

Overlord Financial Inc.

**Consolidated Financial Statements
For the six month period ended June 30, 2006 and 2005
(Unaudited – prepared by management)**

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NOTIFICATION OF UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 June 30, 2006.

**Overlord Financial Inc.
Consolidated Balance Sheets**

	June 30, 2006 (Unaudited)	December 31, 2005 (Audited)
Assets		
Current		
Cash and cash equivalents	\$ 2,180,242	\$ 1,752,852
Marketable securities, cost (Note 3)	697,230	826,741
Accounts receivable (Note 7(b))	359,849	294,586
Prepaid expenses	10,938	29,688
	3,248,259	2,903,867
Prepaid deposits	68,565	68,565
Long-term investments (Note 4)	4,021,647	3,027,693
Property and equipment	103,410	130,300
	\$ 7,441,881	\$ 6,130,425
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 126,717	\$ 293,421
Debentures		
	250,000	250,000
	376,717	543,421
Shareholders' equity		
Equity instruments (Note 5(b))	11,916,510	11,967,101
Contributed surplus (Note 6)	641,844	460,853
Deficit	(5,493,190)	(6,840,950)
	7,065,164	5,587,004
	\$ 7,441,881	\$ 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
(Unaudited)

	Three Months 2006	Three Months 2005	Six Months 2006	Six Months 2005
For the periods ended June 30				
Revenue				
Management fees (Note 7(b))	\$ 105,000	\$ 8,226	\$ 223,712	\$ 9,248
Gain on sale of marketable securities	-	703,824	1,196,949	706,489
Unrealized gain on long-term investment	3,230	-	6,454	-
Dividend and royalty income	8,128	5,555	15,422	39,532
Interest income	10,382	15,233	20,594	24,104
	<u>126,740</u>	<u>732,838</u>	<u>1,463,131</u>	<u>779,373</u>
Expenses				
Amortization	20,525	9,825	40,076	19,054
Business promotion	9,863	31,523	15,181	42,729
Business taxes	-	13,265	14,930	13,265
Consulting (Note 7(a))	58,367	152,001	181,659	328,303
Impairment of long-term investment (Note 4)	50,000	-	50,000	-
Insurance	9,375	9,500	18,750	24,182
Interest on debenture	5,236	6,403	10,414	12,321
Office	28,948	116,999	71,837	152,841
Professional fees	93,105	83,810	146,891	143,198
Project identification costs (recoveries)	-	(89,992)	-	(94,723)
Rent (Note 7(c))	89,557	88,303	179,481	148,041
Travel	34,836	100,405	57,606	163,257
Stock compensation	20,400	66,000	88,400	133,000
Salaries and benefits	161,046	73,388	336,322	148,324
Shareholder expenses	27,730	18,020	53,824	47,862
	<u>608,988</u>	<u>679,450</u>	<u>1,265,371</u>	<u>1,281,654</u>
Net income (loss) before gain	(482,248)	53,388	197,760	(502,281)
Gain on sale of subsidiary (Note 4)	1,150,000	-	1,150,000	-
Net income (loss) for the period	667,752	53,388	1,347,760	(502,281)
Deficit, beginning of period	(6,160,942)	(7,186,275)	(6,840,950)	(6,630,606)
Deficit, end of period	\$ (5,493,190)	\$ (7,132,887)	\$ (5,493,190)	\$ (7,132,887)
Weighted average number of shares - basic				
	44,212,792	44,029,459	44,185,444	41,598,520
- diluted				
	46,432,792	45,029,459	46,432,792	42,112,332
Net Income (loss) per share				
- basic	\$ 0.015	\$ 0.001	\$ 0.030	\$ (0.012)
- diluted	\$ 0.014	\$ 0.001	\$ 0.029	\$ (0.012)

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

Overlord Financial Inc.
Consolidated Statements of Cash Flows
(Unaudited)

