

## **Overlord Financial Inc.**

**Consolidated Financial Statements  
For the three month period ended March 31, 2006 and 2005  
(Unaudited – prepared by management)**

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## **NOTIFICATION OF UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the period ended March 31, 2006.

**Overlord Financial Inc.**  
**Consolidated Balance Sheets**

	<b>March 31, 2006</b> <b>(Unaudited)</b>	December 31, 2005 <b>(Audited)</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 2,582,927	\$ 1,752,852
Marketable securities (Note 3)	577,230	826,741
Accounts receivable (Note 7(b))	377,793	294,586
Prepaid expenses	20,313	29,688
	3,558,263	2,903,867
<b>Prepaid deposits</b>	<b>68,565</b>	<b>68,565</b>
<b>Long-term investments (Note 4 )</b>	<b>3,030,917</b>	<b>3,027,693</b>
<b>Property and equipment</b>	<b>110,749</b>	<b>130,300</b>
	\$ 6,768,494	\$ 6,130,425
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 141,482	\$ 293,421
<b>Debentures</b>		
	250,000	250,000
	391,482	543,421
<b>Shareholders' equity</b>		
Equity instruments (Note 5(b))	11,916,510	11,967,101
Contributed surplus (Note 6)	621,444	460,853
Deficit	(6,160,942)	(6,840,950)
	6,377,012	5,587,004
	\$ 6,768,494	\$ 6,130,425

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

**Overlord Financial Inc.**  
**Consolidated Statements of Operations and Deficit**

<b>For the periods ended March 31</b>	<b>2006 (Unaudited)</b>	<b>2005 (Unaudited)</b>
<b>Revenue</b>		
Management fees	\$ 118,712	\$ 1,022
Gain on sale of marketable securities	1,196,949	2,665
Unrealized gain on long-term investment	3,224	-
Dividend and royalty income	7,294	33,977
Interest income	10,212	8,871
	<u>1,336,391</u>	<u>46,535</u>
<b>Expenses</b>		
Amortization	19,551	9,229
Business promotion	5,318	11,206
Business taxes	14,930	-
Consulting (Note 7(a))	123,292	176,302
Insurance	9,375	14,682
Interest on debenture	5,178	5,918
Office	42,889	35,842
Professional fees	53,786	59,388
Project identification costs (recoveries)	-	(4,731)
Rent (Note 7(c))	89,924	59,738
Travel	22,770	62,852
Stock compensation	68,000	67,000
Salaries and benefits	175,276	74,936
Shareholder expenses	26,094	29,842
	<u>656,383</u>	<u>602,204</u>
<b>Net income (loss) for the period</b>	<b>680,008</b>	<b>(555,669)</b>
<b>Deficit, beginning of period</b>	<b>(6,840,950)</b>	<b>(6,630,606)</b>
<b>Deficit, end of period</b>	<b>\$ (6,160,942)</b>	<b>\$ (7,186,275)</b>
<b>Weighted average number of shares - basic</b>		
	<b>44,157,792</b>	<b>39,140,570</b>
<b>- diluted</b>		
	<b>46,432,792</b>	<b>42,685,015</b>
<b>Net income (loss) per share</b>		
<b>- basic</b>	<b>\$ 0.015</b>	<b>\$ (0.014)</b>
<b>- diluted</b>	<b>\$ 0.015</b>	<b>\$ (0.014)</b>

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

**Overlord Financial Inc.**  
**Consolidated Statements of Cash Flows**

<b>For the periods ended March 31</b>	<b>2006</b> <b>(Unaudited)</b>	<b>2005</b> <b>(Unaudited)</b>
<b>Cash flows from operating activities</b>		
Net Income (loss) from operations	\$ 680,008	\$ (555,669)
Adjustments for:		
Amortization	19,551	9,229
Gain on sale of marketable securities	(1,196,949)	(2,665)
Stock compensation	68,000	67,000
Unrealized gain on long-term investment	(3,224)	-
Cash flow (deficiency) from operations	<u>(432,614)</u>	<u>(482,105)</u>
Changes in non-cash working capital items		
Accounts receivable	(83,207)	(100,256)
Prepaid expenses	9,375	9,500
Accounts payable and accrued liabilities	(151,939)	35,049
	<u>(658,385)</u>	<u>(537,812)</u>
<b>Cash flows from investing activities</b>		
Prepaid deposits	-	(11,518)
Purchase of property and equipment	-	(14,637)
Proceeds from sale of marketable securities	1,446,460	26,665
Acquisition of long-term investments	-	(275,000)
	<u>1,446,460</u>	<u>(274,490)</u>
<b>Cash flows from financing activities</b>		
Issuance of equity instruments	-	2,000,000
Share issue costs	-	(10,000)
Proceeds from exercise of stock options	42,000	-
	<u>42,000</u>	<u>1,990,000</u>
<b>Increase in cash and cash equivalents</b>	<b>830,075</b>	<b>1,177,698</b>
Cash and cash equivalents, beginning of period	<u>1,752,852</u>	<u>1,445,973</u>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,582,927</b>	<b>\$ 2,623,671</b>
<b>Supplementary Information</b>		
Cash paid for interest	\$ 5,252	\$ 6,000

