

Overlord Financial Inc.

**Consolidated Financial Statements
For the Years Ended
December 31, 2006 and 2005**

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April 18, 2007

Auditors' Report

To the Shareholders of Overlord Financial Inc.

We have audited the consolidated balance sheet of **Overlord Financial Inc.** as at December 31, 2006 and the consolidated statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 consolidated financial statements as at December 31, 2005 and for the period then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 24, 2006.

PricewaterhouseCoopers LLP

Chartered Accountants

**Overlord Financial Inc.
Consolidated Balance Sheets**

As at December 31 2006 2005

Assets

Current

Cash and cash equivalents	\$ 3,043,215	\$ 1,752,852
Marketable securities (Note 3)	465,353	826,741
Accounts receivable (Note 11)	549,899	294,586
Prepaid expenses	52,993	29,688
	4,111,460	2,903,867

Prepaid deposits

Long-term investments (Note 4)

Property and equipment (Note 5)

	61,796	68,565
	2,415,579	3,027,693
	106,448	130,300
	6,695,283	6,130,425

Liabilities and Shareholders' Equity

Current

Accounts payable and accrued liabilities (Note 11)	\$ 592,041	\$ 293,421
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Debentures (Note 8)

	250,000	250,000
	842,041	543,421

Shareholders' equity

Equity instruments (Note 9(b))	13,177,477	11,967,101
Contributed surplus (Note 10)	995,463	460,853
Deficit	(8,319,698)	(6,840,950)
	5,853,242	5,587,004

	\$ 6,695,283	\$ 6,130,425
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Approved on behalf of the Board:



Eric Tremblay



Kirk Purdy

Overlord Financial Inc.
Consolidated Statements of Operations and Deficit

For the years ended December 31	2006	2005
Revenue		
Management fees (Note 11)	\$ 353,809	\$ 158,535
Expenses		
General, administrative and other (Note 11)	2,312,890	2,538,772
Stock compensation (Note 9)	472,986	206,977
Project identification costs net of recoveries (Notes 2 and 11)	100,000	(190,564)
Amortization (Note 5)	43,194	97,876
Interest on debenture (Note 8)	21,000	21,978
Interest and bank charges	430	6,856
	<u>2,950,500</u>	<u>2,681,895</u>
Loss from operations before investing activities	(2,596,691)	(2,523,360)
Investing		
Gain on sale of marketable securities	1,320,107	2,359,993
Gain on sale of subsidiary (Note 4)	1,125,000	-
Interest income	50,478	42,661
Dividend and royalty income	28,352	47,431
Write down of marketable securities	-	(89,762)
Unrealized loss on long-term investment securities held in Wisevest Income Fund (Note 4)	(16,722)	(30,075)
Loss on long-term investment securities held in Wisevest Income Fund (Note 4)	(47,272)	-
Loss on share exchange of long-term investment (Note 4)	(592,000)	-
Impairment of long-term investments (Note 4)	(750,000)	(37,500)
Income from investing activities	1,117,943	2,292,748
Net loss for the year	(1,478,748)	(230,612)
Deficit, beginning of year	(6,840,950)	(6,630,606)
Accounting change (Note 2(m))	-	20,268
	<u>(6,840,950)</u>	<u>(6,610,338)</u>
Deficit, end of year	\$ (8,319,698)	\$ (6,840,950)
Weighted average number of shares		
	44,634,025	42,823,980
Loss per share – basic and diluted		
	\$ (0.033)	\$ (0.005)

The accompanying notes are an integral part of these Consolidated Financial Statements.

