

Overlord Financial Inc.
Consolidated Financial Statements
For the years ended December 31, 2004 and
2003

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Auditors' Report

To the Shareholders of Overlord Financial Inc.

We have audited the consolidated balance sheets of Overlord Financial Inc. as at December 31, 2004 and 2003, and the consolidated statements of operations and deficit and cash flows 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 December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Signed BDO Dunwoody LLP"

Chartered Accountants

Calgary, Alberta
March 22, 2005

**Overlord Financial Inc.
Consolidated Balance Sheets**

As at December 31	2004	2003
Assets		
Current		
Cash and cash equivalents	\$ 1,445,973	\$ 3,192,794
Accounts receivable	30,413	60,645
Prepaid expenses	82,314	-
	<u>1,558,700</u>	<u>3,253,439</u>
Prepaid deposits	38,101	52,231
Long-term investments, at cost (Note 3)	2,244,049	1,627,499
Property and equipment (Note 4)	104,792	123,952
	<u>\$ 3,945,642</u>	<u>\$ 5,057,121</u>

Liabilities and Shareholders' Equity

Current		
Accounts payable and accrued liabilities	\$ 104,604	\$ 40,833
Debentures (Note 7)	250,000	-
	<u>354,604</u>	<u>40,833</u>
Shareholders' equity		
Share capital (Note 8(b))	9,963,248	9,963,248
Contributed surplus (Note 9)	258,396	183,396
Deficit	(6,630,606)	(5,130,356)
	<u>3,591,038</u>	<u>5,016,288</u>
	<u>\$ 3,945,642</u>	<u>\$ 5,057,121</u>

Approved on behalf of the Board:

Signed "Marcel Tremblay"
Marcel Tremblay

Signed "Marc-Andre Elie"
Marc-Andre Elie

Overlord Financial Inc.
Consolidated Statements of Operations and Deficit

For the years ended December 31	2004	2003
Revenue		
Advisory fees	\$ -	\$ 45,052
Interest income	59,131	120,553
Management fees	1,947	-
Dividend and royalty income	16,098	-
Gain on sale of investments	61,065	-
	<u>138,241</u>	<u>165,605</u>
Expenses		
Amortization	35,444	33,183
Business promotion	32,491	26,956
Business taxes	12,814	13,433
Consulting	223,589	49,317
Debenture interest	15,353	-
Insurance	8,599	-
Office	76,382	74,347
Professional fees	210,520	284,875
Project identification costs (Note 2(k))	123,807	20,595
Rent	219,180	222,809
Travel	229,480	211,258
Stock compensation	75,000	-
Salaries and benefits	370,163	620,203
Shareholder expenses	25,655	20,523
	<u>1,658,477</u>	<u>1,577,499</u>
Loss from continuing operations	(1,520,236)	(1,411,894)
Income (loss) from discontinued operations (Note 10)	19,986	(2,356)
Net loss for the year	(1,500,250)	(1,414,250)
Deficit, beginning of year	(5,130,356)	(3,716,106)
Deficit, end of year	\$ (6,630,606)	\$ (5,130,356)
<hr/>		
Loss per share – basic and diluted	\$ (0.038)	\$ (0.037)
Weighted average number of shares – basic	39,029,459	38,713,021

