



International Water-Guard Industries, Inc.
2007 Annual Report



Above All, Water Quality

COMPANY PROFILE

For over 20 years, International Water-Guard has been improving the quality of water aboard aircraft - protecting both passengers and crew from the risk of waterborne illnesses. Today, we are the world's leading provider of flight-certified potable water treatment units and innovative potable water system solutions. From corporate jets to privately registered airliners and military transports, IWG delivers clear, safe potable water to aircraft worldwide.



FINANCIAL OVERVIEW

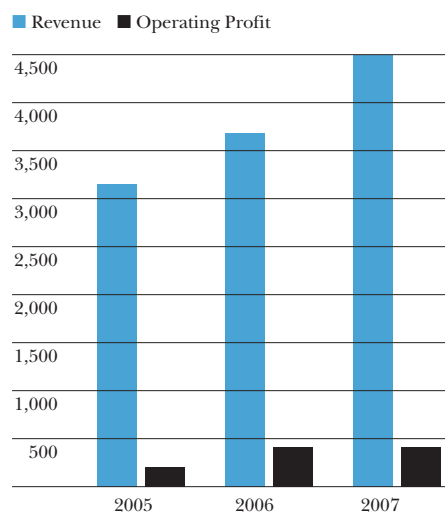
(All items in dollars, except per share data)

Operations	2007	2006	2005
Total revenues	\$ 4,484,903	\$ 3,662,460	\$ 3,134,809
Earnings before special items & taxes	381,147	404,545	163,597
Net earnings	808,147	404,545	914,111
Cash flow from operations	349,309	259,528	(286,716)
Basic EPS	2.4 ¢	1.2 ¢	3.5 ¢
Fully diluted EPS	2.4 ¢	1.2 ¢	3.5 ¢

Financial position	2007	2006	2005
Net capital expenditures	\$ 65,758	\$ 107,791	\$ 15,834
Working capital	1,387,326	909,496	576,218
Total assets	2,486,701	1,505,304	1,212,922
Shareholder's equity	1,990,931	1,044,875	585,835
Common shares outstanding	34,108,694	33,549,694	33,302,194

Operating Results

in thousands of dollars



Top Performer Award

IWG was awarded a Top Performer Award by Gulfstream Aerospace Corporation as one of its Suppliers of the Year. The award recognizes IWG for its achievements in Quality, Reliability, and Overall Performance as a supplier of Water Treatment Units for Gulfstream's leading business jets.



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Cover Photo

The cover photo represents the Company's vision for the future in which IWG equipment will be ubiquitous in the airline, as well as corporate aviation industry. It does not depict any current installation.

In 2007, International Water-Guard realized another strong year of increased revenue and growth. With the achievement of several important milestones, the company is cementing its position as the premier supplier of aviation water treatment products and systems to the world's corporate and VIP jet markets.



The year's highlights included:

- > Record sales,
- > Receipt of a "Top Performer" award from Gulfstream Aerospace,
- > Delivery of the second Boeing Business Jet Circulating Potable Water System (C-PWS), and
- > Introduction of our new "Intelligent Water Treatment Unit," the IWG-A4.

Our \$4.5 million revenue was a record for the company, made even more notable considering the adverse impact of the American – Canadian dollar exchange rate shift that occurred over the year. Operating income was \$381,000, a 6% reduction over last year, but had the US dollar remained the same as in the first six months of 2007, sales would have been nearly \$300,000 higher and earnings would have increased by about \$278,000.

We were very proud to receive the "Top Performer" award from Gulfstream Aerospace in recognition of our responsiveness and excellence as a supplier. For over 20 years, we have provided water treatment for top of the line Gulfstream jets and we are now standard on their premium products.

Supply of a second Boeing Business Jet C-PWS has confirmed there is a premium market for the system, where its unique capacity, pump pressurization, circulation and water treatment make it a customer "must have". We launched a special marketing campaign targeting BBJ and other VIP airliner operators which emphasized the premium performance of our system. The "Indulge" marketing program began at the National Business Aviation Association (NBAA) September show.

The IWG-A4 – the "Intelligent Water Treatment Unit" – is the first of a new generation of our products and a significant product development milestone. Our goal was to advance the capabilities

of our units to match the most current and anticipated requirements of the aviation industry. This includes self-monitoring and communications capabilities to integrate our product into any cabin or maintenance environment. The same enhanced power, control and communications capabilities will be incorporated into all future IWG products. Our first IWG-A4 customer is Dassault Falcon Jet.

Outside of the corporate and VIP aviation industry, IWG is actively pursuing commercial airline business. Water quality issues are an ongoing concern, and we constantly monitor and communicate with airlines, manufacturers and regulators with a view to seeing our products transition into this very significant market.

As we move into 2008, IWG will focus on new growth initiatives for the medium-to long-term. The aviation industry, and especially the corporate aviation industry, is currently very buoyant and we are taking full advantage of this.

I would like to thank our shareholders and board for their continuing support, and our skilled and valued team for their tireless efforts in making IWG such a success. I would also like to recognize outgoing director Ken Mellquist's contributions to the company. Ken has been involved for many years as both a shareholder and board member, providing a strong voice on matters related to governance and growth.

David C. Fox
President & CEO



IWG Onboard
means fresh clean water
for all passengers and crew



International Water-Guard is an aerospace systems company specializing in the supply of water treatment equipment, systems, and components to the world's large Corporate Jet manufacturers and VIP airliner conversions. The Company's mission is to improve the quality of aircraft potable water and water supply systems.

The Company has now delivered over 1,500 of its water treatment units to the aviation industry worldwide. The units are currently offered as standard installations or options by the three largest corporate jet manufacturers: Bombardier Aerospace, Dassault Falcon Jet, and Gulfstream Aerospace Corporation. Most VIP airliner conversions are equipped with IWG products. IWG also maintains its focus on the world's aircraft completion centers, where both new production aircraft and older models are modified for use in corporate aviation.

The IWG Circulating Potable Water System (C-PWS™) has received U.S. and Canadian aviation regulatory approval, and is being offered to both manufacturers and aircraft owners and operators whose aircraft are at a completion center for final interior outfitting. The C-PWS has been patented (US Pat. 6,463,956 and 6,766,822, Canadian Pat. 2,345,995) and retrofitted on Airbus A310, Boeing BBJ, Bombardier Global Express, and Gulfstream GIV aircraft.

Building on its success in the corporate aviation market, IWG is placing emphasis on the commercial airlines. The quality of potable water on their aircraft has always been held in question – and both the U.S. Environmental Protection Agency and Health Canada

have demonstrated that biological contamination of potable water is widespread on commercial aircraft. It is the view of IWG that on-board water treatment is the optimum way to deal with this issue.