Overlord Financial Inc.
Consolidated Statements of Cash Flows

For the years ended December 31	2006	2005
Cash flows from operating activities		
Net loss for the year	\$ (1,478,748)	\$ (230,612)
Adjustments for:		
Amortization	43,194	97,876
Stock compensation	472,986	206,977
Write down of marketable securities	-	89,762
Unrealized loss on long-term investment securities held in Wisevest Income Fund (Note 4)	16,722	30,075
Loss on long-term investment securities held in Wisevest Income Fund (Note 4)	47,272	-
Loss on share exchange of long-term investment (Note 4)	592,000	-
Impairment of long-term investments (Note 4)	750,000	37,500
Gain on sale of subsidiary (Note 4)	(1,125,000)	-
Gain on sale of marketable securities	(1,320,107)	(2,359,993)
Prepaid deposits	6,769	(30,464)
Cash flow (deficiency) from operations	<u>(1,994,912)</u>	<u>(2,158,609)</u>
Changes in non-cash working capital items		
Accounts receivable	(262,813)	(264,173)
Prepaid expenses	(23,305)	52,626
Accounts payable and accrued liabilities	298,620	188,817
	<u>(1,982,410)</u>	<u>(2,151,145)</u>
Cash flows from investing activities		
Purchase of property and equipment	(19,342)	(123,384)
Proceeds from sale of marketable securities	2,143,130	3,130,039
Cash on subsidiary transaction	(25,000)	-
Cash paid for marketable securities	(99,030)	(2,517,500)
Sale of long-term investments	78,634	-
Acquisition of long-term investments	(77,619)	-
	<u>2,000,773</u>	<u>458,691</u>
Cash flows from financing activities		
Issuance of equity instruments	1,188,000	2,000,000
Share issue costs	-	(10,000)
Proceeds from exercise of stock options	84,000	9,333
	<u>1,272,000</u>	<u>1,999,333</u>
Increase in cash and cash equivalents	1,290,363	306,879
Cash and cash equivalents, beginning of year	<u>1,752,852</u>	<u>1,445,973</u>
Cash and cash equivalents, end of year	\$ 3,043,215	\$ 1,752,852
Supplementary Information		
Non-cash transaction:		
Interest receivable (Note 3)	\$ (7,500)	\$ -
Cash paid for interest	\$ 21,430	\$ 23,582

The accompanying notes are an integral part of these Consolidated Financial Statements.

Overlord Financial Inc.
Notes to the Consolidated Financial Statements

December 31, 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 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.

During year ended December 31, 2006, the Company sold all of the issued and outstanding shares of Sword Management Inc., which was a wholly-owned subsidiary until the time of sale. The Company also incorporated a new subsidiary, Catapult Energy 2006 Inc. and changed the names of Catapult Energy 2004 Inc. to Catapult Financial Management Inc. and Overlord Fund Management Inc. to Aston Hill Financial Ltd. during the year ended December 31, 2006.

2. Significant Accounting Policies

The consolidated 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 consolidated 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 judgment 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. Included in cash and cash equivalents is a term deposit restriction of \$310,000 related to a loan facility (Note 6).

(c) Marketable securities

Marketable securities held are detailed in Note 3. These securities are not held with a long-term view and are carried at the lower of cost or market value.

(d) Long-term investments

Long-term investments are carried at cost except to recognize any permanent declines 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. The carrying value of each long term investment is reviewed on a regular basis, at least annually, to determine if they have become impaired. Management considers an investment to be impaired in those instances where a decline in value is considered to be of a permanent nature. If impairment is deemed permanent, the asset will be written down to its estimated fair value.

One of the Company's wholly owned subsidiary is an investment company and is consolidated pursuant to Accounting Guideline 18 (Note 2(m)) with securities held recorded as part of long-term investments.

Overlord Financial Inc.
Notes to the Consolidated Financial Statements

December 31, 2006 and 2005

2. Significant Accounting Policies - continued

(e) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. 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

(f) Revenue

Investment income is recognized when, a dividend is declared and collection is reasonably assured or when an investment is sold or when interest income is earned on an accrued basis. Management fees are based on the net asset value of the funds managed and are recognized on an accrual basis as the service is performed.

(g) Financial instruments

The Company carries a number of financial instruments including marketable securities, accounts receivable, prepaid expenses, prepaid deposits, long-term investments and accounts payable, accrued liabilities and debentures. 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.

(h) Earnings (loss) per share

Basic earnings (loss) per common share are computed by dividing net earnings (loss) by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive instruments.

(i) 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.

(j) Stock-based compensation plan

The Company has a stock-based compensation plan, which is described in Note 9(c). Commencing in 2003, stock-based compensation expense, based on the fair value of stock options, is recorded with a corresponding increase to contributed surplus. The fair value of options granted is estimated at the time of the grant using the Black-Scholes valuation model. Upon the exercise of the stock options, consideration paid by employees or directors together with the amount previously recognized in contributed surplus is recorded as an increase to equity instruments.

