property expires or otherwise becomes invalid. Under the license agreement the Company is obligated to pay fees based on sales and sublicense revenues, both as defined.

The Company is obligated to pay a fee of \$50,000 following the first year sales exceed \$100,000. Subsequently, the fee increases in increments of 25% for the third year and every second year thereafter. The maximum fee payable in any year is \$1,000,000.

The Company is also obligated to pay a fee annually of 30% of the sublicense revenues it receives from the Intellectual Property through April 28, 2007.

Under the above license agreement, no expense was required to be recognized for any year presented.

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16. INCOME TAXES

The following table reconciles the expected income tax recovery at the combined United States and Canadian statutory income tax rate of 34% and 36.12% respectively. (2005 - 34% and 36.12%) to the amounts recognized in the consolidated statements of operations.

	2006	2005
Net loss reflected in consolidated statements of operations	\$ 2,308,650	\$ 409,428
Expected income tax recovery at combined statutory rates	\$ 834,000	\$ 148,000
Decrease from:		
Amounts not deductible for tax purposes	(106,000)	(50,000)
Valuation allowance	(728,000)	(98,000)
Income tax recovery recognized	\$ -	\$ -

The following table reflects future income tax assets at December 31, 2006 and 2005:

	2006	2005
Resource assets	\$ 358,000	\$ 385,000
Canadian non-capital losses	516,500	457,500
US non-capital losses	973,500	606,000
	1,848,000	1,448,500
Valuation allowance	1,848,000	1,448,500
Future income tax assets recognized	\$ -	\$ -

In addition to capital losses of \$4,202,000 (CDN \$4,696,000) and resource pools of \$1,066,000 (CDN \$1,191,000) which have no expiry date, the Company had United States and Canadian tax loss carryforwards of \$2,372,000 and \$1,533,000 (CDN \$1,713,000) respectively which will expire between 2007 and 2026 if not used.

17. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, payables and notes payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company estimates that the fair value of these instruments approximate the carrying values due to their short term nature.

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18. SUBSEQUENT EVENTS

On January 30, 2007, the Company closed a convertible debenture financing of \$2,000,000 which had been committed by an investor in early December. The debenture matures January 30, 2009, pays interest at the rate of 1% per month (increasing to 1.5% per month if certain events have not occurred by June 30, 2007), and upon completion of a minimum of \$5,500,000 equity financing and listing on a Canadian exchange, will be convertible at the option of the lender into either a special warrant or units at \$0.40 per unit, each unit will comprise one common share of the Company and one-half common share purchase warrant to purchase additional shares at \$0.60 per share for a period of 3 years from the date of conversion.

During the period March 9, 2009 to April 11, 2007, the Company also completed an equity financing of 9,720,370 units of the Company at a price of \$0.60 for gross proceeds of \$5,832,222. Each unit is comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable into common shares of the Company at a price of \$1.00 for a period of 3 years. Of this financing, 5,681,700 units are held in escrow with IBK Capital until such time as the TSX Venture Exchange has set the date of listing.

In connection with these financings, commissions of \$783,222 were paid or are payable and 1,472,037 broker warrants were issued or are issuable. Each broker warrant is exercisable into common shares of the Company at a price of \$0.60 per share for a period of 2 years from the date of listing on the TSX Venture Exchange.