Because of its more than twenty years of experience treating water on corporate, VIP, and military aircraft, no other company is as well positioned as IWG to take full advantage of this potential new demand.

COMPANY CAPABILITY

International Water-Guard is a Transport Canada approved manufacturing and maintenance organization, fully certified to the AS9100 aerospace quality management standard. The Company is also recognized by EASA (the European Aviation Safety Agency) as a certified maintenance organization. IWG operates from a 11,000 sq ft facility in greater Vancouver with the ability to expand as growth is required.

The Company maintains its own product and system design team in house, and has extensive experience in designing and certifying water treatment products and systems to appropriate aviation standards. IWG's capabilities include computer aided design using both



the Solid Works and CATIA packages. In addition, IWG's design team and quality organization have a good working relationship and long history with Transport Canada as our national certifying agency, and with the US Federal Aviation Administration.

Primary manufacturing conducted by IWG includes both the production and test of its Water Treatment Units and System components. This manufacturing process is supported by its Procurement, Quality Assurance, Testing and Engineering staff, and underlying processes and procedures. IWG's customer service capability provides service to Original Equipment Manufacturers (OEM's), completion centers and owner/operators worldwide. Currently, IWG supports more than 1,500 water treatment units on various aircraft types, and circulating potable water systems flying on four different types of aircraft.

PRODUCTS

Aircraft Water Treatment Units

IWG's family of aircraft water treatment units were specifically designed to address the problem of water quality on aircraft, and can be installed by manufacturers as original equipment, or on existing aircraft as a retrofit. The units are fully flight qualified for use on corporate and commercial aircraft, and meet or exceed the rigorous standards required for certified aviation products.

IWG's aviation products must undergo a rigorous, lengthy, and costly certification process in both the United States and Canada resulting in the issuance of a "Supplemental Type Certificate," or "STC." IWG has been issued U.S. and Canadian STC's on its ultraviolet disinfection equipment, and on its new Circulating Potable Water System. The cost and difficulty of the certification process are significant barriers to entry for companies trying to compete in the highly regulated aviation market place.

IWG's original product, the NPS-A2 was designed in the late 1970's by a predecessor company acquired by IWG in 1989. This robust product continues to be produced to this day.

The NPS-A3 received its Transport Canada certification in 2000. The A3 was developed to meet our customer needs by fitting into smaller spaces and adding filtration to the disinfection capability.

The IWG-A4 replaces the NPS-A4 as the company's first "intelligent" water treatment unit, and is a standard customer option on the Dassault Falcon Jet family. Lighter in weight than its predecessor, the IWG-A4 is electronically and physically more robust. Ease of maintenance was a key design feature, addressed through a new modular design. It is also equipped with enhanced self-monitoring capability that ensures adequate ultraviolet light is produced to disinfect the aircraft's water supplies, while scanning for a range of fault conditions which can be reported to a cabin management system through standard industry data protocols.



The NPS-A6 is similar in concept to the NPS-A3 but is constructed of stainless steel and has a higher flow rate.

Aircraft Circulating Potable Water Systems (C-PWS™)

IWG's Circulating Potable Water System was designed to address the major problems associated with the water systems currently in use on aircraft – water quality and freezing. It was also designed to weigh less and take up less space on aircraft than existing water systems. IWG's C-PWS can occupy up to 60% less space and weighs up to 50% less than existing systems, depending on which aircraft model is considered. This saving provides more space and weight allocation for passengers or cargo.



The C-PWS is comprised of aviation potable water treatment equipment to disinfect on-board potable water, pumps to circulate the water in the aircraft, tanks that conform to the shape of the aircraft (thereby saving space), piping and related distribution equipment and associated sensors and controls.

The essence of the new system design for aircraft is to constantly circulate potable water within the system, continually upgrading the quality of the water and essentially maintaining all parts of the system itself at a constant temperature.

Replacement Parts and Service

In addition to products and systems, the Company sells replacement parts (including spares) and services to customers with their own installed base of IWG systems and products.

TECHNOLOGY

IWG Water Treatment Units are designed to provide optimum water treatment to aircraft potable water. Many technologies are available for disinfection and water filtration, and IWG looks at all options in developing its flight certified products. The Company has found that the best technology for on-aircraft disinfection is ultraviolet light. It is possible to develop lightweight, robust equipment that meets rigorous aviation equipment standards with a variety of monitoring and fail-safe design features.

Disinfection by Ultraviolet Light

Scientists have known for nearly a century that ultraviolet light of certain wavelengths is an effective germicidal agent. Over the past thirty years, extensive experimental work has been carried out by researchers seeking to establish lethal ultraviolet dosages for a variety of pathogenic micro-organisms. As a result of this research, it is now possible to design ultraviolet irradiation equipment to meet virtually any disinfection requirement.

Ultraviolet radiation is actually high energy light. The wavelengths in the ultraviolet spectrum are too short for the human eye to resolve and ultraviolet light is therefore invisible. The ultraviolet spectrum ranges from 40 to 400 Nanometers (nm), with the most effective spectral region for germicidal purposes being between 250 and 265 nm. At the proper intensity, UV light is fatal to all micro-organisms known to inhabit water.

Mercury arc lamps generate the ultraviolet radiation for water disinfection, with low-pressure lamps being the most common and effective type. Low-pressure mercury arc lamps are efficient producers of ultraviolet rays in the 254 nm range lethal to microbes. This wavelength is very effective in the destruction of all known micro-organisms, including emerging health threats like E. Coli, Cryptosporidium, and Giardia. IWG also employs high intensity and amalgam ultraviolet lamps in specific applications requiring those types of technological solutions.

Studies show that DNA molecules in the nucleus of the organism absorb ultraviolet light. The organism is inactivated when sufficient dosage has been absorbed to modify the molecular structure in the DNA. It may not be killed instantly, but the scrambling of the genetic code in the nucleus prevents reproduction, rendering it non-viable and harmless to humans.

Filtration alone does not destroy waterborne pathogens; it merely removes unwanted material suspended in the water, such as sediment and chemicals like Chlorine. In fact, filters can become a good breeding ground for micro-organisms if not changed regularly.

However, ultraviolet disinfection and filtration work extremely well together, since UV treatment is optimized by working on clear water to allow the light to penetrate to its maximum effect. The result of combining filtration with UV is water that is not only safe, but is clean and good-tasting.