Overlord Financial Inc.
Consolidated Statements of Cash Flows

For the years ended December 31	2004	2003
Cash flows from operating activities		
Loss from continuing operations	\$ (1,520,236)	\$ (1,411,894)
Adjustments for:		
Amortization	35,444	33,183
Gain on sale of investments	(61,065)	-
Stock compensation	75,000	-
Cash flow (deficiency) from continuing operations	<u>(1,470,857)</u>	<u>(1,378,711)</u>
Income (loss) from discontinued operations	19,986	(2,356)
Cash flow from discontinued operations	<u>19,986</u>	<u>(2,356)</u>
Cash flow from operations	(1,450,871)	(1,381,067)
Changes in non-cash working capital balances		
Accounts receivable	30,232	123,103
Prepaid expenses	(82,314)	-
Accounts payable and accrued liabilities	63,771	2,292
	<u>(1,439,182)</u>	<u>(1,255,672)</u>
Cash flows from investing activities		
Prepaid expenses	14,130	305
Acquisition of property and equipment	(16,284)	(18,790)
Proceeds on disposal of long-term investments	102,015	(727,500)
Long-term investments acquired	(657,500)	(399,999)
Short-term investment	-	600,000
	<u>(557,639)</u>	<u>(545,984)</u>
Cash flow from financing activities		
Proceeds from exercise of stock options	-	210,000
Issuance of debentures	250,000	-
	<u>250,000</u>	<u>210,000</u>
Decrease in cash and cash equivalents	(1,746,821)	(1,591,656)
Cash and cash equivalents, beginning of year	<u>3,192,794</u>	<u>4,784,450</u>
Cash and cash equivalents, end of year	\$ 1,445,973	\$ 3,192,794

Overlord Financial Inc.
Notes to Consolidated Financial Statements

December 31, 2004 and 2003

1. Nature of Operations

Overlord Financial Inc. (the "Company") is a public company incorporated under the Business Corporations Act (Alberta) that was engaged in production, development and exploration of oil and natural gas in Canada. During 2001, the Company discontinued its oil and gas activities and implemented a new business plan. The Company's future business focuses on managing energy-related investment funds and assets.

2. Significant Accounting Policies

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. 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 notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries from the date of acquisition or incorporation.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less.

(c) Long-term investments

Long-term investments are carried at the lower of cost and market value. Investments are only written down if there is a permanent decline in market value. The assigned valuation of private companies held in the investment portfolio is determined by a recent third party transaction when available. If a recent transaction has not occurred, valuation is determined in accordance with guidelines established that are based upon generally accepted valuation parameters.

(d) Property and equipment

Property and equipment are recorded at cost. Amortization, based on the estimated useful life of the assets to their residual value, is as follows:

Office equipment, furniture and fixtures	- 20% declining balance
Computer	- 30% declining balance
Leasehold improvements	- straight line over the term of the lease
Artwork	- Nil

(e) Revenue

Advisory fee revenue is recognized upon the completion of agreement milestones. Investment income is recognized when, a dividend is declared or when an investment is sold or when interest income is earned.

Overlord Financial Inc.
Notes to Consolidated Financial Statements

December 31, 2004 and 2003

2. Significant Accounting Policies - continued

(f) Financial instruments

The Company carries a number of financial instruments as detailed on the balance sheet. Unless otherwise disclosed, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

(g) Loss per share

Loss per share is calculated using the weighted average number of shares outstanding during the year. The treasury stock method is used to determine the effect of dilutive instruments, in accordance with new standards approved by the Canadian Institute of Chartered Accountants.

(h) Future income taxes

The Company uses the liability method of accounting for income taxes. Under this method, future income tax liabilities and future income tax assets are recorded based on temporary differences, the difference between the carrying amount of an asset and liability in the balance sheet and its tax basis, the carry forward of unused tax pools and unamortized share issue costs. Future income tax assets and liabilities are measured using income tax rates expected to apply on the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period that the change is substantially enacted. Future income tax assets are evaluated and if realization is not considered "more likely than not", a valuation allowance is provided.

(i) Stock-based compensation plan

Effective January 1, 2002, the Company adopted the recommendations of the CICA Handbook Section 3870, Stock-based compensation and stock-based payments. This section requires that direct awards of stock and liabilities based on the price of the common stock be measured at fair value at each reporting date, with the change in fair value reported in the statements of operations and deficit, and encourages, but does not require, the use of the fair value method for all other types of stock-based compensation plans. In accordance with the recommendations, the Company used the intrinsic method to recognize stock based compensation to employees. None of the company's plans qualify as direct awards of stock or as plans that create liabilities based on the price of the Company's stock.