Overlord Financial Inc.
Notes to the Consolidated Financial Statements

December 31, 2006 and 2005

2. Significant Accounting Policies - continued

(k) Use of estimates

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 of 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.

(l) Project identification costs (recoveries)

The Company has incurred expenses related to the set up and financing of certain projects. Certain prior period project costs have been recovered. The recovery of these costs was recorded in 2005, the period in which the costs were recovered.

(m) Investment Accounting

The CICA issued AcG-18 Accounting Guideline for investment companies effective for fiscal years beginning on or after July 1, 2004. This guideline provides guidance for the measurement by an investment company of its investment, the determination of whether an entity is an investment company and when a parent company of an investment company should account for its investments in a manner consistent with the accounting by an investment company. The Company has determined that it should account for its investments in a wholly owned subsidiary under this guideline.

Accordingly, the Company has accounted for the investments of its wholly owned investment company subsidiary at fair value based on quoted market prices. The Company has applied this Guideline prospectively and has reported an adjustment to increase the 2005 opening retained earnings by \$20,268 to reflect the difference between the market value and carrying value of these investments at January 1, 2005.

Any realized or unrealized gains or losses on the underlying assets of the investment company are presented as realized or unrealized gains or losses on long-term investment in the Company's consolidated financial statements.

3. Marketable Securities

	<u>2006</u>	<u>2005</u>
270,000 (2005 – 522,800) Common shares of ExAlta Energy Inc.	\$ 287,897	\$ 557,454
25,000 (2005 – 1,196,833) Common Shares of Sonomax Hearing Healthcare Inc.	5,652	269,287
269,088 Common shares of Eagle Rock Exploration Ltd.	171,804	-
	<u>\$ 465,353</u>	<u>\$ 826,741</u>

On April 1, 2006, the Company received 525,000 shares of Sonomax Hearing Healthcare Inc. for redemption of the Sonomax convertible promissory note (500,000 shares) and as payment of accrued interest (25,000 shares) (Note 4).

Quoted trading prices are based on the last traded price of the security or closest to December 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. As at December 31, 2006, the aggregate market value is \$1,192,316 (2005 – \$3,667,487).

Overlord Financial Inc.
Notes to the Consolidated Financial Statements

December 31, 2006 and 2005

4. Long-Term Investments

	2006	2005
1,214,912 Common shares of Eagle Rock Exploration Ltd. (quoted market value \$789,693, 2005 - 450,000 Common shares of Sword Energy Limited) ⁽¹⁾⁽²⁾⁽³⁾	\$ 765,395	\$ 500,000
200,000 Catapult Energy Limited Partnership I units ⁽¹⁾⁽⁶⁾	1,450,000	1,992,500
27,500 Wisevest Income Fund ⁽⁴⁾	200,184	265,193
Sonomax convertible promissory note, unsecured, 10% due April 1, 2009 ⁽⁵⁾	-	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) ⁽⁶⁾	-	157,500
	\$2,415,579	\$ 3,027,693

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

⁽²⁾ 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 resulting in a \$1,125,000 gain on sale of subsidiary. 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. At June 30, 2006, the Company estimated the value of the SEL shares at \$1.00 per share resulting in an impairment in long-term investment of \$50,000.

⁽³⁾ On September 15, 2006 the Company sold its interest in Sword Energy Ltd. to Eagle Rock Exploration Ltd. ("Eagle Rock") for 1,600,000 Common shares of Eagle Rock. At the time of the transaction Eagle Rock was trading at \$0.63 per share resulting in a \$592,000 loss on sale of investment. As a condition of the sale, Sword Energy Ltd. ("SEL") warrants were cancelled and the Company granted 1,214,912 warrants in Common shares of Eagle Rock held by the Company to former SEL shareholders. Each warrant entitles the holder to purchase, from the Company, one (1) Common share of Eagle Rock at a price of \$2.00 per share on or before December 31, 2007. The Eagle Rock Common shares subject to warrant provisions are to be held in escrow until December 31, 2007 and have therefore been classified as long-term investments. The warrants have an estimated aggregate fair market value of \$115,000 as at December 31, 2006 based on Black-Scholes model.