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

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**Overlord Financial Inc.**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited – prepared by management)**

**March 31, 2006 and 2005**

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**1. Nature of Operations**

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Overlord Financial Inc. (the "Company") is a public company incorporated under the Business Corporations Act (Alberta) that was engaged in the production, development and exploration of oil and natural gas in Canada. During 2001, the Company's business focus changed to managing energy-related investment funds and assets.

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**2. Basis of Presentation**

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The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2005. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in the Company's annual report for the year ended December 31, 2005.

The amounts recorded for stock-based compensation and carrying values for long-term investments are based on estimates. The Black-Scholes model is based on estimates and assumptions for expected volatility, dividends, life and risk-free interest rates. The fair value of marketable securities and long-term investments is based on assumptions of possible effects of price fluctuations, market liquidity and future business plans and cash flows. 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.

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**3. Marketable Securities**

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	<u>March 31, 2006</u>	<u>December 31, 2005</u>
288,800 Common shares of ExAlta Energy Inc. (quoted market value \$1,802,112) <sup>(1)</sup>	<b>\$ 307,943</b>	\$ 557,454
1,196,833 Common Shares of Sonomax Hearing Healthcare Inc. (quoted market value \$299,208) <sup>(1)</sup>	<u>269,287</u>	<u>269,287</u>
	<b><u>\$ 577,230</u></b>	<b><u>\$ 826,741</u></b>

<sup>(1)</sup> Quoted trading prices are based on the last traded price of the security or closest to March 31, 2006. 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.

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**Overlord Financial Inc.**  
**Notes to the Consolidated Financial Statements**  
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**March 31, 2006 and 2005**

**4. Long-Term Investments**

	<b>March 31, 2006</b>	December 31, 2005
450,000 Common shares of Sword Energy Limited <sup>(2) (3)</sup>	<b>\$ 500,000</b>	\$ 500,000
200,000 Catapult Energy Limited Partnership I units (quoted market value \$1,860,000) <sup>(1)</sup>	<b>1,992,500</b>	1,992,500
27,500 Wisevest Income Fund units (quoted market value \$268,417) <sup>(5)</sup>	<b>268,417</b>	265,193
Sonomax convertible promissory note, unsecured, 10% due April 1, 2009 <sup>(4)</sup>	<b>112,500</b>	112,500
Parsons 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)	<b>157,500</b>	157,500
	<b><u>\$3,030,917</u></b>	<u>\$3,027,693</u>

<sup>(1)</sup> Quoted trading prices are based on the last traded price of the security or closest to March 31, 2006. 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.

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

<sup>(3)</sup> As part of the purchase of 200,000 shares of Sword Energy Limited, the Company is entitled to one half (0.5) of a share purchase warrant, each full warrant entitling the holder thereof to purchase one (1) common share in the capital of the Corporation at a price of \$1.50 on or before December 31, 2006, and one half (0.5) of a share purchase warrant, each full warrant entitling the holder thereof to purchase one (1) common share in the capital of the Corporation at a price of \$2.00 on or before December 31, 2007.

<sup>(4)</sup> The Sonomax note was converted to 500,000 common shares at \$0.30 per share subsequent to period end (Note 8(a)).

<sup>(5)</sup> Investment in Wisevest Income Fund is accounted for on a fair value mark-to-market basis as follows:

	Units	Average Cost	Market Value
Canetic Resources Trust	2,083	\$ 37,706	\$ 50,409
Bonavista Energy Trust	1,300	41,314	48,425
Gienow Income Fund	5,300	55,571	36,517
Keg Royalties Income Fund	4,800	68,722	59,808
Transalta Power LP	7,300	70,117	63,875
Tristar Oil & Gas Ltd.	251	1,494	1,734
Cash on account			7,649
		<b><u>\$ 274,924</u></b>	<b><u>\$ 268,417</u></b>

**Overlord Financial Inc.**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited – prepared by management)**

**March 31, 2006 and 2005**

**5. Equity Instruments**

(a) Authorized  
 Unlimited number of Common voting shares

(b) Issued  
 Common shares

	March 31, 2006		December 31, 2005	
	Number of Shares	Amount	Number of Shares	Amount
<b>Balance, beginning of period</b>	<b>44,062,792</b>	<b>\$ 11,854,170</b>	39,029,459	\$ 9,963,248
Issued for cash	-	-	5,000,000	1,887,069
Share issue costs	-	-	-	(10,000)
Stock options exercised – cash portion	<b>150,000</b>	<b>42,000</b>	33,333	9,333
Stock options exercised – fair value portion	-	<b>20,340</b>	-	4,520
<b>Balance, end of period</b>	<b>44,212,792</b>	<b>\$ 11,916,510</b>	44,062,792	\$ 11,854,170