In 2003, the Company adopted the new recommendation of the CICA Handbook to record the fair value of all compensation expenses when stock or stock options are issued after January 1, 2003 under the plan.

(j) Measurement uncertainty

The amounts recorded for stock-based compensation and fair value for long-term investments are based on estimates. The Black Scholes model is based on estimates of assumptions for expected volatility and risk-free interest rates. The fair value of long-term investments is based on assumptions for possible effects of price fluctuations. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Overlord Financial Inc.
Notes to Consolidated Financial Statements

December 31, 2004 and 2003

2. Significant Accounting Policies - continued

(k) Project identification costs

The Company incurred expenses related to the set up and financing of certain projects expected to close in 2005. While it is management's intention to pursue these projects, there are no firm commitments at December 31, 2004, and therefore these costs have been expensed. Any recoveries of these costs will be recorded in the period realized.

3. Long-Term Investments

	2004	2003
1,196,833 Common shares of Sonomax Hearing Healthcare Inc. (less than 5% of voting shares) (quoted market value \$418,892) ⁽¹⁾	\$ 359,049	\$ 399,999
1,151,190 Common shares of ExAlta Energy Inc. (less than 5% of voting shares) ⁽²⁾	1,227,500	1,227,500
250,000 Common shares of Contact Exploration Ltd. (less than 5% of voting shares) (quoted market value \$100,000) ⁽¹⁾	100,000	-
25,000 Wisevest Income Fund units (quoted market value \$270,268)	250,000	-
Sonomax convertible promissory note, unsecured, 10%, due April 1, 2009, conversion prices varies from \$0.85 to \$1.50 based on timing of conversion	150,000	-
Parson's Pond Investment, farmout agreement to participate in test drilling of oil and gas well with a 10% working interest in lands and title documents (16.67% of the first \$900,000 of expenditures, 10% on costs thereafter)	157,500	-
	\$2,244,049	\$1,627,499

⁽¹⁾ Quoted trading prices are based on the last traded price of the security or closest to December 31, 2004. The fair value of these securities may differ from the quoted trading price due to the effect of market fluctuations and adjustment for quantities traded.

⁽²⁾ Market value not disclosed as there is no quoted price for the company's shares.

4. Property and Equipment

	2004			2003		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer	\$ 65,297	\$ 35,096	\$ 30,201	\$ 52,894	\$ 22,820	\$ 30,074
Leasehold	87,760	52,986	34,774	87,295	36,832	50,463
Furniture & Fixtures	37,699	26,892	10,807	37,699	23,289	14,410
Office Equipment	42,736	29,003	13,733	39,320	25,592	13,728
Artwork	15,277	-	15,277	15,277	-	15,277
Net book value	\$ 248,769	\$ 143,977	\$ 104,792	\$ 232,485	\$ 108,533	\$ 123,952

Overlord Financial Inc.
Notes to Consolidated Financial Statements

December 31, 2004 and 2003

5. Loan Facility

The Company has a direct revolving reducing loan facility of up to \$150,000 (2003 - \$150,000). The loan bears interest at prime plus one quarter percent per annum, and is secured by hypothecation of a \$2,000,000 demand debenture, creating a first floating charge over all the assets and undertaking of the Company. At December 31, 2004, the Company had drawn \$Nil on the loan facility.

6. Income Taxes

The income tax provision on the statements of operations and deficit differs from the expected income tax provision as follows:

	<u>2004</u>	<u>2003</u>
Expected recovery at an effective rate of 39%	\$ (571,132)	\$ (551,550)
Add (deduct) effects of:		
Stock compensation	15,285	-
Gain on sale of investments	11,908	-
Expired losses	11,661	-
Change in valuation allowance	495,187	546,400
Other permanent differences	37,091	5,150
	<u>\$ -</u>	<u>\$ -</u>

At December 31, 2004, the Company had approximately \$4,217,000 (2003 - \$2,716,555) of non-capital loss carryover balances, which commence expiring in 2005. In addition, the Company has capital cost pools, resource pools and deferred financing cost pools of \$139,400 (2003 - \$171,600) in excess of carrying values to deduct against future taxable income. No future tax asset has been recorded for these available losses and tax pools as their ultimate utilization is not considered more likely than not.