M A N A G E M E N T ' S D I S C U S S I O N A N D A N A L Y S I S

OVERVIEW

Comments in this section should be read in conjunction with the comparative audited financial statements included in the annual report for the fiscal year ended September 30, 2007. The following discussion and analysis in this report is based on information available to management as of December 11, 2007, and is intended to provide the reader with further understanding of the Company's business and factors underlying its financial results.

International Water-Guard Industries Inc. ("IWG" or the "Company") designs, manufactures, sells and services potable water treatment equipment and water systems for international aviation customers. The principal technology embodied in IWG's water treatment equipment is irradiation by ultraviolet ("UV") light, combined with filtration, ancillary systems and controls designed by the Company. Water systems may include tanks, water lines, pumps, valves and electronic controls in addition to water treatment units.

In fiscal 2007 IWG achieved several significant milestones. These included:

- > Completion of a new water treatment unit design, the IWG-A4, introduced at the NBAA trade show in September 2007;
- > Delivery of a second Boeing Business Jet (BBJ) water system kit;
- > Receiving a Gulfstream "Top Performer" Award; and
- > Increased overall sales in the face of a falling US dollar

During each of the last three fiscal years, the Company has been able to report earnings and positive cash flow from operations. The Company held cash of \$438,932 and had a \$500,000 available credit line at September 30th, 2007.

SELECTED ANNUAL FINANCIAL INFORMATION

(\$000's except per share amounts)	2007	2006	2005
Total revenues	\$4,485	\$3,663	\$3,135
Earnings from operations before special items and taxes	381	405	163
Gains on asset sales and debt settlements	-	-	751
Income tax recovery	427	-	-
Net income	\$ 808	\$ 405	\$ 914
Earnings per share, basic and fully diluted	2.4¢	1.2¢	3.5¢
Dividends per share	Nil	Nil	Nil
Total assets	\$2,487	\$1,505	\$1,213
Long term debt ⁽¹⁾	\$43	\$71	\$25

(1) Excludes current portion

The foregoing summary of annual financial results for the Company is extracted from the Company's annual audited financial statements, while a more detailed analysis of the latest results follow. Additional information relating to the Company is also available at www.water.aero or under its name on SEDAR at www.sedar.com.

OPERATING RESULTS

The Company reported revenue in fiscal 2007 of \$4,484,903, a 22% increase above the prior year's revenue of \$3,662,460. Fiscal 2007 earnings of \$381,147, before an income tax recovery, compares to earnings of \$404,545 in the prior year. The Company has also recorded an income tax recovery of \$427,000 related to future income tax benefits, resulting in net earnings of \$808,147.

Revenue and earnings.

Sales of the Company's aviation water treatment equipment and parts, and a Boeing Business Jet (BBJ) aircraft water system provided a 22% increase over the prior year. This sales growth includes a 8% growth in water treatment unit sales, augmented by growth in parts and service revenue, and the sale of a BBJ aircraft water system kit.

Increased equipment revenues have been offset to some degree by the weaker U.S. dollar which reduced average sales prices in Canadian dollars by 13%. Had the US dollar exchange rate for the last six months remained the same as the first six months, sales reported would have been \$299,400 higher, and earnings approximately \$278,000 higher. This impact is being mitigated to some degree by carefully considered price increases and introducing list pricing in Canadian dollars and Euros.

Sales to customers in Canada represented 26% of the Company's sales with 74% exported, primarily to United States.

Gross margins

Aggregate gross margin percentage decreased in 2007 due to a change in sales mix including the sale of a potable water system, the impact of the lower US dollar in which the Company's sales are invoiced, and an increase in non-variable costs. These factors resulted in a 5% decrease in margin percentage overall versus the prior year.

Operating expenses

Selling expenses of \$369,189 are similar to the prior year. The mix of marketing events has shifted year to year, and there has been an increase to travel budgets.

Engineering and product development expenses of \$500,718 represents an 18% increase over the prior year. Increased engineering staff reflects further efforts by the Company to accelerate product development including new product design, prototype and testing. This trend will continue through fiscal 2008. All product development costs have been expensed, and none has been capitalized.

General, administration, insurance, information technology and regulatory related expenses totaled \$1,069,852, a 24% increase over fiscal 2006. The current year increase was primarily attributed to the hiring of new staff, and increased legal, regulatory and IT expenses.

Interest expense has been reduced significantly from that incurred in fiscal 2006 due to the retirement of a factoring loan in that year.

Income taxes

The Company has recorded a \$427,000 income tax recovery related to the estimated benefit of available income tax losses and other timing differences which the Company now believes can be used to offset taxes on income in the future. A description of this valuation estimate is included in the notes to the audited financial statements. The Company will continue to review this estimate in conjunction with future financial reports.

QUARTERLY INFORMATION

The Company's sales were \$1,278,700 during the fourth quarter ended September 30th, 2007, compared to \$929,098 during the fourth quarter of 2006. Loss from operations of \$21,963 is reported versus earnings of \$66,661 a year earlier. Sales during the quarter benefited from the delivery of a BBJ water system kit, partially offset by fewer water treatment units delivered. However, the significant impact of the lower US dollar and higher stock option compensation (a non-cash item) combined to cause the Company to report a loss in the fourth quarter.

The summary information which follows is taken from the Company's quarterly and annual financial reports covering the last two fiscal years.

(\$000's except per share amounts)	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year
Fiscal 2007:					
Sales	\$ 1,013	\$ 1,149	\$ 1,043	\$ 1,280	\$ 4,485
Earnings (loss) before income taxes	135	176	91	(21)	381
Income tax recovery	-	-	-	427	427
Net income	135	176	91	406	808
Earnings per share, basic and fully diluted	0.4¢	0.5¢	0.3¢	1.2¢	2.4¢
Fiscal 2006:					
Sales	\$ 794	\$ 926	\$ 1,014	\$ 929	\$ 3,663
Net income	72	114	152	67	405
Earnings per share, basic and fully diluted	0.2¢	0.3¢	0.5¢	0.2¢	1.2¢

There are no significant factors which may be used to predict future performance in either sales or in net income on a quarter to quarter basis.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity and capital resource position has further improved during the year with cash provided from operations, enabling the Company to pursue new customer opportunities.

Cash position:

Cash increased by \$305,403 to \$438,932 from a year earlier due to the increase in cash flow from operations related to sales growth.

Cash flow from operations:

Cash provided by operating activities, before non-cash operating working capital, was \$514,270 in 2007 (\$473,368 in 2006). From this amount, \$164,961 was utilized to finance working capital with an increase in inventory, offset principally by increased supplier payables. The unusual inventory increase arose from a short term delay in some customer orders.