For the periods ended June 30	Three Months 2006	Three Months 2005	Six Months 2006	Six Months 2005
Cash flows from operating activities				
Net income (loss) from operations	\$ 667,752	\$ 53,388	\$ 1,347,760	\$ (502,281)
Adjustments for:				
Amortization	20,525	9,825	40,076	19,054
Gain on sale of marketable securities	-	(703,824)	(1,196,949)	(706,489)
Gain on sale of subsidiary	(1,150,000)	-	(1,150,000)	-
Stock compensation	20,400	66,000	88,400	133,000
Impairment of long-term investment	50,000	-	50,000	-
Unrealized gain on long-term investment	(3,230)	-	(6,454)	-
Cash flow (deficiency) from operations	<u>(394,553)</u>	<u>(574,611)</u>	<u>(827,167)</u>	<u>(1,056,716)</u>
Changes in non-cash working capital items				
Accounts receivable	17,944	(135,560)	(65,263)	(235,816)
Prepaid expenses	9,375	61,731	18,750	71,231
Accounts payable and accrued liabilities	(14,765)	(34,461)	(166,704)	588
	<u>(381,999)</u>	<u>(682,901)</u>	<u>(1,040,384)</u>	<u>(1,220,713)</u>
Cash flows from investing activities				
Prepaid deposits	-	(18,946)	-	(30,464)
Purchase of property and equipment	(13,186)	(11,430)	(13,186)	(26,067)
Proceeds from sale of marketable securities	-	1,005,996	1,446,460	1,032,661
Sonomax shares received (Note 3)	(7,500)	-	(7,500)	-
Acquisition of long-term investments	-	(1,992,500)	-	(2,267,500)
	<u>(20,686)</u>	<u>(1,016,880)</u>	<u>1,425,774</u>	<u>(1,291,370)</u>
Cash flows from financing activities				
Issuance of equity instruments	-	-	-	2,000,000
Share issuance costs	-	-	-	(10,000)
Margin loan	-	1,027,004	-	1,027,004
Proceeds from exercise of stock options	-	-	42,000	-
	<u>-</u>	<u>1,027,004</u>	<u>42,000</u>	<u>3,017,004</u>
Increase in cash and cash equivalents	(402,685)	(672,777)	427,390	504,921
Cash and cash equivalents, beginning of period	<u>2,582,927</u>	<u>2,623,671</u>	<u>1,752,852</u>	<u>1,445,973</u>
Cash and cash equivalents, end of period	\$ 2,180,242	\$ 1,950,894	\$ 2,180,242	\$ 1,950,894
Supplementary Information				
Cash paid for interest	\$ 5,236	\$ 6,403	\$ 10,414	\$ 12,321

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

Overlord Financial Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

June 30, 2006 and 2005

1. Nature of Operations

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.

2. Basis of Presentation

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.

3. Marketable Securities

	June 30, 2006	December 31, 2005
288,800 (2005 – 522,800) Common shares of ExAlta Energy Inc. ⁽¹⁾	\$ 307,943	\$ 557,454
1,721,833 (2005 – 1,196,833) Common Shares of Sonomax Hearing Healthcare Inc. ⁽¹⁾	389,287	269,287
	\$ 697,230	\$ 826,741

On April 1, 2006, the Company received 25,000 shares of Sonomax Hearing Healthcare Inc. as payment of accrued interest on the convertible promissory note.

⁽¹⁾ Quoted trading prices are based on the last traded price of the security or closest to June 30, 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. As at June 30, 2006, the aggregate market value is \$1,718,945 (2005 - \$2,293,410).

Overlord Financial Inc.
Notes to the Consolidated Financial Statements
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June 30, 2006 and 2005

4. Long-Term Investments

	June 30, 2006	December 31, 2005
1,600,000 Common shares of Sword Energy Limited ^{(2) (3) (4)}	\$ 1,600,000	\$ 500,000
200,000 Catapult Energy Limited Partnership I units (quoted market value \$1,560,000) ⁽¹⁾	1,992,500	1,992,500
27,500 Wisevest Income Fund units (quoted market value \$271,647) ⁽⁵⁾	271,647	265,193
Sonomax convertible promissory note, unsecured, 10% due April 1, 2009 ⁽⁶⁾	-	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)	157,500	157,500
	\$4,021,647	\$3,027,693

⁽¹⁾ Quoted trading prices are based on the last traded price of the security or closest to June 30, 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.