7. Debentures

In May 2004, the Company's wholly-owned subsidiary, Juno Canada Holdings Ltd., issued debentures for \$250,000 cash. Of this amount, the \$100,000 debenture is unsecured and bears interest at 13.5% per annum, which is payable quarterly commencing September 30, 2004. The remaining \$150,000 debenture is collateralized by Juno's investments in the Wisevest Income Fund units (Note 3) and bears interest 7% per annum, which is payable quarterly commencing September 30, 2004. Both debentures mature May 11, 2012.

Overlord Financial Inc.
Notes to Consolidated Financial Statements

December 31, 2004 and 2003

8. Share Capital

(a) Authorized
Unlimited number of Common voting shares

(b) Issued
Common shares

	2004		2003	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	39,029,459	\$ 9,963,248	37,979,459	\$ 9,753,248
Stock options exercised	-	-	1,050,000	210,000
Balance, end of year	39,029,459	\$ 9,963,248	39,029,459	\$ 9,963,248

(c) Options

The Company has a stock option plan for employees, directors, officers and consultants. Stock options can be issued up to a maximum number of common shares equal to 10% of the issued and outstanding common shares of the Company. The exercise price and vesting period of options granted is not less than the market price of the common shares traded and is determined by the Board of Directors. Options granted can have a term of up to 5 years.

The Company has granted stock options to employees, directors, officers and consultants of the Company as follows:

	Number of Shares	Option Prices per Share \$	Weighted Average Exercise Price \$	Weighted Average Remaining Term	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable \$
Options outstanding, Dec. 31, 2002	1,050,000	0.20	0.20	-	-	-
Options exercised	(1,050,000)	0.20	0.20	-	-	-
Options outstanding, Dec. 31, 2003	-	-	-	-	-	-
Options granted, September 2004	3,600,000	0.28	0.28	4.7 years	-	-
Options outstanding, Dec. 31, 2004	3,600,000	0.28	0.28	4.7 years	-	-

Options granted on September 13, 2004, vest one third on September 13, 2005, one third on September 13, 2006 and one third on September 13, 2007. The Company recorded stock compensation expense of \$75,000 for the year ended December 31, 2004 using the Black-Scholes model assuming a risk free rate of 3.5%, volatility of 70%, dividend yield Nil and a term of 5 years. Total fair value of the options issued was \$393,749.

Overlord Financial Inc.
Notes to Consolidated Financial Statements

December 31, 2004 and 2003

9. Contributed Surplus

	<u>2004</u>	<u>2003</u>
Balance, beginning of year	\$ 183,396	\$ 183,396
Stock compensation	<u>75,000</u>	<u>-</u>
Balance, end of year	<u>\$ 258,396</u>	<u>\$ 183,396</u>

10. Discontinued Operations

The oil and gas related activities were discontinued effective October 9, 2001. The net income (loss) from discontinued operations consists of:

	<u>2004</u>	<u>2003</u>
Oil and gas sales, net of royalties	\$ 19,986	\$ 2,039
Operating costs	<u>-</u>	<u>(4,395)</u>
	<u>\$ 19,986</u>	<u>\$ (2,356)</u>

All the net assets of the discontinued operations held for disposal were written off in 2002.

11. Related Party Transactions

Except as disclosed elsewhere in the financial statements, the Company had the following related party transactions:

- (a) During 2004, the Company incurred legal expenses and disbursements of \$214,765 (2003 - \$264,650) to a law firm in which a former director of the Company was a partner. Of this amount, \$182,820 is included in professional fees and \$31,945 is included in project identification costs.
- (b) During 2004, the Company paid consulting fees and travel expenses for Basek Consulting Ltd. of \$86,435 (payable of \$38,215) and Basek Holdings Inc. of \$2,091 (payable of \$2,091). The companies are owned directly, or indirectly, by the President of Juno Canada Holdings Ltd., a wholly-owned subsidiary of Overlord Financial Inc.
- (c) During 2004, included in project identification costs, the Company incurred legal, audit and filing costs in the amount of \$123,807 related to the filing of the preliminary prospectus for Catapult Limited Partnership I whereby a wholly-owned subsidiary of the Company is the general partner (Note 15 (b)).