Capital expenditures:

Capital expenditures of \$65,758 were incurred by the Company. This amount included leasehold improvement costs of \$8,240, computer equipment and CAD systems of \$38,301 plus manufacturing and office equipment and furniture of \$19,217.

Cash provided by financing activities:

The Company issued 559,000 common shares on exercise of options during the year for cash proceeds of \$57,200, while \$35,348 was utilized to pay long-term debt obligations.

Working capital position:

The Company completed its 2007 fiscal year with \$1,387,326 in working capital, an improvement of \$477,830 from the prior year. This improvement was primarily attributed to cash flow from operations. The Company completed fiscal 2007 with a cash reserve plus a credit facility available to finance its future growth.

Contractual obligations

The Company's operations facility is subject to a five and 1/2-year premises lease agreement until November 2010, with one renewal option. Other obligations of the Company are the capital lease agreements described in the notes to the September 30th financial statements.

Share capital

The Company has 34,108,694 common shares outstanding as at the date of this report. This number includes the 559,000 shares issued during the year in the exercise of options. In addition, there are 2,162,500 options outstanding under the Company's stock option plan. Further details of these options are included in the notes to the financial statements.

RISKS AND UNCERTAINTIES

IWG recognizes that certain risks are inherent in its business plan, which requires the Company to manage its affairs to minimize the impact of such risks to its operations. The following are the more significant risks managed by the Company.

Aircraft markets

The Company's primary customers are business use aircraft manufacturers, owners and operators. Such markets are cyclical over time although often differing from the cycles for commercial aircraft. Sales are made on a standard or optional basis and are dependent upon the production rates and customization of new aircraft or the requirement for upgrading existing aircraft by owners. As a consequence, equipment and systems sales, can fluctuate from period to period, offset in by increasing sales to new customers.

Competition

Aviation - Potable Water Treatment Equipment

At this time, there are no other companies of significance supplying flight certified potable water disinfection equipment to the aircraft industry. It is expected that competition will come, although IWG intends to remain the dominant player in this field because of its significant head start, and by developing new products, pricing new and existing products as though competition exists, and continuing to seek customer input. It is known that one new aircraft program will be employing a potable water disinfection device in a configuration different from IWG. A variety of water filters are used by some airlines and operators, but these do not actively treat and disinfect the water.

Aviation - Potable Water Systems

Currently, IWG is aware of several major full water systems providers in addition to the Company. Their focus tends to be on the airliner/regional jet markets, whereas the Company currently places most of its attention on the corporate/VIP jet market. At least one of the companies competes directly in the corporate/VIP market. A variety of suppliers provide components to aircraft manufacturers for inclusion in their potable water system designs, but IWG is one of the few companies offering aircraft manufacturers a full system solution as a kit.

Intellectual property

The Company has several patents on its aviation products and water treatment systems. In order to properly protect its intellectual property, the Company from time to time must assert its intellectual property against those who appear to be infringing it. In this respect, the Company on June 26th, 2006, filed a Statement of Claim against Bombardier Inc. claiming that a Canadian patent owned by the Company has been infringed by Bombardier. This action is currently in progress.

Foreign exchange

The Company reports its financial results in Canadian dollars. However, the Company's sales are invoiced in U.S. dollars, which are offset to a limited extent by the portion of its product costs that are also in U.S. dollars. Generally, fluctuations in the Canadian to United States dollar exchange rate are recorded as transactions occur and adjusted at the end of the period that financial results are reported. The details of the Company's foreign exchange policy are included in the notes to the financial statements.

The unprecedented shift in the Canadian to U.S. dollar exchange rates during 2007 had a significant effect both on sales and earnings. As noted previously, had the exchange rate remained at its early fiscal 2007 levels, the company would have seen approximately \$299,400 more in total revenue, to \$4,784,303, translating to an additional \$278,000 in net earnings (0.8¢ per share). Earnings before taxes would have increased from \$381,000 to \$659,000 in fiscal 2007. This impact is being mitigated to some degree by carefully considered price increases and introducing list pricing in Canadian dollars and Euros.

The Company has not previously employed financial instruments to hedge its foreign exchange position because its past sales contracts generally have been short term. However, during fiscal 2008 the Company anticipates it will initiate the hedging of future foreign exchange requirements.

Financial resources

The Company's operations continue to provide and ensure cash is available to fund its current product development or capital expenditures and current level of operations, providing a base on which the Company can continue its growth in the aviation market. Continuing growth may require additional capital beyond that generated from operations.

This is not an exhaustive list of the various risk factors that may be faced by the Company, but is a specific reference to the major risk factors addressed by the Company.

Accounting estimates

The preparation of financial statements requires the Company to estimate the effect of various matters that includes some uncertainty. While most estimates are not deemed material to the financial position of the Company, the estimate of the anticipated benefit of future income tax loss recoveries requires management to make assumptions and estimates about future financial results. Such estimates are updated on a regular basis.

CHANGES TO ACCOUNTING POLICIES

On October 1, 2006, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments - Recognition and Measurement; Section 3861, Financial Instruments - Disclosure and Presentation; and Section 3865, Hedges. These new standards resulted in changes in the accounting for financial instruments and hedging transactions. Adoption of these new standards did not affect amounts reported in prior periods, nor in the amounts reported in fiscal 2007. Further details of these adopted policies are included in the notes to the Company's financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company maintains a system of internal controls and procedures over regular financial transactions and reports and the effectiveness over reporting disclosures such that management is able to assure itself as to the adequacy of its financial reporting. Although the Company has limited staff and consequent restraints on the segregation of duties, effort is made to assure optimum segregation of responsibilities associated with key processes. In addition, senior management have familiarity with day to day transactions and exercise control consisting primarily of management review of financial information, approval of key transactions and open communication from and with employees. While there have not been any material or adverse changes in such internal controls, with continued growth in its operations, internal controls over the Company's financial transactions will continue to be improved.

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of September 30, 2007 and concluded that such controls and procedures are adequate and effective to ensure that information required to be disclosed by the Company in reports that it files or submits pursuant to Canadian securities laws is (a) recorded, processed, summarized and reported within the time periods specified by applicable Canadian securities laws; and (b) accumulated and communicated to the management of the Company, including its Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure as specified in Canadian securities laws.

FORWARD-LOOKING STATEMENTS

The Company's financial reports contain forward-looking statements that involve risks and uncertainties. These forward-looking statements are based on current expectations of management and actual events may differ materially from current expectations.

BUSINESS OUTLOOK

Development activity pursued by IWG in recent years has assured that its water treatment products and systems are at the leading edge of aviation market requirements. The business outlook on the aviation sector is strong, and potable water quality is being perceived as an increasingly important issue, as evidenced by EPA and Health Canada reports.