⁽⁴⁾ Investment in Wisevest Income Fund:

	<u>Units</u>	<u>Average Cost</u>	<u>Market Value</u>
Canetic Resources Trust	2,833	\$ 51,154	\$ 46,575
Bonavista Energy Trust	1,800	56,134	50,670
Crescent Point Energy Trust	2,750	49,350	48,400
Transalta Power LP	7,300	70,117	54,531
Cash on account			8
		<u>\$ 226,755</u>	<u>\$ 200,184</u>

⁽⁵⁾ On April 1, 2006, the Company received 525,000 shares of Sonomax Hearing Healthcare Inc. for redemption of the Sonomax convertible promissory note (500,000 shares) and as payment of accrued interest (25,000 shares) (Note 3).

⁽⁶⁾ At December 31, 2006, the Company performed impairment tests on all of its long-term investments. The result of the tests was that the carrying amount of the Company's investment in Parson's Pond has been reduced to \$Nil and the Company's investment in Catapult Energy Limited Partnership I was reduced to \$1,450,000 representing the closing price on the Toronto Stock Exchange at year-end.

Overlord Financial Inc.
Notes to the Consolidated Financial Statements

December 31, 2006 and 2005

5. Property and Equipment

	2006			2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer	\$ 170,729	\$ 103,186	\$ 67,543	\$ 155,902	\$ 68,317	\$ 87,585
Leasehold	91,100	91,100	-	91,205	88,104	3,101
Furniture & Fixtures	37,699	30,783	6,916	37,699	29,054	8,645
Office Equipment	52,583	35,871	16,712	47,963	32,271	15,692
Artwork	15,277	-	15,277	15,277	-	15,277
Net book value	\$ 367,388	\$ 260,940	\$ 106,448	\$ 348,046	\$ 217,746	\$ 130,300

Included in amortization expense for 2006 is \$Nil (2005 - \$24,107) related to the write-down of certain property and equipment.

6. Loan Facility

The Company has a direct revolving reducing loan facility of up to \$250,000 (2005 - \$250,000). The loan bears interest at prime plus one quarter percent per annum, and is secured by the assignment of term deposits for \$310,000. At December 31, 2006, the Company had drawn \$Nil (2005 - \$Nil) on the loan facility.

7. Income Taxes

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

	2006	2005
Expected recovery at an effective rate of 32.49%	\$ (480,000)	\$ (78,000)
Add (deduct) effects of:		
Stock compensation	154,000	70,000
Non-taxable gain on sale of marketable securities	(192,000)	(397,000)
Effect of change in future tax rate	247,000	-
Change in valuation allowance	200,000	373,000
Other permanent differences	(71,000)	32,000
	<u>\$ -</u>	<u>\$ -</u>

- (b) At December 31, 2006, the Company had approximately \$6,414,000 (2005 - \$5,034,000) of non-capital loss carryover balances. In addition, the Company has capital cost pools and share issue costs of \$277,000 (2005 - \$249,000) to deduct against future taxable income. No future tax asset has been recorded for these available losses and tax pools, that are subject to assessment of tax authorities, as their ultimate utilization is not considered more likely than not.

Overlord Financial Inc.
Notes to the Consolidated Financial Statements

December 31, 2006 and 2005

7. Income Taxes - continued

(c) The components of the Company's future income tax asset are a result of the origination and reversal of temporary differences and are comprised of the following:

Nature of temporary differences	2006	2005
Property and equipment	\$ 48,000	\$ 41,000
Share issue costs	2,000	3,000
Long-term investments and marketable securities	46,000	20,000
Unused tax losses carry forward	1,860,000	1,692,000
	1,956,000	1,756,000
Valuation allowance	(1,956,000)	(1,756,000)
Future income tax asset (liability)	\$ -	\$ -

8. Debentures

In May 2004, the Company's wholly owned subsidiary, Juno Canada Holdings Ltd., issued debentures for \$250,000 cash. Of this amount, \$100,000 was unsecured and bore interest at 13.5% per annum, payable quarterly commencing September 30, 2004. The remaining \$150,000 debenture was collateralized by Juno's investments in the Wisevest Income Fund units (Note 4) and bore interest at 7% per annum, payable quarterly commencing September 30, 2004. Both debentures were to mature May 11, 2012.