All related party transactions are in the normal course of operations and have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties.

Overlord Financial Inc.
Notes to Consolidated Financial Statements

December 31, 2004 and 2003

12. Financial Instruments

As disclosed in Note 2(f), the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to credit risk and interest rate risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

Credit risk

At December 31, 2004, the Company held all of its cash at a Canadian chartered bank, and as such was exposed to all of the risks of that institution. Management manages this risk by banking with a recognized financial institution. In addition, the Company's long-term investments were held in two companies, as such, the Company is exposed to concentrations of risk from these companies.

Interest rate risk

The Company's fixed rate debt is subject to interest rate price risk, as the value will fluctuate as a result of changes in market rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates.

At December 31, 2004, the increase or decrease in net losses for each 1% change in interest rates on floating rate debt amounts to approximately \$2,500 (2003 - \$Nil) per annum.

The related disclosure regarding these debt instruments is found in Note 5 and 7 to these financial statements.

13. Statement of Cash Flows

In 2004, the cash interest paid was \$9,353 (2003 - \$Nil).

14. Commitments

(a) The Company is committed to leased office premises with future base rent payments as follows:

2005	\$	125,825
2006		155,540
2007		164,428
2008		168,872
2009		173,316
2010		88,880
	<u>\$</u>	<u>876,861</u>

The Company is also required to pay their proportionate share of operating and property tax costs for the premises.

Overlord Financial Inc.
Notes to Consolidated Financial Statements

December 31, 2004 and 2003

14. Commitments - continued

- (b) The Company has agreed to indemnify certain individuals, who have acted at the Company's request to be an officer or director of the Company, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individual as a result of their service. The nature of the indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to the beneficiary of such indemnification agreement. The Company has purchased various insurance policies to reduce the risks associated with such indemnification.
 - (c) The Company is committed to payments of approximately \$38,500 per month under existing consulting agreements. The remaining commitment at December 31, 2004 approximates \$265,500.
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15. Subsequent Events

- (a) Subsequent to year end, the Company completed a non-brokered private placement financing for gross proceeds of \$2,000,000 via the issuance of 5,000,000 units at a price of \$0.40 per unit. The units were subscribed for by a company owned and controlled by an officer of one of the Company's subsidiaries. Each unit is comprised of one common share of the Company and one-fifth of one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.60 on or before March 28, 2006.
 - (b) Subsequent to year end, Catapult Energy 2004 Inc., a wholly-owned subsidiary of the Company, filed a preliminary prospectus pursuant to an initial public offering by the Catapult Energy Limited Partnership I, through agents, of a minimum of 1,500,000 Units and a maximum of 2,500,000 Units at \$10 per Unit ("the Offering"). The agents' fee will be 6.75% of the gross proceeds. The agents will also be paid a due diligence and administration fee of \$15,000 and all reasonable expenses incurred in connection with the Offering. There will also be an over-allotment option of up to 20% of the aggregate number of Units sold under the Offering, exercisable for 60 days after the closing of the Offering.
 - (c) Subsequent to year end, Sword Energy Ltd. ("SEL"), a private corporation, was incorporated as an oil and gas exploration company managed by Sword Management Inc., a wholly-owned subsidiary of the Company. The Company acquired 250,000 shares of SEL at \$1.00 per share for cash consideration of \$250,000. Further, a director of the Company acquired 1,000,000 shares of SEL at \$1.00 per share for cash consideration of \$1,000,000. On March 30, 2005, SEL acquired an oil and gas property for \$1,400,000 cash.
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