International Water-Guard Industries, historically a developer of UV-based water treatment equipment for several niche markets has become a primary supplier of engineered water treatment units and systems for the aviation market. IWG's goal is to significantly grow its business as a provider of water systems and disinfection units to the aviation industry.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of International Water-Guard Industries Inc. for the fiscal year ended September 30, 2007 and all other information in the annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects. Management has also prepared the financial information presented elsewhere in the Annual Report and Annual Information Form and has ensured that it is consistent with that in the financial statements.

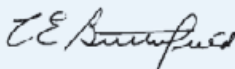
The Company maintains a system of internal control designed to provide reasonable assurance that financial information is reliable and accurate and that assets are safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility, principally through its Audit Committee. The Board appoints the Audit Committee, and all of its members are outside directors. The Audit Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the Annual Report, the financial statements and the external auditors' report.

KPMG LLP, the Company's external auditors, have audited the financial statements in accordance with Canadian generally accepted auditing standards on behalf of the shareholders to provide reasonable assurance that the financial statements are presented fairly, in all material respects, in accordance with Canadian generally accepted accounting principles. KPMG LLP have full and unrestricted access to the Audit Committee to discuss their audit and related findings as to the integrity of the Company's financial reporting.



President, CEO and Director



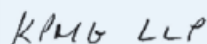
Chief Financial Officer

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of International Water-Guard Industries Inc. as at September 30, 2007 and 2006 and the statements of operations and deficit and cash flows for the years 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 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 financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Vancouver, Canada
November 23, 2007

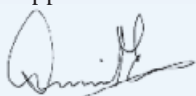
B A L A N C E S H E E T S

September 30, 2007 and 2006

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 438,932	\$ 133,529
Accounts receivable	721,278	755,321
Inventory (note 3)	642,232	388,844
Prepaid expenses	37,969	21,664
	<u>1,840,411</u>	<u>1,299,358</u>
Furniture and equipment (note 4)	219,290	205,946
Future income tax assets (note 9)	427,000	-
	<u>\$ 2,486,701</u>	<u>\$ 1,505,304</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 425,072	\$ 354,383
Current portion of capital lease obligations and loan payable (note 6)	28,013	35,479
	<u>453,085</u>	<u>389,862</u>
Capital lease obligations and loan payable (note 6)	42,685	70,567
	<u>495,770</u>	<u>460,429</u>
Shareholders' equity:		
Share capital (note 7)	7,607,553	7,533,289
Contributed surplus (note 7(c))	153,964	90,319
Deficit	(5,770,586)	(6,578,733)
	<u>1,990,931</u>	<u>1,044,875</u>
Contingencies and commitments (note 8)		
	<u>\$ 2,486,701</u>	<u>\$ 1,505,304</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

STATEMENTS OF OPERATIONS AND DEFICIT

Years ended September 30, 2007 and 2006

	2007	2006
Sales	\$ 4,484,903	\$ 3,662,460
Cost of goods sold (note 3)	2,022,031	1,467,763
Gross profit	2,462,872	2,194,697
Expenses:		
Selling expenses	369,189	373,683
Engineering and product development	500,718	425,338
General, administrative and occupancy	1,069,852	864,836
Stock-based compensation (note 7(c))	80,709	29,745
Amortization	52,414	39,078
Interest	8,843	57,472
	2,081,725	1,790,152
Earnings before taxes	381,147	404,545
Income tax recovery (note 9)	427,000	-
Net earnings	808,147	404,545
Deficit, beginning of year	(6,578,733)	(6,983,278)
Deficit, end of year	\$ (5,770,586)	\$ (6,578,733)
Earnings per share amounts:		
Basic	\$ 0.024	\$ 0.012
Diluted	0.024	0.012
Weighted average shares outstanding:		
Basic	33,707,636	33,407,297
Diluted	34,010,343	33,426,175

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Years ended September 30, 2007 and 2006

	2007	2006
Cash flows from (used by):		
Operations:		
Net earnings	\$ 808,147	\$ 404,545
Items not involving cash:		
Income tax recovery	(427,000)	-
Amortization	52,414	39,078
Compensation related to stock option plan	80,709	29,745
	514,270	473,368
Changes in non-cash operating working capital:		
Accounts receivable	34,043	(246,545)
Inventory	(253,388)	(105,922)
Prepaid expenses	(16,305)	10,264
Accounts payable and accrued liabilities	70,689	128,363
	349,309	259,528
Financing:		
Repayment of factoring loan	-	(367,900)
Repayment of capital lease obligations	(31,202)	(21,570)
Repayment of loan payable	(4,146)	(8,292)
Issuance of capital stock	57,200	24,750
	21,852	(373,012)
Investments:		
Purchase of furniture and equipment	(65,758)	(107,791)
Increase (decrease) in cash and cash equivalents	305,403	(221,275)
Cash and cash equivalents, beginning of year	133,529	354,804
Cash and cash equivalents, end of year	\$ 438,932	\$ 133,529
Supplementary information:		
Interest paid	\$ 8,843	\$ 57,472
Non-cash transactions:		
Furniture and equipment purchased using capital lease obligations	-	102,741

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Years ended September 30, 2007 and 2006

1. OPERATIONS:

The Company is incorporated under the Business Corporations Act (British Columbia). The Company's principal business operations relate to the development, manufacture and sale of aircraft water treatment equipment and water systems.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation and operations:

The Company's financial statements are prepared in accordance with Canadian generally accepted accounting principles and, except where otherwise indicated, are expressed in Canadian dollars. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Significant estimates used in the preparation of these financial statements primarily relate to the assessment of the valuation of accounts receivable, the net realizable value of inventory, and the realizability of future income tax assets. Actual results could differ from these estimates.

(b) Cash and cash equivalents:

Cash equivalents are highly liquid investments, such as term deposits with major financial institutions, having a term to maturity of three months or less at acquisition that are readily convertible to specified amounts of cash.

(c) Inventory:

Inventory is valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value. Raw materials inventory includes parts to be used in the manufacturing process. Work-in-process and finished goods inventory includes the cost of raw materials, direct labour, freight and other direct manufacturing costs.

(d) Furniture and equipment:

Furniture and equipment is stated at cost. Amortization using the declining-balance method on tooling and equipment is provided at a rate of 20% per annum and on computer equipment at 25% per annum. Leasehold improvements are amortized over the term of the lease on a straight-line basis.

(e) Impairment of long-lived assets:

The Company tests long-lived assets, such as furniture and equipment, for impairment when events or circumstances indicate that impairment exists. Long-lived assets are impaired if the undiscounted cash flows expected to be earned from their use is less than their carrying amount, at which time, long-lived assets are written down to their fair value.