Warrants

	March 31, 2006		December 31, 2005	
	Number of Warrants	Amount	Number of Warrants	Amount
<b>Balance, beginning of period</b>	<b>1,000,000</b>	<b>\$ 112,931</b>	-	\$ -
Issued	-	-	1,000,000	112,931
<b>Expired unexercised <sup>(1)</sup></b>	<b>(1,000,000)</b>	<b>(112,931)</b>		
<b>Balance, end of period</b>	<b>-</b>	<b>\$ -</b>	1,000,000	\$ 112,931
<b>Total equity instruments</b>	<b>44,212,792</b>	<b>\$ 11,916,510</b>	45,062,792	\$ 11,967,101

<sup>(1)</sup> The 1,000,000 warrants expired unexercised on March 28, 2006.

(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 have a term of up to 5 years.

**Overlord Financial Inc.**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited – prepared by management)**

**March 31, 2006 and 2005**

**5. Equity Instruments – continued**

(c) Options - continued

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

	Number of Options	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, December 31, 2005	3,300,000		\$0.31	3.8 years	1,533,334	\$0.33
Options granted, January 17, 2006	300,000	\$0.38	\$0.38	4.8 years	-	-
Options exercised	(150,000)	\$0.28	\$0.28	-	(150,000)	\$0.28
<b>Options outstanding, March 31, 2006</b>	<b>3,450,000</b>		<b>\$0.31</b>	<b>3.7 years</b>	<b>1,383,334</b>	<b>\$0.34</b>

During the period, the Company granted a total of 300,000 options to two directors that vest over a three year period. The fair values of options granted and issued in 2006 were \$0.15 per option. The weighted average contractual life of exercisable options at March 31, 2006 is 3.7 years. A total compensation expense of \$68,000 was recorded in the statements of operations and deficit and credited to contributed surplus for options that were granted using the Black-Scholes option pricing model with the following weighted average assumptions:

	<u>2006</u>	<u>2005</u>
Risk free interest rate	<b>3.50%</b>	3.42% – 3.85%
Expected life of options	<b>5 year</b>	5 year
Expected dividend	<b>Nil</b>	Nil
Expected share price volatility	<b>90%</b>	86% - 97%

**6. Contributed Surplus**

	<b>March 31, 2006</b>	December 31, 2005
Balance, beginning of period	<b>\$ 460,853</b>	\$ 258,396
Stock compensation	<b>68,000</b>	206,977
Warrants expired unexercised	<b>112,931</b>	-
Stock options exercised – fair value portion	<b>(20,340)</b>	(4,520)
Balance, end of period	<b>\$ 621,444</b>	\$ 460,853

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**Overlord Financial Inc.**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited – prepared by management)**

**March 31, 2006 and 2005**

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**7. Related Party Transactions**

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- (a) The Company paid consulting fees to Basek Consulting Ltd. of \$33,481 for the period with payable of \$Nil. Basek is owned directly by the President of Juno.
  - (b) Accounts receivable includes management fees receivable from Catapult Energy Limited Partnership I of \$67,591 for services provided by Catapult Energy 2004 Inc., as general partner for the period January 1 to March 31, 2006. Catapult Energy 2004 Inc. is a wholly owned subsidiary of the Company.
  - (c) The Company recovered \$7,488 in rent costs from a company owned and controlled by the President of Juno.
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**8. Subsequent Events**

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- (a) Subsequent to period end, the Sonomax convertible promissory note was converted into 500,000 common shares of Sonomax at \$0.30 per share.
- (b) Subsequent to period end, the Board of Directors unanimously approved the sale of all the issued and outstanding shares of Sword Management Inc. to Sword Energy Limited (“SEL”) in exchange for the issuance of 1,150,000 common shares of SEL. Sword Management Inc., a wholly owned subsidiary of the Company, manages the oil and gas properties owned by SEL. This transaction is subject to the approval of the SEL shareholders.
- (c) Subsequent to period end, the Company announced the signing of a Letter Agreement with an underwriter to structure, arrange and market a collateralized fund obligation transaction of income trust equity, subject to termination on June 30, 2006. In the event that the transaction is not consummated on or before the termination date, the Company will reimburse the underwriter for reasonable out of pocket expenses incurred in performing its obligations. Management estimates the total of such expenses to be approximately \$200,000. Management believes that the occurrence of a time extension on the Letter Agreement is likely.