⁽²⁾ Market value not disclosed as there is no quoted price for the company's shares. The Company estimates the value of the Sword Energy Limited shares at \$1.00 per share at June 30, 2006 resulting in an impairment in long-term investment of \$50,000.

⁽³⁾ 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.

⁽⁴⁾ During the second quarter of 2006, 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 was approved by the shareholders of SEL on May 31, 2006.

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

	<u>Units</u>	<u>Average Cost</u>	<u>Market Value</u>
Canetic Resources Trust	2,083	\$ 37,706	\$ 48,117
Bonavista Energy Trust	1,300	41,314	45,500
Gienow Income Fund	5,300	55,571	38,107
Keg Royalties Income Fund	4,800	68,798	62,400
Transalta Power LP	7,300	70,117	63,729
Tristar Oil & Gas Ltd.	251	1,494	1,707
Cash on account		12,087	12,087
		<u>\$ 275,000</u>	<u>\$ 271,647</u>

⁽⁶⁾ On April 1, 2006, the Company exchanged the Sonomax promissory note for 500,000 common shares of Sonomax classified as marketable securities (Note 3).

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June 30, 2006 and 2005

5. Equity Instruments

(a) Authorized
 Unlimited number of Common voting shares

(b) Issued
 Common shares

	June 30, 2006		December 31, 2005	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of period	44,062,792	\$ 11,854,170	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	150,000	42,000	33,333	9,333
Stock options exercised	-	20,340	-	4,520
Balance, end of period	44,212,792	\$ 11,916,510	44,062,792	\$ 11,854,170

Warrants

	June 30, 2006		December 31, 2005	
	Number of Warrants	Amount	Number of Warrants	Amount
Balance, beginning of period	1,000,000	\$ 112,931	-	\$ -
Issued	-	-	1,000,000	112,931
Expired unexercised ⁽¹⁾	(1,000,000)	(112,931)	-	-
Balance, end of period	-	\$ -	1,000,000	\$ 112,931
Total equity instruments	44,212,792	\$ 11,916,510	45,062,792	\$ 11,967,101

⁽¹⁾ 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.
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June 30, 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
Options outstanding, June 30, 2006	3,450,000		\$0.31	3.4 years	1,383,334	\$0.34

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 June 30, 2006 is 3.4 years. A total compensation expense of \$88,400 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	3.50%	3.42% – 3.85%
Expected life of options	5 year	5 year
Expected dividend	Nil	Nil
Expected share price volatility	90%	86% - 97%

6. Contributed Surplus

	<u>June 30, 2006</u>	December 31, 2005
Balance, beginning of period	\$ 460,853	\$ 258,396
Stock compensation	88,400	206,977
Warrants expired unexercised	112,931	-
Stock options exercised	(20,340)	(4,520)
Balance, end of period	<u><u>\$ 641,844</u></u>	<u><u>\$ 460,853</u></u>

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June 30, 2006 and 2005

7. Related Party Transactions

- (a) The Company paid consulting fees and reimbursed travel expenses to Basek Consulting Ltd. of \$67,609 (2005 - \$148,274) for the six month period with payable of \$Nil (2005 - \$Nil). Basek is owned directly by the President of Juno.
 - (b) Accounts receivable includes management fees receivable from Catapult Energy Limited Partnership I of \$132,837 (2005 - \$Nil) for services provided by Catapult Energy 2004 Inc., as general partner for the period January 1 to June 30, 2006. Catapult Energy 2004 Inc. is a wholly owned subsidiary of the Company.
 - (c) The Company recovered \$13,997 (2005 - \$Nil) in rent costs from a company owned and controlled by the President of Juno.
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8. Subsequent Event

Subsequent to period end, the Company extended a Letter Agreement to October 31, 2006 with an underwriter to structure, arrange and market a collateralized fund obligation transaction of income trust equity. In the event that the transaction is not consummated on or before October 31, 2006, the Company may be required to reimburse the underwriter for reasonable out of pocket expenses incurred in performing its obligations. Management estimates the total of such expenses to be approximately \$350,000.