On April 20, 2005, Juno amended and consolidated the above debentures to provide a \$250,000 debenture (fully collateralized by the Wisevest Income Fund units) bearing interest at 8.4% per annum and maturing May 11, 2012.

9. Equity Instruments

(a) Authorized
Unlimited number of Common voting shares

(b) Issued
Common shares

	2006		2005	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	44,062,792	\$ 11,854,170	39,029,459	\$ 9,963,248
Issued for cash (Note 11)	6,600,000	1,188,000	5,000,000	1,887,069
Share issue costs	-	-	-	(10,000)
Stock options exercised – cash portion (Note 9 (c))	300,000	84,000	33,333	9,333
Stock options exercised – fair value portion	-	51,307	-	4,520
Balance, end of year	50,962,792	\$ 13,177,477	44,062,792	\$ 11,854,170

Overlord Financial Inc.
Notes to the Consolidated Financial Statements

December 31, 2006 and 2005

9. Equity Instruments - continued

(b) Issued - continued

Warrants	2006		2005	
	Number of Warrants	Amount	Number of Warrants	Amount
Balance, beginning of year	1,000,000	\$ 112,931	-	\$ -
Issued	-	-	1,000,000	112,931
Expired, unexercised	(1,000,000)	(112,931)	-	-
Balance, end of year	-	-	1,000,000	\$ 112,931
Total equity instruments	50,962,792	\$ 13,177,457	45,062,792	\$ 11,967,101

In 2005 the Company completed a non-brokered private placement of 5,000,000 units at a price of \$0.40 per unit, for total proceeds of \$2,000,000 (Note 11(d)). Each unit consists of one common share and one-fifth of one common share purchase warrant. Each full purchase warrant entitled the holder to purchase one common share of the Company at a price of \$0.60 per share. The purchase warrants were exercisable until March 2006 and expired unexercised. The Company paid a total of \$10,000 in filing fees to the TSX Venture Exchange in connection with this private placement.

For accounting purposes, the Company estimated and allocated a total fair value of \$112,931 to the warrants using the Black Scholes option pricing model with the following weighted average assumptions:

Risk free interest rate	2.97%
Expected life of warrants	1 year
Expected dividend	Nil
Expected share price volatility	103.79%

In March 2006 upon expiration of the warrants, \$112,931 was reclassified from share capital to contributed surplus.

On December 7, 2006, the Company completed a non-brokered private placement of 6,600,000 common shares for gross proceeds of \$1,188,000. Directors, officers and employees of the Corporation subscribed for 1,400,000 shares of the total 6,600,000 shares in the private placement. All of the common shares are subject to a hold period and may not be traded until April 7, 2007, except as permitted by Canadian securities legislation and the TSX Venture Exchange. The President of Aston Hill Financial (a wholly owned subsidiary of the Company) purchased the remaining 5,200,000 common shares issued under the private placement.

(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

December 31, 2006 and 2005

9. 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, 2004	3,600,000		\$0.28	4.7 years	1,200,000	\$0.28
Options granted June 17, 2005	400,000	\$0.48	\$0.48	4.5 years	400,000	\$0.48
Options granted December 10, 2005	100,000	\$0.32	\$0.32	4.9 years	-	-
Options exercised	(33,333)	\$0.28	\$0.28	-	(33,333)	\$0.28
Options forfeited	(766,667)	\$0.28	\$0.28	-	(33,333)	\$0.28
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	4.0 years	200,000	\$0.38
Options granted, September 22, 2006	850,000	\$0.30	\$0.30	4.8 years	-	-
Options granted, December 8, 2006	600,000	\$0.26	\$0.26	4.9 years	-	-
Options vested	-	\$0.28	\$0.28	2.7 years	1,116,666	\$0.28
Options exercised	(300,000)	\$0.28	\$0.28	-	(300,000)	\$0.28
Options forfeited	(1,050,000)	\$0.28	\$0.28	-	(1,050,000)	\$0.28
Options outstanding, December 31, 2006	3,700,000		\$0.31	3.8 years	1,500,000	\$0.33

During the year, the Company granted a total of 1,750,000 options to employees and directors which vest over a three year period. During the year 200,000 of these options were vested pursuant to the terms of a resignation arrangement with a former employee and expire on November 30, 2008 if not exercised.