(f) Revenue recognition:

Revenue is recognized when persuasive evidence of a contractual arrangement exists, the products and services have been delivered to the customer and there are no significant vendor obligations remaining, the price is fixed or determinable, and collectibility is reasonably assured. Amounts received from customers in advance of satisfying all revenue recognition criteria are deferred.

(g) Government assistance:

The Company receives payments from time to time under various government assistance programs. These payments are recorded in the period during which the amounts are received or receivable. Payments received in respect of operating expenditures are deducted from expenses and in respect of capital expenditures are applied to reduce the cost of such additions. Under certain government assistance programs, the Company is required to pay future royalties to the government as a condition of receiving the grant (note 8(a)). Royalty payments are recognized and expensed when incurred.

(h) Engineering and product development:

Engineering costs are expensed as incurred. Product development costs are expensed as incurred unless certain specified criteria for deferral have been met. The Company applies a stringent interpretation of these criteria, with the result that only costs associated with completing specific technologically feasible product applications having a continuing identifiable market with best estimates of net cash flows in excess of the carrying value of the costs incurred are deferred. Routine alterations to existing products are expensed as incurred.

2.SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Income taxes:

Income taxes are accounted for using the asset and liability method. Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future tax asset when such benefits are not expected to be realized.

(j) Stock-based compensation:

The Company has a stock-based compensation plan, which is described in note 7(c).

The Company accounts for stock-based compensation related to stock options granted to employees and directors using the fair value method, and recognize such stock-based compensation in results from operations over the vesting period.

(k) Earnings per share:

Earnings per share amounts have been calculated based on the weighted average number of shares outstanding. Fully diluted per share amounts have been calculated using the treasury stock method, which takes into account the dilutive effect of outstanding warrants and options. Securities such as stock options and warrants are included in the calculation of diluted per share amounts only if the market price of the underlying common shares exceeds the exercise price.

(l) Foreign exchange translation:

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates of exchange. Revenue and expenses are translated into Canadian dollars at the rates of exchange in effect at the dates of the transactions. Gains or losses arising from foreign exchange translation are included in the results of operations. For the year ended September 30, 2007, foreign exchange losses included in net earnings totaled \$42,724 (2006 - \$35,533).

(m) Changes in accounting policies:

On October 1, 2006, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments - Recognition and Measurement; Section 3861, Financial Instruments - Disclosure and Presentation; and Section 3865, Hedges. These new standards resulted in changes in the accounting for financial instruments and hedging transactions. Adoption of these new standards did not affect amounts previously reported. The principal changes resulting from these new standards are described below:

(i) Comprehensive income:

Section 1530 establishes standards for reporting and presenting comprehensive income. Comprehensive income, composed of net income and other comprehensive income, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Cumulative changes in other comprehensive income (loss) are included in accumulated other comprehensive income (AOCI) which is presented as a new category in shareholders' equity. For the Company, net earnings is equal to comprehensive income. Accordingly, no amounts are required to be recognized as a separate component of shareholders' equity.

(ii) Financial instruments:

Under Section 3855, financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as held-for-trading, available for sale, held-to-maturity, loans and receivables, or other financial liabilities.

On adoption, the Company classified cash and cash equivalents as held-for-trading measured at fair value and accounts receivable are classified as loans and receivables measured at amortized cost.

Accounts payable and accrued liabilities, capital lease obligations and loan payable are classified as other financial liabilities and are measured at amortized cost.

These classifications did not result in any changes in the recognition or measurement of related amounts and no adjustments were required to amounts previously recognized.

(iii) Hedging:

Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company is not currently engaged in hedging activities. Accordingly, adoption of this new standard had no impact on the consolidated financial statements.

3. INVENTORY:

	2007	2006
Raw materials and work-in-process	\$ 441,312	\$ 256,590
Finished goods	200,920	132,254
	<u>\$ 642,232</u>	<u>\$ 388,844</u>

Cost of goods sold is determined as follows:

	2007	2006
Opening inventory	\$ 388,844	\$ 282,922
Manufacturing costs:		
Parts	1,347,383	874,394
Direct labour, freight and other	385,046	294,008
Manufacturing overhead	542,990	405,283
	<u>2,275,419</u>	<u>1,573,685</u>
Available for sale	2,664,263	1,856,607
Closing inventory	642,232	388,844
	<u>\$ 2,022,031</u>	<u>\$ 1,467,763</u>

4. FURNITURE AND EQUIPMENT:

	2007	2006
Tooling	\$ 3,877	\$ 3,877
Manufacturing and distribution equipment	58,016	45,085
Furniture and office equipment	307,742	263,155
Leasehold improvements	96,932	88,692
	<u>466,567</u>	<u>400,809</u>
Accumulated amortization	(247,277)	(194,863)
	<u>\$ 219,290</u>	<u>\$ 205,946</u>

As at September 30, 2007, furniture and equipment with a cost of \$102,741 (2006 - \$102,741) and a net book value of \$65,835 (2006 - \$86,517) is held under capital lease.

5. BANK CREDIT LINES:

The Company has an agreement for a \$500,000 operating loan credit facility with The Toronto-Dominion Bank. Amounts drawn on the facility bear interest at bank prime rate plus 1.5% and are secured by a general security agreement on the Company's assets with normal covenants and margin requirements. At September 30, 2007, no amounts have been drawn on the available credit facility.

6. CAPITAL LEASE OBLIGATIONS AND LOAN PAYABLE:

	2007	2006
Obligations under capital leases	\$ 49,968	\$ 81,171
Loan payable	20,730	24,875
	70,698	106,046
Current portion	28,013	35,479
	\$ 42,685	\$ 70,567

The Company has entered into several capital lease agreements for equipment. These lease obligations have terms from 3 to 33 months, with interest rates ranging from 2.3% to 9.75% and averaging 7.3%. Each lease includes a purchase option approximating 10% of the equipment cost exercisable prior to the completion of the lease period. The present value of the lease obligations are recorded as a liability, with the current portion included in current liabilities.

The capital lease obligations require the following minimum annual payments during respective fiscal years:

2008	\$ 26,326
2009	21,826
2010	5,391
2011	998
	54,541
Amount representing interest	(4,573)
	\$ 49,968

During 2002, the Company received funds from Industry Canada's Industrial Technology Office (formerly Technology Partnership Canada or TPC). The loan outstanding is non-interest bearing, repayable in equal annual installments until December 2011. Interest at TPC's prescribed rates plus 300 basis points is charged on late payments.