The fair values of options issued on:

- January 17, 2006 were \$0.23 per option for 300,000 options issued (200,000 vested per arrangement terms);
- September 22, 2006 were \$0.20 per option for 850,000 options issued; and
- December 8, 2006 were \$0.18 per option for 600,000 options issued.

The weighted average contractual life of exercisable options at December 31, 2006 is 2.9 years.

On February 1, 2006 a major shareholder of the Company granted to several employees and directors 3,800,000 options to purchase shares in the Company held by the major shareholder. The options have exercise prices ranging from \$0.28 per share to \$0.60 per share, vest over three years and have a remaining life of 4.3 years.

Overlord Financial Inc.
Notes to the Consolidated Financial Statements

December 31, 2006 and 2005

9. Equity Instruments - continued

A total compensation expense of \$472,986 (2005 - \$206,977) was recorded in the statements of operations and deficit and credited to contributed surplus for options that were granted in 2004, 2005 and 2006 using the Black-Scholes option pricing model with the following weighted average assumptions:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Risk free interest rate	2.78-3.13%	2.68-2.78%	3.03%
Expected life of options	4 year	4 year	4 year
Expected dividend	Nil	Nil	Nil
Expected share price volatility	82-91%	82-84%	70%

10. Contributed Surplus

	<u>2006</u>	<u>2005</u>
Balance, beginning of year	\$ 460,853	\$ 258,396
Stock compensation	472,986	206,977
Stock options exercised -fair value portion	(51,307)	(4,520)
Warrants expired unexercised	112,931	-
Balance, end of year	<u>\$ 995,463</u>	<u>\$ 460,853</u>

11. Related Party Transactions

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

- a) During 2006, the Company paid consulting fees to, and reimbursed travel expenses of Basek Consulting Ltd. ("Basek") of \$192,459 (2005 - \$152,212). Of this amount, \$7,140 (2005 - \$27,327) was payable as at December 31, 2006. Basek is owned directly, or indirectly, by the President of Juno Canada Holdings Ltd., a wholly owned subsidiary of Overlord Financial Inc.
- b) Accounts receivable includes management fees receivable from Catapult Energy Limited Partnership I of \$70,175 (2005 - \$127,065) for services provided by Catapult Energy Financial Management Inc., as general partner and advisor during the year. During the year, \$255,246 (2005 - \$127,065) was recorded as revenue in respect of these management fees. Catapult Energy Financial Management Inc. is a wholly owned subsidiary of the Company.
- c) Accounts receivable includes management fees receivable from Catapult Energy Small Cap FTS Limited Partnership of \$8,835 (2005 - \$Nil) for services provided by Overlord, as advisor during the year. During the year, \$8,335 (2005 - \$Nil) was recorded as revenue in respect of these management fees.

Overlord Financial Inc.
Notes to the Consolidated Financial Statements

December 31, 2006 and 2005

11. Related Party Transactions - continued

- d) The 5,000,000 units (stated in Note 9(b)) were subscribed for by a company owned and controlled by the President of Juno Canada Holdings Ltd., a wholly owned subsidiary of the Company.
- e) During 2005, the Company recovered \$124,545 of project costs from Catapult Energy Limited Partnership I whereby a wholly owned subsidiary of the Company is the general partner.
- f) In 2005, the Company invested \$1,992,500 in the units of Catapult Energy Limited Partnership I, a limited partnership managed by Catapult Financial Management Inc., a wholly owned subsidiary of the Company and recorded the amount as a long-term investment.
- g) The Company recovered \$39,975 (2005 - \$26,695) in rent and office costs from a company owned and controlled by the President of Juno Canada Holdings Ltd., a wholly owned subsidiary of the Company. Of this amount \$9,818 (2005 - \$Nil) was receivable at December 31, 2006.

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.

12. Financial Instruments

As disclosed in Note 2, 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 this risk by operating in a manner that minimizes its exposure to the extent practical.

Credit risk

At December 31, 2006 the Company held all of its cash at Canadian chartered banks, and as such was exposed to all of the risks of those institutions. Management manages this risk by banking with recognized financial institutions. In addition, the Company's marketable securities (Note 3) and long term investments (Note 4) were held in certain companies, and 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, 2006, the increase or decrease in net losses for each 1% change in interest rates on floating rate debt amounts to approximately \$Nil (2005 - \$Nil) per annum.

Overlord Financial Inc.
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December 31, 2006 and 2005

12. Financial Instruments - continued

Fair value risk

The Company's carrying amount of the debenture (Note 8) approximates its fair value. The debenture obligation was renegotiated in 2005 and current borrowing rates have not substantially changed.

The related disclosure regarding these debt instruments is found in Note 6 and 8 to these consolidated financial statements.

The Company's marketable securities and long-term investments are subject to fair value risk. Marketable securities are carried at the lower of original cost or market value. Long-term investments are carried at cost unless impairment occurs in which case the investments carrying amount is reduced to its estimated fair value. Fair value for investments in publicly traded companies is based on the last traded price of the security or closest to December 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.

13. Commitments and Guarantees

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

2007	\$ 286,697
2008	291,104
2009	295,585
2010	148,763
	<u>\$ 1,022,149</u>

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

- (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 services. 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.

In the ordinary course of business, the Company and its subsidiaries enter into contracts which contain indemnification provisions, such as letter agreements, service agreements and purchase and sale agreements. In such contracts, the Company may indemnify counterparties to the contracts if certain events occur. In some cases the Company requires indemnities from its service providers, related to the Company's indemnification obligations to customers. These indemnification provisions vary on an agreement by agreement basis. In some cases, there are no pre-determined amounts or limits included in the indemnification provisions and the occurrence of contingent events that will trigger payment under them is difficult to predict. Therefore, the maximum potential future amount that the Company could be required to pay can not be estimated.

- (c) Catapult Energy Financial Management Inc., a wholly owned subsidiary of the Company, has guaranteed all the debts, liabilities and obligations of Catapult Energy Limited Partnership I, as the General Partner.
- (d) Catapult Energy 2006 Inc., a wholly owned subsidiary of the Company, has guaranteed all the debts, liabilities and obligations of Catapult Energy Small Cap FTS Limited Partnership, as the General Partner.

The Company was party to a letter agreement with an underwriter to structure, arrange and market a collateralized fund obligation transaction of income trust equity. As the letter agreement expired on October 31,

Overlord Financial Inc.
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December 31, 2006 and 2005

13. Commitments and Guarantees - continued

- (e) 2006, the Company may be required to reimburse the underwriter for reasonable out of pocket expenses incurred in performing its obligations. A total of \$100,000, representing third party costs incurred as at December 31, 2006, has been expensed, which the underwriter has indicated to represent the total to date costs of the project.
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14. Subsequent Events

- (a) Subsequent to year end, Aston Hill signed an Advisory Agreement with Arrow Hedge Partners Inc. ("Arrowhedge"). Aston Hill will provide portfolio advisory services to Arrow Hedge on its new fund, Arrow Canadian Income Fund (the "Fund"). The investment objective of the Fund is to achieve a high level of income and potential capital gains with an attractive risk-adjusted return with moderate volatility.
- (b) Subsequent to year end, Overlord incorporated Catapult Energy 2007 Inc. ("Catapult 2007"), an Alberta Company, to act as the general partner of the Catapult Energy Small Cap FTS Limited Partnership 2007 (the "FTS 2007 Partnership"). Catapult 2007 is responsible for developing and implementing all aspects of the FTS 2007 Partnership's communications, marketing and distribution strategies and will manage its ongoing business and administrative affairs. Catapult Financial Management Inc. will be retained by Catapult 2007 to advise on the management of the investments in flow-through shares of private and public junior resource issuers for the FTS 2007 Partnership. The FTS 2007 Partnership is scheduled to close its initial public offering in the second quarter of 2007 and has no plans to be listed on any public markets.
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15. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.