7. SHARE CAPITAL:

(a) Authorized:

Unlimited number of common shares without par value
Unlimited number of preference shares without par value

(b) Issued common shares:

	Number of shares	Amount
Balance, September 30, 2005	33,302,194	\$ 7,508,539
Issued for cash on exercise of warrants	247,500	24,750
Balance, September 30, 2006	33,549,694	7,533,289
Issued for cash on exercise of options	559,000	74,264
Balance, September 30, 2007	34,108,694	\$ 7,607,553

7. SHARE CAPITAL (CONTINUED)

(c) *Stock options:*

The Company, from time to time, grants stock options to employees, directors, officers and certain consultants under the Company's stock option plan. The maximum amount of options available for issue is 3,464,000 common shares. These stock options are granted at the discretion of, and have terms and conditions as directed by the Board of Directors. Stock options generally vest over a period of eighteen months following the date of grant.

A summary of the status of the Company's stock option plan as at September 30, 2007 and 2006 and changes during the years ending on those dates is presented below:

	2007		2006	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding, beginning of year	2,350,000	\$ 0.12	2,200,000	\$ 0.13
Granted	1,612,500	0.16	350,000	0.09
Exercised	(559,000)	(0.10)	—	—
Cancelled or expired	(1,241,000)	(0.14)	(200,000)	(0.15)
Outstanding, end of year	2,162,500	0.14	2,350,000	\$ 0.12
Options exercisable, end of year	1,736,000	\$ 0.14	2,040,000	\$ 0.12

Stock options outstanding and exercisable at September 30, 2007:

Number of stock options outstanding	Options exercisable	Exercise price	Weighted average remaining contractual life
580,000	580,000	0.21	56.4 months
435,000	337,000	0.145-0.15	34.8 months
260,000	260,000	0.115	8.4 months
347,500	139,000	0.10	24 months
540,000	420,000	0.075-0.09	19.2 months
2,162,500	1,736,000		34.8 months

During the year ended September 30, 2007, the Company recognized \$80,709 (2006 - \$29,745) in stock-based compensation related to options granted.

The compensation expense was calculated using the Black-Scholes option pricing model assuming a weighted average risk-free interest rate of 4.31% (2006 - 3.57%), a dividend yield of 0.0%, a weighted average expected volatility of 55.7% (2006 - 78.0%) and expected life of stock options of 2.5 years (2006 - 2.25 years). The weighted average grant date fair value of options granted during the year ended September 30, 2007 was \$0.06 (2006 - \$0.04).

Changes in contributed surplus related to stock-based compensation are as follows:

	2007	2006
Balance, beginning of year	\$ 90,319	\$ 60,574
Stock-based compensation recognized	80,709	29,745
Stock-based compensation reclassified to share capital on exercise of options	(17,064)	—
Balance, end of year	\$ 153,964	\$ 90,319

8. CONTINGENCIES AND COMMITMENTS:

(a) The Company entered into an agreement with TPC in 2002, whereby TPC assisted the funding of the development of its NPS-A3 potable water treatment system to the extent of the lesser of 30% of eligible costs and \$235,845. As a condition of this agreement, the Company agreed to pay TPC a royalty of 2% of the gross revenue from the sale of NPS-A3 systems until September 30, 2007, or if the royalty payments to that date do not exceed \$365,180, then until the limit of \$365,180 is reached. Accumulated royalties paid or payable to September 30, 2007 totaled \$281,445 (2006 - \$219,235).

An agreement has also been entered into with the National Research Council Canada (NRC/IRAP) in 2002, whereby NRC/IRAP assisted in the funding to further develop the Company's potable water systems for certain aircraft (C-PWS™) in the amount of \$495,000. As a condition of this agreement, the Company agreed to pay NRC/IRAP a royalty of 2% of the Company's gross revenue earned each quarter from April 1, 2005 to June 30, 2005 and then from April 1, 2007 through September 30, 2007 and then from January 1, 2009 for every quarter thereafter through December 31, 2014. Accumulated royalties paid or payable to September 30, 2007 totaled \$77,156 (2006 - \$30,962).

(b) The Company entered into a long-term operating lease for premises expiring November 30, 2010. The future annual lease payments, exclusive of property taxes and expenses directly payable by the Company, are:

2008	100,850
2009	104,325
2010	105,300
2011	17,550
	\$ 328,025

9. INCOME TAXES:

Income tax expense, or recovery attributable to utilization of prior year losses, differs from the amounts computed by applying the combined Canadian federal and provincial income tax rate of 34.12% (2006 - 34.12%) to earnings before income taxes as follows:

	2007	2006
Earnings before income taxes	\$ 381,147	\$ 404,545
Expected income tax expense	\$ (130,047)	\$ (137,950)
Tax effect of:		
Change in valuation allowance	629,990	231,640
Change in tax rate	(57,548)	(53,753)
Other	(15,395)	(39,937)
Income tax recovery	\$ 427,000	\$ -

9. INCOME TAXES (CONTINUED)

The tax effects of temporary differences that give rise to future tax assets are presented below:

	2007	2006
Future income tax assets:		
Non-capital losses carried forward	\$ 1,060,454	\$ 1,281,709
Furniture and equipment	91,574	62,855
Scientific research and development expenditures	111,233	119,477
Share issue costs	7,466	9,676
Total gross future income tax assets	1,270,727	1,473,718
Valuation allowance	(843,727)	(1,473,718)
Net future income tax assets	\$ 427,000	\$ -

In assessing the ability to realize future income tax assets, management considers whether it is more likely than not that some or all of the future tax assets will be realized. The ultimate realization of the future tax assets is dependent on the generation of taxable income during periods in which the temporary differences reverse. As at September 30, 2007, evidence does not yet exist to support a conclusion that it is more likely than not that all future income tax assets will be realized. Accordingly, a valuation allowance has been recorded against those future tax assets which are not expected to be realized. In its determination of the valuation allowance, the Company considered forecasted future earnings and taxable income in the period during which losses are expected to expire or other temporary differences are expected to reverse.

The Company has non-capital loss carry forwards of approximately \$3,410,000 which will expire at various dates through 2011. The Company also has Scientific Research and Development expenditures of approximately \$363,000 which are available to offset taxable income indefinitely.

10. FINANCIAL INSTRUMENTS:

(a) Fair values:

Financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, the carrying values of which are considered by management to approximate their fair values due to their ability for prompt liquidation and short-term to maturity. Financial instruments also includes loan payable and capital lease obligations, the fair value of which is not materially different from its carrying value based on market rates of interest.

(b) Credit risk:

The Company is exposed to credit risk only with respect to uncertainties as to the timing and collectibility of accounts receivable. At September 30, 2007, eight customers (2006 - six) represented approximately 95% (2006 - 94%) of accounts receivable. The Company mitigates credit risk through regular credit assessment and collection policies.

(c) Currency risk:

At September 30, 2007, 97% (2006 - 100%) of accounts receivable and 8% (2006 - 16%) of liabilities are denominated in United States dollars. The Company has not entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

11. SEGMENTED INFORMATION:

The Company's principal business operations relate to the development, manufacturing and sale of aircraft water treatment equipment and water systems and, accordingly, the Company has only one reportable segment. In 2007, sales to six customers (2006 - six customers) represent approximately 85% (2006 - 88%) of total revenue. All of the Company's furniture and equipment is located in Canada. In 2007, approximately 26% (2006 - 25%) of sales revenue was generated by customers in Canada and 74% (2006 - 75%) by customers in other countries, primarily the United States.

D I R E C T O R S A N D O F F I C E R S

John J.D. Lawson - Chairman of the Board

John Lawson began his aviation career with 18-years in the Canadian Armed Forces, where he was a Flight Instructor, Fighter Pilot, and Test Pilot. He is a graduate of the Royal Military College and the University of Toronto, where he received an Honours BAsC in electrical engineering. He left the Air Force in 1975 with the rank of Lieutenant Colonel to pursue a career in business. Mr. Lawson retired in 2001 as President of Bombardier Business Aircraft Sales with responsibility for the worldwide marketing and sales of all Learjet and Bombardier corporate jets. Previous to that, he held several positions within the Bombardier group, including President of Canadair Business Aircraft, Vice-President, Marketing and International Sales, and Vice-President of Challenger Product Support. He is currently a Director of NAV CANADA.

David C. Fox - President and CEO

David Fox has many years of business development and aerospace experience and holds both an Aeronautical Engineering Degree from the University of London and an MBA from the London Business School. From 1989 to 1995, he was Vice President and General Manager of Airshow Canada, a major international aerospace tradeshow. He served as IWG's Vice President, Aerospace Business from 1996 to 1998. Until May 2004, David was Vice President, Business Development for Vortek Industries Ltd., a supplier of high-energy optical systems to the aerospace /materials testing and semiconductor industries.

Michael A. Evans - Director

Michael Evans is a principal of Evans & Evans, Inc., a leading Canadian boutique investment banking firm with offices in Canada and the U.S. For the past 17 years Michael has raised millions of dollars for numerous clients through private placements, public offerings, and debt issuances. He has also advised on many merger and acquisition transactions and has originated transactions both for purchasers and sellers. He holds a Bachelor of Business Administration degree from Simon Fraser University, a Master's degree in Business Administration from the University of Portland, and the Chartered Financial Analyst and Chartered Business Valuator designations. He is a member of the Association of Investment Management and Research, the Canadian Institute of Chartered Business Valuators and a Candidate Member of the American Society of Appraisers.

Bruce Gowan - Director

Mr. Gowan, a Chartered Accountant, is the former Chief Financial Officer at Magellan Aerospace, and continues as a member of the company's Board of Directors, where he serves on the Audit Committee and the Human Resources and Compensation Committee. He is also Chairman of the Board for Lakeland Holdings Ltd., a power generation and power distribution company.

Bruce G. MacCoubrey - Director

Bruce MacCoubrey completed a highly successful career with Air Canada as Vice-President, Strategic Business Services and Chief Purchasing Officer in 2003. He is now consulting in the aviation industry. Bruce is a member of the Order of Engineers of Quebec and holds a Masters Degree in Business Administration from McGill University. He began working for Air Canada in 1969 and held senior positions in Cargo, Airport Operations Planning, Purchasing & Supply, and Component Maintenance. In 2000 he was appointed a Vice-President and Chief Purchasing Officer. He has also been Chairman of the Board for AeroXchange, and Board Member for Airliance Materials, and Acetec. He was also Chairman of the Star Alliance Purchasing Committee, and Chairman of the Air Transport Association Materials Management Committee.

Kenneth A. Mellquist - Director

Mr. Mellquist is a lawyer by training whose expertise is in the establishment and organization of new enterprises, intellectual property protection and negotiation of collaboration, licensing, joint venture and technology transfer agreements. He was a former President and Senior Vice-President of Corporate Affairs for Angiotech Pharmaceuticals Inc, and was part of a management team that oversaw Angiotech's growth to a market capitalization of approximately US\$600M.

Michael J. Piscatella - Director

Mr. Piscatella has over thirty years of aerospace business experience. He currently is the President of Industrial Tube Corporation and President of Electrofilm Manufacturing Company, which along with Hartzell Propeller Inc., are subsidiaries of Tailwind Technologies Inc. for which he is Vice President of Business Development. His previous experience includes nine years with Goodrich Corporation, a period in which he rose to become Group President, Aerostructures & Aviation Technical Services, and twenty-five years with Textron Lycoming, culminating with the position of Director, International Business. He is also a member of the President's Advisory Board for Embry-Riddle Aeronautical University.

Gerald P. Eiers - Vice President & General Manager

Gerald's experience with both large and small manufacturing firms gives him a strong background in marketing and sales. In addition, he provides leadership to IWG's procurement and manufacturing teams and oversees the company's administrative functions, including: human resources, information technology and facility development. He joined IWG in 1997, and until September 2001 was responsible for the company's accounting and administrative functions.

C. Edward Butterfield - Chief Financial Officer and Corporate Secretary

Ted has significant experience in managing the financial and business operations of public companies. Prior to joining IWG in September 2000, he served as CFO with a public aerospace component manufacturer he joined in 1989. He has also served as the senior financial officer of several other public and private companies in the manufacturing, distribution and financial sectors.

C O R P O R A T E I N F O R M A T I O N

HEADQUARTERS

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CAPITAL STRUCTURE

(as at January 9, 2008)

Authorized: an Unlimited number
of Common Shares and an Unlimited
number of Preference Shares

Issued: 34,108,694 Common Shares

STOCK EXCHANGE

TSX Venture Exchange

Trading Symbol: "IWG"

AUDITORS

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LEGAL COUNSEL

Gowling Lafleur Henderson LLP

Suite 2300, Four Bentall Centre

1055 Dunsmuir Street

Vancouver BC V7X 1J1



ANNUAL GENERAL MEETING

The Company's Annual General Meeting
of shareholders will be held at 2:30 p.m.
on Wednesday, March 12, 2008,
at The Sutton Place Hotel
845 Burrard Street, Vancouver, BC.

